Measuring Marketing Performance in South Africa

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By

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Abstract

Despite the growing global awareness and importance of marketing performance measurement, little research on the subject has been conducted from a South African perspective. This study explores the status of marketing performance measurement in South Africa, by examining the perceptions, methods, challenges and status of organisations with regards to the advancement of marketing performance measurement. It researches five key problem areas, namely, the importance and awareness of marketing performance measurement; the methods managers use to measure marketing performance; the process these managers follow in selecting these methods; how advanced organisations are conceptually and practically in terms of measuring marketing performance, and finally the challenges managers face in measuring marketing performance in South Africa.

Nine managers from eight medium to large South African firms were interviewed, ina qualitative study that possibly explores marketing performance measurement from this perspective, for the first time in South Africa.

Acknowledgements

I would like extend my sincerest thanks and appreciation to those busy individuals who selflessly set time aside to be interviewed by myself. Their time and insight assisted me not only in completing this arduous task on time, but enabled me to further understand the subject at hand.

A special thanks to my supervisor, Professor P.L.S. Ackermann who through his guidance, support and encouragement, inspired and motivated me to embark upon, and complete this challenging assignment.

Finally, I would like to thank my family and friends for their support throughout the past three years, and a offer special tribute to my MBL group who made the MBL journey a very pleasant and memorable one.

I certify that, except as noted above, the report is my own work and all references used are accurately reported.

Signed

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Chapter 1: Orientation

1.1 Introduction

Marketing is all about cash: either locating it and trying to get a bigger share of it, or spending it to generate more of it. Both fairly hard, measurable, results-driven activities. Yet historically, while other departments have been subject to intense scrutiny and assessment on their contribution to shareholder value, marketing has been able to elude the upper echelons and hardly bear accountability for performance. This is not the case anymore. Marketing deserves no special treatment, since it is not different, and as such, it is not impossible to measure. It is an investment, and unless its impact can be measured, the investment is a waste of money (Ambler, 2003). Topics explored in this study include the extent of marketing performance measurement adoption; factors driving interest in marketing performance measurement; levels of satisfaction with current ability to measure marketing and primary challenges in marketing performance measurement adoption.

1.2 Objectives

This study explores the opinions, techniques and methods, challenges and status of South African organisations with regards to the science of marketing performance measurement.

It takes an in depth look at how South African managers perceive the idea of marketing performance measurement. It explores the range of marketing measures they use to measure the impact that marketing has on the bottom line, and investigates the challenges that South African managers face in measuring marketing performance. Finally, this study aims to identify the status quo in terms of maturity of the science in South African organisations.

More specifically the objectives are as follows:

- To ascertain what South African managers have experienced in terms of changes in awareness and importance of measuring marketing performance, and to what they ascribe these changes.
- What marketing activities South African managers measure in their organisations, and what methods they employ to do so.
- How South African managers determine which marketing activities are important to measure.
- How South African managers in a variety of business sectors rate their marketing performance measurement systems, and level of marketing performance measurement awareness.
- What South African managers consider as barriers to measuring marketing performance in their organisations.

1.3 Scope of the Study

This study is conducted as part compliance for the completion of a masters degree in business leadership at the School of Business Leadership at the University of South Africa.

It is aimed at researching and reporting on limited aspects from the wide field of marketing performance measurement. It investigates five main aspects within eight medium to large South African organisations, by drawing comments, opinions, perceptions and facts during interviews with nine managers from these organisations.

Being a relatively new science, with relatively little research in circulation, especially in South Africa, this study is not focused on one particular aspect in any depth, but is intended to yield a comprehensive overview of the science, and its place in South African organisations.

Since access to large organisations is notoriously problematic in South Africa, only eight organisations have been included in this study. While not a large enough number to draw any conclusions about the population, it does provide valuable insight and may inspire future comprehensive research.

Several companies approached indicated that they do not employ any metrics to monitor marketing performance, and as such admitted that they would not be in a position to make any meaningful contributions to this study.

Notwithstanding the above, successful marketing campaigns very often depend on product or service-specific advertising and promotion. Advertising and promotion is by nature highly creative, and calls for highly customised blends. Since companies' strategies and business models differ, so too do their marketing campaigns and expenditure structures. As such, no standard exists against which all marketing activities can be measured. Ambler

(2003: 141) confirms this by suggesting that "metrics should flow directly from the firm's strategy and business model. The number of metrics that will emerge depends on the strategy and business model." Since most companies strategies differ, so too will the nature of their metrics.

Time constrains prohibit a longitudinal study, and as such a cross section study is being conducted, which extracts information about the respondents in one interview.

This section briefly addressed the limitations of this report, though these will be discussed in detail in section 4.5 .

1.4 Importance of the Study

Despite the importance of assessing business performance, there is little research on the measures used to evaluate marketing effectiveness (Ambler & Wang, 2002).

Marketing performance measurement is a trend that is of grave concern to most senior executives managing global marketing organisations. Managers, predominantly in the United States accept that measurement is important and a top priority, although most have not yet "cracked the code" on building an approach to measurement that is both complete and reliable (CMO Council, 2004).

Given that a firm's survival depends on it's ability to create value, and since value is defined by customers, (Porter, 1985 cited by Ambler & Wang, 2002) marketing makes a significant and fundamental contribution to long term business success. It is thus in the interests of marketers and the credibility of the discipline as a whole for marketing performance measurement to be understood and adopted at all levels of business and across all sectors. (Ambler & Wang, 2002)

Since no research has been uncovered in South Africa which explores local managers' perceptions, this research possibly makes the first step in understanding marketing measurement in South Africa, arousing interest and inspiring deeper and broader research on this field, which may ultimately enable local organisations to spend marketing funds more efficiently and effectively. Clark & Ambler (2001) suggest that it is a critical issue for both research and improved practise that the impact of performance measurement systems can be identified over time.

It is hoped that this study will add to what we already know about marketing performance measurement, and inspire a change in how we study and practice marketing performance measurement.

1.5 Clarification of Concepts

This section presents a table containing a concise list of definitions and clarification of concepts which are addressed in this study. All definitions are according to Ambler (2003), and are presented in Table 1-1.

Table 1-1: Definitions and classification of terms

Brand Equity	The incremental revenue that the brand earns over the revenue it would earn if it were sold without the brand name. The equity of the brand is calculated as the difference in revenue (i.e., price x volume) between a branded good and the corresponding private label.
Brand Awareness	If you ask 1,000 manufacturing managers whether they've heard of, for example, Ergomat anti-fatigue mats for use in class 100 clean rooms, the result will indicate your penetration into the minds of prospects.
Brand Preference	What percent of those who are aware of your brand prefer your brand over your competitors?
Brand Image	What percent of those who are aware of your brand feel positive or negative about your company and your products?

Brand Loyalty	"A measure of the degree to which a buyer recognises, prefers and insists upon a particular brand; brand loyalty results from continued satisfaction with a product considered important and gives rise to repeat purchases of products with little thought but with high-involvement."
Customer Churn	The retention to attrition ratio in a given period
Customer Satisfaction	Customer stated satisfaction ratings
Lifetime Value	Total anticipated revenue collected from a given customer
Market Share	Product or service sales as a percentage of the sales across all competitors
Price Sensitivity	Price flexibility of each product per market segment. How much are people willing to pay for the product in given industry, geography or application based on survey results.
Sales Per Customer	Number of sales made by a given customer in a given time frame
Visibility	Number of media mentions per product multiplied by the size of the audience

1.6 Plan of the Study

After orienting the reader as to the purpose and context of this study, chapter 2 provides a theoretical framework which constitutes the underlying foundation of this theme, and a brief review of work done by researchers on this subject throughout the world. Chapter 3 presents a discussion describing the problem statement and research questions. In chapter 4 a full exposition of the research design used to research this topic is given. The results of the study are presented in chapter 5. This research concludes with chapter 6, in which final conclusions are drawn, and followed by recommendations and suggestions for further research.

Chapter 2: Theoretical Foundation of the Study and Literature Review

2.1 Introduction

This section is intended to lay the theoretical foundation for this study as well as to present the findings of a survey of literature dealing with the present problem. It indicates what has already been done throughout the world in terms of marketing performance measurement.

The measurement of marketing performance is essentially a form and extension of organisational measurement, and this chapter establishes a clear link between organisational measurement and marketing measurement.

The theories advocating performance measurement date back many centuries. In some fashion, the use of organisational measurement dates as far back as 350 BC. In Sun Tzu's *The Art of War* he writes: "The general who wins the battle does many calculations in his temple before the battle is fought. The general who loses makes but few calculations."
Throughout history, performance measures have been used to evaluate the success of organisations. The modern accounting framework dates back to the middle ages, and Bruns (1998) suggests that since that time, performance assessment has been primarily based on financial standards. By the turn of the twentieth century, the nature of organisations evolved, resulting in an increasing separation between management and

ownership. This resulted in the application of return on investment measures, enabling the owners to monitor and evaluate the performance of management .

Citing Lynch & Cross (1991), Kennerley & Neely (2003) suggest that well-rehearsed notions such as "what gets measured gets done" and "you get what you measure" advocate that employing apposite performance management systems will ensure that actions are aligned to strategies and objectives. They further refer to research evidence by Lingle and Schiemann (1996) which demonstrated that companies that are managed using integrated balance performance measurement systems outperform rivals that are not measure managed, and have superior stock prices to those (Gates, 1999).

2.2 Understanding the Measurement Managed Organisation

ITPMG (2003: 1) describe measurement-managed organisations as those that have adopted "a strategic and balanced set of Key Performance Indicators with which they plan, implement, operate and monitor the strategies, functions and processes of their organisation."

There is evidence to suggest that as a management tool, measurement has produced positive results. ITPMG (2003) refer to research by Lingle & Schiemann (1996) in Table 2-1, which depicts these findings.

Table 2-1: Relating measurement-managed organisations to performance

Measure of Success	Measurement Managed Organizations	Non-Measurement Managed Organizations
Perceived as an industry leader over the past three years (1999-2002	74%	44%
Reported to be financially ranked in the top third of their industry	83%	52%
Three year Return on Investment (ROI)	80%	43%
Last major cultural or operational change judged to be very or moderately successful	97%	55%

Adapted from ITPMG, 2003

There are various cultural characteristics that measurement managed organisations exhibit. Understanding these characteristics is the first step in understanding what measurement means to companies. ITPMG (2003) summarise research findings by Lingle and Schiemann (2000) in Table 2-2, which highlights the different cultural characteristics that measurement management organisations exhibit.

Table 2-2: Cultural characteristics of measurement-managed organisations

Reported	Measurement Managed Organizations	Non-Measurement Managed Organizations
Clear agreement on strategy among senior management	93%	37%
Good cooperation and teamwork among management	85%	38%
Unit performance measures are linked to strategic company measures	74%	16%
Information within the organization is shared openly and candidly	71%	30%
Effective communication of strategy throughout the organization	60%	8%
Willingness of employees to take risk	52%	22%
Individual performance measures are linked to unit measures	52%	11%
High levels of self-monitoring by employees	42%	16%

Adapted from ITPMG, 2003

The marketing performance literature has been criticised for its inadequate diagnostic power and its concentration on the short run. Multiple measures and the commensurate difficulty of comparison, and the dependence on those chosen, shows that marketing is inadequately measured. There is also little evidence to support that marketing is heavily focused on creating shareholder value. “Perhaps no other concept in marketing’s short history has proven as stubbornly resistant to conceptualisation, definition, or application as that of marketing performance” (Ambler, Kokkinaki & Puntoni, 2004: 1).

Based on a survey of 150 UK based senior marketing executives, IBM (2004) discovered that “measuring marketing effectiveness is the strongest business challenge faced by senior executives in the UK.”

According to a study conducted by Accenture (2001), “nearly three quarters of the marketing executives interviewed in the United States and the United Kingdom, confess that their company is unable to measure a marketing campaign’s return on investment”.

In a different study, Swinburn (2005) drew comment from the Chief Financial Officers of Esprit, Steven Dainty; General Pants, Glynn Wright and 7 Eleven, Andrew Manning.
Dainty admitted that marketing effectiveness was not measured, but longs for “cold, hard, facts”, and an era where marketers are more accountable.
Wright explained that his company is right at the beginning of implementing marketing metrics, and will be doing so by looking at the growth margin return on advertising spend. He also believes that it is very important for chief financial officers to be able to see the results of marketing spend on their balance sheets.
Manning believes that marketing in his firm can be measured in terms of the effectiveness of promotions such as competitions and giveaways, and looks at how gross profit improves as a result of the promotion.

In a survey by Maddox (2005), 65 per cent of respondents planned to conduct an audit of their marketing metrics this year, although only 27 per cent of respondents said that their company had a budget for improving the ability to set, track and report on performance indicators for marketing.

Research by Accenture (2001) showed that 68 per cent of executives believed that more accurate data could help campaign efforts; 67 per cent cited the need for better integration of the various customer touch points, which would help them create a more complete view of each customer and maintain consistency among their marketing messages; and 65 percent believed that their overall marketing campaigns would be more effective if they were centred on a better overall customer strategy."

The issue is of such concern to the commercial world, in 2002, The Marketing Science Institute raised marketing metrics to become its leading capital research project (Ambler, 2003).

The measurement process for marketing performance is complex, time consuming, and challenging, but is a necessary step in the evolution of the practise of marketing (Ambler, 2003)

A review of the literature conducted for this study showed consistent patters relating to inadequate and excessive measures. Ambler & Wang (2002: 2) support this by stating that "research points to a multiplicity of marketing metrics".

The brief account of evidence recorded above demonstrates that most companies do not, and, or cannot measure marketing performance. Ambler (2000) confirms that companies that measure marketing performance are in the minority.

2.3 Understanding Marketing and Cash Flows

Ambler (2003) defines marketing according to three categories, namely “pan company”, “functional” or “budgetary”. He proceeds to favour ”pan company”, since this category provides a holistic view of marketing.

