Measuring Marketing Performance, Practices and Management Control Challenges

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INTRODUCTION

Marketers are happy speaking their own language, replete with jargon like "awareness," "share of requirements" and "customer satisfaction." Such terminology works fine in the marketing department and with the advertising professionals, who execute marketing plans. However, there's a translation problem between that language and the language of profitability and stock price, which is the mother tongue of corporate chief executives (CEOs) and Chief Financial officers (CFO's). "CEOs want to know what a 5% increase in customer satisfaction will do for the bottom-line[1]." But in general, the marketing discipline has always been more art than science. Corporates spend untold billions of cash on marketing without any exacting way of determining how much the resulting "brand equity" or "consumer awareness" contributes to the bottom line. However, the question is not whether such expenses in marketing contribute to the bottom line but how much.

Accounting measures of performance have been the traditional main stay of quantitative approaches to the organizational performance measurement. However, over the last few decades, a great deal of attention has been paid to the development of non-accounting and financial measures of performance. Those measures also tried to focus on the performance parameters of various other functional areas of management viz, human resource, marketing and production. However, measuring the performance has not been an easy task. At the most senior level of the organization, although the financial measures are inevitably a major consideration; the competitive forces have pushed the importance of marketing measures of performance for top management and investor community as well. Hence, assessing and reporting the marketing performance is an increasingly important task for managers and other corporate stakeholders. **First**, many firms are looking to provide fresh growth in profit through increasing sales after years of downsizing (Sheth and Sisodia, 1995). **Second**, multi disciplinary perspectives on performance measurement, such as the balance scorecard (Kaplan and Norton, 1992) are increasing the attention given to non-financial measures of performance in general, raising the issue of which marketing measures, if any, should be included in such schemes. **Third**, investors and analysts are increasingly asking for information on the marketing performance of firms.

With the development of CRM, ERP, BPM systems, etc., such measures have been now formalized in the company's overall performance and are increasingly getting importance. Nevertheless, from the functional management point of view, marketing measures remain the most important.

The Table 1 depicts the survey[2] findings on most widely used measures to know the overall performance of the company. The importance of the marketing measures in knowing the overall performance of the company can be felt from the evidence that out of the 7 most popular measures, 4 are related to marketing.

RATIONALE

From Management Control Perspective, the purpose of marketing performance measures can be arguably put as follows:

1. Marketing Measures Of Performance As Tools Of Marketing Management: Here, the focus is on the functional specialism of marketing and marketing management. This is concerned with the efficient provision

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[2] The Author performed a compressive survey of CFO's on Business Performance Measures in 2004-05 to understand management control implications of some leading companies in India. Total 38 companies responded, representing over 63% of the market capitalization of the SENSEX (Leading Index of The Stock Exchange Mumbai, BSE, India) then in addition to some leading companies of different industry. Request for survey instrument copy can be made to keyur.thaker@gmail.com

and use of resources to support the wider aim of the organization and to manage the effective and efficient operation of the marketing function.

Table 1: Measures Of A Company's Overall Performance

Rank	Measures Categories of Overall Company's Performance
1	Profitability
2	Productivity, Efficiency, Cost related
3	Growth
4	Market share
5	Shareholders related
6	Customer satisfaction
7	Employee satisfaction
8	New product Sales

Note: Based on the survey conducted by the author of CFOs of 38 top companies of India in 2004. ©Copyright

2. Marketing Performance In Terms Of The Major Objective Of The Organization: Organizations often describe their overall business goal as customer satisfaction, market share, product leadership, brand building etc., along with financial and other goals. Such measures are used to signify the achievement of an important organizational objective.

The Table 2 depicts the top goals of the company based on the survey of 38 CFO's representing 38 different companies in India. This indicates that almost 50% of the goals of the companies in top nine categories are related to marketing (Given in Italics). That apart, the customer satisfaction and market share are rated as the 2nd and 3rd most important goal of the sampled company. Marketing goals are of high importance and significance in the context of overall performance measurement of the sampled companies in India.

