MARKETING
INTELLIGENCE
REVIEW

NIM Nuremberg Institute for Market Decisions

Marketing Dashboards – The Next Generation

DECISION SUPPORT > PERFORMANCE DRIVERS > ESG METRICS > MULTI-CHANNEL METRICS > BRAND MONITORING > CAUSAL RELATIONSHIPS > DYNAMIC DASHBOARDS

Nürnberg Institut für Marktentscheidungen e. V.
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FROM ACADEMIC RESEARCH TO PRACTICAL USE

Editorial

In an era of data explosion, the challenge has evolved from *big data* to *small data* – how to take the influx of data and summarize it to something manageable and comprehensible. At the same time, it is necessary to get everyone in the organization focused on the same objectives. A structure for presenting the information internally is the *marketing dashboard*.

Marketing dashboards have now been with us for close to 30 years. They have evolved from reporting results on key performance indicators to a more dynamic and diagnostic tool. This allows marketers to view the impact of alternative scenarios of changing competitive activities and market conditions on likely results as well as assess the wisdom of alternative marketing spending. Their KPIs have evolved with the organization's mission, from serving customers to engaging employees and creating value for society.

Dashboards serve a functional role for the organization. They debias information collection and decision-making. They communicate widely what are the key metrics to focus on. The old adage "what gets measured is managed" has become all the more the case with the adoption of dashboards. They make it clear to everyone what is under the corporate microscope and how one will be assessed. But, as Neil Hoyne of Google has indicated in the enclosed interview, it is essential to understand not just what has happened, but also how we got there and how we get to where we need to be.

In this issue, several expert colleagues offer perspectives and dashboard insights, covering a broad range of organizational marketing impact from brand management, through multi-channel distribution, to society, and ultimately to a company's financial performance.

We hope you enjoy reading this issue and recognize that the new dashboard of today will be the old dashboard of the future.

Dave Reibstein

Dave Reibstein and Koen Pauwels

Philadelphia, Boston, January 2023

Marketing Dashboards – The Next Generation

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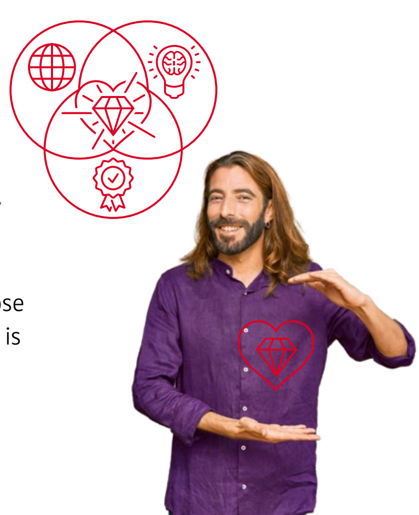

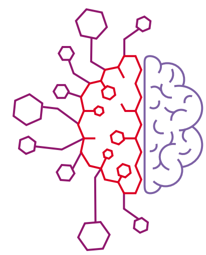

Executive Summaries

The Modern Marketing Dashboard: Back to the Future

Koen Pauwels and David J. Reibstein

An effective dashboard integrates data, processes and viewpoints to show what happened, why it happened and what could happen with the right remedial action. It serves as a communication tool for what is important to the organization and helps to align all parties to the right objectives. It also serves as an aid in decision-making and goal attainment and the pathway to get there. The dashboards of the future need to be dynamic and constantly adapting to changing market conditions. They should include the long-term effects of marketing spending. Artificial intelligence has already made great strides in automating parts of dashboard development and can write out human language stories based on statistical evidence. AI can generate graphs and allow dashboard users to verbalize hypotheses to be tested in follow-up research.

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Metrics for Marketing Decisions: Drivers and Implications for Performance

Ofer Mintz

Marketers are using metrics to diagnose, coordinate and monitor customer relationships and marketing efforts, set benchmarking goals to guide marketing implementation, and communicate the results of marketing outcomes with internal and external stakeholders.

Even if the number of available metrics is striking, some studies found support for the idea that the more metrics managers employed for their decisions, the better the marketing performance. Studies by the author also showed that using non-financial marketing metrics, such as awareness, willingness to recommend and loyalty, seemed to be associated with better marketing mix performance outcomes than using financial metrics, such as target volume, NPV and net profit. Developing a customer-centric organizational structure encourages managers to consider and develop a greater reliance on metrics.

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Finding the Right Metrics to Manage Multi-Channel Distribution

Kusum L. Ailawadi and Paul W. Farris

Many metrics used to evaluate brick and mortar channels have equivalents online, but there are also some new metrics that marketers should monitor. Distribution breadth and depth refer to how easily a consumer can find a store that stocks the brand and find the brand within the store. Being findable online where and when consumers search for the category is just as crucial.

In a successful cooperation, neither distribution partner can afford to focus only on its own performance at the expense of the other – at least not for too long. The partnership must be profitable for both, so both perspectives require monitoring. Suppliers need to understand where their target market searches and when, why and where it buys to decide where they should expand and who they should reward.

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The What, Why and How of ESG Dashboards

CB Bhattacharya and Mostafa Zaman

Many businesses have turned to ESG reporting to satisfy the informational needs of their external and internal stakeholders. ESG stands for environmental, social and governance metrics – both qualitative and quantitative – to highlight how well or poorly a firm is doing in terms of long-run sustainability. Investors and governments as well as customers and employees are becoming more and more concerned with ESG issues. ESG dashboard metrics serve as a means of accountability for all parties concerned and contribute to ensuring that the business adheres to its ESG commitments. Companies should use a purpose-driven approach with strong commitment from management and use cross-functional teams from areas including supply chain, technology and infrastructure to formulate a plan to integrate ESG metrics for reporting and identify gaps and deficiencies in current practices.

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Compensation-Related Metrics and Marketing Myopia

Martin Artz and Natalie Mizik

Compensation packages including incentives tied to a company's stock price can be powerful motivators for corporate leaders. But the authors' study also showed that these motivations can produce some serious unintended consequences. Equity incentives can tempt CMOs to engage in short-sighted marketing management such as cutting R&D and advertising spending in an effort to inflate current earnings and enhance the company's stock price. This myopic management boosts their personal earnings at the expense of their company's long-term performance. Our findings highlight the pitfalls and limitations of overreliance on equity in managerial compensation packages.

Companies could continue to pay their C-level executives based on stock price performance but defer the payout to the future until the long-term consequences of their decisions become apparent. This would reduce the temptation to act on short-term impulses to boost equity compensation.

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Monitoring Marketing Sources of Brand Reputation Risk

Susan Fournier and Shuba Srinivasan

Executives consistently rank brand reputation risk among the top three overall risk challenges facing their businesses. This risk is the possible damage to a brand's overall standing, stature and esteem that derives from negative signals regarding the brand.

Successful brand stewardship requires ongoing tracking and monitoring of four marketing-strategy-related sources of reputational risks to brands: brand architecture strategies, digital marketing strategies, person-brand strategies and corporate socio-political activism. The authors provide ideas for metrics that a dashboard to manage brand reputation risk might contain. From the analysis of monitoring data, brands can, among other things, assess the level of severity of a specific brand reputation risk issue, the frequency of certain types of events, alternate response scenarios and the effectiveness of their actions.

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Brand Purpose and Brand Success

Michael Zürn, Fabian Buder and Matthias Unfried

Beyond striving for financial success, the purpose of a business can be the creation of customer benefits but also positive third-party effects – a purpose beyond profit. Quantifying a company's purpose beyond profit is no easy task, but it is highly relevant. The presented perceived purpose score is an example of a validated and theoretically grounded quantification of brands' purpose from a consumer perspective. The authors found a positive correlation between the Net Promoter Score and brands' perceived care for third parties, supporting the assumption that engagement with social or environmental causes can pay off. This research lays the foundation for a more systematic, rigorous investigation of purpose beyond profit.

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Dashboards: From Performance Art to Decision Support

Interview with Neil Hoyne, Chief Measurement Strategist at Google

Dashboards are a common tool for managers to monitor a company's performance, and since the COVID-19 pandemic they have gained popularity among even broader audiences. But what is the real use of these dashboards? Is it just performance art or is it a tool that provides managers with the information they need? It may be slightly astonishing that Google employee Neil Hoyne is no fan of dashboards, but he believes they can be toxic when taken out of context. In this interview, he explains his skepticism of monitoring the same KPIs quarter after quarter and suggests different ways to make dashboards more strategically useful to companies. In his view, dashboards should inspire questions and curiosity, reflect market context and align toward specific business initiatives. He also suggests a more professional use of data and favors the scientific inquiry of the relationship between marketing measures and business outcomes.

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The Modern Marketing Dashboard: Back to the Future

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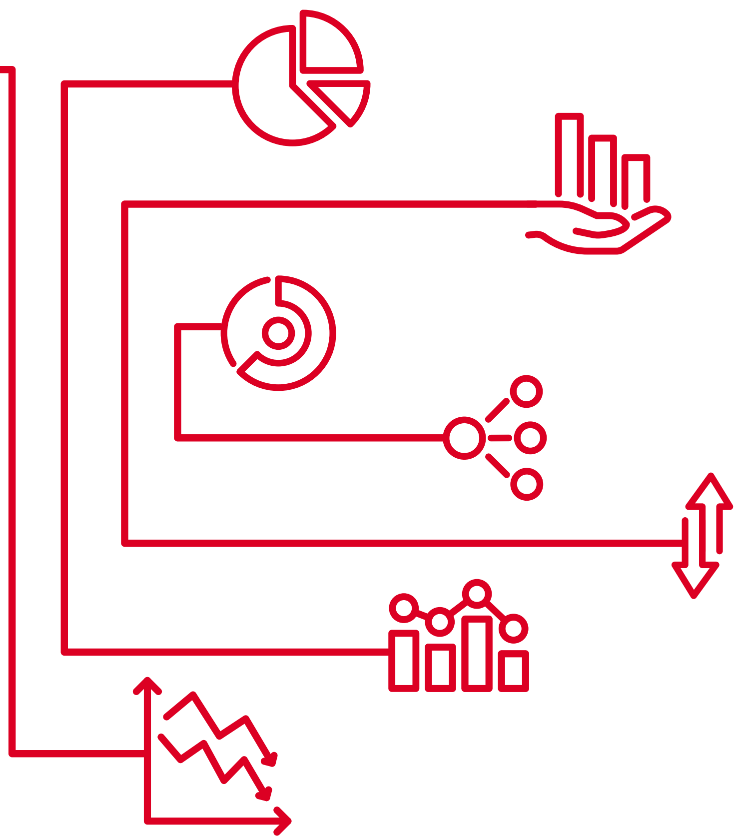


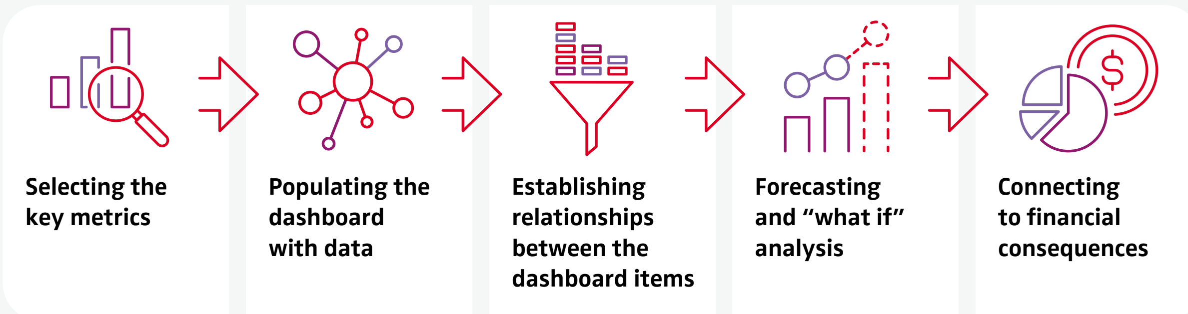
Something old mixed in with something new × After two decades of designing, teaching, using and writing about marketing dashboards, the current discussions around them feel to us like "back to the future." What is familiar is the never-ending quest of business and marketing practitioners for a relatively small collection of interconnected key performance metrics and underlying performance drivers reflecting both short- and long-term interests throughout the organization. An effective dashboard integrates data, processes and viewpoints to show what happened, why it happened and what could happen with the right remedial action. It serves as a communication tool for what is important to the organization and helps to align all parties to the right objectives. It also serves as an aid in decision-making and goal attainment and the pathway to get there.

From the Balanced Scorecard to Tesla-style control × A very useful tool, the Balanced Scorecard, was first introduced in 1992 in a seminal article by Kaplan and Norton. It offers a means of tracking what has been accomplished and, as suggested by the name, it allows for detecting where the business might be misallocating its resources and not covering all bases. Nearly a decade later, a relevant sequel emerged – the marketing dashboard. This metaphor of a car's dashboard allows one to see what has been accomplished in the past, like an odometer showing distance traveled, along with current status, comparable to a speedometer. Car dashboards have advanced over the past 20 years, now able to look into the future based on knowledge attained over the course of travel. This comes in the form of forecasting the number of miles/kilometers remaining in the tank and expected arrival time based on historical driving behavior as well as suggested routes avoiding traffic to best maximize the objective of arriving at one's destination.

The same evolution has happened with the dashboard of the future – a report on how we have performed, forecasts of what will transpire into the future and even recommen-

» *It is necessary to measure what you need rather than to merely use what you have.* «

FIGURE 1 > Stages of dashboard development



dations for behavior that would maximize businesses' key performance metrics. With the advent of AI and machine learning, the ability of the dashboard of the future to anticipate the results of alternative spending patterns will continue to enhance its predictive ability. Similar to self-driving cars, we still need somebody in the driver's seat, but the level of decision support will be unprecedented.

Key stages for dashboard development × Independent of available technologies, both failures and successes across continents reinforce the importance of each of the five stages of dashboard development. These key stages remain the same for the dashboard of the future as they were for the past. They are presented in Figure 1 and discussed in the next sections. The last three steps, which establish the interconnection of the metrics and forecasting based on the underlying models, distinguish a dashboard from a scorecard and make it a much-enhanced tool to support marketing decision-making.

> **Selecting the right dashboard metrics** × A rich research stream shows how managers select and use dashboard metrics across regions, industries and functional areas.

Time series analysis has shed light on which metrics might be more useful than others. To avoid overloading dashboards, metrics that show little variation over time, are too volatile to be reliable, add little explanatory power to existing metrics or are not leading indicators of financial results are best deleted. The metrics left standing are leading key performance indicators (KPIs) and their selection helps managers make better decisions.

Of key interest to market researchers is that survey-based attitude metrics move slower than sales and may not be in sync with the other metrics in the dashboard. Online consumer behavior metrics of paid, owned and earned media move faster and are a forebearer of what is to come. Also, online behavioral metrics explain sales more in the short run of a week, while survey-based attitude metrics tend to predict sales better in the longer run over several months. In this issue, Ofer Minz (p. 18) discusses what metrics from across financial and non-financial marketing measures best blend for decision-making across the array of marketing decisions.

Further, and not surprisingly, new metrics have entered the scene. With the dramatic shift to online sales, new metrics capturing the dynamics are essential. It is hard to generate sales without a means of putting the product in front of the customers. The emergence of retail media has increased the importance of online distribution metrics, as more consumers start their product searches on Amazon than on Google (Ailawadi and Farris, p. 24). In the light of the current challenges our societies face, ESG-related metrics gain more relevance for consumers and investors, as CB Bhattacharya and his co-author argue in their article (p. 32). And Fournier and Srinivasan discuss brand reputation risk as an emerging threat to organizations, particularly in fast-moving polarized societies, and suggest new

» *Time series analysis has shed light on which metrics might be more useful than others.* «

metrics for a brand reputation risk dashboard (p. 46). Zürn and colleagues present a new metric to measure a company's purpose beyond profit (p. 54).

