Insider Intelligence

5 Steps to Actionable Key Performance Indicators

5 Steps to Actionable KPIs

Analytics deliver an overwhelming amount of information by way of reports. Much of it is fascinating, but the excitement of those reports wanes over time because the information is not used to effect daily business functions. And why should it?! It's usually not relevant to the business. Instead, well-crafted KPIs (Key Performance Indicators) deliver insight and a roadmap to success.

Although this document focuses on website performance measurement, the methodology for crafting actionable KPIs and measuring them is appropriate for any business application.

KPI Failures

Identifying what values to look for and which reports to evaluate represents the biggest single issue for organizations in obtaining real value from analytics and the daunting array of reports. The creation of reports is often not the problem; the challenge lies in interpreting those reports and extracting the minutiae that have true meaning.

Part of the problem is that web traffic, customer data, product information and all other business reports don't deliver much insight into how your site or business is doing. Much of the information can be used but it needs to be put in context and related to other data sets or over time.

Is having more visitors to your site a sign that the website is performing well? It may or may not be. It is if your business goal is to increase website traffic, but that would not typically be a goal for a site. At least, it should not be. We need to understand what visitors do and what they don't do on our site to know if it's working as it should or not.

A KPI (Key Performance Indicator) should immediately inform the reader how the business is performing which should in turn suggest what actions need to be taken. And if we are measuring the effectiveness of a website, the KPIs need to inform us how the site is doing in driving our business objectives.

But most don't. Too many organizations create Top-10 lists: Top-10 pages, downloads, videos, keywords, referrers, etc. Is it important to know which documents were downloaded the most, or what keywords drove the most traffic to your site? It may seem counterintuitive, but it's not. So what if a certain key word or campaign drove more visitors to your site than another? The critical piece is knowing whether they converted.

What is a Conversion?

When evaluating business performance and that of your website, you must look at conversions, which encompass much more than placing an item into a shopping cart and checking out. Conversions are any actions we hope a visitor will take and include things such as:

- Login successfully
- Register for event
- Forward to a friend
- Rate content
- Change site preferences
- Opt-in

- Complete a video
- Submit question
- Make a payment
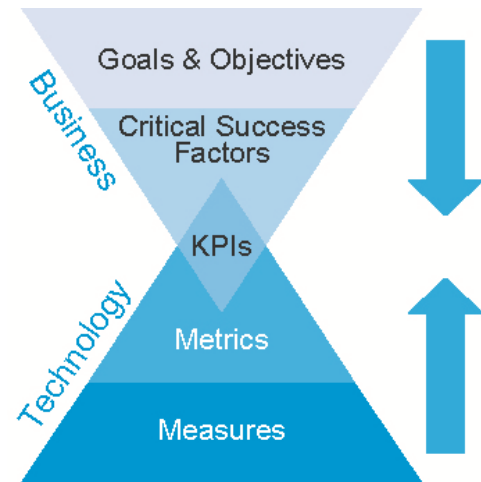- Read about an event
- Fill in form

This is by no means a complete list. Businesses have unique website purposes and will offer different ways for visitors to interact. These need to be measured to understand if website changes need to be made to improve performance.

More visitors and pages viewed are indicators that site traffic is up, but not how well your site is performing. Perhaps your marketing campaigns are simply driving unqualified people to your website. How they convert, and better still, how they compare to last month is a much better indicator. Include the cost of campaigns, and we get a sense of which one is best to the bottom line.

KPI Karta®

The KPI Karta® offers a methodology to identify persons, departments and information sources for creating and supporting KPIs. Because KPI creation has been such a difficult task for many organizations, the KPI Karta has been developed as a best practice to ease the chore of KPI derivation. KPIs drawn from the KPI Karta quickly convey how a business activity is performing and how successful an overall website strategy is.

Specifically, the KPI Karta is a logical process designed to facilitate understanding between business and technology teams. The KPI Karta takes as inputs business goals and objectives from the business side and measures from the web analytics platform. From the business side it breaks down business goals and objectives into critical success factors and from the technology side it constructs metrics from the available measures. The intersection of the critical success factors and metrics are known as Key Performance Indicators.

Key Performance Indicators (KPIs) can help us do that. Let's examine how they assist us, but first we have to understand how they are arrived at and how they relate to business goals and objectives. There are five components to measuring goals and objectives, each building on the next.

After deciding upon actionable KPIs, you must determine how they are to be calculated. As we can see from the KPI Karta, KPIs are driven by business goals, but KPIs are constructed from measures. Using the KPI Karta, here are five easy steps for creating and measuring actionable KPIs.

Step 1: Establish Goals & Objectives

Before we start measuring and analysing web traffic, it's essential that we state the purpose of our website. It may sound overly simplistic, but websites only have one of two purposes. They are either created to increase sales or to decrease costs. Here are examples of each:

Increase Sales:

- Lead generation
- Brand awareness
- eCommerce
- Social networking
- Entertainment

These sites encourage better engagement with the explicit objective of increasing sales. They may not sell products online but attempt to increase brand standing and engagement and drive visitors to purchase more products or services.

Decrease Costs:

- Customer education
- Self-service
- Customer service
- Informational
- Intranet

These sites encourage visitors to locate information and answers online in an effort to decrease support costs. It is far less expensive to provide information online than to staff a team of experts to field inquiries.