Du Plessis, Jooste & Strydom (2005: 6) distinguish between marketing management and strategic marketing, defining the former as “taking marketing projections and a competitive position as given, and striving to optimise profit within these limitations”, and the latter as “trying to overcome them; that it is opportunistic”.

Ambler (2003: 5) succinctly addresses marketing as “the creation and harvesting of inward cash flow”, and “the means whereby a firm achieves its key objectives”.

He further mentions that marketing has to satisfy three groups of people: immediate customers (trade customers), end users (consumers) and thereby all the firm’s stakeholders. He states that “its indirect responsibility is to make sure that the cash flow is large enough to cover these needs” (Ambler, 2003: 23).

Figure 2-1: Simple marketing cash flow model depicts a simple marketing cash flow model. The firm spends money on advertising, which in turn raises demand. Immediate customers buy goods, for onward sale to end users. This brings cash to the firm, with which it pays for operating expenses, and distributes profits. (Ambler, 2003)

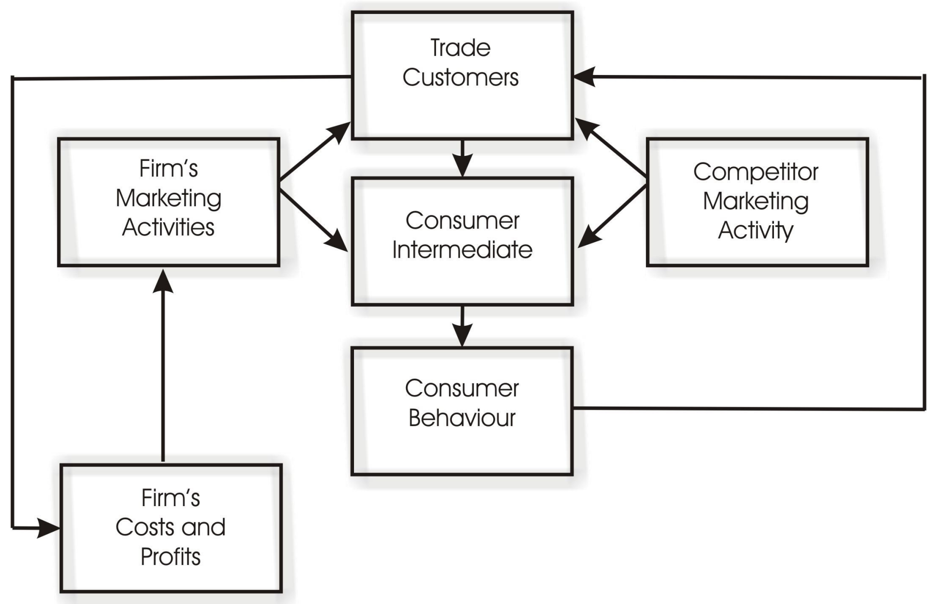

Figure 2-1: Simple marketing cash flow model

Adapted from: Ambler, 2003

The definition of marketing given above demonstrates that since marketing is responsible for supplying the cash flow to cover the stakeholders' needs, some accountability must be held by marketing staff for the function that they perform.

2.4 Understanding Metrics

The world of metrics can be confusing for people new to the concept. To better understand the role they play in the marketing environment, the following definitions are offered by Patterson (2004):

- *"Measurements* are the raw outcome of a quantification process, such as a company's numbers, ratios, and percentages."

- *"Metrics* are the standards for measurement, providing target values that a company must achieve to reach a certain level of success."
- *"Benchmarks* are the best measurements to aspire to, the standard by which all others are measured. Companies that set benchmarks in their industries are the one often lauded in "top ten" and "most admired" lists and articles"

Ambler (2003) defines marketing metrics as the internal and external measurements related to marketing and market position which are believed to be linked to short and long term financial performance.

Similarly, Barwise & Farley (2004) define a metric as a quantitative performance measure that top management should review regularly.

There is no evidence in the literature to suggest that one definition of metrics is fundamentally different to another. The underlying idea is that a metric is predominantly quantitative in nature, and is used to compare one variable to another, for the purpose of determining performance.

2.4.1 Three Basic Criteria for Assessment

"How well marketing is performing depends on three types of comparison: What was expected; external benchmarking against the market or competitors; and adjusting for any brand equity in order to compare like with like. In other words, what were, or should have been the goals." (Ambler, 2003: 26).

2.5 The Development of Marketing Performance Measurement

The following discussion involves theoretical and empirical perspectives that may account for the growing interest in the use of metrics to evaluate marketing performance, which will explain why it is important for companies to measure their marketing performance. It also provides a theoretical background to this research.

2.5.1 <u>Control Theory</u>

Ambler & Riley (2000) suggest that the search for marketing metrics can be explained by control theory. They explain that managers endeavour to reduce performance outcome variances by identifying performance predictors. This can be done by modelling the relationships between the predictors and performance, and then monitoring the predictors.

Barwise & Farley (2004: 257) explain control theory as “a combination of unanticipated events (both good and bad) and stronger or weaker than expected execution cause the outcome to be better or worse than planned” .

According to Kotler (2003), control theory suggests the need for ex-post or retrospective information on marketing programs as an essential part of the cycle of analysis, planning, implementation, and control.

Ambler et al (2004) indicate that control theory assumes that management has a strategy and a known set of intermediary stages (plans) with which actual performance can be compared.

In this context, metrics are used both to evaluate past performance and to improve future strategy and the implementation of that strategy by essentially predicting performance based on measures. This suggests that metrics should usually be comparative, not only with previous periods but also with plans and, where possible, competitors, especially if evaluation is an important part of the process (Ambler et al, 2004).

Ambler (2003) reiterates this point by suggesting that metrics should derive from the business model of an organisation, and that no standard model exists which can be applied universally.

Metrics selection is a rational process by which marketing managers can learn to improve performance by altering the utility levels associated with marketing control variables. (Fraser & Hite, 1988, as referred to by Ambler et al, 2004).

Ambler et al (2004) refer to Merchant (1998: 2) who defines control as being both reactive and proactive in anticipating problems before they can damage performance, and states that "control includes all the devices managers use to ensure that behaviours and decisions of people in the organisation are consistent with the organisations objectives and strategies."

Kotler (2003) lists four types of marketing controls:

- Annual plan –Distinguishing whether the plans are being achieved
- Profitability – determining whether the company is making or losing money
- Efficiency – Determining the return on each marketing expenditure
- Strategic – Distinguishing whether the company is selecting the right goals

2.5.2 Agency Theory

In principle, agency theory according to Jensen & Meckling (1976) fits the context of marketing metrics well: it focuses on the contract between a principal and an agent, and specifically on the need for the terms of the contract to be structured to incentivise the agent to act in a way most likely to meet the principal's objectives.

Agency theory assumes both parties to be rational actors. For the contract to be enforceable, it needs ex-post or retrospective data on the extent to which the principal's objectives have been met — in other words, metrics. In reality, however, the focus of agency theory has been on the contract between shareholders and corporate management, not on that between corporate and functional management. In contrast, marketing metrics have to-date been largely internal to the firm, although it has been argued that they should also be communicated to shareholders, subject to commercial confidentiality (Ambler et al, 2004).

2.5.3 Market Orientation

The literature on market orientation according to Barwise & Farley (2004) offers some insight on marketing orientation. Competition is steadily forcing firms to be more market-oriented. At the same time, research suggests that market-oriented firms tend to enjoy superior performance. Market orientation has been defined in many ways, but they all involve a combination of ‘market sensing’ and appropriate, cross-functional responsiveness to the resulting data. Metrics are part of ‘market sensing’.

One of the main features of a market oriented organisational culture according to Ambler et al (2004) is the presence of organisation wide norms for market orientation. These norms will in turn shape the dynamics of information disclosure as well as the content of such information.

2.5.4 Institutional Theory

As marketing metrics become more widespread among firms, Meyer & Rowan (1977) suggest that according to institutional theory, their use will become an institutional norm, encouraging further uptake among late-adopting businesses.

Most marketing metrics have yet to be shown to be associated with current and future financial performance (Lehmann, 2002). For example, there has been extended debate on whether market share is really related to performance and, if so, on the direction of the relationship (Capon, Farley & Hoeing, 1996). Nevertheless, the increasing emphasis on intangibles, a ‘balanced scorecard’, and market orientation suggest that successful firms will indeed need to use metrics, even if this cannot [yet] be proved empirically (Barwise & Farley, 2004).

2.5.5 Brand Equity as a Driver of Measurement

Brand equity is a relatively new concept introduced by Aaker (1991). The brand equity concept refers to the intangible marketing asset. With its introduction, the need to measure it arose, and the search for metrics to do so ultimately began.

Ambler (2003) compares brand equity to an elephant, suggesting that the concept is so big that people have difficulty describing it. The next section is dedicated to shedding some light on the concept.

This section endeavored to account for the increasing interest and growth of metrics in organisations using the control, agency, institutional and market orientation theories, as well as the relatively newer concept of brand equity. A following section will elaborate further on brand equity as the intangible marketing asset, and will suggest methods for its evaluation, amongst others.

2.5.6 Others

Modern day marketing executives want to measure and understand their own initiatives and organisations. The CMO Council is an influential marketing organisation of top marketing decision-makers representing nearly 1,000 technology companies with combined annual revenues of US$450 billion. These individuals control more than US$40 billion in annual marketing expenditures. A study was conducted by the CMO Council (2004) in the first quarter of 2004 with the vast majority of respondents (90 per cent) being executive officers with a VP title or above. They were predominantly drawn from North American companies. Those surveyed included top technology marketing decision-makers who work across a wide range of technology industry sectors, including computer systems, software, networking, peripherals, components, integration services, communications and the Internet (CMO Council, 2004).

In this survey, the chief marketing officers expressed two primary motivations for their new focus on measurement.

First, greater demands for accountability on the marketing function from the chief executive officer the board, and other executives mandate a greater focus on measurement. For a chief marketing officer to truly command an equal seat at the executive table, he or she must define and deliver quantitative measures that prove the investment in marketing programs and people is paying off. These metrics must be clearly and convincingly communicated to the appropriate audiences.

A second driver of measurement is the imperative that marketers get better at what they do (CMO Council, 2004). Measurement leads to better management, and thus better marketing.

2.6 The Case for Marketing Performance Measurement

The fact that the measurement of marketing performance is not done at all, or is poorly conducted is clear from the literature. This section is dedicated to demonstrating the value of effectively measuring marketing performance.

In the CMO study described (CMO Council, 2004) it was reported that that companies which have formal performance measurement systems consistently achieved a higher level of CEO confidence in the marketing function, and that companies using marketing performance measurement systems tended to outperform the market in terms of sales growth, market share and profitability.

The CMO Council (2004) suggests that in addition to the above, marketing accountability raises marketing's role, influence and stature in the company, and results in better buy-in and support from other departments.

As organisational integration gains momentum in organisations, and the functional silos fall away, the ability of departments to garner support from each other will become increasingly important. The marketing departments' ability to account for their expenditure, and explain the "method to their madness", will position them in good stead.

2.7 Brand Equity as an Intangible Marketing Asset

A significant proportion of the market value of firms today lies in intangible off-balance-sheet assets, such as brands, market networks, and intellectual property, rather than in tangible book assets (Rust, Ambler, Carpenter, Kumar & Srivastava, 2004).

Brand equity is a relatively new concept, first popularised by Aaker in 1991. It highlighted the role of senior management as brand custodians. Ambler (2003: 46) refers to his work, suggesting that brand equity is “a set of assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm, and that firms customers.”

Srivastava & Shocker (1991) according to Ambler (2003) define brand equity as “a set of associations and behaviors on the part of a brand’s customers, channel members and parent corporation that permits the brand to earn greater volume or greater margins than it could without the brand name and that gives a strong, sustainable and differential advantage”.

To an accountant according to Ambler (2003: 47), “brand equity represents the accumulated intangible asset from past marketing that has not yet been taken into profit.”

In a study by Ambler et al (2004), results showed that “brand equity” was used by the majority of respondents as the term for the main intangible asset built by the firm’s marketing efforts, but the majority also stated that its performance was never tracked.

According to the global drinks company Brown-Foreman as reported by Ambler (2003), "brand equity is very difficult to measure simply", but also state that increases in brand equity drive increases in the company's market capitalisation. As this example shows, brand equity is one measure of marketing performance, it is also a tool used to determine whether marketing is influencing the bottom line.

Brand equity is a widely used term to identify the intangible marketing asset, and growing recognition that intangible assets account for a large and increasing proportion of shareholder value has reinforced the interest in brand equity, leading to the need for metrics to measure its various dimensions (Ambler, 2003).

Despite all the above accounts for what brand equity is and is not, Mackay (2001) suggests that the studies of brand equity have revealed only a myriad of unrelated studies, the results of which yield a multitude of conceptualisations, and reference to even more ways of measurement. Few studies have attempted to compare and consolidate the research in this area.

Various methods and techniques are used in an attempt to measure the value of brand equity. One such measure is brand valuation, and research conducted by Ambler (2003) claims that an increasing number of firms worldwide are using brand valuation as a means of calculating brand equity. However, some flaws to this method are of concern, (Ambler, 2003).

Brand valuation is subjective. Brands earmarked for sale are not measured the same way as they would for insurance purposes. Thus the methodology differs and is subjective.

It is coarse grained. Value methodologies are too vague and broad to detect the fine tuning resulting from yearly marketing activity. Changes to a well managed brand's equity take some time to show up on the bottom line.

Assumptions change. The primary methodology, discounted cash flow calculation is dependant on interest rates and inflation, which may change from year to year. Therefore, as brands are valued in annual increments, the change in value may be attributed to environmental and not management reasons.

It lacks theoretical underpinning. Some valuation methodologies employ some non-financial measures which may seem valid, but have not been empirically or theoretically justified.

Brand valuation is inadequate as a single measure of brand equity, as brand equity is inadequate as a single measure of marketing performance. Using only one measure to assess the value and health of a large brand, is tantamount to using temperature alone to ascertain the heath of a human. The relationship of a brand to its consumers is complex, and the valuation of brand equity should consider this.

