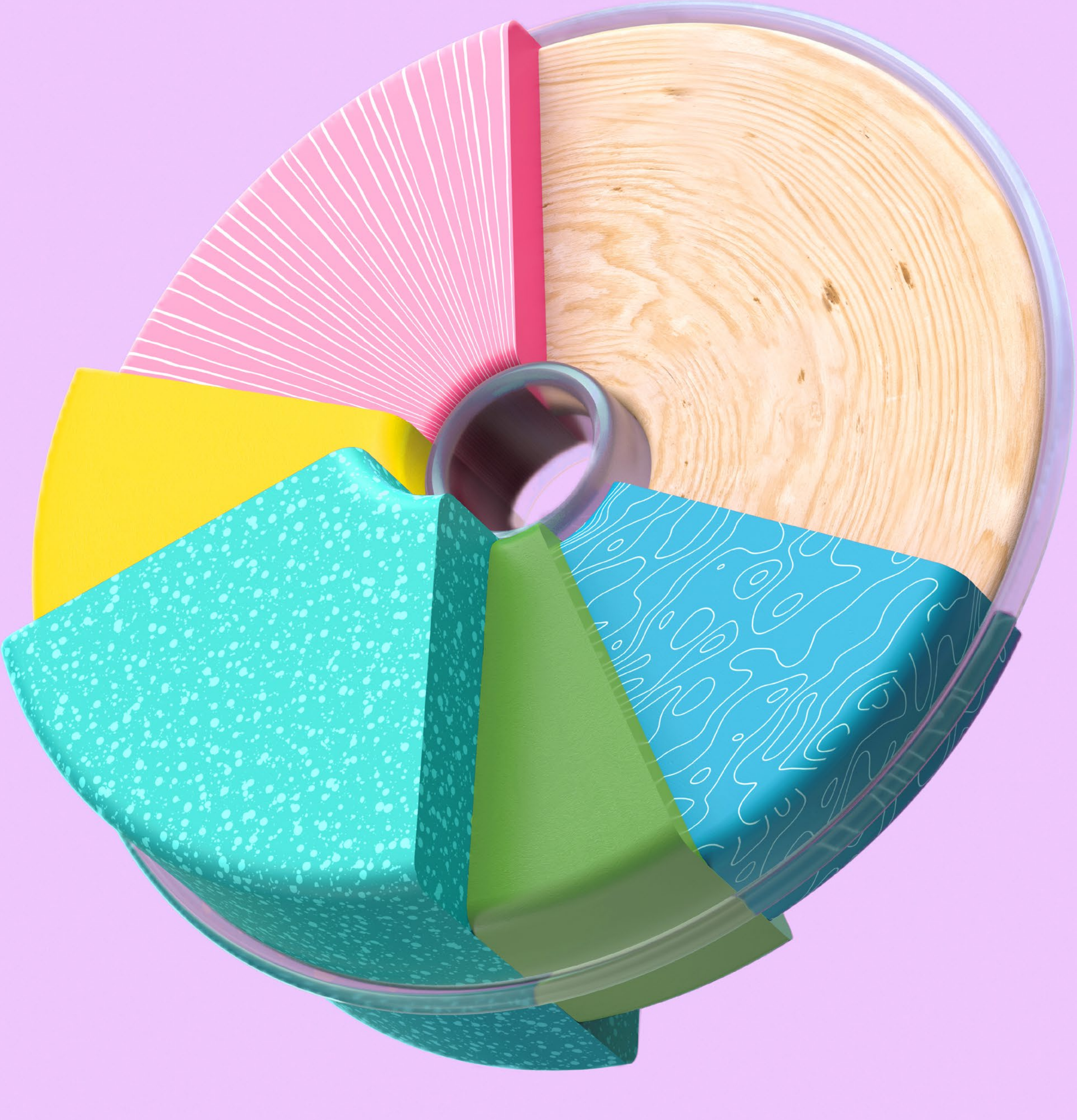


Connecting marketing KPIs to business objectives.

