The Seven Pillars of Programmatic Marketing

Pillar 2: Holistic Performance Metrics and Relevant KPIs

Marketers are under increasing pressure to be accountable for their media investments. But it’s difficult to measure programmatic top-of-funnel performance, and even harder to connect upper-funnel campaigns to bottom-line results. Less than 20 percent of marketing executives understand how their brand-building campaigns are performing, according to McKinsey & Co. Developing a holistic set of performance metrics and relevant key performance indicators (KPIs) is a critical skill which you’ll need to prove to clients that your full-funnel media strategy is working. **Let’s dive into learning how to do it.**

Different channel, different metric, different value

Full-funnel marketing is built upon the idea that each stage of the funnel is connected to the others. In fact, upper-funnel channels serve the critical role of filling the lower levels with qualified prospects. But the tactics that work at one stage don't necessarily work at another stage. The same is true for their performance metrics. For example, a programmatic ad campaign targeting top-funnel prospects might be to create brand awareness. The relevant metrics for that type of campaign are earned impressions or video completion rates. On the other hand, a lower-funnel paid search campaign will focus on driving conversions and use metrics like form completions or landing page traffic.

A valuable tool for measuring channel value within the funnel is attribution modeling, which identifies the customer journey pathways that provide the highest return on investment (ROI). Attribution modeling data provides deep insight into customer behavior, and enables marketers to optimize high-return conversion pathways to make them more customer-friendly. Figure 1 provides a brief overall of several commonly used attribution models. The most effective models for your agency will depend on client needs and sales cycle complexity.

Attribution models can be used together with campaign KPIs to identify successful channels, as well as reallocate funds away from underperformers. A model may show, for example, that Google Ads bring in the most conversions, particularly the ads that link directly to a "product information" page. But what if your KPI isn't conversion, but brand consideration? Channels that advance prospects along the customer journey still belong in your media mix. The answer is to take a holistic approach to your KPIs across the marketing funnel.