It anticipates the future. Discounted cash flow methods take future marketing efforts into today's valuation. This problem is also the most serious problem, since estimating the state of an asset today, from the way it might look in the future is at best, guesswork.

Measuring brand equity directly is impossible, so proxies of three kinds have to be used: *Inputs*, *intermediate measures*, and *behaviour* (Ambler, 2003).

Inputs, include the amount of advertising and communication.

Intermediate measures, seek to estimate people's attitudes and awareness- related to how relevant they perceive the brand to be to them.

Behaviour, is widely considered to be the most reliable indicator of what people really think and feel. Sales are the most important metric.

To integrate the three points above, Ambler (2003) suggests that "the way to measure brand equity is to decide how the business model can best be described and then quantified. Does customer retention perhaps matter more than customer acquisition, or is it better that customers buy more of the same or varied products?

In conclusion, Ambler (2003) suggests that in larger firms with more formal systems, brand equity measurement frequency is set by the planning and reporting cycle. Brand equity should be an intrinsic component of performance review and decision making. The basic principle is that marketing decisions should be based on brand equity as well as profit considerations. "Six monthly is the optimal brand measurement frequency for most firms."

2.8 Stages of Marketing Performance Assessment

Ambler (2003: 94) suggests that "most companies develop their thinking about overall marketing assessment, and specifically the market asset, in five stages". These stages, as expounded below, could be hierarchically represented to illustrate their level of progression.

2.8.1 Stage 1: Unawareness

In the first stage, companies have not considered marketing assessment at all. No metrics are in place to monitor either the market or financial performance from a marketing perspective. Research by Ambler (2003) revealed that the large majority of UK companies are at the unaware stage.

This is echoed in a different survey, conducted by the CMO Council (2004), which claims that less than 20 per cent of large firms have developed meaningful comprehensive measures and metrics for their marketing organisations.

Ambler (2003) also quotes Hooper, Director General of the Incorporated Society of British Advertisers, who states that “Everyone accepts that measuring the performance of marketing communications programs is vitally important, but the reality today is that this issue does not feature in most marketing directors top ten priorities”

In contrast to the above, researched conducted by the CMO council (2004), showed that “marketing performance measurement is a trend that is very much on the minds of most senior executives, chartered with managing global marketing organisations.”

2.8.2 Stage 2: Financial Evaluation

In this stage, firms may be experiencing difficulties in affording and setting marketing budgets, which typically leads to questions of return on marketing investment. (Ambler, 2003)

Ambler (2003) refers to research by the Marketing Research Council conducted in the United States, which suggests that 15 per cent of the respondents considered that they were in this stage.

Most large companies assessing marketing are seeking financial solutions, according to Ambler (2003) - Their many market measures are mostly to manage the mix within the marketing budget.

The problem with financial evaluation is that they ignore such factors as customer satisfaction, innovation, the percentage of first time quality, and employee development (Rayburn & Rayburn, 1998). They further contend that too often, traditional accounting measures reflect short term financial results and do not take into consideration the strategic focus of the company.

Rayburn & Rayburn (1998: 1) refer to Moore & Hagendorf (1994) who suggest that by "providing a comprehensive framework that translates the company's strategic objectives into a coherent set of performance measures in such critical areas as product, process, customer, and market development. "

This is a strikingly similar notion to that of Ambler (2003) who suggests that metrics should be aligned with the business strategy.

While this stage is somewhat far off from the idealistic scientific stage, it is a much better off position to be in than the initial unaware stage. However, as companies gain confidence in marketing assessment, albeit at the financial phase alone, it becomes time to progress.

2.8.3 Stage 3: Many Measures

This stage is characterised by the understanding that financial measures must be balanced with non-financial measures, including those from the marketplace (Ambler, 2003).

The Marketing Leadership Council research mentioned previously indicates, according to Ambler (2003), that 13 per cent of respondents fall into this category.

The problem with having many measures however, is that the abundant availability of data does not easily progress through the knowledge hierarchy. Thus data cannot be effectively processed into knowledge, from which decisions can be made. The variety of possible measures is almost endless.

Research points to a multiplicity of marketing metrics, which is no wonder why firms are experiencing difficulties in honing the skill of measuring marketing performance. Clark (1999) identifies about twenty measures, Ambler & Riley (2000) tested a total of thirty eight measures, Davidson (1999) proposed ten key important measures of marketing effectiveness from the many hundred noted by Meyer (1998).

Further, as Ambler (2003) claims, an excessive variety of measures obscures any overview of marketing performance, and the state of brand equity.

The answer to this problem then lies in the development of a focussed and strategically aligned bundle of metrics which will have meaning to the executives requiring the information. Thus the need to progress to the next stage.

2.8.4 Stage 4: Market Focus

Market focus implies the degree to which a company is market oriented. At this stage, companies have developed their marketing assessment thinking beyond financial measures and have understood that too many measures are cumbersome and thus ineffective. This leads firms to the realisation that a refined set of metrics, which include both market and financial metrics is the best way to measure marketing performance.
Ambler (2003) refers to research by the Marketing Leadership Council that 35 per cent of companies consider themselves in this stage, with another 14 per cent intending to enter this phase. Of concern however, is that in the transition from stage three to four, the companies surveyed have shed too many metrics, resulting in an average of only eight. Ambler (2003) believes that large companies need closer to 20, and smaller, medium companies may need only 5 to 6.

The problem lies in the method used to transition between stages three to four. A practical methodology is required to assist companies to choose and lose the right metrics. This will be discussed later.

2.8.5 Stage 5: Scientific

While top marketing companies aspire to being able to measure each part of their business model, only 8 per cent of companies researched by the Marketing Leadership Council claim to have reached this phase. Ambler's (2003) research suggested that this may be "optimistic" .

The scientific stage is characterised by "a comprehensive metrics and diagnostics comparable database, where the candidate measures can be subjected to quantitative analysis, to determine which were best for predicting current performance" (Ambler, 2003: 108-109). The system would be able to track the competitive effects of marketing on consumer mindsets, and those in turn on consumer behaviour, and then on shareholder value. The metrics would form a database with subsidiary diagnostics to eliminate variances. Past history would allow projections to alternative scenarios so the long term shareholder value optimising plan could be determined and form the basis for subsequent performance assessment. There is no evidence to support that any company has yet to reach this stage indeed.

2.9 Review of performance measures and metrics in other countries

Ambler & Riley (2000) conducted research to explore how firms in a variety of business sectors assess their marketing performance. They further developed a common practise set of reliable measures for assessing marketing performance. Their research managed to produce a set of metrics used most by firms in the UK and Spain, that did not exceed 19.

The researchers discovered that most firms relied on primarily internally generated financial figures to assess their own marketing performance. They also discovered that Spanish top management become less involved in operations than do their British counterparts. As a result, Spanish respondents rate most metrics as less important than their UK colleagues, and even fewer are reported to top management.

Ambler & Riley (2000) identified the following factors (Table 2-3: Ranking of marketing metrics in the UK) in their comparative research between Spain and the UK. The table identifies the percentage of firms in the UK who reported using a particular metric, the percentage of firms rating the metric as important, the percentage of firms claiming that the metric reaches top levels, and finally, the correlation between level and importance.

Comparing the data from UK and Spanish companies indicated some differences. For example profit is seen as more important in the UK but market share has a greater following in Spain.

The limitations of his research were related to representativeness. Despite surveying a broad spectrum of firm sectors and sizes, and notwithstanding the fact that response rates were high, the researchers were not confident that the survey was fully representative. Further multinational research would be required to establish the patterns and causes.

Table 2-3: Ranking of marketing metrics in the UK

Metric	% of Firms Reported Using Measure	% firms rating as very important	% firms that say metric reaches their Top Board	Pearson Correlation between Level and Importance
1. Profit/Profitability	92	80	71	.719**
2. Sales, Value and/or Volume	91	71	65	.758**
3. Gross Margin	81	66	58	.827**
4. Awareness	78	28	29	.732**
5. Market Share (Volume or Value)	78	37	34	.727**
6. Number of New Products	73	18	19	.859**
7. Relative Price (SOMValue/Volume)	70	36	33	.735**
8. Number of Consumer Complaints (Level of dissatisfaction)	69	45	31	.802**
9. Consumer Satisfaction	68	48	37	.815**
10.Distribution/Availability	66	18	11	.900**
11. Total Number of Customers	66	24	23	.812**
12. Marketing Spend	65	39	46	.849**
13. Perceived Quality/esteem	64	37	32	.783**
14. Loyalty/Retention	64	47	34	.830**
15. Relative perceived quality	63.	39	30	.814**

n = 231, ** $p < .01$

Adapted from: Ambler & Riley, 2000

Barwise & Farley (2004) conducted research across the top five global markets, namely: the USA, Japan, France, Germany, UK, to explore current practise in the use of metrics. Their research produced the following results:

Table 2-4 lists a number of metrics which are most frequently reported to the board.

Most businesses said that they currently report one or more of the six metrics to the Board with market share (79 per cent) and perceived product/service quality (77 per cent) the most used. Least-used (40 per cent) — and the only measure used by less than half of the sample — was the relatively new and complex customer/segment lifetime value — strictly speaking a derived estimate rather than a directly measurable number.

There were significant differences between countries. Germany is above average for all six metrics, especially market share (97 per cent) and relative price (84 per cent).

Japan is below average on all metrics, with only 57 per cent of the sample reporting market shares. The USA and UK samples are fairly close to average (UK slightly lower), while France is high on both market share and customer/segment lifetime value.

Table 2-4: Current metrics regularly reported to the board

Metric	Total (*n*=697)	USA (*n* = 224)	Japan (*n* = 117)	Germany (*n* = 120)	UK (*n* = 120)	France (*n* = 116)
Market share	79	73	57	97	80	90
Perceived prod/serve quality	77	77	68	84	71	75
Customer loyalty/retention	64	67	56	69	58	65
Customer/segment profitability	64	73	40	74	65	59
Relative price	63	65	48	84	53	63
Actual/potential customer/segment lifetime value	40	32	35	51	32	58
Average	64	64	51	77	60	68

Adapted from: Barwise and Farley (2004)

The research also took a look into the future from the perspective of the companies surveyed. Table 2-5 lists a number of metrics that are expected to be reported to the board in the future. Of importance were customer/loyalty retention and customer/segment lifetime value. Even if the predictions are fulfilled, less than half of the sample will use lifetime value measures.

Table 2-5: Metrics planned to be regularly reported to the board

Metric	Total (*n = 697*)	USA (*n = 224*)	Japan (*n = 117*)	Germany (*n = 120*)	UK (*n = 120*)	France (*n = 116*)
Market share	2	2	3	1	4	6
Perceived prod/serve quality	2	2	0	4	11	11
Customer loyalty/retention	8	12	6	9	10	5
Customer/segment profitability	5	5	4	6	6	4
Relative price	3	1	2	0	7	6
Actual/potential lifetime value	8	10	4	7	12	4
Average	5	6	3	4	9	5

Adapted from: Barwise and Farley (2004)

Barwise & Farley (2004) also examined the reasons for these discrepancies and found that socio-demographic differences among the five countries are small. All are members of the G7 (UK, USA, Italy, France, Germany, Japan), with high per-capita income measures and literacy rates, low birth rates, long life expectancies and ageing populations. Each has a single dominant language.

According to Deshpande´ et al (2000) as cited by Barwise & Farley (2004), there are some documented differences in terms of organisational cultures in which Japan and Germany are quite different. For example, in a study of representative business-to business (B2B) firms in these same five countries mentioned earlier, Japanese firms were scored below average in measuring market orientation while German firms were on average highest. Japanese firms were more collectivist, while all the other countries except France were above average on individualism. Japanese firms were highest in consensual corporate culture styles, while German firms were well below average. Relatedly, Japanese firms measured lowest on entrepreneurial organisation culture while the Germans scored highest. The differences between countries in Table 2-4: Current metrics regularly reported to the board, seem to reflect some of these cultural differences, especially the variation in market orientation.

Other research by Ambler & Wang (2002) which set out to compare metrics between China and the USA, has similarly found significant differences in the metrics used in the UK and China. Unsurprisingly, there are also some systematic firm related differences. For example, multinational subsidiaries and larger firms tended to use more of the metrics. However, there was no significant difference related to industry in the likelihood of a firm not using metrics.

Ambler & Wang (2002) found notable differences between Chinese and British managers in the way their firms assess marketing effectiveness. In particular, the results indicated the following:

Disparity in the importance given to metric categories in evaluating marketing performance. While in the UK financial measures are considered the most important, Chinese managers ascribe the most importance to consumer behaviour and consumer intermediate metrics. It seems they shared the opinion of Levit (1983) who indicates according to Ambler & Wang

(2002) that profits are not the main goal of marketing, the main goal of marketing is to satisfy customers. Hence to measure marketing success businesses should base themselves above all on criteria relating to customers.

Ambler & Wang (2002) also saw important differences between China and the UK in the magnitude of the effect that certain variables such as business sector exercise on different category measures. The business sectors have a very significant effect on consumer intermediate, competitive and financial measures in the UK respondents, but have significant effect only on innovation and financial measures for Chinese respondents.

They further found differences in the ratings of metrics importance for the Chinese responses. The role of the respondent was found to have more significant effect on the important of consumer intermediate and behaviour items than in the UK. In China the differences between marketers and managers of other departments were greatest for consumer behavior and intermediate. This may reflect the different level of customer orientation across the functional departments of Chinese firms.

Finally, differences were also found to exist in the associations between business orientation and the measurement of marketing effectiveness. While in China there is a close relationship between customer orientation and measurement of consumer behaviour and consumer intermediate, there is no relationship between this orientation and the importance of measures based on direct trade customers (such as distribution level, the profitability of intermediaries, et cetera.), as there is with British businesses. This response difference probably reflects the differently perceived concept of trade customers.

Traditionally, Chinese managers do not treat their traders as customers, but business partners. The greater the competitor orientation the more importance for building good relationships with intermediaries, not curiously, competitor orientation does influence the adoption of measures based on direct customers.