Insights from our new research on emerging trends in marketing measurement.

September 2022

Measure, master and grow.

We are in an era of significant transformation of the methods, tools and skills involved in measuring marketing effectiveness.

Over the past generation, as digital became the central medium for lead generation and customer engagement, marketers increasingly leaned into methods such as multi-touch attribution that enabled tracking of exposures and actions at an individual level. This helped usher in an era of experience personalization that has, in turn, elevated customer expectations. It's no longer enough to be relevant; brands are expected to provide human, intuitive engagement at every touch point.

Moreover, marketing teams are increasingly expected to contribute to business growth by pulling the right media levers at the right moments to drive customer conversion and increased revenue. Effective measurement and optimization are critical in order to make smarter decisions and faster adjustments in the moments that matter.

But recent changes at the device, browser and regulatory levels have diminished both the volume and availability of third-party customer and media performance data available to help marketers activate, measure and improve performance. This signal loss is having a real effect on the performance metrics that brands can effectively track. At the same time, marketing science teams have grown increasingly focused on factoring the complete range of media—both online and off—into measurement models in order to improve attribution capabilities.

To gauge the current state of advertising performance measurement during this time of transformation, Deloitte Digital commissioned a study by Lawless Research to understand the capabilities and results among midsize and large companies across nine different business-to-consumer industries plus advertising agencies that serve B2C brands. We then developed a maturity model based on sophistication of measurement practices, measurement effectiveness and business performance. *(See methodology, page 8.)*

We discovered that the brands with the most advanced marketing measurement capabilities—we call them ***measurement front-runners*****—are deepening customer engagement and loyalty, driving faster sales and beating revenue goals for their businesses**.

In the following pages we explore the ways that measurement front-runners are reimagining key performance indicators for marketing in order to better align with core business goals and customer value.

For more insights from our research on marketing performance measurement, please see other installments in this series:

Part 2: "A model approach to improving marketing metrics."

Part 3: "Expanding your marketing measurement capabilities."

Download the full series now.
www.deloittedigital.com/us/measurement

Measurement front-runners leverage **27% more KPIs** than low-maturity organizations.

RESEARCH FINDINGS:

Business-critical KPIs elude many brands.

Marketing organizations are increasingly expected to show tangible impact on revenue and business growth. But our research showed that **many brands and traditional advertising agencies are failing to measure performance in ways that ladder up to core business objectives**. For example, only about 1/3 of companies use revenue-based measures to gauge marketing performance.

Measurement front-runners are making that shift. Compared to companies with low measurement maturity, they are 1.4x as likely to use revenue and 2.5x as likely to use total sales as KPIs for measuring marketing performance. This stronger focus on business-critical metrics among measurement front-runners is reflected in the overall number of KPIs that organizations track. Compared to companies with low measurement maturity, front-runners leverage 27% more KPIs to assess their marketing performance.

Many traditional ad agencies can't solve this need for the brands they serve—and it's not entirely their fault. Traditional agencies typically do not have access to the company data needed to connect campaign performance to business results. We found that agencies are less than half as likely as the internal marketing organizations of measurement front-runners to track total sales as a KPI for measuring marketing performance and are also less likely to track other business-critical metrics such as revenue and return on ad spend.

Many brands, however, do seem to be on the right track when it comes to CX-related KPIs. Nearly nine in 10 companies stated they track customer experience KPIs such as customer lifetime value and/or customer retention. But it is important to understand these results in context.

Today, most internal brand marketing organizations can capture and assess CX-related performance of owned media (e.g., experiences on the brand's website) and/or internally managed advertising and marketing campaigns. But outside media agencies almost never have access to a brand's customer data, making it very difficult for them to measure and optimize campaigns against customer-focused KPIs. *(For more about marketing data challenges, please see part 2 in this series.)*

As a result, **paid media campaigns managed by outside agency partners often cannot measure campaign performance in ways that connect specifically to CX objectives**. For example, agencies working on behalf of their clients were less likely than even companies with low measurement maturity to track customer lifetime value.

