The evaluation of marketing performance measurement in South African Companies

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ABSTRACT

Marketing performance measurement is a burning platform for both the academics and practitioners. Marketing spend is seen as rising with no means for marketers to quantify the returns. Marketing performance measurement is seen as the means to hold marketers accountable for 'every marketing dollar'. Marketers are challenged to demonstrate the impact of their activities on business outcomes. This study aims to evaluate marketing performance measurement by South African companies and the perceived benefits thereof. A survey was conducted among South African marketers from a range of industries and sectors, where 78 respondents completed a questionnaire on metrics usage and the perceived benefits thereof. The data was collected on a Likert-scale and was analysed using a quantitative methodology (descriptive statistics followed by Distribution Fitting Algorithm). The main finding of this research was that marketers are using the more traditional set of metrics such as sales, sales trends, market share and market trends. Marketers are not using the more advanced set of metrics such as brand equity, customer equity and customer lifetime value. Overall the findings indicated that marketers are not linking their activities to overall company performance. Marketers are aware of the benefits of measuring marketing performance but may lack the analytical skills required to utilise the more advanced metrics. Marketers need to link their activities to company performance in order to get the credibility they deserve in the boardroom. Management needs to provide marketers with the necessary technology to collect real time data needed to compute the more advanced metrics and the skills to enable them to measure their performance effectively.

DECLARATION

I, ___________, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Cebisile Madi--

Signed at ……………………………………………………

On the …………………………….. day of ………………………… 2010

DEDICATION

To my late Dad, for teaching me the value of having a vision and working towards it.

To my Mom for all the love and support; her love is like the sea, it never ends!!

ACKNOWLEDGEMENTS

I would like to express my sincere thanks to;

- Prof Geoff Bick, my supervisor, for his time, support, direction and insight.
- My respondents, who sacrificed their time to complete the survey.
- My fellow MBA students who helped me get access to their marketing departments

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1.1 Purpose of the study

The purpose of this research is to evaluate marketing performance measurement in South African Companies.

1.2 Context of the study

The call for marketing to develop measures for their activities has been sounding for decades. Companies are demanding that marketers justify the ‘marketing dollar’ spent every year on marketing activities in this era of accountability. These days marketers are expected to be both artists and scientists in that they need to be creative yet accountable of every dollar spent.

Most departments in organisations can quantify their expenditures and returns down to the last cent, whilst marketing may quantify their expenditures the same cannot be said about their returns. Marketing still encounters problems linking their expenditures to their returns. Marketers argue that their activities are idiosyncrasies to the company and therefore cannot be measured against others (Stewart 2008). Stewart (2006) argues that similar excuses were the order of the day in other functions like operations but are not acceptable today.

There is a need for a marketing function in a company. Without it there would be no customers to produce goods and services for and no sales revenues to derive profits from. The agreement though is that marketing is no longer only about managing the marketing mix variables. There is the need for marketers to segment and target their customers precisely and be able to manage individual or segments of customers profitably.

The challenge is for marketing to develop metrics that measure the return on their activities and link these to the overall firm performance. This is necessary to ensure that marketing speaks the same language as the rest of the firm, which is financial returns and creating shareholder value. Companies believe there to be a lot of inefficiencies in the marketing activities with no real accountability. The suggestion from academics and businessmen is to have the finance and marketing division work together in developing these measures in order to avoid misunderstandings. Currently a range of metrics are available to marketers and the challenge is on either adopting or developing the ones that apply to their individual businesses. Ultimately the challenge is to use measures that link to the overall company performance, which is common language in organizations.

Academics and businessmen agree that you cannot control what you cannot measure. This can only happen if marketing is able to measure the expected returns in the short and long-run. These returns must be linked to the overall performance of the company for marketing to be taken seriously in the boardroom. Marketing spend is currently accounted for as expenses and the argument is that being able to precisely measure the expected returns will allow this to be counted as investments. Marketing departments in some companies consume more than 30% of budgets (Stewart 2008). This in turn increases the emphasis on quantifying the returns on marketing activities. The main problem is that every other division in organizations uses a common language which is finance when it comes to accounting for their actions. The use of marketing performance measures has the potential to;

- "Optimize resources in such activities as media planning and design of the marketing mix,
- Improve forecasting, including both forward forecasting and the analysis of various ''what if'' scenarios and,
- Allow assessment of return on investment (ROI)" (Stewart 2008:96)

This research aims to evaluate the marketing performance measurement in South African Companies and assess the perceived benefits on overall company performance. Kotler (1977) suggests that a number of companies are sales obsessed and only a few are marketing minded. Sales minded companies are normally concerned with short-term gains/losses in sales and spend little time working out plans for sustainability and profitability. Being able to measure marketing performance would require a company that has a sophisticated marketing department. This study provides companies the motive to become more marketing minded, to measure their activities and link them to company performance. The study aims to assist marketers in speaking the same language as the rest of the firm and therefore, the hope of being taken seriously in the boardroom.

1.3 Problem statement

1.3.1 *Main problem*

The research problem is to evaluate the marketing performance measurement in South African Companies and the perceived benefits on overall company performance.

1.3.2 *Sub-problems*

The first sub-problem is to evaluate marketing performance measurement in South African Companies.

The second sub-problem is to assess the perceived benefits on overall company performance.

1.4 Significance of the study

The study fills a gap in that it is conducted on South African Companies. The study is exploratory in nature in order to evaluate how South African Companies measure their marketing performance. The study aims to find out which marketing metrics are utilised by South African Companies to measure their marketing performance and the perceived benefits thereof. The study also aims to establish the marketers' understanding of the value of measuring their marketing performance. Similar studies have been done by O'Sullivan (2007a) to establish if the ability to measure performance had an impact on firm performance in high-technology sector in the United States of America (USA). Another study by O'Sullivan (2007b) was done on Irish Firms to establish the impact of marketing performance measurement on firm performance.

This study aims to benefit those organisations looking to quantify and account for their 'marketing dollars' by giving them a comprehensive set of metrics and how these may impact overall company performance. The study also aims to provide organisations looking to move from sales obsession to being marketing-minded the value in implementing a marketing performance measurement system (Kotler 1977). Marketers who are trying to be taken seriously by the board and striving to speak the same language as the rest of the company and most importantly the chief executive officer (CEO) and chief financial officer (CFO). Measuring marketing performance allows marketers to show effectiveness, adaptability and efficiencies of their marketing activities (Clark 2000).

1.5 Delimitations of the study

- While the researcher acknowledges the existence of a wide range of marketing metrics, for the purpose of this study the focus is on marketing performance measures/metrics that are a direct result of marketing expenditures.
- The study does not seek to prove that measuring marketing performance leads to superior overall company performance.

- The study does not exhaust all the marketing metrics utilised but focuses on those that are widely utilised by companies as discussed under literature review.
- The sample utilised in the study is of marketing directors, marketing managers and brand managers and therefore the responses may be biased, especially their perceptions on the value of measuring marketing performance.

1.6 Definition of terms

- MPM: marketing performance measurement.
- CMO: chief marketing officer.
- CFO: chief financial officer.
- CEO: chief executive officer.
- ROMI: return on marketing investment.
- FMCG: fast moving consumer goods.
- CLTV: customer lifetime value.
- B2B: business to business.
- B2C: business to consumer.
- CRM: customer relationship management.
- ROI: return on investment.

1.7 Assumptions

The following assumptions are made in conducting this study;

- All the marketing tactical actions have an impact on the levels in the marketing productivity chain in figure 2.
- The managers interviewed have enough knowledge of the subject of marketing performance measurement (MPM) to correctly answer questions.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

Literature review is necessary to give a background to the subject and the different studies done on it. The researcher needs to fully understand the subject and the outcomes of previous studies in order to position the research in a way that adds to the current knowledge. Overall a literature review needs to be informative, evaluative and integrative (Thomas 2000).

The purpose of the research is to evaluate the marketing performance measurement in South African Companies and the perceived benefits on company performance. The literature review is structured as follows;

- The background to the subject of marketing performance measurement is outlined;
- The different marketing measures or metrics are explained; and
- The conflicting views on the use of the different metrics are discussed;
- The metrics that have been shown to impact on firm performance are briefly explored.

The marketing function is necessary to acquire customers, who in the short and preferably long term provide sales revenue, from which profits are derived. Without customers no business can exist.

According to Kotler (2006) most small businesses do not have a formal marketing division, none the less they do have a marketing function, with marketing ideas coming from managers and the sales force. But once businesses grow they add a fully formed marketing division, whether it is one person or more, who are tasked with acquisition and retention of customers, developing the marketing mix and overall increasing sales. Traditionally this was all marketers had to worry about, but with companies ‘’searching for internal efficiencies and process re-engineering of organisations’’ (Sheth and

Sharma 2001:342), the marketing department's role has expanded. Patterson (2009) suggests a need for a marketing operations (MO) function to ensure transparent, efficient, and accountable view of marketing. According to Patterson (2009) a marketing operations function will allow the evolution of the marketing's primary responsibilities to involve systems management, developing metrics and business processes. This evolution in the role of marketers has been caused by a number of forces in the environment marketing finds itself.

Over the past few decades companies have been demanding accountability of the marketing department. This has led to the development of marketing performance measures or metrics, in an attempt by marketers to quantify their activities and link them to company performance.

2.2. Background to Marketing Performance Measurement

The call for marketing accountability is sounding louder as companies demand justifications for marketing expenditures and how these contribute to the bottom line and create shareholder value. This, Sheth and Shama (2001) believe to be due to the fact that marketing costs are seen as rising with declining returns. Marketers themselves would agree that most of their activities involve a lot of guesswork (Almquist and Wyner 2001).

With corporations reaching the point of diminishing returns, marketing is under the spot light to show and quantify their value in the company. A lack of action from the marketing function has resulted in the following;

- "The marketing function has dropped lower on the corporate hierarchy,
- Marketing and management issues are receiving less attention in the boardroom,
- Marketers are being marginalised, in the sense that strategically important aspects of marketing have been moved to other functions in the organisation,

- The synergies that result from mixing marketing decisions have disappeared,
- The roles of the general manager, chief financial officer (CFO), and “other penny pinchers and number crunchers” have become more important than the role of chief marketing officers (CMO), and
- Most CMOs are in the hot seat, with tenures averaging 22.9 months.” (Verhoef and Leeflang 2009:14).

There is a consensus among marketing academics and practitioners in the need for measures of the marketing activities, but there are disagreements on which measures to utilise. The debate is around whether financial or non-financial measures must be given the most credibility and attention. A range of metrics have been developed over the decades to address this problem, which has added to the marketers’ frustrations. The metrics measure marketing inputs such as expenditures (in advertising, service improvements etc), customer impact (attitudes, satisfaction etc), market impact (market share, sales impact etc), and financial impact (ROI, cash flow, profitability etc) (Rust, Ambler, Carpenter, Kumar and Srivastava 2004a). The challenge for marketers is to choose among these and link them up to company performance, which is the language spoken outside the marketing department.

2.3. Marketing Performance Measurement

The study intends to evaluate the marketing performance measurement in South African Companies; this includes finding out which measures are currently in use and which ones companies intend using in the future. Firstly the study looks at the history of marketing performance measurement.

2.3.1 Background to Marketing Performance Measurements

The background to marketing performance measures is important because it gives a synopsis of prior research and a directive from academics and practitioners on the subject. This view is needed in order to build on the work done and develop a way forward on marketing performance measurement. This section illustrates academics and practitioners' take on marketing performance measurement.

Marketing performance measurement is described by Clark and Ambler (2001:237) as "the relationship between marketing activities and business performance". Consideration of literature suggests that research on this subject originated in the 60's and 70's with work by Sevin (1965) and Goodman (1972). This earlier work focused mainly on financial accountability of the marketing department. There is still a call on putting financial discipline in marketing, as suggested by Stewart (2006). This call requires marketing to put in place measures or metrics that can be linked directly to the company's financial performance and company value.

As early on as the 60's there was considerably concern about the increasing expenditures on marketing activities and a lot of perceived waste and inefficiencies (Feder 1965). Then marketers had a limited choice of activities and channels for their activities. Even then marketers were expected to justify their spending on those limited activities. Academics and practitioners then focused on financial metrics to assess the returns on different activities

Later on in the 90's work by Forster and Gupta (1994) tried to develop measures that aimed at accommodating both finance and marketing. This research developed financial and non-financial measures like market share, customer satisfaction, customer loyalty and brand equity to measure marketing performance.

In the 90's the focus shifted to a more balanced view to measuring marketing performance. Academics tried to find a more inclusive set of metrics that catered for the marketing and the finance department. Kaplan and Norton (1992) came out with a 'Balanced Scorecard', because they claimed the previous measures did not allow for continuous improvement and innovation which they saw as critical in an increasingly competitive environment.