This survey had limitations related to the fact that respondents were not fully representative of all kinds of business in China. Other limitations were related to the unfamiliarity with the metrics which failed to reflect the real situation, and finally the lack of common language, as well as the standard metrics used and defined across the business, particularly for non finance measures restricted comparison (Ambler & Wang, 2002).

2.10 Measuring Marketing Productivity

According to Clark & Ambler (2001), the earliest studies through the 1970's on measuring marketing performance examined marketing productivity.

More recently Rust et al (2004) propose a broad framework for assessing marketing productivity, by exploring how marketing expenditures influence marketplace performance. This is done by addressing how non-financial measures of marketing effectiveness drive the financial performance measures such as sales, profits and shareholder value in both the short term and the long run. Essentially, this research aims to explore the effect of marketing on the bottom line.

"It is important to understand that marketing actions, such as advertising, service improvements, or new product launches can help build long term assets, for example, brand equity. These assets can then be leveraged to deliver short term profitability." (Rust et al, 2004).

In Figure 2-2: The chain of marketing productivity below, Rust et al (2004) illustrate a broad conceptual framework that can be used to evaluate marketing productivity. As a chain-of-effects model, it relates the specific actions taken by firms, to the overall standing of the firm.

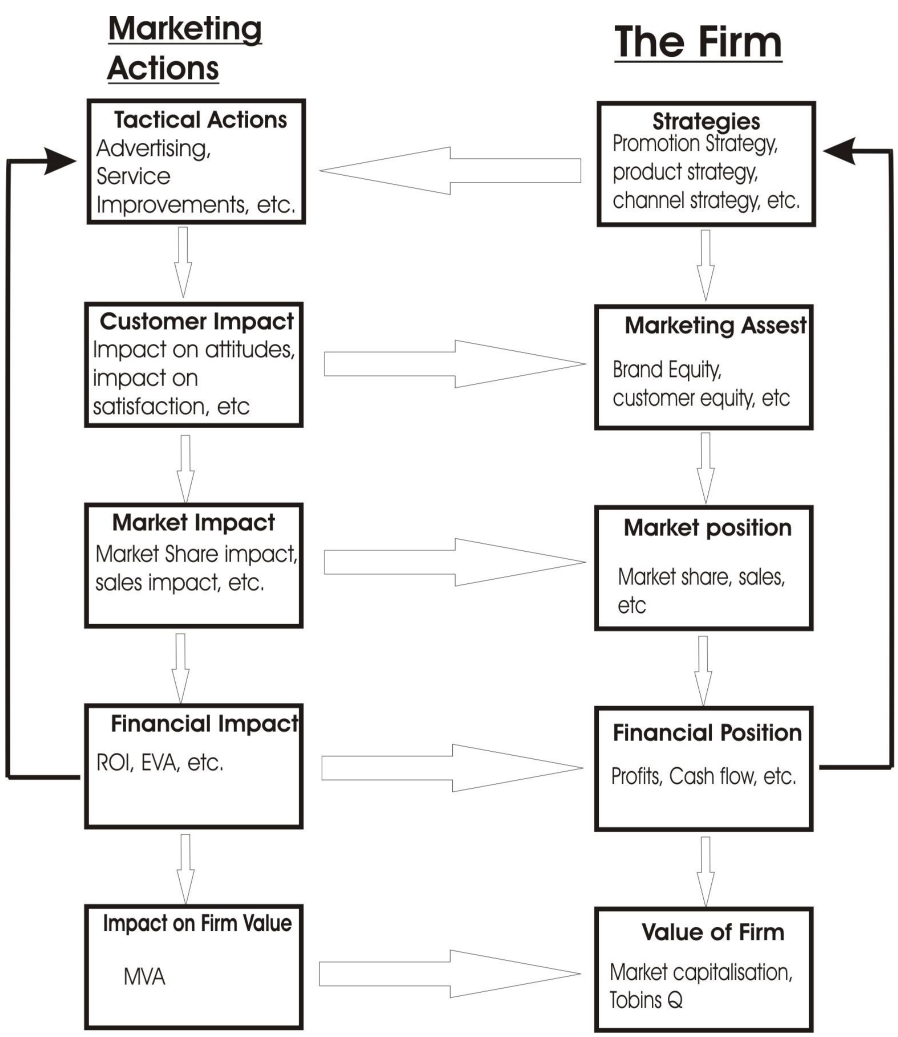

Figure 2-2: The chain of marketing productivity

Adapted from: Rust et al (2004)

Using this framework, firms are able to establish what effect certain marketing actions will have on this firm, and ultimately, the effect of marketing on the bottom line.

The starting point of Figure 2-2 is at the upper right-hand side, with the firm's strategies, which might include promotion strategy, product strategy, or any other marketing or firm strategy. These strategies lead to tactical marketing actions taken by the firm, such as advertising campaigns, service improvement efforts, branding initiatives, loyalty programs, or other specific initiatives designed to have a marketing impact. The tactical actions then influence customer satisfaction, attitude toward the brand, loyalty, and other customer-centred elements. At the organisation level, these customer measures can be aggregated into what is referred to as "marketing assets," which can be measured by such indicators as brand quality, customer satisfaction, and customer equity. Customer behaviour influences the market, changing market share and sales. However, it may also be useful to consider the firm's market position as driven by the firm's marketing assets. At any point in time, tactical actions will have made changes in customers' mental states, but they may not yet have influenced the firm's profit and loss account. Thus, marketing assets represent a reservoir of cash flow that has accumulated from marketing activities but has not yet translated into revenue (Rust et al, 2004: 77; Ambler, 2003)

2.11 Which Metrics?

Each firm endeavours to achieve different objectives, within the context of a different political, social, economic, technological, eco-environmental and legal environment. While some firms are striving to capture market share, others are trying to develop and grow the market which they have already captured. As such, the strategy and objectives of firms differ, as should the methods they use to measure their success, since they are measuring different things.

Ambler (2003) suggests that no *off-the-shelf* solution exists to measure marketing effectiveness. As such he proposes a practical methodology for choosing the right metrics, claiming that this approach provides a route to selecting the right metrics. Figure 2-3 provides an overview of the route that firms should follow in selecting the right metrics according to Ambler (2003).

This first step along the route raises issues such as “what is marketing aiming to achieve”, “what are the distinctive characteristics of your brand and who are the intended audiences?”. These issues look to the brand positioning statement for resolution.

Patterson (2004) echoes this view claiming that to determine which success factors to measure and the appropriate metrics for each, marketers must have a clear understanding of the company’s goals.

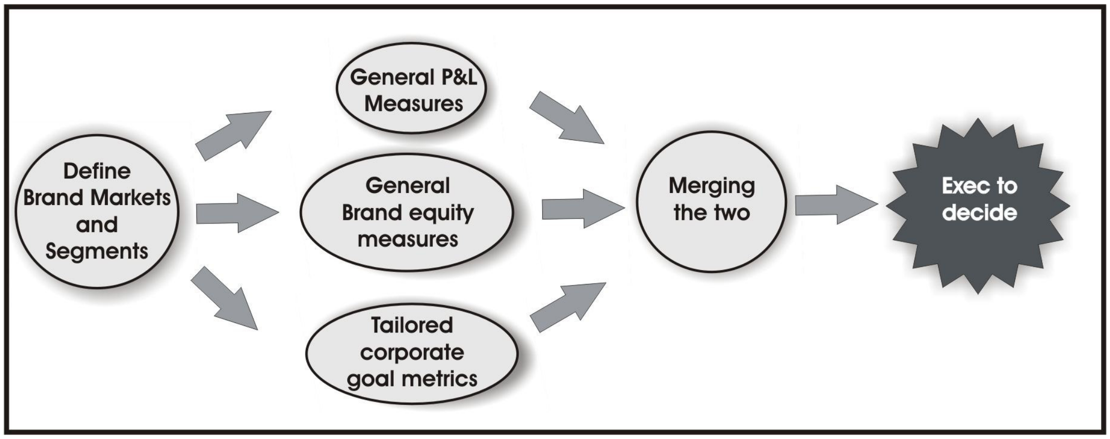

Figure 2-3: Choosing the metrics

Adapted from: Ambler (2003)

Ambler (2003) contrasts two approaches: the first approach advocates the use of universal general metrics, while the second advocates a tailored set of firm specific metrics.

2.11.1 General Approach

Ambler's (2003) general approach advocates the use of three financial and six brand equity measures to measure marketing performance. Table 2-6 below combines the financial metrics, while Table 2-7 brings the general brand equity metrics together.

Table 2-6: Standard profit and loss account metrics

Actual Metric	% compared with plan and/or prior year	% compared with competition
Sales	Volume/ Value	Market Share
Marketing investment	Period costs	Share of voice
Bottom line	e.g. economic profit	Share of profit

Adapted from: Ambler, 2003

Table 2-7: General brand equity metrics

Consumer metric	Measured by
Familiarity	Salience, Familiarity relative to the other brands in the consideration set
Penetration	Number of customers, or the number of active customers as a percent of the intended market
What [people] think about the brand	Brand preference as a per cent of preference of other brands within the consideration set or intention to buy, or brand knowledge
What [people] feel about the brand	Customer satisfaction as per cent average for the consideration set.
Loyalty	This may be behavioural (share of category requirements, repeat buying, retention, churn) and / or intermediate (commitment, engagement or bonding)
Availability	Distribution, for example, weighted percentage of retail outlets carrying the brand

Adapted from: Ambler, 2003

2.11.2 Tailored Approach

Amber (2003) suggests that the tailored approach is the antithesis of the general. To succeed, a firm must have a different strategy, and to some extent, that implies different metrics.

Ambler (2003) warns that developing tailored metrics is demanding, and that in research conducted, he found that few executives give it that much time. Many firms get by without any metrics at all, some prefer the general three and six approach above, but while the tailored approach is not essential, Ambler (2003: 137) suggests that firms who do not adopt it, “may wonder where and when their business parted with the rest of the world” in years to come.

Thus the firms business model, if sufficiently explicit, should indicate the key issues and therefore what should be measured. The number of metrics that will emerge depends on the complexity of the strategy and business model: it may be five, or fifty.
Patterson (2004: 2) provides a suitable analogy by taking the tailored approach: “A young company looking to gain traction in the market is focused on factors different from those of a more established company wanting to improve its customer relationships”.

She further moves to recommend metrics based on the phases of marketing responsibility. She divides the responsibility of marketing into three distinct phases, and aptly refers to them as the first, second and third responsibilities of marketing.

She suggests that the first responsibility of marketing is “to identify and enable the organisation to acquire customers, without whom there is no revenue, without which there is no business. Acquisition enables the company to increase its market share. “

Although Marketing may not close the deal, marketing strategies shift the customer through the buying process, from awareness to consideration. Four key performance indicators enable one to address market share:

- Customer growth rate
- Share of preference
- Share of voice
- Share of distribution

“The second responsibility of Marketing is to keep the customers that the company acquires and increase the value of these customers. It is expensive and ultimately disastrous to have customers coming in one door only to go out another. High customer churn signals a variety of problems and hinders your ability to create leverage. "

The following four performance indicators will help your drive these penetration-related metrics:

- Frequency and recency of purchase
- Share of wallet
- Purchase value growth rate
- Customer tenure
- Customer loyalty and advocacy

The third responsibility of Marketing is monetisation. "Up until the 1970s, a company's value was determined by its book value. Over time, intangible assets, such as a company's intellectual property, customer value, franchises, goodwill and so on have had an increasing effect on a company's market value. "

Marketing professionals can improve the market value of their company by improving their performance in four key areas:

- Price premium
- Customer franchise value
- Rate of new product acceptance
- Net advocate score

2.12 Conclusion

This chapter critically evaluated the underlying theories that have a bearing on, and surveyed the literature that deals with the problems of this study. All relevant studies that have been conducted on measuring marketing performance and other work done relative to the problems of this study have been examined and synthesised into an integrated review. It seems clear from this review that measuring marketing performance is gaining popularity and importance within the discipline globally.

Chapter 3: Research Problems

3.1 Introduction

Cooper & Schindler (2003) suggest that the management dilemma, its background, its consequences, and the resultant management question should be outlined in the problem statement. This chapter discusses the management dilemma, background and consequences under five respective research problems which will be empirically addressed in this study.

3.2 Research Problems

This section discusses the five research problems which are being investigated in this study.

3.2.1 Research Problem 1

There is increasing pressure on senior marketing managers to deal directly with the overdue issue of measuring the impact and value of marketing, (Barwise & Farley, 2004).

“There's hardly a marketing executive today who isn't demanding a more scientific approach to help defend marketing strategies in front of the chief financial officer.” Marketers want to know the actual return on investment (ROI) of each dollar. They want to know it often, not just annually. And increasingly they want a view of likely returns on future campaigns (Brady & Kiley, 2004).

Falkow (2004) quotes Nelson of the Chief Marketing Officer Council, who suggests that "growing executive demand for accountability and justification for marketing budgets, programs, and value is driving the interest in measuring marketing performance. Critical and demanding corporate performance environments heighten this priority."
A review of the literature related to this matter was expounded in sections 2.5 and 2.6 which essentially aimed to explain why this issue is gaining importance. There was no research to suggest how advanced the concept is in South Africa, and the reasons for its development locally. This raises an important research question, posed below, which is empirically addressed in this study.

What do South African managers experience in terms of the growth in importance and awareness of marketing performance measurement, and how did these changes come about?

3.2.2 Research Problem 2

Section 2.9 explored the tools and techniques that organisations abroad use to measure marketing performance. The literature identified and explored the metrics used by companies in countries such as USA, UK, Japan, China, France, Germany, Spain, but to date, no peer reviewed literature has been discovered which explores how marketing performance is measured in South Africa, which raises a second important research problem which is addressed in this study.

What systems, tools, processes, methods or techniques do South African organisations use to monitor, measure and report on marketing performance?

3.2.3 <u>Research Problem 3</u>

The implication from the history of performance measurement suggests, according to Kennerley & Neely (2003) that measurement systems must reflect the context and the objectives of the organisation in question. Ambler (2003: 141) claims that "metrics should flow directly from the firms strategy and business model. The number of metrics that will emerge depends on the strategy and business model."

