THE MARKETING MACHINE WORKS

THE ENGINEER'S GUIDE TO MARKETING MEASUREMENT

How to measure what really matters in your niche engineering, tech, or consultancy business.

Introduction to marketing metrics

Is your marketing actually working?

It's tempting to just brush off this question and assume the answer is 'yes'. But, if you're not consistently measuring your marketing then you've probably felt that niggling doubt saying "was all that time and money worth it?"

Measurement is one of the most important but overlooked aspects of any successful marketing strategy. And often this is because;

- It can be difficult to know where to start so lots of people just don't start at all.
- People try to measure everything at once and it becomes such a huge task that they quickly lose momentum and stop.
- Marketers tell you to measure things like the number of followers on your social media accounts but these metrics alone won't tell you anything useful.
- Many people believe that it's impossible to effectively measure your marketing.

I believe these reasons are why marketing often gets a bad reputation: marketers (whether they're internal members of staff or external agencies and consultants) fail to measure their activities and demonstrate the results. I'll hold my hands up right now and say that I've made this mistake too many times than I'd like to admit because I didn't have the structure and process for measurement that I have now. When you're not measuring effectively, you're essentially turning your marketing investment into a gamble.

So, what should you be measuring to stop your marketing from being a gamble? How often should you be measuring to get useful results that'll inform your marketing strategy moving forward? And, how can you know that you're getting a return on your marketing investment? In this guide, I'm going to explain how to measure effectively while keeping it simple and manageable for a small business.

Is marketing just a numbers game?

The short answer is yes it is, but not in the way most people think...

When people say that marketing is a numbers game, what they usually mean is that they want to generate as many leads as possible so they can sell as much as they can. Quite often, business owners make the mistake of believing that this means that they need to get more followers, or they have to send out more emails, or they must spend more on advertising. They want to see graphs of marketing activity going up because that makes them feel like their marketing must be going well.

While lead generation is obviously an important part of marketing, it's not the only important number to be concerned about. If you're not looking at other metrics, like your conversion rates, then you can waste a lot of time and money.

Anyone with a little marketing experience can spend lots of your money generating more leads. But if you're not looking at the other, more important numbers in your business, then you'll never be as profitable as you can be.

So, is your marketing as profitable as it could be? Effective measurement will tell you the answer...

What should I be measuring?

The wonderful thing about marketing now (compared to when I started working in marketing almost 20 years ago!) is that we have so much data at our fingertips. The downside is that we have SO much data.

Marketing data is a rabbit hole that's too easy to fall into. I've worked with many customers who've tried to mine their data for useful insights, only to fall into the hole, drag themselves out, and run away screaming. And I speak from personal experience too, believe me, I know this problem well!

The difficulty is keeping it as simple as possible while also having enough data to provide valuable insights. Fortunately, it's possible to get incredibly valuable insights from not a lot of data - you just need the right data.

What's the right data? (And what's the wrong data?)

The most important metrics you can measure are your conversion rates. Conversion rates tell you where your marketing is working and where there are opportunities to improve.

A conversion rate is the percentage of customers who successfully move from one step in your sales process, or "buyer journey", to the next. For example, to see how successful a landing page on your website is, you'd look at the percentage of visitors to the page who click on your call to action button. So if 10 out of every 100 visitors to your page click on the button, your conversion rate is 10%.

To work out what conversion rates you need to measure, you need to understand your buyer journey.

What’s a buyer journey?

Your buyer journey is the path your customers take from not knowing anything about you to becoming a loyal customer.

Every business has a different buyer journey. Some businesses have fairly short buyer journeys. For example, the customer sees the product, likes the look of it, reads the information about it, and buys it. If they like it, they keep buying it. Other businesses have longer buyer journeys, and this generally happens because there is more perceived risk in the purchase. If someone is buying something expensive, or if there are more people involved in the decision, or if making the wrong decision could have disastrous consequences, they will naturally slow themselves down in their decision-making.

