TUTORIAL
KEY
PERFORMANCE
INDICATOR

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SUMMARY

FOREWORD

This booklet is divided in two parts:

The first part introduces the KPI PROGRAM: a three year project commissioned by UPA – the Italian Advertisers association – to Paola Furlanetto, with the aim of supporting advertisers in quantifying the omnichannel communication results.

The second part is a brief tutorial on Key Performance Indicators and their use.

About UPA

UPA, Utenti Pubblicità Associati, is the association that represents and advocates the interests of industrial, commercial and service companies investing advertising budgets on Italian market. UPA is featuring more than 400 members, both multinational and domestic companies, that account for the 90% of advertising expenditures in Italy.

Established in 1948, UPA's activity is promoted and driven by the companies, that act proactively to tackle and solve common problems related to advertising and commercial communication.

UPA represents members' interests in a unique, independent and strong way in political, legislative and regulatory bodies, as well as in industry committees, towards consumers' organisations and other stakeholder concerned by commercial communication.

All the activities, positions and behaviours of the association aim at transparency and responsibility, with constant focus on continuous innovation of the market.

UPA founded in 1966 and still actively promotes Italian advertising self regulatory body - IAP (Istituto dell'Autodisciplina Pubblicitaria) - in order to champion and develop responsible advertising as a means of information for consumers, competition in various markets, welfare for the entire society.

UPA is also founder and member of WFA – World Federation of Advertisers - the organisation representing and connecting global marketers that brings together the biggest markets and marketers worldwide, representing roughly 90% of all the global marketing communications spend, almost US$ 900 billion annually.

www.upa.it

About Paola Furlanetto

Entrepreneur, founder of two auditing companies, Paola Furlanetto has an extensive background in communication with a professional career in Media Agencies, Research Institutes and Media companies. She has been collaborating with key multinational players in finance, telecoms, sports, technology & electronics, automotive, energy, pharmaceutical, upmarket goods, food & beverage, beauty & toiletries, retail.

www.paolafurlanetto.com

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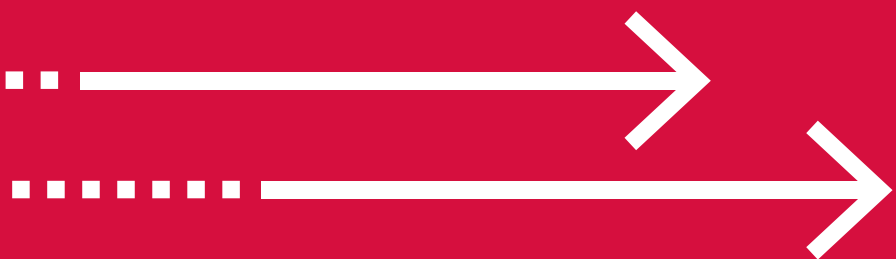
KPI PROGRAM

1. BACKGROUND

A vast body of literature on KPIs communication is available on the market. Many are the contributions published on this topic. Nevertheless, the material available so far highlights 3 limits:

1. **Lack of a unified source** that gathers the most frequent KPIs **across different areas of commercial communication**.

2. Existence of various **ambiguities** arising from the adoption of different interpretations of the same term.

3. **Lack of a common vision**, beyond the split **between online and offline**, beyond the distinction **between branding and performance** and across different cultures.

2. GOAL

The purpose of the KPI PROGRAM is to support advertisers in quantifying the omnichannel communication results.
The project meets 4 key objectives:

1.   **To gather** different types of **KPIs into a single source.**

2.   **To rationalise** an often confused **scenario**.

3.   To build a **bridge between offline and online.**

And, last but not least,

4.   To create **a dynamic and updatable omnichannel framework**, in line with the market evolution and frequent changes.

3. METHODOLOGY

The work has been divided into five overlapping phases in order to ensure the constant updating of its content.

- Identification of **market needs**

   Sources: UPA staff, UPA Media Committee, in-depth interviews to industry experts, users' feedback.

- **Assessment** of the main **KPIs** currently **in use**

   Sources: media/ marketing documents from UK, USA and Italy, web extensive analysis, main texts published in English or Italian.

- **Database building**

   that gathers all the available information into a single source.

   Sources: media/ marketing documents from UK, USA and Italy, web extensive analysis, main texts published in English or Italian.

- **Classification** according to goals

   Sources: media/marketing documents from UK, USA and Italy, web extensive analysis, main texts published in English or Italian.

- **Maps Design**

   Providing an overall picture of KPI's per channel, according to goals.

