

Synchronising Marketing Performance Measurement Indicators with Corporate Strategy: A Conceptual Framework

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ABSTRACT

In today's tumultuous corporate setting, it is of paramount importance to charter the intangible domain of customer value and thereby measure the impact of marketing on holistic growth, profit, and shareholder's wealth. Archetypally, non-marketing executives still perceive that marketing exists solely with the object of facilitating sales, or that it is less of a science and more of an art that throws parties and churns out colour brochures. Marketing activities are deemed as black holes, which apparently do not seem to proffer any systematic method of fund allocation, thereby enabling the tracking of returns from marketing investment leading to thriving business performance. The concept of marketing performance measurement indicators (MPMIs) is nothing but a response to cope with this crisis of credibility, thus enabling the successful returns from marketing initiatives. Soft marketing metrics like brand awareness, GRP, impressions, organic search rankings and reach are indubitably relevant, but only to the extent that they quantifiably connect to hard metrics like pipeline, revenue, and profit.

We shall in this critique, identify five stages which highlight the impact of marketing investment metrics on sales potential. We also propose the use of a Consolidated Marketing Scorecard (CMS), akin to the concept of a balanced scorecard, as used in other functional domains such as operations and manufacturing. This consolidated marketing scorecard furnishes a measurement apparatus, with a comprehensive view of data tracked among decentralised, multi-channel marketing programmes. It would involve a harmonious concoction of the metrics to stimulate business efficiency. We have also developed a conceptual framework that correlates the impact of MPMIs on organisational upshots. Once the marketing metrics deliver results, the key lies in how the top management capitalizes on them and formulates versatile strategic decisions for organisational performance, profitability and credibility.

Keywords: *Marketing Performance Measurement Indicators (MPMIs), Returns on Marketing Investment, Soft Marketing Metrics, Hard Marketing Metrics, Consolidated Marketing Scorecard (CMS), Corporate Strategy*

PREFATORY OBSERVATIONS

In today's tumultuous corporate milieu, it is of pristine importance to charter the intangible domain of customer value and thereby measure the impact of marketing on holistic growth, profit, and shareholder wealth. Marketing is in a privileged position to prune out key market trends and opportunities, and hence establish a profound connect between the enterprise and its customers. It must therefore, act steadfast, to propel growth. A plethora of studies have indicated that a slight increase in the marketing budget of an enterprise could accelerate profits significantly. Yet, surprisingly, most of the top-executives do not have a clue about such an impact. Naturally, it would not be feasible for them to expect their organisation to place value on something which they are unable to quantify. Here lies the relevance of marketing metrics, which focusses on the evaluation of marketing effectiveness against a set of financial or non-financial indices, with a view to

foster overall organisational success. Establishing sound marketing performance indicators is the key to prompt revenue and growth!

INTRODUCTORY REFLECTIONS

It cannot be denied that today's hypercompetitive world is fuelled by marketing. Hence, the marketing department of any organisation assumes a very momentous and significant role. Despite this, the marketing executives are exposed to a challenging period in which they are being mandated to demonstrate the quantitative value of their efforts and undertakings. Marketing, which has been archetypally deemed as an art than a science, is regarded as one of the last of the corporate functions to formally develop processes and standards that can be tracked and measured with quantitative efficiency. The finance department of many an organisation, in multiple cases, deem marketing activities as black holes, which do

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not proffer any systematic method to allocate funds and thereby track the returns from marketing investment. While marketers view marketing as an avenue to build awareness, preferences, distribution, along with other dimensions leading to sales, the finance department still regards it as an expense. Amidst this dilemma, it is important for the enterprise to bear in mind certain relevant questions: What expenditure is being incurred? How is it conducted? How does this expenditure flow through the organisation and how does it contribute to the financial welfare of the organisation? These rudimentary questions pave the foundation of the concept of marketing performance measurement indicators. It is no surprise that the expertise entailed to implement rigorous measurement systems and conduct complex data analyses so as to fathom the liaison between customer behaviour attributes and marketing initiatives, does not typically reside in the marketing department. Indeed, marketers have traditionally struggled with the quantitative measures of marketing programmes and efforts. This buzz around marketing performance measurement represents a convergence of several emerging trends, given that marketers are required to work to make a science out of the art and develop a stronger discipline of internal measurement. Marketing practitioners are exposed to increasing pressure to demonstrate their contribution to the firm's performance. It has been widely argued that an inability to account for the contribution of marketing performances has undermined its stature within the organisation. In order to act in response to this pressure, marketers are investing in the development of performance measurement indicators and processes, with the goal of unravelling the returns from marketing initiatives. Notwithstanding, till date, there have been very few empirical studies on whether the ability to measure marketing performance has any tangible impact on the firm's health.