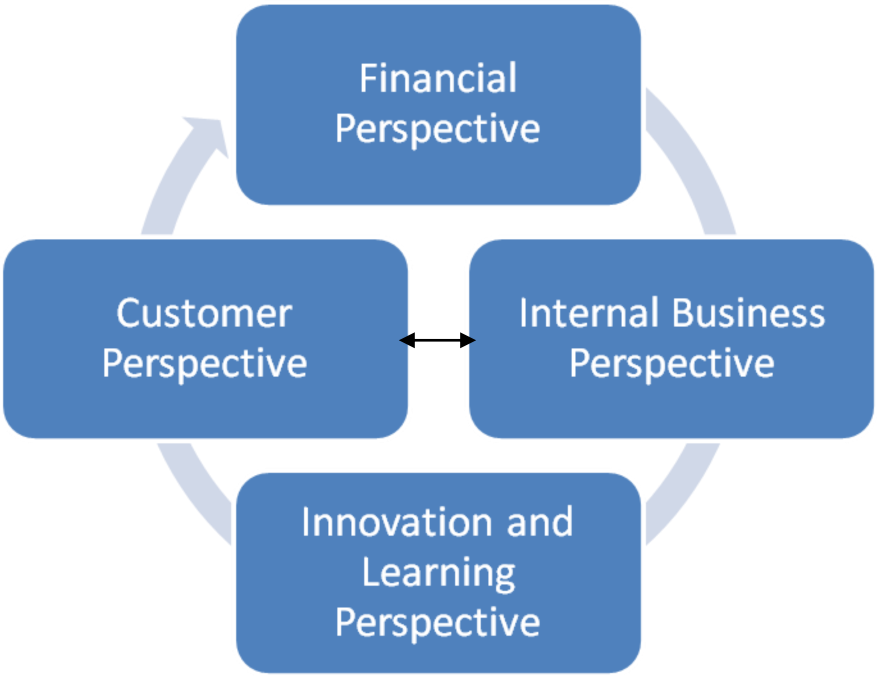

Figure 1: The Balanced Scorecard

(Kaplan and Norton 1992:72)

The focus was on measures that were comprehensive and allowed for a more complete and systematic view of how different activities impact different aspects of the business including the financial impact. The argument for a need for marketing performance measurement was influenced by Narver (1990), when he found a positive correlation between market orientation and firm profitability. Marketers by then were given a reason to measure their performance in satisfying their customer's needs and benchmark themselves against their competitors. It was through measuring their performance that marketers could form the link between their activities and company performance. This was a platform for the work that was done later on trying to create the link.

Market share is historically the widely used marketing metric and its use as the main marketing performance measure was challenged by Szymanski et al

(1993) when they found inconsistencies in the relationship between market share and profitability. This meta-analysis pushed marketers to develop other metrics that would complement market share as measures of performance and link these to company performance. Marketers were again expected to develop or adopt a set of measures that systematically evaluated their performance instead of relying on one traditional measure.

Clark (2000) argues that management looks at three aspects of marketing performance measures, which are efficiency, adaptability and effectiveness. Management prefers expenditures that utilise the least resources with maximum outputs and this expectation is also extended to the marketing department. This is the reason management demands return on marketing investment (ROMI) as one of the measures marketing needs to utilise to quantify their expenditures.

The adaptability of marketing activities to the environment ensures minimum resource expenditures. The argument may be that if the company simply adjusts and complies with the environment, they are not being innovative and therefore may not be gaining competitive advantage over their competitors. Companies therefore need to be flexible enough to constantly develop and/or adopt measures that are suitable for their companies and their businesses and drop those that are no longer relevant.

In the early 2000’s the emphasis of marketing performance measurement was on creating shareholder value. According to Ward and Ryals (2001) this would be achieved through brand and customer relationship valuation. Shareholder value is created over a long time and that would require marketing expenditures to be treated as investments rather then expenses. When marketing expenditures are treated as expenses it suggests that they only have short-term benefits, which may not have an impact on overall company performance. According to Lusch and Harvey (1984) and Srivastava et al (1998), customers and brands do not depreciate but rather appreciate over time. Marketing has a direct impact on these two assets and therefore any expenditure towards them needs to be treated as investments.

Fast moving consumer goods (FMCG) and Business-to-consumer (B2C) companies developed metrics to value brands, which they have mastered over time and these can be seen on balance sheets of most of these companies. Business-to-business (B2B) companies developed metrics to value their customer relationships, such as customer-life-time-value (CLTV) and maximising CLTV becomes a major objective for marketers in these companies.

Challenging the then more traditional measures of marketing performance like market share and sales growth is Johnson (2002), arguing that these may come at a very high cost to the company. The emphasis for B2B companies again was on managing CLTV, taking into consideration different customers or groups of customers and their profitability. This measure allowed marketers to justify and quantify their expenditures on relationship building exercises and were able to target different customers with their offerings more appropriately. For B2C companies the emphasis was on building and maintaining brand equity. Marketing activities have a direct impact on market share and sales, but thinking that stopping the measurement at this point is sufficient is problematic. These two metrics do not link up to the creation of shareholder value and company performance.

Patterson (2009:87) suggests that marketing performance measurement happens along a continuum, from "activity-based to operational to outcome-based to leading-indicator to predictive". Activity based metrics measure marketing's tactical activities; unfortunately these do not link up to business outcomes or inform the company on how their strategies are working. These include metrics such as Leads, Press Hits, and References. Marketers use these to report on their campaigns and some marketers assume that this is sufficient in measuring their performance. Operational metrics are an improvement of the Activity-based metrics in that it justifies the investments made by marketing. These include metrics such as Cost per Lead, Conversion rate and Channel margin. Operational metrics begin to address the efficiency of marketing activities as it takes into the account the resources invested in these activities. But these still fail to make a link to business outcomes. Outcome-based metrics make the link between marketing activities and business outcomes. These include metrics such as customer acquisition and retention. By measuring Outcome-based metrics marketing is able show how their activities contribute to business outcomes. Leading-indicator metrics informs the company whether they are meeting their business objectives. These include metrics such as share of wallet and brand preference. By measuring these marketing is able focus their efforts on activities that have the greatest impact on the marketing strategies. Companies who have mastered the science of measuring their marketing performance could get to a stage where they are able to predict business outcomes as a result of their activities. Companies at this stage have superior competitive advantage over their competitors as they can choose the exact activity that will result in the desired business outcome. This results in efficiency as less resources are utilised and improved effectiveness as the desired outcome is attained.

The need for developing measures that link up to overall company performance is brought across by Lehmann (2004), with the marketing productivity chain and suggesting marketers develop measures at all the levels of the chain. The challenge was on marketers to get out of their comfort zone and venture into a world of multiple metrics that can directly link their expenditures to overall company performance. Rust et al (2004a) suggest different metrics that could be used on every level of the marketing productivity chain from tactical actions by marketers to the creation of company value. Creating this link would help marketers to quantify how their expenditures would filter down to the creation or destruction of firm value.

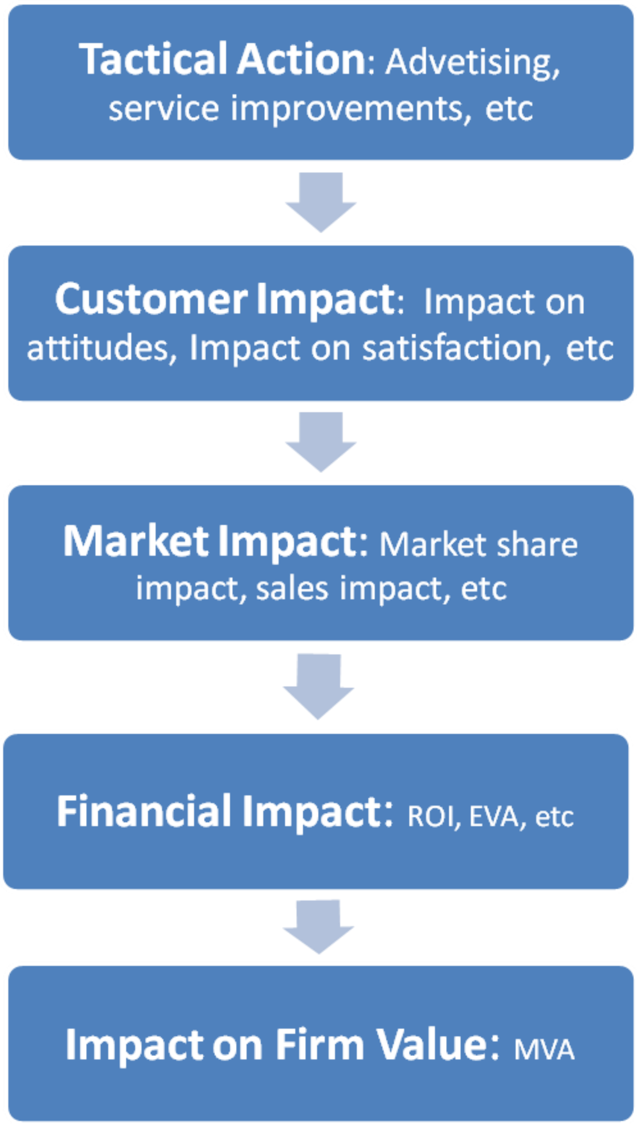

Figure 2: The Chain of Marketing Productivity

(Rust et al. 2004a:77)

The call for linking marketing metrics to company performance needed marketing and finance to work together in creating such metrics (Stewart 2006). The collaboration would ensure that marketing and finance speak the same language and improves the marketer's credibility in the company. Patterson (2007) proposes that developing measures on every level of the marketing productivity chain, aligns marketing to business objectives like growth and maximising shareholder value.

The background to marketing performance measurement depicts the evolution from the 1960's to 2000's. These measures evolved from purely financial metrics to non-financial metrics, to a combination of both. In the 2000's however we saw the emphasis on developing or adapting measures that linked marketing expenditures to overall company performance. Therefore the suggestion is that firms that are able to measure their marketing performance will be able to positively impact overall company performance.

2.3.2 Different Metrics used to measure marketing performance

While the researcher acknowledges the existence of a wide variety of metrics, for the purpose of this study the focus is on those metrics that result directly from marketing expenditures. The discussion is on the metrics on the levels of the market productivity chain depicted in figure 2. The first level depicts marketing's tactical actions or expenditures, which may be advertising, service improvements or customer relationship building exercises. These actions affect what customers think or feel about the company and its offerings.

Companies are capable of collecting data that informs them of customer impact; this data may be quantitative and qualitative. Quantitative data informs a company about socio-demographics of their customers, and their transactional history. Qualitative data is more difficult to measure and informs the company of what customers think, their attitudes towards the firm and its offerings and their level of satisfaction and loyalty.

According to Crie (2006) companies need to transform raw data into information then into knowledge which will inform their marketing strategies and actions. The main challenge for marketers is to trace the effect of their marketing activities through the different levels and ultimately be able to link them to overall company performance. Monitoring the metrics through all the levels would ensure that action could be taken early on to rectify a bad situation before it affects overall company performance.

Customer Impact

The most commonly used metrics in measuring the customer impact of marketing actions are *customer satisfaction* and *loyalty* metrics. Included in this could be service quality and intentions to purchase. These metrics can be utilised by companies to track their performance over time and benchmark against competitors (Gupta and Zeithaml 2006). Companies would have to conduct surveys because these metrics are perceptual and only reside in the customers' heads.

Anderson and Lehmann (1994:175) refer to customer satisfaction as "an overall evaluation based on the total purchase and consumption experience with a good or service over time". This definition suggests that most surveys conducted by companies which are transaction specific may be flawed. The suggestion is that an overall evaluation may be necessary to evaluate the customers' experience with the company over time. Customers always have an expectation of the goods or services they purchase and if these do not meet their expectations then dissatisfaction is the result.

Oliver (1997:42) explains loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour". Customers are considered loyal if they have an intention to repurchase and recommend to others, a lower propensity to switch and willingness to pay more (Zeithaml 1996). These explanations of customer loyalty suggest that it may be a product of customer satisfaction. If a customer is satisfied with a product or service, he/she is most likely to repurchase. Companies do realise though, that some satisfied customers may switch or default especially in highly competitive sectors or industries. To prevent this; companies would introduce loyalty programmes and/or increase switching costs for the customer.

Other observable customer metrics utilised by companies are *customer acquisition, customer retention, cross selling, customer equity* and *customer lifetime value.*

Thomas et al (2004) suggest that companies need to view customers as assets and in the finance/accounting realm; assets are expected to be efficiently utilised to maximise shareholder value.

Customer acquisition refers to the efforts of the company in converting new customers, inquirers, prospects and lapsed customers to loyal customers (Hansotia 2004). Companies need to have different strategies in place on how to make contact, which products it should lead with for the different segments. The emphasis in customer acquisition is targeting the right customers and knowing their needs and how to service them.

The main point for marketers is to keep in mind the law of diminishing returns; beyond a certain point the cost of acquiring a customer outweighs the revenues the customer may bring in (Thomas et al. 2004). The challenge for marketers is targeting the right customers; some customers may be easy to acquire, yet difficult to maintain and others costly to acquire but easy to maintain and very profitable.

Different companies use different methods to determine the movement from a new customer to a veteran customer. But once a customer is considered a veteran customer, strategies need to be in place to ensure retention. At this point the company has a lot of data on the customer and is able to make informed decisions on how to best serve them and maximise their profitability. This is when marketers can utilise customer insight to best allocate resources for profit.

