



High Performance Marketing

**DEMAND METRIC**

# PROVING MARKETING'S IMPACT

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Advanced Marketing  
Performance Management

**A Demand Metric Benchmark Report**  
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IN PARTNERSHIP WITH



**Allocadia™**

**QuintoVate**

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## INTRODUCTION

CMOs live in one of two worlds: possessing the ability to prove the long-term, quantitative impact of marketing, or lacking the visibility and control to make confident marketing decisions. When proof of marketing's successful performance and contribution to the business is undisputed, it is because the CMO runs marketing as a profit and loss center. Furthermore, marketing defines its performance by comparing results to a set of CEO-relevant objectives. For top performing marketing departments, there is little gray area; it's always clear how marketing is performing. Thanks to this clarity, marketing enjoys ample resources as the business case for investing in it is easy to make, and when the pressure to grow revenue increases - marketing's value only grows.

It's a different story for CMOs that are unable to quantify the impact of marketing. When this is the case, marketing is viewed as an expense, and determining marketing's impact is a popularity contest. Marketing's existence in this environment is regularly in peril, subject to the whims of the C-suite's opinion du jour and all the while marketing rides a funding rollercoaster. At the first sign of corporate economic distress, rather than turn to marketing to engineer a rescue, marketing is often at the front of the line for the budget-cutting axe.

# INTRODUCTION

At its core, Marketing Performance Management (MPM) is the intersection of marketing planning, investing and measuring (See Figure 1)



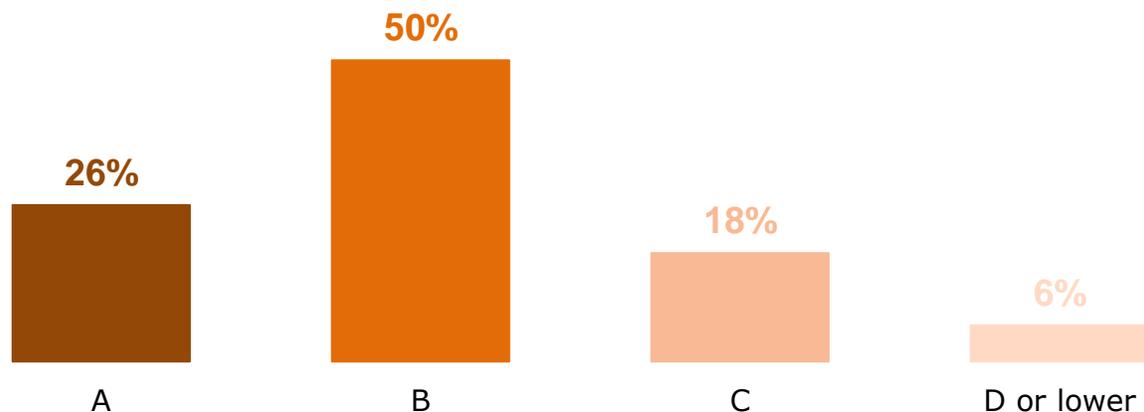
**Figure 1: The Marketing Performance Management process (source: Allocadia).**

In this tale of two marketing organizations, the difference is optimizing marketing performance by using the known set of principles of MPM. When adopted, MPM allows marketing to serve as a highly respected department with a CMO that helps set strategy and lead the company, where alignment with sales and finance is high, where analytics inform virtually every decision and where data is the department's greatest asset. This report examines the current state of MPM process adoption by marketing organizations to identify their characteristics and the advantages MPM is providing those organizations that have fully embraced it.

## THE MPM LANDSCAPE

Marketing organizations that are able to measure and report the real contribution of their programs to the business do indeed exist. They are, however, the exception, not the rule. This report is derived from the data and findings from the recent study conducted jointly conducted by VisionEdge Marketing and Demand Metric. Central to this study is how marketing organizations are "graded" for their ability to demonstrate their impact, value, and contribution to the business. Figure 2 summarizes the letter "grade" distribution of study participants, based on how well they were able to demonstrate their value and contribution to the organizations they serve.

### How Marketing Organizations Grade their MPM Performance



**Figure 2: Just over one-fourth of marketers assess their MPM performance as best-in-class.**

Figure 2 displays the distribution of marketing organization MPM performance for firms whose annual revenue is \$50 million or more. The definitions that go with each grade in Figure 2 are:

- A. Marketing is able to measure and report the contribution of its programs to the business.
- B. Marketing programs made a difference but the contribution to the business goals was not measured and reported.