> **Populating the dashboard with data** × It is tempting to put in a dashboard the data you already have rather than first identifying what the business objectives are. But you need to make sure you have the right metrics that capture the relationships driving these objectives. In other words, it is necessary to measure what you need rather than to merely use what you have.
Whether this is driven from the top or generated from the bottom, there needs to be a collective effort across the marketing organization and those directly affected. For old and new metrics, the improved measurement is new, and democratization of dashboards – ensuring digital literacy at all levels of the organization – is an additional challenge. On the measurement front, new methods were developed and applied to overcome challenges and provide missing information. Empirical generalizations on wear-in and wear-out effects are emerging for both traditional and digital media, allowing insights on short- and long-term effects. As noted earlier, one of the key challenges is the periodicity of the data; that is, not all data will be covering the same period. For example, we might have bi-weekly sales data, daily clickstream data, quarterly attitudinal data, etc. One of the challenges is recognizing that not all of the data moves at the same rate, meaning that trying to connect the causal relationships becomes more difficult.

> **Establishing relationships between dashboard items** × Rather than having an unrelated set of metrics sitting in a dashboard, it is desirable that the dashboard of the future be able to assess how the metrics are interrelated. It is already much easier to investigate causal relationships among the selected metrics. Randomized Control Trials (RCTs) have come a long way in establishing causality. These trials generally come in the form of an A/B test in which a marketing activity (e.g., adding salespeople

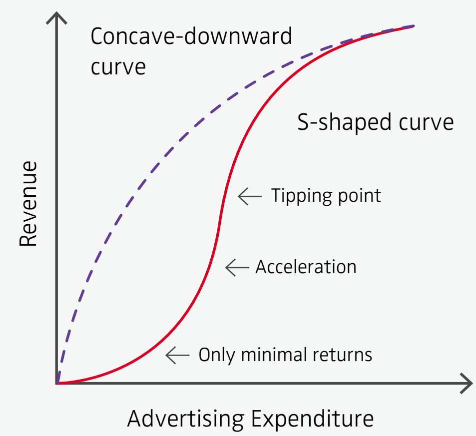
BOX 1

Accounting for non-linear marketing response

The underlying relationships between the measures in the dashboard need not be linear, that is, a constant return or impact per dollar spent. In practice, diminishing returns are observed and efficiently captured in a concave downward curve, as shown in Figure 2. In this case, marketing has a strong initial impact, but the market or segment becomes saturated.

Also common are S-shaped market response curves, implying that marketing's impact at low levels has only minimal returns. Eventually it accelerates and then starts to taper off, also known as the tipping point. This shape should be reflected in the underlying relationships captured in the dashboard.

FIGURE 2 > Typical response curves of marketing activities



to an area) is implemented in a subset of the population and compared to a control group. However, the costs and time limitations of running these RCTs point to the need for better integration with observational data and methods. Such integration is rapidly moving forward with the advent of AI and machine learning. Other steps are helping in the estimation of these relations; for instance, randomizing ad bids separates mere correlation from true causal effects, takes care of endogeneity concerns and improves the accuracy of observational estimation of advertising effects.
Synergy in marketing spending is another hot topic. A great deal of research presents methods to quantify the synergy among marketing actions, both online and offline and for different customer segments in different brand conditions. This reflects the interaction between marketing variables and is a fairly common practice in marketing. For example, it's natural to want to advertise when prices are lowered, or to announce when features are added to a product or service. These combined effects are synergistic. It is desirable to determine whether an increase in sales was the result of a drop in price or of increased advertising, as both actions may not be necessary. The separate and joint effects of field experiments have become fairly easy to assess. This information can then be shown as such in the dashboard and reflect the effect in real life. The online/offline synergy is reflective of their joint impact. The work on attribution should be integrated into

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The dashboards of the future need to be dynamic and constantly adapting to changing market conditions.

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BOX 2

Marketers' expectations from dashboards

Based on a survey of nearly 100 executives in 2005, dashboard adoption was mixed. While most managers reported their companies were working on the development of a dashboard, almost none considered the dashboard complete, nor did they rate its quality very highly. Yet, the desire for dashboards remained strong.

Today, marketing dashboards have become standard practice. That said, managers continue to want more, as evidenced in these 2022 quotes from the author's personal conversations:
"The perfect tool would be a dashboard to see what I am spending on, and what is coming back as impressions engagement and transactions on a daily basis, with benchmarking versus our immediate competitors."
"Financial folks want immediate gratification, so they like proof of fast conversion. You won't get that for sales with a branding campaign, so we need immediate measurement that a person saw it or raised their hand (e.g., clicked, entered their email address). Such dashboard metrics help us formulate hypotheses on why something is underperforming – and increase spending on what is overperforming."

Throughout dozens of interviews, advertisers replied that they still wanted "a dashboard connecting marketing inputs with consumer responses and conversion outputs." Agency and data aggregator dashboards typically provide only the former, and digital platforms, such as Google Analytics, only the latter.

the dashboard to reflect synergistic impact and not give all the credit to merely where the sale transpired.

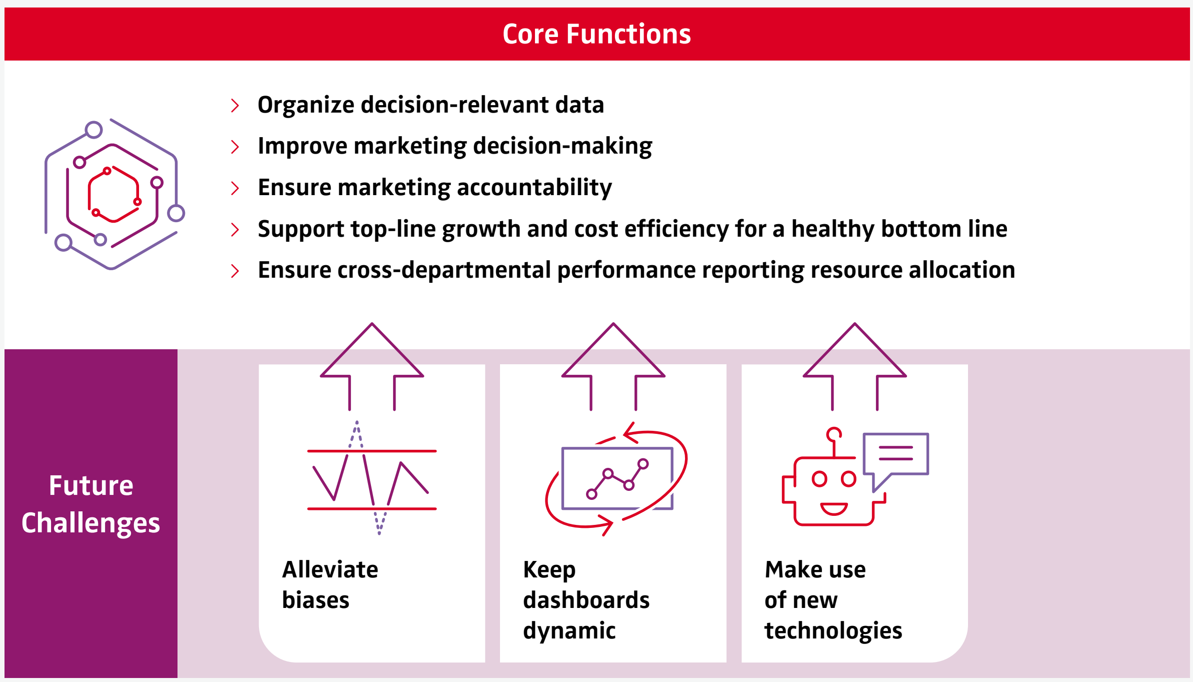
- **Forecasting and "what-if" analysis** × With a fully populated dashboard and an empirically-based articulated relationship between its components, the dashboard can be used not just as a reporting tool but also as a strategic tool. It would be possible to evaluate alternative marketing plans to assess the forecast under different scenarios. This could include different allocations as well as changes in customer behavior, segment sizes, competitive behavior, etc., depending on what is included in the dashboard. This capability allows for tracking early warning signs signaling the need for a shift in spending as one starts to detect a change in the operating environment.

- **Connecting to financial consequences** × The marketing dashboard should not end with marketing outcomes. In terms of serving the greatest role for the company and demonstrating the value of marketing's role, it is important to also connect the marketing outcome variables to firm KPIs, including revenue, profits, cash flow, EBITA and even return on investment.

  With the inclusion of the S-shaped curves it will be possible to show that marketing should not always be requesting a bigger budget. There are diminishing effects which could result in a decrease in profits, demonstrating to marketers and to the rest of the organization that more marketing spending is not always better and doesn't always lead to a sound strategy.

How to make dashboards fit for the future × More than a decade ago we wrote that at least five factors were mentioned by managers as driving the need for dashboards: (1) Poor organization of the many pieces of potentially decision-relevant data; (2) managerial biases in information processing and decision-making; (3) the increasing demands for marketing accountability; (4) the dual objective of companies to grow the top line while keeping down costs for a healthy bottom line; and (5) the need for cross-departmental integration in performance reporting practices and for resource allocation. None of this has changed according to managers (see Box 2).
Today it is clear that the existence of a dashboard helps focus the organization not just on what the key measures of concern are but on having a common measure across functions.

FIGURE 3 > Core functions of dashboards and future challenges



Also, the underlying relationships are more trustworthy and supported by data and advanced analytic tools, and therefore the credibility of marketing is enhanced. With so much spending now online, the direct accountability is much more visible, credible and rapid in response. However, there are still challenges ahead for future dashboards. In our interview, Neil Hoyne, Chief Measurement Strategist at Google, presents his view on necessary improvements (p. 60). Figure 3 lists the requirements that dashboards need to fulfill to be regarded as valuable tools, plus some challenges that still lie ahead, which we discuss below.

> **Keep debiasing decision-making** × No doubt, marketing dashboards have significantly improved marketing decisions, but not always. As demonstrated in this issue by Artz and Mizik (p. 40), CMOs may also fall victim to marketing myopia, optimizing their decisions based on what increases their own compensation instead of what is in the best long-term interest of the organization. Likewise, big data and its incorporation into dashboards does not necessarily alleviate the many decision biases. Thinking like a scientist – testing hypotheses, uncovering disconfirming evidence – is enabled by analytic dashboards but remains scarce in management. In contrast, cherry-picking positive marketing outcomes and always asking for more resources remains a common practice of marketing departments and a common complaint of more financially focused executives. A dashboard that shows the interconnection of spending and identifiable outcomes and reflects not only "promised" increasing results but also the diminishing portion of the S-curve sales response function can only enhance the credibility of marketing and respect from the financial side of the organization.

The existence of a dashboard helps focus the organization not just on what the key measures of concern are but on having a common measure across functions.

Keep dashboards dynamic and integrate long-term effects of marketing spending One of the reasons the dashboard is organic is that the understanding of the relationships between different metrics will grow over time with more and more data. What makes the development more complicated is that they will also evolve – meaning that what works and by how much will not stay constant. Therefore, the dashboard and its underlying structure will need to change to reflect the shifts in the market and the competitive response.

Further, what is still missing is the long-term effects of marketing spending. Such long-term benefits may take the form of the value of the brand, the credibility of the lifetime value of the customer, the relationship with distribution and other trade partners, and other long-term effects. No one doubts the calculations of the lifetime value of the customer. It is based on assumptions supported by data while assuming competition does not radically change to disrupt customer and trade relations. This is not always the case. Hence, again, the need for the dashboard of the future to be dynamic – not a quarterly or even bi-weekly "report" but a live indicator of where things stand at this moment.

Make use of technologies The modern dashboard is also likely to benefit from novel technologies, such as blockchain and artificial intelligence. First, blockchain may help track customer data, its standardization and quality, coordinating among different departments, supply chain partners and MarTech vendors. The data recorded in a blockchain can easily be made accessible to the participants. Second, artificial intelligence has already made great strides in automating parts of dashboard development and can write out human language stories based on statistical evidence, generate graphs and allow the dashboard user to verbalize hypotheses to be tested in follow-up research.

Nevertheless, companies will continue to say their dashboards are not complete, and that is good news. The dashboards of the future need to be dynamic and constantly adapting to the changing times. We don't want a car dashboard to tell us how much fuel we had left in the tank last week or how fast we were going, but instead to report conditions in real-time and provide reliable, crash-preventing driving assistance. The same is true for the marketer of today and tomorrow.

FURTHER READING

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Metrics for Marketing Decisions: Drivers and Implications for Performance

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KEYWORDS
Marketing Metrics, Decision-Making, Marketing Performance

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To avoid being drowned by numbers, managers should pick the metrics with the best impact on performance.

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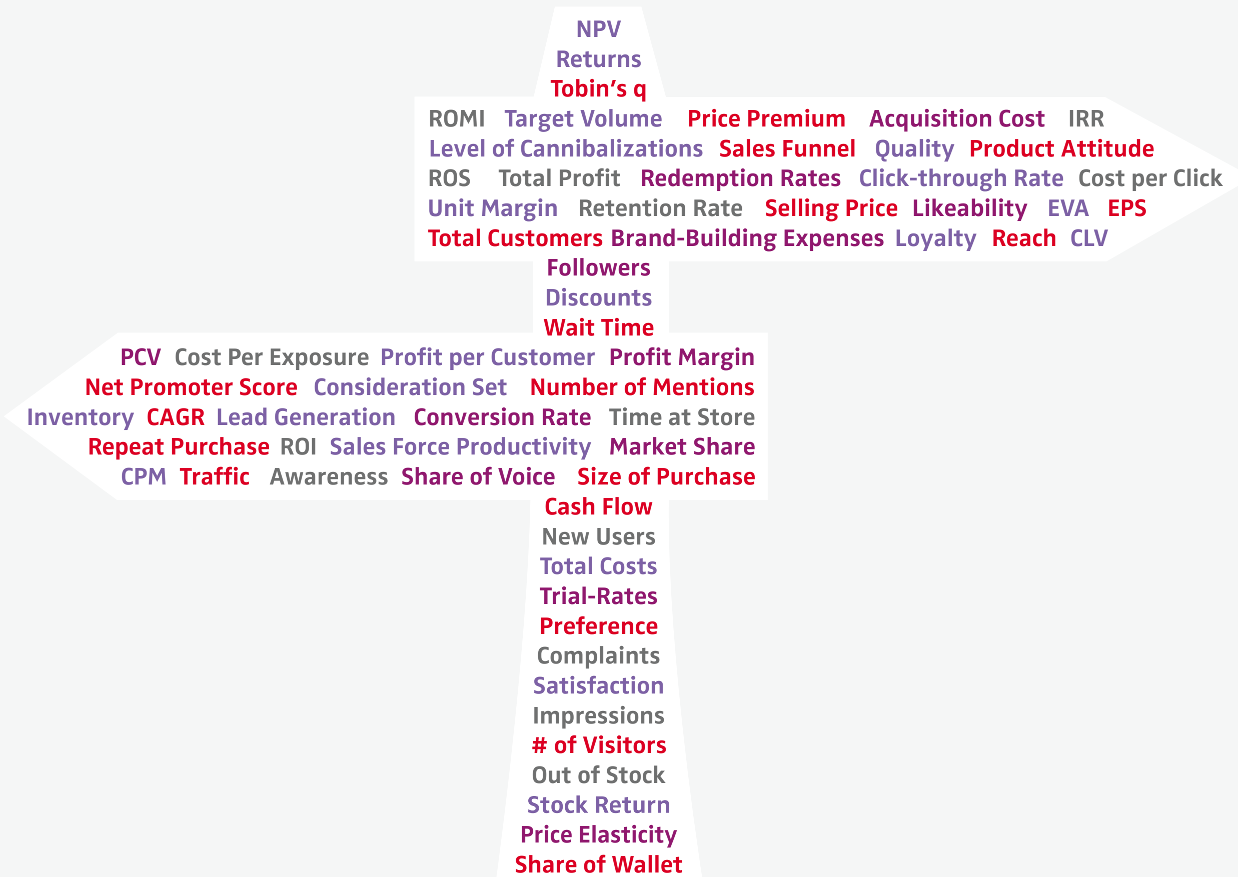
Marketing: Drowned by metrics? × The age of big data, marketing analytics and digital technology has increasingly forced marketers to justify their actions while also being held accountable for the results of their efforts. Marketers have responded by employing metrics or key performance indicators (KPIs), such as return on investment (ROI), net profits, market share, satisfaction, awareness, Net Promoter Score (NPS) and customer lifetime value (CLV).

