THE BEGINNER'S GUIDE

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CHOOSING THE RIGHT MARKETING KPIS FOR YOUR BUSINESS

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"Not everything that counts can be counted, and not everything that can be counted counts."

– Albert Einstein

Your business likely spends a significant amount of time and money on marketing but do you have any idea whether these efforts are successful? Or what makes them successful? Do you understand your businesses marketing performance at all?

Understanding what's working and what's not working in terms of marketing should be an integral part of your business' growth strategy. Regularly evaluating the effectiveness of your marketing efforts will help ensure that your time and money is spent wisely and is actually helping your business grow.

But how can you be expected to pay attention to every little thing that's happening with your marketing? There's so much to track…conversions, leads, click through rates, cost per click, cost per lead, cost per customer… It can get overwhelming for anyone involved! The good news is that you don't have to track *all* of these things in order to determine the effectiveness of your marketing efforts. That's why KPIs (key performance indicators) exist, to ensure that, as a business, you are tracking the things most valuable to you. But what are KPIs? And how do you go about selecting the correct ones for your company?

A key performance indicator (KPI) is defined as a set of quantifiable measures that a company uses to gauge it's performance over time ([Investopedia](#)).

These metrics are used to determine a company's progress in achieving it's overall business goals, marketing goals, operational goals, etc. They also help compare a company's performance against other businesses and competitors.

KPIs are most often used to evaluate the overall performance of the company but can also be used to measure the effectiveness of individual efforts of the company or even different departments.

WHAT MAKES A GOOD KPI?

KPIs vary between companies and industries and also vary based on a company's overall goals. However, there are a few basic characteristics that help ensure a KPI will be effective. Here are some things we look for when identifying KPIs to measure:

Is it quantifiable? – It must be something that can be measured. Often, companies will establish KPIs that cannot be accurately measured using data.

Is it actionable? – You want to ensure that you are able to act upon your findings after measuring your KPI.

Is it relevant? – A good metric is one that has a solid impact and is highly relevant for your business.

Is it easily understood? – Every employee working for your company should be able to understand the identified KPI, why it is important and how their position is working to benefit it.

EXPERT TIP: If you have different KPIs for different departments or portions of the business, make sure employees understand the indicators for their department as well as your overall business KPIs so they can work towards both.

Is it short-term *and* long-term? – The best KPIs fulfill both short-term and long-term business needs.

Does it match up with your business goals? - We'll talk about this point more in the next section but it's crucial that the KPIs you're measuring circle back to your overall business goals. Consider if the indicator moved significantly in either direction, would it have a meaningful impact on your business? If yes, you've selected an effective KPI.

CHOOSING THE RIGHT KPIs FOR YOUR BUSINESS

Now that you understand what KPIs are and what makes a good KPI, how should you go about choosing the right KPIs for your business?

The short answer is that choosing the right KPIs depend on a number of business facts and no one KPI will work for every company or every industry. To evaluate the longer answer, let's take a look at some of the factors that influence what KPIs you should focus on.

Start with clear business goals

Your overall business goals are perhaps the *most* important thing to start with when selecting your KPIs. Clear business goals allow us to accurately measure our progress towards and success of reaching those goals. In order to define a clear goal, you want to focus on solid figures.

For example, let's imagine that James, the owner of an ecommerce website that sells hiking boots, really wants to increase sales this year so he can move into a larger warehouse. James knows that he wants to increase sales but he also knows that a goal of "increase sales" is too ambiguous to accurately measure. So instead James does a little more research to determine exactly how much he needs to increase sales in order to afford to move into the new warehouse. Ultimately he learns that he needs to increase sales 30% in the next 12 months. This is an example of a clear, measurable business goal.

Select KPIs that are linked to those goals

As outlined in the previous section, KPIs should be quantifiable measurements (data-driven measurements) that are used to gauge your company's performance relative to a goal. Common KPIs are often related to goals of increasing sales, improving return on investment (ROI) of your marketing, or improving customer service, for example.

Let's use James from above as an example to illustrate this point. Remember that James set an overall business goal of increasing sales by 30% in the next 12 months. In order to evaluate whether the company is making progress towards that goal he should focus on KPIs tied to overall sales such as daily sales, conversion rate and site traffic.

You want to make sure that you select performance measures that offer insight into the progress made by the business in a given time period.

Less is more

One of the great things about our data-driven economy is that as businesses, we have access to tons of data. We're able to measure nearly anything we might want in incredible detail. This doesn't mean, however, that we *should* be measuring everything that we can. That would be a little overwhelming! Simplifying this process and enabling ourselves to actually tie our data back back to business goals is one of the major reasons we set KPIs in the first place.