## THE MPM LANDSCAPE

- C. Marketing appears to have made some impact on the business, but it is not clear if the impact was material, nor was it measured.
- D. (or lower) Marketing programs didn't make a difference – there is no clarity as to how marketing is contributing to the business.

To simplify further comparison, this report will segment the marketers represented in Figure 2 into two groups: the best-in-class or "Best" segment, comprised of the 26 percent earning an A, and the rest of the marketing pack or "Rest" segment, consisting of the remaining 74 percent who earned the grade of B or lower.

This report will focus on marketing organizations from companies at the \$50 million annual revenue threshold or above, examining the MPM differentiators that make them the best in their class. **The key areas of differentiation between the best-in-class and the rest of the marketing pack include:**

- ✓ **Business acumen**
- ✓ **Data and metrics usage**
- ✓ **Clear ownership of MPM through the Marketing Operations function**

Subsequent sections of this report will detail the differentiators in each of these areas.

## MPM AND KNOWING THE BUSINESS

The best-in-class marketers understand that creating success is about far more than possessing ample amounts of marketing savvy. Marketing prowess and creativity is helpful, but it is also assumed. Marketers must understand the business model. Their business acumen inventory must include knowledge and understanding of their own financial, accounting and operational functions. This level of understanding boosts marketing's ability to speak the C-suite's language. Figure 3 compares the best-in-class segment with the rest of the marketing pack on business acumen.

### % Agreement: Marketing Knows & Understands the Business

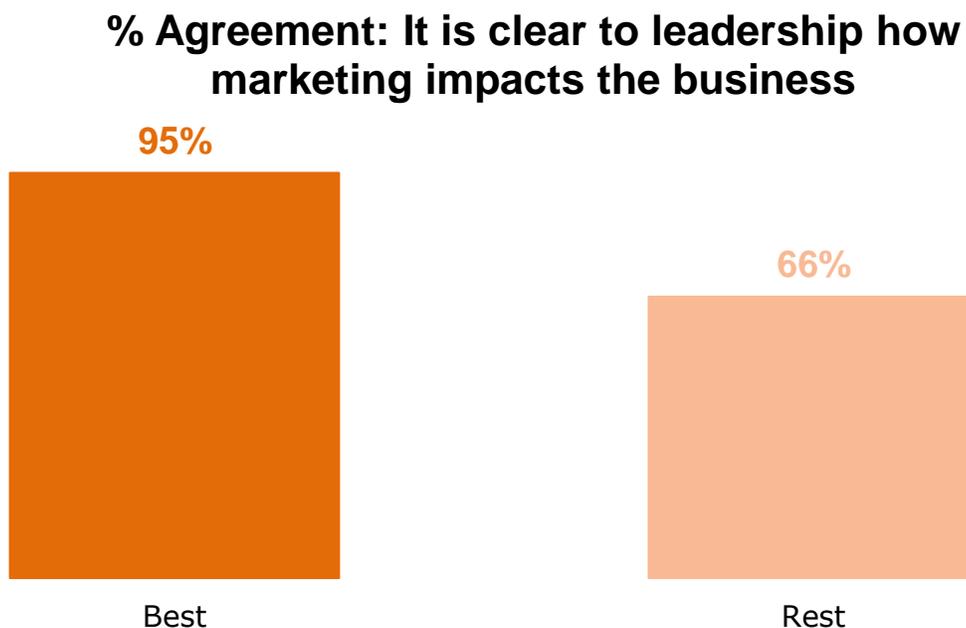


**Figure 3: Almost all best-in-class marketers understand the businesses they serve.**

It is the degree of business acumen the marketing team possesses that is the difference between marketing that meets expectations and marketing that exceeds expectations. The path to managing marketing's performance to the highest level of contribution starts with understanding the business well.

## MPM AND KNOWING THE BUSINESS

The marketing team that understands the business well is best positioned to create impact, and furthermore, to convey to the business just what that impact is. Figure 4 shows the comparison between the best-in-class marketers and the rest on conveying marketing's impact.