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4. DATABASE

The database has been built by assessing the main KPIs used in UK, USA, and Italy. Among the 850 KPIs identified, 350 indicators have been processed to date. Three different results can be obtained through the database:

1.   Given an **acronym**,
        the corresponding KPI(s).

2.   Given a **KPI**,
        its meaning.

3.   Given an **objective**,
        an overview of the most used KPIs.

The database contains:

•   Acronyms.

•   Descriptions.

•   Information on Duplications (other KPIs with a different name, but similar meaning).

•   KPI Consistency with objectives.

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5. CRITERIA

Criteria are ways of classifying and selecting KPIs.
Five major groups have been identified, based on interviews with advertisers, audits, books, and web literature.

1.   **Marketing and Communication goals**
        A total of 14 objectives, spanning from advertising awareness, growth of customer base and sales value, to brand loyalty.

2.   **Customer Journey**
        From attention and appreciation, through all the steps toward purchase, advocacy and loyalty.

3.   **Media Objectives**
        From reach to drive-to-store, considering all media goals in between.

4.   **POE**
        A classification of digital and off-line channels illustrating the major KPIs on the basis of paid-owned-earned distinction.

5.   **Miscellaneous**
        Key items not covered above.

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6. GOAL MAPS

Created according to objectives, maps provide **in a single document**:

•   The overall picture of a phenomenon.

•   The **main KPIs.**

The KPI PROGRAM includes the publication of several maps, one for each of the main criterion.
The first map – published in October 2017 – relates to Marketing and Communication objectives, with 14 goals, whose KPIs vary according to 8 communication channels. The second one focuses on the customer journey*.

All Maps present main objectives throughout communication channels. Thanks to maps, **given a clear communication objective** *(e.g. engagement)*, advertisers can **easily find the best KPIs** for each communication channel. Or, given a channel, the best KPIs can be found according to objectives.

Maps play a double role:

•   **A Bridge**, between:
online/offline.
branding/performance.

•   **A Guidance**
to whoever **needs a snap helicopter view** or a tutorial on different KPIs per channel.

In brief, maps are useful tools in order to:

•   Save time.

•   Have an holistic vision.

•   Combine different communication cultures.

•   Find the best KPIs according to company goal.

(*) to be published in summer 2018
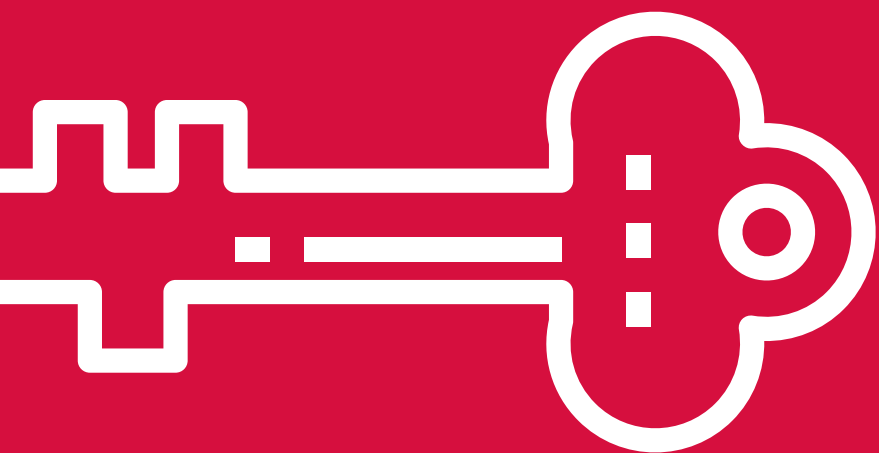
KPI TUTORIAL

7. REQUIREMENTS

KPIs are defined by:

1.   The **goal** we want to monitor.

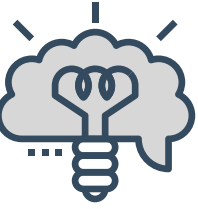2.   A **measurement system**.

3.   The **period of time** to be taken into consideration.

4.   **A source** of information.

A goal is an important business objective, whose performance needs to be tracked.

Measurement systems are based on one or more **metrics,** and can be distinguished in:

- Simple Indicators
  (e.g.: unique users).
- Complex Indicators
  (e.g. ROI or Brand Equity).
- A wide range in between
  (e.g. cost per acquisition of a new user).

Time frame of the measurement, can be either:

- a time interval
  (e.g. Site Unique Users 1-31 May 2017).
- a punctual measure
  (e.g. Brand Equity as at June 1 2017).
- a combination of different time frames
  (e.g. cost per client acquisition as in January 2017
  This example can include different time intervals, as follows:
  Cost: communication investments from September 1st to the end of
  December 2016 - Clients acquisition: inactive clients
  over the last 24 months).

