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Role In Setting Objective And Metrics In Marketing Strategy

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ABSTRACT

The study proposes to examine aspects of the process of objective setting and outline the usage of metrics to achieve the objectives of improved business marketing performance, delivery of superior customer value and derivation of superior customer meaning. The research examines marketing metrics and the higher order constructs to marketing metrics, the nature of objective setting in marketing strategy, distinguishes the elements of business marketing that include benefit, performance, managerial effectiveness, managerial efficiencies, impact, monitor, results, functionality and ROMI (return on marketing investment). The study builds a discussion on the usage of metrics in marketing strategy that includes: linkages of marketing investments with financial outcomes – ROMI; key performance indicators; measurement; marketing operations and tracking. The study outlines the implications for marketing strategists.

Keywords: metric, objective, ROMI, benefit, performance. managerial effectiveness, managerial efficiencies, impact, monitor, results, functionality.

INTRODUCTION

Marketing strategy is a means to improve the long term financial performance of an organization, as much as it is a means to deliver customer value and derive customer meaning to serve and service the customers better. The process of delivery of superior customer value is enhanced if firms have the right targets and assess their business marketing performance in a timely, consistent and effective way. Objective setting is an important exercise that needs explicit attention so that the goals, vision and mission of the organization seamlessly blends into the value building activities of the organization. Metrics are useful elements to gauge the performance of organizations. Empirical evidence indicates that customer value based culture and process lead to greater usage of marketing metrics which in turn leads to enhanced realization of objectives of the marketing program , as has been examined in the case of performance of CRM program, provided marketing-supply chain conflicts have been minimized (Ling-yee, Li; 2011). The study proposes to examine aspects of the process of objective setting and outline the usage of metrics to achieve the objectives of improved business marketing performance, delivery of superior customer value and derivation of superior customer meaning.

RESEARCH QUESTIONS

a. Define marketing metrics, higher order constructs to marketing metrics
b. Examine the nature of objective setting in marketing strategy
c. Distinguish key elements of business marketing that include benefit, performance,

managerial effectiveness, managerial efficiencies, impact, monitor, results, functionality and ROMI (return on marketing investment) that contribute towards the understanding of metrics

d. Identify and outline the different paths to metrics for marketing strategy
e. Conduct an empirical study to understand the current state on the use of metrics by firms
f. Discussion on metrics
g. Implications for marketing strategists

MARKETING METRICS AND THE HIGHER ORDER CONSTRUCTS TO MARKETING METRICS

A metric is a rigorous and objective measuring system that quantifies a trend, dynamic or characteristic that is used to explain phenomena, diagnose causes, share findings and project the results of events (Farris et.al, 2006). Marketing metrics are those metrics that pertain to the marketing function including those that have ramifications in other functions such as finance. Marketing programs and efforts have to be regularly reviewed for managerial processes in the organization and metrics is a key aid to the review process.

Marketing metrics evolve out of the marketing objectives of an organization, which in turn evolve from the goals and objectives of the organization. Guiding the organizational goals and objectives is the vision of the organization. The vision is a broad statement of achievement for a company and / or a core state of being (usually core values) and / or a core sense of purpose; sometimes the vision could be a specific realization of the future that is seen by an individual for the company – when the specific realization of the future occurs in business reality then the individual putting forth the vision is called a visionary (such specific realizations of the future are usually set by individuals who are leaders of the company and in business parlance is termed as a 'Dream'; visionaries have the ground realities of the organization and the market before their eyes and the possible realization of futures or the dreams in their minds). The goals flow out of the vision. As such though the vision could be reflecting the timeless character of the company the goals could however evolve over time. Goals that could evolve in the future are called future goals. Future goals are achievable targets for time periods longer than planning periods outlined in the current planning period but set for achievement during the next planning period and beyond. Vision could also sometime include future goals. Mission refers to the strategic principle to carry out the vision and is crucial for fostering a company's values and building a company culture. Taking a hypothetical example for a life insurance corporation would illustrate the above:

NATURE OF OBJECTIVE SETTING IN MARKETING STRATEGY

In the delivery of value to the customer through the marketing programs and the processes of marketing strategy, marketing managers and marketing strategists are confronted with management decision problems and objectives. Objectives derive from the goals of the organization or of marketing. Goals are achievable targets (that may or may not be quantified) for time periods longer than planning periods but set for achievement in the current planning period and beyond. Objectives on the other hand are derived from the goals and are quantified with time specific targets that operate within planning periods. As of the present time, it can be hypothesized that short term plans are for 1-3 years, long term plans are for 3-7 years and as such goals can be achievable targets for a period longer than 7 years depending on the market context and the organization orientation. For illustration:

Goal

1. To be the number one customer satisfaction company
2. To achieve 'Zero defects in processes

Objective

1. To achieve 40% complete customer satisfaction and 98% customer satisfaction in three years
2. To reduce service costs by 10% in three years
3. To achieve ISO Quality certifications in three years
4. To achieve 25% improvement in service quality ratings over current levels in three years.
5. To increase 30% growth in sales in three years
6. To increase market share by 5% in two years
7. To improve profitability by 10% in two years.