I find the “journey” analogy helpful because I can imagine people passing a point on the journey. It’s easier to imagine counting people walking through a gate than to think about people making progress in an invisible decision-making process. So this analogy helps me to work out what it’d be useful to measure.

Why are conversion rates so important?

Let's say, your business currently gets 20 leads per month and those leads turn into 5 new customers. If you want to double your business, you have two options:

1. Generate 40 leads per month
2. Convert twice as many leads into customers

Most of the work that increases conversion rates involves improving processes and creating evergreen content that makes it easier for people to buy from you. This only needs to be done once and then all leads will benefit. In short, option 2 will involve a one-off investment to increase your conversion rate but after that you'll get twice as much sales revenue for the same monthly spend.

Option 1, on the other hand, means you will have to spend a lot more on marketing every single month forever.

So do you want to spend twice as much on marketing every month, or do you want to invest in your marketing once and then spend the same amount but get twice the return?

The other problem with only increasing lead generation without watching the conversion rates is that a lot of marketing is not actually as scalable as it looks. People often double their advertising spend but don't get twice as many leads.

So, how do I measure my conversion rates?

Most of my customers measure a number of different conversion rates:

- How many social media followers click on your links?
- How many website visitors book an initial call?
- How many first meetings with new customers result in a proposal or quote being sent out?
- How many proposals result in sales?

Tracking numbers like these will tell you where your marketing investment is making an impact and where you're losing customers along the journey.

Breaking down your buyer journey into measurable chunks

I recommend my customers split up their buyer journey into three parts:

1. Lead generation
2. Lead nurturing
3. Maximising customer value

When do your customers reach the “main road”?

The problem that typically arises when you’re measuring marketing is that it’s not always easy to identify where the people came from originally. You might have 10 people clicking on your “book a call” button every week, but did they come from your advert, a Google search, or referral link, or from somewhere else?

Now you’ve mapped out your buyer journey, you’ll probably find that your “path to purchase” has many different entry routes. It should do because you don’t want to put all your eggs in one basket when it comes to lead generation.

So your buyer journey probably looks like many different roads leading to a main road. And your main road is where everyone ends up in the end. Often it’s a website but sometimes the paths don’t converge until the point when people get in contact with you and the sales process starts. It varies from business to business, but it’s important to know where your local roads meet the main road because that’s where you’re going to split your marketing metrics.

So we could describe the three parts of your marketing metrics as:

1. The effectiveness of each of your local roads
2. The effectiveness of your main road
3. How effectively you keep your customers in the car park once they’ve arrived

Practical measurement in a small business

In engineering, there are usually rigorous quality assurance processes to make sure products are up to standard. But if you measured every single thing, you'd never get your product out of the door. You can't test every widget that comes off a manufacturing line.

Instead, you need to take meaningful measurements at regular intervals. You need to decide:

- When during the manufacturing process should you take samples to test?
- How often will you pull a sample from the line and test it?
- How will you effectively and efficiently test the sample to get useful results that will inform production and highlight any issues?

An engineer will always check the quality of a product's components and subassemblies as well as the product as a whole and, in the same way, we should measure the elements of our marketing as well as the whole marketing machine.

Measuring everything in marketing is completely unrealistic to begin with. It's the equivalent of wanting to get fit by running a marathon on day 1.

But marketing measurement doesn't have to be complex, especially if you know your way around a simple Excel spreadsheet.

Here's how to do it...

How to measure lead generation activities

The data you collect will of course depend on the marketing channels you use to generate leads, but the same principles apply to every channel.

Looking at your buyer journey, for each marketing channel you use to generate leads, write down the points where you could measure the number of people passing through. If you get confused, try imagining it as a path with gates and you want to count how many people pass through each gate. What would count as a “gate”?