**Figure 4: Business leaders notice best-in-class marketers' impact.**

Marketing has a history of promoting itself, and indeed, promotion is the business of marketing. But there is often some ambiguity about the extent to which marketing is truly the architect of or contributor to business success. Marketing is assumed to have had some role, but how much success is attributable to marketing's efforts is hazy, for most organizations. The best-in-class marketers are very effective at conveying marketing's impact in the areas of revenue, market share, customer loyalty and other measures of interest to business leaders, as Figure 4 shows.

## MPM AND KNOWING THE BUSINESS

It is the nature of most marketers to desire recognition for their contribution from their peers and executives. The reason marketing wants this recognition isn't simply a matter of ego. Credibility is at stake, and marketers that make it clear to their leaders how they're impacting the business are far more satisfied with the resulting credibility they gain, as Figure 5 shows.

### Satisfaction with the credibility of marketing 1=Not Satisfied at All; 10=Extremely Satisfied



**Figure 5: Best-in-class marketers are satisfied with their credibility perception.**

Credibility is an enabler of marketing success. When marketing enjoys high credibility throughout the organization, it does more than just let marketing hold their heads high; it allows marketing to get the resources it needs to create even more success. Those who see credibility just as a matter of pride fail to see that with credibility comes influence, the kind that allows marketing to enjoy a seat at the corporate "big decisions" table.

Marketers are quick to agree extending marketing's influence requires it to possess business acumen and have leadership know how it impacts the business. When marketing exists in this state, it enjoys a higher level of credibility. The next two sections of this report explore the path to getting there: data and metrics, marketing operations, both indications of advanced MPM practices.

## MPM: DATA AND METRICS

Best-in-class marketers are not tracking and reporting “vanity” metrics that indicate activity, but not necessarily results. Instead, they are much better at identifying and tracking metrics that relate to achieving corporate business objectives. In fact, marketing doesn't choose whatever metrics they think are best, but instead derives a set of metrics based on corporate business objectives.

Best-in-class marketers build a culture around informing their decisions using data, and measuring what they do first to improve it, and second to show the result. For this reason, the best-in-class marketers don't measure what's easy to measure, but what matters to the business as a whole, as Figure 6 shows.

### How Well Marketing Metrics Link Marketing Results to Corporate Business Objectives

1 = Very Poorly; 10 = Extremely Well



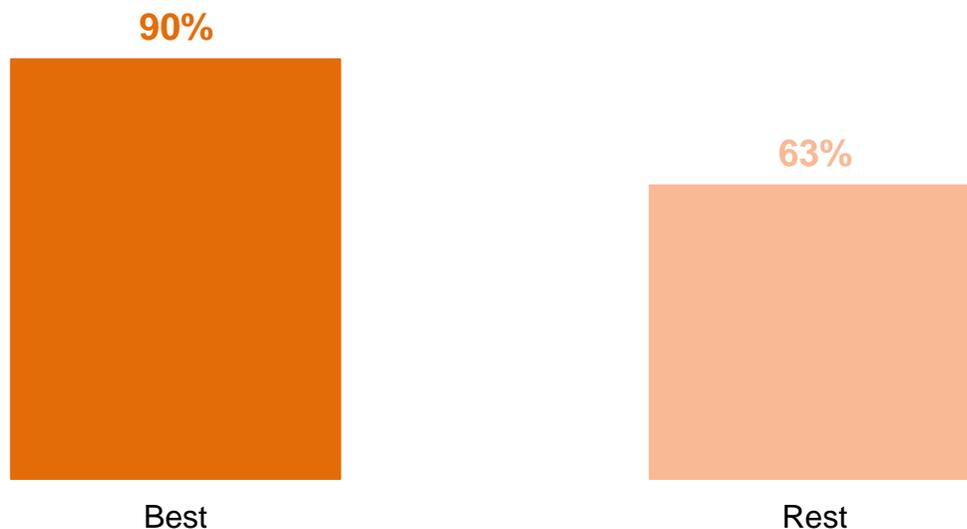
**Figure 6: Best-in-class marketers derive their metrics from corporate business objectives.**

It is important to emphasize what Figure 6 represents: marketing in the 21st century is increasingly a data-centric function. Thanks to expansive technology stacks, modern marketers have ample data at their disposal to measure the results of the things they are doing. When marketers don't measure their performance, it's because they haven't enabled themselves to, not because data is unavailable.

## MPM: DATA AND METRICS

Best-in-class marketers have another practice they follow surrounding the use of data and metrics: they set quantifiable performance targets for most of what they do. Figure 7 shows how pervasive this practice is in comparison to the rest of the marketing pack.