Management decision problems focus on symptoms or are action oriented. There could be market research problems that stem from decision problems that could either be causes or information needed respectively. For illustration:

Management problem (symptoms): Market share is declining by 10% in the past two quarters

Marketing research problem (causes)

1. How do we increase customer satisfaction – measure and improve
2. How do we set right the critical bugs in the product – analysis of product performance
3. How do we react to competitor's price cut

Management decision problem (action): To launch a new advertising campaign for soap - Fiama Di Wills

Marketing research problem (information needed)

1. To determine the effectiveness of the current advertising campaign
2. To determine the likely position should occupy
3. To determine the appeal that has to be given – rational or emotional
4. To study the impact of celebrities on sales of this product
5. To determine the appropriate media vehicles for this campaign

Problems could stem from objectives and objectives could stem from problems. Some of the resulting problems that stem from objectives could also be called sub-objectives. Research problems stem from marketing decision problems and objectives. An example below would illustrate the above:

Marketing decision problem

The sales of GEMS (General Electric Medical Systems) products are decreasing at a rate of 10% in the past two quarters

The resulting marketing objectives could be one or more of the below

a. To improve customer satisfaction to 90% in next two years
b. To examine the reduction in price by 10%

c. To launch a new version of imaging systems to capture high end of market in one year

d. To revamp the customer service systems

One marketing research problem to the above could be: Assess demand for high end imaging systems for the next three years and five to seven years.

Marketing Objective:
To achieve 30% growth rate for IDS financial planning products in the next 3 years.

The resulting marketing decision problems could be one or more of the below

a. Improve customer retention programs to increase retention rates by 50% in three years (sub-objective)
b. To increase sales force size and reduce sales force churn (problem as increasing sales force size leads to increased overhead and sales force churn could be caused by deeper underlying causes as inadequate incentives)
c. To address the customer with a wider range of financial products (sub-objective and problem – problem because the firm' product mix could already be wide)

One marketing research problem to the above could be: Need-gap analysis study for financial products

Deciding which objective to pursue for each goal, which problem to pursue for each objective, which objective to pursue for each problem, which cause to pursue for each symptom, which action to pursue for each market situation, which information to procure for each decision action, would be dependent on or more of the following: the market forces (company, customer, competitor, context), the resource and capabilities position, the leadership in the organization, the orientation of the organization.

KEY ELEMENTS OF BUSINESS MARKETING

Benefit – A use element or value delivery element from a market offering to the customer or to the firm or to both

Performance – A status of delivery of the market offering to the customer or to the firm or to both. The status assessed on single or multiple dimensions / elements of managerial / marketing relevance: (a) How well is the customer satisfied or what is the customer end reality – did the product deliver as per expectation; did the customer evaluate the product /service favorably (b) How well is the firm satisfied or what is the firm end reality – in other words did the firm achieve its financial objectives, marketing objectives (c) How good was the value delivery - in other words how well did the firm deliver benefits in relation to the firm costs and hence in relation to the resultant customer prices (d) did the brand or firm outperform other brands or firms in the market and if so by how much (e) Was the product preferred to other brands in the market (f) Did the product or service deliver as per specification (g) Did the benefits of the product match up to specification
(h) Was the brand promise delivered (i) Was the consumer gratified (j) Did the customer have a positive use experience

Managerial effectiveness: Performance - objective metric or performance metric on firm objective dimension; what is the comparator of how well the firm did or what the actual was in relation to what the firm set out to do or its objective. This construct reflects the goodness of the firm's managerial and marketing efforts.

Managerial efficiencies: Performance – cost metric or performance metric on firm cost dimension. The factor of how well the product or service delivered value on a set of benefits given a particular cost level. This construct reflects the managerial output or firm offered value to customer in relation to input or firm costs (it is to be noted that firm offered value is a firm's judgment and could be different from customer received value which is a customer judgment; the balance between firm input or costs and customer received value is brought about by the strategy of pricing).