Patterson (2004) agrees with this notion, suggesting that to determine which success factors to measure and the appropriate metrics for each, marketers must have a clear understanding of the company's goals.

This raises the third important research question which is addressed by the empirical work discussed in this study.

What process do South African organisations follow in determining what activities to measure and how to measure these activities?

3.2.4 Research Problem 4

Research conducted by Ambler (2003) found that most companies develop their thinking about overall marketing assessment and specifically the marketing asset, in five stages. These stages are classified and characterised as follows:

Stage 1: Unaware Stage

In this stage, the organisation is unaware of the issue. Marketing is not seen as something requiring the formal attention of the board.

Stage 2: Financial Measures Stage

Assessment at this stage is seen exclusively as financial evaluation. All commercial matters need to be communicated to the as money. The board will review marketing, but only in terms of profit and loss account and cash flow, and possibly brand valuation.

Stage 3: Many Measures Stage

Financial measures are recognised as insufficient and a plethora of non0financial measures come into use. A diversity of measures exists in different departments, resulting in some confusion.

Stage 4: Market Focus Stage

At this stage, the organisation develops market focus. Management streamlines the variety of financial and non-financial metrics to give a single coherent perception of the market using those metrics it regards as most important. Standardisation and improved clarity help communication, but there is no certainty that these metrics are in fact the right ones.

Stage 5: Scientific Stage

This stage is characterised by a scientific method of assessment. The database of past and current metrics, derivatives and diagnostics is mathematically analysed to provide the shortest list of sensitive and predictive metrics.

Ambler (2003) further proposes a ten item questionnaire, which is essentially a tool designed to score and rate companies marketing assessment system, which enables one to determine how effectively marketing is performing in a particular organisation.

This introduces the fourth and penultimate research problem, namely:

How advanced are South African organisations conceptually and practically in terms of measuring marketing performance?

3.2.5 Research Problem 5

It was mentioned earlier that Measuring marketing performance is an extension of measuring organisational performance and as such the two are inextricably linked, rendering the principles concerned somewhat inter-applicable.

Neely (2004) suggests that there exist four fundamental processes of performance measurement: measurement system design, implementation, managing through measurement, and “refreshing” the measurement system, and asserts that each process poses various challenges.

In design, he claims that the challenge lies in choosing the right measures. The trend in terms of electing the right metrics has followed a phase where the wrong things were being measured, followed by the phase where excessive measurement was undertaken. The current challenge is thus to select not as many metrics as possible, but identifying what you needs to be measured so as to concentrate on what is absolutely vital.

Where implementation is concerned, the challenges are two-fold. Firstly, there is the data and information accessibility issue, where the need exists to transfer knowledge internally, and secondly, the political and cultural issues, notably people’s concern of measurement and the games they contemplate in an attempt to manipulate target-setting, thereby compromising the ability to assign blame and responsibility. To combat this people inside organisations need to be educated to understand the purpose and use of the measurement system. Ultimately, the challenge in managing through measures requires a cultural shift in many organisations. The focus needs to be firmly on targets.

The real challenge arises when it comes to “refreshing” the measurement system. Essentially, the problem lies in the cycle of new measures. As new measures get introduced to account for new activities, so the obsolete one are not removed, which causes confusion. Neely (2004) proposes a dedicated performance manager to manager the measurement process.

This raises the fifth and final research question aimed at uncovering the challenges that South African companies face in measuring marketing performance.

What challenges do South African organisations face in measuring marketing performance?

3.3 Conclusion

This section introduced the research problems which form the basis of this study. Each problem was preceded by a brief overview of the issues which have a bearing on problem. The following section discusses the methodology used to collect data for this study.

Chapter 4: Research Design and Analysis

4.1 Introduction

This chapter describes research design in general, and follows with a discussion regarding the methodology of this study.

Mouton (1996: 107) describes research design as a route planner. A set of guidelines and instructions on how to reach the goal that the researcher has set for the study. This may also be referred to as the blueprint of the research project, that precedes the actual research process. This can be likened to a business plan for a start up business.

Cooper & Schindler (2003: 146) suggest that "research design constitutes the blueprint for the collection, measurement, and analysis of data."

Ultimately, there exists a plethora of authors who have written and continue to write on this topic, and use different words to essentially describe the same thing. Cooper and Schindler (2003: 147) have proposed a list which shows the essentials of research design, which cuts through the semantics.

- The design is an activity and time-based plan
- The design is always based on the research question/s
- The design guides the selection of sources and types of information
- The design is a framework for specifying the relationships among the study's variables.
- The design outlines procedures for every research activity

4.2 Method of Study

The nature of the problem statement presented in this research is such that deep and broad information is required from each respondent. Thus the method of the study will be qualitative.

Neuman (1997: 329) describes qualitative research as follows:

- It captures and discovers meaning once the researcher becomes immersed in the data
- Concepts are in the form of themes, motifs, generalisations and taxonomies
- Measures are created in an ad hoc manner and are often specific to the individual setting or researcher
- Data are in the form of words from documents, observations, transcripts
- Theory can be causal or non-causal and is often inductive
- Research procedures are particular, and replication is very rare
- Analysis proceeds by extracting themes or generalisations from evidence and organising data to present a coherent, consistent picture

Since time constrains are prevalent, a snapshot can only be provided, which would provide insight into how companies in South Africa *currently* measure marketing performance. This calls for a cross sectional study.

4.3 Data Collection and Discussion Guide

Personal interviews are conducted with nine managers from eight medium to large South African organisations. The responses from these interviews will serve as the primary data for this study, while all other data constitutes secondary data. Cooper & Schindler (2003) refer to textbooks, articles and newscasts among others, as secondary data.

The following discussion guide is used to provide the insight for this study.

- <u>What do you make of the term “Measuring Marketing Performance”?</u>

This open ended question is intended to ascertain the respondent’s understanding of the central issue of this study. While there is no direct link between this question and any research problem, it serves as a point of departure, which helps the respondent orient him or herself to the field of marketing measurement.

- <u>What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and in general marketing trends, and if so, to what would you ascribe these changes?</u>

This question is directly linked to the first research problem of this study, and aims to investigate the changes in awareness and importance in marketing performance measurement, and the reasons for those changes. It is open ended and provides an opportunity for the respondent to explain how the topic has developed over time, and why he or she thinks this is so.

- <u>What do you measure in your company, and what techniques do you use to measure these activities?</u>

This open ended question affords the respondent the opportunity to provide a list of those marketing activities that are tracked and measured, and the tools or methods used to perform that measurement. There is a direct link between this question and the second research problem of this study.

- <u>How do you determine what is important to measure in your company?</u>

This open ended question aims to uncover the methodology that respondents follow in determining which metrics to employ to measure marketing performance. Amber (2003) suggests that there is significant variation in the methodologies used by country. He further suggests that no market research agency is able to provide organisations with complete off the shelf solutions for measuring marketing performance. Each organisation must select a suite of metrics that measure certain activities. How South African organisations select these metrics is of concern, and the underlying intention of this question. This question is linked to the third research problem of this study.

- Assessing your marketing performance measurement awareness level.

This question is linked to research problem number four. It is based on a hierarchy proposed by Ambler (2003), which aims to categorise a firms level of marketing measurement awareness. The stages are in ascending order, unaware, financial evaluation, many measures, market focus, scientific.

- How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

This question is based on a questionnaire by Ambler (2003) (annexure 1) which intends to rate the organisation's marketing assessment system, addressing the fourth research problem of the study. Neither the validity or reliability of this questionnaire has been established.

- What are the challenges to measuring marketing performance in your company?

This question is open ended and enables the respondent to state and explain the challenges that preclude him or her to effectively measure marketing performance. This question directly relates to the fifth and final research problem addressed in this study.

4.4 Samples and Sample Design

Cooper & Schindler (2003: 179) suggest that “the basic idea of sampling, is that by selecting some elements of the population, we may draw conclusions about the entire population.” However, to be able to draw conclusions from samples, the samples must be representative of the population.

The members of a sample are selected on a probability basis, or a nonprobability basis. The former refers to a selection of samples members where each and every member of the population element has a known and equal chance of being selected.

The latter refers to the selection of sample members based on arbitrary, or subjective methods. The samples for this research have been selected according to the nonprobability method.

More specifically, the sample for this study is based on convenience sampling methods, which denotes that the selection of samples is unrestricted and subjective. While Cooper & Schindler (2003) suggest that this form of sampling is the least reliable, it is also normally the cheapest and easiest to conduct.

The sample consists of nine respondents from eight medium to large South African companies.

The sample members were selected on the basis of their physical accessibility, willingness to participate, and feasibility in terms of contribution. These companies also demonstrated the existence of marketing departments or divisions, and substantial marketing budgets.

Representativeness is the underlying epistemic criterion of a valid, unbiased sample. No claims of representativeness are made, and as such the findings of this research are limited (Mouton, 1996). As discussed, samples were selected purely on the general basis of convenience. This presents a limitation to this research.

4.5 Research Limitations

Cooper & Schindler (2003) suggest that this section should address significant methodology or implementation problems. Clark (1999) refers to these limitations as the characteristics of design or methodology that set parameters on the application or interpretation of the results study.

In light of the above, this research is significantly limited by the limitations surrounding the collection of information, such as time constraints, limited accessibility to marketing executives of large companies, and confidentiality issues.

In the company selection stage, some large companies declined to participate, claiming that they do not, and/or cannot effectively measure marketing performance, and that they would consequently not add any value to this report. This response further validates the claims made by authors discussed previously: that while measuring marketing performance is a top priority for companies, few achieve success at implementing this. Other companies declined to offer any information due to confidentiality concerns or company policy issues.

This implies that data which is to be collected by interviews will be limited to 9 respondents. Unless numerous divisions with separate marketing departments exist in these companies, only one marketing representative will be sufficient to extract the relevant data, since this person will represent the entire company.

Another limitation is related to the fact that it is impossible to interview managers with exact or even closely matched portfolios. In some organisations, access to the national marketing manager has been possible, while in others, only product managers were available for comment. Thus the nature of the responses may vary according to the respondents line of authority, and the nature of their work.

The problem with the limitations is that no significant general inferences can be made outside of the company. Despite this limitation, the feedback will effectively provide some insight regarding the research questions, on the company concerned.
The samples were selected purely on a basis of convenience, and no significant representation is purported. In order to conduct a representative research, by which inferences can be made, one method may be to select a particular industry, within particular geographic parameters, (for example: a whole country, like South Africa, a province, like Gauteng, or only a city, like Pretoria,) and randomly select a representative list of companies from within that industry.

Of further concern is the veracity with which the respondents respond to the questions posed. All respondents occupy prominent positions within the marketing function of their respective organisations. Admitting to any practise which may appear to one as sub-standard or uninformed may lead to discomfit.

Thus this research while not conclusive, may serve as a point of departure for more rigorous studies, and should thus be seen as exploratory.

4.5.1 Validity

According to Cooper & Schindler (2003), internal validity refers to the ability of a research instrument to measure what it is purported to measure, while external validity of research findings refers to the data's ability to be generalised across persons, settings, and times.

The internal validity of the discussion guide has not been established. Further, the measurement instrument which form part of the discussion guide is a method proposed by Ambler (2003), and the establishment of the validity of this instrument is beyond the scope of this study. It does however provide some rudimentary insight into the field, and is nonetheless thus included.

The external validity is also not confirmed, since the sample of this study is limited, and cannot be used to generalise any findings across the population.

4.5.2 Reliability

Reliability and validity are closely linked. Reliability is a necessary contributor to validity, though not a sufficient condition for validity. Reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error. (Cooper & Schindler, 2003)

Cooper & Schindler (2003: 239) further suggest that to improve reliability, various options are available. These are discussed below, within the context of this study.

- *Minimise external sources of variation*. This implies that the respondents and their environment should be consistent. This is not possible to any significant degree in this study, since each respondent has his or her own opinion about the same issue. Organisations differ, and so do the positions of each respondent. As such, the nature of responses differ in terms of breadth, depth and insight.
- *Standardise conditions under which measurement occurs*. This is closely linked to the item above, and likewise poses similar problems. It is not possible to manipulate the conditions.
- *Improve investigator consistency by using only well-trained, supervised, and motivated persons to conduct the research*. As was set out in the scope of this study in section 1.3 , the researcher is conducting this study within the context of a masters degree in business leadership, and as such has received no formal training to conduct research. Being supervised and motivated, the researcher may increase reliability somewhat.
- *Broaden the sample measurement questions used by adding similar questions to the data collection instrument, or add more observers or occasions to an observational study*. Similar questions were added and in a pilot test, interviewees claimed that the question had already been answered. For example, the questions *What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your*

company and to what would you ascribe these changes? and *How important would you say marketing performance measurement is?* were asked. Respondents simply responded by referring to their previous answer. Therefore, to avoid wasting respondents time in interviews, the latter question was eliminated. Since this is not an observational study, the latter question is redundant.

- *Improve internal consistency of an instrument by excluding data from analysis drawn from measurement questions eliciting extreme responses*. This has not been possible, since all questions barring Ambler's (2003) questionnaire have allowed for open ended, opinionated and subjective views. Opinions may vary in the extreme.

Cooper & Schindler (2003) suggest that any measure offers practical value when it is economical, convenient, and interpretable. From the above suggestions, it is clear that the reliability of this study is not robust, but was economical, convenient, and certainly interpretable, and thus offers practical value.

4.6 Conclusion

This chapter provided a detailed exposition and explication of the methodology that is used to conduct this study. The method of study as well as the method of data collection was described. The sampling method used for this study was then explained, which was followed by a full exposition of the limitations affecting this research.

Chapter 5: Results

5.1 Introduction

This chapter synthesises the data collected and presents the findings in a coherent and logical manner to provide meaning and insight into the problem areas.

Individual respondents' views are presented in narrative format and then summarised into a data table from which certain themes, patterns, topics can be isolated. This will reveal consistencies and patterns which may explain current behaviour.