Table 2 : Goals Of A Company

Sr	Which of the Following best describes the Goal of your organization.	% Response
1	Maximizing Shareholder's Value	24.07
2	Customer satisfaction	13.89
3	Market share	11.11
4	Profitability	11.11
5	Product leadership	9.26
6	Cash Flow	8.33
7	Multiple stake-holder approach	7.41
8	Innovative Product	6.48
9	Others	8.33

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3.Mechanism For Motivation And Control: The marketing information provides a window into the organization by which specific operations are managed through the codification of their inputs in financial and resource terms and output in the marketing terms. Measures are used as targets for marketing programs and budgets, basis for rewarding the marketing manager and directing the marketing efforts.

4.Tool For Strategic Decision And Implementation: Measures of marketing provide inputs in decisions related to resource allocation to various marketing activities (E.g., Product development, Advertising, Sales Force, Positioning etc), and marketing assets (e.g. Brand, Customer Loyalty, Customer Satisfaction). Guides implementation of such activities and offers much needed insights for reviewing the strategy. The measures serve as milestones one needs to achieve and provide guidance for future course of action.

DIFFICULTIES IN MARKETING PERFORMANCE

Assessing marketing performance is not easy. Unlike purely internal measure of performance, such as defects per million, marketing performance depends on external, largely uncontrollable factors such as customer and competitor. In Management Control and Accounting discipline, Marketing is usually classified as Revenue Center, where one can measure monetary value of output, but the input cost cannot be measured. There is a fuzzy relationship between input and output and the output is affected by uncontrollable factors and has long-term implications. Hence, efficiency and effectiveness of marketing activity and expenditures cannot be measured without ambiguity. Further, it acts as a mediator between these external factors and various internal corporate processes, such as accounting, manufacturing, research and development, and finance. Bonoma and Clark (1998) remarked that 'Marketing's outputs lagged, are multivocal, and are subject to many influences, which proves that establishing causes and effect linkages is difficult. The purpose of this contribution written from the management control perspective is to review the roles and functions of marketing measures, major features of its development and the challenges in the measurement of marketing performance and limitations of those measures., and subject to many influences, that establishing causes and effect linkages is difficult. The purpose of this contribution written from management control perspective is to review the roles and functions of marketing measures, major features of its development and the challenges in the measurement of marketing performance and limitations of those measures.

THE LITERATURE AND PRACTICE REVIEW

Earliest studies that could be traced are mainly on marketing productivity paradigm and illustrated prolonged conceptions of marketing outputs and inputs, particularly in the division between marketing activities and assets. Good marketing activity over a period of time will lead to creation of marketing assets and will keep on adding value to it. This development in turn leads to the development of four important recent measures of the health of an organization's marketing:

1.Marketing Orientation,
2.Customer Satisfaction,
3.Customer Loyalty and
4.Brand Equity.

A snapshot of measurement practices and research over five decades can be seen in Table 3. From the earliest studies, through the 1970's, vast preponderance of the work on measuring the performance of marketing looked at marketing productivity. Drawing from earlier work in economics and manufacturing productivity, as earlier, the business priority was manufacturing and the focus of an organization was on manufacturing and productivity.

INDUSTRY LEVEL STUDIES

Early work in US in this area was focused on the productivity of marketing as a whole in the economy. From the management control perspective, we classify marketing activity into two-responsibility centers for measuring performance as **(a.)** getting orders and **(b.)** delivering orders. Such classification may not be rampant then.Marketing meant distribution (order delivering) and the goal of the earlier studies was to compare marketing productivity to that of manufacturing, both to gain managerial insights and to answer public policy questions regarding whether

Table 3: The Measurement Mania (Chronology Of Measurement Practices Of Marketing Performance)

Era	Focus on	Measure
Industry level study	Macro level, Done by Economists, Productivity of Public distribution System	Outcome measures, viz Dollar sales, units shipped, value added. Input measures, viz man hours, capital and no of persons employed.
Firm level study	Productivity for marketing strategies	Net Present Value, Contributions, Profitability, Cash Flows
1970-80s	Non Monetary measures	Market Share, Weightage unit market share by relative price, To compare two products with same market share and identify qualitative difference, % Share from new product Adaptability
1980-1995	Input measures. Diagnostic Measures for aiding decision making 1. Marketing Efforts: 2. Marketing Assets:	Marketing Audit, *(Environment, Firm Situation, Strategy, organization, System, Productivity and specific marketing function)* Marketing Skills and Structure, Relational Assets and Intellectual Assets