To give you an example, if one of your lead generation channels is digital advertising, then people will pass the following “gates” on their journey:

- See the advert (reach)
- Click on the advert (clicks)
- Land on the website (new visitors on the landing page)
- Click on the call to action (CTA) button

The next step will depend on your business. If the next action is to book a call with you then you’ll measure the number of clicks on your diary booking and possibly the number of actual bookings too. (If you don’t have an online diary booking system then I strongly recommend it because it just makes it easier for people to get in touch with you.) If the next step is to download your free guide, or sign up to your newsletter or buy a product then you’ll measure that.

As I said earlier, the goal is to keep your marketing measurement as simple as possible (to avoid overwhelm) while giving you the insights you need.

How to measure lead nurturing activities

Now that people have joined your main road, it's important to know how they're moving through the next part of the buyer journey and where you're losing potential customers.

In the buyer journey diagram, these are probably the people who are currently 'interested', 'considering', and/or 'buying in'.

You might already be measuring this as part of your sales process. Some business coaches refer to this as your "leads to quotes to sales" metrics, but we prefer to be more specific than that because what counts as a "lead" may be subjective. How are you qualifying them as a lead? We try to minimise the subjectivity in our measurement processes by having unambiguous metrics that monitor people's behaviour rather than their characteristics. This might include;

1. The number of first calls booked/taken
2. The number of first meetings booked/held
3. The number of proposals sent
4. The number of sales made to new customers

Measuring these regularly will enable you to see your conversion rates at each stage of the buyer journey. Having a high proportion of potential customers moving successfully through each of these points in your buyer journey should indicate that your marketing is working effectively. A significant decrease in the number of leads between two of these points, however, indicates the point that you're losing potential customers and highlights where your current priorities are.

Maximising customer value

One mistake that a lot of business owners make is they forget that marketing isn't all about generating new leads in your business. It's also about nurturing your existing customers so they feel valued and confident buying from you again and again. This means your marketing measurement doesn't stop just because a customer has made a purchase.

Think of your marketing investment as like buying customers. My business is going to be much more profitable if I can buy valuable customers that make many purchases over many years. If most of my customers buy once and don't come back again, then I'm missing out on profit.

To identify more opportunities for maximising your average customer value, you might consider measuring:

- What is your average first purchase value? And what is your average subsequent purchase value?
- How many purchases do your customers make (on average) after their initial purchase, or for how long do customers typically keep coming back to you?
- How many active repeat customers do you currently have?
- How frequently do your customers buy from you?
- What percentage of your new leads have come from referrals from existing or past customers?

Having visibility of these metrics will also make you more confident in your lead generation investments because you may be able to work out which marketing activities generate the most valuable customers.

How often do I test?

First you need to work out how often to pull a sample from the production line – or, in our case, some data from your marketing metrics.

If you measure too often you'll end up with too much data to be able to see any trends. This is the reason dieters are advised to weigh themselves no more than once a week - people naturally go up and down in weight every day. Likewise, some days you'll get a flurry of leads and other days will be quiet and it's nothing to worry about.

On the other hand, you want to measure frequently enough so that an issue doesn't go unnoticed for too long and cause issues downstream.

For example, if your customers typically take 3 months to decide whether to buy from you then there's no point taking measures every day. Some days you'll have more meetings, say, than new enquiries and your conversion rate won't make sense. In this case, taking a measurement once a fortnight or once a month will provide a much clearer picture of your conversion rates.

There's also the issue of volume: if your business only needs one new customer a month to hit your goals then you're unlikely to have enough traffic to give you useful data if you're measuring weekly. Some weeks you might have a few inquiries, zero first meetings, and one new customer, giving you very odd conversion rates through your buyer journey.

Here at The Marketing Machine Works, we calculate our conversion rates monthly using a rolling 3-6 months' of data. Different businesses will need different frequencies when it comes to measurement and there's sometimes a bit of trial and error involved when it comes to getting it right. It's essential to have a rough understanding of your 'buyer journey timespan' (how long a customer takes to travel the length of your buyer journey).

For us, this can sometimes be a year or more. People need to be in the right position to want marketing consultancy and sometimes they meet me when the timing isn't right. For many other businesses, it isn't so long. And I've worked with customers that have much longer buyer journey timespans than me.