When setting KPIs, you want to focus on a few highly relevant metrics rather than choosing dozens to measure and report on. You'll probably want to measure a different number of KPIs based on your goals and industry, but a good number to start with is between four and ten KPIs.

Consider your business's growth stage

Depending on the growth stage of your company, some KPIs might innately be more relevant than others. For example, early stage start ups typically focus on metrics related to business model validation whereas established companies will focus on cost or consumer-value related metrics.

Here are some examples of potential key performance indicators based on a company's stage of growth:

Pre-Product Market Fit
- Qualitative feedback
- Customer interviews
- Awareness
- Stickiness

Product Market Fit
- Monthly recurring revenue
- Renewals
- Churn
- Customer satisfaction

Expansion
- Cost per acquisition
- Average order size
- Lifetime value
- Number of customers acquired

"The goal is to turn data into information, and information into insight.

– Carly Fiorina

Consider your industry best practices for KPIs
As we've mentioned, KPIs differ from company to company and from industry to industry. There are, however, often KPIs that are more commonly used and make more sense for certain industries. Here is a list of some suitable KPIs based on industry:

<u>B2B</u>
- Total cost savings
- On-time delivery
- Quality of services/products
- Availability of inventory

<u>SaaS</u>
- Churn
- Lifetime value
- Monthly recurring revenue
- Cost per acquisition

<u>Retail</u>
- Stock turnover
- Average customer spend
- Customer satisfaction
- Sales per square foot
- Capital expenditure

<u>E-Commerce</u>
- Average order value
- Conversion rate
- Visitor loyalty
- Average order value

<u>Social Media</u>
- Referral traffic
- Growth of followers
- Link click through
- Volume of shares

<u>Content Marketing/Other Online Media</u>
- Unique visits
- Bounce rate
- Click patterns
- Page views
- Mobile readership

Identify lagging and leading performance indicators
The difference between lagging and leading indicators is knowing how you did, versus how you are currently doing.
Lagging: Lagging indicators measure an output of something that has already happened. Some lagging metrics include total sales last month or the number of new customers.
Leading: Leading indicators measure inputs, progress and likelihood of achieving a goal in the future. Some leading metrics include website traffic, conversion rates and sales rep activity.
These indicators are considered business drivers since they point to the direction in which things are moving.

Many businesses will only focus on lagging indicators since they are easy to measure. However, measuring something in the past doesn't necessarily indicate what will happen in the future. To cover all your bases, it's best to include some lagging and some leading indicators in your list of KPIs.

8 COMMON MARKETING KPIs TO CONSIDER

Lots of research and thought goes into selecting the correct marketing KPIs for your business. To get you started, let's look at eight of the more common KPIs tracked by businesses:

1. Website Traffic

This is one of the easiest KPIs to track and something we recommend every company pay attention to. Getting to know your website traffic is about determining who is visiting, where they're from and what they did when they got to your site. All this information can help you determine what they're most interested in on your website which can help you anticipate your potential customers needs and better sell your products or services.

We recommend regularly reviewing the following website traffic metrics:
- Sessions
- Page views
- Pages per session
- Average session duration
- Bounce rate
- Traffic sources

2. Sales Growth

One of the best ways to judge your company's success is by measuring overall sales growth. Measuring sales growth is vital to the long-term health of your company. Not only does it serve as a good indicator in strategic planning, it also enables you to identify growth trends.

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3. Leads

It's no secret that the more leads you get, the more sales opportunities you have. The more sales opportunities you have, the better your chances of sales growth. So, measuring the number of leads you have acquired month after month will help you determine whether your efforts are paying off.

If you want to take your lead tracking a step further, you can also consider identifying the different types of leads. After all, there are often different lifecycle stages of the same lead (especially if your sales cycle is longer) and different types of leads can be more valuable than others. You can start by determining the difference between Marketing Qualified Leads (MQLs) and Sales Qualified Leads (SQLs):

- A **MQL** is a lead that has identified itself as more engaged by taking some action (downloading an eBook or signing up for an email subscription, for example). This type of lead has shown interest in your company but has not identified as a full-fledged sales opportunity yet.

- A **SQL** is a lead that your sales team has identified as worthy of a direct sales follow-up. SQLs are leads fully vetted by sales that they have determined are ready to make a decision.

Understanding these two different types of leads will help you better understand your sales process as well as how leads eventually close and how long it might take for certain types of leads to become customers.