INVESTIGATING THE RATIONALE OF MARKETING METRICS

According to Rust *et al.* (2004), the effective dissemination of novel methods of assessing marketing productivity to the business community, is regarded as a major step toward raising the vitality of marketing in the enterprise and, more importantly, towards raising organisational performance itself. As Kumar (2004) corroborates it, the inability of marketing executives to account for the impact of the marketing function towards firm performance is recognised as a prime factor leading to the loss of stature for marketing within the organisations. Even today, marketing endures a crisis of credibility. Archetypally,

non-marketing executives still perceive that marketing exists solely to facilitate sales, or that it is less of a science and more of an art that throws parties and churns out colour brochures. Gone are the heady days of the late 1990s when a marketer could execute a campaign without tying it back to bottom line financials. In the current economic climate, marketers rely on metrics like reach or market share that do not show return on investment or like factories reporting how many mechanical gadgets they made, but ignoring how many were actually sold in the market. So, what can marketers do as they are eyed as a part of the profit-generating machine and thereby take more control over the revenue process, build the respect of their peers, and earn a valued seat at the revenue table? The key lies in the ability to use marketing metrics that appeal to the non-marketing hotshots of the enterprise. Soft metrics like brand awareness, GRP, impressions, organic search rankings, and reach are indubitably relevant, but only to the extent that they quantifiably connect to hard metrics like pipeline, revenue, and profit. Of course, marketers must track and measure the impact of all key marketing activities, both hard and soft. However, the most critical metrics must be kept internal to marketing. By speaking the same quantitative language as the CEOs and CFOs, marketers will better communicate the value and impact of marketing to the executive suite.

Greater demand for metrics is further complicated by the fact that marketers traditionally lacked visibility and insight into their versatile programmes and activities. These days, marketers strain to articulate the value of their efforts given only limited data and lack of data granularity to support gut feelings or ad hoc analyses regarding the impact of their undertakings. It is more important than ever for marketing to bridge the impact between its efforts and financial investments to revenue and profit, and thereby establish a true process for marketing ROI in their enterprises.

DEVELOPING A CONSTRUCT FOR BUILDING MARKETING ACCOUNTABILITY

One thing is clear: marketers need to be more cautious and accountable in their initiatives. Notwithstanding, in this light, one aspect needs clarification. Embedding the significance and cumulative accountability of marketing in the minds of the CFO or other personnel in the finance department is no cake-walk. It requires certain guidelines that need to be adhered to. We have thus, outlined 5 stages, called for in the process of generating marketing accountability. They have been summarised in Fig. 1, before they have been individually outlined.