How to be confident in your marketing budget

The most common question people ask me about measuring their marketing is "Am I getting a return on investment from my marketing?"

This is a really important question to ask, but the problem is that most people assume that the only way to answer this question is to work out WHAT your ROI is. I'm here to tell you, you don't need to know what your ROI is, you only need to know...

Is the money I'm spending on marketing generating profit? Yes or no.

These questions are subtly different because we're now not trying to work out a complicated ratio of return on investment, we're just trying to find your GO/NO-GO budget. We want to work out a number that, if you spend less than this number, you're making money: if you spend more, you're not. If you're spending a lot less than this number, you're winning. So how do we work out this number?

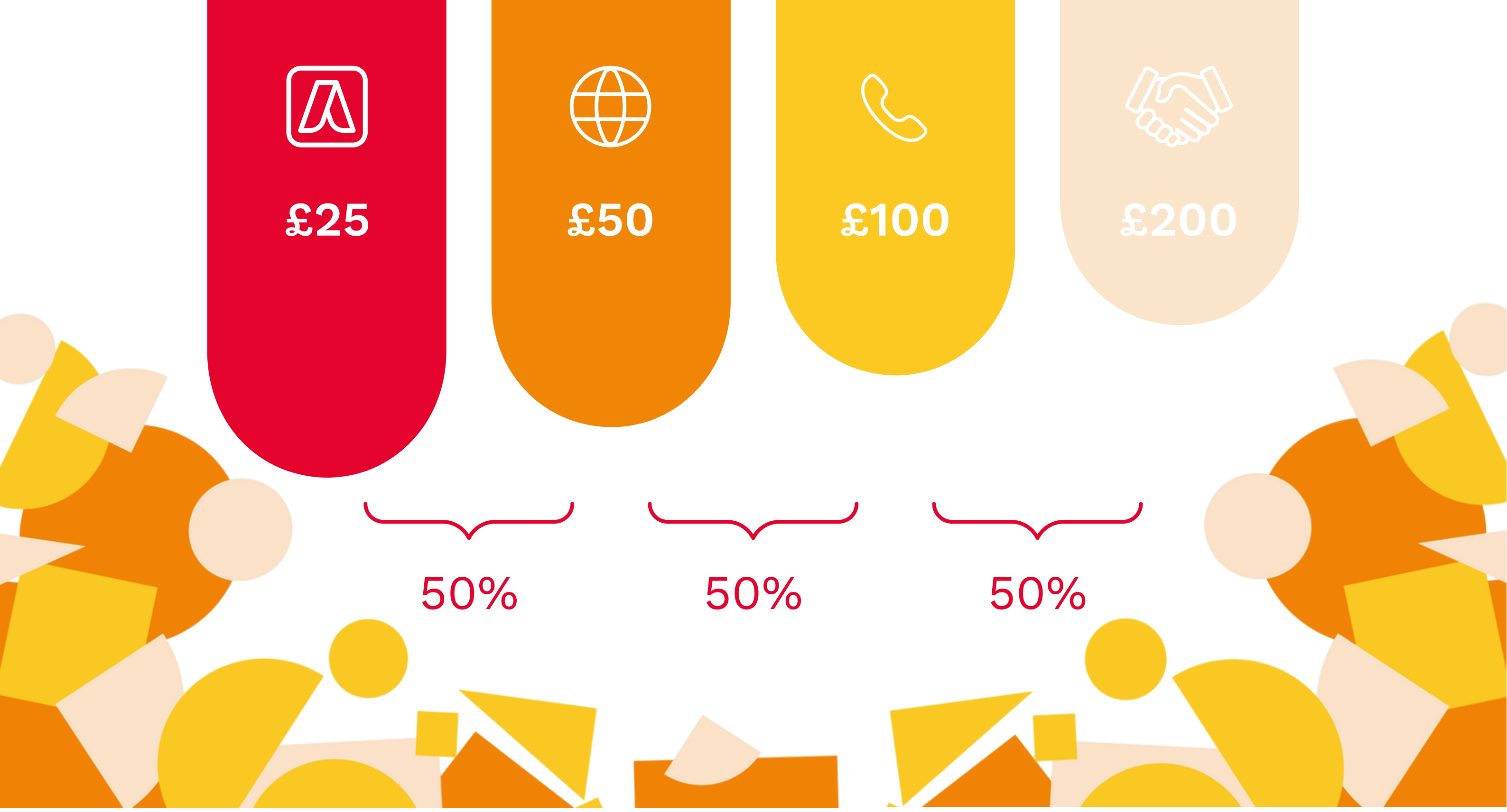
Well, by using your conversion rates to know how many people you can expect to move through your buyer journey, you can then work out how much are you willing to spend acquiring a long-term, loyal customer.