2000	Four Perspectives 1. Marketing Orientation 2. Customer Satisfaction 3. Customer loyalty 4. Brand Equity	Marketing Orientation Customer Satisfaction Index
	ROI of Marketing	Life time value of Customer Incremental Cash flow over Unbranded products Overall Planning and Controlling tool
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distribution made a positive contribution to the economy.

Studies found that labor productivity in marketing grew at a lower rate than that of manufacturing.Since the labor was a major input in early-industrialized era, the productivity and measurement were in terms of unit of labor. Further, profitability of manufacturing and marketing activity were compared. Most common output variables used were, in order of frequency, services provided, dollar sales, units shipped and value added. The most common input measures were man hours, capital and number of persons employed.

FIRM LEVEL STUDIES

While the economist continued doing macro studies and industry level studies, later, the marketing work moved the productivity paradigm to the firm level. Focus was onto providing guidance to marketing managers regarding how to most effectively allocate their marketing resources to maximize financial returns. This area explicitly attempted to integrate finance and accounting perspective, especially cost accounting into evaluating marketing function. Charles Sevin's marketing productivity analysis (1965) gave a layout of profitability analysis for product and marketing programs. Fader (1965) used microeconomic literature to discuss comparing marginal revenues to marginal costs as a better way of better allocating marketing resources. Profitability and the return on investment of marketing activities and establishing position of the marketing controller within firms were advocated (Goodman 1970). At even a more sophisticated level, Busell and Chussil (1985) and Day and Fahey (1988) advocated the use of discounted cash flows as a way of calculating the net present value of marketing strategies, an approach that continues to be discussed and used to this day. The most popular measure of output in firm level productivity studies was, in order, Profit, sales (unit and value), market share, and cash flow. The most common inputs were marketing expenses, investment and number of employees (Bonoma and Clark 1988). Hence, till date, the measures of marketing were predominantly monetary.

NON-FINANCIAL & NON-MONETARY MEASURES OF MARKETING OUTPUT

From the late 1970's through the late 1980s, there was a move to expand the consideration of output measures from the purely pecuniary to non-monetary. Net market share attracted tremendous attention as an output variable in this period. Work done by Boston Consultancy Group (BCG) in 1973 and 1987 project established that market share was a strong predictor of cash flow and profitability. The BCG matrix aided the resource allocation decision through putting a product's market performance in different boxes of the matrix and classifying a product into cow, dog, star and question mark. BCG matrix also suggested how to measure performance and what performance to expect from marketing programs of differently classified products. Mehrotra (1984) advocated market share as performance measure. To make qualitative difference on performance at the same market share sold, the measure of market share to relative price was discussed by Mehrotra and Hawkins, Best and Lillis (1987). This measure made a qualitative difference in performance between the products sold at premium and lower prices. Unfortunately, in retrospect, the market share-profitability relationship has proven to be both complicated and controversial (Jabson,1988;Szymanski etal 1993). Armstrong and Collopy, 1996 argued that competitive focus market share measures engendered could be counterproductive to profitable decision-making. The third measure of performance advocated at this time was the adaptability or innovations of a firm's marketing manifested by measuring adaptability as an output of marketing in the face of changing environment. Percent of revenues derived from new products or number of successful new product launches were popular during this period. 3M in its organizational culture and philosophy give high importance to those measures.