In addition, current business trends are making marketers responsible for informing key stakeholders inside and outside the marketing function about marketing investments and how marketing is impacting customers' short- and long-term behaviors and business relationships. Thus, marketers are also using metrics to diagnose, coordinate and monitor customer relationships and marketing efforts, set benchmarking goals to guide marketing implementation, and communicate the results of marketing outcomes with internal and external stakeholders.

Figure 1 provides an overview of common marketing metrics, and the abundance of metrics is striking. Thus, are marketers being drowned by the increasing availability of and demand for metrics? Or is the greater availability of metrics a blessing for them, leading to better marketing decisions? We can offer some interesting findings.

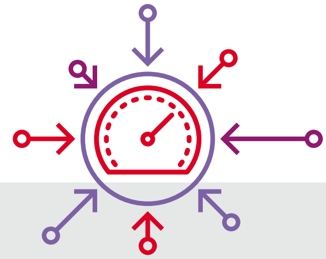
Metric use and marketing performance × Theoretically, the more metrics managers are using and the more information they are employing to make their decisions, the more comprehensive and holistic their decision-making can be, and the better their marketing mix decision quality. The benefit to companies is that improved marketing decision quality from metric use should ultimately lead to better marketing performance. Of course, managers can also feel overloaded by too many available metrics and be tempted to look at the "wrong" (less important) metrics rather than at the "right" (more important) metrics. To investigate how metric use relates to performance, I have been part of research teams that have collected and analyzed data on managers, metrics and decision-making over the last decade. This research is briefly summarized in Box 1 and the most important results are presented below.

FIGURE 1 > Collage of metrics managers might use in their decision-making



> Some metrics are more popular than others × Customer satisfaction was the metric managers employed the most, with slightly over half of managers (53%) indicating use of the metric when making a marketing mix decision. In fact, customer satisfaction was one of the three most used metrics in 13 of the 16 countries in our sample. Brand or product awareness, ROI, net profit and brand or product likeability were the next four most used metrics (see Figure 2). In contrast, Tobin's q (a measure of financial market performance), brand or product consideration set, stock returns, share of customer wallet, and economic value added were the five least used metrics. These results demonstrate that managers are for the most part using metrics they deem more responsive and closer to their marketing mix decisions, and they are not using metrics focusing on overall corporate and firm financial health.

> Metrics relating to better and worse performance × Another key question is, of course, whether there are certain metrics that are silver bullets (always associated with better performance) or lead bullets (more associated with worse performance). We found that two metrics were close to silver bullets for most types of marketing



BOX 1

Studies to investigate how metric use affects performance

In a first study, with Imran Currim (from the University of California, Irvine), we collected data on 439 US managers making 1,287 marketing mix decisions. We found support that the more metrics managers employed for their decisions, the better the marketing performance. Further, we did not find any significant evidence that using more metrics overwhelmed managers and diminished the effect of metric use on marketing performance.

In the second study, with Imran Currim, Jan-Benedict Steenkamp (from the University of North Carolina) and Martijn de Jong (from Erasmus University), we collected data on 4,387 marketing mix decisions from managers residing in 16 different countries. Again, we found that the more metrics managers employed, the better the marketing performance. This effect was true in each of the 16 countries that we analyzed (Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, South Korea, Turkey, the UK, the US).

In the third study, with Tim Gilbride (from Notre Dame University), Imran Currim and Peter Lenk (from the University of Michigan), we analyzed how the use of a given metric in a marketing mix decision was associated with that marketing decision's performance. Using the data from the first study on US managers, we find some metrics are associated with better marketing performance, while others are associated with worse performance. Further, we compare and contrast how those results differ across ten types of marketing mix decisions (traditional advertisements, digital advertisements, social media, direct-to-consumer, sales force, PR/sponsorships, pricing, price promotion, new product development, distribution) for different types of managers, companies and industries.

mix decisions: employing awareness and willingness to recommend. In contrast, we also identified two lead bullets for most types of marketing mix decisions: employing target sales or unit volume and net present value (NPV) (see Figure 2). The results demonstrate that managers should take a very close look at the "bookends" of the customer purchase journey: Customers start the journey by becoming aware of the product or customer problem and then finish the journey by being willing to recommend the product to others post-purchase.

In addition, using non-financial marketing metrics, such as awareness, willingness to recommend and loyalty, surprisingly seemed to be associated with better marketing mix performance outcomes than using financial metrics, such as target volume, NPV and net profit. There are two main reasons for this outcome. First, the non-financial metrics were more directly a function of the marketing efforts than financial metrics. Second, the non-financial metrics are longer-term growth-focused metrics that activate a promotion-based decision process in compari-

Managers tend to over-use financial metrics and under-use non-financial marketing metrics in their decisions.

FIGURE 2 > Metric use in marketing mix decisions and their effect on performance

Most popular	Least popular	Associated with greater performance	Associated with worse performance
> **Customer satisfaction** > Awareness > ROI > Net profit > Likeability	> Tobin's q > Consideration set > Stock returns > Share of customer wallet > Economic value added	> Awareness > Willingness to recommend	> Target volume > Net present value

son to shorter-term profitability-focused financial metrics that activate a prevention-based decision process. Yet, financial metrics are more salient to managers when they are making their decisions since most managers in the organization understand and are evaluated by financial metrics, while non-financial marketing metrics are regarded as more uncertain since those metrics are related to unique terms primarily associated only with marketing. Hence, we find managers tend to over-use financial metrics and under-use non-financial marketing metrics in their decisions rather than using them optimally.

How to improve managerial use of metrics × Based on our research, we recommend the following measures to increase the use of the (right) metrics by managers.

- **Provide managers with metric training and metric compensation** × Directly providing training and compensation based on the use of metrics – either specific metrics or overall metric use – facilitates and incentivizes managerial metric use. Training increases confidence and reduces managerial discomfort in understanding, using and communicating metrics to stakeholders inside and outside the organization, while compensation further encourages managers to consider metrics most relevant to the company.

- **Develop an organizational culture conducive to metric use** × Promoting greater organizational involvement in marketing decisions forces managers to broaden the types of information they consider beyond traditional

» *The more metrics managers employ, the better their decision quality and marketing performance.* «

marketing boundaries. Further, developing a customer-centric organizational structure encourages managers to consider and develop a greater reliance on metrics related to their customers. Finally, empowering managers through flexible and organic decision-making processes encourages greater use of information and metrics in decisions in comparison to orderly and controlled decision-making processes that force managers to follow procedural policies.

The bottom line about metrics × Metrics are increasingly critical to help marketers manage, communicate and justify their actions in a big data environment with many moving parts. The good news is that metrics are readily available and the more metrics managers employ, the better their decision quality and marketing performance. However, in order not to drown in numbers, managers should make sure that they pick the metrics that have the best impact on performance. ×

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Finding the Right Metrics to Manage Multi-Channel Distribution

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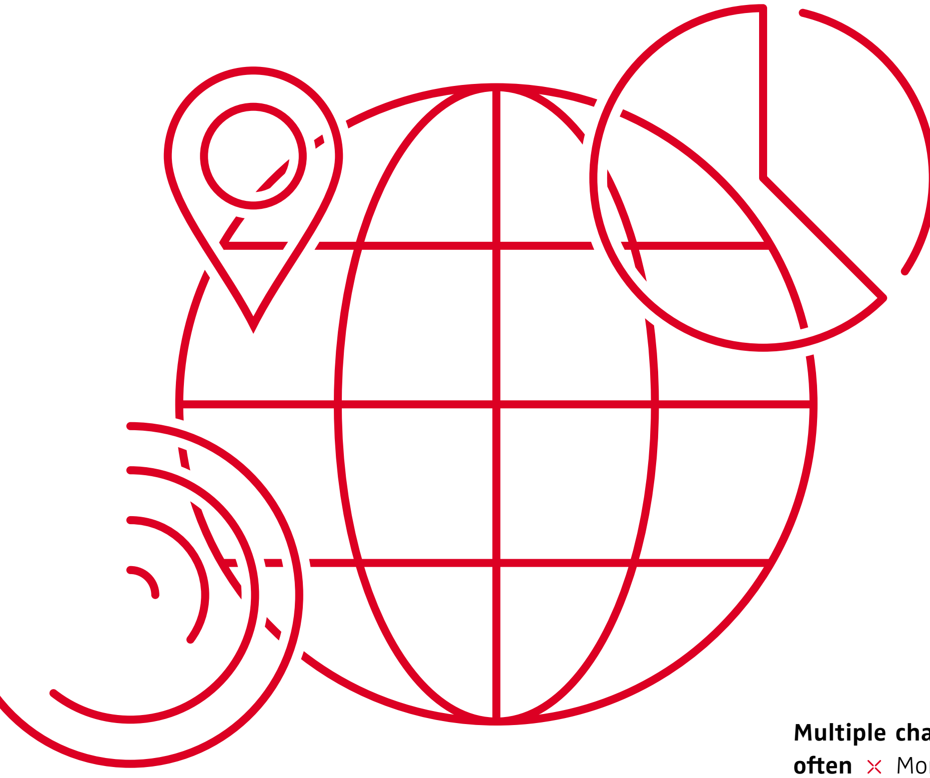
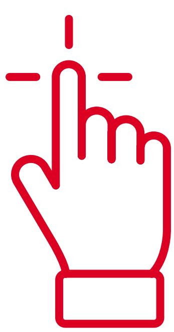
KEYWORDS
Multi-channel, Omni-channel, Distribution, Distribution Metrics, Channel Performance, Channel Conflict, Showrooming, Webrooming



Multiple channels require tracking more metrics more often × More suppliers now sell to and through multiple types of distribution channels, including traditional brick and mortar retailers, company-owned outlets and online sellers. These channels can serve different segments of consumers with different needs as well as the same consumers at different stages in their journey. That is the upside of multi-channel distribution. The downside is often channel conflict, increased chances of freeriding and loss of control over inventories, pricing and brand presentation.

Many metrics used to evaluate brick and mortar channels have equivalents online, but there are also some new metrics that marketers should monitor. Figure 1 highlights these metrics, which are all driven by the marketing activities of either the brand or a retailer. We explain the metrics and also illustrate their use with a "running" example from the athletic footwear category.



- **Consumer pull effects for brands** × These metrics monitor the strength of the brand. In addition to the familiar brand awareness and share of category requirements (the brand's percentage of brand buyers' total category purchases), consumers' willingness to search for

»

Many metrics used to evaluate brick and mortar channels have equivalents online, but marketers should also monitor new metrics.

«

FIGURE 1 > Key distribution metrics

Marketing inputs by brands and retailers

Brand and Retailer Strength

Consumer pull effects for brand

- Brand awareness = 75 %
- Average share of category requirements = 35 %
- Relative branded search volume = 65
- Monthly brand store traffic = 2.5 mill

Consumer pull effects for retailer*

- Retailer awareness = 90 %
- Monthly store traffic = 13.7 mill
- Average share of requirements = 10 %

Findability

Distribution breadth

- % PCV of stocking stores = 65 %
- % PCSV of stocking stores = 70 %
- Stocking stores above fold on SERP = 85 %

Distribution depth*

- Brand share of total distribution = 20 %
- Brand share of shelf/thumbnails = 15 %
- Brand listings above fold on category page = 30 %

Channel Cooperation and Success

How retailer performs for brand*

Compliance

- Average retail price, trade funding passthru, MAP adherence
- Stockout frequency

Cross-channel support

- Value add to brand sales elsewhere

Sales and profit

- Sales per week, sales growth
- Account profit
- LTV of retailer shoppers to brand

How brand performs for retailer*

Compliance

- On-time delivery, MAP enforcement

Cross-channel support

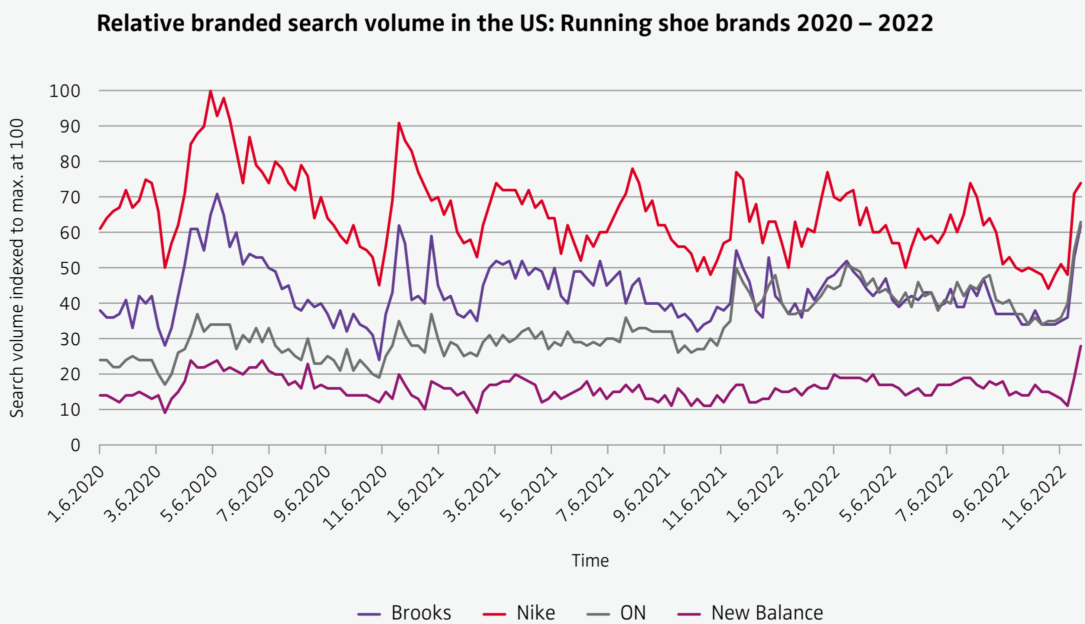
- Reward for brand sales elsewhere

Sales and profit

- Sales per square ft
- GMROII, profit from brand
- LTV of brand buyers to retailer

* For individual retail accounts but can also be aggregated across retailers

FIGURE 2 > Consumer pull effects: Branded search



Source: Google Trends

> *Knowing the degree to which consumers are aware of and search for retailers first and brands second is valuable for deciding where and how much distribution is needed.*

the brand is very relevant. It is an acid test of loyalty and much easier to measure online than offline. How much do consumers search specifically for your brand versus other brands in your category and how is the branded search volume trending? A chart as simple as the one in Figure 2 provides valuable insights. Among the four brands in the figure, Nike predictably leads, though it is trending down. Brooks, the number one brand in performance running, does well too and is flat. Both should pay attention to On, a brand that was introduced in the US less than a decade ago and is rising in consumer search. And while New Balance may have a significant market share, its low branded search doesn't bode well for consumer loyalty.

The more consumers seek out specific brands, the more likely they may be to visit the brand's direct-to-consumer (DTC) website and potentially buy there. Attracting enough traffic to a DTC website can be a challenge for many brands given consumers' desire for one-stop and comparison shopping. Like search, traffic to a website is easier to measure than traffic to physical stores.

» *If you are not found in the places where consumers search, you won't get into their consideration sets.* «

- **Consumer pull effects for retailers** × Brands both co-operate and compete with retailers. Knowing the degree to which consumers are aware of and search for retailers first and brands second is valuable for deciding where and how much distribution is needed. Retailer awareness and retailer store traffic help determine how essential a given retailer is to your distribution strategy. And, like the brand's share of category requirements, the retailer's share of requirements can tell you how loyal consumers are to the retailer. Generally, large retailers will have higher traffic than a brand's own DTC stores or website, as is the case for the hypothetical running shoe brand and retailer in Figure 1.