Imagine I have a "customer shop". And I'm selling happy, long-term, loyal customers. You can walk into my shop and buy a customer who you know is going to be worth whatever an average long-term customer is worth to your business.

How much are you prepared to spend buying that customer? The answer will, of course, depend on your business and I can't tell you what that number should be. It depends on how much it costs to deliver your product or service as well as your overheads like subscriptions, salaries, office space, admin, etc.

For some businesses, they might be happy to spend £5 per customer while for others, it could be thousands. I can't tell you what that number should be. But, if you know what your profit margin is then that's a good place to start. A good accountant should be able to help if you're completely stuck. Or you could do what a lot of my customers do when we first start working together which is pick a number that feels about right and we'll refine it later!

However you do it, you need to be able to set yourself a budget so that, for an average customer, you'd be happy spending your budgeted amount acquiring them. We call that your customer acquisition cost.



Now we know how much we can afford to spend acquiring a new customer, we can use our conversion rates to work out how much we can spend on a marketing activity and still get ROI.

For example, if you know that you customer acquisition cost is £200 and (to make it REALLY easy) your conversion rates throughout your buyer journey are 50% at every step, you can work backwards to calculate that for every new customer, you can spend...

- £100 per person to get someone to book a discovery call or first meeting
- £50 for each person who clicks the call to action on your website
- Or £25 per click on your Google ad

If this was your business and you were spending less than £25 per click on your Google ad, then we'd be able to say "yes you're getting ROI. You're making money."

And just to show you how well this can work in a small business, we received this email from one of our lovely clients Electra. She said that...

"I looked over my goals I set last year for marketing, in 12 months we wanted to...

- Raise our conversion rate from 30% to 36%... it's now 65%
- Increase the average monthly spend per customer from £300 to £500... it's now £750
- Have 20 retainer clients, which we have!

We've tripled our business in a year."

Electra Savvidou
Action PAs

So to loop back to the start, in your business, the most effective metrics you want to be measuring are...

- The steps in your buyer journey and how many people are at each stage of the process?
- What your conversion rates are between each stage?
- And how much are you prepared to spend to know if your activity is profitable or not.

With measurement, it can be really tempting to jump in and try and measure everything, but this will just leave you feeling overwhelmed. I always recommend picking 3 or 4 steps in your buyer journey like we've done today as this will give you enough information about a particular activity to see where there are opportunities to improve your conversion rates and whether your marketing is within your budget or not.

By incrementally improving your marketing, based on actual data, you'll not only save a fortune gambling your money on activities that you're not sure are working. You'll also be able to be more agile in your marketing as you'll be able to see and adapt when the market changes so that you can stay ahead of your competitors.

Having an understanding of how marketing actually works and what the metrics actually mean is equally as important whether you're implementing your own marketing strategy or outsourcing it to an agency or consultant to manage for you. But, keeping on top of your marketing metrics is a big undertaking. If you'd like some help and advice on starting to measure how effective your marketing really is, book a free clarity call with me today using the QR code on the back of this guide or drop me an email at ros@rosconkie.com.

Book a free call with me...

Or connect on social media...

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