Segmenting customers based on performance and tracking them over time is important to ensure the company continually gets value out of its marketing activities. It is not unusual these days for companies to ‘fire’ their customers because they are unprofitable, meaning the costs of keeping them outweighs the revenue they bring into the business (Mittal, Sarkees and Murshed 2008).

With the rich data available to marketers, they are able to maximise customers' profitability, by cross-selling. Cross-selling is "an attempt by companies to sell related products to current customers" (Gupta and Zeithaml 2006:720). Cross-selling is designed to make unprofitable customer become profitable over time. Mittal (2008) suggests companies utilise this strategy before they 'fire' their unprofitable customers. In sectors like the banking sector, this would entail offering house loans, car loans to a customer who currently has a cheque account.

Once a company has segmented its customers they need to determine the segments or individual customer's lifetime value (CLV). Gupta and Zeithaml (2006:724) define CLV as "the present value of all future profits obtained from a customer over the life of his/her relationship with a firm". CLV is useful for customer selection and marketing resource allocation (Venkatesan and Kumar 2004). Johnson (2002) suggests companies should treat CLV not just as a metric but a way of living and that the ultimate goal of customer relationship management (CRM) should be to maximise CLV. CLV takes into account the customers'/segment's contribution margin (revenue minus the cost of servicing the customer), retention rate (the expected percentage of customers who will keep doing business with the firm), and discount rate (the firm's cost of capital).

Customer Equity is defined by Rust et al (2004b:118) as "the lifetime value of current and future customers". The goal for a company should be to grow customer equity by mobilizing their resources in the short-run to service their potential and existing customers. Companies need to realise that all their tactical actions will have an impact on customer equity and ultimately the company performance.

Another metric that companies use to measure the customer impact of their tactical actions is *brand equity*. There has been a lot of interest in studying brand equity and for the purpose of this study the researcher will not go into major detail on this metric. Keller (1993:9) describes customer based brand equity as 'the differential effect of brand knowledge on consumer response to the marketing of the brand". A lot of data goes into determining brand equity, these include brand knowledge, brand awareness, brand image, brand recognition and brand associations.

Companies spend a lot of money every year building their brands because of a lack of differentiation in many products which for all intense and purposes have become commodities. Branding builds customer loyalty to the firm's offering and ensures repeat purchasing. The benefits of branding include lower price elasticity, ability to command premium prices and greater market shares (Rust et al. 2004a). A brand can be seen as a promise to a customer of the quality of the firm's offering.

Market Impact

Market share and incremental sales growth have been used widely by marketers to measure their performance. These have been a source of ongoing conflict between marketing and finance. Finance claims these metrics do not link up to financial company performance, some going as far as to say these may be the wrong metrics to measure marketing performance (Johnson 2002). There has also been conflicting findings on the relationship between market share and profitability (Szymanski et al. 1993), which has fuelled the conflicts between marketing and finance. With market share the emphasis should be on value-based market share instead of volume-based market share.

Financial Impact

Return on Investment (ROI) is one of the most common and oldest metrics used to measure marketing performance. It measures the financial benefits of marketing expenditures. It is borrowed from finance and provides the basis to view marketing expenditures as investments instead of expenses. ROI concerns itself with efficiency of marketing expenditures and is seen by some as being shot-sighted as it only values short-term benefits (Rust et al. 2004a).

Impact on Firm value

One way a publicly traded company maximises shareholder value is by growing market capitalisation. Market value of the firm depends largely on growth prospects and sustainability of profits. The difference between market value and book value of a firm is partly as a result of off-balance sheet assets such as brand and customer equity. This is one way the marketing department may mobilise their resources to maximise shareholder value. The ability to measure marketing performance by companies contributes to the creation of shareholder value (Lehmann 2004; Gupta and Zeithaml 2006; Stewart 2008).

Gronholdt and Martensen (2006) conducted a study on key marketing performance measures and found that the most commonly studied and utilised metrics were as follows;

Mental Consumer results	**Market results**
Brand Awareness	Sales (volume and value)
Relevance to consumer	Sales to new customers
Perceived differentiation	Sales trends
Perceived quality/esteem	Market share (volume and value)
Image/reputation	Market trend
Perceived value	Number of customers
Preference	Number of new customers
Customer satisfaction	Number of new prospects (leads generated/inquiries)
Customer loyalty/retention (intention)	Conversion (lead to sales)
Likelihood to recommend	Penetration
	Distribution/availability
	Price
	Relative price (SOM value/volume)
	Price premium
	Price elasticity

Behavioural customer results	**Financial results**
Customer loyalty/retention	Profit/profitability
Churn rate	Gross margin
Number of customer complaints	Customer profitability
Number of transactions per customer	Customer gross margin
Share of wallet	Cash flow
	Shareholder value/EVA/ROI
	Customer lifetime value

Figure 3: Short List of Marketing Performance Measures based on Literature Review

(Gronholdt and Martensen 2006:248)

This part of literature review leads to the following research questions;

2.3.3 Research Question 1

What metrics are currently used to measure marketing performance by South African Companies?

The expected metrics are identified by Gronholdt and Martensen (2006) in Figure 3 and include financial, market, mental consumer and behavioural customer metrics.

2.3.4 Research Question 2

Which metrics do companies intend using in the future to measure their marketing performance?

Based on literature review, the trend is to use more long-term metrics such as CLTV and ROMI based metrics (Lehmann 2004; Gupta and Zeithaml 2006; Stewart 2008).

2.4. Marketing metrics and their impact on company performance

The second sub-problem is to assess the perceived benefits on overall company performance. The conflicting views on the use of different marketing performance measures are outlined. This research also summaries studies that show an impact of different metrics on company performance.

2.4.1 The conflicting views on the use of different metrics.

The early work done on marketing performance measures was on the financial outputs resulting from marketing expenditures and this can be seen as the quest for efficiency. Marketers were accused of inefficiencies in the utilisation of the ‘marketing dollar’ and financial output measures were seen as an answer to their dilemma (Feder 1965). Accountants and finance took it upon themselves to provide marketing with measures to improve efficiencies in the marketing department. Measures of financial output include return on investment (ROI) profit, sales revenue and cash flow. The use of ROI in marketing is referred to as return on marketing investment (ROMI). Figure 4 shows the emphasis on both short-term and long term effects of marketing expenditures. Cook and Talluri (2004) also suggest that the use of ROMI aligns marketing actions to business objectives therefore ensuring that marketers are getting respect in the boardroom.

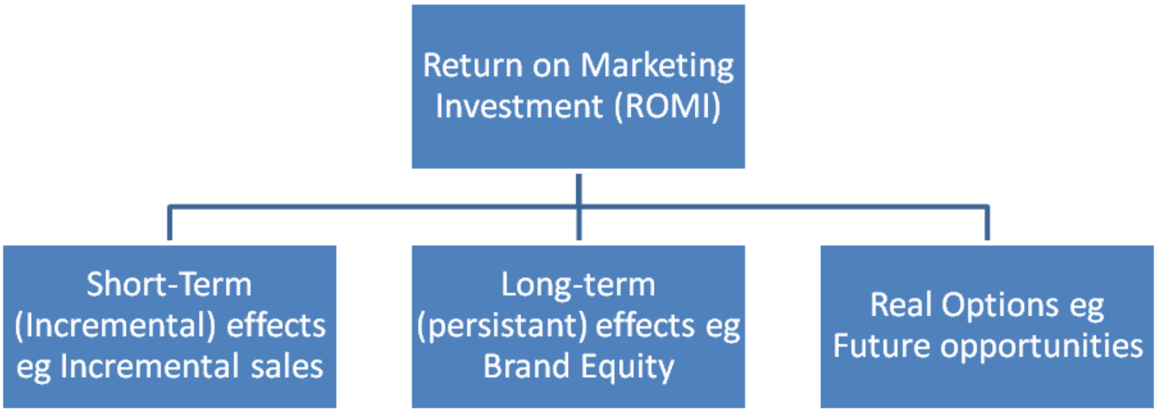

Figure 4: The Types of ROMI

(Stewart 2008:98)

Stewart (2006) reiterates the need for financial output measures to ensure that marketing speaks the same language as the rest of the company. Many of the marketing department's activities were seen as idiosyncratic and required financial discipline and therefore the need for financial measures. Later work on marketing performance measures tried to develop an interface between finance and marketing.

Those that are anti-financial measures cite short-sightedness and stifling of marketing creativity as the reasons for not using financial measures. Wyner (2008) claims creativity forms an integral part of marketing to ensure the generation of new concepts and ideas which may be the only way to develop and maintain a competitive advantage. With the increasingly competitive environment faced by a lot of companies, simply adapting to the environment may not be enough. Companies' very existence may depend on innovation and the ability to learn faster than competitors (Senge 2006). This point emphasises the need for the ‘Balanced Scorecard’ to ensure that all of the firm’s objectives are met without compromising one over another. The development of common success criteria between finance and marketing is necessary for companies looking to build the bridge between the two.

Another concern about the marketing metrics is the need to develop a different set of skills among marketers like analytical and accounting skills, which are traditionally not abundant in the marketing department. Uncles (2005) thinks if not approached appropriately marketing metrics could be like opening a can of worms.

2.4.2 The metrics that have been shown to impact on firm performance

The need to link marketing metrics to company’s financial performance is seen as the way of addressing the lack of accountability in the marketing department (Lehmann 2004).

Market share is a commonly used metric to measure marketing performance and a number of studies have been done to establish the relationship between market share and firm profitability. A meta-analysis study by Szymanski et al (1993) paints a dim picture as the findings are inconsistent. This has led to the focus being on the quality of the market share or value-based market share instead of volume based market share. This is because of the realisation that a high market share may come at a high price to the company especially in highly competitive environments/markets.

A study by Morgan (2006) found that customer metrics like customer satisfaction and loyalty had value in predicting future business performance. Anderson (2004) shows that while market share has no impact on shareholder value, customer satisfaction has a strong positive effect on firm profitability. A meta-analysis study by Gupta and Zeithaml (2006) also suggests a positive link between customer metrics such as customer retention, customer lifetime value and customer equity and company's financial performance.

With this link between marketing metrics and company performance, academics set out to found out if the measurement of marketing performance leads to improvement in overall company performance. O'Sullivan (2007b) found that the ability of the firm to measure marketing performance and benchmark it to competitors had a positive link to the company's financial performance.

O'Sullivan (2007a) also found that a firm's ability to measure marketing performance had a strong and positive correlation with company performance and stock returns.

2.4.3 Benefits of measuring marketing performance

Ambler (2000) suggests that measuring marketing performance discourages short-termisim. The assumption that the long-term is a sum of good short-terms and therefore marketing activities that provided short-term benefits would ensure long-term benefits is according to Ambler (2000) flawed. Some marketing activities that seem beneficial in the short-term may be detrimental in long term. Srivastava et al (1998) give an example of the effect of sales promotion on the brand equity. Short-term the promotion may increase sales, but on the long-term it may negatively impact brand equity. This suggests the need for marketers to balance short-term and long-term benefits of their activities and this they can do if they are able to measure their performance.

Connor and Tynan (1999) advocate the benefits of measuring marketing performance to ensure marketing effectiveness. Marketing effectiveness is associated with positive business outcomes such as stable long-term growth, enhanced customer satisfaction and competitive advantage (Connor and Tynan 1999). Marketers are concerned about doing the right things. Being able to measure the effectiveness of their activities makes marketers more efficient as the optimal amount of resources are utilised.

Patterson (2009) outlines other benefits of measuring marketing performance as increased satisfaction of senior executives with marketing, through understanding of current performance and proactive management environment.

2.4.4 Research Question 3

What perceptions do marketers have about the benefits of measuring marketing performance?

Literature review suggests that measuring marketing performance has a positive impact on overall company performance and provides marketers credibility in the boardroom (Patterson 2009).

2.5. Conclusion of Literature Review

The call for marketing to be accountable and justify their activities has led to the development of a wide variety of metrics to address this issue. Over the last few decades academics and marketers have dedicated time and energy in the development of metrics that are both comprehensive and link up to overall company performance. These metrics have evolved over time, and the focus has been to establish whether the measurement of marketing performance does indeed lead to improved overall company performance.

Marketing metrics exist along the different levels of the marketing productivity chain. It is important to measure and monitor these metrics along all the levels in order to be able to rectify a bad situation before it impacts negatively on company performance.

Some marketers have claimed the interference with marketing creativity as one of the problems posed by measuring marketing performance. The evolution in the role of marketers has seen marketers becoming artists as well as scientists.

The need for a ‘Balance scorecard’ is seen by some as the solution for this concern.

Studies by academics have shown a positive link between different metrics, the ability to measure marketing performance and overall company performance.

2.5.1 Research Question 1:

Which metrics are currently used to measure marketing performance by South African Companies?

2.5.2 Research Question 2:

Which metrics do South African companies intend using in the future to measure their marketing performance?

2.5.3 Research Question3:

What perceptions do marketers have about the benefits of measuring marketing performance?

CHAPTER 3: RESEARCH METHODOLOGY

In this chapter, the chosen research methodology for the research, and its implications, are described. The research design is described, followed by an indication of the processes used in data collection, analysis and interpretation. Finally, the validity and reliability of the chosen method of research is discussed.

3.1 Research methodology /paradigm

The research paradigm used in this study is quantitative. Quantitative research methodology is viewed as the best scientific approach because it offers precise measurement and analysis.