Source (and methodology), are necessary tool aimed to:

- Define and frame without ambiguity the value expressed by the KPI.
- Highlight reliability and objectivity of the source.

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8. HOW TO ORGANIZE KPIs

There is a high number of Performance Indicators to be routinely monitored. An **overload of information can be organized** with the following tools:

- The *pyramid* graph that visualizes priorities

- The *landscape* map that represents complexity.

9. PRIORITIES

The lack of prioritization of objectives may produce confusion in KPIs' defini-tion and, as a consequence, an unsatisfactory performance.
A well-functioning KPIs' organization foresees:

1.   A **limited number of objectives,** therefore few KPIs.

2.   Indicators organised and **ordered by priority**, each associated to a weight that quantifies its importance.

3.   To each **primary KPI,** one or more **secondary KPIs**.

A primary KPI controls the objective, secondary KPIs control the means to reach the objective.

KPIs can be visualized as a "waterfall" (using a spreadsheet) or as a graphic**, with a pyramid hierarchy,** as illustrated in the example below.

TABLE 1
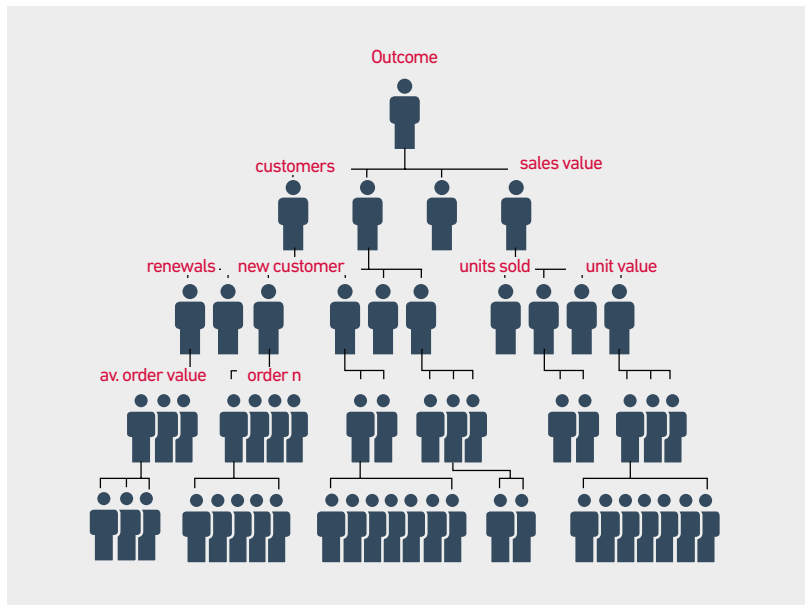
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10. HANDLING COMPLEXITY

The number of KPIs to keep communication under control is constantly growing. **In order to manage complexity, landscape maps can be a useful tool.** A KPI landscape map can be designed by following these simple steps:

1.   Identify the areas to be monitored.

2.   Create a one page map accordingly.

For each given area:

3.   Insert relevant indicators.

4.   Highlight the most important one (i.e. the specific area KPI).

Finally:

5.   Put in the center of the map the most important indicator, which is the overall key performance indicator.

The landscape maps vary in accordance with the different roles, responsibilities and **needs**. Here is an example.

TABLE 2

Focus #1: Brand Health	**Focus #2:** Customers/Sales	**Focus #3:** Stores
Brand Awareness /Familiarity **Net Promoter Score** Brand Search Brand Sentiment Purchase Intent Brand Personality	Active Customers **Sales Value** Sales Volume Cost per Client Acquisition Customer Lifetime Value Customer Retention cost	Visitors Visits **Purchase Number** Average Purchase Value Cost per Order

HIGHLIGHT HERE «THE» MOST IMPORTANT KEY PERFORMANCE INDICATOR

Focus #4: Communication	**Focus #5:** Feedback	**Focus #6:** Vulnerabilities
Net Reach Contacts/Cost per Thousand Consideration Lift Content Awareness Completion Rate	CTR/VTR Positive Mentions Appreciations # Advocates **Qualified Leads/Cost per QL** Conversion Rate	Detractors Bounce rate Viewability Brand Safety Abandoned Chart Fraud

11. TRICKY KPIs

We coined the definition of "tricky KPI" to identify KPIs that need to be carefully considered.