### Setting Performance Targets for Most/Nearly All of Marketing's Programs & Objectives



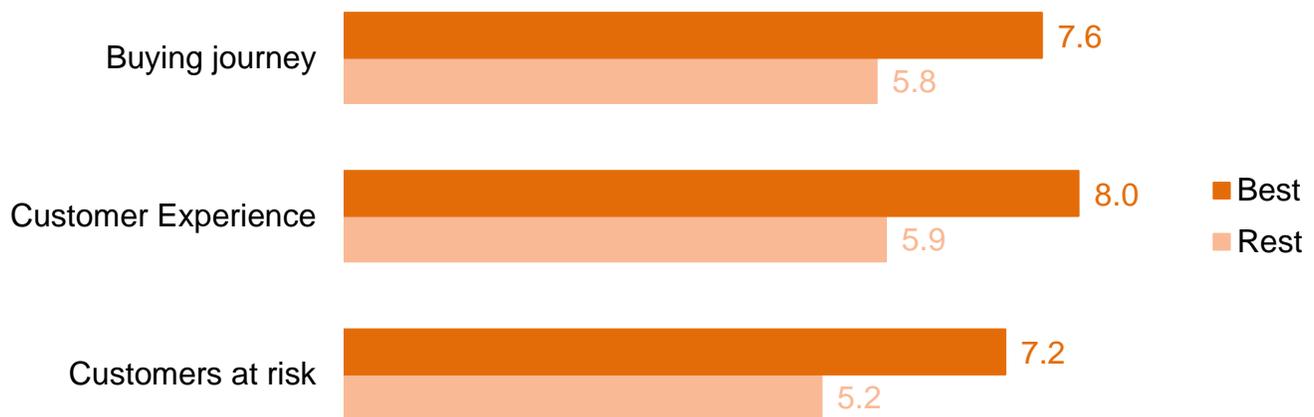
***Figure 7: Best-in-class marketers consistently set quantifiable performance targets for their programs and campaigns.***

Best-in-class marketers make measuring their programs and objectives a priority in a way that suggests it is in their DNA. They take steps in their work planning to ensure that measurements are defined, and that tracking mechanisms are in place. These elite marketers are very reluctant to deprive themselves of performance data that allows them to measure, report and improve on their programs and campaigns.

## MPM: DATA AND METRICS

When it comes to using data, the best-in-class marketers are particularly proficient at using it to gain insights about customers. Figure 8 shows three areas in which elite marketers are effectively using data to gain a deeper understanding of their customers.

### Effectiveness at Using Data to Understand: 1 = Not at all effective; 10 = Extremely effective



**Figure 8: Best-in-class marketers leverage data to understand their customers better.**

Figure 8 shows that best-in-class marketers are using data more effectively to study and understand their customers. The better understanding that elite marketers gain from data provides them with a significant competitive advantage. They are able to enter the competitive arena equipped with a deeper, more accurate understanding of the journey their customers take, what kind of experience they have along that journey, and which customers are at risk of defecting.

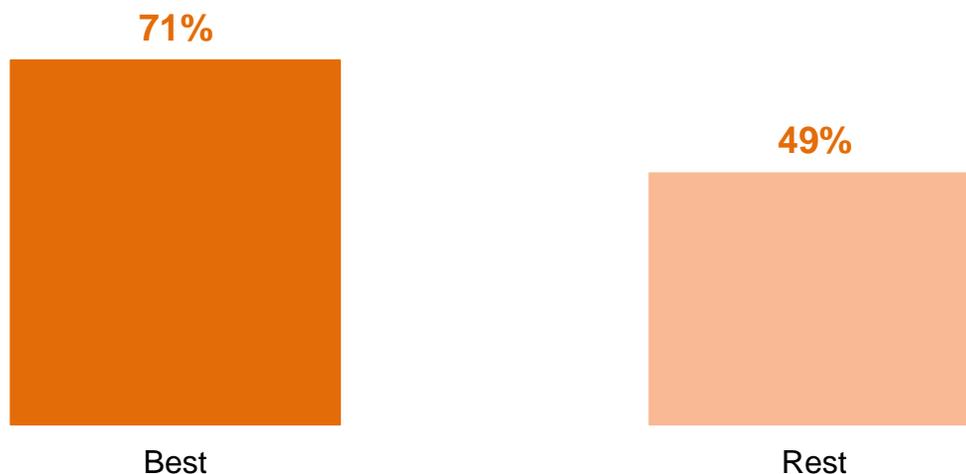
The advantages that the best-in-class marketers enjoy are not the result of luck, but planning and effort. The next section of this report explores how marketing operations is a critical success factor for MPM effectiveness.