According to Creswell (2003), the quantitative approach uses postpositivist claims for developing knowledge. Surveys and experiments are used to test or verify theories or explanations.

The research aims to address the three research questions about marketing metrics currently utilised by companies, those they intend using in the future and the perceptions about the benefits of measuring marketing performance. Quantitative research methodology is the most suitable in addressing these questions.

3.2 Research Design

The study is descriptive in nature. Salkind (2000) defines a descriptive research design as one which aims to describe the characteristics of an existing phenomenon. The existing phenomenon in the study is the measurement of marketing performance in South African companies.

A survey method is utilised to gather data. According to Emory and Cooper (1991) to survey is to question persons and record their answers for analysis. Surveys allow us to learn about opinions and attitudes. This study seeks to evaluate the measurement of marketing performance and a survey method will allow the researcher to question the marketers and record their responses.

The advantage of using a survey method in this study is that data can be gathered from a large sample scattered with expanded geographic coverage. Disadvantages are that the quality of information secured depends on the ability and the willingness of the respondents to cooperate.

The questionnaire consists of two parts; the first part addresses research questions 1 and 2. The second part addresses research question 3. A Likert-scale is utilised to collect the data from part 1 and part 2 of the questionnaire.

3.3 Population and sample

3.3.1 Population

The population is all South African companies with a marketing department. These companies have a chief marketing officer, a marketing director, or a marketing manager running their marketing department.

3.3.2 Sample and sampling method

Sampling methodology is on a convenient basis (Leedy and Ormord 2001). The researcher acknowledges the size of the population and therefore chooses to study a sample. A convenient sample was chosen among chief marketing officers, marketing directors, marketing managers and brand managers in the South African companies with a marketing department. The convenient sampling method is suitable as the researcher aims to have companies from varied industries and sectors.

<u>Table 1: Profile of respondents</u>

Description of respondent type, eg Manager, Union representative, student	Number sampled
Chief Marketing Officers	0
Marketing Directors	12
Marketing Managers	43
Brand Managers	12
Business Development Managers	11
Total	**78**

3.4 The research instrument

A questionnaire (see Appendix A) consists of two parts, Part 1 and Part 2. Part 1 addresses research questions 1 and 2 and Part 2 addresses research question 3. The questionnaire contains close ended questions with responses measured on a Likert-scale.

3.5 Procedure for data collection

The two part questionnaire (see Appendix A) was emailed to chief marketing officers, marketing directors, marketing managers and brand managers of the selected companies with a link to the researcher's survey monkey account. The respondents were first contacted by telephone to find out if they would be interested in participating in the study. Because of poor response, the researcher enlisted help from other Wits Business School (WBS) students. The questionnaire was emailed to them to forward to someone in their marketing departments. The respondents were asked to forward the questionnaire to their counterparts in other companies.

3.6 Data analysis

Data collected the questionnaire was analysed using descriptive statistics to determine the means followed by Distribution Fitting Algorithm. Clayton (1985) groups statistics into two main categories of descriptive and inferential statistics. Descriptive statistics is the number assigned to a collection of observations or a set of data. Descriptive statistics is used to describe the data and needs to be distinguished from inferential statistics, which makes inferences about the population. This provides the researcher with information on which marketing metrics are currently used by South African companies and which ones they intend using in the future and the perceived benefits thereof.

A statistical method called Distribution Fitting Algorithm is defined by Stacey (2005:2) as "an algorithmic rather than arithmetic approach that estimates the values of the parameters (typically means and standard deviations) of distributions of underlying attitudes (for example normal or log-normal distributions) together with the attitudinal threshold, that would result in the best fit with the observed categorical response frequencies".

According to Stacey (2005), the Distribution Fitting Algorithm maintains that data can generally be regarded as interval data and should not be re-scaled before proceeding with statistical analysis.

3.7 Limitations of the study

- A quantitative methodology collects a much narrower and sometimes superficial data set.
- Results are limited as they provide numerical descriptions rather than detailed narrative and generally provide less elaborate accounts of human perceptions.
- The survey method collects results under an unnatural, artificial environment, so that a level of control can be applied.
- Pre-set answers do not necessarily reflect how people really feel about a subject and in some cases may just be the closest match.
- A convenient sample is a nonprobability sample and therefore the least reliable as the researcher may target persons most likely to respond.
- The use of descriptive statistics means limited inferences can be made from the results.

3.8 Validity and reliability

Validity refers to the ability of the research model to measure what it is expected to measure. It is concerned with a goodness of fit between the details of the research, the evidence, and the conclusions drawn (Zikmund 1997).

Reliability refers to the extent to which research is free from error and is able to yield consistent results (Zikmund 1997). Research findings are considered reliable if similar findings are revealed time after time in repeated applications of the research.

3.8.1 External validity

External validity reflects whether or not findings are generalisable beyond the case (Zikmund 1997). The findings may not be generalisable beyond this study because;

- A convenience sample was utilised, and
- Only companies with a marketing department were targeted.
- Descriptive statistics are used to analyse data from the questionnaire.

3.8.2 Internal validity

Internal validity means that the study is drawing appropriate conclusions from the data at hand (Zikmund 1997). Face validity and content validity was enhanced by extensive literature review into the subject of marketing performance measurement. As there is a wide range of marketing metrics used by companies, the most commonly used according to the literature review were included in Part 1 of the questionnaire.

3.8.3 Reliability

According to (Zikmund 1997), reliability should be assessed by repeated measurement of the variable in a stochastically independent situation. Internal consistency was enhanced through the use of Likert-like scales (Leedy and Ormord 2001).

CHAPTER 4: PRESENTATION OF RESULTS

This chapter aims to present and describe the findings of the 78 questionnaires collected through the measures described in chapter 3.

4.1 Introduction

In this chapter the demographic profile of respondents will be described, the results of the three research questions outlined and the findings summarised.

4.2 Demographic profile of respondents

The respondents were asked to mention their job titles on the questionnaire. The job titles of respondents are summarized in Table 2 below.

The sample of 78 respondents comprised; Marketing Directors (15%), Marketing Managers (55%), Brand Managers (15%) and Business Development Managers (14%).

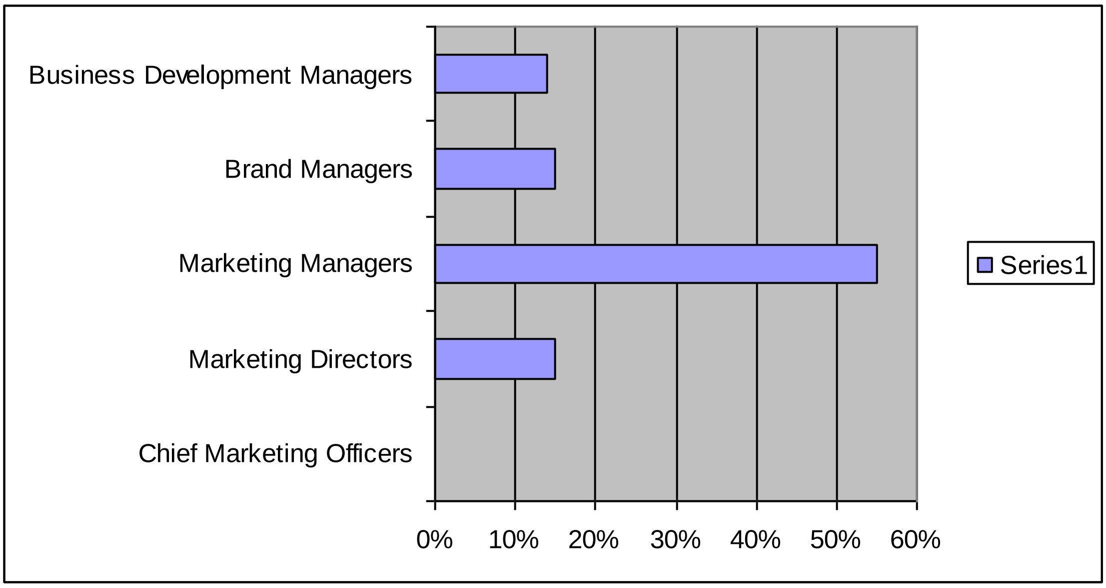

Figure 5: Job Titles of Respondents (n=78)

The researcher intended to get a sample consisting mainly of Chief Marketing Offices, Marketing Directors and Marketing Managers. This would have ensured that people responsible for making high level decisions were targeted. This shortcoming compromises the accuracy of the answers given by respondents as they may not be very knowledgeable about the marketing activities taking place in their companies.

1.5.1 *Industries/Sector the companies are in*

The respondents were asked to specify which industry or sector their companies were in. Table 2 below indicates the answers as specified by the respondents.

Table 2: Industries/Sectors

Industry/Sector	Number Sampled	Percentage
Pharmaceuticals	8	10%
Credit Card	3	4%
Financial Services	3	4%
Banking	2	3%
Industrial & Commercial Catering Equipment	2	3%
Retail Furnisher	2	3%
Insurance-Financial Services	1	1%
Motor Industry	2	3%
Online Gaming	1	1%
Fast Moving Consumer Goods (FMCG)	4	5%
Retail	2	3%
Telecommunications	2	3%
Media	1	1%
Mining Industry	2	3%
Food & Beverages	2	3%
Insurance	2	3%
Manufacturing	1	1%
Clothing Retail	2	3%
Industrial Goods	4	5%
Food Industry	4	5%
Consulting Firm	3	4%
Retail Jewellery	2	3%
Movies Industry	2	3%
Electronics	3	4%
Books E-retailing	2	3%
Printing Industry	2	3%
Cell phone Industry	2	3%
Fitness Industry	1	1%
Sporting Apparel	1	1%
Advertising Industry	2	3%
Hospitality	3	4%
Tourism Industry	1	1%
Healthcare Industry	3	4%
Non-specified	2	3%

The table above indicates a wide variety of industries and sectors with the largest number of companies being in the pharmaceutical industry (10%). According to table 2 above, 23 industries/sectors were mentioned by the respondents. Most industries or sectors mentioned above are very similar and could be classified under one sector.

The companies were further classified according to whether they market to other businesses (B2B) or consumers (B2C). Figure 6 below indicates this. The sample contained 22 B2B companies and 54 B2C companies.

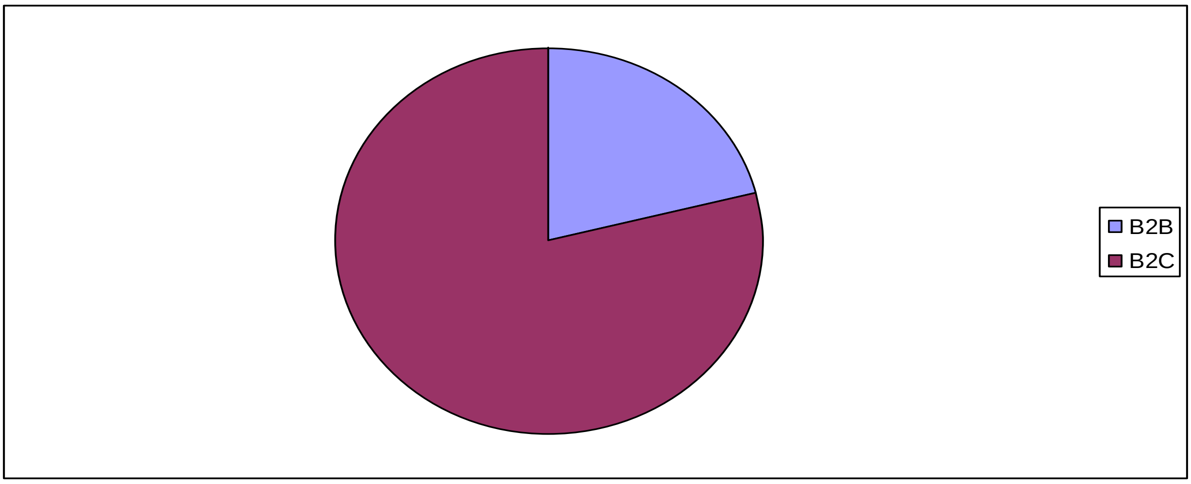

Figure 6: B2B and B2C Companies (n=76)

Figure 6 shows that less than a quarter (21%) of companies are B2B and 79% are B2C. The researcher acknowledges that some of the companies can be classified as both B2B and B2C. An example would be a bank marketing to both corporates and consumers. In a case like this the researcher looked at which who forms the bulk of the customers and classified the company accordingly.

4.3 Results pertaining to Research Question 1

The respondents were asked to indicate the frequency of their current use of a set of 43 marketing metrics. The three options were; no use, limited use and frequent use.

The results from this part of a questionnaire were analysed using descriptive statistics to determine the means followed by Distribution Fitting Algorithm (DFA). Descriptive statistics is the number assigned to a collection of observations or a set of data and is used to describe the data. For each of the 43 metrics the mean was determined and then the metrics were rank-ordered according to the means. The rank-ordering shown in table 3 below are from the lowest mean to the highest.

