

# New Measures of Marketing Effectiveness

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## Some Quotes

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- *Many executives ... are insulated from reality and consequently don't know what the hell is going on (James Champy)*
- *Our systems invariably measure "the wrong stuff" (Tom Peters)*
- *Focusing on what's easily measured leads to looking good without being good (Peter Senge)*
- *We need measures that are akin to leading indicators ... Slowly, we are moving from counting to measuring (Peter Drucker)*
- *Only the lead dog enjoys a change of scenery (Sergeant Preston)*

# Marketing Expense Vs. Marketing Investment Mindset

## Expense-Driven Managers:

- ✓ What are my projected sales for next year?
- ✓ Are my spending ratios (sales force, advertising) on a par with competitors?
- ✓ Am I gaining or losing share this year?
- ✓ How can I reduce my marketing expenses?

## Investment-Driven Managers:

- ✓ What are our long run marketing goals?
- ✓ What returns are we earning from our marketing investments?
- ✓ Which new customers should I seek, and which should I avoid?
- ✓ What can be done to reduce customer acquisition costs?
- ✓ What is the quality of my market share - - do I have customers who will stay with the product for many years?

# Examples of Traditional Measures

- Sales, gross margins, profits
- No. of transactions, average order size
- Market share
- Advertising recall, image
- Percent trial and repeat
- Cost per inquiry, per closed sale
- Customer attitudes (toward us and competition)
- Customer satisfaction

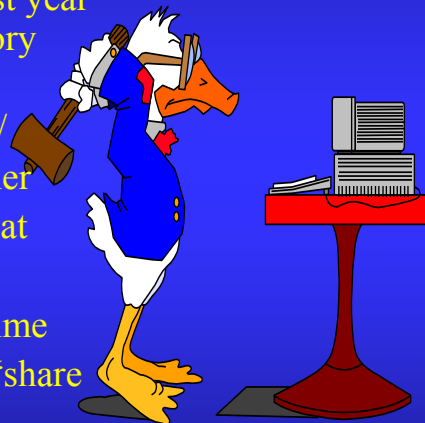
## Examples of New Measures

- Percent of time President spends on strategic marketing
- Percent of marketing personnel who's work is central to their lives
- Percent of unsuccessful sales calls
- Price earnings multiple relative to top competitors



## Other New Measures

- Percent of customers over last year who have had an unsatisfactory experience with the firm
- Lifetime value of a customer/ net present value of a customer
- Percent of key products sold at a discount
- Product development cycle time
- Share of customers' wallet ("share of stomach")



## Some Other Measures to Track

- Percent of sales over last 3 years from new distribution channels
- Percent of sales and gross margins from services and products introduced in last 3 years
- Cost to serve differences by customer
- Percent growth projected in size of target market in next 3 years



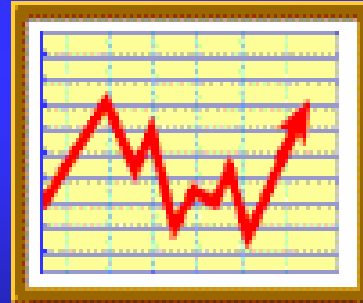
## Customer Satisfaction Vs. Loyalty

- Are you measuring the right things (segment by segment)?
- Customer satisfaction:
  - Right sample?
  - Right measures?
  - Are you using the data correctly?
- Causes of customer satisfaction:
  - Employee satisfaction
  - Service quality
- Importance of loyalty and retention vs. satisfaction (65-85% of defectors satisfied)



## Key Criteria for Effective Measurement

- Must reflect the strategic priorities of the firm
- Balance of financial and non-financial measures
- Short and long term
- Familiar plus new ones
- Few in number (6 to 10)
- Widely shared within the firm
- Actually used for diagnosing performance



## What the Champions Do



- Keep close to customers and ahead of competition (shared insights)
- Love the customer more than the product (validated assumptions)
- Do business the way the customer wants to do business
- Mission is to find needs and fill them, not to make products and sell them
- Therefore, they have superior skills in understanding, satisfying, and retaining customers