The role of findability online × Distribution breadth and depth refer to how easily a consumer can find a store that stocks the brand and find the brand within the store. Being findable online where and when consumers search for the category is just as crucial.

- **Distribution breadth** × Standard metrics indicate the share of product category sales (%PCV) accounted for by stores stocking a brand. One metric for online findability is %PCSV (product category search volume). It weights stocking stores by the percent of consumers who search for the category there. If you are not found in the places where consumers search, you won't get into their consid-

BOX 1

The problem of freeriding in multi-channel distribution

Freeriding is not a new problem in distribution, though it was given a new name: "showrooming." Retailers with large investments in brick and mortar decried it as savvy consumers looked in their stores and bought from their online competitors at a lower price. That continues to be the case, but, by some accounts, "webrooming" is just as prevalent because it is so easy to (re)search products online before buying. Retailers and DTC-only suppliers who own their online and offline channels must embrace this behavior if they want to provide the consumer with an omni-channel experience. Better to facilitate showrooming and webrooming within their own stores, websites and apps than to lose customers to competitors. Mobile technology has certainly made that easier.

For most suppliers who sell through independent retailers instead of, or in addition to, a DTC channel, delivering an omni-channel experience across channels is not feasible. Because freeriding generates channel conflict, they may try to reduce consumers' incentives for showrooming and webrooming by harmonizing products and retail prices across channels or by differentiating their product line across channels. But consumers still channel hop, if not for a given purchase, certainly across purchases. Suppliers need to understand where their target market searches and where, when and why it buys in order to decide where they should expand and whom they should reward.

Granular clickstream data, online-to-offline conversion tools and increasingly sophisticated attribution models guide the investments of marketers in different consumer touchpoints online. However, precise attribution of individual purchases may not be needed for the purposes of rewarding cross-channel support by showroomed or webroomed retailers. The workhorse may still be consumer surveys for determining how much support one channel member is providing to enable sales by another.

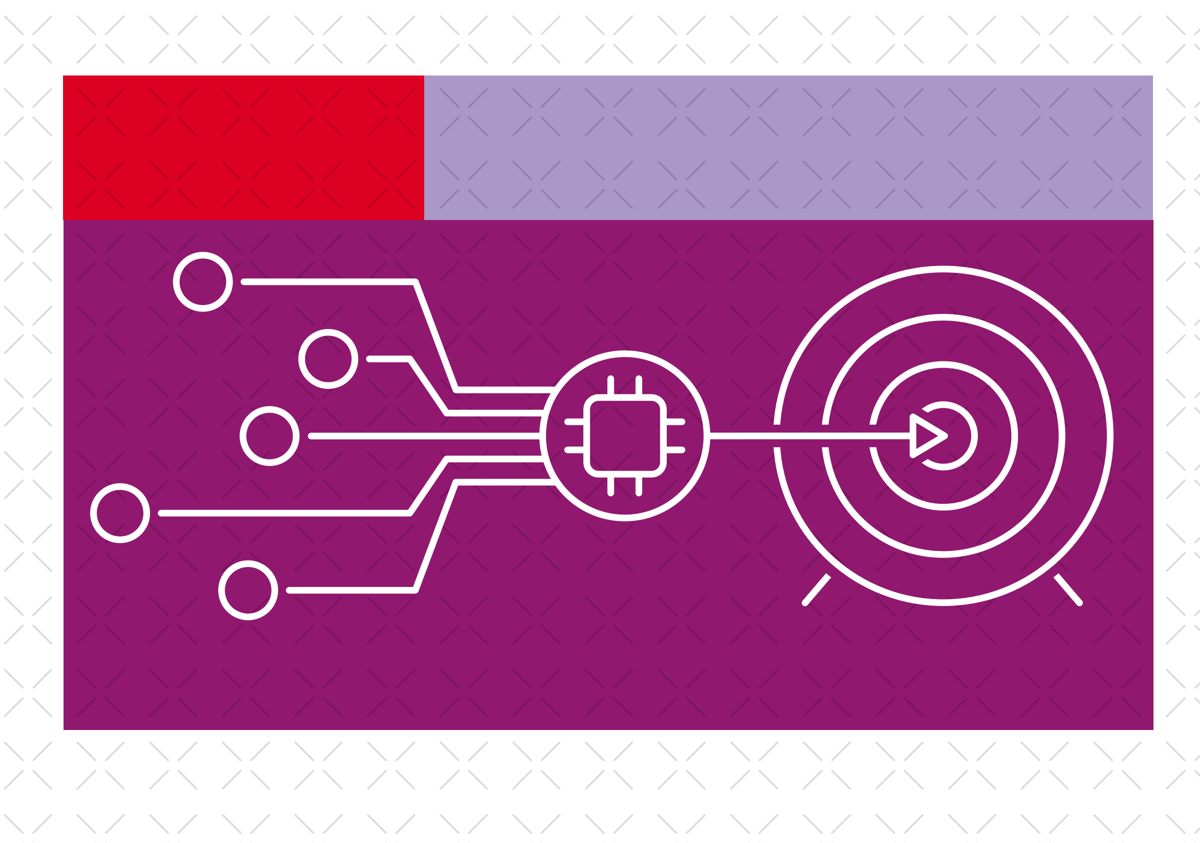
eration sets. No wonder many brands feel the pressure to be on Amazon – more consumers start their product searches there than on Google. Another metric is the prominence of stocking stores on the first search engine results page (SERP) when consumers search for the most relevant category and branded keywords.
The brand in Figure 1, for example, is about equally "findable" online as measured by both %PCV and %PCSV. Across the highest volume category keywords, the percentage of sites above the fold on the Google SERP that stock the brand is 85%. One might also measure findability by the percentage of keywords for which at least one stocking site shows up above the fold. For all these findability metrics, as well as the branded search and traffic metrics that came before, it is even better if they are measured for the brand's target market rather than all consumers. A performance running shoe brand like Brooks, for example, cares more about where most runners search and buy than where most running shoes are sold – a subtle but important distinction.

- **Distribution depth** × This refers to the findability and attractiveness of a brand within stocking retailers. Total distribution is a form of weighted distribution (like %PCV), but instead of merely counting outlets that stock at least one stock-keeping unit (SKU), the distribution of each SKU is computed and summed over all SKUs of the brand. Expressing total distribution as a share of the total distribution of all brands is a good indicator of the brand's share of physical and virtual shelf space, but likely not as accurate as directly measuring share of shelf and/or share of thumbnails in brick and mortar and online stores, respectively. Finally, just as the prominence of stocking sites on the SERP captures distribution breadth, prominence of the brand within a retailer's website when consumers search for the category is an important metric for distribution depth.

These new metrics of findability online blur the lines between advertising and distribution, especially as online players from Google to Amazon to Booking.com emphasize sponsored listings to consumers searching on their sites.

» *The metrics should reflect changes in both inputs and outputs, enabling the timely identification of problems and opportunities.* «

Metrics for channel cooperation and performance × Together, breadth and depth of distribution drive performance in the market, of both the upstream supplier and its downstream retailers. Each party has a fundamentally different perspective, focusing on its own performance. In a successful cooperation, however, neither distribution partner can afford to focus only on its own performance at the expense of the other – at least not for too long. The partnership must be profitable for both, so both perspectives require monitoring (see Figure 1). In addition to sales and profitability, intermediate metrics are needed to diagnose problems and manage the partnership. As the name suggests, compliance metrics capture how well each party complies with the other's policies. Cross-channel support metrics are increasingly important as agile consumers hop between channels in their various customer journeys, and it is not clear who will be rewarded with a sale in the end.



- **Compliance metrics** ⨯ From the brand's perspective, how well retailers support distribution policies and the average retail price are important. If the price is too low, it eats into the retailer's margin and might hurt the brand's equity. If it is too high, brand competitiveness and sales might suffer. Is the retailer violating your minimum advertised price (MAP) policy and causing channel conflict? Are trade discounts being pocketed or passed through to consumers? Is the retailer keeping enough inventory on hand to satisfy consumer demand or are stockouts frustrating potential customers who wanted to buy but could not? But compliance is a two-way street and retailers have their own metrics. For example, in order to have sufficient stocks, retailers need accurate and timely order fulfillment and delivery. If there are MAP policies, they also want to see those enforced and action taken to minimize violations by other retailers. You can be sure that if you don't track these, your retailers will.

- **Cross-channel support metrics** ⨯ Managing cross-channel support is challenging, especially in the face of potential freeriding by one channel on the efforts of another (see Box 1). What percentage of consumers who searched in one channel bought in another? At least online, such metrics are now available. But was that because of showrooming or webrooming or because the channel does not provide the desired service and purchase experience? That is where satisfaction metrics derived from consumer reviews and surveys are useful. Cross-channel support by retailers is far easier to maintain if the channel knows you are not only monitoring but also rewarding their efforts with special allowances, favored products and other marketing and logistical support.

- **Sales and profit metrics** ⨯ Ultimately, a well-managed distribution strategy is reflected in sales and profit, both short- and long-term. Sales per square foot and gross margin return on inventory are especially important to retailers. They remain relevant even online, although the square footage is in distribution warehouses rather than the store. From the supplier's perspective, sales velocity per week is important. For both parties, profit is crucial but harder to measure than you might think. This is partly because different categories and brands have different strategic roles for a retailer, and suppliers provide trade support and rewards in many different forms to different retailers. The total lifetime value of a brand's buyers to a retailer and of the retailer's customers to the supplier are valuable metrics, even if they can only be approximated.

Getting distribution metrics right ⨯ Obviously, a single metric or even a handful is insufficient to manage complex matters such as multi-channel distribution. The need for more metrics and more frequent monitoring probably contributed to the rise of "distribution dashboards." Ideally, they should be comprehensive yet simple enough to focus on what matters for the strategy and competitive situation. Not all metrics are equally important at all times. The metrics should reflect changes in both inputs and outputs, enabling the timely identification of problems and opportunities. Management should consider the entire collection of what they might measure to manage distribution and make a thoughtful and deliberate decision to focus on a few key metrics for a specific decision. ⨯

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The What, Why and How of ESG Dashboards

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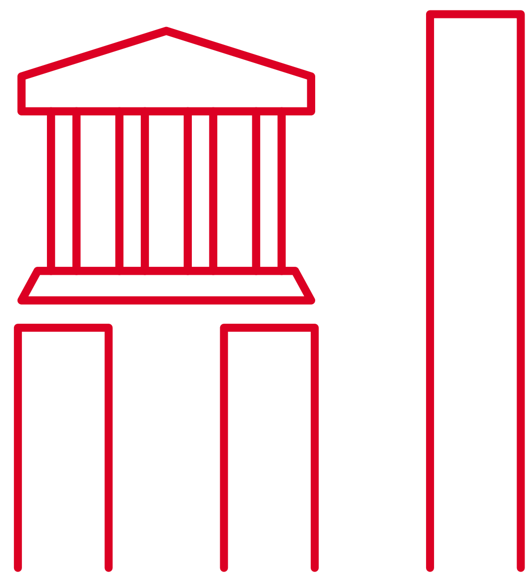
KEYWORDS

ESG, Sustainability, Responsibility, Metrics, Decision-Making, Investment, Double Materiality

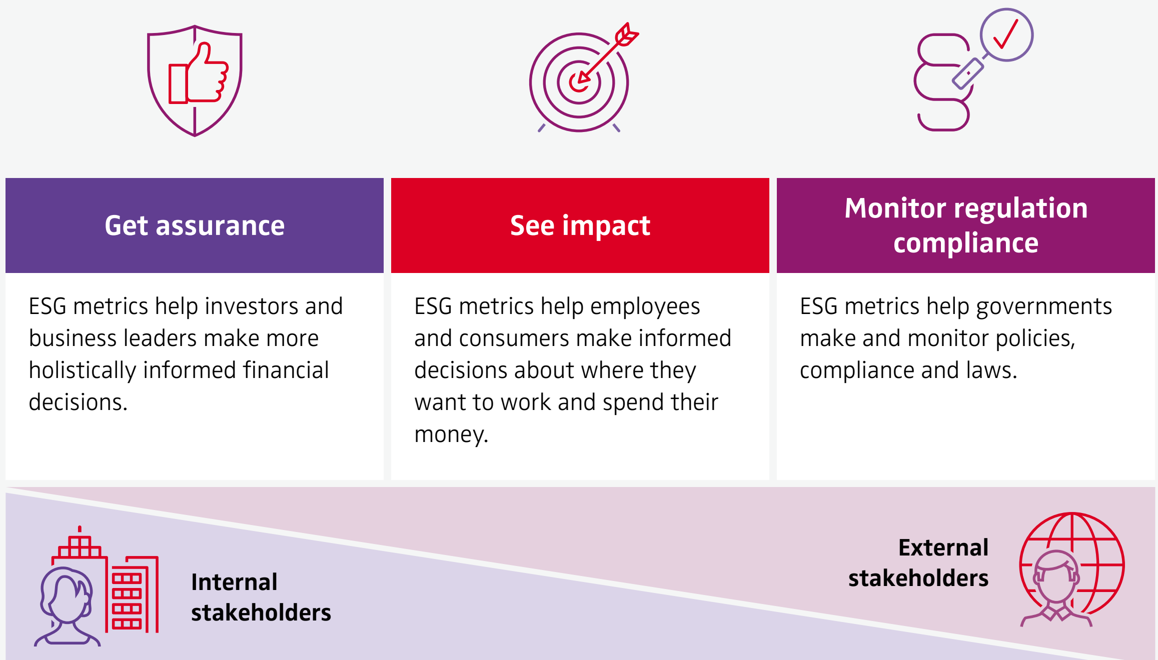


ESG is a hot topic × Companies striving to build long-term value for their stakeholders, the community and the environment often integrate ESG indicators into their business models. ESG stands for environmental, social and governance metrics – both qualitative and quantitative – to highlight how well or poorly a firm is doing in terms of long-run sustainability. Just as the dashboard of a car provides real-time information on speed and mileage, and alerts us when things such as engine oil or gas needs our attention, ESG dashboards provide a company with information on a variety of sustainability metrics such as CO_2 emissions, water usage, fatalities, etc. It alerts us to environmental and social risks that pose threats to a company's future operations and well-being. On the flipside, however, ESG has been vilified by some and the space has become quite difficult to navigate. Elon Musk recently tweeted "ESG is a scam" to former Vice President Mike Pence's comments that ESG is politically driven. Another example is the state of Texas, which has barred local governments from doing business with banks that don't support oil, gas and guns.

Many stakeholders welcome ESG reporting × Despite this controversy, many businesses have turned to ESG reporting to satisfy the informational needs of their external and internal stakeholders. Investors and governments as well as customers and employees are becoming more and

> *Many businesses have turned to ESG reporting to satisfy the informational needs of their external and internal stakeholders.*

FIGURE 1 > What stakeholders seek from ESG dashboards



Adapted from Horoszowski (2022)

more concerned with ESG issues. Environmental metrics include a company's efforts to battle global warming, reduce carbon emissions, enhance water quality, manage waste and control other emissions. Social KPIs provide information on what a company is doing to better the lives of its customers and employees, including how it supports diversity, encourages employee involvement, protects human rights and upholds labor standards. And finally, governance measures cover issues such as the steps an organization takes to be accountable for its sustainability targets, combat corruption and guarantee the longevity of its financial investments.

» *Beyond its use by investors, rating agencies and other external parties, there are several internal benefits to developing and using an ESG dashboard.* «

BOX 1

The special role of the ESG assurance function: the concept of "double materiality"

ESG dashboards ideally provide two types of information: "inside out" and "outside in." The first perspective refers to a company's environmental and social impact on people and planet. The second one refers to the impact of people and planet on the company and indicates its future profitability – typically described in terms of risks, vulnerabilities and resilience. This dual use of ESG metrics and thus the dashboard has given rise to a concept called "double materiality." Companies can use the concept of double materiality to examine both the financial and non-financial effects of their actions to develop a more thorough ESG strategy.