Understanding the purpose of your site will allow you to begin measuring site activity and improve its performance. And measuring key events over time is critical since we can see how things are improving as we make changes to the website. Since no web analytics report directly informs if you are meeting your goals and objectives, you need to build on the measures that are provided to determine if you are succeeding or not.

> KPIs are driven by
> **business goals**
> BUT…
> KPIs are constructed
> from **measures**

We will work through two examples to provide guidance for you to create them on your own. Here are two examples of Goals & Objectives.

Example A. Increase Sales
Example B. Decrease Support Services Cost

Step 2: Establish Critical Success Factors (CSF) from the Goals & Objectives

Critical Success Factors (CSFs) are a limited number of key activities that an individual, department, or organization should focus on to be successful. CSFs are specific conditions that measure or facilitate the meeting of business goals and objectives within set timeframes.

A "good" CSF begins with an action verb and clearly and concisely conveys what is important and should be attended to. Verbs that characterize actions include: attract, perform, expand, monitor, manage, deploy, etc.

CSFs always combine two elements: a measurable activity and a specific timeframe.

Example A. Increase leads by 25% over the next 12 months
Example B. Decrease call center calls by 20% over the next 12 months.

Step 3: Establish Key Performance Indicator (KPI) from CSF

A critical success factor is not a KPI. CSFs are elements that are vital for a strategy to be successful. KPI's are calculated measures that quantify the CSFs and enable the measurement of that strategic performance. KPIs are always calculations of Measures which are determined in the next step.

The identification of KPIs is done in step 3, but the calculation of them is done in step 5. As will be seen in the next two steps, there are an endless number of Measures and Metrics to be considered. Not all Metrics inform us how our business or website is performing, but those that do are KPIs. All KPIs are Metrics, but not all Metrics are KPIs. This concept will be better understood once steps 4 and 5 are completed.

KPI Example A. **Percentage** of visitors converting to leads compared to last month

KPI Example B. **Ratio** of call center calls to online support compared to last month

Now that KPIs have been identified, we can look at the Measures that make up the chosen KPIs. Since Example A is the percentage of visitors converting to leads, we must first find those measures and do the appropriate calculation to obtain that ratio. For Example B, we will need to collect Measures from both the call center and online support data.

Step 4: Collect Measures

Measures are raw numbers that in and of themselves have limited usefulness, but ultimately need to be related to each other to extract the most meaningful information possible. Measures are the lowest level of detail in the methodology and are found in web analytics reports, corporate databases, call center reports, or various other data silos. Relevant Measures need to be gathered so we can determine Metrics in Step 5.

These Measures are equally valid for both Example A and B:

- Page views
- Visitors
- Keywords
- Pdf downloads
- Daily support calls to call center
- Campaign data such as PPC (price per click)

Step 5: Calculate Metrics from Measures

Metrics are calculations of Measures and are always expressed as **ratios, averages, rates,** or **percentages.** By definition, we can have an infinite number of Metrics since we can slice and dice the Measures any number of ways. It's equally important that Metrics are defined by a time frame.

As noted in Step 3, all KPIs are Metrics, but not all Metrics are KPIs. To be considered a KPI, the Metric needs to be important enough to inform how the site is performing. Notice that the first two Metrics match the KPIs we identified in Example A and B.

Again, these Metrics are equally valid for both Example A and B:

- Percentage of visitors converting to leads as compared to last month (KPI from Example A)
- Ratio of call center calls to online support as compared to last month (KPI from Example B)
- Average pages viewed per visit compared to last period
- Leads per referrer compared to last period
- Conversion ratio of visitors to leads
- Percent of new visitors compared to last period
- Length of visit compared to last period

- Online service completions compared to call center support calls

Conclusion

Below is a table summarizing the **5 Steps to Actionable KPIs** using examples A and B. The KPIs are highlighted to illustrate how they match with Metrics from Step 4.

	Step 1 Goals and Obj.	Step 2 CSF	Step 3 KPI	Step 4 Metric	Step 5 Measure
Example A	Increase Sales	Increase Leads by 25% over the next 12 months	Percentage of visitors converting to leads as compared to last month	Average pages viewed per visit compared to last period Leads per referrer compared to last period Percentage of visitors converting to leads as compared to last month Conversion ratio of visitors to leads Percent new visitors compared to last period Length of visit compared to last period Ratio of call center calls to online support as compared to last month Online service completions compared to call center support calls	Page views Visitors Keywords Pdf downloads Daily support calls to call center Campaign data such as PPC (Price Per Click).
Example B	Decrease Support Costs	Decrease Call Center calls by 20% over the next 12 months	Ratio of call center calls to online support as compared to last month		

Since the KPI for Example A is the Percentage of visitors converting to leads compared to last month, that value for the starting month may be 8%. If in the subsequent month that number is 10%, we know that our website has caused an improvement in conversion. This will improve leads and likely increase sales as per the stated goal.

Similarly, Example B is the Ratio of call center calls to online support compared to last month. If that ratio decreases, it means a greater proportion of customers seeking support are doing so online. This would be an indication that your website is facilitating online self-service which in turn should decrease support costs as is the stated goal.

In conclusion, web analytics reports or any business reports themselves are not very useful for determining success. However, understanding business goals and objectives and establishing KPIs to measure them provide tangible and concrete evidence that either we are on the right track, or we need to make changes to improve results.