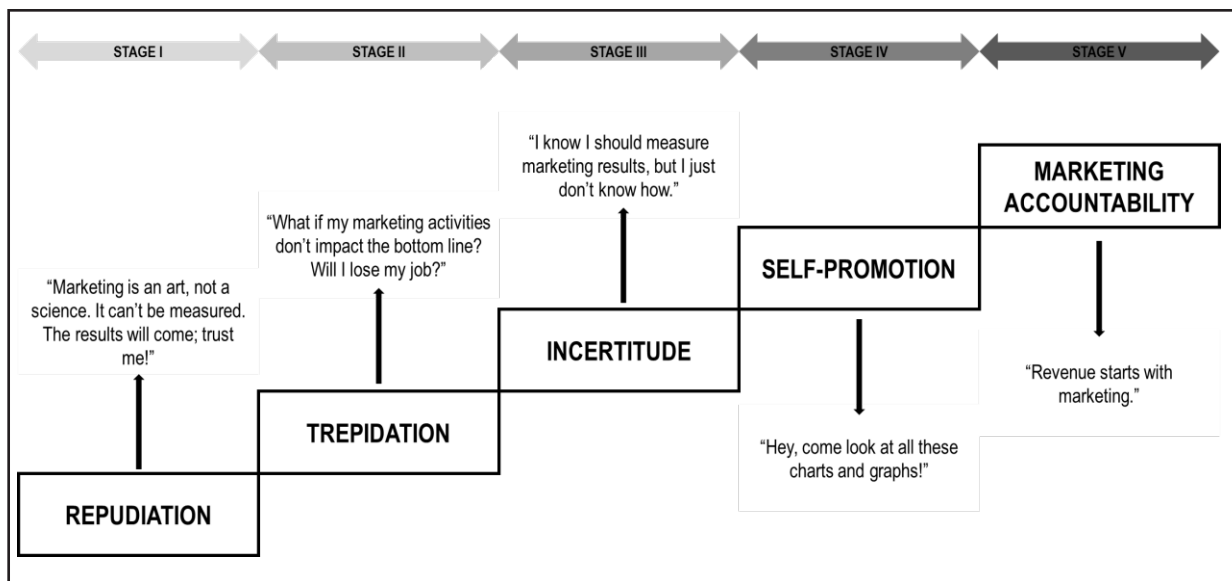


Fig. 1: Impact of Marketing Investment Metrics on Sales Potential

Stage 1: Repudiation

It is high time that the marketing department take responsibility for its actions and prove that marketing is more a function of science than an art. We opine, that in the initial phase, the CMO must be given the autonomy or freedom to deny the need to be accountable for results. However, this could be the strategy for a quarter or two but not more. Being stuck in this stage has its own set of repercussions, in that it often leads to the isolation of marketing from other departments and executives.

Stage 2: Trepidation

It is known to us that with great power comes responsibility. Evidently so, assuming accountability can be, at times, intimidating, especially when the performance of the department is under darkness. The CMO is in oblivion about how well or poorly his department is doing. Much like a double-edged sword, marketing accountability reflects on both weak performance as well as good performance. Some CMOs may thus, be tempted to avoid accountability, simply to avoid facing which category they really fall under.

Stage 3: Incertitude

Having moved on from the repudiation and trepidation phases, the CMO is au-fait with the fact that marketing accountability is inevitable, but the path to achieve it

remains concealed. Rudimentary metrics such as Lead-Source Tracking (LST) and Cost-per-Lead (CPL) are made operational, but there is no holistic understanding of how marketing activities impact key bottom line metrics.

Stage 4: Self-Promotion

In a desperate attempt to appear accountable, marketing measures everything that can be readily measured. It could start from website page views to press release downloads to search engine rankings or social media scores. These CMOs proudly flaunt their results and claim marketing accountability. However, it must be noted that pertinent as these metrics may be, they lack an explicit connection to hard metrics like pipeline, revenue, and profit. The outcome is a focus on soft marketing KPIs instead of hard revenue growth, on short-term ROI over long-term marketing accountability. Inevitably, this will once again reinforce the perception that marketing is a cost centre and not a revenue producing asset. The key is to balance both and establish quantitative discipline which is fostered by the aforementioned hard metrics.

Stage 5: Marketing Accountability

We believe, that at this final stage, marketing truly finds its place in front of the revenue pipeline. Here, marketing is no longer deemed a cost centre, especially because it begins to justify marketing expenditures such as investments in revenue and growth. This is when the

CMO can act, and talk, like a true C-level executive, measuring and forecasting marketing's impact on metrics that matter to the CEO and CFO. This is the stage when marketing truly earns a seat at the revenue table.

Nevertheless, getting to this final stage of marketing accountability is easier to preach than adopt and practice. It requires top-level commitment, discipline, and investment in the right systems and tools. It can also call for a reengineering of marketing incentives and compensation structures. The journey, as mentioned earlier is no cakewalk, but the results, in terms of peer respect and impact on profits are clearly worth it for any marketing team.