PRODUCTIVITY TODAY: FOCUSING ON MARKETING INPUTS: ACTIVITIES AND ASSETS

The recent past two decades of studies were focusing on good marketing inputs: activities and assets, rather than emphasizing on the productivity paradigms. This reflects the marketing managers' frustration with traditional financial and accounting output measures as they undestimate the long-term value of what marketing does to the firm. Those measures were the outcome measures of the past and not driver measures, which are indicative of the future performance. Research in this era focused on two types of marketing inputs: **(A) Marketing activities and creating valuables (B) Marketing assets.** Both of these inputs improved financial performance in future. One of the four perspectives of a typical balance scorecard is customer perspective, which charges the manager to focus on drivers of marketing performance to achieve customer satisfaction and market share and are also called marketing assets.

a. Marketing Activities: Earliest performance assessment tool that refocused on inputs is the marketing audit (Brownie, 1993 & Rothe etal 1997) drawn from the concept of accounting audit. The goal of the marketing audit is to systematically evaluate the activities and assets a firm uses in marketing, given the firm's situation. Kotler, Gregor and Rodgers (1977) gave a six-part framework for auditing. Audit produces diagnostic suggestions more than they do specific performance numbers. Bonoma also weighs in on the issue of what constitutes good marketing practices. The focus is on firms' marketing skills and marketing structures. He argues that good marketing is the product of interaction between the two - marketing skills and marketing structures.

b. Marketing Assets: Piercy, 1986; Srivastava etal 1998 defines an asset as a value producing resource for the firm and notes marketing assets are financially outside the scope of financial evaluation except goodwill. They classified the assets into relational and intellectual. The time is critical in competitive market and hence, relational assets play a critical role in penetrating and pushing the products faster. Hindustan Unilever Ltd. has had its presence in India since a longer period and deeper penetration of distribution network arguably has more relational assets than Proctor & Gamble India Ltd. and hence, analysts cast doubts on P&Gs ability to compete and take advantage in the price cut / value proposition to customer[3]. In India, the case of alliances with overseas firms in Automobile and Insurance industry major is worth mentioning. Foreign companies' intend to introduce their products leverage on relationship assets of Indian partners. Indian partners looking for intellectual assets for designing and developing products join hands[4] . It is argued that the most valuable assets typically take time to develop and if they are inimitable, they can represent a significant advantage in the market place. An asset-based perspective on marketing suggests that good marketing develops good marketing assets, called value drivers, which in turn can be leveraged to generate superior business performance over the long term. Today, we see companies disclosing their brand value and distribution strength in their annual results to offer investors insight on their marketing assets. Both the assets are important to promptly built

Table 4:Important Value Driver Categories©

1	Product Innovation and growth	50%
2	Cost and Economies	37%
3	Customer and customer satisfaction	32%
4	Employees / People	29%
5	Integrity/Value/Fairness/Trust	24%
6	Quality	18%
7	Brand	18%
8	Market Share/Penetration /Product Mix	13%
9	Revenue and Sales	8%
10	Pricing	8%

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[3]P&G in India had been a Premium product/ High price product player in consumer non-durable goods, unlike its strategy across the globe. With intensifying completion and deteriorating market share, P&G shifted to its global strategy of low price and value for money proposition to customers in 2004.

[4]For instance, ICICI and Prudential UK joint ventured for life insurance business. ICICI Bank has good relational capital in terms of customer base and local status because of its banking business, but lacks on insurance product designs and actuary related to intellectual capital. Tie up gave advantage to both like Fast penetration and good products and offering and emerged as the top private life insurance company.

profitable business and an optimum combination is desirable.

Our survey unveils that marketing related value drivers (activities that drive the marketing asset value) are important for the business performance. The summarized opinion of CFO's given in Table 4 reinforced the above statement. One can observe product innovation and growth as the most important value driver for 50% of the respondents. Other important value drivers include customer and customer satisfaction, Brand, Quality, Market share, Revenue and sales and pricing. An imperative finding is that most of the value drivers are attributable to marketing function, 6 on 10.