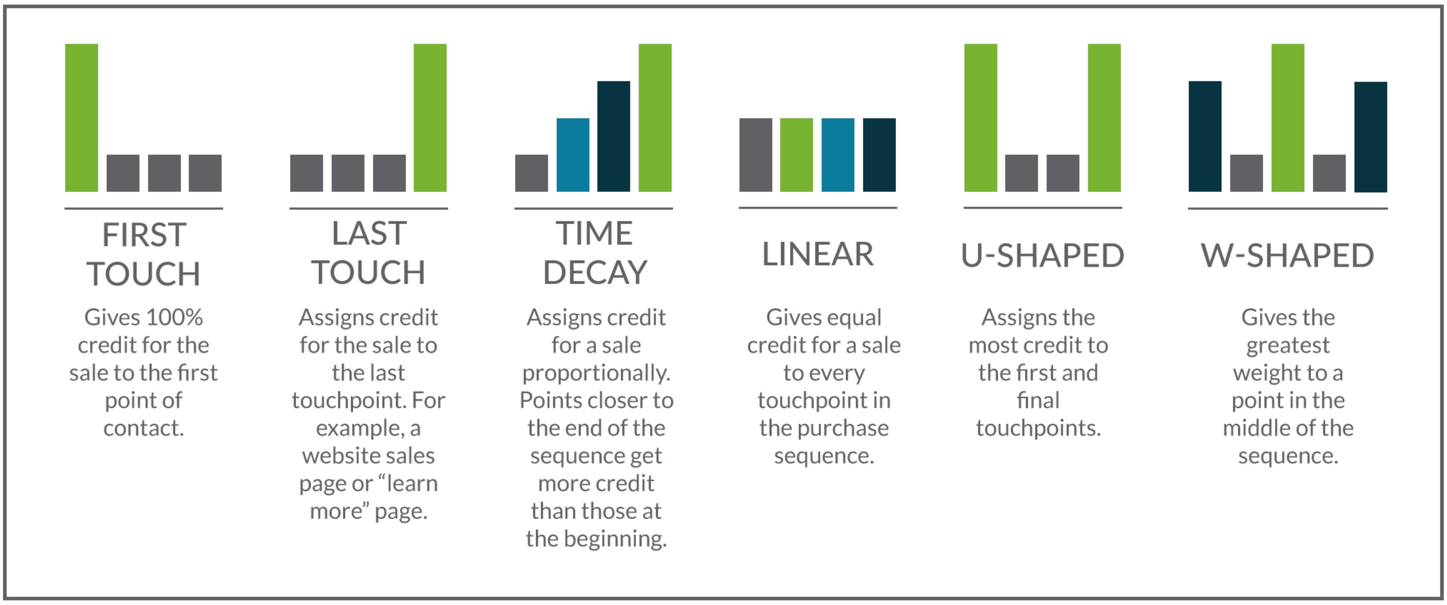


Figure 1: Most popular attribution models

View performance through the lens of business KPIs and metrics

Marketing metrics are the KPIs used by marketing teams to quantify campaign results. But it's important to view campaign performance through the lens of business KPIs to measure how each campaign contributes to big-picture goals, such as revenue or market share growth. These are the kinds of statistics that clients and other decision-makers want – and need – to hear. Most often, marketers utilize advertising metrics that track traffic, impressions, and clicks. While these KPIs help to understand campaign results, other metrics can paint a broader picture of how your media strategy contributes to business outcomes.

Sometimes, less is more. Reporting on dozens of KPIs can obscure your media mix performance and distract from the real progress being made. It's better to focus on the most relevant KPIs that reflect brand objectives as well as the value of each campaign to the overall strategy. Let's look at four key marketing metrics that also demonstrate media impact on the bottom line:

Marketing qualified lead (MQL)

MQL represents the number of qualified leads generated through your marketing efforts. An MQL is a lead who has been deemed more likely to become a customer compared to other leads based on their interactions with your campaigns. You can track MQLs to show how many leads your campaigns are feeding into the sales funnel. At a business level, MQLs help to align sales and marketing teams and fuel collaboration around lead generation tactics and lead qualification criteria.

Cost-per-aquisition/action (CPA)

CPA measures the dollar amount needed to convert one customer. It evaluates campaign performance based on the number of users who complete actions that are defined at the outset of a campaign, i.e., a sale, a download, or an email signup. Tracking CPAs can assist in setting future marketing budgets and understanding the interactions customers have with the brand.

$$\underset{\text{(cost per acquisition)}}{\textbf{CPA}} = \frac{\text{total amount spent}}{\text{total attributed conversions}}$$

Effective cost-per-mile/thousand impressions (eCPM)

eCPM calculates media cost regardless of a campaign's buying method or ad format. It helps to level the playing field among different ad formats with different metrics and different pricing formats by translating impressions based on clicks, actions, or video completions into one value. To arrive at eCPM, divide ad revenue earned by the number of ad impressions served and multiply the result by 1,000. eCPM can immediately reveal which media format or network is performing better (in terms of revenue and engagement) while also solidly predicting future costs.

$$\underset{\textit{(effective cost-per-mile)}}{\textbf{eCPM}} = \left(\frac{\text{ad revenue earnings}}{\text{total impressions}}\right) \text{X } 1000$$

Return on ad spend (RoAS)

RoAS represents the financial value generated by a marketing campaign against the total cost of the marketing effort. It is used to measure how much revenue your marketing campaign earns compared to the cost of running the campaign. RoAS is a high-level KPI that can demonstrate the value of your marketing plan. When combined with customer lifetime value (CLV), RoAS informs future budgets, strategy, and overall marketing direction.

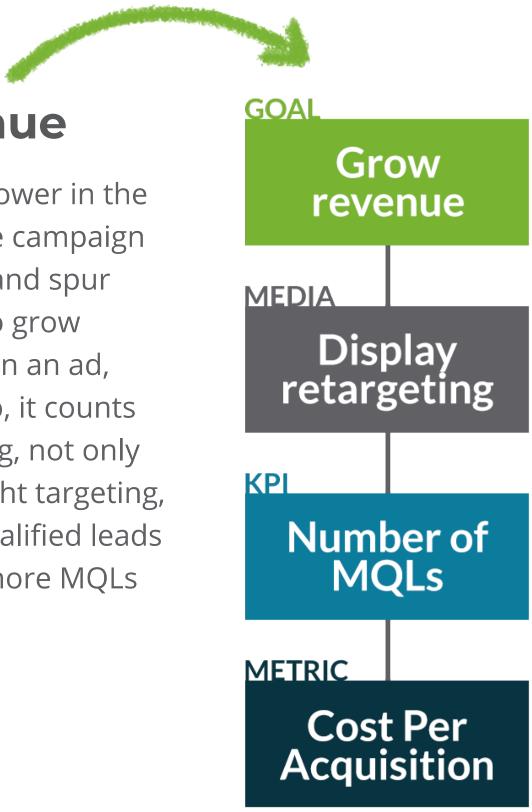
$$\underset{\textit{(return on ad spend)}}{\textbf{ROAS}} = \left(\frac{\text{amount gained from ads}}{\text{amount spent on ads}}\right) \text{X } 100$$