V. MARKETING PERFORMANCE MEASUREMENT INDICATORS (MPMI)

In the words of Clark and Ambler (2001), marketing performance measurement is the assessment of the liaison between marketing activities and business performance. Since, the problem in question is the inability to account for marketing activities, our specific interest is in establishing a few MPMI's to foster marketing's ability to assess this relationship. The underlying goal of MPM research is to demonstrate the value of the marketing activities. We shall focus on marketing activities themselves, simply defined as marketing communications, promotions, and other activities that represent the bulk of the typical marketing budget. The other approach of considering primary products, pricing strategies or customer relationships will not be effectively captured by the MPMI's.

We can categorise marketing performance measurement research into three research disciplines:

- Measurement of marketing productivity (Morgan, Bruce, & Rich, 2002; Rust *et al.*, 2004).
- Identification of metrics in use (Winer, 2000; Barwise and John, 2003).
- Measurement of brand equity (Aaker & Robert, 2001; Ailawadi *et al.*, 2003).

These three categories combined together form what we call the Marketing Productivity Sequence (MPS). It extends beyond marketing activities to shareholder value enhancement. Marketing activities influence intermediate outcomes such as customer thoughts, feelings, knowledge, and ultimately their behaviour. These upshots, in turn influence financial performance of the firm.

These MPMI's would critically examine how marketers can measure the liaison along the MPS; which metrics

firms use or could use along this sequence, particularly financial, non-financial, and market-oriented assets; and contextual factors, especially the firm's market orientation. The rudimentary assumption of all the said activities is that such measurement efforts are beneficial to the firm and are not just post hoc justifications of the effort laid forth by the marketers. In fact, ameliorations in marketing's ability to account for its activities will actually raise the performance of the entire organisation. However, according to Bonoma and Clark (1988), overcoming the inability to account for the marketing function's contribution to firm performance requires that resources and management attention be expended on measurement effort. Incurring such cost assumes that the firm will benefit in the long-run. Sevin (1965) argued that the implementation of robust performance measures should result in greater marketing and firm performance. These broad marketing metrics thus, help us comprehend the success quotient of an advertising or marketing campaign. Most metrics are universal across all types of marketing, but there are a few types that are specific to television, radio or Internet media buying. Today, MPMI's are increasingly attracting academic and managerial attention with an urgency and scope, previously unprecedented in the history of this domain.

Macro Indicators of Marketing Performance Measurement

According to a recent study by MIT Sloan and IBM (2010), organisations that pioneer in the analytics and measurement of marketing performance outperform the late adopters by 3 times more efficiency in performance. It is of pristine relevance for the firm to unfurl the macro domains of marketing performance measurement, addressed by the marketing automation investment portfolio. These indices encompassed components such as cost-benefit analysis, campaign efficacy, customer satisfaction index, relative market share, customer affinity, customer mind share or even his wallet share.

In fact, the use of MPMI's propagates across functions in a predictable trend. The transformation is visible across brand and market management, general management, workforce planning and allocation, and customer experience. Areas such as risk management, product research and development, customer service, strategy, and business development become more experienced, while sales and marketing, operations and production, financial management, and budgeting remain aspirational

areas in marketing performance. As the adoption spreads, there is a growing demand for a greater variety of skills and deeper expertise to deliver more proficient marketing returns.

Micro Indicators of Marketing Performance Measurement

The first aspect that comes to mind when dealing with the micro indicators is that most companies do not have an established framework for customer value and customer experience as the key performance indicators. Often, marketers overestimate the extent of their customer centricity, their measurement capabilities and the scope of their customer orientation. Truth be told, most of the organisations today are under the belief that they are 100% customer-centric, whereas in reality, they are mostly structured around products, services, and line of business. Very few marketers also use customer engagement as a primary component in their communication strategy. They often struggle to measure customer engagement, most often due to the absence of a well laid-out system to administer and monitor it or due to the fact that no one in the department bears singular responsibility for managing it. This brings us to the problem of repudiation as mentioned afore. Unfortunately, this is not a priority for many organisations even today, despite the challenges experienced by the marketing department and the skyrocketing degree of competition in the market. Indeed, organisations want to see insights more clearly and thereby act upon them. The real challenge is poised at the grassroots or the action-level, where the campaigns are set, engagement initiatives are undertaken and ensuing results are analysed. One of the greatest barriers to adoption is the presence of a siloed approach in allocating budgets based on historical spending. In this light, we must bear in mind certain micro-level areas of marketing performance measurement such as activity volume, decision accuracy, marketing efficiency, process performance, resource usage, task completion, time requirements and trade-off analysis.