Some KPIs are tricky when **used instrumentally**. That is when they become themselves an objective, rather than being a pure indicator of business performance.
For instance, the clicks' generation through clickbait.

Other KPIs are tricky because, **if not properly considered, they can be misleading**.
For instance, the Reach expressed in % that, without a consistent definition of the target universe across all touchpoints, can lead to misunderstandings on the actual number of people reached.

Two more examples of tricky KPIs are:
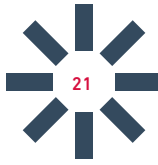
•   The cost per conversion

OR

•   The cost per incremental point of reach.

In both cases, they can be tricky if scalability is not also taken into account.

Can issues generated by tricky KPIs be avoided?
Yes, through a responsible approach.

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12. BEST PRACTICES

A few best practices have emerged from the analysis of communication KPIs:

- **Always quantify reach and contacts.**
  Whether it is "branding" communication or "performance", it is always helpful to know both the volume of contacts and the number of people reached, in order to verify consistency and scalability of results.

- Provide **absolute reach value.**
  This can avoid misunderstandings on the real entity of people reached, often generated by inconsistent target definitions among media/channels *(e.g. Behavioural)*.

- **Viewability, fraud**, etc. are indicators **that must precede the definition of contact**, as they don't represent its added value.

- In order to avoid any other possible ambiguity of indicators and acronyms, **a glossary** must be **attached** to documents, unequivocally defining all KPIs.
  This best practice should be adopted by companies, suppliers and consultants *(i.e. Media, Advertising Agencies, etc)*.

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13. MEASURES

KPIs can be generally found in 3 forms:

1.   **Absolute figure**

- It represents an objective by itself.

- It does not have an apparent relation to the company history or the market (in the first case it is usual to refer to a percentage change, in the second to a share).

- Often, it has no specifications or it comes with words like Number, Entity or Volume.

2.   **Increase/Decrease**

- It expresses a relation (very often between present and past or future performances).

- It's frequently expressed as a percentage.

- Includes KPIs that contain words like: Lift, Increase, Growth or their opposite.

3.   **Share**

- It's a percentage.

- It expresses a relation.

  a.   with the market
  e.g. market share, share of voice etc.

  b.   with a wider phenomenon
  e.g all kinds of conversion rates.

- It includes KPIs that contain words like: Rate, Share.

14. KPIs RANKING

While designing the database, we developed a ranking method of KPIs, that proved to be useful.

This method applies a priority scale from 1 to 4:

1. The KPI **quantifies the objective or its cost**

2. The KPI **qualifies the objective or its cost** (it gives useful information to profile the result).

3. The KPI is a **primary mean to achieve the objective**

4. The KPI is a **secondary mean to achieve the objective.**

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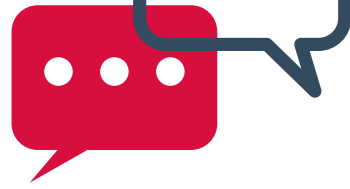
15. AMBIGUITIES

Here is a list of the most frequent misunderstandings about communication KPIs:

1. **Synecdoche**
    A specific phase of the communication process is used as indicator of the whole.
    e.g. "brand awareness" or "brand activation" are used to define the wider concept of "communication activity", recalling the rhetorical feature of the Synecdoche (a part is mentioned for the whole).

2. **Different backgrounds or different goals**
    The indicator is applied in different communication sectors, or with different goals; as a result the same term can have more than one interpretation.
    e.g. cost per action.

3. **Lack of necessary specifications**
    e.g. brand awareness without the specification "aided recall" or "prompt recall".

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ATTACHMENTS

17. RESOURCES

We report below some of the several sources of information available for this project. In blue the most relevant ones.

Title	Author	Date
Books		
PROVE IT! How to create a High performance culture and measurable success	Stacey Barr	2017
10 step KPI system	Aleksey Savkin	2017
Misurare il Capitale Comunicativo	Stefania Romenti	2017
Libro bianco sulla comunicazione digitale	UPA + 7 Associazioni	2017
Il mondo dato / In data time and tide (forthcoming)	Cosimo Accoto	2017
Digital Marketing Excellence	D. Chaffey, PR Smith / Routledge	2017
Digital Marketing	I. Kaufman, C. Horton / Routledge	2015
Key performance indicator for Dummies	Bernard Marr/John Wiley & Sons	2015
The Project and Portfolio Management KPI Dictionary:	The KPI Institute and smartKPIs.com	2015
How to Measure Anything	Douglas W. Hubbard	2014
Social Media ROI	Vincenzo Cosenza	2014
KPI Checklist	Bernie Smith / Metric Press	2013
The long and the short of it, balacing short and long term marketing strategies	Peter Field, Les Binet	2013
Key Performance Indicators: The 75 measures	Bernard Marr	2012
Key Performance Indicators: Developing, Implementing,and Using Winning KPIs	David Parmenter	2007