## MARKETING OPERATIONS: ADVANCED MPM

The nature of marketing is that all marketers practice MPM to one degree or another. There is a commitment divide, however, that the best-in-class marketers knowingly and willingly cross to manage the marketing function using the principles of MPM, not just keep a toe in the MPM pool. A total commitment to MPM is almost always accompanied by the presence of a marketing operations function – a sign of advanced MPM practice. The responsibility for MPM, at best-in-class marketing organizations, lies in marketing operations.

Marketing operations is the part of the marketing function focused on optimization and its scope includes planning, budgeting, execution and analysis through the use of tools, data, technology and the identification and application of marketing best practices. A simpler way to understand marketing operations is as the in-house mechanic for the revenue engine. Figure 9 displays the presence of a marketing operations function with the marketing organization.

### Presence of a Marketing Operations Function



**Figure 9: Best-in-class marketers have a greater commitment to marketing operations.**

## MARKETING OPERATIONS: ADVANCED MPM

Some of the specific areas of responsibility that marketing operations typically covers are:

- ✓ Campaign analysis: the collection, evaluation and reporting of data on campaigns.
- ✓ MPM measurement & reporting: the analysis of data and reporting on financial, ROI and other results of MPM initiatives.
- ✓ Data management: the collection, storage, hygiene, access and effective use of data.
- ✓ Technology & automation: the evaluation, implementation, operation and maintenance of the marketing technology stack.
- ✓ Strategic planning: the extent to which marketing aligns its campaign and spend plans with corporate objectives.
- ✓ Analytics & predictive modeling: forecasting expected outcomes for things such as propensity to purchase, likelihood to defect, campaign ROI, etc.
- ✓ Workflow development & documentation: promoting marketing process adoption and improvement.

## MARKETING OPERATIONS: ADVANCED MPM

Table 1 compares the best-in-class marketers to the rest of the marketing pack on the adoption of these marketing operations responsibilities.

Area of Responsibility	Best	Rest	Gap
Campaign analysis & reporting	80%	73%	7%
MPM measurement & reporting	80%	63%	17%
Data management	80%	60%	20%
Technology & automation	73%	57%	16%
Strategic planning	67%	33%	34%
Analytics & predictive modeling	60%	23%	37%
Workflow process development	60%	30%	30%

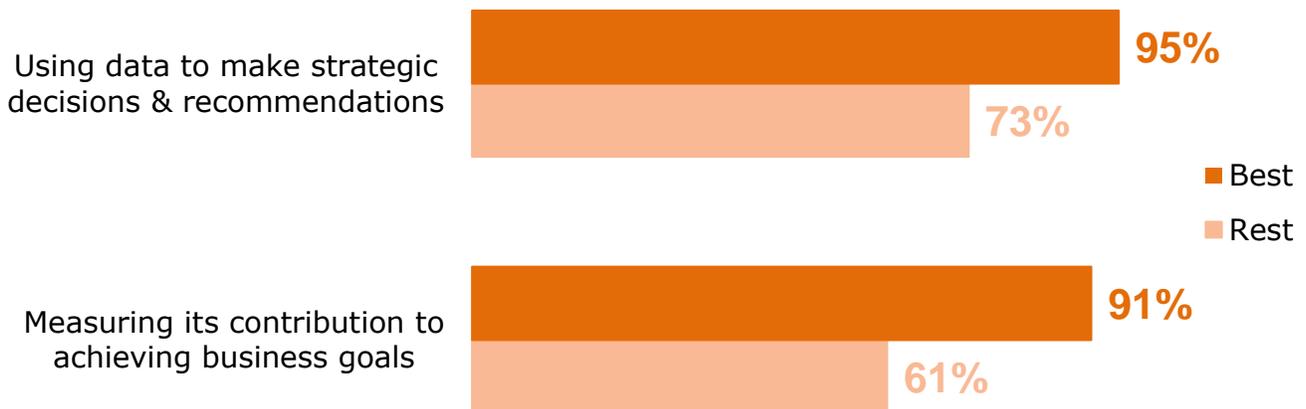
***Table 1: Best-in-class marketers are more committed to the disciplines of marketing operations.***

These areas of marketing operations responsibility are on the path to a more advanced, mature MPM process. **On average, over two-thirds of the best-in-class marketers practice them, while less than half of the rest of the marketing pack do.** The benefits of this advanced form of MPM represented by marketing operations include real marketing performance improvement, but also recognition of marketing or some of marketing's services as a Center of Excellence (CoE).