The metrics with a positive mean were deemed to be the ones used most frequently by the companies. The metrics with a negative mean were deemed to be the ones used less frequently by companies. The resulting p-value was used to determine whether the metric was significantly more or less important than average. Metrics with a p-value of more than 0.05 and a positive mean were deemed significantly more important than average therefore used more frequently than the other metrics. Metrics with a p-value of more than 0.05 and a negative mean were deemed less important than average and therefore used less frequently than other metrics. Metrics with a p-value of more than 0.05, regardless of their mean were deemed not significantly different to the average.

Definition of terms and symbols

μ: Represents the average.

σ: Represents the standard deviation, which is a measure of variability (the square root of the variance).

n: Represents the number responses to this particular question.

t-value: Represents the number of standard deviations to the right or to the left of the mean. If the t-value is positive, the original value is to the right of the mean. If the t-value is negative, the original value is to the left of the mean.

p-value: Represents the observed level of significance. A low p-value provides evidence for rejecting the null hypothesis and accepting the alternate hypothesis.

Table 3: Results of Current Metrics Usage

METRICS	µ	σ	n	t-value	p-value
Customer equity	-0.5124	0.5677	78	-7.9718	0.0000
Relevance to customer	-0.3640	0.4071	76	-7.7953	0.0000
Recall	-0.2469	0.3069	78	-7.1072	0.0000
Churn rate	-0.4493	0.5613	78	-7.0697	0.0000
Customer lifetime value	-0.5639	0.7222	78	-6.8963	0.0000
Cost per click	-0.6447	0.8310	78	-6.8517	0.0000
Price elasticity	-0.2886	0.4766	78	-5.3484	0.0000
Relative price	-0.3717	0.6369	78	-5.1542	0.0000
Brand equity	-0.2969	0.5408	78	-4.8489	0.0000
Recognition	-0.2272	0.4095	76	-4.8363	0.0000
Transactions per customer	-0.6215	1.1305	77	-4.8238	0.0000
Perceived value	-0.2022	0.3881	78	-4.6028	0.0000
Price premium	-0.3293	0.6325	78	-4.5975	0.0000
Cost per lead	-0.4044	0.7810	78	-4.5730	0.0000
Cross selling	-0.2272	0.5670	78	-3.5391	0.0007
Conversion (lead to sales)	-0.2272	0.6305	78	-3.1826	0.0021
Customer gross margin	-0.1819	0.5560	77	-2.8710	0.0053
Share of wallet	-0.1592	0.5275	78	-2.6652	0.0094
Customer profitability	-0.1721	0.5704	78	-2.6648	0.0094
Number of new prospects	-0.2947	1.0500	78	-2.4791	0.0154
Likelihood to recommend	-0.1084	0.4049	78	-2.3643	0.0206
Perceived differentiation	-0.1084	0.4049	78	-2.3643	0.0206
Penetration	-0.1451	0.6369	78	-2.0120	0.0478
Perceived quality/esteem	-0.0980	0.4403	78	-1.9659	0.0530
Customer acquisition	-0.1566	0.7308	78	-1.8928	0.0622
Image/Reputation	-0.0777	0.3778	78	-1.8155	0.0734
Customer retention	-0.0949	0.6816	78	-1.2301	0.2224
Cash flow	-0.0154	0.4216	78	-0.3224	0.7481
Brand awareness	-0.0125	0.3793	77	-0.2898	0.7728
Number of new customers	0.0200	1.2739	78	0.1384	0.8903
Gross margin	0.0213	0.5617	79	0.3364	0.7375
Brand Awareness	0.0458	0.3708	78	1.0915	0.2785
Customer loyalty	0.0466	0.3149	78	1.3057	0.1956
Number of customers	0.1900	0.8305	78	2.0209	0.0468
Distribution/Availability	0.1077	0.4610	77	2.0501	0.0438
Customer satisfaction	0.1082	0.3118	78	3.0652	0.0030
Number of customer complaints	0.1803	0.3401	78	4.6830	0.0000
Shareholder value/EVA/ROI	0.1846	0.2888	78	5.6460	0.0000
Market share (volume % value)	1.0477	0.8940	78	10.3503	0.0000
Sales trends	0.9742	0.6792	78	12.6676	0.0000
Market trends	1.0493	0.7217	78	12.8414	0.0000
Sales (volume & value)	3.9046	2.3359	78	14.7628	0.0000

The metrics are classified into three main categories, with the average usage equal to zero (0);

- Significantly less important than the average (p-value less than 0.05) colour coded orange in Table 3.
- Not significantly different to the average (p-value higher than 0.05) transparent colour coding in Table 3.
- Significantly more important than average (p-value less than 0.05) colour coded green in Table 3.

The metrics that companies are currently using the more frequently are in order of usage (p-values less than 0.05 and from the highest average/mean [μ] to the lowest):

Table 4: Metrics used the most by companies

Metrics	μ	σ	n	t-value	p-value
Sales (volume & value)	3.9046	2.3359	78	14.7628	0.0000
Market trends	1.0493	0.7217	78	12.8414	0.0000
Market share (volume & value)	1.0477	0.8940	78	10.3503	0.0000
Sales trends	0.9742	0.6792	78	12.6676	0.0000
Number of customers	0.1900	0.8305	78	2.0209	0.0468
Shareholder value/EVA/ROI	0.1846	0.2888	78	5.6460	0.0000
Number of customer complaints	0.1803	0.3401	78	4.6830	0.0000
Customer satisfaction	0.1082	0.3118	78	3.0652	0.0030
Distribution/Availability	0.1077	0.4610	77	2.0501	0.0438

The metrics that produced values not significantly different to the average in order of usage (p-values more than 0.05 and from the highest average/mean [μ] to the lowest):

Table 5: Metrics not significantly different to average usage

Metrics	μ	σ	n	t-value	p-value
Customer loyalty	0.0466	0.3149	78	1.3057	0.1956
Brand Awareness	0.0458	0.3708	78	1.0915	0.2785
Gross margin	0.0213	0.5617	79	0.3364	0.7375
Number of new customers	0.0200	1.2739	78	0.1384	0.8903
Brand awareness	-0.0125	0.3793	77	-0.2898	0.7728
Cash flow	-0.0154	0.4216	78	-0.3224	0.7481
Image/Reputation	-0.0777	0.3778	78	-1.8155	0.0734
Customer retention	-0.0949	0.6816	78	-1.2301	0.2224
Perceived quality/esteem	-0.0980	0.4403	78	-1.9659	0.0530
Customer acquisition	-0.1566	0.7308	78	-1.8928	0.0622

Metrics that are used less by companies (p-values less than 0.05 and from the highest average/mean [μ] to the lowest).

Table 6: Metrics currently used less by companies

Metrics	μ	σ	n	t-value	p-value
Perceived differentiation	-0.1084	0.4049	78	-2.3643	0.0206
Likelihood to recommend	-0.1084	0.4049	78	-2.3643	0.0206
Penetration	-0.1451	0.6369	78	-2.0120	0.0478
Share of wallet	-0.1592	0.5275	78	-2.6652	0.0094
Customer profitability	-0.1721	0.5704	78	-2.6648	0.0094
Customer gross margin	-0.1819	0.5560	77	-2.8710	0.0053
Perceived value	-0.2022	0.3881	78	-4.6028	0.0000
Conversion (lead to sales)	-0.2272	0.6305	78	-3.1826	0.0021
Cross selling	-0.2272	0.5670	78	-3.5391	0.0007
Recognition	-0.2272	0.4095	76	-4.8363	0.0000
Recall	-0.2469	0.3069	78	-7.1072	0.0000
Price elasticity	-0.2778	0.4432	77	-5.5005	0.0000
Number of new prospects	-0.2947	1.0500	78	-2.4791	0.0154
Brand equity	-0.2969	0.5408	78	-4.8489	0.0000
Price premium	-0.3293	0.6325	78	-4.5975	0.0000
Relevance to customer	-0.3640	0.4071	76	-7.7953	0.0000
Relative price	-0.3717	0.6369	78	-5.1542	0.0000
Cost per lead	-0.4044	0.7810	78	-4.5730	0.0000
Churn rate	-0.4493	0.5613	78	-7.0697	0.0000
Customer equity	-0.5124	0.5677	78	-7.9718	0.0000
Customer lifetime value	-0.5639	0.7222	78	-6.8963	0.0000
Transactions per customer	-0.6215	1.1305	77	-4.8238	0.0000
Cost per click	-0.6447	0.8310	78	-6.8517	0.0000

The results of research question 1 show that out of a set of 43 metrics, 9 metrics are currently being used the more frequently by companies. The results show that 23 metrics are currently being used less frequently by companies.

4.4 Results pertaining to Research Question 2

Respondents were asked to indicate the frequency of their intended future use of a set of 43 metrics. The three options were; not, limited and frequently.

The results from this part of a questionnaire were analysed using descriptive statistics to determine the means followed by Distribution Fitting Algorithm (DFA). Descriptive statistics is the number assigned to a collection of observations or a set of data and is used to describe the data. For each of the 43 metrics the mean was determined and then the metrics were rank-ordered according to the means. The rank-ordering shown in table 7 below are from the lowest mean to the highest.

The metrics with a positive mean were deemed to be the ones companies intend using more frequently in the future. The metrics with a negative mean were deemed to be the ones companies intend using less frequently in the future. The resulting p-value was used to determine whether the metric was significantly more or less important than average. Metrics with a p-value of more than 0.05 and a positive mean were deemed significantly more important than average therefore intended to be used more frequently than the other metrics. Metrics with a p-value of more than 0.05 and a negative mean were deemed less important than average and therefore intended to be used less frequently than other metrics. Metrics with a p-value of more than 0.05, regardless of their mean were deemed not significantly different to the average.

Table 7: Metrics companies intend using in the future

METRICS	μ	σ	n	t-value	p-value
Customer loyalty	-0.1309	0.0909	78	-12.7239	0.0000
Customer equity	-0.3671	0.2735	78	-11.8516	0.0000
Number of customer complaints	-0.1242	0.0941	78	-11.6658	0.0000
Cost per click	-0.5808	0.4455	78	-11.5143	0.0000
Relative price	-0.3797	0.3301	78	-10.1574	0.0000
Customer lifetime value	-0.3558	0.3305	78	-9.5067	0.0000
Price elasticity	-0.3556	0.3385	78	-9.2774	0.0000
Price premium	-0.3372	0.3425	78	-8.6958	0.0000
Perceived quality/esteem	-0.2092	0.2237	78	-8.2609	0.0000
Recall	-0.3128	0.3398	78	-8.1301	0.0000
Relevance to customer	-0.4877	0.5304	76	-8.0156	0.0000
Image/Reputation	-0.1945	0.2171	78	-7.9128	0.0000
Recognition	-0.2794	0.3151	76	-7.7302	0.0000
Likelihood to recommend	-0.1979	0.2282	78	-7.6596	0.0000
Price elasticity	-0.3407	0.3985	77	-7.5010	0.0000
Churn rate	-0.4114	0.4870	78	-7.4610	0.0000
Perceived differentiation	-0.2058	0.2509	78	-7.2425	0.0000
Transactions per customer	-0.3542	0.4372	77	-7.1080	0.0000
Perceived value	-0.3300	0.4579	78	-6.3652	0.0000
Brand equity	-0.3065	0.4619	78	-5.8598	0.0000
Cost per lead	-0.4365	0.7474	78	-5.1583	0.0000
Cross selling	-0.2017	0.3683	78	-4.8363	0.0000
Penetration	-0.2532	0.5198	78	-4.3024	0.0000
Number of new prospects	-0.2921	0.6833	78	-3.7759	0.0003
Share of wallet	-0.2186	0.5258	78	-3.6717	0.0004
Customer profitability	-0.1939	0.4790	78	-3.5749	0.0006
Customer gross margin	-0.2017	0.5205	77	-3.4003	0.0011
Customer acquisition	-0.1690	0.5078	78	-2.9402	0.0043
Conversion (lead to sales)	-0.2258	0.7481	78	-2.6655	0.0094
Customer retention	-0.1039	0.5430	78	-1.6902	0.0951
Brand Awareness	-0.0504	0.3512	78	-1.2672	0.2089
Number of new customers	-0.0912	0.8572	78	-0.9394	0.3505
Gross margin	-0.0463	0.4455	79	-0.9242	0.3583
Brand awareness	-0.0221	0.4681	77	-0.4142	0.6799
Cash flow	0.0556	0.5970	78	0.8224	0.4134
Number of customers	0.1762	1.0837	78	1.4358	0.1552
Distribution/Availability	0.1574	0.6659	77	2.0744	0.0415
Customer satisfaction	0.0829	0.3103	78	2.3604	0.0208

Shareholder value/EVA/ROI	0.4646	0.5595	78	7.3327	0.0000
Market share (volume % value)	1.4799	1.4036	78	9.3121	0.0000
Market trends	0.8053	0.7502	78	9.4803	0.0000
Sales trends	1.7516	1.2843	78	12.0453	0.0000
Sales (volume & value)	3.7943	2.4449	78	13.7060	0.0000

The metrics are classified into three main categories, with the average usage equal to zero (0);

- Significantly less important than the average (p-value less than 0.05) colour coded orange in Table 7.
- Not significantly different to the average (p-value higher than 0.05) transparent colour coding in Table 7.
- Significantly more important than average (p-value less than 0.05) colour coded green in Table 7.