PIONEERING THE CONCEPT OF CONSOLIDATED MARKETING SCORECARD (CMS)

We propose the use of a CMS, akin to the concept of a balanced scorecard, as used in other functional domains

such as operations and manufacturing. This consolidated marketing scorecard furnishes a measurement apparatus, with a comprehensive view of data tracked among decentralised, multi-channel marketing programmes. The scorecard shall make use of a set of quantitative metrics across predefined categories that precisely quantify returns from marketing and other KPIs, while communicating complex information at a glance. The scorecard is balanced with other corporate scorecards by binding key metrics of marketing performance to a company's primary corporate objectives. For instance, if we consider the impact of ROMI on sales potential, the scorecard would reveal that beyond a certain stage, all marketing investments would grow at a steady-yet-diminishing pace. In other words, the returns would acquire a certain degree of stability beyond a certain level of growth in sales, as indicated in Fig. 2.

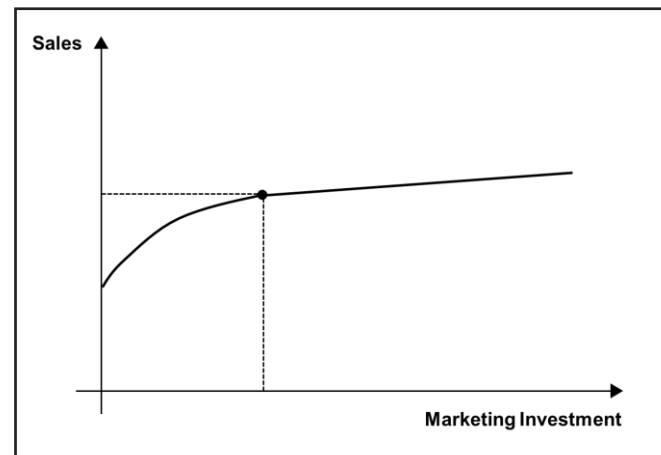


Fig. 2: Impact of Marketing Investment Metrics on Sales Potential

A very interesting feature of the CMS is that it sustains simplicity in displaying results while scaling up with marketing operations as they grow and adapt to new market conditions. Given the cross-functional sources of data to track, the entire enterprise must be committed to making the scorecard programme a success. Hence, the marketing team responsible for administering such a project reports early successes at implementation and then establishes regular progress reports to update executives and the board on a consistent basis.

Pillared on this understanding, we have developed a model for CMS, which essentially captures a set of linked strategic objectives that are organised using quadruple Balanced Scorecard perspectives. Fig. 3 depicts a high-level, generic version of a CMS for marketing, based on a cause-effect relationship.