Impact: Relative Performance metric on objective/ cost / time/ utility dimension. By how much did the considered brand/ firm outperform other brands/ firms in the market or outperformed itself or outperformed the average performance of the market.

Results: The nature of performance of a brand or firm in a given or specified time period that is of a reporting nature to the manager/ stakeholder.

Monitor: Actual performance – expected performance comparison and management process.

ROMI – Return on marketing investment is the process of measurement and the metrics that links marketing investments and financial outcomes.

Functionality: Specification – Usage translation construct

DIFFERENT PATHS TO METRICS FOR MARKETING STRATEGY

Metrics can be grouped and derived based on managerial considerations. Five theoretical perspectives to account for the growing interest in metrics include (a) planning and control (b) issue of incentives or agency theory (c) requirement of balanced scorecard of performance as suggested by higher order constructs as 'brand equity' (d) market orientation or market sensing requirements (e) institutional theory (Ambler et.al, 2003; Barwise and Farley, 2004). The first classification of marketing metrics could be into financial metrics and non-financial metrics. The second classification of marketing metrics could be into six categories (Kokkinaki and Ambler, 1999; Ling-yee, 2011) that include (a) financial measures (b) competitive market measures such as advertising share and promotion share (c) consumer behavior measures such as customer loyalty (d) consumer intermediate measures such as purchase intention (e) direct customer measures such as profitability of intermediaries (f) innovativeness measures such as those of new products launched. The third classification of marketing metrics could be as market aggregate measures such as customer equity and also as measures at the level of the individual customer such as customer profitability (Kotler and Keller, 2006; Ling-yee, 2011).

For the purpose of this paper, the fourth classification of marketing metrics is derived depending on the purpose of managerial / marketing activity and is explained below.

Marketing strategists need to link financial outcomes to the marketing investments they make; marketing investments are nothing but high intensity of marketing / organizational expense to build intangible assets such as innovation, brand equity, customer equity, relationship equity, reputation. Returns that marketers and organization heads expect from such investments are called as ROMI – return on marketing investments. Metrics are needed to comprehend such

linkages and channel investments in appropriate direction.

Marketing strategists need to constantly assess and manage performance of their brands or firms. If performance needs to gauged, discussed and managed, then performance based metrics can be used. Performance measurements can be made with respect to customer expectations or customer satisfaction metrics; managerial effectiveness metrics; managerial efficiencies metrics; impact metrics; performance and conformance quality, brand promise, gratification and usage metrics.

Managers need to delegate and evaluate the various silos or departments in their firm or division – be it relationship managers, pricing strategists, brand and product managers, sales force, advertising and promotion agencies, interface with finance. If management, delegation and evaluation of their functional area departments are to be considered then functional thought based metrics are needed. Detailed discussions of such metrics have been laid out by Farris, Bendle, Pfeifer and Reibstein (2006).

Marketing strategists need to constantly nurture and manage the strategic marketing process that includes market sensing (customer and market management), internal analysis, develop management expertise (core competencies and value competencies), resource allocation (portfolio models and sales – decision variable models), conjecture and proact and react to competition. When strategic marketing processes are to be considered, for example in times of go to market strategy development then process related metrics are to be considered. Marketing managers also need to constantly keep tab on marketing operation metrics for advertising / communication, channel management, brand management, through the process of monitoring.

Marketing strategists and managers also come to encounter vast amounts of information from their various functional departments, the markets and sales forces, and the market research and advertising agencies for which they need suitable metrics to guide them. Information based metrics would be useful in this situation, that includes state of existence, state of influenced observation and state of behavior metrics, facts, estimates and generalizable relations.

Last but not the least important, marketing strategists are in a constant process of deep engagement with the customer and derive customer insights, based on which they formulate their strategies. In such a situation, mindset or accultured individuality metrics, cognition metrics and behavior related metrics would be useful.

A detailed listing of metrics under the fourth classification above is given in Annexure I. The strategic marketing process is given in Annexure II.

7. EMPIRICAL STUDY

7.1. Taj Hotels, Resorts and Palaces

The Taj Hotels Resorts and Palaces is part of the Tata Group of companies, which is India's premier business house. The Taj is a trusted brand in the hotel industry in India. Established in 1903, it is one of Asia's largest and finest group of hotels, comprising 95 hotels in 54 locations across India with an additional 16 international hotels in the

Maldives, Malaysia, Australia, UK, USA, Bhutan, Sri Lanka, Africa and the Middle East. Each Taj hotel according to the firm, offers an unrivalled fusion of warm Indian hospitality, world-class service and modern luxury. Taj Hotels Resorts and Palaces had gross revenue of Indian Rs. 18.6 billion in 2011-12.