The metrics companies intend using the most in the future in order or usage (p-values less than 0.05 and from the highest average[μ] to the lowest);

Table 8: Metrics intended to be used most in the future

Metrics	μ	σ	n	t-value	p-value
Sales (volume & value)	3.7943	2.4449	78	13.7060	0.0000
Sales trends	1.7516	1.2843	78	12.0453	0.0000
Market share (volume % value)	1.4799	1.4036	78	9.3121	0.0000
Market trends	0.8053	0.7502	78	9.4803	0.0000
Shareholder value/EVA/ROI	0.4646	0.5595	78	7.3327	0.0000
Distribution/Availability	0.1574	0.6659	77	2.0744	0.0415
Customer satisfaction	0.0829	0.3103	78	2.3604	0.0208

The metrics that produced values not significantly different to the average in order of usage (p-values more than 0.05 and from the highest average [μ] to the lowest);

Table 9: Metrics not significantly different to average use

Metrics	µ	σ	n	t-value	p-value
Number of customers	0.1762	1.0837	78	1.4358	0.1552
Cash flow	0.0556	0.5970	78	0.8224	0.4134
Brand awareness	-0.0221	0.4681	77	-0.4142	0.6799
Gross margin	-0.0463	0.4455	79	-0.9242	0.3583
Brand Awareness	-0.0504	0.3512	78	-1.2672	0.2089
Number of new customers	-0.0912	0.8572	78	-0.9394	0.3505
Customer retention	-0.1039	0.5430	78	-1.6902	0.0951

Metrics companies intend using less in the future (p-values less than 0.05 and from the highest average [µ] to the lowest;

Table 10: Metrics intended to be used less in the future

Metrics	µ	σ	n	t-value	p-value
Number of customer complaints	-0.1242	0.0941	78	-11.6658	0.0000
Customer loyalty	-0.1309	0.0909	78	-12.7239	0.0000
Customer acquisition	-0.1690	0.5078	78	-2.9402	0.0043
Customer profitability	-0.1939	0.4790	78	-3.5749	0.0006
Image/Reputation	-0.1945	0.2171	78	-7.9128	0.0000
Likelihood to recommend	-0.1979	0.2282	78	-7.6596	0.0000
Cross selling	-0.2017	0.3683	78	-4.8363	0.0000
Customer gross margin	-0.2017	0.5205	77	-3.4003	0.0011
Perceived differentiation	-0.2058	0.2509	78	-7.2425	0.0000
Perceived quality/esteem	-0.2092	0.2237	78	-8.2609	0.0000
Share of wallet	-0.2186	0.5258	78	-3.6717	0.0004
Conversion (lead to sales)	-0.2258	0.7481	78	-2.6655	0.0094
Penetration	-0.2532	0.5198	78	-4.3024	0.0000
Recognition	-0.2794	0.3151	76	-7.7302	0.0000
Number of new prospects	-0.2921	0.6833	78	-3.7759	0.0003
Brand equity	-0.3065	0.4619	78	-5.8598	0.0000
Recall	-0.3128	0.3398	78	-8.1301	0.0000
Perceived value	-0.3300	0.4579	78	-6.3652	0.0000
Price premium	-0.3372	0.3425	78	-8.6958	0.0000
Price elasticity	-0.3407	0.3985	77	-7.5010	0.0000
Transactions per customer	-0.3542	0.4372	77	-7.1080	0.0000
Price elasticity	-0.3556	0.3385	78	-9.2774	0.0000

Customer lifetime value	-0.3558	0.3305	78	-9.5067	0.0000
Customer equity	-0.3671	0.2735	78	-11.8516	0.0000
Relative price	-0.3797	0.3301	78	-10.1574	0.0000
Churn rate	-0.4114	0.4870	78	-7.4610	0.0000
Cost per lead	-0.4365	0.7474	78	-5.1583	0.0000
Relevance to customer	-0.4877	0.5304	76	-8.0156	0.0000
Cost per click	-0.5808	0.4455	78	-11.5143	0.0000

The results of research question 2 show that the metrics that companies are currently using the most are similar to the ones they intend using the most in the future with the exception of number of customers and number of customer complaints. The metrics that companies are currently using less are the same ones companies intend using less in the future.

4.5 Results pertaining to Research Question 3

Respondents were asked to rate their views of 10 statements on the perception of measuring marketing performance. The data collected for research question 3 (identifying the perceived benefits of measuring marketing performance) was analysed using descriptive statistics to determine the means followed by Distribution Fitting Algorithm method (Stacey 2005). There were ten statements that respondents were asked to rank (seven rankings) according to degree of agreement from strongly agree to strongly disagree. For each statement, a mean was determined and the statements were then rank-ordered according to the means.

The statements with a positive mean were deemed to be the ones respondents agreed with strongly. The statements with a negative mean were deemed to the ones that respondents disagreed with strongly.

The results are shown in Table 11 below.

Table 11: Perceptions on marketing performance measurement

PERCEPTIONS	μ	σ	n	t-value	p-value
Metrics only measure short-term returns.	-2.4290	0.8135	77	-26.1993	0.0000
Metrics allow us to speak the same language as finance.	0.0495	0.8803	75	0.4871	0.6276
Metrics gives marketing, credibility in the boardroom.	0.1464	1.0697	78	1.2085	0.2306
Metrics should be linked to overall company performance.	0.2757	0.6455	78	3.7724	0.0003
Metrics will improve our accountability.	0.3655	0.2925	75	10.8225	0.0000
Metrics inform our marketing strategy.	0.4111	0.3116	77	11.5768	0.0000
Metrics will improve the efficiencies of our activities.	0.4149	0.3126	78	11.7210	0.0000
Metrics measure both short-term and long-term returns.	0.2184	0.1190	78	16.2057	0.0000
Metrics will allow for appropriate resource allocation.	0.2580	0.1286	76	17.4933	0.0000
Metrics will improve the effectiveness of our activities.	0.2894	0.1358	78	18.8185	0.0000

The statements on the perception of marketing performance measurement are classified into three main categories, with the average/mean equal to zero (0);

- Significantly less important than the average (p-value less than 0.05) colour coded orange in Table 11.
- Not significantly different to the average (p-value higher than 0.05) transparent colour coding in Table 11.
- Significantly more important than average (p-value less than 0.05) colour coded green in Table 11.

The statements that the respondents agreed with the most are in order of the level of agreement (p-values less than 0.05 and from the highest average/mean [μ] to the lowest);

Table 12: Statements companies agreed with the most

PERCEPTIONS	μ	σ	n	t-value	p-value
Metrics will improve the efficiencies of our activities.	0.4149	0.3126	78	11.7210	0.0000
Metrics inform our marketing strategy.	0.4111	0.3116	77	11.5768	0.0000
Metrics will improve our accountability.	0.3655	0.2925	75	10.8225	0.0000
Metrics will improve the effectiveness of our activities.	0.2894	0.1358	78	18.8185	0.0000
Metrics should be linked to overall company performance.	0.2757	0.6455	78	3.7724	0.0003
Metrics will allow for appropriate resource allocation.	0.2580	0.1286	76	17.4933	0.0000
Metrics measure both short-term and long-term returns.	0.2184	0.1190	78	16.2057	0.0000

Statements that produced values not significantly different to the average (p-values greater than 0.05 and from the highest average [μ] to the lowest);

Table 13: Statements not significantly different to the average

PERCEPTIONS	μ	σ	n	t-value	p-value
Metrics gives marketing, credibility in the boardroom.	0.1464	1.0697	78	1.2085	0.2306
Metrics allow us to speak the same language as finance.	0.0495	0.8803	75	0.4871	0.6276

A statement which respondents agreed with the least is (p-value less than 0.05);

Table 14: Statement companies agree with the least

PERCEPTIONS	μ	σ	n	t-value	p-value
Metrics only measure short-term returns.	-2.4290	0.8135	77	-26.1993	0.0000

The results of research question 3 show that companies agree with most of the statements on the perceptions of measuring marketing performance. One statement was the least agreed with.

4.5 Summary of the results

In this chapter, metrics that are currently being used the most by companies were outlined and discussed. The findings showed that companies intend using the same set of metrics they are currently using the most in the future with the exception of the number of customers and number of customer complaints. The findings also showed that the least used metrics are not going to be used more by companies in the future. Companies agreed with most of the statements on the perception of measuring marketing performance but one.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

In this chapter findings relating to the demographics of respondents will be discussed and differences of what was obtained from what was planned explained. Results pertaining to the three research questions will be discussed and explained. The results will be related to the literature review in chapter 2 and any differences will be discussed and possible explanations offered.

5.2 Demographic profile of respondents

The sample of 78 respondents comprised; Marketing Directors (15%), Marketing Managers (55%), Brand Managers (15%) and Business Development Managers (14%). The researcher intended getting a sample that comprised mainly of Chief Marketing Officers and Marketing Directors. This was to ensure that the respondents have accurate knowledge of the subject of measuring marketing performance. Also respondents in these positions have influence at the board level of companies. This would mean they have accurate perceptions on the board's view of the benefits of measuring marketing performance.

The sample that the researcher was able to obtain comprised mainly of marketing managers (55%) and brand managers (15%). Marketing managers do not have influence at the board level of companies, they usually report to a marketing director or a chief marketing officer. Some marketing managers do head up marketing departments, which means they would have thorough knowledge of the way things are done in their departments. Some marketing managers only head up a part of the marketing department, for example e-marketing. These marketing managers would have knowledge of how that part of the marketing department works and therefore would not represent the whole marketing department.

Brand managers are also only responsible for one brand in a company and may not be aware of marketing metrics that are used at a higher level in the department. Business development manager’s job description is usually broad and varies from company to company. Most business development managers head up an under-developed marketing department and are responsible for the acquisition of new businesses which often means new customers. They also may not have accurate knowledge of the subject of measuring marketing performance.

The difficulty that the researcher encountered in obtaining the desired sample was the lack of access to the higher level of management in the marketing departments. Also only big companies have chief marketing officers and marketing directors in their employment and the pool of these big companies is small.

Table 2 shows the different industries/sectors that are represented in the sample. These are diverse, however some of them could be classified into one, for example clothing retail and jewellery retail could be classified under retail. The researcher intended getting a sample representing diverse industries and sector and to that end was able to.

The companies were further classified to whether they market to other businesses or to consumers. The researcher identified 22 business-to-business and 54 business-to-consumer. Some of these could be classified under both, but the researcher decided to classify depending on which part formed the bulk of the customers. The intention was to be able to cross-reference any differences between the two.

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5.3 Discussion pertaining to Research Question 1

The results pertaining to research question 1 are shown in table 3 in chapter 4. The following metrics were found to be currently used more frequently by companies in order of importance;

Table 15: Metrics currently used by companies

Metrics
1) Sales (volume & value)
2) Market trends
3) Market share (volume & value)
4) Sales trends
5) Number of customers
6) Shareholder value/EVA/ROI
7) Number of customer complaints
8) Customer satisfaction
9) Distribution/Availability

Out of 43 metrics the above 9 metrics were found to be currently used more frequently than average by companies.

Clark (2000) argues that marketing performance measures should address marketing aspects, such as efficiency and effectiveness.

Efficiency

Management prefers expenditures that utilise the least resources with maximum outputs. Of the above 9 metrics currently being used more frequently by companies, shareholder value/EVA/ROI is the only one that addresses efficiency. This metric comes up at number 6 in order of importance.

This suggests that even though marketing activities may be efficient, marketers may not be able to show or measure this efficiency. This disconnect in what management prefers and what marketing considers as important is what is causing marginalisation of marketing in the boardroom (Verhoef and Leeflang 2009).

Marketing costs are seen as rising with declining returns (Sheith and Shama 2001). According to Stewart (2008) marketing departments in some companies consume more than 30% of budgets. The above results show that marketing is not heeding the call for accountability by companies. Marketing is able to quantify their expenditures, but according to the above results is still unable to quantify their returns.

As early on as the 60's, there was considerably worry about the increasing expenditures on marketing activities and a lot of perceived waste and inefficiencies (Feder 1965). Financial metrics like ROI were developed then to address this and assess the returns on different activities. Return on marketing investment (ROMI) according to Stewart (2008) should address short-term (incremental) effects like incremental sales as well as long-term (persistent) effects like brand equity. The above results suggest that marketing is concerned more with short-term effects of their marketing activities. Sales and market share showed up at number one and number three respectively in order of importance.

Effectiveness

Marketing tactical actions need to be effective in meeting marketing's objectives. Marketing's main objectives are to acquire and retain customers from which to derive profits. Being able to measure the effectiveness of their actions eliminates the guesswork that is associated with marketing activities (Almquist and Wyner 2001).

Rust et al (2004a) in their chain of marketing productivity, suggest that marketing activities have customer impact, market impact, financial impact and an impact on firm value. The challenge for marketers is to be able to measure the effectiveness of their activities along this productivity chain.

Customer Impact

The results above show that companies do measure the effectiveness of their activities along the productivity chain. Metrics used by companies in this study to measure the effectiveness of their activities on customer impact include; number of customer complaints, customer satisfaction, and number of customers.