# MARKETING'S BUSINESS AUTHORITY

Best-in-class marketing organizations derive their authority from the business, earning it through consistent and sustained contributions to helping the business achieve its objectives. These elite marketers don't have a separate agenda; the objectives of marketing and of the business are one and the same. Marketing succeeds when the business succeeds, and this perspective creates a culture in which marketing aligns its resources completely around creating success for the company, not for itself. Marketing's authority and orientation is reflected in Figure 10.

## % Agreement that Marketing is Good at:



**Figure 10: Best-in-class marketers derive their authority from the business by focusing on facilitating strategic decisions and contributing to achieving business goals.**

## MARKETING'S BUSINESS AUTHORITY

Advanced MPM as represented by maturity in marketing operations is what enables a marketing organization to consistently pursue and achieve business goals and sustain its performance. The inevitable outcome of this orientation is the perception of marketing or some of their services as a Center of Excellence (CoE). Figure 11 shows how many of the best-in-class marketers enjoy recognition as a CoE.

### Marketing exemplifies or functions as a CoE



**Figure 11: Best-in-class marketers are three times more likely to enjoy recognition as a CoE.**

Attaining recognition as a CoE is not the end goal for a CMO, as welcome as that recognition is. The value of the recognition is the freedom, authority and influence that comes with the recognition.

## HOW TO ACHIEVE MPM SUCCESS

Success with MPM is a function of leadership and culture. The first thing an organization that wants to step up its MPM game must do is assess where it is on the MPM journey. The Allocadia MPM Maturity Model<sup>1</sup> provides a convenient way to determine in which stage marketing is on the MPM maturity spectrum shown below:

- 1. Static:** Marketing leadership has no visibility into investments, and no control over results. Marketing exists in a silo with few processes and unorganized data.
- 2. Transitional:** Leadership has acknowledged marketing's issues and lack of visibility into results. The focus is on process development to improve data quality and alignment.
- 3. Progressive:** Marketing has full visibility into investment data; past results are well understood. The focus is on alignment with the organization and its goals.
- 4. Proactive:** Marketing's perspective shifts to future insights and actions. The focus is on data modeling to drive investments, as well as inter-departmental collaboration.
- 5. Optimized:** Marketing has full control of its resources and investments; leadership can predict results and does so to optimize spending.

After a marketing organization understands where it is on the MPM journey, it can take steps to constantly advance toward higher levels of maturity, where marketing is optimized and is a top-performing department, where the CMO is a corporate leader, not just the head of marketing. The improvement path for each company will differ. However, the improvement actions will prioritize alignment and communications: aligning marketing with corporate objectives and effective communication of plans and results inside and outside of the department.

<sup>1</sup> "The Essential Framework for Optimizing Marketing Performance", Allocadia, pg. 6. <http://www.allocadia.com/marketing-performance-maturity-model/>

## HOW TO ACHIEVE MPM SUCCESS

The path will also require mastery of new data and analytics skills, consistently applying them, and then maintaining currency with them. Table 2 displays an inventory of skills critical to MPM success, showing the difference in the skills census for the best-in-class and the rest of the marketing herd.

<b>Data &amp; Analytics Skills Mastery</b> 1 = no mastery; 10 = complete mastery	<b>Best</b>	<b>Rest</b>
Selecting metrics that measure marketing's value	7.5	6.0
Having access to accurate, reliable data	7.1	5.6
Collecting, storing and managing data	7.8	5.7
Analyzing & reporting on data	8.1	6.0
Creating data visualizations	7.4	5.6
Improving marketing effectiveness with analytics insights	7.8	5.6
Using data to link marketing activity to business outcomes	7.6	5.4
Creating dashboards that communicate marketing's value	7.4	5.1
Creating marketing dashboards that facilitate strategic decisions	7.2	4.5
<b>AVERAGE</b>	<b>7.5</b>	<b>5.5</b>

**Table 2: Comparison of critical MPM skills.**

## HOW TO ACHIEVE MPM SUCCESS

The list of skills in Table 1 may seem daunting to those who don't have mastery of these skills. In truth, few organizations have complete mastery of all these skills, but all organizations can use this list to understand and acquire the skills they need.