5.2 Respondents Views

5.2.1 <u>Amelia Jansen, Product Manager: Corporate Key and Global - Telkom South Africa</u>

5.2.1.1 <u>What do you make of the term "Measuring Marketing Performance"</u>

Amelia succinctly referred to the measurement of marketing performance as measuring the return on investment.

5.2.1.2 <u>What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and to what would you ascribe these changes?</u>

Amelia noted that she has experienced a definite increase in awareness and importance and attributes this increase to the following:

- Internal pressures. Amelia noted that in the past, marketing was given free reign as to spending marketing budgets, while top management is now requiring marketers to justify their expenditure.
- External pressures. Amelia suggested that as Telkom's monopoly fades and competition poses an increasing threat, marketers need to increasingly account for their expenditure.

- Marketers are also encouraged to follow international trends and benchmark against other telecommunication companies. She indicated that a reason that market performance measurement is gaining awareness and importance in Telkom South Africa is because the increase of importance and awareness rubs off on them from international trends.

5.2.1.3 What do you measure in your company, and what techniques do you use to measure these activities?

Amelia outlined revenue growth, market share, customer retention and attrition rates, sales persons' performance. Revenue growth is measured by comparing sales from previous periods to current periods. Customer retention and attrition rates are carefully monitored to detect any real time changes in the customer portfolio. Being responsible for key corporate customers, Amelia noted that just one customer represents significant revenues. Even losing one customer would result in significant revenue loss.

Customer satisfaction is also monitored by a Telkom tool knows as CSS (Customer Satisfaction Surveys) which researches, reveals and tracks customers' needs which in turn guides company direction.

5.2.1.4 How do you determine what is important to measure in your company?

Amelia suggested that long term marketing objectives are outlined in a five year company business plan. This is then broken down into department level operational one year product marketing plans. Deliverables are extracted from these one year plans which guide the departments. Metrics are then created according to these plans.

5.2.1.5 Assessing your marketing performance measurement awareness level:

Amelia felt that her department had achieved *Market Focus* level, and based this on the fact that Telkom is highly driven by market needs in terms of new product development and service delivery, amongst others. Measuring marketing performance is thus relatively advanced.

5.2.1.6 How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

Amelia completed the questionnaire referred to and scored a percentage of 90 per cent. Ambler (2003) suggests that 90 per cent - 100 per cent is excellent.

5.2.1.7 What are the challenges to measuring marketing performance in your company?

Amelia mentioned that the large amount of manual intervention in data capturing created an unreliable billing system, which caused massive confusion and discrepancies in reporting. If the data is unreliable, it is impossible to compare, measure, report, or analyse it. She further suggested that technologies are incongruent, citing the differences between exchanges within South Africa, and broadband globally, respectively. This meant that the statistics cannot be consistent, and thus outcomes differ, which are difficult to measure.

5.2.2 Terry Burt, Sales and Marketing Director – Comtech (Pty)Ltd

5.2.2.1 What do you make of the term "Measuring Marketing Performance"

Terry interpreted measuring marketing performance as the return on investment of marketing expenditure, and sales growth. By measuring marketing performance, one can better understand the market and customers, and further understand company positioning.

5.2.2.2 What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and in general marketing trends, and if so, to what would you ascribe these changes?

Terry believes that marketing does not produce the results today that it did yesteryear, and ascribes this to the fact that consumers do not respond to marketing in the same way. He feels that in the 1980's, marketers educated the consumer, while in the 1990's, the inverse was true. Since the nature of marketing has changed, it is no longer as effective as it was, and this has caused the board of directors to increase the burden of accountability on marketers.

Terry also mentioned that this increase in awareness, importance, and accountability has led to the development of powerful tools and techniques that enable marketers to better justify their spend.

5.2.2.3 What do you measure in your company, and what techniques do you use to measure these activities?

Sales growth in rand and percentage terms is tracked. Customer acquisition and attrition rates are carefully analysed, especially to determine why customers defect.

5.2.2.4 How do you determine what is important to measure in your company?

Terry advised that measures are derived from company strategy. The process followed is by converting corporate goals into deliverables. Marketing then designs a campaign to achieve those deliverables, and then measures are put in place to determine if those goals were achieved.

There was a strong emphasis on customers' needs and whether the company is meeting those needs, condemning the "shotgun" approach, where either products or campaigns are directed to the masses rather than to those who are isolated as potential customers or customers with needs.

5.2.2.5 Assessing your marketing performance measurement awareness level:

Terry admitted that his company is not unaware of marketing performance measurement, but has not developed any sophisticated method of evaluating marketing performance and the impact it has on profits. The company is however at the stage where financial measures are in place, and marketing spent is related to profits to estimate it's worth.

This is indicative of the *Financial Evaluation* phase.

5.2.2.6 How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

Terry completed the questionnaire referred to and scored a percentage of 90 per cent. Ambler (2003) suggests that 90 per cent - 100 per cent is excellent.

5.2.2.7 What are the challenges to measuring marketing performance in your company?

Terry noted that to design and implement good measures required funds, people, skills. He also mentioned that the company is highly focused on sales, and while there is an awareness and an acknowledgement of its importance, the board of directors has not been sufficiently convinced that the investment in developing metrics is justified. Instead, special attention has been placed on focusing marketing on specific customer segments, which to some extent decreases wastage.

5.2.3 Yvonne Lombaard, Product Specialist: Prepaidfone® - Telkom South Africa Limited

5.2.3.1 What do you make of the term "Measuring Marketing Performance"

Yvonne believed that measuring marketing performance related to the success of each marketing activity, essentially the return on marketing investment, where investments refers to money spent on full campaigns, not only advertising and media.

5.2.3.2 What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and to what would you ascribe these changes?

Yvonne states that measurement has become a top issue in marketing in Telkom, and ascribes this increase to increased competition, both internally and externally, as well as a stronger focus on customer needs. She explained that by quantitatively demonstrating success, positions [jobs] can be defended internally, and marketing budgets can be supported and substantiated. In the past marketing budgets were not scrutinised, whereas nowadays, budgets are awarded based on financial success of marketing spend.

5.2.3.3 What do you measure in your company, and what techniques do you use to measure these activities?

The Telkom Prepaidfone® system has been developed such that all relevant information is available online – in real time. Yvonne monitors sales, recharges, dismantlements, changes in denomination selections, and a variety of other metrics, including number of acquisition, attrition. She conducts regular analysis of her customer base, and was able to recall a variety of statistics, including the number of customer currently active, their demographics, their buying patterns, as well as customer growth rates.

She feels fortunate in that she can see immediate direct changes to the product in relation to an advertisement campaign. For example, when a certain segment of customers is reminded to recharge by a radio advertisement, she can within hours begin to see results of the advertisement, which is an extremely powerful tool.

5.2.3.4 How do you determine what is important to measure in your company?

Telkom utilises a tool referred to as the Customer Satisfaction Surveys (CSS) which researches the degree to which customers are satisfied with a variety of variables. These results guide Telkom in terms of strategy and business planning. After business plans are developed, marketers are able to extract direct outcomes, against which outcomes they are measured. Being responsible for the Prepaidfone®, as a product within Telkom's product portfolio, she has the responsibility to report all movement related to the product.

5.2.3.5 Assessing your marketing performance measurement awareness level:

Yvonne felt that since she was able to analyse sales in relation to marketing activities, and in terms of both financial and market measures, she is in the many measures stage of awareness. She substantiated this by claiming that she uses both financial measures such as sales and revenue growth, and non-financial measures such as customer retention, recharges and dismantlements to measure how well her marketing activities are performing.

5.2.3.6 How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

Yvonne completed the questionnaire, and achieved a score of 95 per cent, which is excellent.

5.2.3.7 What are the challenges to measuring marketing performance in your company?

Yvonne is fortunate that her online system is able to reveal a wealth of information, and enables her to effectively measure how well her marketing budget is performing in terms of Rands and cents. She does however suggest that across certain departments, multiple advertising campaigns tend to result in marketing clutter, and it becomes very difficult to measure the performance of even one campaign.

An additional challenge is the lag and delays from the segment. It is difficult to attribute sales to campaigns so as to measure their effectiveness.

Spill over was cited as the final challenge, where one campaign overlaps another, making it impossible to isolate the successful campaigns from the unsuccessful ones.

5.2.4 Jeremy Alderson-Smith, Sales Analyst - Softline Pastel

5.2.4.1 What do you make of the term "Measuring Marketing Performance"

Jeremy believes that the measurement of marketing performance can best be described by the activities involved in implementing practical measures for determining the success rate of marketing campaigns.

5.2.4.2 What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and to what would you ascribe these changes?

Jeremy claims that while he feels it is an important activity, it is somewhat neglected in the company, since the expense of measuring marketing performance has not been justified to top management.

In contrast though, he did mention that the holding company Sage (UK) PLC has been putting pressure on the executive council to account for marketing expenditure, suggesting that marketing is the second largest expenditure after salaries,

5.2.4.3 What do you measure in your company, and what techniques do you use to measure these activities?

Jeremy stated that measuring marketing importance has slowly developed at Softline Pastel from a stage where no measurement was performed in the past, to the present stage, where sales are vaguely tracked in relation to campaigns. A technique which allocates a project code linked to a campaign is allocated to each sales invoice, which enables the sales team to identify which campaigns are working and which not.

While customer retention and churn is important, Softline Pastel do not track these and then link them to marketing. This implies that when customers are lost, or retained, marketing cannot accept responsibility therefore.

5.2.4.4 How do you determine what is important to measure in your company?

Jeremy claimed that a sales analysis function actively analyses all sales and breaks these down by region, customer, product respectively, and is able to identify trends. However, this is not linked to marketing plan outcomes to determine the efficacy of a campaign. Jeremy also noted that research is conducted which helps the company better understand their customers needs. The research has revealed amongst others that customers are very price sensitive, and thus value conscious.

5.2.4.5 Assessing your marketing performance measurement awareness level:

Jeremy noted that Softline Pastel is very sales oriented, and deeply focused on numbers. Any marketing evaluation would be based on financial evaluation, and as such places Softline Pastel in the Financial Evaluation stage of awareness.

5.2.4.6 How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

Jeremy completed the questionnaire and scored 34 per cent, indicating that the performance assessment system at Softline Pastel is highly underdeveloped.

5.2.4.7 What are the challenges to measuring marketing performance in your company?

Jeremy stated that human intervention is a challenge to effective implementation and administration of the project code allocation system mentioned in 5.2.4.3 suggesting that employees are sometimes negligent in their approach, which undermines the integrity of the system.

5.2.5 Julian Bryant, Marketing Manager- Coca Cola Trademark- South Africa

5.2.5.1 What do you make of the term "Measuring Marketing Performance"

Julian ascribes to the notion that one cannot manage what one cannot measure. He feels that the measuring marketing performance refers to the activities which are performed to yield quantifiable measures on what is effective in terms of measuring marketing's return on investment. Anecdotal interpretations are too vague and immature for Coca Cola.

5.2.5.2 What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and to what would you ascribe these changes?

Julian noted that some ten years ago, full analyses on marketing spend were not conducted. Today, Coca Cola drives measurement on a global scale, and continually develops plans and techniques to measure marketing performance. He ascribed this paradigm shift to senior management's demand for answers. Being a global marketing and market oriented corporation, Coca Cola depends heavily on marketing for its success, and as such, marketing must be accountable for what it performs.

5.2.5.3 What do you measure in your company, and what techniques do you use to measure these activities?

Coca Cola measure so many variables that it is impossible to summaries these in this report. These variables are then correlated against each other to identify macro and micro environmental trends. For example, one tool is used to correlate the weather, inflation, gross domestic product growth, interest rates and rationalise sales based on these variables. They are then based on this model, able to extrapolate sales figures based on changes in interest rates, weather, et cetera.

Essentially though, sales, reputation, brand equity, recruitment (consumer) amongst others are tracked quarterly.

5.2.5.4 How do you determine what is important to measure in your company?

Julian advised that Coca Cola make use of several outside agencies who conduct regular research as to consumer needs and perceptions among a plethora of other variables. These results are then used to define corporate strategy which in turn define the goals of the organisation and by consequence, the marketing goals of each brand. Coca Cola have clear strategic milestones leading up to 2010, which help then design marketing campaigns far into the future. Each plan has specific outcomes against which each campaign is measured.

5.2.5.5 Assessing your marketing performance measurement awareness level:

Julian assessed the option, and based on the techniques, methods, tools at Coca Cola's disposal to measure marketing performance, he clearly stated that Coca Cola is in the scientific stage, and further corroborated this by noting that any Coca Cola can directly measure the impact of sales on cola products in relation to any campaign.

5.2.5.6 How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

Julian completed the questionnaire, and achieved a perfect score of 100 per cent.

5.2.5.7 What are the challenges to measuring marketing performance in your company?

Julian noted that measurement at Coca Cola is a costly exercise, and commands a substantial budget. Being the large corporation that it is, and given the complexities of the category, measurement can become highly complex and requires deep and broad understanding or marketing and markets.

5.2.6 Guy Carter, Brand Manager- City Lodge Hotels

5.2.6.1 What do you make of the term "Measuring Marketing Performance"

Guy noted that measuring marketing performance referred to measuring the financial impact that marketing made on the bottom line.

5.2.6.2 What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and to what would you ascribe these changes?

Guy mentioned that in the old days, marketing was nice to have. Today, marketing is an essential function, and marketers are becoming more accountable for the activities they conduct. This increase in accountability emanates from the board of directors, though at City Lodge, measurement is a very low priority, and essentially, the board of directors merely enquire how marketing is doing at City Lodge.

5.2.6.3 What do you measure in your company, and what techniques do you use to measure these activities?

City Lodge launched a TV campaign to create awareness for the brand. The change in the brand was however not tracked or measured. Goalposts were not set. What is however paradoxical, is that while awareness was not measured, the TV advertisements received the "most liked TV ad" award.