The "double materiality" concept has been built into new European regulations, where disclosure is required from the point of view of the environment and society's financial impact on the company – the financial materiality – and conversely of the company's impact on society and the environment – environmental and social materiality. It recognizes that opportunities and risks may be significant from both a financial and a non-financial standpoint and acknowledges that businesses are accountable for the current and potential negative effects of their activities on individuals, society and the environment.

ESG criteria are becoming more and more popular among investors for assessing investment opportunities. They can give much-needed legitimacy to a company that wants to showcase its sustainability prowess to investors. Foremost, however, ESG metrics and analysis are intended to be "a means to an end, and that end is a planet that is livable – and lives worth living, a strategy that explicitly acknowledges that investors have a role to play in providing these outcomes to the world," says Amy Domini, the founder and chair of Domini Impact Investments and a pioneer in the ESG field, in an interview in the New York Times. In reality however, investors and ratings agencies have mostly ignored this part and Wall Street's current system for ESG investing, which is designed almost entirely to maximize shareholder returns, falsely leads many investors to believe their portfolios are doing good for the world. Recent initiatives such as promoting the understanding of "double materiality" that look at both sides of the coin can provide valuable course correction.

What stakeholders expect from ESG reporting × The various internal and external stakeholders have different motivations for using ESG dashboards. Expectations typically fall into one or more of the categories presented in Figure 1. Stakeholders either seek assurance for their decision-making or are interested in sustainability impact or regulation compliance. ESG reporting needs to consider these different functions. ESG for assurance is all about adjusting for financial risk and making better financial decisions, while the aspect of driving sustainable business transformation remains in the background. ESG reporting in that sense helps investors, board members and chief executives monitor potential risks to the financial bottom line – for example, a lawsuit for non-inclusive hiring practices, or decreased future earnings as natural resources become less available. In this context, the new concept of "double materiality" is emerging, which is presented in Box 1. ESG for impact monitoring is about leveraging ESG to drive more sustainable business models and creating positive social and environmental value. ESG further serves to demonstrate compliance with laws and requirements imposed by outside authorities – like national governments or the U.S. Securities and Exchange Commission. Regulation can differ across countries or regions like the EU and should mostly facilitate the adoption and comparison of specific standards across industries and regions.

> *ESG dashboards are useful tools for showcasing to internal and external stakeholders that a company's sustainability projects are real and not just greenwashing.*

The internal benefits of ESG × Beyond its use by investors, rating agencies and other external parties, there are several internal benefits to developing and using an ESG dashboard.

- **Making company progress on sustainability transparent** × ESG dashboards are useful tools for demystifying and showcasing to internal and external stakeholders that a company's sustainability projects are real and not just greenwashing, vague promises or lip service. It shows whether the company is on track to achieve its goals and gives the company legitimacy and credibility in stakeholders' eyes. Verifiable KPIs in the dashboard can also make it easier for the business to handle legal difficulties when they arise.

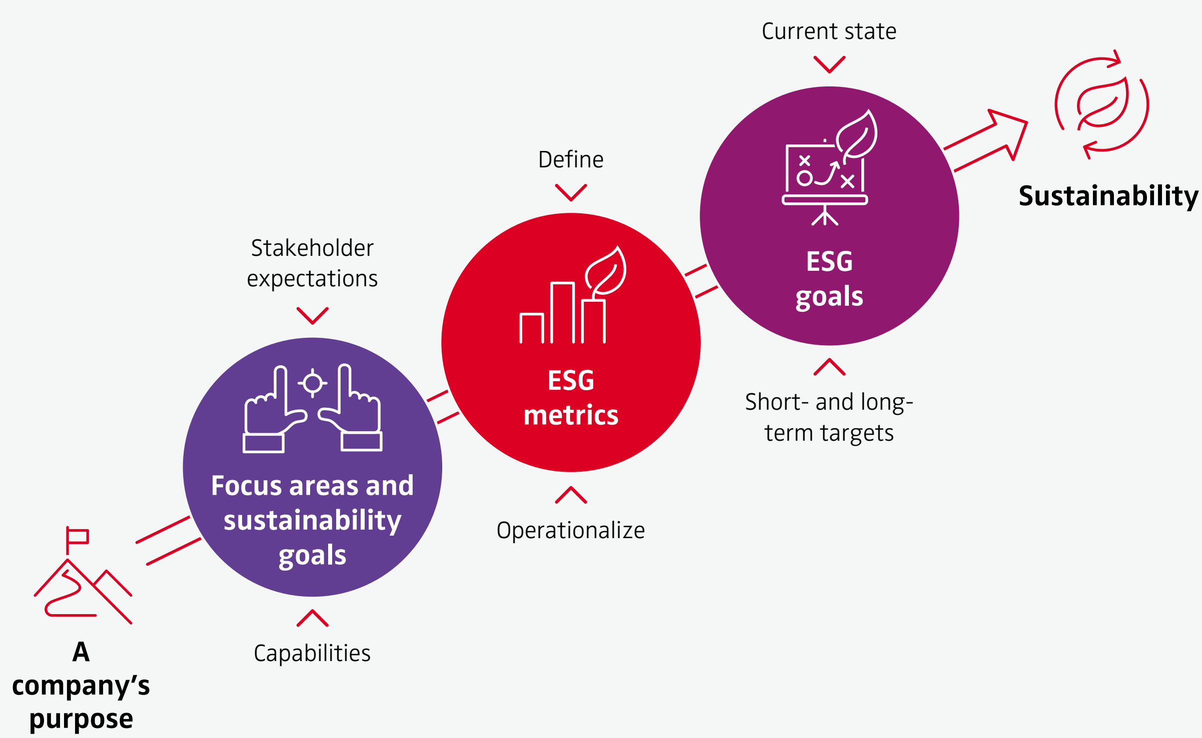
- **Having all the ESG data in one place makes the task of ESG reporting easier** × There are myriad reporting frameworks with their own idiosyncratic requirements – Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP), Taskforce on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and the like. Often, different stakeholders – investors, policy makers, NGOs, regulators – rely on different disclosure frameworks, and having good data collection mechanisms in place makes it easier for companies to comply with such requirements.

- **Fostering accountability and improving decision-making** × By showing the performance of sustainability initiatives vis-a-vis targets spanning issues, geographies and departments, the ESG dashboard fosters accountability on the part of senior management and improves decision-making. For example, the ESG dashboard can help managers use quantitative analysis to demonstrate to their employees, C-suite and board members the effectiveness of their sustainability strategy, which in turn informs company decision-making and resource allocation internally.

- **Allowing compensation schemes based on ESG performance** × Tying ESG performance to variable compensation of employees is increasingly popular as it provides additional motivation to integrate sustainability into one's daily work routine and accelerates sustainability progress overall.

- **Enlivening the "sustainability culture" of an organization** × ESG dashboards play a key role in developing a sense of "sustainability ownership." Companies that are successful in the sustainability space use key metrics to

FIGURE 2 > Steps toward clear ESG goals and more sustainability



communicate incessantly to their employees and other stakeholders – via hallway tickers, computer pop-ups and the dashboard itself.

How to build ESG dashboards for more sustainability

While monitoring ESG metrics is beneficial for companies, failure to comprehend value and inappropriate measurement methodologies might result in mediocre or even negative performance. ESG reporting is a complicated area, and companies who report to different stakeholders with different requirements may find it challenging to stay on top. As Perez et al. aptly put it in their McKinsey article, "ESG is a process, not an outcome." Figure 2 shows the important steps in such a process.

The first point to note is that the ESG dashboard is idiosyncratic to a company and ought to be tightly coupled with the company's purpose, its raison d'etre, or the answer to the all-important question of "why do we do what we do?" Is a car company's purpose to sell more cars or to provide mobility? The answer to this question will undoubtedly feed into its sustainability strategy and ultimately to the metrics displayed in the ESG dashboard.

Once purpose is clear, the next step in deciding the sustainability strategy is to define a set of concrete or "material" focus areas and goals for the company, the idea being that sustainability is a big playing field and all companies do not have to run after the same goals. For instance, while reducing CO_2 emissions may be material for a cement manufacturer like LaFarge Holcim, financial literacy and inclusion may be more material for a bank like ING. Materiality analysis entails assessing key stakeholders' expectations of the company's sustainability efforts and juxtaposing those with the managers' assessment of the company's ability to deliver on those goals. Footprinting, impact screening and traditional

FIGURE 3 > Examples of ESG metrics

- Carbon emissions
- Tons of toxic waste
- Percent of energy reduction
- Percent of water reduction
- Percent of sustainably sourced products
- Amount of pay tied to climate response targets

- Percent of racial/ethnic group representation at all levels
- Gender pay gap
- Investment in upskilling per employee
- Employee satisfaction and retention
- Number and types of employee wellness initiatives

- Number of female directors
- Number of minority directors
- Board involvement on climate issues
- Alignment of executive compensation with sustainability goals

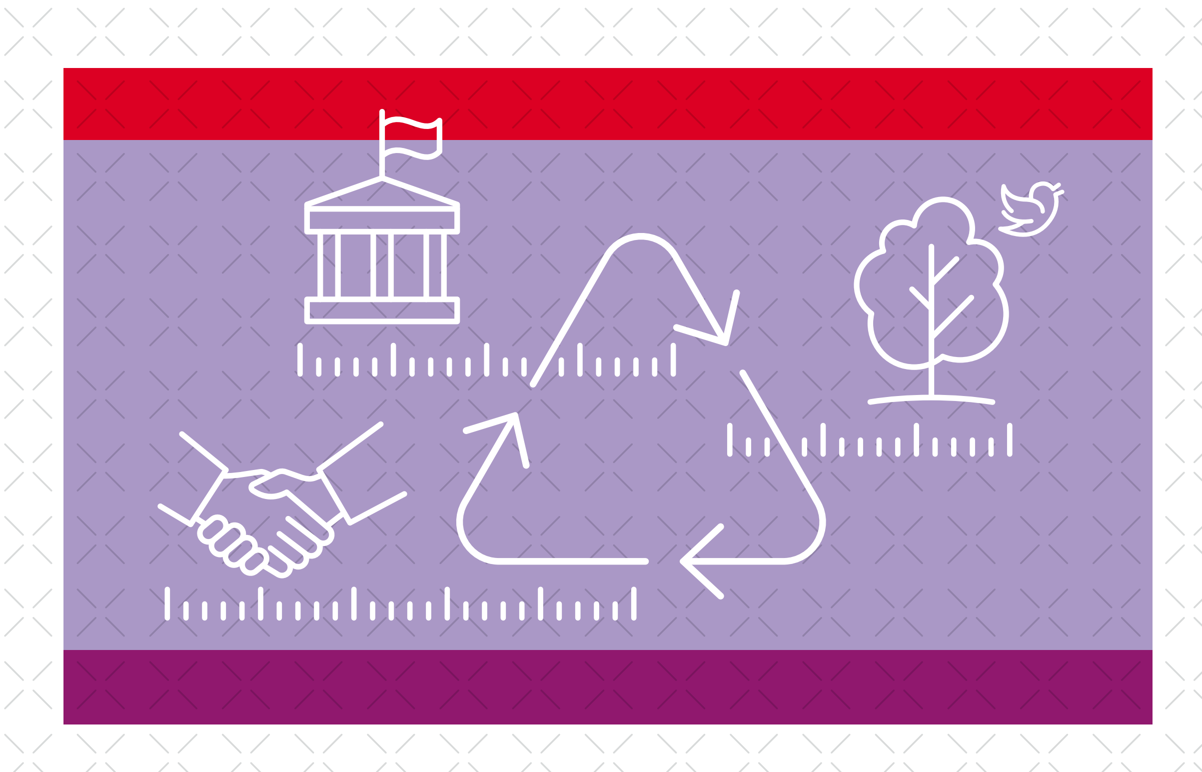
SWOT analysis are all part of the process of defining a set of concrete sustainability goals for a company.

In a third step, ESG metrics are defined and operationalized in the defined focus areas of the company. Figure 3 provides examples of ESG metrics for a hypothetical company.

On the basis of such metrics, companies can set clear goals in a fourth step. Ideally, they will follow the ESG metrics with a baselining exercise (where are we today) and a visioning exercise (where we want to be by 2030 or 2040), which enables them to set year-on-year targets for those metrics. Data collection on the metrics typically happens through the Enterprise Resource Management (ERM) systems that most companies have in place, and then visualization platforms such as Tableau by Salesforce are used to bring the dashboard to life.

ESG dashboards are a means to an end In essence, the ESG dashboard metrics serve as a means of accountability for all parties concerned and contribute to ensuring that the business adheres to its ESG commitments. Companies should use a purpose-driven approach with strong commitment from management and use cross-functional teams from

On the basis of ESG metrics, companies can set clear sustainability goals.



areas including supply chain, technology and infrastructure to formulate a plan to integrate ESG metrics for reporting and identify gaps and deficiencies in current practices. Identifying emerging technologies such as automation, blockchain, AI and data analytics can lead to improved efficiencies in ESG reporting. Although ESG impact is sometimes inherently more difficult to measure, the degree of difficulty ought not to be a deterrent. If a company's purpose authentically aligns with social, environmental and governance causes, it leads to a clear view of ESG metrics and gives guidelines to create a more reliable and actionable ESG dashboard – and a better planet.

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Compensation-Related Metrics and Marketing Myopia

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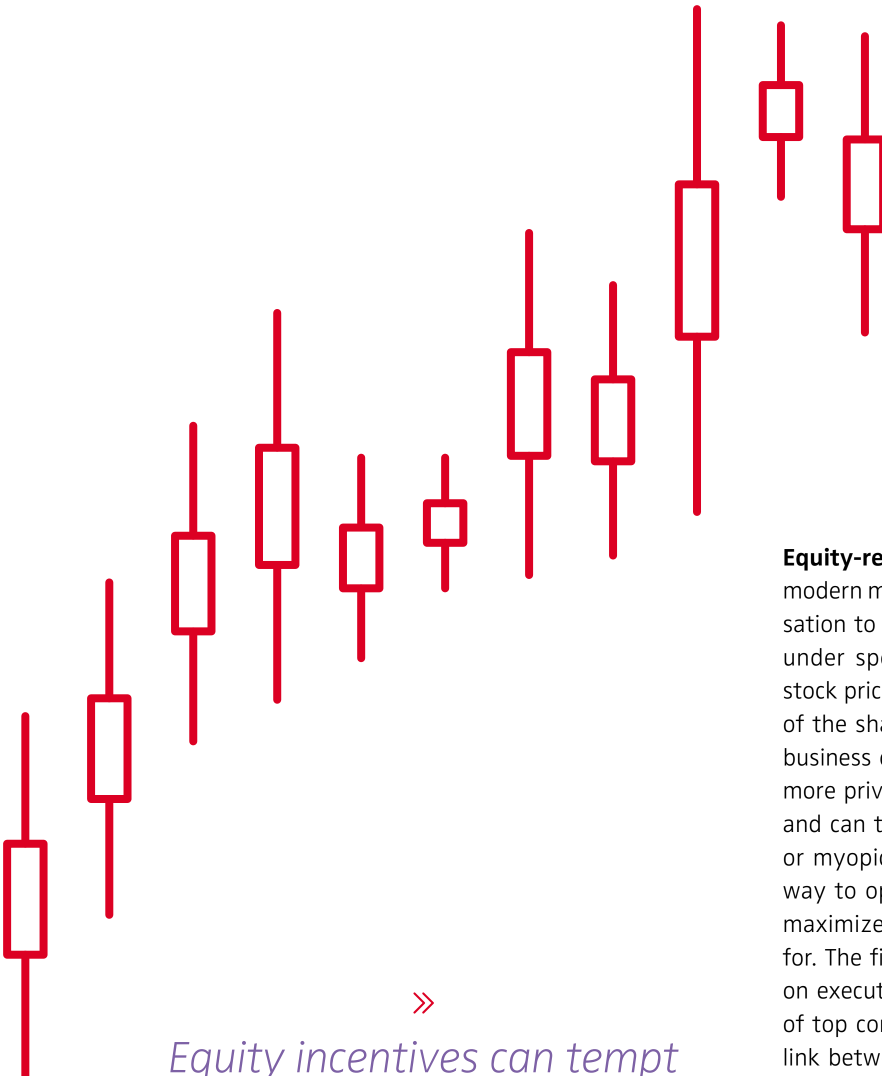
KEYWORDS

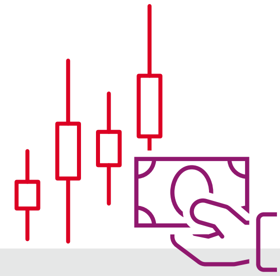
Compensation Incentives, Marketing Myopia, Marketing Function, Unintended Effects



Equity incentives can tempt marketing executives to engage in short-sighted marketing management.