4. Lifetime Customer Value (LTV)

Determining the value of your customers may seem overwhelming but it's incredibly important to understand. This is a great KPI to help gauge your company's ROI and a great measurement to use to strategize future goals. In order to determine LTV you need to determine all the sales your average customer has initiated over the course of your relationship. Here is a simple equation you can use to estimate your LTV:

Revenue x Gross Margin x Average # of Repeat Purchases = LTV

Let's dive into this a little further to help you better understand the equation:

- **Revenue** is the money a company receives during an identified financial period. Depending on your type of company, you will measure this differently. Some companies analyze revenue on a month-to-month basis while others will analyze quarterly. Revenue is calculated by multiplying the selling price of a unit by the number of units sold.

- **Gross margin** is the percentage of total sales revenue a company keeps as gross profit after deducting the costs directly related to producing the goods or services. To calculate gross margin, simply subtract the costs of goods sold from the total revenue.

- **Average # of repeat purchases** should only be used if your company receives recurring revenue from repeat purchases.

5. Cost of Customer Acquisition

Your cost of customer acquisition refers to the cost associated in convincing a prospective customer to purchase from your company. This is usually calculated by comparing the amount spent on sales and marketing to the number of new customers acquired in a given time period. As with LTV, there is an equation you can use to easily calculate this number:

(Total Marketing Investment + Total Sales Investment)/# of Customers Acquired = Cost of Customer Acquisition
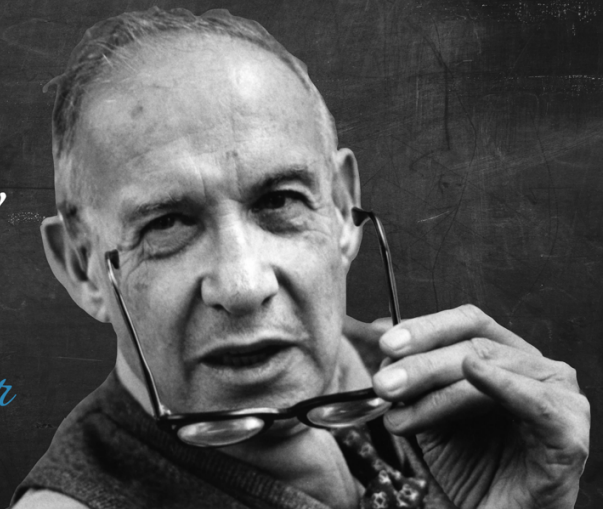
6. Traffic-to-Lead Ratio

Understanding your website traffic (as outlined in #1) is extremely important but taking it a step further and analyzing your traffic-to-lead ratios will help you determine how effective your website is at converting your traffic to leads.

If you can't measure it, you can't improve it.

- Peter Drucker

7. Lead-to-Customer Ratio

Convincing visitors to become leads is great but the reason you are in business is to convert people to customers, right? So you also want to ensure you are tracking the number of leads your sales team is able to close. Just as the traffic-to-lead ratio will help you determine if your marketing and website is effective, the lead-to-customer ratio will help you determine if your sales process is effective.

8. Performance of Individual Tactics

The above KPIs are great for tracking your overall marketing campaign efforts but it's also important to measure metrics from individual campaign tactics to determine whether your time is being spent wisely or whether you should focus elsewhere or shift your focus. Each marketing tactic has it's own set of performance metrics and each should be analyzed accordingly to determine effectiveness. Let's say, for example, your marketing campaign consists of eight blog posts per month, regular email communications and a social media campaign. While you can use KPIs 1-7 to determine the overall effectiveness of your efforts, don't you also want to determine how the individual tactics are performing? Here are some of the metrics you can track for each of these tactics:

- **Blogging:**
  Number of blog visits
  Lead conversions per blog
  Amount of time spent on each blog post
  Social media shares
- **Email Marketing:**
  Delivery rate
  Unsubscribe rate
  Open rate
  Click through rate
  Conversion rate
  Forwards/shares
- **Social Media:**
  Number of new follows, likes, subscribes
  Number of lead conversions per social media channel
  Number of customer conversions per social media channel
  Percentage of traffic coming from social media

This is just a starting point to help you start the process of selecting and tracking important marketing KPIs. Tracking these KPIs can help validate your marketing and sales efforts and ensure that everything you do is working towards your overall business goals. Knowing early in the process whether your efforts are effective or not will help you optimize your efforts to work towards your business goals and ensure ongoing success.

START MONITORING YOUR KPIs

Now that you've got a better idea of where to start with your businesses' marketing KPIs, it's time to dive in!

No matter what you've determined are your most important KPIs to monitor, the Cyfe platform has a solution! Get started today! It's FREE!

Some of our most popular integrations:

Plus dozens more!