RECENT INNOVATIONS IN PERFORMANCE MEASUREMENT

The concepts representing marketing inputs have attracted extensive attention. All to a varying extent adopt this perspective, focusing less on completing the individual transaction and more on creating and developing long-term relationships with profitable customers and intellectual assets. The concepts that are drawing much attention of late are, namely, Market Orientation, Customer satisfaction, Customer Loyalty and Brand Equity.

a. Market Orientation: The common understating of being market oriented includes components like systematic gathering, analysis, dissemination and use of market information within the organization. Day and Nedungadi (1994) in particular note the importance of maintaining a balance perspective between customer and competitors in this context. Empirical evidence between marketing orientation as input and the performance of business is mixed. Some say there is a positive, mixed or no relationship at all between the two constructs. This could be due to varying operationalizations of both market orientation and business performance. It is difficult to tell how well the market orientation practice has penetrated managerial practice as especially related to various defamations of various scholars.

b. Customer Satisfaction: Do today marketing managers, the consultants, talk the most about these measures? The answer is yes. Our survey of leading Indian companies revealed higher satisfaction with reference to their ability to measure this important value driver. These measures have become important benchmarks in many industries including the Automobile. The notion of customer satisfaction is that how well the products and services they buy from the company met their expectation and how well the consumption experience meets or exceeds those expectations. Having satisfied customers increases customer loyalty and consequently, has revenue implications and lowers the cost of marketing. Wm. Schiemann and Associates surveyed 203 executives in 1996 on the quality, uses and perceived importance of various financial and non-financial performance measures. The survey unveiled that 85 percent valued customer satisfaction information highly, but only 76 percent included satisfaction measures in management reviews, just 48 percent clearly defined customer satisfaction for each performance area or used these measures for driving organizational change, and only 37 percent linked compensation to customer satisfaction. A similar study carried out by us in India reveals that 71 % valued customer satisfaction information highly, just as 47 percent clearly defined customer satisfaction for each performance area, while only 21 linked it to compensation. Even if customer satisfaction is important among respondent companies' in India, it doesn't get adequate importance in management control and compensation (See Table 5). Customer satisfaction and revenue relationship are uneven in developed economy. A survey by Peterson and Wilson (1992) concluded that customers are highly satisfied with all the products. Hence, in highly matured and competitive industries, the customers are equally satisfied with competing products and have poor relation with revenue potential of the company. A marginally high satisfaction rating may have little consequence if customers are equally satisfied and if there is no competitive advantage. It would be tricky to reach a fixed value - that an amount spend for increasing satisfaction further will contribute how much to the bottom line. In India, Maruti Suzuki (Cars) are rated as No 1 in Customer Satisfaction consistently by JD Power, but have declining market share and pressure on the profitability. Only in the lower segment does it have higher sales, however, in the

Table 5:Companies' Use of Opinion About Measurement Practice

% Of Respondents' Practices using/favorable					
Measure of Customer Satisfaction	**Highly Valued Information**	**Quality of Information**	**Clear Measures**	**Measures Regularly Updated**	**Linked to Compensation**
USA (Lingle and Schiemann, 1996)	85	29	48	48	37
India (Keyur Thaker, 2004)	71	58	47	58	21

premium car segment, it appears otherwise.
Highly skewed distribution of customer satisfaction across competing products reduces the likelihood of significant correlation with revenues and profits. Beyond measurement issues, satisfaction measures have been difficult to implement as they are subject to manipulation then accounting rule based measures. There is an incentive to manipulate rating by using the customer contact person of the company. There are multiple frameworks and paradigms of measurement which have produced mixed results. Controversies have arisen around the correct measurement of expectation. One needs to understand what it costs to improve level of customer satisfaction and what it is worth to a company to have highly satisfied customers (Reibstein, 2002). It is possible to have paradoxical results in this area. In other words, consumer satisfaction can go up, yet, profits and market share go down. "That can happen if the company focused on consumer satisfaction ratings that it gets rid of dissatisfied customers." In India, we can take the instance of Reliance India Mobile in telecom industry. Publicity conveying the bad customer experiences by the company's mobile services indicated poor rating on customer satisfaction, although it has a large market share and faster growth amongst all the players in spite of being the latest entrant (2004).

c. Customer Loyalty: It is advocated financially, that it is not whether customers are satisfied that affects cash flows; it is whether they remain loyal customers to a firm over time. In an underdeveloped economy and monopoly market, customers stayed with the firm despite low or negative customer satisfaction, as customers did not have much choice. The customer loyalty is superior in terms of correlation with business performance in terms of revenue. Recheld (1994) suggests that good marketing attracts the right customers; ones whose loyalty the firm is able to earn and keep. A loyal customer base should be an important marketing asset for several reasons. They are easier to retain, marketing costs for such customers are low, and they should be less likely to get distracted by competing products and may reduce acquisition cost of new customers. Given retention, over time, the firm hopes to obtain more business per customer and even be willing to pay premium price. Needless to mention, firms like Infosys, ICICI Bank etc. who are entering into new economy businesses in competitive markets give importance to customer loyalty as measure of marketing performance for big-ticket businesses and their efforts are focused on keeping the purchase decision maker , potential decision influencer and present client organization happy. The focus is on managing relationships.