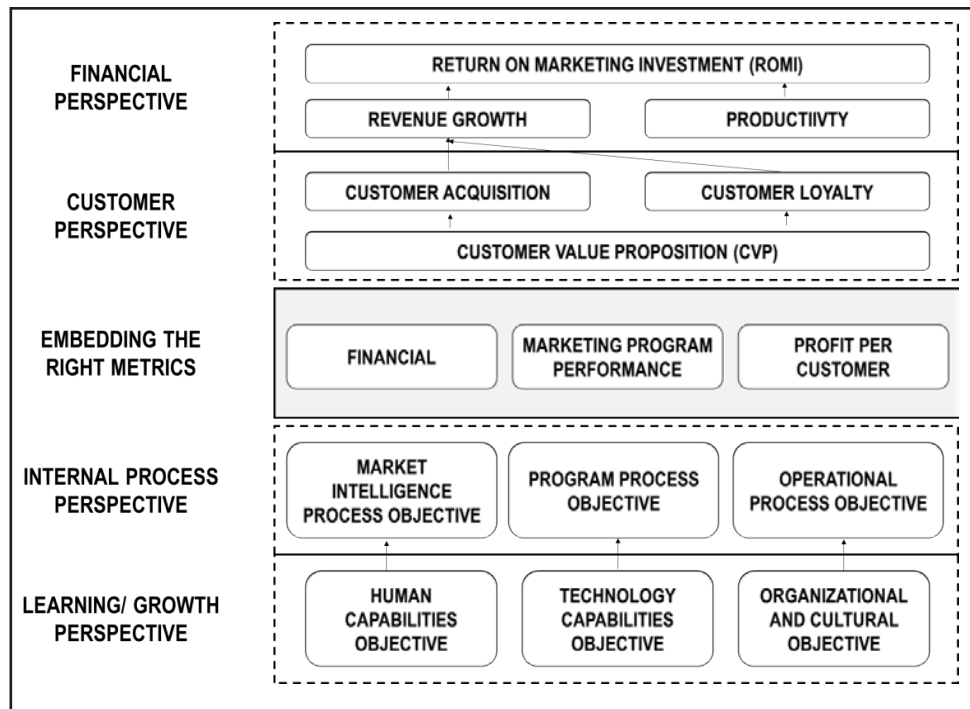


Fig. 3: A Comprehensive Marketing Scorecard based on Causality

The model shown in Fig. 3 leads to a quantitative modelling position through the various objectives that the organisation seeks to accomplish. It views the marketing department as a component of the enterprise and not an isolated staff division with distinct objectives. It is imperative that the right metrics be implemented

in order to measure the impact on customer retention. The learning and internal process and the customer and financial perspective are all guided by the right metrics, which forms the core of the scorecard. The model has been expanded a little further to probe into the various effects of the indicators. A summarised format of these MPMIs have been displayed in Table 1.

Table 1: Summary of the Right MPMIs used in an Organisation

MPMI Category	Effect	Business Performance Metrics and KPIS [Past: How did we perform?]	Diagnostic Metrics [Present: What is working?]	Leading Indicators [Future: How will we be performing?]
Revenue Metrics	Aggregate impact on company revenue	1. Lead generation vs targets 2. Cycle time	Conversion rate vs trend or benchmark	1. Size of prospect database size 2. Marketing contribution forecast
Marketing Programme Performance Metrics	Incremental contribution of individual marketing programmes	1. Investment 2. Pipeline contribution 3. Programme ROI	1. Response rates 2. Lift over control group	Expected contribution forecast
Profit Per Customer	Lifetime value of an incremental customer	Average selling price	1. Investment to acquire a customer 2. Marginal cost to serve	1. Retention rates 2. Products per customer 3. Net promoter scores

However, to optimise efficiency and performance, we cannot use any metrics randomly. The right combos need to be selected. It is important to choose no more than five

key metrics, because beyond five, it becomes difficult to put in organisational focus. It is also important to measure success versus goals for the selected metrics for

each and every campaign, every channel, and every sales representative per region or every product. This must be complemented by showing trends for those metrics over time. In this manner, the organisation can immediately understand where they are improving and where they are not. Other internal strategies such as installing dashboards for employees also help to the extent that there is always a succinct view of what marketing is trying to achieve, and where the organisation stands in that respect. The most relevant stage is to have recognition systems attached to goals. The CEO or the top management must ensure that the top contributors get recognition. It is not the pay which matters most. The best performing companies have advanced tracking systems that monitor results weekly,

monthly, or quarterly, thus continually boosting their performance.

DEVELOPING A CONCEPTUAL MODEL OF MPMI TO REINFORCE ORGANISATIONAL PERFORMANCE

In order to simplify the avenue ahead, we have developed a conceptual model to make marketing metrics more relevant in the Indian organisational setup. The primary step is to identify participants for the analysis and hence probe into the MPMI ability with certain control variables to get organisational outcomes. The model has been outlined in Fig. 4.

