



# Reports

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Customer Satisfaction, Cash Flow, and Shareholder Value (03-106)

By Thomas S. Gruca and Lopo L. Rego

Online Channel Use and Satisfaction in a Multichannel Service  
Context (03-107)

By Mitzi Montoya-Weiss, Glenn B. Voss, and Dhruv Grewal

New Approaches for New Products (03-108)

Conference summary by Gary Gebhart, Harikesh Nair,  
Sridhar Narayanan, and Jeff Shulman

Marketing's Impact on Firm Value: The Value-Sales Differential  
(03-109)

By Victor J. Cook, Jr.

Long-term Performance Impact of New Products and Promotions  
in the Auto Industry (03-110)

By Koen Pauwels, Jorge Silva-Risso, Shuba Srinivasan, and Dominique  
M. Hanssens

**Which Marketing Metrics Are Used and Where? (03-111)**

By Patrick Barwise and John U. Farley

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# Which Marketing Metrics Are Used and Where?

**Patrick Barwise and John U. Farley**

*A study of leading marketing firms in five countries finds that most managers report at least one measure of marketing performance to the board, most frequently market share (79%) and perceived product/service quality (77%). Less than half of the sample reports the more complex, but potentially important, measure of customer/segment lifetime value.*

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The task of quantitatively measuring marketing performance is not a simple one, and it must be viewed as work in progress. Almost all useful marketing metrics require some data from sources external to the firm. Even calculations of market share, for example, require reliable and dependable aggregate market data as the denominators for the calculation. Quantitative, more or less “objective”, measurements (e.g., market share) are often combined with softer survey measures such as customer satisfaction, attitudes, and awareness. Some potentially important measures such as lifetime value of customers involve complex modeling and statistical analysis which may be hard to sell to top management and to managers of other parts of an organization.

In addition, most marketing metrics have yet to be shown reliably and unambiguously associated with firm performance and value (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, and Hoenig 1996).

Given the multiplicity of the measures and the various elements of uncertainty about their use,

it is unsurprising that adoption of marketing metrics is in a dynamic pattern (Kokkinaki and Ambler 1999). This note calibrates the current situation and provides the expected path of future developments. We use a mixture of six important marketing metrics: market share, perceived product/service quality, customer loyalty/retention, customer/segment profitability, relative price, and customer/segment lifetime value.

The data were collected by Kudos Research in the summer of 2002 in structured interviews with chief marketing officers of for-profit businesses (e.g., marketing director, VP marketing). The goal of the study was to identify trends in the marketing expenditures of businesses spending more than \$1 million (1 million euros) during 2001 within the particular country under study (Barwise and Styler 2002). Sampling lists for each of five industrial countries (U.S., U.K., Germany, Japan, and France) were based on lists of leading national advertisers; many are considered leading marketers in their industries. In addition to providing detailed data on expenditures, respondents were asked to identify from a list of six marketing

metrics (noted above) those that were regularly reported to the board and those that the respondent anticipated being used in the near future.

Usable data were obtained from 727 businesses of 1,475 contacted, a response rate of approximately 50%.

As the table below shows, the majority of businesses overall say that they now report one or more of the six metrics to the board, most frequently market share (79%) and perceived product/service quality (77%). Least-used (40%) and the only metric used by less than half of the sample was the relatively new and complex customer/segment lifetime value.

Further, respondents predicted that metrics reporting—particularly customer/loyalty retention and customer/segment lifetime value—would increase in the near future. However, even if these predictions are fulfilled, less than half of the overall sample will use lifetime value metrics.

There are significant differences over countries. German firms are the heaviest users of five of the six metrics—especially market share (97%) and price (84%). Japanese firms are lowest in use of five of the six metrics, with

only 57% of the sample reporting even market shares. The U.S. and U.K. samples are fairly close to average (U.K. a bit higher), while France is high on both market share and customer/segment lifetime value. Not surprisingly, multinational firms and firms with above-average marketing budgets tend to use more of the metrics.

On average, the overall sample uses 3.9 of the six metrics, ranging from an average of 4.6 in Germany to 2.6 in Japan. This indicates a pattern of complementarity among measures: that is, while this practice may improve the reliability of these measures, it complicates their interpretation.

## Discussion

Measuring the impact of marketing on firm performance is a complex matter. At a minimum, it requires reliably available aggregate market information from external sources. It also is likely to involve soft measures on such matters as attitudes drawn from surveys. In addition, relatively complex statistical analysis may be needed to produce estimates of the value of a customer or profitability of a segment.

### All Countries: Current and Future Use of Metrics

Marketing metric	% of firms reporting metric to board ( <i>n</i> = 697)	% of firms planning to report in future ( <i>n</i> = 697)
Market share	79	2
Perceived product/service quality	77	2
Customer loyalty/retention	64	8
Customer/segment profitability	64	5
Relative price	63	3
Actual/potential customer/segment lifetime value	40	8
<b>Average</b>	<b>64</b>	<b>5</b>

Source: Barwise and Styler (2002)

## By Country: Current Use of Metrics

Marketing metric	% of firms reporting metric to board				
	U.S. ( <i>n</i> = 224)	Japan ( <i>n</i> = 117)	Germany ( <i>n</i> = 120)	U.K. ( <i>n</i> = 120)	France ( <i>n</i> = 116)
Market share	73	57	97	80	90
Perceived product/service quality	77	68	84	71	75
Customer loyalty/retention	67	56	69	58	65
Customer/segment profitability	73	40	74	65	59
Relative price	65	48	84	53	63
Actual/potential customer/segment lifetime value	32	35	51	32	58
<b>Average</b>	<b>64</b>	<b>51</b>	<b>77</b>	<b>60</b>	<b>68</b>

Source: Barwise and Styler (2002)

Despite the multiplicity and complexity of marketing measures, as well as uncertainty regarding their application, it is evident that major marketers have adopted one or more measures of marketing performance, and most use more than one metric. Further, customer

value measures (which often involve complex statistical analysis) have been adopted by nearly half of this five-country sample of large, marketing-sophisticated firms. Overall, the sample anticipates increased use of metrics in the future. ■

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