Title	Author	Date
Master and University Courses		
Personal branding nello Sports - Indicatori	Prof Carmela Ostillio, SDA Bocconi / Furlanetto	2018
Marketing Metrics	Prof. Michele Costabile, Luiss	2018
Key Performance Indicators and KPIs Trees	Christian Terwiesch /Wharton Business School	Nov-15

Title	Author	Date
Collaborations (confidential)		
International Digital Audit and KPI analysis	Eley Consulting	on going
Interviews with UPA members' managers	UPA	on going
Upmarket and Luxury brand Authenticity and Heritage: KPIs	Prof Maria Carmela Ostillio	2017
Media Audit: Setting Goals and KPI Assesment	A+	2006-13

Title	Author	Date
Video		
The right and the wrong key performance indicators	RareBrainCapital	Apr-16
What are key performance Indicators?	Bernard Marr	Apr-15
Introduction to Key Performance Indicators	PerformanceArchHowTo	May-12

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Title	Author	Date
Web sources		
Metriche	Audiweb.it	on going
Occam Razor /The See-think-do-framework	Avinash Kaushik	on going
The Mozzary - Moz Glossary	Moz.com	on going
Attitudes to digital video advertising	IabEurope.eu	Mar-18
Live Data: Ad Biz Priorities & KPIs For 2018	Psfk.com	Feb-18
The 3 step Process to Local SEO KPI Measurement for Maximum ROI	RioSeo.com	Dec-17
Priorities for Digital Measurement	IabEurope.eu	Sep-17
The very best digital metrics for 15 different companies	Avinash Kaushik	May-17
Insight's Periodic table of b2b digital marketing metrics	mdirector.com	Mar-17
The 10 marketing KPIS you should be tracking	Impactbnd.com	Feb-17
The social media dictionary	Hootsuite.com	Nov-16
Setting SEO KPIs for small manufacturing website	SearchEngineLand.com	Nov-16
Performance marketing for dummies	Mario Torija /blog.mobusi.com	Oct-16
Event Marketing Metrics	Certain.com	Sep-16
Measuring Customer Loyalty and Retention with KPIs	BSCdesigner.com	Sep-16
Your first SEO dashboard	BeautifulNumbers.fr	Sep-16
KPI for SEO: measuring SEO success	SearchEngineLand.com	Aug-16
KPI for Measuring brand marketing	SmartInsights.com	May-16
volume-value-quality KPIs	Econsultancy	Mar-16
How to identify the right KPIs for online video	ThinkWithGoogle.com	Feb-16

Title	Author	Date
Web sources		
The must-see Social Metrics Map	SimplyMeasured.com	Jan-16
MRC Social Media Measurement Guidelines	IAB.com	Nov-15
29 essential content marketing metrics	Curata.com	Apr-15
Online audience measurement and ad effectiveness metrics and KPIs	IAB Europe	Apr-15
Content & Native Disclosure Guidance	iabuk.com	Feb-15
Success Metrics	AMA.org	Aug-14
Social Media Metrics & Measurement continue to evolve	Metricsman.com	May-14
How do you define your Digital Marketing Strategy?	Helene Hall / econsultancy.com	Apr-14
Usabilità e Design Flusso Acquisto On line	Elena Antognazza	Mar-14
12 vitals KPIs	Omniconvert.com	Oct-13
Audience Reach measurement guidelines	MRC / IAB.com	Aug-13
Most important KPI for a performance marketer	Hamed Jafari / MarketingLand.com	Jul-13
Fixing the broken culture of SEO metrics	MOZ.com	Apr-13
A new framework for Measuring social media activity	TMW IAB UK	May-10
KPI exemples	Klipfolio.com	
9 Eventprofs Share their Most Important Event KPIs	Eventbrite.co.uk	
Basic Formula In Online Advertising	KnowOnlineAdvertising.com	
Core KPI and sub KPI SEO / SEM/SMM/Email	Pricearea.com	

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18. NOTES

Definitions
By "communication" we always mean "commercial communication".

Language
We used all the sources in their original language whenever coming from US, UK, Italy. In all other cases, we made use of the English version.

Content
In this release we have not included custom KPIs developed by research institutes, social media companies, software houses, even if commonly used.

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