Other observable customer metrics include customer acquisition, customer retention, cross selling, customer equity and customer lifetime value. These observable customer metrics allow marketers to view customers as assets and in finance/accounting realm, assets are expected to be efficiently utilised to maximise shareholder value. Companies in this study seem to utilise these metrics less frequently. Companies seem to be more comfortable using the less complicated metrics to measure customer impact. This suggests that marketers are still not in the same wavelength as finance. Finance is the language spoken in companies and if marketers cannot relate in the same way, the result may be diminished respect from management.

Market Impact

Metrics used to measure the impact on market include; sales, sales trends, market share and market trends. Marketing is concerned with increasing sales and market share; however Johnson (2002) challenges these two more traditional metrics, arguing that these may come at a very high cost to the company. The results show the two metrics (sales and market share) rank highly in terms of importance with the marketers. These two metrics however stop short of addressing marketing's main objectives. A study conducted by Szymanski et al (1993) challenged the use of market share as the main marketing performance measure. The study found inconsistencies in the relationship between market share and profitability.

Sales and market share are the more traditional metrics used to measure marketing performance. This study shows that marketers still consider these two metrics to be more important in their measure of marketing performance. This suggests a lack of evolution in measuring marketing performance in South African companies. Marketers may not be willing to adopt more recent and comprehensive metrics to measure their performance.

Financial Impact

Return on investment (ROI) is one of the most common and oldest metrics used to measure marketing performance. ROI, however is seen by others as being short-sighted as it only values short-term benefits (Rust et al. 2004a). Companies in this study do utilise ROI frequently to measure their performance. This suggests that marketers are viewing their expenditures as investments instead of expenses. ROI concerns itself with efficiencies of marketing expenditures. This should improve marketers stand with management, however its use may cause marketers to value short-term benefits as it does not concern itself with sustainability. Because surveys do not allow for probing of respondents, the question remains whether marketers do understand how to compute ROI.

Impact on Firm Value

Company value depends largely on growth prospects and sustainability of profits. Metrics used to measure marketing performance such as brand and customer equity allow marketers to mobilise their resources to maximise shareholder value. Companies in this study use these two metrics less frequently than average. This suggests that marketers are not linking their activities to overall company performance and value. In order for marketers to get the respect they need in the boardroom, they need to be able to illustrate how their expenditures impact on company value (Lehmann 2004). This means adopting brand and customer equity and using them more frequently to measure their performance.

The metrics used more frequently by companies, measure all but one of the levels in the marketing productivity chain (Rust et al 2004a). The impact on firm value is the final level that marketing activities should show their effectiveness. Of the 9 metrics, none measures the impact on firm value.

Balance Scorecard

The developments in the area of marketing performance measurement have been towards a more inclusive set of metrics that offer a balanced view of measurement. Kaplan and Norton (1992) came up with a ‘Balanced Scorecard’ that they claimed allowed for continuous improvement and innovation, which they saw as critical in an increasingly competitive environment. Out of a set of 43 metrics, only nine are used more frequently by companies in this study. These nine metrics may not be comprehensive enough to allow for a more complete and systematic view of how different marketing activities impact different aspects of the business.

Conclusion

The findings in this study suggest that marketers are measuring their performance. Companies are currently using the more traditional metrics to measure their performance. The study also shows that marketers are using less of the financial metrics and more of the customer and market metrics. There is also evidence that marketers do not link their activities to overall company performance. The limited number of metrics currently utilised by companies suggests a lack of a systematic view of the impact of marketing activities on different aspects of the business.

5.4 Discussion pertaining to Research Question 2

Results pertaining to research question 2 are shown in table 7 in chapter 4. The metrics companies intend using more frequently in the future are listed below in order of importance;

Table 16: Metrics intended for future use

Metrics
1) Sales (volume & value)
2) Sales trends
3) Market share (volume % value)
4) Market trends
5) Shareholder value/EVA/ROI
6) Distribution/Availability
7) Customer satisfaction

Out of a set of 43 metrics, the above seven are the ones companies intend using more in the future. These metrics are very similar to the ones companies are currently utilising to measure marketing performance, with the exception of; number of customers and number customer complaints. The possible explanation is because the sample consisted more B2C companies, 76% (figure 6 in chapter 4). B2C companies do not deal directly with their consumers, and these two metrics would be used more by B2B companies who deal directly with their consumers.

Patterson (2009) suggests that in order to create a performance-driven marketing division, the measurement process should begin with outcomes and then define the metrics that would best link to these outcomes. This process needs to be continuous and dynamic to accommodate changes in the business itself or the environment the business exists in. Marketers need to think of metrics along a continuum (Patterson 2009);

Activity-Based Metrics

Activity-based metrics are concerned with counting and tracking the number of occurrences or people. Companies start at this stage in their process of measuring marketing performance. These metrics are necessary in measuring marketing performance; however they fail to link marketing activities to business outcomes. Findings for research question 1 show that South African companies are beyond this stage in their measuring of marketing performance.

Operational Metrics

Operational metrics allow marketers to manage the marketing function as a business as they are designed to improve efficiency and effectiveness. However according to Patterson (2009), these metrics are a way to rationalise marketing investments and still do not relate marketing to business outcomes.

The findings of this study suggest that South African companies are at this stage of the process of measuring marketing performance. The findings of research question 2 show that companies are content with using the same set of metrics they currently use for future use. This suggests that companies are not willing to move beyond the operational stage of measuring marketing performance. This may be because of a lack of advanced knowledge on the subject of marketing performance measurement due to the lack of the necessary analytical skills among marketers.

Outcome-Based Metrics

According to Patterson (2009) this set of metrics demonstrates how marketing contributed to the business instead of tracking what activities were done. These metrics address issues such as acquisition, retention and value. The starting point for developing such metrics is looking at the business strategies and outcomes. From there on marketing decides how it can contribute to these through different marketing activities. The findings of this study show that South

African companies are behind this step in their measurement of marketing performance. What is of concern is that these companies are not planning to move beyond the operational metrics stage into outcome-based metrics stage. Lack of knowledge into the subject of marketing performance measurement could be the contributing factor.

Leading Indicator Metrics

Leading indicator metrics such as customer equity, brand equity and customer lifetime value enable marketing to measure strategic effectiveness and to focus on the efforts with the impact on the creation of shareholder value. These metrics ensure alignment between marketing activities and business outcomes. Being able to show how marketing contributes in ‘moving the needle’ in business outcomes, gives marketers respect from management (Patterson 2009:90). None of the companies in this study demonstrated to be near this stage as the use of leading indicator metrics such as share of wallet was less frequent than average.

Predictive Metrics

These metrics are based on analytical models developed from large amounts of historical data. At this stage companies are able to predict the effectiveness of their activities in meeting business outcomes. This eliminates guesswork associated with marketing and ensures efficiency and effectiveness of their activities. South African companies need to aim for this stage of marketing performance measurement. However the findings of the study show a lack of evolution on the subject of marketing performance measurement within South African companies.

Conclusion

The findings of research question 2 show that companies intend using similar sets of metrics to the ones they are currently using. This could mean that marketers are either content with their current measurement or are not knowledgeable enough on the subject to seek and develop more advanced sets of metrics. Marketing performance measurement is aimed at demonstrating how marketing contributes to business outcomes. The set of metrics that are currently used and those intended for future use by South African companies do not demonstrate the contribution marketing makes to business outcomes.

5.5 Discussion pertaining to Research Question 3

Results pertaining to research question 3 are shown in table 11 in chapter 4. The statements that respondents agreed with the most are shown below in order of the degree of agreement;

Table 17: Perceptions on the benefits of MPM

PERCEPTIONS
1) Metrics will improve the efficiencies of our activities.
2) Metrics inform our marketing strategy.
3) Metrics will improve our accountability.
4) Metrics will improve the effectiveness of our activities.
5) Metrics should be linked to overall company performance.
6) Metrics will allow for appropriate resource allocation.
7) Metrics measure both short-term and long-term returns.

Metrics will improve the efficiencies of our activities.

Over the years companies have been "searching for internal efficiencies and process re-engineering of organisations" (Sheith and Shama 2001:342). This need for efficiency has expanded the role for marketers. Marketers are now required to demonstrate the efficiencies of their activities. The adoption of return on marketing investment (ROMI) as one of the metrics to measure marketing performance shows marketers are complying with the need for efficiency.

The statement ‘metrics will improve the efficiencies of our activities’ showed up as number 1 in order of the degree of agreement among the respondents. Marketers in South African companies seem to be aware of the need to demonstrate the efficiencies of their activities. They agree that measuring marketing performance will assist in improving their efficiencies. This is also demonstrated by their frequent current use of ROI as one of the metrics to measure marketing performance (findings for research question 1). ROI is one of the metrics that is ‘borrowed’ from finance and this suggests that marketers are working closely together with finance or that finance is putting pressure on marketers to demonstrate efficiency.

Metrics inform our marketing strategy.

Marketers have been accused of a lot of guesswork involved in their activities (Almquist and Wyner 2001). Marketers agree that measuring marketing performance eliminates this guesswork. The ability of marketing performance measurement to inform their strategy was seen by marketers as one of the main benefits.

Metrics will improve our accountability.

The call for marketing to account for and justify the ‘marketing dollar’ is sounding louder in this era of accountability. Marketers have the reputation of being able to quantify their expenditures but not their returns. Marketers, themselves argue that their activities are idiosyncrasies and may not always be accounted for (Stewart 2008). However such excuses are no longer tolerated by organisations that demand accountability (Stewart 2006). Marketers in this study agree that measuring marketing performance does indeed improve their accountability.

Metrics will improve the effectiveness of our activities.

Marketing effectiveness is associated with positive business outcomes such as stable long-term growth, enhanced customer satisfaction and competitive advantage (Connor and Tynan) 1999). Being able to demonstrate the effectiveness of their activities allows marketers to show management how they are moving the 'needle' in terms of business outcomes. Respondents agree that measuring marketing performance improves the effectiveness of their activities.

Metrics should be linked to overall company performance.

Respondents agreed that measuring marketing performance should be linked to overall company performance. However this does not show in their choice of metrics. The findings of research question 1 and 2 shows that marketers are still using the more traditional metrics that do not relate to overall company performance. A lack of advanced knowledge on the subject of marketing performance measurement may be the cause of this disconnect between what marketers perceive as benefits of MPM and their choice of metrics.

Metrics will allow for appropriate resource allocation.

Optimal resource allocation to different marketing activities ensures efficiency and effectiveness. Companies have limited resources that they have to allocate to different departments/division. With marketing departments in some companies consuming more than 30% of budgets, the need for appropriate resource allocation is crucial (Stewart 2008). Respondents agreed that MPM allows for appropriate resource allocation.

Metrics measure both short-term and long-term returns.

Ambler (2000) suggests that MPM discourages short-termism. Therefore marketers should be concerned about adopting and developing metrics that measure both short-term and long-term effects of their activities. Of concern is that respondents in this study are not frequently using metrics that are concerned with growth and sustainability like CLTV, customer and brand equity. A lack of analytical skills that are required in formulating these metrics may be the reason companies are not utilising them.

Metrics give marketing credibility in the boardroom

This statement produced values that were not significantly different to average. Credibility of marketers in the boardroom is one of the driving forces behind the development of MPM. Patterson (2009) outlines one of the benefits of MPM as increased satisfaction of senior executives with marketing. Findings from research questions 1 and 2 show that marketers are using metrics that do not relate business outcome. This may be the reason management is not giving marketers credibility in the boardroom as they are unable to demonstrate how their activities ‘move the needle’ in term of business outcomes.

Marketers agreed with most of the statements on the perceived benefits of MPM. Most of these benefits are related to each other. Being accountable requires marketers to demonstrate the efficiencies and effectiveness of their activities. Metrics should be able to measure both short-term and long-term effects of marketing activities in order to relate to business outcomes and overall company performance. Credibility in the boardroom for marketers may still be elusive due to the lack of the link between marketing activities to overall company performance.

5.6 Conclusion

In this chapter findings pertaining to the demographic profile of respondents and to the three research questions were discussed and explained. Findings pertaining to the three research questions were explained in relation to literature to show similarities and differences.

The sample of respondents was made up mainly of marketing managers and brand managers. The researcher intended to obtain a sample made up mainly of chief marketing officers and marketing directors. Findings pertaining to research question 1 suggest that marketers are using a limited set of metrics which contain mainly more traditional metrics. Findings pertaining to research question 2 suggest that marketers are not willing to change their set of metrics for future use. Findings pertaining to research question 3 show that marketers are aware of the benefits to measuring marketing performance and agreed with most of the statements posed.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

In this chapter findings and conclusions of the study are summarised with regard to research and comparisons made with other prior published research. Recommendations are provided to the stakeholders identified at the beginning. Suggestions will be made for further research on the subject of marketing performance measurement.

6.2 Conclusions of the study

6.2.1 Current Metrics Usage

Research question 1; *Which metrics are currently used by SA companies to measure their marketing performance*, aimed to find out which metrics were currently utilised by South African companies to measure their marketing performance. The expected metrics were the ones identified by Gronholdt and Martensen (2006) in Figure 3 in chapter 2. This metrics reported on mental consumer results, market results, behavioural customer results and financial results. The findings showed that South African companies utilise metrics that report on market results more than on the other three categories (mental consumer results, behavioural customer results and financial results).

