What drives managerial use of marketing and financial metrics, and does metric use affect performance of marketing-mix activities?

The Journal of Marketing, the Marketing Science Institute and the Institute for the Study of Business Markets have long advocated the use of marketing metrics as a means of increasing the accountability of marketing, by linking marketing activity with financial metrics. But so too have marketing practitioners themselves.

According to a recent study from Deloitte, 83% of marketing managers are increasing their emphasis on marketing metrics. Lenskold Group / MarketSphere also reports that 79% of managers have indicated a greater need for financial metrics to assess the performance of their marketing activity.

Marketing scholars have responded to this in two ways. First, by developing a menu of marketing metrics. These are based on a customer or marketing mind-set like awareness, satisfaction, and market share, for different marketing-mix activities such as advertising, price promotion, pricing, product management, and so on.

Second, academics have linked marketing-mix efforts to financial metrics. These are defined as metrics that are monetarily in nature, based on financial ratios, or readily converted to monetary outcomes such as net profit, return on investment (ROI), target sale volume and revenue.
**Firm Strategy**
- Market Orientation
- Strategic Orientation
  - Prospectors
  - Analyzers
  - Low-Cost Defenders
  - Differentiated Defenders
- Organisational involvement

**Metric Orientation**
- Metric-based compensation
- Metric training level

**Managerial Characteristics**
- Functional area
- Managerial level
- Managerial experience
- Quantitative background

**Environmental Characteristics**
- Product life cycle
- Industry concentration
- Market growth
- Market turbulence

**Market Mix Activity**
- Traditional advertising
- Internet advertising
- Direct to consumer
- Social media
- Price promotions
- Pricing
- New product development
- Sales force
- Distribution
- PR/Sponsoring

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**Figure 1: Conceptual Framework**

**ACTIVITY PERFORMANCE**

**What Drives Managerial use of marketing and financial metrics and does metric use affect performance of marketing-mix activities**

*Ofer mintz & Imran S. Currim, Journal of Marketing, vol.75 no.1, pp. 17-40*
The creation of both marketing and financial metrics is a significant development which complements research proving the link between how metrics evaluate performance and influence firm profits / shareholder value.

However, there isn’t any evidence about what drives the use of marketing or financial metrics when it comes to marketing-mix decisions at a managerial level, or whether metric use is associated with the performance of the marketing-mix decision (as oppose to firm performance).

With this in mind, research was undertaken to find out how certain factors drive the use of marketing and financial metrics in managerial marketing decisions.

The study looked at a host of factors including firm strategy, metric-based compensation and training, the type of marketing-mix decision considered, and other characteristics such as managers, firms, and the environment.

Figure 1 demonstrates the conceptual framework which was tested.

The large scale survey of marketing managers was undertaken in the USA, among a mixture of marketing managers in a variety of different organisations.

The questionnaire consisted of two sections. First, managers chose which marketing-mix activities they had recently undertaken from a list of ten.

Next, for each marketing-mix activity, managers had to select at least one marketing (financial) metric used from a list of 12 general marketing (financial) metrics, and 3 specific marketing (financial) metrics related to the particular marketing-mix activity.

The results showed that marketing practitioners didn’t use metrics based on who the manager was. Instead, metrics were used based on other variables which described the setting the manager operated in. For example firm strategy, metric orientation, type of marketing mix decision, and environmental characteristics.

What the research demonstrated was that managers are likely to use metrics less in firms with lower market orientation or when the firm’s strategic orientation classifies the company either as “prospector” or as “differentiated defender”.

This is a very important finding because it shows how firms lacking a strong market orientation, have entirely misinterpreted the role of marketing management.

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