

THE WEIGHTING OF PERFORMANCE OUTCOMES IN MARKETING PERFORMANCE MEASUREMENT SYSTEMS

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Description: This survey-based cluster analysis examines the design of marketing performance measurement systems and identifies five ways of how companies prioritize different aspects of marketing performance; a comprehensive measurement approach considering all aspects of marketing performance is associated with the highest market success.

EXTENDED ABSTRACT

Research Question

In today's volatile firm environment, marketing performance measurement systems (MPMS) are a valuable management tool to steer marketing activities towards predefined strategic objectives and demonstrate the value of marketing to top management. A key managerial challenge is to assess which combination of metrics is most useful for steering and assessing marketing performance. Caught between financial accountability and sustainable growth objectives, marketing executives face the question of which types of performance outcomes (e.g., customer mindset outcomes, behavioral outcomes, financial outcomes) should be assessed for marketing control.

However, few studies have examined what combinations of marketing metrics are deployed for marketing control. Consequently, little is known about what aspects of marketing performance are measured in company practice and how these are prioritized. To address this research gap,

the authors survey what marketing metrics are used for steering and infer how firms weigh different types of performance outcomes in their MPMS. Further analyses provide insight into how different measurement approaches are associated with market success and firm performance. The objective is to provide a differentiated description of MPMS design and infer the usefulness of the identified performance measurement approaches for specific company sectors.

Method and Data

A standardized written online survey targeted at marketing executives and board members in German-speaking countries was conducted to capture the marketing performance measurement activity of the participating companies. A literature-derived list of 29 marketing metrics was surveyed. The sample structure ($n = 179$ executives) largely corresponds to the business landscape in the German-speaking countries, characterized by a high share of small- and medium companies (SMEs).

A cluster analysis was performed to examine how firms weigh different types of performance outcomes in their MPMS. Based on the marketing performance outcome chain, the five performance outcome types customer mindset, customer behavior, customer-level, product-level, and accounting/financial performance constitute the five input variables for the analysis. The respective weighting of a performance dimension was operationalized as the indicated number of metrics used to assess performance in that dimension (measurement activity) – following the more metrics are deployed for one performance dimension, the more that dimension is valued by the participating company. The fusion algorithm consequently paired companies that have a similar use of metrics and weighting of performance dimensions. Market success and firm performance were self-reported by respondents, as most participating companies were not stock listed.

Summary of Findings

The cluster analysis reveals five ways of how companies use MPMS for marketing control. A brand, a behavioral, a comprehensive and a financial orientation as well as MPMS without an emphasis on a particular performance outcome type were identified.

The results show that, on average, industrial and retail companies strongly weigh financial aspects of performance, while consumer goods companies report a strong use of customer mindset metrics for marketing control. Service companies are over-represented in the cluster with a behavioral performance outcome orientation.

Cluster comparisons indicate that comprehensive control is associated with a more effective fulfilment of marketing core tasks, higher market success, and data-driven decision making. Companies who lack strategic focus or comprehensiveness perform significantly worse. Companies with comprehensive performance measurement are also significantly more content with their marketing control efforts than companies with a behavioral, financial or no orientation. The results also indicate that service companies employing a comprehensive measurement approach outperform service companies with other measurement approaches.

Statement of Key Contributions

Our study further explicates breadth in MPMS by examining what specific aspects of marketing performance are measured and prioritized, and thereby adds to studies on comprehensiveness. The results indicate that companies with comprehensive MPMS perform on average better in the market, are most satisfied with their own control efforts and embrace a more data-driven and investment-oriented culture. This supports the claim that the reconciliation of different performance outcomes drives benefits of marketing control. Our results also confirm the contextuality of MPMS design addressed in previous studies.

The results indicate that marketing executives should either strive for focused marketing control with a strategic emphasis on a particular performance outcome or employ a comprehensive

marketing control approach. A lack of strategic focus and metric use, on the other hand, is associated with significantly lower market success and firm performance. Service companies are most successful employing a comprehensive marketing performance measurement system.

References are available upon request.