Metrics reporting on market results that were found to be currently utilised more frequently by companies included; sales, sales trend, market share, market trends, distribution/availability and number of customers. Companies were found to use less of the metrics reporting on mental consumer results. Metrics reporting on behavioural customer results utilised more frequently by companies were; number of customer complaints and customer satisfaction. Of the metrics reporting on financial results only one; Shareholder value/EVA/ROI was used more frequently by companies.

According to Srivastava (2006) most metrics used by companies are for evaluation and therefore backward looking and not good for planning especially in the rapidly changing market place. The findings in this study suggest that South African companies are currently utilising more of the traditional metrics and less of the financial metrics.

Research conducted by Mazinter (2005) on South African marketers, cited the inability of marketers to access real time data on customer interactions, behaviour and transactions as the main reasons for them not using metrics such as customer equity and customer lifetime value (CLTV).

6.2.2 Future Metrics Usage

Research question 2; *Which metrics do SA companies intend using in the future to measure their marketing performance*, aimed to find out which metrics companies intended using more in the future. The expectation was for companies to use more of the financial metrics like CLTV. This was because of the blame the current metrics usage has received in terms of not being able to help companies plan and show their contribution to overall company performance (Srivastava 2006).

The findings showed that companies intend using similar metrics in the future to the ones they are currently using. The findings were consistent with research conducted by Mazinter (2005), where market share was among the most used metrics and brand and customer equity were used less frequently.

Mazinter (2005) also found that most South African marketers (61%) were content with their ability to measure marketing performance. However according to Zaltman (2003:53), “the correlation between stated intent and actual behaviour is usually low and often negative”. This would explain why marketers intend using similar metrics to the one they are currently using.

6.2.3 Perceived Benefits of Measuring Marketing Performance

Research question 3; *What perceptions do marketers have about the benefits of measuring marketing performance*, aimed to find out the perceived benefits of measuring marketing performance. The expectation was for MPM to improve efficiency and effectiveness of marketing activities and to give marketers credibility in the boardroom.

Findings showed that marketers agreed with most of the statements on the benefits of MPM. The statement on MPM giving marketers credibility in the boardroom showed insignificant difference to average. Research conducted by Mazinter (2005) found that marketing is not getting the recognition it deserves within South African organisations. Similar findings by Ambler (2003) showed that among large United Kingdom (UK) companies indicated that only 10% of executive meeting time was focused on marketing. An explanation could be that marketers are not utilising metrics that relate their activities to overall company performance as the findings of this study show.

6.3 Recommendations

The purpose of this research was to evaluate the measurement of marketing performance by South African companies and the perceived benefits thereof. The subject of marketing performance measure is receiving increasing attention from both the academics and practitioners. This research aims to give marketers a set of metrics to measure their marketing performance and also outline the benefits of doing so.

According to Clark and Ambler (2001:237) marketing performance measurement is the assessment of “the relationship between marketing activities and business performance”. Metrics should be necessary, precise, consistent and comprehensive (Ambler 2000).

The recommendation to South African marketers is to adopt and develop a set of metrics that relate their activities to business performance. It is not enough simply to have a convenient set of metrics that are activity based. As this research has shown marketers are still using the more traditional metrics. This is not to suggest they neglect these metrics altogether, but rather to find a more comprehensive set of metrics that report on all the different areas that marketing impact.

Patterson (2009) suggested that the process of developing marketing metrics should be like peeling an onion outside in. The starting point should be the business outcomes and from there marketers need to identify which activities would impact on these and which metrics would measure that impact. This process ensures the alignment of marketing activities with business outcomes.

Another recommendation to marketers is to adopt and develop metrics that are necessary to achieve business objectives. Business-to business companies would probably use more customer metrics like customer equity, customer profitability and customer lifetime value. Business-to consumer companies would use more mental consumer metrics like brand awareness, brand equity and preference.

Another key recommendation to marketers is to utilise metrics that are comprehensive. Kaplan and Norton (1992) suggest the use of a ‘Balanced Scorecard’. This allows for a more complete and systematic view of how different activities impact different aspects of the business. This would also discourage short-termism, because some activities may have a positive short-term effect while damaging the business long-term (Srivastava et al. 1998).

Recommendation to management is to provide the necessary skills and training for their marketers. Analytical skills are necessary for marketers to compute the more complicated metrics such as brand equity, customer equity and customer lifetime value. As was mentioned above, one of the major reasons marketers were not utilising metrics such as customer equity and CLTV was a lack of access to real time customer data. Management needs to have the technology required to source and track the necessary data needed to compute these metrics. This would ensure precise and current knowledge of the market place and would give marketers an opportunity to rectify any wrongs before they affect business outcomes.

As mentioned above management need to put in place the necessary support systems to allow marketer to measure their performance. However on the flip side management needs to hold marketing accountable for every marketing dollar. The argument given by marketers that their activities are idiosyncrasies to the company and therefore cannot be measured against others should not be accepted (Stewart 2008).

6.4 Suggestions for further research

From this research, a number of areas for further research were identified;

During the course of this research being conducted, it become clear that B2B companies would use a different set of metrics to B2C companies. As a result a potential area for further research is to get two samples of sufficient size of B2B and B2C companies and comparing any differences in the set of metrics they utilise. This research could be taken as far as comparing between industries and sectors.

This research outlined the perceived benefits by marketers of MPM. An area of further research would be to look at the perceived benefits by management of MPM and comparing the two to establish any disconnect.

This research suggested that marketers were content with their current use of marketing metrics and intended using similar metrics in the future. An area of further research would be to look at how management perceive the current metric usage and its alignment to business objectives.

This research suggested that measuring marketing performance would have a positive impact on overall company performance. Further research could be done in establishing this link.

This research cited the lack of analytical skills among marketers as a possible explanation for the less than satisfactory level of MPM among South African companies. Further research could be done to relate analytical skills to the level of MPM and the satisfaction of management with marketing.

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APPENDIX A

Part 1

Please tick a box applicable to your company

Metrics	**Currently in use**			**Would like to use in the future**		
Brand Awareness	not	limited	frequently	Not	limited	frequently
Share of wallet	not	limited	frequently	Not	limited	frequently
Perceived value	not	limited	frequently	Not	limited	frequently
Sales (volume & value)	not	limited	frequently	Not	limited	frequently
Market share (volume % value)	not	limited	frequently	Not	limited	frequently
Gross margin	not	limited	frequently	Not	limited	frequently

Price elasticity	not	limited	frequently	Not	limited	frequently
Shareholder value/EVA/ROI	not	limited	frequently	Not	limited	frequently
Customer loyalty	not	limited	frequently	Not	limited	frequently
Customer satisfaction	not	limited	frequently	Not	limited	frequently
Customer acquisition	not	limited	frequently	Not	limited	frequently
Customer retention	not	limited	frequently	Not	limited	frequently
Cross selling	not	limited	frequently	Not	limited	frequently
Customer equity	not	limited	frequently	Not	limited	frequently
Customer lifetime value	not	limited	frequently	Not	limited	frequently
Brand equity	not	limited	frequently	Not	limited	frequently
Brand awareness	not	limited	frequently	Not	limited	frequently

Relevance to customer	not	limited	frequently	Not	limited	frequently
Conversion (lead to sales)	not	limited	frequently	Not	limited	frequently
Penetration	not	limited	frequently	Not	limited	frequently
Relative price	not	limited	frequently	Not	limited	frequently
Price premium	not	limited	frequently	Not	limited	frequently
Price elasticity	not	limited	frequently	Not	limited	frequently
Churn rate						
Number of customer complaints	not	limited	frequently	Not	limited	frequently
Customer profitability	not	limited	frequently	Not	limited	frequently
Customer gross margin	not	limited	frequently	Not	limited	frequently
Cash flow	not	limited	frequently	Not	limited	frequently
Cost per lead	not	limited	frequently	Not	limited	frequently

Cost per click	not	limited	frequently	Not	limited	frequently
Recall	not	limited	frequently	Not	limited	frequently
Recognition	not	limited	frequently	Not	limited	frequently
Transactions per customer	not	limited	frequently	Not	limited	frequently
Number of customers	not	limited	frequently	Not	limited	frequently
Number of new customers	not	limited	frequently	Not	limited	frequently
Number of new prospects	not	limited	frequently	Not	limited	frequently
Sales trends	not	limited	frequently	Not	limited	frequently
Market trend						
Distribution/ availability	not	limited	frequently	Not	limited	frequently
Image/ reputation	not	limited	frequently	Not	limited	frequently

Perceived differentiation	not	limited	frequently	Not	limited	frequently
Perceived quality/esteem	not	limited	frequently	Not	limited	frequently
Likelihood to recommend	not	limited	frequently	Not	limited	frequently

Please indicate which industry or sector your company is in ……………………...

Part 2

Please rate your view of the following statements relating to marketing performance measurement, with 1 being strongly agree and 5 being strongly disagree.

Metrics will improve the effectiveness of our marketing activities.	1	2	3	4	5
Metrics will improve the efficiencies of our marketing activities.	1	2	3	4	5
Metrics will improve our accountability.	1	2	3	4	5
Metrics will allow for appropriate resource allocation.	1	2	3	4	5
Metrics inform our marketing strategy.	1	2	3	4	5
Metrics should be linked to overall company performance.	1	2	3	4	5
Metrics gives marketing, credibility in the boardroom.	1	2	3	4	5
Metrics allow marketing to speak the same language as the rest of the firm	1	2	3	4	5
Metrics only measure short-term returns.	1	2	3	4	5
Metrics measure both short-term and long-term returns.	1	2	3	4	5

Please indicate your title …………………………………..

APPENDIX B

Results of the survey

Answer Options	current use (not)	current use (limited)	current use (frequently)	intended future use (not)	intended future use (limited)	intended future use (frequently)	Response Count
Brand Awareness	18	44	16	7	19	52	78
Share of wallet	35	30	13	22	18	38	78
Perceived value	37	35	6	26	21	30	78
Sales (volume & value)	3	2	73	3	1	74	78
Market share (volume % value)	6	11	61	6	3	69	78
Gross margin	26	31	22	11	17	49	78
Price elasticity	42	29	6	25	24	28	77
Shareholder value/EVA/ROI	6	50	22	3	6	68	78
Customer loyalty	15	50	13	0	17	61	78
Customer satisfaction	11	50	17	2	12	64	78
Customer acquisition	36	23	19	19	18	41	78
Customer retention	33	25	20	17	16	44	78
Cross selling	39	27	12	15	24	39	78
Customer equity	54	19	5	22	34	21	78
Customer lifetime value	53	17	8	24	29	25	78
Brand equity	43	26	9	25	21	32	78
Brand awareness	22	42	13	11	16	50	78
Relevance to customer	48	25	3	37	18	23	78
Conversion (lead to sales)	39	25	14	27	13	38	78
Penetration	35	26	17	23	18	35	78
Relative price	46	22	10	26	29	23	78
Price premium	44	23	11	23	28	27	78
Price elasticity	43	28	7	24	28	25	78
Churn rate	51	21	6	32	20	26	78
Number of customer complaints	9	45	24	0	16	62	78
Customer profitability	36	28	14	19	19	39	78
Customer gross margin	36	28	13	21	18	39	78
Cash flow	24	39	15	13	13	52	78
Cost per lead	46	19	13	35	13	29	78
Cost per click	54	15	9	42	19	15	78
Recall	41	35	2	21	28	29	78
Recognition	38	32	6	17	29	31	77
Transactions per customer	49	13	15	27	22	28	77
Number of customers	24	21	33	20	8	49	78
Number of new customers	33	14	31	24	11	43	78
Number of new prospects	41	16	21	28	14	34	78

Sales trends	3	11	64	3	2	73	78
Market trends	3	10	65	3	4	71	78
Distribution/Availability	18	36	23	12	11	55	78
Image/Reputation	27	41	10	5	32	39	78
Perceived differentiation	30	38	10	8	31	38	78
Perceived quality/esteem	30	36	12	6	32	36	78
Likelihood to recommend	30	38	10	6	32	39	78
Please specify the industry your company is in.							77
						answered question	78
						skipped question	0

Please rate your view of the following statements relating to marketing performance measurement, with 1 being strongly agree and 5 being strongly disagree;

Answer Options	**1 (strongly agree)**	**2**	**3**	**4**	**5 (strongly disagree)**	**Response Count**
Metrics will improve the efficiencies of our activities.	61	16	1	0	0	78
Metrics will improve the effectiveness of our activities.	63	15	0	0	0	78
Metrics will improve our accountability.	56	18	1	0	0	75
Metrics will allow for appropriate resource allocation.	57	19	0	0	0	76
Metrics inform our marketing strategy.	60	16	1	0	0	77
Metrics should be linked to overall company performance.	44	19	13	2	0	78
Metrics gives marketing, credibility in the boardroom.	38	14	15	9	2	78
Metrics allow us to speak the same language as finance.	34	14	18	9	0	75
Metrics only measure short-term returns.	0	0	3	20	54	77
Metrics measure both short-term and long-term returns.	51	27	0	0	0	78
Please supply your position and email address in order to receive the survey results						78
					answered question	78
					skipped question	0