The Vivanta by Taj is a leading brand of Taj Hotels. The newest brand in the Taj Group portfolio, launched in 2010, the brand has in its footprint 24 hotels worldwide. Designed to deliver vibrant experiences to its guests who seek good things in life and who are stylishly spirited, Vivanta by Taj Hotels & Resorts, is an upper upscale brand with a contemporary,

energetic and vivacious twist. Vivanta is targeted at customers who consider both work and leisure at the same time. They have the following segments of customers: (a) Corporate (b) Leisure groups and Individual travelers (c) Firms holding conferences in their hotel property (d) Firms/groups and individuals who stay when major events are held in the city (e) Wedding groups. More than half of their customers are international travelers. Vivanta by Taj operates in a densely competitive place that includes W Hotels, Hilton, Sheraton, Hyatt, Sofitel, Intercontinental, Westin, Renaissance, Mariott, and Le Meridien. The brand is marketed through more than hundred touch points that form the Vivanta Moments, Vivanta Motifs and Vivanta Avatars. Vivanta Moments are thirty four distinct touch points including Vivanta smell, lobby experience, uniforms. Vivanta Motifs are local must do experiences cued around destinations such as a seaplane photo flight in Maldives. Avatars are Vivanta's distinctive view of life, incarnated through sensory means. These artful manifestations are designed for those seeking new discoveries and adventures across the worlds of art, music and design. They have an accepted pet policy.

Aspects of their business marketing performance and metrics include:

a. The property is promoted through different promotion packages for which each package is assigned a code. The performance details of each package are captured during business under this code; the major metrics checked are (i) number of rooms generated and (ii) revenue generated per package.
b. Local promotions are done through hoardings and POPs, and local promotions are mainly done for food and beverage; for example 'The Sunday Brunch' or the 'Food Festival'. The metric used is the increase in the number of covers (guests or traffic) that come in as a response to such local promotions.
c. The hotel also promotes through the Internet media that includes their website and other travel websites such as 'make my trip.com'. They also have a sales force that constantly push their property with travel agents.
d. Business with corporate segment is mainly through tie-ups. At the property, they evaluate the performance based on the number of rooms that comes in from each firm as against the number of rooms promised at the beginning of the year when the rates were settled. Depending on this metric and other consideration such as the 'importance' of the customer, they decide whether to hold rates or increase rates.
e. They measure themselves annually through awards and listings. In the past two years they have had 57 awards and listings. They also obtain a share of voice in media using public relation agency Edelman.
f. For social media evaluation, they use Facebook analytics tool called Social Bakers analytics
g. Every quarter they obtain brand equity scores through the research agency Gallup. Around 4000 to 7000 customers are telephonically interviewed within the Vivanta hotel customers and customers within the competitive set. The brand equity check has eleven questions with respect to (i) customer engagement (fully engaged, engaged, not engaged, actively disengaged) (ii) top of mind brand awareness and spontaneous awareness (iii) communication awareness among upper upscale guests
h. The service experience is measured through guest satisfaction scores that is based on parameters that are (i) cleanliness and appearance (ii) courtesy index (iii) facility index (iv) IT services index (v) food index (vi) loyalty (vii) overall satisfaction (viii) referral (ix) value for money.
i. Annually the Vivanta by Taj brand goes through a performance review. The performance review compares the brand growth versus industry growth, versus five star hotels growth, versus upper upscale hotels. The growth is measured on two metrics – average rentals,

occupancy. They also use a metric that is a customized performance metric called 'REVPAR or revenue per available room'. This is obtained by taking the average revenue per room provided for service in the property, based on (i) total room days available (ii) load factor (iii) total revenue. They also use a relative metric called 'revparpremium' where they arrive at a ratio measure of how well they have done on the 'REVPAR' metric compared to the average that exists in the industry in the city; this is an impact metric.

j. Tourism bodies give star ratings which are on parameters that are not uniform across geography.
k. The organization template for performance measurement is the balanced scorecard with over 180 standards. They have internal audits and operational audits that together with the guest satisfaction scores feed into the key result areas for management. Every four years they conduct brand asset valuation using the online portal Rediff.com.