5.2.6.4 How do you determine what is important to measure in your company?

City Lodge's marketing budget is relatively low compared to its rivals. When campaigns are considered, a specific goal is established per campaign. However, the extent to which that goal was achieved is not quantified. Essentially, City Lodge do not measure the effectiveness of their campaigns.

5.2.6.5 Assessing your marketing performance measurement awareness level:

From the outset, Guy was unequivocal about the fact that marketing performance was not tracked or measured, whether that marketing was executed above or below the line. The goals set were very general and vague, with no measures established to quantify the success rate. On this basis, Guy suggested that City Lodge's level of awareness is "unaware".

5.2.6.6 How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

Guy completed the questionnaire and achieved a score of 65 per cent.

5.2.6.7 <u>What are the challenges to measuring marketing performance in your company?</u>

Guy admitted that the mindset of his department as well as that of the board of directors was not very advanced in terms of measuring marketing performance. This is the primary challenge to measurement. He also noted that the measurement results would not be accurate, confused about how one could connect sales to advertisements. He mentioned that specificity was an issue in terms of selecting metrics.

5.2.7 Stamatia Kourantas, National Marketing Manager- Deloitte.

5.2.7.1 What do you make of the term "Measuring Marketing Performance"

Stamatia understands the term to mean the success of marketing for a company. Measuring marketing performance further implies that each marketing activity is broken down into whether it was a success or failure, vis-à-vis whether the activity met the objectives set out for that activity or not. Of importance is the reason the activity was successful or not.

5.2.7.2 What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and to what would you ascribe these changes?

Stamatia explains that she has experienced a change in how people regard the importance of marketing. Measurement has evolved from some ten years ago as a result of pressures from the executive board, which increasingly demands a better or quantifiable return on marketing investment. While her organisation has come far in understanding and measuring marketing performance, it is by no means a 100 percent capability, and there is a long way to go before best practises are adopted.

Another reason that marketing performance measurement is gaining importance, is that as marketers become accountable and can justify their spend, they will earn more respect in the organisation.

5.2.7.3 <u>What do you measure in your company, and what techniques do you use to measure these activities?</u>

The following activities are measured at Deloitte:

1. Leads are tracked through a lead tracking system for events. Any event is an opportunity for any company to promote is services and image. When this results in leads, these are tracked by Deloitte.
2. Advertising measurement is outsourced and tracked by advertising agencies.
3. Public Relations success is measured on an ongoing basis using traditional public relations measurement techniques such as measuring the nature and extent of coverage.
4. Proposal win rate is a measurement which tracks new customer acquisition and customer attrition rates. While customer attrition is very low, it is still monitored. Of particular concern is the frequency and quantity of sales to existing customers.
5. Market perception is tracked on an ongoing basis by an outside agency, which reports on consumers' perceptions of Deloitte.
6. Deloitte also tracks customer satisfaction, through an ongoing customer satisfaction survey.
7. Competitors are analysed on a regular basis to determine benchmarks, trends, best practises.

5.2.7.4 How do you determine what is important to measure in your company?

Stamatia explained that at Deloitte, measurement is linked to spend. The higher the expenditure on a particular activity, the higher the level of measurement, despite the fact that sometimes, small budgets yield big results.

She also explained that each marketing activity is derived from the marketing plan, which is in turn derived from the marketing strategy. The marketing plan maps each activity to a measurable outcome, against which that activity is measured.

5.2.7.5 Assessing your marketing performance measurement awareness level:

Stamatia expects that her organisation is at the Market focus level of awareness, based on the fact that customer needs are a top priority and marketing is based on meeting those needs.

5.2.7.6 How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

Stamatia completed the questionnaire and achieved a score of 86 per cent.

5.2.7.7 What are the challenges to measuring marketing performance in your company?

Stamatia suggests that the most significant barrier to measurement at Deloitte is culture. She asserts that the corporate culture does not fully appreciate the importance of measuring the return on marketing investment, which has some far reaching consequences.

One such consequence is the lack of information and the related lack of interest in deploying a suitable knowledge system which would facilitate measurement.

Another consequence is the fact that the cost of measurement is not absorbed by the organisation. While the board understands the need for measurement, it does not fully support its implementation, and as such, marketing management must do what it can with the available resources, which is far from enough. Only when the board fully appreciates measurement for marketing will it financially support it.

5.2.8 Vivienne Le Roux, Marketing Executive, Damelin (Pty) Ltd

5.2.8.1 What do you make of the term "Measuring Marketing Performance"

Vivienne feels that marketing is a science, and its purpose it to drive sales, and in turn generate cash. She believes that measuring marketing performance is not really possible, since each activity is affected by numerous peripheral activities. However, if it were possible to measure any activity, she believes that measurement would based on return on investment.

5.2.8.2 What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and to what would you ascribe these changes?

Vivienne found that research on organisational returns has brought about an increase in awareness, and with that, marketing accountability has become broader. Management is much more tuned to what's happening, and essentially more educated. In her opinion marketing plays an increasingly important role, and nowadays defines the organisation. She feels that management needs to know where money is going, which brings focus back to the business and revenue.

5.2.8.3 How do you determine what is important to measure in your company?

Vivienne affirmed that measurement is not a top priority in her organisation. Since the organisation is currently implementing large scale changes, management is highly focused on profitability, and measurement has taken a back seat. Few measurement interventions are in place. Vivienne did however indicate that predictive modelling is important, since it enables organisations to stay abreast of the continuous changes in the marketplace.

5.2.8.4 What do you measure in your company, and what techniques do you use to measure these activities?

Vivienne was unable to produce a list of specific activities that are tracked and how these are tracked. She did however mention that direct marketing is more measurable.

5.2.8.5 How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)

Vivienne completed the questionnaire and achieved a score of 50 per cent.

5.2.8.6 Assessing your marketing performance measurement awareness level:

Considering her options, Vivienne regarded her level of awareness as financial evaluation.

5.2.8.7 What are the challenges to measuring marketing performance in your company?

Vivienne indicated that it is very difficult to establish clear links between business results and marketing activities.

She also believes that since marketing is now a fully integrated functions im most organisations, it cannot alone take credit for business success.

She also feels that marketing is the least understood of business disciplines.

5.2.9 Manuela Sanchez Aragú, Director: Marketing, business development, and communication. Graduate School of Business Leadership, UNISA

5.2.9.1 What do you make of the term "Measuring Marketing Performance"

Manuela perceives marketing performance measurement to imply return on investment. She continues to classify investment as being of a financial and human nature, and these investments combined produce results which can be measured.

She believes that all business activities can and should be measured one way or another.

5.2.9.2 What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company and to what would you ascribe these changes?

Manuela admitted that marketing performance was never measured at the School of Business Leadership since people were not aware of it.

After being awarded the position of Director: Marketing, business development, and communication, she took it upon herself to account for her departments expenditure. She asserts that being responsible for a budget, means that she must be able to account for her success or failure.

Manuela recently completed her Masters degree in Business Administration, which she claims exposed her to the world of metrics and measurement in general. This degree further enabled her to understand the importance of marketing accountability specifically, and generally to view business matters strategically.

There was no pressure from the executive board to implement marketing performance measures.

5.2.9.3 What do you measure in your company, and what techniques do you use to measure these activities?

Manuela recently implemented a system to measure advertising effectiveness. The process used to achieve this is to link all enquiries received at the business school to a specific advertisement. Effectively, all prospects are asked what inspired them to contact the business school. This enables her to identify which portion of sales are attributed to advertising, and which to reputation, and further provides realistic insight regarding which campaigns are effective and which not.

She further explained that mail-shots are used to inform specific individuals in South African organisations about the school in general and specifically about the programmes and degrees available. So as to avoid the failures related to a “shot in the dark” approach, she has implemented a tracking system, which monitors all feedback vis-à-vis the mail-shots. This enables her to measure the responses in relation to the mail-shots despatched, and further enables her to tweak the activity so as to become more effective over time.

She also mentioned that she intends to design and implement a solution which monitors the quality of service rendered by telephone. This includes the tracking of *rings before answer* and *time on hold*.

Manuela indicated that the value and changes in brand equity are monitored and reported to the business school by an independent agency.

She finally mentioned that the impact of her public relations programme is measured in relation to other institutions on the basis of appearances in the media. This is tracked by an external agency.

5.2.9.4 How do you determine what is important to measure in your company?

Manuela has taken marketing performance measurement at the School of Business Leadership upon herself. Based on knowledge acquired through her MBA, past and background business experience, and in alignment with the UNISA School of Business Leadership vision, mission and corporate goals, she has managed to, and further intends to develop metrics which will measure those activities which she deems critical for success.

5.2.9.5 Assessing your marketing performance measurement awareness level

Manuela evaluated the options, but was reluctant to commit to any specific level, since she felt that her level of awareness was situated between many measures and market focus.

5.2.9.6 <u>How would you rate your company's marketing performance measurement system? (See annexure 1 for questionnaire)</u>

Manuela completed the questionnaire and achieved a score of 80 per cent.

5.2.9.7 <u>What are the challenges to measuring marketing performance in your company?</u>

Manuela admitted that she has experienced few challenges in measuring marketing performance. She was please to share the fact that the management culture at the School of Business leadership fully supports measurement.

While the implementation of certain metrics do provide design challenges, most other metrics either were either simple and straightforward to implement, or were outsourced, in which case were fairly easy to manage.

She did however mention that a current staff shortage presented some administrative challenges.

5.3 Data Summaries

Section 5.2 presented the responses from each respondent in narrative form, essentially demonstrating their opinions and perceptions related to the problem areas of this research.

Table 5-1 provides a summarised list of all responses for ease of comparison and review. Table 5-2 presents the respondents' individual responses to the questionnaire which featured in the discussion guide.

Table 5-1: Summary of responses

Question	Amelia Jansen: Telkom	Terry Burt: Comtech	Yvonne Lombaard: Telkom	Jeremy Alderson-Smith: Softline Pastel	Julian Bryant: Coca Cola	Guy Carter: City Lodge	Stamatia Kourantas: Deloitte	Vivienne Le Roux: Damelin	Manuela Sanchez Aragú: UNISA SBL
1. What do you make of the term *"Measuring Marketing Performance"*?	Return on investment.	Return on investment of marketing expenditure, and sales growth.	Return on marketing campaign expenditure, and degree of success or failure of each activity.	Implementation of practical measures to determine success rate of marketing campaigns.	Quantifiable measures on what is effective in terms of measuring return on marketing investment.	Financial impact of marketing on the company's bottom line.	The success of each marketing activity vis-à-vis the goals set for that activity.	Not really possible, but if it were, it would mean return on investment.	Return on investment in terms of financial and human investments.
2. What have you experienced with regards to changes in awareness and importance of marketing performance measurement in your company	Increase in awareness due to internal and external pressures, as well as International trends and benchmarks.	Nature of marketing has changed, and marketing results not as good as in the past. Pressure	Measurement is a top issue in Telkom, driven by board, as a result of impending competition. Budgets awarded based on financial	Very important, but neglected in Softline Pastel, despite Increasing pressure from UK holding company to account for marketing.	Measurement is driven by Coca Cola on a global scale. Senior management demand answers and accountability.	Increased awareness, but low priority at City lodge.	Change in perception of importance for measurement. More accountability called for by board. Increased accountability	Accountability has become broader since management is increasingly educated.	Increase in awareness led by education has led to measurement being a top priority now.

and to what would you ascribe these?		from board to account for spend.	success of spend.				leads to increased respect.		
3. What do you measure in your company, and what techniques do you use to measure these activities?	Revenue growth; market share; customer retention and attrition rates; customer satisfaction.	Sales growth; customer retention and attrition monitored.	Online system : allows for measurement of any customer activity – new customers, dismantlements (attrition), recharges, full demographics and buying patterns.	Sales vaguely tracked in relation to marketing campaigns. Project codes are used to reference each sale to an advertisement.	Sales, sales growth rates, reputation, customer opinions, macro and micro environmental factors and their impact on sales. Plethora of metrics. Brand equity.	No active tracking of any marketing activity.	Leads; advertising and public relations success; proposal win rate in respect of frequency and quantity of sales to existing customers. Market perception; customer satisfaction; competitor activity.	Nothing specific to any significant extent or degree.	Advertising effectiveness, mail-shot effectiveness, brand equity.
4. How do you determine what is important to measure in your company?	Outcomes based on five year company business plan.	Marketing designs campaign in line with company strategy,.	Telkom business plan activities are in line with customer needs, which	No direct influence from any function. Subjective decision to track	Market research provides insight into customers needs, which	No measurement.	Extent of measurement positively related to extent of marketing	Large scale organisation changes mean high focus on profitability.	Marketing activities based on corporate objectives.

		Marketing outcomes measured against plan.	are converted to marketing activities.	advertisement success.	forms corporate strategy, from which marketing objectives are derived.		spend. Marketing activity, and outcomes based on marketing plan.	Measurement is a low priority.	
5. Assessing your marketing performance measurement awareness level	Market focus.	Financial evaluation.	Many measures.	Financial evaluation.	Scientific.	Unaware.	Market focus.	Financial evaluation.	Between market focus and many measures.
6. Rate your company's marketing performance measurement system?	90 per cent.	90 per cent.	95 per cent.	34 per cent.	100 per cent.	65 per cent.	86 per cent.	50 per cent.	80 per cent.
7. What are the challenges to measuring marketing performance in your company?	Human intervention, unreliable billing system.	Funds, people and skills shortage. Metrics not justified by board	Full support for measurement, and excellent tools available to measure. Few challenges.	Human intervention, apathy, administrative negligence.	Measurement at Coca Cola is expensive and complex Requires deep and broad understanding of markets.	Undeveloped measurement mindset. No direct support for measurement from board.	Undeveloped measurement culture. Board does not fully appreciate measurement.	Difficult to establish links between traditional business and marketing results.	Few challenges related to staff shortages.