The lifetime value of loyal customer base is calculated. This is the common financially based measure for loyal customer base. It composes of three things :
❖ The revenue generated from a customer in each time period,
❖ The cost of serving and retaining the customer in each time period and
❖ The length of customer's relationship with the firm.
The discounted cash flow is constructed and hence, the NPV (net present value) of each customer is calculated and aggregated to find total value of customer loyalty. To calculate this, one needs customer history and needs to decide how to identify such loyal base of customers. Valuing customers can also be a useful way to set a hypothetical ceiling for marketing expenditures. Reibstein (2003) showed the results of research that calculated the value of customers of leading consumer brands such as BMW and Coca-Cola, taking into account, for instance, how likely a purchaser of a BMW is to purchase another BMW. By those formulas, BMW's customers are worth a hefty $143,500 and Coca-Cola's a respectable $1,200. An address earlier in the day by a top Coca-Cola marketing executive had made the point that drinkers of Diet Coke are more loyal to that beverage than are drinkers of regular Coca-Cola. "So that would indicate you would spend more to acquire Diet Coke drinkers," versus regular Coke drinkers.

d. Brand Equity: Powerful brands make it easy for the firm to sell the products and services in the multiple markets. It also allows the firms to charge premium price over other products and can be used to extend a company's business into other product categories. It reduces the perceived risk to a customer. Good marketing should produce brands with high equity, which is a measure of strength in the market. Two approaches to the measurement of brand equity are found in literature. The behavioral approach looks at customer response to the brand, either in terms of perceptions or purchases. It is defined as differential effect of brand knowledge on customer responses to marketing of the brand. The financial approach of brand equity attempts to define the financial value of the brand to firms and their investors. It measures incremental cash flows that accrue to branded products over and above the cash flows that would result from sale of unbranded products. Brand equity has influence over the customer and the investor; however, researchers actually know relatively little about the impact of a brand on the branded product's long-term profitability. It cannot be used as a short-term measure of a marketing manager's performance and it takes huge expenses and years to build a powerful brand. In new markets, the established brands from other markets can reduce the marketing efforts. Infosys valued its brand at INR 7256 crore for financial year ending 2002. They arrived at the value by computing after tax, the last three years' weightage average profit before tax attributable to brand. From those profits, Infosys deducted remuneration of capital employed by brand and arrived at brand earnings. Brand earning is capitalized to arrive at brand value. Brands are another asset that marketers need to do a better job of valuing (Reibstein, 2003). There are many competing methodologies to value brands, but a standard way is likely to emerge as the Financial Accounting Standards Board works on the problem. According to one methodology, Coca-Cola is the world's top brand with a value of $67 billion; Microsoft is number two at $61 billion and IBM is number three at $53 billion. In India, the top 100 brands are put in the category of 'Super Brand', which all qualified marketers display in their advertisement copies given in the print media.

THE CHALLENGE OF ROI MARKETING

In the past decades, companies relied in large measures on subjective evidence and rudimentary metrics (e.g., a 20 percent discount coupon that generates a 30 percent lift in sales) to develop marketing strategies and tactics, implement them, and assess their effectiveness. By contrast, ROI marketing involves the use of new, sophisticated metrics and computer models to analyze and quantify marketing spending and return on investment. But ROI marketing is much more than a measurement system; it's a marketing management philosophy that requires changes in organizational design and business processes to optimize marketing activities. The ones that are most successful are those that accept the need for a comprehensive transformation of the way they go to market. This involves not only more sophisticated analytics and systems, but also aligning marketing and promotion processes (e.g., planning and executing promotions, post-promotion analysis, target setting and funding, etc.) around the idea of ROI marketing. Finally, the organization's tasks and incentives need to be aligned around the idea of "planning for profit" (Reibstein etal, 2002).