What is encouraging for marketers is the marketing technology that exists to simplify MPM and lower the skills bar. Systems that enable data collection and analysis are increasingly capable, affordable and easy-to-use. Including the right systems in the marketing technology stack provides a faster path to MPM success.

The judgment of marketing's success is either objective or subjective. When marketing allows a subjective success determination, it is vulnerable to the opinions, feelings and politics of those in the organization, and marketing has little control over the judgment criteria. When marketing uses data and measurement to prove its performance, objective success determination can occur. MPM is the path to marketing having its success judged objectively, performing optimally, functioning as a revenue center and earning the credibility that gives the CMO a seat at the corporate strategic decisions table.

Advanced MPM is the most reliable and credible way to prove the impact of marketing. MPM may seem intimidating to the marketing organization that has not yet instilled its principles into how marketing works. The success strategy for MPM begins with an assessment that measures the current level of marketing's performance. No matter where a marketing organization is on the MPM continuum, a "health check" is a good idea to fix one's position and to plot a course forward. Those organizations just getting started with MPM will have farther to go, but an objective assessment of marketing is the right, first step to achieving the preferred level of performance.

## ACKNOWLEDGEMENTS

Demand Metric and VisionEdge Marketing are grateful to Allocadia and QuintoVate for sponsoring this report.

### **About Allocadia**

At Allocadia, we help marketers run marketing so they can do more marketing, by providing them with planning, budgeting and performance software to optimize marketing investments and drive real business results. The recognized leader in Marketing Performance Management (MPM), Allocadia serves more than 150 customers and thousands of users, and manages billions of marketing dollars. Our customers include Juniper Networks, VMware, Arc'teryx, and Charles Schwab, and we partner with market leaders including IBM, Oracle, Workfront and Marketo. For more information visit [Allocadia.com](http://Allocadia.com), follow us [@allocadia](https://twitter.com/allocadia) or stop by our headquarters in Vancouver, Canada.

### **About QuintoVate**

QuintoVate works with organizations to realize their fullest capabilities in Marketing Performance: the "5th 'P' of Marketing." Our consultants join your team as your "trilingual" colleagues who lead you through challenging business problems involving Marketing, Finance, and Technology. Through our "Five Es" methodology, we engage with you to establish your program direction, deploy solutions, and support for the long-term, all while maintaining a relentless focus on the people who make it happen. To learn more, please visit us at [www.quintovate.com](http://www.quintovate.com).

# ACKNOWLEDGEMENTS

## About VisionEdge Marketing

Since our inception in 1999, our passion and purpose at VisionEdge Marketing has been to bring science to the discipline of marketing and help our customers use data, analytics, metrics, and processes to prove and improve the value of their marketing. Our customers use our consulting services in the areas of marketing accountability, measurement and analytics; outcome-based marketing metrics; actionable dashboards; and processes, data, and systems to make smarter strategic market, customer and product decisions. To learn more about our services, capabilities and customers, please visit [www.visionedgemarketing.com](http://www.visionedgemarketing.com).

**Undertaking MPM can seem like a daunting process.** Where does marketing begin? [Purchase the full report](#) to find out why the Value Creators excel, what they do better and differently and specific steps each group can take immediately to maintain or improve their MPM initiatives. In the full report you'll get an action plan with steps you can take to maintain or improve your MPM initiative and a full data summary for every survey question in the report, to allow further insight and any additional detailed analysis of the data.

## About Demand Metric

Demand Metric is a marketing research and advisory firm serving a membership community of over 80,000 marketing professionals and consultants in 75 countries. Offering consulting methodologies, advisory services, and 500+ premium marketing tools and templates, Demand Metric resources and expertise help the marketing community plan more efficiently and effectively, answer the difficult questions about their work with authority and conviction and complete marketing projects more quickly and with greater confidence, boosting the respect of the marketing team and making it easier to justify resources the team needs to succeed. To learn more about Demand Metric, please visit: [www.demandmetric.com](http://www.demandmetric.com).