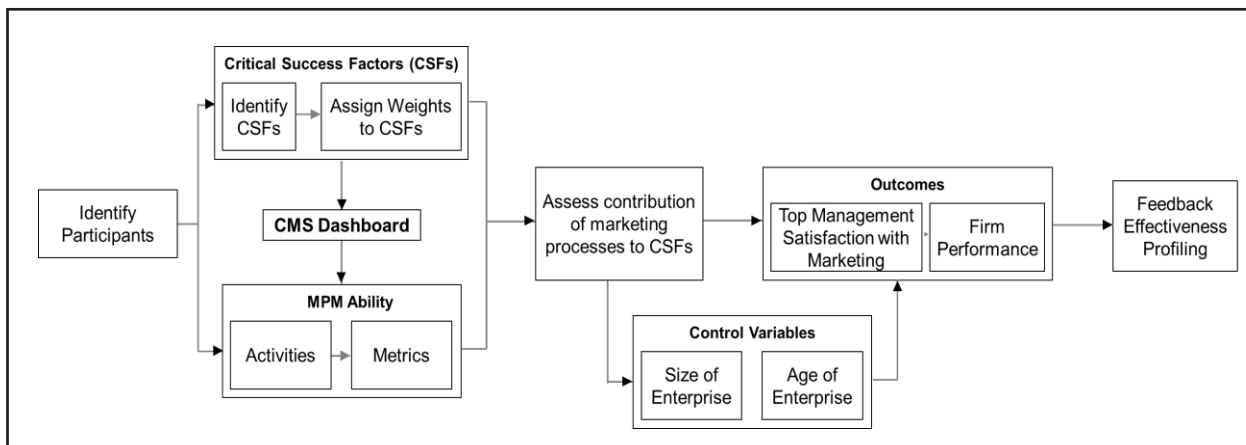


Fig. 4: A Conceptual Model to Measure the Impact of MPMIs on Organisational Outcomes

The model shown in Fig. 4 efficaciously summarizes the process of how the MPMIs can lead to better organisational upshots. The best participants are selected from the market and are expected to have equal access to public information and be able to measure the market responses of their counterparts. They are gauged against certain critical success factors based on organisational objectives. The dashboard concept helps to measure and keep track of daily MPM activities which lead to certain upshots in terms of top management satisfaction with marketing initiatives and the performance of the firm. Finally, the outcomes are hence compiled to test for effectiveness and arrive at a consensus.

WINDING UP ON A FUTURISTIC NOTE: ALIGNING MPMI TO CORPORATE STRATEGY

Once the marketing metrics deliver results, how do the top management capitalise on them and formulate strategic

decisions? In this regard, marketers must appreciate certain key lessons to enhance their performance, profitability and credibility with marketing metrics and analytics. The manner in which prospects research and buy solutions today has been forever transformed by the abundance of information available on websites and social networks, and this in turn fuels a momentous transformation in the way marketing and sales teams must work in unison, so as to drive revenue. Given their ready access to information, buyers resist engaging with sales until much later in the buying process. This presents an incredible opportunity for marketing to reinvent itself as a core part of the company's revenue engine. Further, reporting for the sake of reporting is less important than the decisions reports enable to improve profit. There is a need to focus on improving ROI, rather than just proving ROI. It is also necessary to set goals and run scenarios for all marketing programmes, prior to spending money. More importantly, CEOs and CFOs are concerned about their growing

revenues and profits. They use the hard financial metrics they care about to build credibility. There is a need to identify measurement priorities in advance of campaigns and plan campaign-specific measurements concurrent with campaign planning. For this, the integration of diverse measurements to determine how to best leverage the sui generis strengths of each methodology, will allow for multiple measurements to have a cumulative impact.

Truth be told, the time is ripe for marketing to reassess its measurement goals and the current shortcomings that stand in the path of meaningful data collection, organisation and analysis. Marketers should not only list their automation portfolios, but also detail the measurement capabilities delivered, identify gaps, and prioritize those gaps. With good marketing performance measurements, marketers will not only be able to report on effectiveness, but will also gain agility, focus, leverage, and higher returns on campaign investments. In essence, marketers will be instrumental in delivering superior customer value more effectively and build a strong foundation of fact-based knowledge to disseminate among its internal constituents, and gain robust competitive immunity.

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