7.2. Titan Industries

Titan Industries is a leading firm of the Tata Group companies and is the world's fifth largest wrist watch manufacturer and India's leading producer of watches under the Titan, Fastrack, Sonata, Nebula, RAGA, Regalia, Octane & Xylys brand names. It is a joint venture between the Tata Group, and the Tamil Nadu Industrial Development Corporation (TIDCO). Its product portfolio includes watches / accessories, jewelry, precision engineering and eyewear. It exports watches to about 32 countries around the world. As of 2012, it has revenue of US $ 1.6 billion.

The Titan watch brand has been studied. Titan watches operate in multiple segments that include (a) traditional men and women (b) young working professional (c) middle management professional (d) working women (e) business individual (f) fashion conscious individual and (g) sports conscious individual. The key marketing objective of Titan (as of the time of the study) is to be more modern and more exciting and more relevant for a younger and younger target audience in the nation. The theme of Titan watches has not been as a time keeping device as many Swiss watches do. The initial stand in 1988 was to have a wide range of international design watches available in international retail ambience and environment – they now have in 2012-13 as many as 1000 models under the Titan brand. Their next stand was as a 'watch to be gifted' and hence had an emotional appeal. Around 2004, they used celebrity advertising to change the theme to 'style watches for every occasion'.

By 2007 they again changed the theme to design and not functionality and came up with the Aviator collection that was inspired by World War II aircraft and catering to the child within the individual who dreamt of being a pilot. As of 2012-13, their theme focus has shifted to catering to 'different people within you'. Titan's major competitors include Casio, Guess, Fossil, and Timex. As of today, which may be also called the times of mobile phones, Titan watches are marketed as a lifestyle accessory to express an individual's ego as much as a car does; only the thing the watch is not as expensive as a car. The price range of Titan brand of watches is anywhere from Indian Rs. 1200/- to Rs. 20,000/-.

The Titan brand marketing expenses are around 5% to 6% of the turnover. There is no direct measurement of return of marketing investment in linking marketing expenses as an investment to financial outcomes. However they keep tab on their performance by the following methods:

(i) Planning and Control: Titan works on a five year plan that undergoes yearly revision on a rolling basis. They are currently using the five year plan developed in 2009-10 that goes up to 2014-15. The plan document is prepared based on an opportunity analysis of the

market, the growth patterns in the market; and an understanding of which brands are growing, stagnating and declining. They have long term goals, short term goals or objectives and key marketing initiatives. They as such measure the performance based on the planning objectives

(ii) The main metric used is number of units of watches sold as well as the total annual value of the Titan brand.

(iii) As Titan uses a theme based marketing and selling procedure, their marketing metrics are used to assess brand health. This is done by a brand track conducted every fortnight on a continuous basis irrespective of programs being executed.

The main metrics include (i) top of mind awareness which is currently around 70%, (ii) spontaneous awareness or what may be called as aided awareness which is currently around 95% (iii) consideration of the Titan brand of watches, which means the check to see if Titan brand of watches is within the consumer consideration set (iv) share of preference, which is the intention of the consumer to buy the watch in the near future (which is the next six months) as compared to the intention to buy other competing brands; the consumer's intention to buy is obtained on the basis of spontaneous awareness (v) most preferred brand. They use a sample of 750 potential buyers of watches. Their focus metric used to assess their performance in relation to the marketing expenses incurred the 'most preferred brand score'. They also keep tab of the changes in the brand health metrics over time

(iv) Every two to three years, they conduct a brand equity study to assess the Titan's brand value. As a part of the study, they have a set of fifteen statements that reflect consumer judgment on what Titan understands the 'consumer wants the Titan brand to have' and 'consumer does not want the Titan brand to have'. Statements such as 'I find the Titan brand trendy'. This is a qualitative study wherein the statements are framed based on market and customer understanding.

(v) Despite all marketing efforts, the interface at the customer end is most important for Titan watches and as such they also measure and manage the performance of the retail outlets which they call as EBO (exclusive brand outlet). They use mystery audits to check the display and the sales, the results of which are not public. They also have company wide sales contest initiatives to motivate their sales staff.

8. DISCUSSIONS

8.1. Discussion On Linking Marketing Investments With Financial Outcomes – ROMI

The overall objective of any marketing strategy will be to improve the return on investment (ROI) and lead to above average or superior long term financial performance of the firm. Superior long term financial performance is indicated by maximizing the market capitalization and operating on an optimal risk-return portfolio of products and services and markets. Semi endogenous or intermediate metrics to ROI and long term financial performance are competitive choice and competitive gain. Competitive choice is influenced by marketing assets such as brand equity, customer equity and relationship equity; competitive choice is reflected as market share, relative market share, behavior shifts and attitude shifts. Competitive gain is seen as the incremental profits obtained by gain inducing initiatives such as (a) competitive alliances (b) cluster advantages (c) effective operations (d) competitive or cost effective innovation – one such possibility is frugal innovation or Jugaad.

