Courtesy: CMO.com, March 17, 2011

Metrics can be a good news-bad news situation for marketers. They're necessary to gauge our marketing efforts, of course, but picking the wrong ones can be worse than using none at all.

The fundamental problem, marketers told CMO.com, is that most of the time they can't measure what they're really interested in, so they end up using metrics that stand in for those numbers. The question then is how closely the metric is related to the desired business objective and how accurately it reflects what they want to know about that objective.

Of course, some marketing metrics directly reflect what they want to know. "If you're looking at something as concrete as sales on a site, then the ROI becomes a walk in the park," said Vadim Tulchinsky, search engine marketing manager for inSegment, a Needham, Mass., marketing agency. "You can see down to the penny what the ROI is."

Metrics in other areas are more problematic. "The reality is there aren't very good metrics for social media," said Brian Goffman, CEO and co-founder of Optify, a Seattle firm specializing in social media and SEO.

This is a sentiment widely echoed by experts on marketing metrics. "It's difficult at this point in time to say what the profit is per Facebook fan when you really don't know your profit per person not exposed to Facebook," said David Schuette, a senior Web analyst at Catalyst, a Rochester, N.Y., consultancy. "You use things such as the 'likes' you generate, the total interactions with the blog posts you do, and so forth."

First Things First

There are literally hundreds of marketing metrics available to choose from, and very few of them are completely wrong. When designing a marketing initiative, defining your objectives and then picking measureable metrics to support those goals is your first step, Goffman told CMO.com. Only then should you begin planning the campaign.

"Who's the target?" added Prof. Larry Chiagouris, professor of marketing at Pace University and a marketing consultant. "What's the priority? Are you trying to get people who you are already doing business with to do more business with you? Are you trying to attract people who haven't done business with you before? Is it to try to get people to spend more time on your site or to get people to visit for the first time? That shapes greatly what the metrics are going to be."

You also need to make sure you have enough metrics to understand what is really going on, but not so many that you're overwhelmed by marginally relevant information.

"Metrics in isolation are irrelevant," said Amy Liberman, CEO of Orange Insights, a Boulder-based marketing firm. "The more metrics you can gather, the richer context you can glean. On metric alone is not that meaningful."

Even two or three might not be enough, Tulchinsky said. "Often people will latch onto a single metric and not think through what that metric means," he told CMO.com in an interview.

For example, Tulchinsky said, a lot of times people will look at the average time vistors spend on a site. "In reality, what they should be doing is trying to suss out the story on what people are doing when they get to the site by looking at the way the metrics interact with each other," he said.

That includes examining the standard deviation of the time on site, how many pages they look at, whether they read to the bottom of articles, and other metrics that will help build a clearer picture of visitor behavior.

The Wrong Metric

Not many marketing metrics are universally wrong, but an awful lot of them are wrong in a particular context.

Sometimes a metric is wrong because it not only doesn't tell you what you want to know, it actually misleads you. Chiagouris gave CMO.com the example of Web site visits to a Mercedes Benz site trying to drive car sales. "If you're trying to get people to come in to the dealers and a lot of your visitors are 17 or 18, they aren't going to be buying," he said. You may get a good result on the metric, but it doesn't promote your goal.

Sometimes a metric is just irrelevant. Either it doesn't tell you anything useful or, worse, the entire marketing effort is directed at the wrong premise.

Mitchell Gooze, principal in Customer Manufacturing Group, a Santa Clara, Calif., marketing consultancy, cites an extreme example involving a client that wanted to increase the number of leads going to the call center.

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"Before the next meeting I went to the call center to find out what they considered a good lead," Gooze told CMO.com. "The head of the call center told me the last thing she needed was more leads." In fact, she said she was sitting on boxes of leads that would never be called. The problem, Gooze found out, was that the call center couldn't hire enough good people to follow up on the leads they had, so increasing the number of leads was irrelevant to the business outcome.

Kathryn Roy, managing partner at Precision Thinking, a Lexington, Mass., B2B consultancy, shared with CMO.com a few other examples of irrelevant metrics, such as the number of press releases a company issues or the number of business cards collected at a trade show as a reflection of the number of leads obtained. "One year we gave out free ice cream at the booth and made contact with 40 percent of the people visiting the show. But none of them had titles we were really interested in," said Roy, the author of a paper titled "Lies, Damn Lies and Marketing Metrics," which discusses the problems with marketing metrics.

Underlying Assumptions

Another potential problem with metrics is the chain of underlying assumptions. Since most metrics don't measure the results of the campaign directly, there is an assumption or series of assumptions about how the metric relates to the desired result.

Tulchinsky gave the example of a coupon site he recently visited. During the checkout process, the site offered him a $1 off the price of the item if he would friend the business on Facebook. In effect, Tuchinsky said, the company was bribing customers to friend it.

"They are assuming that would cause me to engage with them," he said. "They assumed that would get me into their marketing channel. But Facebook has a relationship algorithm that picks and chooses the relationships it thinks are most relevant. Because I never interacted with them [aside from friending them], Facebook understands there's not a relationship between us."

Outputs Vs. Outcomes

In choosing your marketing metrics, it's important to distinguish between outputs and outcomes.

"The simplest example is people will count Web site hits. That's only a benefit if you convert it to something. That conversion is the outcome," Gooze said. In general, the things that you do are outputs, like the number of press releases issued. The outcomes are what the customer does in response that relates to your business goals.

The classic example of confusing outputs with outcomes is a campaign that is aimed at increasing brand recognition above all else without bothering to consider how favorably the product is viewed by the customers. Television advertising was notorious for making this mistake in the late '50s and the result was a spate of truly memorable--and completely annoying--commercials. They were successful in increasing brand recognition, but they also had a negative impact on the propensity to buy.

The same thing is still happening, especially in Internet marketing. The most outstanding example was probably Decormyeyes.com, an online retailer of eyeglasses. The owner had a policy of being rude, threatening, and generally awful to customers so they would post negative comments about the site on the Web--thus driving up the site's Google page rank because of all the mentions. It drove up the page rank, all right. It also got the owner arrested and, as a result of the publicity, Google changed its ranking algorithm to eliminate the benefit of negative comments.

This is an extreme example, but it's easy to do the same thing by accident if you focus too strongly on a single metric.

Vanity Metrics

Then there are what Morgan Stewart, of Trendline Interactive, an Austin, Texas, email-centric marketing agency, calls "vanity metrics."

These are metrics that sound good, but mean little if anything. "The numbers look good and everyone can understand them," Stewart told CMO.com. "How many names on an email list? How many likes on Facebook? How many followers on Twitter? It's great cocktail party fodder, and people go for those numbers to impress people. But what does it mean if you've got a mailing list with 10 million names on it, but 80 percent of them haven't even looked at an email in the last year?"

As Tuchinsky put it: "Be wary of anyone selling you ad space that gives you nonessential metrics. Always drill deeper. Push your way as far as you can back into that funnel."

Get It Right, Get It Relevant The overwhelming lesson of marketing metrics is to select clear, concrete goals for the campaign and then to choose metrics that tie directly to those goals.

"Get it right from the beginning," starting with your business model for the site. Chiagouris advised. "About 60 to 70 percent of Web sites don't have a firm goal in mind with regard to their business. There's a good chance they're going to end up with the wrong metric. Get the goal wrong and you're likely to end up with the ugly."