MEASURES OF PERFORMANCE FOR REVENUE CENTER (MARKETING RESPONSIBILITY CENTER) IN INDIA

Despite the significance of measures to understand the performance of marketing function manifested in Table 1 through Table 4, it is argued that the Indian practices have lagged. The survey results convey that at the overall level, marketing has got significant importance and variety of ways are used. For instance, companies like Tata telecom, Mastek, Infosys, Mphasis BFL, Wipro to name a few have, over a period of time, claimed to have evolved satisfactory measures of customer satisfaction. Some companies' hire professional agencies to regularly index the customer satisfaction with updation in the measurement methods to reflect the changing requirements. Companies like HUL, BPL, Infosys etc. measure Brand Value and also disclose the same in their annual reports to shareholders. Companies like Mastek Software, Novartis India, Wipro Ltd. etc. report about repeat orders from existing customers, additions of new clients, client's feedback etc. to highlight customer loyalty. Some companies in traditional businesses also discuss about productivity parameters related to their distribution and logistics. However, the overall picture still differs, as a marketing unit is predominantly measured on financial measures namely in the order of wide usage[5]:

1.Sales and Revenue Growth
2.Market Share
3.Price Realization
4.Outstanding

Such measures fall short in meeting the functions described in the early part of the paper and prove inadequate for requirements of management controls; neither is adequately used for management control purpose.

CURRENT CHALLENGES

Several challenges lie before the managers and researchers regarding how to best assess marketing performance and

[5]Based on the survey conducted by the author of CFOs of 38 top companies of India in 2004. ©Copy Right.

make good use of such measures for management control. A McKinsey survey, presented at the CMO Summit at Wharton in 2002, found that CEOs expect marketing leaders to cut costs and increase contributions to growth. At the same time, the rise of new channels, such as the Internet and wireless, and the increasing importance of word of mouth and sponsorship make marketing resource allocation decisions much more complex. You need practical tools to measure the effectiveness of your advertising expenditures and get more "bang" for your buck. The following issues are likely to be important in measuring marketing performance.

❖ **Feedback Loops:** One complicating factor in all performances measures lies in the existence of feedback loops. Activities not only create assets and outcomes, but are also created by them. The point of creating a marketing asset is to then exploit it. Therefore, at the end of the calendar year, firms push the sales through promotions and discounts to be rated as the largest seller, which motivates the sales force to offer higher level playing field for the next year. Any measures based on results achieved in such a way give impaired insights and utility.

❖ **Managers and Other Stakeholders:** Academicians undertake research in the area of performance measures. Managers have their own perspective, which could be predominantly financial. Research focus from the managers' perspective on marketing performance measures is desirable. As seen in this paper, we find asymmetry in the survey results and the literature. Theory differs from actual practice.

❖ **Translating Multiple Measures Into Practices:** Performance cannot be summarized in a single measure and one needs to create an index of multiple measures. Performance measures need to strike a balance between Internal and External perspective, Long Term and Short Term perspective, Multiple stake holders' perspective, drivers and outcomes, Financial and non financial and so on. While driving a car, speed is not the only parameter, we have a dashboard and multiple measures (parameters) are there to notice the car's performance. Similarly, in an organization, the important issue is how well those measures are linked to the firm's long term objective and how well does it induce goal congruent decisions and behavior amongst managers. The research challenge is how to tackle measurement overload, rationalize large number of marketing performance measures and improve insights from multiple measures and advance its utility.

❖ **Unit of Analysis:** By unit, we mean which responsibility or functional unit of the organization - Performance of marketing unit or the entire organization. The performance of marketing function is also based on how well the other unit in the organization does. The entire organization needs to be marketing oriented and their efforts result in marketing performance. So, performance needs to be evaluated at the marketing unit, at the level of marketing programs and second, overall corporate marketing. The combination of these measures should lead to more effective resource allocation decisions and management control utility.