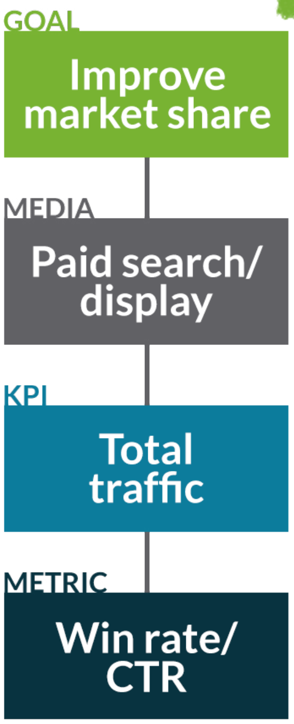
Evaluate the media mix strategy — not channel — performance

What ultimately matters most is how each of the channels in your media mix perform overall to further your business goals. As we've already said, different digital channels work best in different stages of the marketing funnel. For instance, using connected TV ads at the top of the funnel to reach broad audiences with brand-building content. Or programmatic retargeting campaigns lower in the funnel to re-engage website visitors. Let's look at three examples of how to evaluate channels within the scope of media mix strategy goals.

Media mix goal: Grow revenue

Programmatic display retargeting can be used lower in the funnel to drive conversions. In this example, the campaign goal is to drive prospects to the brand website and spur product demo signups. The media mix goal is to grow business revenue. Whenever a prospect clicks on an ad, comes to your website, and signs up for a demo, it counts as a conversion. When your campaign is working, not only does it bring in more prospects, but with the right targeting, messaging, and creative, it will bring in more qualified leads who look like your ideal customer. Ultimately, more MQLs will increase revenue.



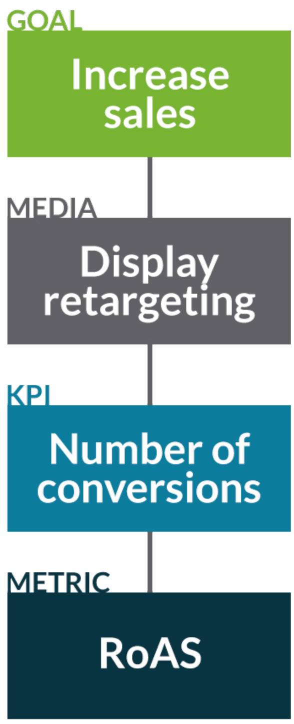


Media mix goal: Improve market share

When the goal is to improve market share, top-of-funnel programmatic paid search or display can be used to generate clicks and increase site or landing page traffic. By measuring “win rate,” throughout the life of the campaign, you can show the cost-effectiveness of your campaign. When the win rate is between 10-30 percent, it means a campaign is on track to spend your budget evenly and in its entirety. When your campaigns are “winning” the right amount of ad inventory, you will generate lots of website or landing page traffic. Ultimately, more traffic means higher quality clicks that expand market share.

Media mix goal: Increase sales

Programmatic display retargeting is a versatile channel that can be implemented at the top and bottom of the marketing funnel. Retargeting display works to build brand, as well as drive conversions, and is a key component of the holistic full-funnel approach. When the goal is to increase sales, run one retargeting ad group for each campaign. That enables you to compare conversion rates for retargeting versus non-retargeting display ads. The key metric is RoAS to identify the high-return performers and media contribution to increased sales.



Communicating success to clients

World-beating media mix results won't mean anything if you can't explain to clients how your investments contribute to business performance. Marketers care about traffic, SEO rankings, video engagement, time on page, etc. Brand executives care about the bottom line, for example, what percentage of site traffic converted to buyers?

Your reporting tools should provide in-depth performance data that holistically considers the KPIs for each stage of the funnel. You'll want to show clients data on overall customer acquisition costs and customer profitability over time (a.k.a., customer lifetime value). Data visualizations like graphs, charts, and heat maps can help identify trends and prioritize optimization decisions. You can hone in on meaningful metrics like CPA and RoAS by viewing multiple representations of each metric ad groups and even specific creatives. In other words, full-funnel reporting that proves the value of top-of-funnel programmatic campaigns to lower funnel conversions.

Of course, no one said this was going to be easy. Many agencies deal with a lack of bandwidth or resources to develop a robust performance framework. You might also struggle with an increasingly complex buy-side stack that includes disparate platforms that don't provide a holistic view of omnichannel performance. The solution to these challenges may be a programmatic platform, which uses machine learning and artificial intelligence (AI) to automate time-consuming, manual tasks such as bidding and ad placement. Running a programmatic platform in-house provides real-time access to every cost source (media and data), which can easily be shared with clients in real-time. This holds true for in-house agencies as well.