Table 5-2: Individual responses to questionnaire

Question	Amelia Jansen: Telkom	Terry Burt: Comtech	Yvonne Lombaard: Telkom	Jeremy Alderson-Smith: Softline Pastel	Julian Bryant: Coca Cola	Guy Carter: City Lodge	Stamatia Kourantas: Deloitte	Vivienne Le Roux: Damelin	Manuela Sanchez Aragú: UNISA SBL
1. Does the senior executive team regularly and formally assess marketing performance?	More often: Monthly	Quarterly	Quarterly	Never	Quarterly	Never	Quarterly	Never	More often
2. What does the senior executive team understand by 'customer value'?	Sometime one, sometimes the other	Sometime one, sometimes the other	Sometime one, sometimes the other	Value of what the company provides for the customers' point of view	Sometime one, sometimes the other	Sometime one, sometimes the other	Value of what the company provides for the customers' point of view	Value of what the company provides for the customers' point of vie	Sometimes one, sometimes the other
3. How much time does the senior executive team give to marketing issues?	100 per cent	50 per cent	50 per cent	20 per cent	90 per cent	20 per cent	25 per cent	100 per cent	50 per cent

4. Does the business/marketing plan show the non-financial corporate goals and link them to market goals?	Yes to both	Yes to both	Yes to both	Yes to both	Yes to both	Yes to both	Yes to both	Yes to both	Yes to both
5. Does the plan show the comparison of your marketing performance with competitors or the market as a whole?	Yes, clearly	Yes, clearly	Yes, clearly	No, no plan	Yes, clearly	In between	Yes, clearly	Yes, clearly	Yes, clearly
6. What is your main marketing asset called?	Brand equity	Reputation	Other Term: Image	Brand equity	Brand equity	Brand equity	Brand equity	Reputation	Brand Equity
7. Does the senior executive team's performance review involve a quantified view of the main marketing asset and how it has changed?	Yes to both	Yes, but only financially	Yes to both	Not really	Yes to both	Not really	Not really	Not really	Yes to both
8. Has the senior executive team quantified what 'success' would look like five or ten years from now?	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes
9. Does your strategy	Yes	Yes	Yes	What	Yes	Yes	Yes	No	Yes

have quantified milestones to indicate progress towards that success?				strategy?					
10. Are the marketing performance indicators seen by the senior executive team aligned with these milestones?	Yes, both	Yes to both	Yes, both	No	Yes, both	No	Yes, both	No	Yes, both
Score:	90 per cent	90 per cent	95 per cent	34 per cent	100 per cent	60 per cent	86 per cent	50 per cent	80 per cent

5.4 Conclusion

This section revealed the primary results of this study. All respondents' responses were transcribed in narrative form sorted according to each respondent.

This was followed by a data table which merges the responses into an integrated table for ease of comparison, and a second table highlighting the responses to the featured questionnaire, sorted by respondent.

Chapter 6: Discussion, Conclusion and Recommendations

6.1 Introduction

In this chapter, the outcome of this study is fully discussed, relative to the research problems presented in this study, with cross-references to other relevant studies as covered in the theoretical foundation and literature review in Chapter 2. The chapter then closes with a general conclusion, where potential implications of the research results are elaborated upon, and concludes with recommendations for further research.

6.2 Research Problem 1

What do South African organisations experience in terms of the growth in importance and awareness of marketing performance measurement, and how did these changes have come about?

Munoz (2005) reveals that one of the most important issues currently concerning business is how to measure marketing return on investment.

Why is it so important, and what has led to the increase in this importance?

Ambler (2003) suggests that that this is driven in part by the current economic climate, but also as a result of increasing board intolerance for the lack of return on investment discipline that habitually characterises marketing expenditure.

Ambler & Kokkinaki (1997) suggest that there is increasing pressure on senior marketing managers to deal explicitly with the age-old issue of measuring the impact and value of marketing.

Ambler & Wang (2002) suggest that as marketers become more accountable, it will benefit the credibility of the discipline as a whole, and bolster their respect in the boardroom.

Other research by Ambler et al. (2004) suggests that five theories may explain why marketing measurement has raised so much awareness recently. These were discussed in sections 2.5 to 2.5.5 in detail.

The research conducted for this study corroborated these suggestions. 67 Per cent (six respondents) of the respondents interviewed, explicitly suggested that senior management has raised accountability as a concern, and now demands increased accountability and answers. Only 11 per cent (one respondent) suggested however that increased accountability leads to increased credibility and respect for the discipline and its custodians respectively.

22 Per cent (two respondents) credited increased education as the factor which led to increased awareness for marketing performance measurement.

Ultimately, this study has shown that insofar as awareness and importance of marketing performance measurement is concerned, there is an unequivocal amplification, which can be attributed to senior management pressure for accountability; increased education; and to a lesser extent, a desire to enhance the credibility of the marketing discipline and its administrators. There was no direct link between respondents account for growth in importance and awareness and those theories described in sections 2.5 to 2.5.5.

6.3 Research Problem 2

What systems, tools, processes, methods or techniques do South African organisations use to monitor, measure and report on marketing performance?

Barwise & Farley (2004) suggest that one method of addressing senior managements' problem of undisciplined accountability is to adopt marketing metrics, which Ambler (2003) defines as "internal and external measurements related to marketing and market position which are believed to be linked to short and long term financial performance."

Table 2-4 in section 2.9 listed the metrics which are most frequently reported to the board in five countries, namely Germany, France, UK, Japan, USA. This research by Barwise & Farley (2004) also showed that only four per cent of firms studied use no metrics at all, indicating that many firms use many metrics.

From the research conducted for this study, it is generally evident that marketing metrics have not been fully explored in South Africa. South African managers clearly have made some progress and do make use of some metrics, but generally, have yet to fully understand, select and utilise measurement tools to any large extent. There were some exceptions however. For example, Coca-Cola, has developed and utilises a plethora of metrics to measure numerous activities, which in some cases are correlated to others. One such example is how Coca-Cola measures sales by various demographics, in relation to weather and economic conditions. Although Ambler (2003) suggests that only a handful are needed, Coca-Cola is adamant that those metrics used are all imperative.

This does not suggest that South African firms neglect to measure marketing activity at all. It merely suggests that in some cases those firms that do measure anything at all, do so co-incidentally.

Measuring marketing performance is a complex and costly matter. At minimum, it requires substantial firm and market data. What was evident from this research was that most firms conduct some form of market research, enabling them to understand consumers' or customers' needs. They all seemed to fervently subscribe to the marketing principle that one should produce or render those goods or services that one is able to indeed sell, and not attempt to sell those goods or services that one is able to produce or render.

6.4 Research Problem 3

What process do South African organisations follow in determining what activities to measure and how to measure these activities?

As discussed previously, Barwise & Farley (2004) suggest that one method of addressing accountability is by adopting marketing metrics. Ambler (2003) concurs with this, suggesting that when properly selected, these metrics form a suite, known as a dashboard, which enables managers to drive the business. Of concern, is the route that managers follow in developing this suite of metrics.

Ambler (2003) believes there are two possible routes managers can follow in designing the suite of metrics. The first option, known as the general route (discussed in detail in section 2.11.1), involves selecting general metrics from a list of three profit and loss, and six brand equity metrics. The second option, known as the tailored approach (discussed in section 2.11.2), offers the manager four sources of tailored metrics. These sources are:

1. Success Mapping, where the medium term goals are agreed and quantified. The question then is to determine what must precede each goal in order to achieve it.
2. The second starting point for tailored metrics is the firms strategy. Understanding the long term goals of the organisation, and linking marketing goals to these is important here.
3. The third starting point is the business model, which if sufficiently explicit should indicate the key issues and therefore what should be measured.

4. Finally, if managers are still unable to select appropriate metrics, those of exemplar competitor firms may be researched.

Ultimately, Ambler (2003) suggests that no metrics solution is available off the shelf. Instead, he proposes that metrics should flow directly from the firm's strategy and business model.
This enables the suite of metrics to perform more than a control function. It makes the firms business model and strategy more explicit, and provides the answer to the question, "how will success be recognised when it is seen?"

Research conducted for this study revealed that all but three organisations derive their metrics from the firms business plans. The remaining three respondents indicated that measurement is a low priority, and essentially do not use metrics to measure marketing activity. It is interesting that in firms where measurement awareness and importance is high, marketing metrics are derived from the firms business strategy.

6.5 Research Problem 4

How advanced are South African organisations conceptually and practically in terms of measuring marketing performance?

This research problem explores the evolution of marketing performance measurement both from research and practitioner perspectives, and further rates South African firms' marketing assessment systems.

Ambler (2003) believes most companies develop their thinking about overall marketing assessment, and specifically the marketing asset, in five stages. These stages were discussed in detail in section 2.8 and again in section 3.2.4.

Clark & Ambler (2001) believe that early perceptions of marketing performance measurement centred around financial output measures. As measures evolved, a variety of non-financial measures were considered, to address the problem associated with financial-only measures, namely that financial measures are only snapshots in time and too concerned with the past instead of the future.

This research showed no particular trend in the level of conceptual advancement of marketing measurement performance. There was also no particular and reliable relationship between firms level of awareness and the score achieved for its marketing performance measurement system.

The problems highlighted in section 4.5 were manifested here, namely that some respondents may have spuriously reflected their awareness level; that the validity of the questionnaire was questionable; and that the reliability was not established.

6.6 Research Problem 5

What challenges do South African organisations face in measuring marketing performance?

In a survey by the CMO Council (2004), marketers indicated that their biggest challenge in building a marketing performance measurement system, had to do with business process definition, date and tools to analyse the results. A similarly important challenge was the establishment of, or access to a central data repository containing relevant customer and marketing data.
This research showed again that no particular trend existed amongst South African marketing managers. Some managers reported no or insignificant challenges toward measuring marketing performance. Others attributed their challenges to an undeveloped measurement culture. Few cited cost and apathy as the main barriers.

Ultimately, no respondents cited a challenge similar to those findings by the CMO Council (2004) research. This is perhaps due the fact that the sample size was not large enough, or perhaps suggests that marketing performance measurement is still at such a stage of infancy in South Africa, that managers have yet to really reach an implementation stage, where implementation challenges would exist.

6.7 General Discussion

It would be negligent to imply that all respondents were unaware or novices at measuring marketing performance. Some respondent demonstrated a very advanced appreciation for marketing measurement, and exhibited a large degree of confidence in their ability to rise to the challenge in the future. However, other respondents were far off, demonstrating a fragile understanding and appreciation for the idea.

Ultimately, this research helped establish the fact that Measuring marketing performance is still in its infancy in South Africa, and much work must still be done to raise firms awareness about measurement.

6.8 Recommendations for Future Research

This study established that South African firms are not entirely aware or sufficiently familiar with measuring marketing performance. There were however some limitations which precluded a rigorous analysis of certain variables, which would be useful in further understanding the issue at hand.

One such analysis would be to establish a link between firm orientation and metrics used. The firms used in this study emanate from no particular industry. The variety of offerings are broad, and the metrics used to measure marketing activity, where applicable, were selected according to the industry. It would be interesting to identify a trend within an industry in South Africa.

Research problem 4 addressed how advanced South African organisations were conceptually and practically in terms of measuring marketing performance. The limitations reported in section 4.5 were manifested in the analysis of this problem, which may have resulted in an insignificant representation of the status quo. It would therefore be necessary to establish a scientifically valid and reliable tool to evaluate a firm's marketing performance assessment system, to accurately determine how advanced firms are in terms of marketing performance measurement thinking.

Clark & Ambler (2001) suggest that compelling research will be needed to convince managers that they should indeed spend time in keeping score. This research should identify the key metrics at least business unit by business unit. They further suggest that a need exists to understand the complete causal models among different marketing metrics, with ultimate links to shareholder value.

A final recommendation for further research, albeit similar in nature to the recommendation above, is to establish a whether a link exists between a robust marketing performance measurement capability and competitive advantage within a particular industry.

6.9 Conclusion

Formal marketing performance measurement is possibly growing, but appears from the results of this study to be rare. Measuring marketing performance is difficult and time consuming, but to succeed at any rate, requires top management support, appreciation and understanding. Few firms have achieved exemplary status, despite the advancement of marketing and business science, which is testament to it's complexity.

Although measurement is important and should and will be implemented over time in South Africa as firms compete on this basis, it is also important that the creativity of marketing be acknowledged and is allowed to flourish. Competition amongst firms is probably today more profound than in any time in history, and to complete effectively and triumphantly, creativity will become ever more important. By entirely reducing marketing to numbers, is to stifle that creativity, thus as Ambler (2003: 269) suggests, "fuzziness helps. Being too clinical kills off the enzymes that the firm needs for growth".

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Annexure 1: Rating the Firms Current Marketing Assessment System

1. Does the senior executive team regularly and formally assess marketing performance?

(a) Yearly

(b) Six-monthly

(c) Quarterly

(d) More often

(e) Rarely

(f) Never

2. What does the senior executive team understand by 'customer value'?

(a) Don't know. We are not clear about this

(b) Value of the customer to the business (as in 'customer lifetime value')

(c) Value of what the company provides for the customers' point of view

(d) Sometimes one, sometimes the other

3. How much time does the senior executive team give to marketing issues?

.............%

4. Does the business/marketing plan show the non-financial corporate goals and link them to market goals?

(a) No/no plan

(b) Corporate no, market yes

(c) Yes to both

5. Does the plan show the comparison of your marketing performance with competitors or the market as a whole?

(a) No/no plan

(b) Yes, clearly

(c) In between

6. What is your main marketing asset called?

(a) Brand equity

(b) Reputation

(c) Other term

(d) We have no term

7. Does the senior executive team's performance review involve a quantified view of the main marketing asset and how it has changed?

(a) Yes to both

(b) Yes but only financially (brand valuation)

(c) Not really

8. Has the senior executive team quantified what 'success' would look like five or ten years from now?

(a) No

(b) Yes

(c) Don't know

9. Does your strategy have quantified milestones to indicate progress towards that success?

(a) No

(b) Yes

(c) What strategy?

10. Are the marketing performance indicators seen by the senior executive team aligned with these milestones?

(a) No

(b) Yes, external (customers and competitors)

(c) Yes, internal, (employees and innovativeness)

(d) Yes, both