❖ **Subjective Versus Objective Measures:** The debate between using subjective and objective measures remains unresolved. Mangers' perception of performance is a better predicator of further behavior rather than the objective measures such as sales, profit, market share etc. Subjective measures are likely to be prone to restrictive bias and other attributional phenomena (March and Sutton, 1997).

❖ **Disclosure Issues:** The measures are there to fulfill the function of knowing how well the organization is doing, to fulfill its long-term wealth creation or other objectives. The investors are looking for information on marketing dimensions as those activities have long-term financial consequences. Survey of CFOs suggests that investors frequently ask for information related to marketing and other non-financial dimensions. CFOs rated marketing related information to be very important for investors. Many progressive companies have started disclosing the value of their marketing assets and other information on marketing performance. The debate is not whether to disclose or not, but what to disclose and how compliance will be monitored and how to reduce the asymmetry between what managers know and what investors ought to know. ValueReporting[6] framework offers useful paradigms for disclosure of marketing performance like: Do we need independent marketing auditors?

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❖ **Effectiveness Versus Efficiency:** Effectiveness means doing right things and efficiency means doing things right. At order, getting the responsibility unit of marketing function measuring the efficiency and effectiveness is not easy.

WHAT SHOULD MANAGERS DO?

ADVICE FOR MANAGERS

First: Start systematically collecting data on measures that seem likely to apply to your industry. Try to move beyond sole reliance of financial measures. Find out your core competence in marketing- whether it is your intellectual capital or relational capital or Brand? Here, the case of Tata Telecom is very appropriate. For them, intellectual capital is slightly important, their concern is to become a preferred communication solution provider in the area of convergence solution, Call center, CRM and Customer Service application for their customer. They continuously monitor their performance on the customer satisfaction, this measure is regularly upgraded and the management control is focused on achieving excellence in customer satisfaction index. The CFO is strongly satisfied with their existing marketing measurement. Intellectual capital in terms of cutting edge products and solutions are gained through tie-ups and outsourcing of the communication equipments and solutions.

Second, track these data to develop leading indicators. The non-financial metrics are mainly considered as driver measurers and then index them to monitor improvement. Try to

the outcome performance from driver measures. Tata telecom could find relations on that. The CFO opined that if we excel in Customer satisfaction, revenue would follow. This should hold all the more loud and strong for B2B markets unlike in case of consumer product markets.

Finally, develop measure by market segments for powerful management insights. Consider segmenting markets by some of these measures. What does your loyal customer segment look like when compared to your non-loyal segment?

CONCLUSION

Today our business activities are far more complex. So are our measures. From simple financial measures, today, we have a plethora of creative and sophisticated non-financial measures in marketing. The debate is not on what, but on how to measure and appropriate use of the same for management control and strategy. Confusion and complexity have increased and challenges for financial and marketing controllers of company remains precipitous. Consultants and measurement agencies are ensuring their living by exploring that complexity and exploiting them. Many are struggling to identify usable measures but there is a satisfied lot too. However, one will have to wait till those new measures of marketing get adequate consideration and adoption in management control systems of the companies in India.

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Example eCRM Solution for Retail Banking [10] that can achieve the following:

1) Retaining Customers, loyalty Development:

❖ Defining Profitable customers

❖ Working according to Bank rules and business processes that are different for different customer types/segments.

❖ Customer Segments Profitability.

❖Customer activity monitoring (with bank systems financial/Operational).

2) Cross-selling and Up-selling Management:

❖ Creation of Single information source for all bank Branches/Areas.

❖ Finding associations between customers.

❖ Improvement of the internal communications between different departments.

3) Acquiring the new customers:

❖ Creation of the prospects' database and its segmentation.

❖ Improving the campaigns' effectiveness.

❖ Using Bank standards for customer interactions.

4) Better Marketing and Sales effectiveness:

❖ Integrated customer data in one place.

❖ Automatic reports and documents creation.

5) Management decisions support:

❖ Customers' migration analyzing.

❖ Customer associations analyzing.

❖ Customer dynamics forecasting.

CRM Solutions should provide Analytical tools to enhance customer insight, customer segmentation, product and service insight, and profitability.

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