Equity-related compensation motivates executives In modern management, it is common to tie executive compensation to company performance and share value. In theory, under specific assumptions, if managers care about the stock price of their companies, they act in the best interests of the shareholders and make company value-maximizing business decisions. In practice, however, executives possess more private information about a company than the public and can take unobservable action like "creative" reporting or myopic management. As a result, they have some leeway to optimize their personal compensation rather than maximize the long-term value of the company they work for. The financial crisis of 2008 trained a piercing spotlight on executive compensation and its effects on the behavior of top corporate management. Critics have drawn a direct link between escalating executive pay packages and deteriorating business ethics, widespread excesses and abuses of power, and a disregard for the welfare of customers, employees and shareholders.

Equity-based compensation can lead to undesirable side effects In our study (Box 1) we took a closer look at the motivational power of equity-based compensation schemes. We focused on the marketing function and conducted a series of analyses to investigate how equity-based reward systems for CEOs and CMOs (chief marketing officers) affect marketing decisions. We found that compensation packages including incentives tied to a company's stock price can be powerful motivators for corporate leaders. But our study also showed that these motivations can produce some serious unintended consequences. Equity incentives can tempt CMOs to engage in short-sighted marketing management – such as cutting R&D and advertising spending – in an effort to inflate current earnings and enhance the company's

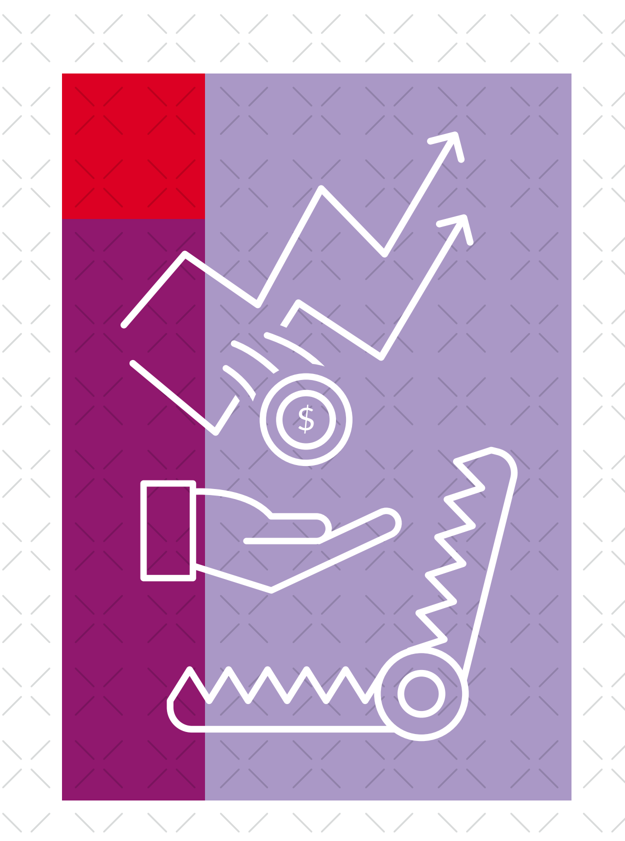


BOX 1

Studying causal effects of compensation on marketing decision-making

We combined and examined data from multiple sources on public companies and their leadership teams: executive compensation from ExecuComp, accounting data from Compustat, insider trading data from the Thomson Reuters Insider Filing Data Feed (IFDF) and stock returns from the Center for Research in Security Prices (CRSP). Our sample consisted of public companies and covered the period from 1993 to 2014. The research focused on CEOs and CMOs, who are most responsible for decisions on marketing, sales, advertising and innovation expenditures. These functions tend to be frequent targets for real earnings manipulation.

Our objective was to identify causal effects of executive compensation structure on management behavior and company performance. We found a specific type of misbehavior: increased equity-based compensation led to increased prevalence and severity of myopic management aimed at temporarily inflating earnings. More detailed findings are presented below.



stock price. This myopic management boosts their personal earnings at the expense of their company's long-term performance.

Equity compensation incentives of CMOs but not CEOs drive myopic marketing management × While CEO equity incentives appeared largely unrelated to myopic marketing management, the same kind of equity incentives offered to CMOs strongly predicted the incidence and severity of short-term earnings manipulations involving deflating spending on marketing and R&D. Cuts to marketing and R&D spending effectively boost current earnings, often resulting in a temporary increase in stock price. CMOs take advantage of inflated valuation by exercising more stock options and selling more personal equity holdings in the years when myopic management takes place.
This finding contradicts the popular pessimistic view of marketing's stand in organizations, questioning the ability of CMOs to influence a company's strategy (see Box 2). According to our findings, CMOs appear to have a significant influence on marketing budgets and company strategy. Our study also challenges the belief in the CMO as a central force to mitigate marketing resource misallocation and as the dominant advocate for a long-run-focused marketing strategy. When CMOs enjoy equity-based compensation,

BOX 2

The power of marketing and CMOs in today's organizations: Waxing or waning?

Independent of the potential abuse of managerial influence, a hot debate is going on about the general power and scope of the marketing function within organizations. One popular view is that the influence of marketing is waning. Supporters of this view highlight the inability of marketers to document marketing's contribution to the bottom line, an emphasis on short-term revenues, market share and stock price and a shift in channel power as the primary causes for this trend. Under this view, CMOs' compensation would be unrelated to myopic management because CMOs could be neither responsible for nor capable of directly influencing a company's strategy.

In sharp contrast, an alternative view sees a rising power of CMOs. In this view, marketers' credibility and power come from owning customer knowledge and market intelligence, and with the ever-increasing market complexity, the influence of marketing is only bound to increase. Understanding, managing and responding to market complexity requires highly specialized capabilities and skills, which are outside the scope of competency of generalist marketers at a strategic business unit level. Supporters of this view advocate building and strengthening the central marketing group with the key responsibility of overseeing market intelligence, data analytics and marketing decision-making, and they put the CMO at the center of this structure. CMOs would be the central force to mitigate marketing resource misallocation, create more coherent and linked marketing strategies, leverage success, and improve communication and cooperation within the organization. Indeed, without a centrally driven discipline, internal resource allocation may be driven by politics and personalities of the divisional and functional executives on the management board (CXOs) and firm resources may be diverted to the largest, rather than the most promising, areas and markets. Under this view, CMOs would be directly responsible for and capable of preventing myopic marketing management.

they show a tendency to engage in myopic marketing management and seek to derive personal gain when it occurs.

Negative long-term consequences of myopic management × When CMO compensation contains significant equity-based components, the reasoning of advocates for a strong marketing function does not hold. Contrary to the arguments that the presence of a CMO in the organization can help maintain customer focus and support for marketing departments, CMOs not only fail to prevent myopia but further exacerbate the problem as the market-based portion of their personal compensation increases. Our findings highlight the pitfalls and limitations of overreliance on equity in managerial compensation packages. Equity compensation can create perverse incentives for managers to engage in myopic practices. In our study, these effects were significant and sustained.

Myopic management is a serious problem and a threat to companies because it entails inefficient decision-making. The negatives include significant long-term declines in market valuation, innovation and future profitability.

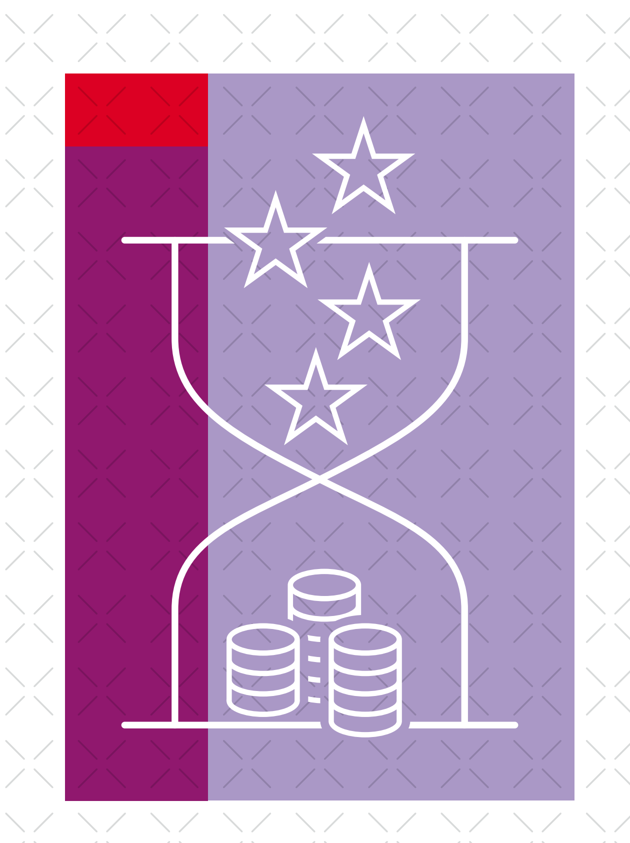
How to limit myopic marketing management × We see several potential solutions to address the misalignment of executive incentives and long-term company performance.

- **Extending vesting periods** × Despite the ubiquity of executive compensation packages featuring equity, myopic marketing management is not inevitable. Companies could continue to pay their C-level executives based on stock price performance but defer the payout to the future until the long-term consequences of their decisions become apparent. This would reduce the temptation to act on short-term impulses to boost equity compensation.

» *Corporate boards could tie executive compensation to long-run-oriented non-financial performance metrics such as customer satisfaction, brand equity or innovativeness.* «

> **Linking incentives and performance to alternative long-run-oriented metrics** In addition, corporate boards could balance performance measurement and tie executive compensation to long-run-oriented non-financial performance metrics such as customer satisfaction, brand equity, strength of the product pipeline or innovativeness.

> **Disclosure of non-financial performance indicators** Another deterrent to myopic management may come in the form of regulation that expands disclosure of non-financial performance indicators that are relevant to company value. For instance, environmental, social and governance (ESG) considerations have become increasingly important for investors to evaluate long-run implications of managerial decision-making. Specific disclosure in these fields has become mandatory in certain countries such as Australia, China, South Africa and the UK.



Test for unintended effects when using metrics in decision-making On a more general level, our findings demonstrate that while relying on share value to determine executive compensation seems to make a lot of sense at first sight, a closer look at potential side effects is advisable. This may hold in particular for managers such as CMOs who may be responsible for investments in intangibles that create immediate expenses but generate benefits in the future, such as competitiveness, innovation, customer loyalty and product market success.

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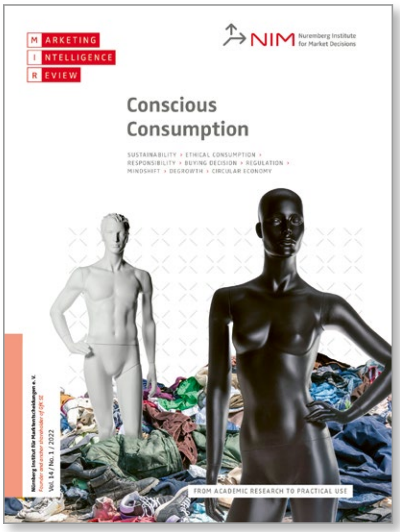

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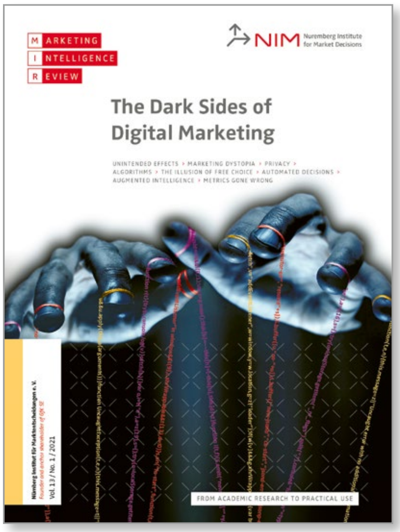

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Monitoring Marketing Sources of Brand Reputation Risk

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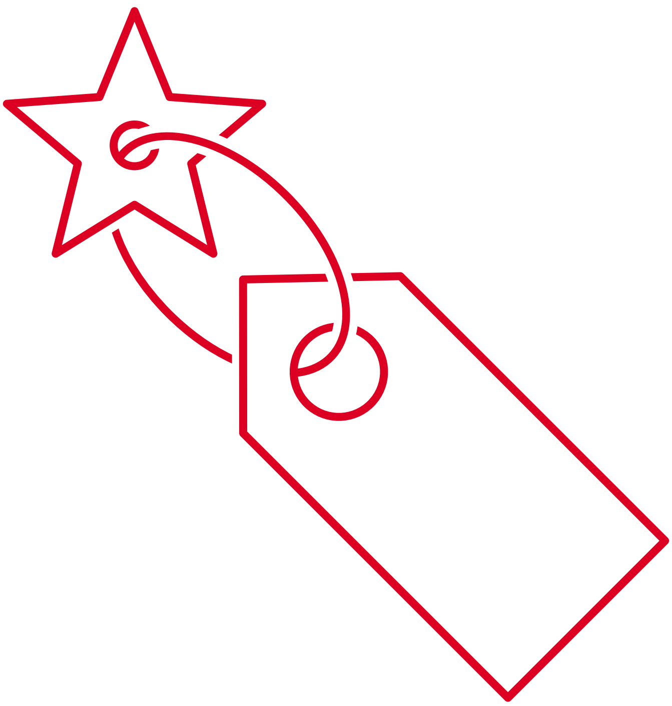
KEYWORDS

Brand Reputation, Risk Management, Brand Architecture, Person-Brand, Socio-Political Activism, Digital Marketing, Brand Risk Metrics



Brands are assets but also risk factors × Brands serve a role not only in revenue generation but also as strategic tools for managing a company's risk exposure. Strong brands encourage broader stock ownership, insulate from market downturns, grant protection from equity dilution in the wake of product failures, and reduce variability in future cash flows by cultivating strong brand assets, so companies generate greater returns with less risk. But a company's branding strategies can also exacerbate the risk profile, endangering revenues, cash flows, brand equity and shareholder value.

While macroeconomic factors certainly pose substantial risk, idiosyncratic or company-specific risk constitutes 80% of the average stock variance measure. A major source of a company's idiosyncratic risk is brand reputation risk, and executives consistently rank this risk among the top three overall risk challenges facing their businesses. Brand reputation captures how the brand is perceived by a company's customers and other stakeholders. Brand reputation risk is the possible damage to a brand's overall standing, stature and esteem that derives from negative signals regarding the brand. It can destroy shareholder value by threatening earnings through negative publicity that exposes companies to financial risk through litigation, boycotts, strikes and protests, or reductions in the customer base.

We present a brand-sensitive interpretation of company-specific risk to understand how specific brand strategies can protect a company from, or increase exposure to, brand reputation risk and discuss information and metrics necessary to manage that risk.

»

Successful brand stewardship requires ongoing monitoring of marketing-strategy-related sources of reputational brand risks.

«

FIGURE 1 > Brand portfolio risk and relevant metrics

Brand Portfolio Risk

Risk from brand extensions across multiple lines and categories under same brand umbrella

- Extent of brand extensions
- Range of price points
- Number of products under umbrella brand
- Down-market extensions
- Ad-hoc-portfolio strategies

Example: Boeing, a branded house, was accused in 2022 of a repeated pattern of fraud in covering up failures to ensure the product safety of the 737 MAX jets. The company faced reputational spillover risks to the Boeing umbrella brand, with significant draw-downs in both market value and consumer brand perceptions.