Marketers increasingly prefer to move away from marketing as an expense to marketing as an investment and link financial outcomes to these marketing investments and hence measure the return on marketing investment or ROMI. The motives behind such considerations have

arisen from the increasing necessity to regard the high intensity of marketing / organizational expenses to build intangible assets such as brand equity, customer equity, relationship equity, reputation, networks, and innovative capability as marketing investments; firms derive value through sustainable competitive advantages of these intangible assets and hence marketing investments contribute towards market capitalization. Metrics are needed to measure these assets and manage these assets for superior performance of the firm. Tobin's q is the ratio of the market value of the firm to the replacement cost of its tangible assets (Tobin, 1969; Rust et.al, 2004). A q-value greater than 1 indicates the firm has intangible assets. As has been said '…if marketing "wants a seat at the table" in important business decisions, it must link to financial performance' (Lehmann, 2004).

In the fulfillment of market capitalization objective and consequently the area of market capitalization metrics, one possible alternative is the use of a proxy (which is either an observable or a derived actual measure), and obtain a handle on the ROMI. For example a brand with an innovation capability could command a price premium in the market; – cetirus paribus the price premium could then act as a proxy and be a ROMI metric for the intangible asset – innovation. It is to be noted that price premium is an observable. For example, it is widely known that

Sony consumer electronic products of Japan, command a price premium over Samsung of Korea and LG of Korea, based on its innovative strength. A price premium metric in another market context could also act as a proxy for brand equity (Ailawadi, Neslin and Lehmann, 2003). ITC group of hotels in India could require a price premium on their rooms of at least Rs. 1000/- owing to the higher brand equity they enjoy as a blue chip Indian multinational. Brand equity could also reflect as high brand market value in the valuation process of brands and firms and hence brand market value in relation to brand building expenses is a ROMI. Higher relational equity could lead to profitable partnering and a higher realizable lifetime value. Realizable lifetime value is a financial metric that is prospectively obtained by adjusting the lifetime value of a customer by probability of defection given a particular level of loyalty that arises on account of partnering ; retrospectively it would be a state of extant /existence variable. Higher customer equity could lead to sustained acquisitions at lower acquisition costs and better customer retentions at lower retention costs; this would lead to improved economic value added and consequently improved return on investment (ROI) and improved payback times. Thus price premium, brand market value, higher realizable lifetime value and improved ROI and payback are proxy ROMI metrics for brand equity, relationship equity and customer equity. These metrics are outlined in Annexure I The second alternative to effective ROMI calculations is cost of capital calculations and cost of capital policies for inventories and receivables. Effective management of working capital towards inventories and receivables could go a long way in improving the effective ROMI. In practice, cost of capital on inventories and receivables could be dynamically managed to improve ROI / ROMI.

The third alternative could be to use measures of operation in building a particular intangible asset. General Foods, USA in the area of operation for new products, over a ten year period had a market success to ideation ratio of 1/20 = 0.05 (600 ideas were screened for 30 market successes). This could act as an ROMI metric for innovation ability – higher the ratio, lower the financial expense per market success and consequently higher the ROMI.

The fourth alternative could be to derive the ROMI metric from the customized relationships that links marketing investments with financial outcomes. This would necessitate the use of context dependent custom modeling. For example, years of operation since inception could be a proxy for reputation, and therefore a metric for reputation. For example, Tissot since 1853 (Tissot is a leading watch maker for global markets from Switzerland) is the brand reputation phrase for the Tissot brand belonging to the Swatch Group Company. Reputation in this context is expected to bring in additional business for the Tissot Company than it would

otherwise have. To link reputation to a financial outcome would need a modeling on customized basis of the resulting profits (market shares or sales) of Tissot in terms of its market forces arguments and market comprehending arguments of which years of operation would be one such argument.

Another derived measure that can be custom modeled for values and affecting financial outcomes is price elasticity or the sales-price relationships. Brand that are better differentiated have lower price elasticity (Boulding, Lee and Staelin, 1994; Rust et.al, 2004). Brand have better resilience during price increases when they lose less sales and gather more sales than normal when price decreases (a good example of latter is loss leader). Own price elasticity is a gain metric and cross price elasticity is a choice metric.