This disconnect between ad agency and brand measurement capabilities makes it difficult or impossible for many brand marketing organizations to fully integrate paid media campaign measurement with their owned media marketing campaigns and initiatives—a capability that is increasingly important as customers seek and reward cohesive brand messaging that is connected in context over time. Going forward this is a key reason why brands need to reimagine transparency, ownership and management of campaign data and measurement capabilities. *(For more about evolving capability needs, please see part 3 in this series.)*

Measurement front-runners are **1.4x as likely to use revenue** and **2.5x as likely to use total sales** as KPIs, compared to low-maturity organizations.

MARKETING KPI BEST PRACTICES:

Measuring what matters most.

The most successful companies, we've observed, strike a balance between business and customer value—and between immediate success and long-term sustainability. Marketing performance measurement should ultimately support that balance through the right mix of KPIs. This has long been true; but as customer expectations, competition, data availability and marketing analytics capabilities continue to evolve, it is critical that you constantly reassess what you can and should measure.

That means aligning around the most essential objectives for your enterprise and then designating relevant, channel-specific KPIs that link back to those objectives—for both the specific activation or campaign as well as the channel-specific goals.

To ensure connection between day-to-day activities and long-term goals, **KPIs should be organized into a marketing analytics framework that addresses strategic and operational KPIs supported by diagnostic metrics**. *(See figure, page 7.)*

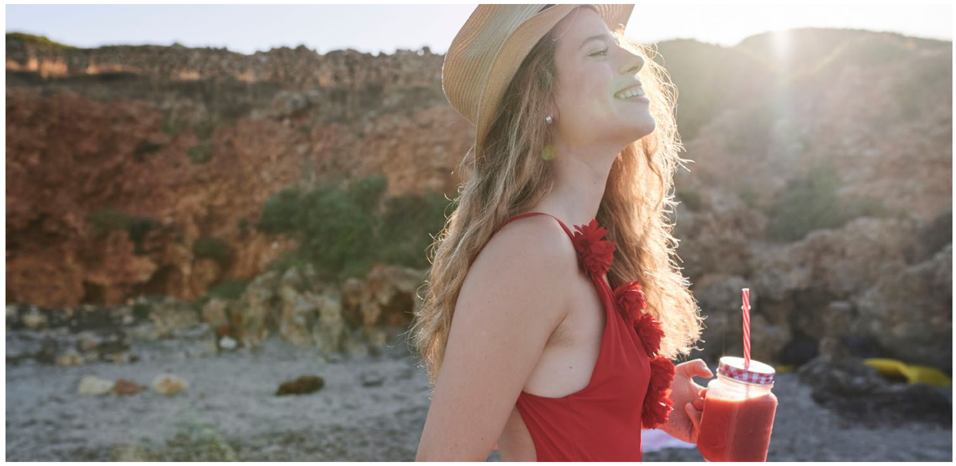
Once that framework is established, your organization should put in place an effective reporting structure and cadence; and set benchmarks in order to assess how different budgetary allocations, channel tactics and creative approaches impact performance against those benchmarks.