Brand reputation risks from brand portfolio strategy

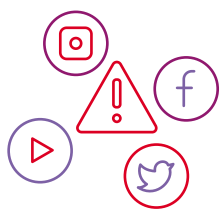
Driven by the shareholder imperative to drive growth in revenues, companies have become attracted to opportunities that expand their brand portfolios through mergers and acquisitions, new product introductions and line extensions. How new brands are incorporated into existing ecosystems – the brand architecture strategy – is often ad-hoc rather than strategic and planned, and this exacerbates risk exposure. Extensions into downscale markets can endanger a brand's standing and damage quality associations and perceived exclusivity. Connecting a large portfolio of products with one single brand name and logo through a branded house strategy can make brands vulnerable to reputational spillover risk. In contrast to advice from popular marketing experts, a sub-branding structure such as Apple's I-product line or the BMW 7, 5 and 3-series does not control risk but in fact exacerbates it. While sub-branding provides a sense of protection against risks of overextension, meaning dilution, reputation damage and cannibalization, the reality is that the very qualities commending this strategy – the encouragement of broader participation in markets and extensions that are farther afield from the base brand – exacerbate risk. A mixed, hybrid brand architecture decries the logic of financial portfolio theory and fails to offer risk control through diversification. Brand portfolio strategies need to be specified along dimensions that can signal greater exposures to brand reputation risk (see Figure 1) and this information should be included in the brand risk dashboard.

» *Executives consistently rank brand reputation risk among the top three overall risk challenges facing their businesses.* «

FIGURE 2 > Digital marketing risk and relevant metrics

Digital Marketing Risk

Risk from loss of control of how and where brand content appears



- Percent of advertising budget spent on digital
- Brand safety record for paid social platforms
- Algorithm bias due to programmatic advertising
- Positivity/negativity index for messaging on landing pages and social media platforms
- Decision-making protocols for consumer-facing messaging
- Tenure of marketing professionals
- Crisis management and PR professionals on the brand management team

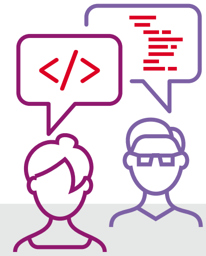
Example: After the release of two controversial campaigns in November 2022 – one showing children with bondage-clad teddy bear bags and another featuring a US Supreme Court document about child pornography laws – the Balenciaga brand took a major reputational hit, stemming from loss of control over brand advertising content and sparking a massive social media uprising under the #CANCELBALENCIAGA hashtag.

Brand reputation risks arising from the digital marketing paradigm With proven benefits of addressability, accountability and customization, ad spend in digital channels (64.4%) outweighed traditional spend (35.6%) in the US in 2021. But the digital landscape harbors threats of fake news, privacy invasion and algorithm bias, and this increases brand reputation risk. Gone are the days when managers carefully controlled their media exposure by selecting demographics and appropriate programming environments to optimize brand messaging. In the digital space, ad placements result from programmatic algorithms driven by consumer browsing histories, and this consumer-initiated targeting of ads often makes brands vulnerable. An emblematic case occurred in 2017 when P&G found their brands on YouTube adjacent to extremist websites, prompting a reduction in digital ad spend of $140 million. Many brands have since experienced similar problems.

A prudent path is to increase vigilance, use some of the metrics suggested in Figure 2 for more balanced ad spend, and engage social media monitoring with an eye on who is making the communication decisions (see Box 1).

Brand reputation risks from Person-Brand Strategies Some brands are linked to the identities and lives of individuals, as when the corporate brand bears the name of the founder or C-level leader (e.g., Calvin Klein, Martha Stewart), when the corporate leader garners celebrity status (e.g., Elon Musk and Tesla), or when a high-profile spokesperson is tightly linked with the brand (e.g., Tiger Woods and Nike). Person-brands are inherently volatile and their behaviors as humans put businesses at risk. Consider Uber, the highest valued pre-IPO company in history, and the financial losses it suffered on the heels of actions by CEO Kalanick. Or the crash of Martha Stewart Living Omnimedia in the wake of the jailing of CEO, Chairman and Chief Creative Officer Martha Stewart.

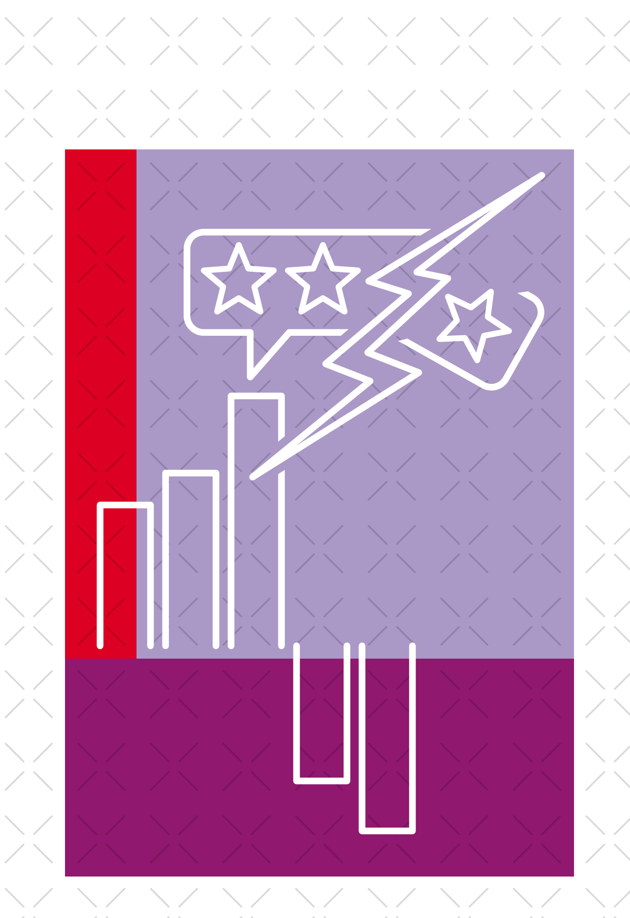
In today's highly scrutinized business climate, the daily behaviors of corporate executives and managers are under



BOX 1

The risks of "Marketing Juniorization"

In the wake of digital transformation, another reputational risk exposure rears its head. This risk stems from the rebirth of marketing as an engineering versus creative function. Skill sets supporting marketing are evolving, and brands can be well supported with a junior workforce of relatively inexperienced marketing technicians focused on campaign execution and experiments on marketing spend. "Juniorization" refers to the replacement of higher-level marketing executives trained in the classical craft of brand strategy and stewardship with a more technical, less experienced workforce who often lack experience or coursework in marketing and business. With juniorization, marketing decisions are pushed down the ladder and made on the frontlines by lightly managed or even contracted staff. In an earlier era, all brand communications were vetted through numerous levels of increasingly senior review, but this is not so in the juniorization paradigm. A 2019 Dove soap ad run on social media depicted a visual of a Black woman being transformed into a White woman next to an image of the company's product. One user's tweet captures the conundrum: "Is @Dove's marketing strategy: before = Black and dirty, after = Caucasian and clean? Also, *who* is approving these ads?"



the microscope and regularly reported in the media, which also raises the risk exposure of the company. News of the political leanings of founders and board members triggered boycotts against L.L.Bean and SoulCycle. Businesses inherently tied to politically charged issues can also raise risk, as in the dismissal of a member of the Whitney Museum of American Art's board because of his company's munitions manufacturing concern. A Samuel Adams executive toasted a tax cut bill at a company party and Massachusetts politicians called for a boycott. CEOs and managers are under pressure to be visible on social issues, but they have to carefully thread the needle when the company's commercial and financial interests clash with cultural values. A since deleted tweet sent by the Houston Rockets general manager in support of Hong Kong protesters put the NBA – and a host of bystanders with sponsorship contracts including Nike – in the spotlight on US–China relations and threatened the league's financial future in the world's most populous country. Consumer memes parodied Nike's "Believe in Something" Kaepernick campaign as the company backtracked in the face of lost sales: "Believe in Something. Unless it pisses China off."

Managers are well advised to monitor the risk exposures of their brand-persons by proactively assessing the degree of interdependence between person and brand, the company's reliance on the brand-person for governance, the volatility of meanings in the person behind the brand, and the embeddedness of the person in the cultural conversation. Figure 3 suggests metrics to track.

> *Managers need to catalogue their risk exposures and evaluate the severity and probability of these risks.*

Brand reputation risks from corporate socio-political activism × Anyone familiar with risk management understands political risk as a macroeconomic factor affecting markets: the war in Ukraine, instability in the UK government, US–China relations. Less obvious is how wide the political risk category has become with the addition of socio-cultural matters carrying political overtones. Trending socio-political issues include gender, sexual identity, race, socio-economic status and myriad charged issues from gun control to climate change, privacy, abortion, diversity & inclusion and free speech. Traction around environmental, social and governance (ESG) adds additional complexity. Companies committing to ESG targets for racial diversity, gender pay equity or carbon neutrality confront risks of non-compliance as governing bodies such as the SEC call for accountability. The underappreciated fact is that companies engaging commitments and go-to-market strategies that implicate these matters expose brands to greater reputational risks.
Socio-politics also offer an attractive ground for companies who seek cultural resonance. But brand or advertising strategies that attempt to ride the waves of socio-political issues bring with them reputational risk exposures inherent in leveraging subtle, hotly debated cultural concerns. Without careful execution and credibility, attaching a brand

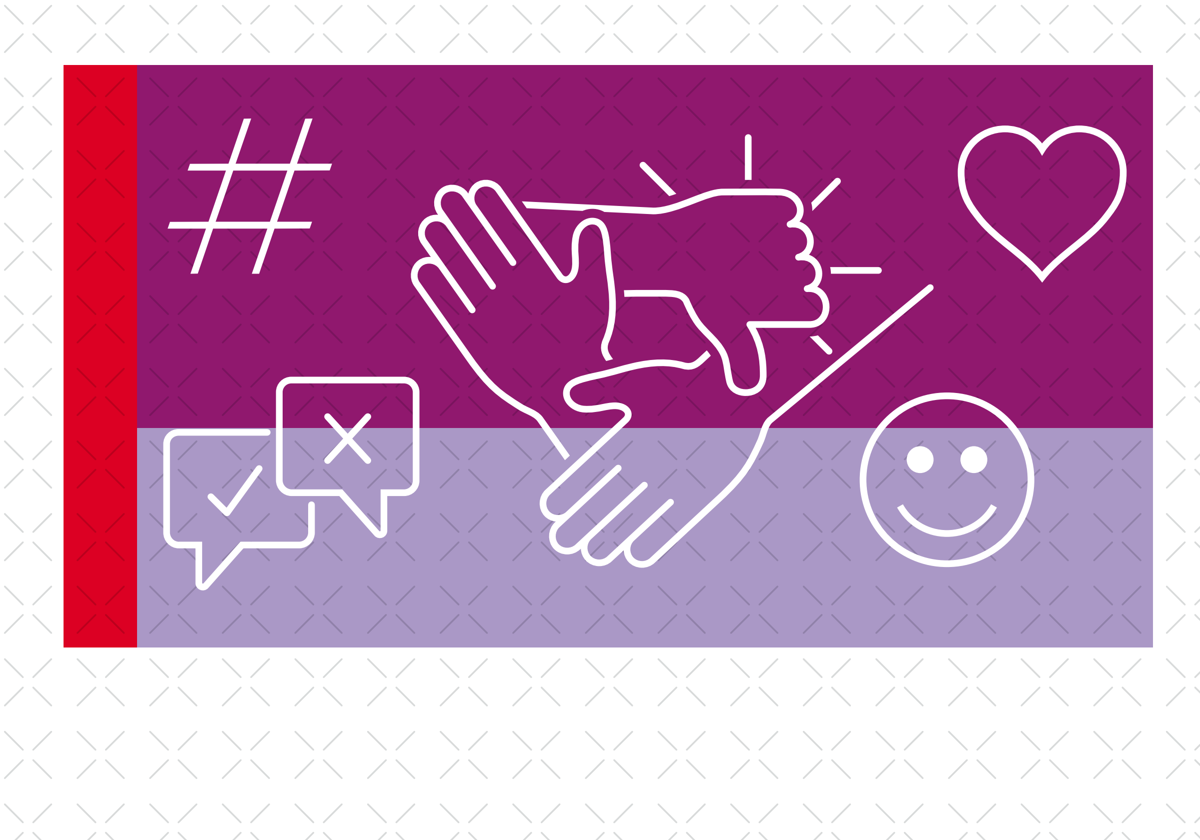
FIGURE 3 > Person-brand risk and relevant metrics

Person-Brand Risk

Risk when brand identities are closely linked to living persons

- Strength of tie between brand and person
- Involvement of the person in corporate governance
- Number of leadership roles held by the person
- Visibility of the corporeal person/celebrity status/fame
- Media coverage of the person, embeddedness in the cultural conversation
- Person's social media footprint
- Social embeddedness of the person in visible social networks
- Evidence of personal character flaws, hubris, morality unpredictability, disaster proclivity index
- Negativity/positivity ratio of person meanings in media and on social media
- Mortality risk

Example: In October 2022 Adidas ended their partnership with Kanye West after his provocative behaviors, like wearing a "White Lives Matter" T-shirt and making antisemitic remarks, prompted an end to his product license deal with Adidas, a venture valued at $1.5 billion.



to a social movement or political issue can amount to appropriation of cultural capital. Ideologically driven activist marketing can easily miss the mark and cause consumer revolt rather than appreciation. Examples are plentiful. H&M faced charges of racism for using a Black child to model a sweatshirt sporting the phrase "coolest monkey in the jungle." Gillette's "The Best Men Can Be" campaign was designed in response to the #MeToo movement and was panned 70:1 on social media for its slippery slide into male toxicity, contributing to the brand's eight billion dollar write-down. Peloton experienced a stock price downdraft of 11% triggered by an advertisement in which a husband gifted his wife a Peloton, seeming to suggest that she needed to exercise more.

Figure 4 suggests metrics to monitor socio-political risk. Managers need to catalogue their risk exposures and evaluate the severity and probability of these risks. A brand promise centered on socio-political issues must be carefully weighed for upside and downside risks. Ideologically driven marketing and communications strategies should be scruti-

» *Brand or advertising strategies that attempt to ride the waves of socio-political issues bring with them reputational risk exposures inherent in leveraging subtle, hotly debated cultural concerns.* «

FIGURE 4 > Socio-political activism risk and relevant metrics

Socio-Political Activism Risk

Risk from engagement in controversial socio-political matters

- Inherent political nature of the product category
- Volume of social media sentiments on focal socio-political issues
- Valence – positive/negative social media sentiment on focal socio-political issues
- Fit of socio-political campaign with brand history and values
- Activism/political foundations of the brand promise/vision
- Strength of brand and its equity

Example: In 2019 Cadbury launched a "Unity Bar" made of dark, "blended," milk and white chocolate to promote diversity. The good intentions failed amid charges of woke-washing.

nized for campaign–brand values fit and quantification of supporters vs. detractors on the focal issues. Strong brands can find themselves more likely to be in the crosshairs, and this too should be carefully tracked.

A brand reputation risk dashboard to prevent trouble for brands Successful brand stewardship requires ongoing tracking and monitoring of four marketing-strategy-related sources of reputational risks to brands: brand architecture strategies, digital marketing strategies, person-brand strategies and corporate socio-political activism. The figures above provide ideas for what a dashboard serving these goals might contain. Specialty risk monitoring companies such as Sustainalytics, Brandwatch, Marketing Scenario Analytica, Yonder and SpottedRisk have developed methods and frameworks that provide help. From the analysis of monitoring data, brands can, among other things, assess the level of severity of a specific brand reputation risk issue, the frequency of certain types of events, alternate response scenarios and the effectiveness of their actions. In the world of risk management, prevention is the best remedy. These insights can help brands develop early warning indicators of potential trouble.