Similar to price elasticity, decision variables under the control of marketer like advertising and promotion influence sales and consequently response coefficients to such decision variables are also derived ROMI metrics of competitive choice, as brands function in a competitive environment (Lee and Grewal, 2004; Pauwels, Silva-Risso, Srinivasan, Hanssens, 2004). In addition to main effects of decision variables, there would be interaction effects. The issue of empirically characterizing the interactions between pairs of marketing mix elements on both short and long term ROI has also been examined (Narayanan, Desiraju, Chintagunta, 2004).

Cannibalization is loss of return on marketing investment whereas new brand / product uptake is gain of return on marketing investment. The net increase in market return would directly impact market capitalization in the long term and hence suggests the importance of brand line management and brand portfolio management. Product line growth rate net of cannibalization rate is another ROMI metric.

Brand portfolio management could lead to increase in brand equity, by appropriate line extensions and category extensions and branding strategies. Net increase in brand equity would reflect as a price premium or increased brand market value. As such brand portfolio management is an intermediate ROMI Process. It has been theorized in literature that firms exhibit three types of branding strategies – corporate branding, house of brands and mixed branding. The relationship between these branding strategies and intangible firm value has been empirically investigated (Rao, Agarwal and Dahlhoff, 2004) and it has been found that corporate branding strategy is associated with higher value of Tobin's q and mixed branding strategy with lower values of Tobin's q, given relevant factors are controlled.

Considerable research on modeling of marketing assets such as brand equity and customer equity on financial outcomes has been progressed and an overview of such research is outlined in literature (Rust, Ambler, Carpenter, Kumar and Srivatsava, 2004).

In the fulfillment of optimal risk and return portfolio objective and consequently risk and return metrics, associated with any firm's return on marketing investment is the risk that applies for the brand and the firm. This risk would include both the systematic risks of the market and firm-specific risks. One option to reduce firm-specific risks is to go in for brand building. It has been discussed in literature that strategic marketing investments reduce risk: advertising can lead to more differentiated brands, less vulnerable to competition brands; brand equity could reduce risk by deflecting competitive initiatives and through 'enhanced liquidity' (Srivatsava, Shervani and Fahey, 1997; Srivatsava and Shocker, 1991; Srivatsava, Shervani and Fahey, 1998; Rust, Ambler, Carpenter, Kumar and Srivatsava, 2004). Metrics to give risk and return measures would also be ROMI metrics. Some of the most commonly used constructs which could be used as metric surrogates would be big bets, options, no regrets, steady return, sustained return, volatile, escalation factor.

Achievement of return on marketing investment is thus an important management activity for superior performance. However, there could be barriers to build up of ROMI that include cultural barriers in international markets; market penetration difficulties in advanced need-want gratification markets wherein basic gratification has already taken place; market

tightening as the intangible asset values could also be built by competing firms either by superior marketing action or by imitation of competitive advantage; the dilution of intangible assets due to lack of appropriate government policy to enable firms protect these assets.

8.2. Discussion On Key Performance Indicators (KPI)

As discussed in the previous section, return on investment and above average long term financial performance (as indicated by market capitalization) of the brand/firm are the objectives of any marketing strategy exercise and thus could be two basic financial KPI. In addition the managers could choose certain ROMI metrics discussed in the previous section as KPI. In addition, in some markets as in international markets or market size requiring products such as pharmaceutical products the additional objective would be for a given market share and hence is a basic KPI; this is a non-financial marketing metric. Certain performance metrics laid out in Annexure I could also be selected as KPI by the firm depending on its strategy; for the example of a automobile firm that stresses on safety, profit from operations, earning per share and free cash flow could be three financial KPI for a firm and injury avoidance frequency on accidents could be a non-financial KPI. In addition there is a need to assign additional metrics as KPI. Such assignment of metrics as KPI could be dependent on the innate nature of the metric to discriminate various levels or shades of performance that depends on the 4Cs (company, customer, context, competitor) and the strengths, weakness, opportunities and threats in the market (SWOT). For example during the introduction stage of the PLC – trial would be a KPI, whereas in the growth stage of the PLC - growth rate as expressed by CAGR (compound annual growth rate) or YTD (year to date) growth or YOY (year on year) growth would be a KPI. KPI's could also evolve from the objectives and goals of the organization – an organization with customer satisfaction as it's number one priority would be more concerned with customer satisfaction metrics as KPI. In firms where differentiation between product and services is minimal as in an undifferentiated oligopoly, managerial efficiencies could manifest itself as a KPI area that would step up its competitive gain. In market driven differentiated oligopolies, competitive choice would matter most and to this end process metrics would be of importance; in this context, market sensing metrics, resource allocation metrics in the form of portfolio models, and management expertise (both core competencies and value competencies) metrics would be KPI. KPI could also be used for annual management and control as part of marketing operations. As such there could be financial and non-financial KPI.