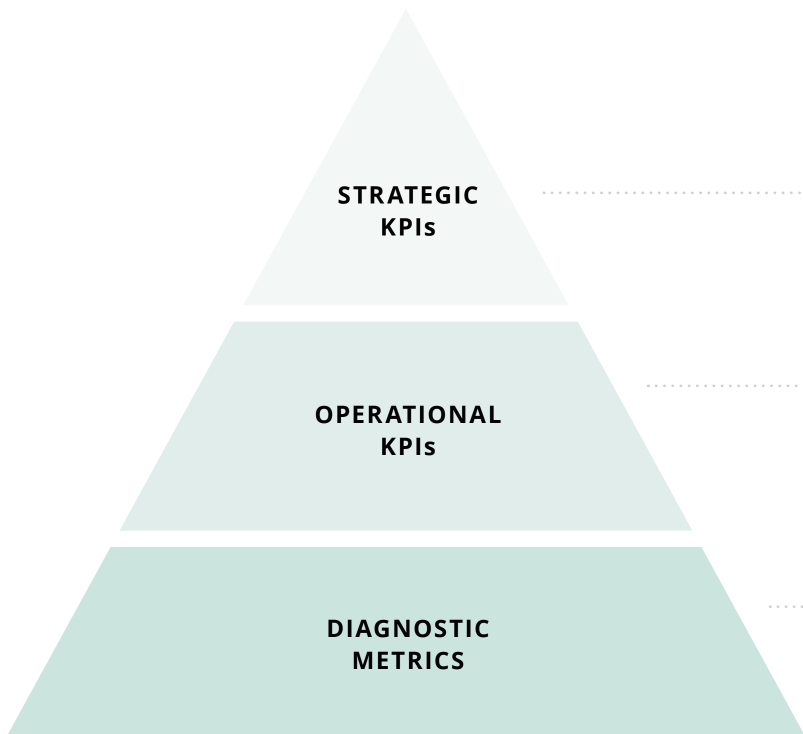
Key to all of this, of course, is data. Today's measurement front-runners distinguish themselves, in part, by being realistic about the types, quality and freshness of data that is available to the organization; and by being proactive in collecting, connecting and activating that data in ways that enable fine-grained insights and support critical measurement use cases. They also understand the strengths and limitations of the various measurement models available to today's marketer and the operational connections and capabilities needed to support those models.

In the second and third parts of this series, we explore best practices in marketing data management, performance modeling and measurement operations.

Ladder up to value.

It's important to ensure that everything you measure connects to the core of what matters for your business and customers. That's why a well-designed marketing analytics framework includes not only a range of KPIs but also intentional links between strategic, operational and diagnostic metrics. Here's how those KPIs connect, using two examples.





High-level metrics that have a direct bearing on business performance and customer value

Metrics that inform investment opportunities for meeting strategic KPIs through customer acquisition, cross-selling, retention, etc.

Metrics that help uncover day-to-day insights that can improve efficacy and effectiveness against operational and strategic goals

	Objective A: Brand wants to ensure it drives revenue from bathing suit sales during the Memorial Day holiday and early summer season.	**Objective B:** Brand has a loyal customer base of women ages 25–45 but wants to scale the audience and grow consideration for its workout meal replacement shakes.
Strategic KPIs	Revenue for summer 2019 bathing suits	Brand consideration among women age 18–24
Operational KPIs	Return on ad spend (ROAS)	Brand consideration
Diagnostic metrics	Add-to-cart rate	Brand search volume

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Methodology.

Our research for our three-part series on marketing measurement was extensive, yielding this initial piece on the importance of connecting business objectives to marketing KPIs as well as two other parts, which outline practices for achieving that connection by improving marketing data and modeling (Part 2) and expanding measurement capabilities (Part 3).

The foundational research for the series, conducted by Deloitte Digital between March 25 to April 25, 2022, is based on a blind survey of 800 leaders responsible for marketing measurement at US-based advertising agencies and business-to-consumer companies with 1,000 or more employees and revenues of $500 million or more ($250 million or more for advertising agencies).

Respondents by industry:

Advertising Agency: 7%
Consumer Packaged Goods: 36%
Financial Services: 6%
Health Care: 8%
Media, Entertainment & Publishing: 8%
Pharmaceuticals: 6%
Retail: 10%
Software and Applications: 6%
Telecommunications Services: 6%
Travel & Hospitality: 6%

Respondents by sales model (not including agencies):

Bricks-and-mortar locations: 19%
Digital only through company's app and/or website: 5%
Digital only through third-party marketplaces and/or social commerce: 5%
Both bricks-and-mortar stores and digital: 71%

Get in touch

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