8.3. Discussion On Measurement

Measurement is an important process of management as we can manage with less difficulty those activities that we can measure; in addition activities that can be measured lends itself to easier accountability or the control aspect. Quantitative measures such as churn lend themselves easily for management action. Subjective/qualitative measures such as those based on perception – for example brand equity need to be judged in relation to similar measures for competition to enable derive meaning – this suggests the importance of relative metrics. Relative metrics could be hard to obtain due to difficulty of obtaining competitor information, but wherever consumer perception is involved, relative metrics could be systematically obtained. Brand equity, being also an index measure, needs to be derived from perceptual realities of the market to enable the marketing strategist towards action. The issue of whether to use actual measures such as market share or use perceptual measures such as brand maps to assess brand leadership could depend on the context as much as it could on managerial judgment. The metrics used should demonstrate good reliability, without which it is not possible to evaluate markets over geography or time. Relative metrics enable the systematic error to cancel out leading to high

reliability. Actual measures and derived measures would also exhibit good reliability. The issue of the construct / metric exhibiting high degree of content / face validity depends on the marketing problem for which measurement is needed, the market context and the firm situation in both strategic and operational terms. The metrics should also exhibit high degree of discriminant construct validity, reasonable convergent construct validity; metrics in the same subgroup classification should also have reasonable nomological construct validity. Last, but not the least for an effective measurement system to be put in place that aids in management and control, support of top management is quite essential.

8.4. Discussion On Marketing Operations

Managers need to constantly monitor the market place and the firm activities. Monitoring is an important process for marketing operations that managers use to constantly battle with the identification and management of uncertainty and risk. Budgeting and budget control (budget vs. actual) is a basic process of planning and monitoring. Monitoring could be in the areas of channel management, brand management, R&D processes, and financial performance of the firm.

8.5. Discussion On Tracking

Managerial reviews are often sought by multiplicity of metrics that are relevant for a particular marketing activity assessment and are often called a 'dashboard of metrics'. In strategic marketing parlance, a prime reason for tracking is the need for taking corrective actions (Ambler, Kokkinaki and Puntoni, 2004) through feedback to the strategic marketing process. In marketing operations, a prime reason for tracking is for the monitoring process to progress the brand / firm towards short term and annual targets.

9. IMPLICATIONS FOR MARKETING STRATEGISTS

Objective setting is an initial step of the strategic marketing process and the marketing strategy exercise; assessment of business marketing performance is after the marketing strategy has been executed and the firm realizes its payoffs in the marketplace. The feedback arising after the business marketing performance assessment directly feeds into adjusting the marketing objectives as well as into the development of marketing strategy. Objectives have to be set in relation to ground realities of the market and the organization, the perceptual realities of the market and the organization, with the goals and the vision guiding the establishment of the objectives; objectives are finally tempered by what the firm can achieve and cannot achieve in the context of its ground realities and perceptual realities. Objectives also have to be established given the problems that arise to the marketing strategist and the market forces. Objective setting also needs an appreciation of customer engagement and the market / society environment. Cause related objectives could support business return objectives. Appropriate establishment of objectives determines the success factor of organizations.

Metrics are an aid to gauging and managing business marketing performance. A dashboard of metrics is needed to gauge and manage the business marketing performance. The determination of the dashboard of metrics strongly influences how the organization is measured and managed. Determination of the dashboard of metrics could arise from several considerations: (i) it has to be custom selected and / or custom made to the firm given its competitive context (ii) it is possible to benefit from a clear demarcation into financial and nonfinancial metrics as well as a demarcation into customer meaning aspects and business or firm related aspects (iii) return on marketing investment metrics when properly assessed could guide future investments both in

the product sense and market sense (iv) the control that is possible over the marketing processes and the market environment could also influence the choice of metrics (v) the need to communicate and leverage on success (vi) the orientation of the organization (vii) the key success factors of the market (viii) the key result areas for effective management (ix) the industry standards that have evolved. Management of the business marketing performance could then result from the identification of the drivers of the dashboard of metrics, the freedom inherent in the management to manipulate these drivers and the effort that goes into the technical systems and management systems for differentiating the firm in the market place.

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