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Brand Purpose and Brand Success

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KEYWORDS

Brand Purpose, Profit, Purpose Beyond Profit, Customer Benefits, Third-Party Effects, Net Promoter Score

New challenges call for new performance metrics × The year 2022 saw an almost unbearable number of disasters, both natural and humanitarian: wildfires in North America and Europe, hurricanes in the Atlantic and floods on the Indian subcontinent. And we must not forget the ongoing hunger crisis in Africa and, once again, a war in Europe. While the United Nations has set 17 Sustainable Development Goals to focus global awareness on the most urgent challenges, the organization itself has limited means with which to tackle them. Instead, the UN relies on encouraging governments around the world to adopt regulation and legislation in support of these goals. Fortunately, private enterprises also appear to have taken on more responsibility over recent decades. To a certain degree, the very reason why businesses exist is no longer limited to generating shareholder value; more and more private companies are claiming a purpose beyond profit and therefore also care about social responsibility and sustainability. However, including the purpose of a business in strategic and operative decisions has so far been impeded by a lack of reliable metrics. After all, you can't manage what you can't measure.

The purposes of business activity: What lies beyond profit? × Basically, the purpose of any business is rather obvious: to offer products and services that yield certain benefits to their customers. In turn, the customers are willing to pay a price that helps businesses achieve financial goals. That is, the fundamental purpose of business boils down to generating benefits for customers and profits for entrepreneurs or shareholders. Both these purposes are closely interrelated and cannot be fulfilled without each other.

» *Quantifying a company's purpose beyond profit is not easy, but it is highly relevant.* «

BOX 1

The Perceived Purpose Score: How consumers evaluate a company's purpose via its brand perception

Whether or not a company aims for a purpose beyond profit is not easy to measure. Often, the evaluation is based on the analysis and integration of corporate communication, public filings, marketing materials and press coverage from and about a company. However, consumers typically do not evaluate companies as abstract legal entities by reading their annual reports; instead, they form their attitudes via touchpoints with the companies' brands. Therefore, we have chosen an approach that relies on consumers to integrate this information. After all, the subjective brand images that result from consumers' own inferences ultimately determine their attitudes toward a brand and, consequently, their purchase decisions and brand success.

Thus, we used a consumer-based approach to assess brand purpose and developed a measurement tool, the Perceived Purpose Scale, which covers the three types of purpose discussed above. Specifically, we created a set of more concrete subgoals addressing each purpose dimension (see Figure 1 for some examples of subgoals). Then, we asked consumers to provide their subjective impression regarding the importance of each goal for specific brands. Finally, we aggregated participants' responses into a three-dimensional perceived purpose score (Index 0-100) for each brand, indicating consumers' perceived importance of the three purpose dimensions – achieving financial success, providing customer benefits and caring for third parties.

In our study, 400 German consumers assessed the perceived purpose of the world's 100 most valuable brands (according to the global brand consultancy Interbrand). In addition, we investigated whether brands which are perceived to care about third-party effects might even be more successful in the end. To answer this question, we used the 100 brands' scores in the three purpose dimensions to predict a central metric employed in brand management, the brands' Net Promoter Score (NPS). To calculate this "one number you need to grow" for each brand, participants indicated whether they would recommend the brand to their friends and family using a scale ranging from 0 = "not at all likely" to 10 = "extremely likely". Then, the share of "detractors" (indicated by a rating from 0 to 6) was subtracted from the share of "promoters" (indicated by ratings of 9 or 10) to yield each brand's NPS. That is, brands that have more promoters than detractors have a positive NPS, while brands that have more detractors than promoters have a negative NPS.

»

Different types of corporate purpose are not necessarily mutually exclusive, but each company or brand will have an individual mix of goals that constitute its individual purpose.

«

FIGURE 1 > Purpose dimensions and examples of subgoals used in the Perceived Purpose Scale

Financial success

- Profits for the company
- Financial security for the shareholders of the company
- Cost efficiency of the company

Customer benefits

- Solving customer problems
- User experience
- Safety for the customers and users

Third-party effects

- Ecologically and socially sustainable investment of the company's profits
- Solution to social and ecological problems
- Positive contribution to the community

» *The higher a brand's score on the third-party effects dimension, the higher its share of net promoters.* «

However, the transactions between companies and customers might additionally affect third parties who are not directly part of the transaction. They cause external effects that can be positive as well as negative: Vacationing in distant places may provide fantastic experiences to travelers and revenue for the tourism industry, but it also causes considerable CO_2 emissions, which contributes to the collapse of our climate and ultimately affects all of us. Cheap palm oil makes many products available for the masses, but its production too often lays waste to entire ecosystems. In contrast, if the workforce of a company is composed of members from social groups who are otherwise in conflict, merely working together can ameliorate social friction and increase well-being in the community. Also, there can be charitable components to business activities, such as donations from each product sold.

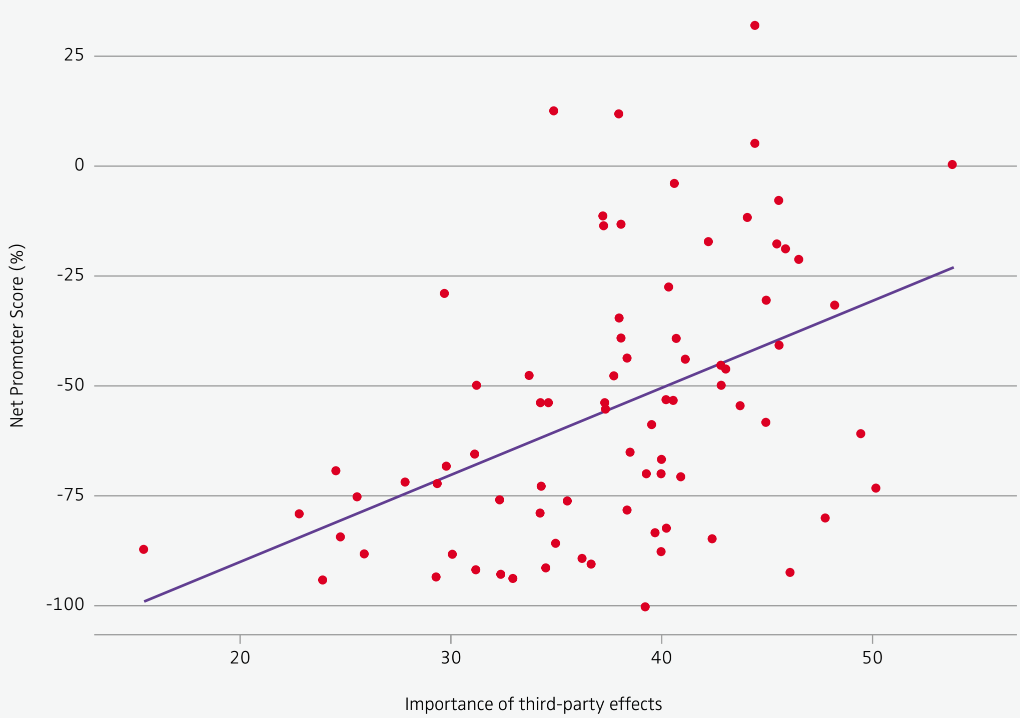
In sum, beyond striving for financial success, the purpose of a business can be the creation of customer benefits as well as positive third-party effects, such as the provision of community services and charitable activities, or the reduction of negative third-party effects, for instance by offsetting or insetting emissions. These different types of corporate purpose are not necessarily mutually exclusive, but each company or brand will have an individual mix of goals that constitute its individual purpose.

Consumer perceptions of brand purpose × Given the many challenges our societies face, it makes sense that companies look beyond profit. But are there reliable metrics to assess which businesses and brands pursue a purpose beyond profit and which ones don't? And if we had such metrics, how would they relate to other corporate KPIs? Might a concern for third-party effects even support companies in achieving their more traditional goals? Researchers at the Nuremberg Institute for Market Decisions have conducted original research to find some answers. Box 1 describes the study.

Relationships among purpose dimensions × Our research revealed a distinct hierarchy of how consumers rate the purpose dimensions across brands. Financial success is perceived to be the most important purpose dimension, followed by the creation of customer benefits, while third-party effects are perceived to be least important for the top 100 most valuable brands.

In addition, we investigated the relationships among the purpose dimensions. First, consumers perceive the purpose of creating customer benefits to be independent of the purpose of achieving financial success. Second, creating customer benefits is positively associated with caring for third parties in the mind of the consumers. Third, orienting business toward third-party effects is perceived as antagonistic to the purpose of achieving financial success. That is, a brand can be perceived as striving for both financial success and creating customer benefits, but the purpose of financial success is perceived to conflict with the purpose of having a positive impact on third parties.

FIGURE 2 > Correlation between brands' perceived concern for third parties and the likelihood that consumers will recommend those brands



» *Being perceived as a brand that cares about the common good can be an advantage.* «

Doing well by doing good? To test whether a brand's perceived purpose beyond profit is good for business, we further investigated the relationship between our purpose dimensions and the Net Promoter Score. Our analyses show that neither the financial success dimension nor the customer benefit dimension is a strong predictor for the NPS. However, the higher a brand's score on the third-party effects dimension, the higher its share of net promoters. In Figure 2, the purple line illustrates the positive relationship between these two scores. When it comes to building a loyal customer base that will recommend the brand to potential new customers, being perceived as a brand that cares about the common good can be an advantage. It must be noted, however, that our methodological approach does not allow for causal interpretations of the relationship. All we can say is that brands that are perceived as trying to make the world a better place have more net promoters. It may be that doing good makes a business flourish. However, it may also be that only flourishing businesses can afford to do good.

Perceived purpose scores can support brand decision-making Quantifying a company's purpose beyond profit is no easy task, but it is highly relevant. Our Perceived Purpose Score is an example of a theoretically grounded and consistent quantification of brands' purpose from a consumer perspective. We found a positive correlation between the NPS and brands' perceived care for third parties, supporting the assumption that support for social or environmental causes can pay off. In sum, this research lays the foundation for a more systematic, rigorous investigation of purpose beyond profit. So far, we have only tested a single brand performance metric, but future analyses will also consider additional KPIs to complete the picture. For brand management, it will be crucial to understand how customers currently perceive a brand in all three purpose dimensions but also how you want a brand to be perceived. Our tool can guide decisions by identifying the most efficient ways to get where you want to be.

FURTHER READING

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Dashboards: From Performance Art to Decision Support

Interview with Neil Hoyne, Chief Measurement Strategist at Google

Dashboards are a common tool for managers to monitor a company's performance, and since the COVID-19 pandemic they have gained popularity among even broader audiences. But what is the real use of these dashboards? Is it just performance art or is it a tool that provides managers with the information they need? It may be slightly astonishing that Google employee Neil Hoyne is no fan of dashboards, but he believes they can be toxic when taken out of context. In this interview, he explains his skepticism of monitoring the same KPIs quarter after quarter and suggests different ways to make dashboards more strategically useful to companies. In his view, dashboards should inspire questions and curiosity, reflect market context and align toward specific business initiatives. He also suggests a more professional use of data and favors the scientific inquiry of the relationship between marketing measures and business outcomes.

David Reibstein × ***Most companies use dashboards nowadays. Why are dashboards so popular?***

Neil Hoyne × Companies create dashboards because they appreciate summary statistics about their data, but they fall short in explaining to managers what actions should be taken next. As a result, I see little application of those dashboards apart from simply being available.

So you have a negative reaction to dashboards in general?

The negative reaction to dashboards is a symptom of a much wider problem. Companies often try to distill their entire business down to several metrics that can be easily understood and evaluated. The metrics provide a strategic focus. Value, on the other hand, comes from identifying what to do next, which is where these higher-level KPIs fall short. Performance may have declined in a specific region. Why? Is this related to our business? The macro environment? Dashboards tend to generate more questions than answers at this point and it's not as if those are in short supply already.

So you think dashboards need to change to be more useful? What needs to change?

A dashboard must have context. Benchmarks are one example. Your business is growing. How is the rest of the market doing? For instance, if we declined 5 %, we may be upset with that unless the rest of the market declined 10 %, or if we grew 10 % that might be great unless the rest of the market gained 20 %. You need to have an objective complement, more than your own expectations.

So you shouldn't just look at your sales numbers, but at market share and use a relative basis?

Yes, performance judgments should use a lens on how the rest of the market is doing versus the isolation of internal forecasts. Few companies can predict 12 months ahead in today's market conditions. Next you need to transform a dashboard into a living document.

So another requirement would be to enliven the dashboard, adapting it to changing requirements?

Exactly. We need to know what drives change. Beyond supplementing their dashboards with more market data, companies are considering KPIs together as a basket against larger strategies while being mindful of the trade-offs. If their advertising costs are increasing, but they see accelerating growth in market share, these trade-offs may be worthwhile even if they are outside of plan. Equally, an increasing focus on customer lifetime value and high-value customer acquisition may lead to a short-term drop in total customer acquisition – a net-positive for the firm if and only if they can move past seeing the latter metric in red.

What else is likely to change with dashboards?

Managers would be right to scrutinize the presentation of the data as well. Visual design of a dashboard is usually an afterthought. The size of certain KPIs relative to others may incorrectly convey their importance. The scale of charts and the lookback window for historical comparisons are often overlooked. Even the colors may focus the audience toward the wrong problem when the difference between a red (poor-performing) or green (over-performing) metric was just set at an arbitrary forecast.

Koen Pauwels × ***How could driving factors, for instance if something goes wrong, be integrated into a dashboard?***

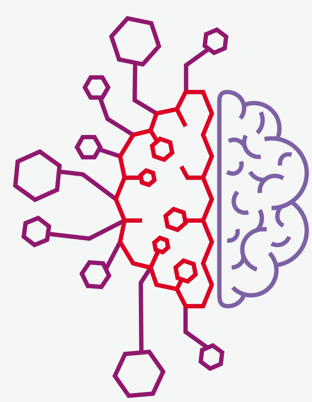
Instead of identifying a department and person in charge of defending their particular space and explaining what they did and intend to do when KPIs signal problems, more metrics could be auto-generated to give you an insight as to where things are falling apart. Figures should be broken down into areas that are well outside the average, explaining what is special and letting you uncover why they are performing differently. It would be a diagnostic tool similar to medical labs, where if something looks wrong with, say, your kidneys, they order additional lab tests.

← **NEIL HOYNE**

ABOUT NEIL HOYNE

Neil Hoyne is the Chief Strategist for Data & Measurement at Google and the bestselling author of *Converted: The Data-Driven Way to Win Customers' Hearts*.

Mr. Hoyne serves as a Senior Fellow in Artificial Intelligence at the Wharton School and on the Board of Trustees for Purdue University Global. He has received multiple patents for his work in marketing attribution and customer analytics, been published in notable outlets such as Harvard Business Review, and has keynoted hundreds of events in more than two dozen countries.



THE INTERVIEWER

The interview was conducted by David Reibstein and Koen Pauwels in December 2022.

I really like this approach: dive deep into the why. Today's dashboards typically don't have the ability to point out why something happened and then also take you to the next step of what you can do to improve, to move the needle. Have you seen any dashboards doing that?

Dashboards are part of a larger story. KPIs can be remarkably stubborn, limiting audiences to seeing the world through a very fixed view. There needs to be a counterbalance to ensure that new perspectives can be evaluated outside of the traditional planning window. This is where data science excels. Forming a hypothesis, collecting new data and KPIs, running experiments if necessary and forming a conclusion about whether it provides a more actionable view of the world. There is no reward for keeping steady KPIs in a constantly changing world.

A few years ago, real time was a hot topic and people wanted real-time reporting. Now, advertising people say they do not want real time because it just distracts, and weekly or daily reports are sufficient. What do you think about real-time dashboards?

I once worked with a company that wanted to make their website activities as salient to their C-suite as their physical stores. Their thought was to build a real-time dashboard that would show rapidly changing numbers, explosive dots as new sales came in across the country and a constant stream of interactions that followed every page click, shopping cart addition and checkout. This is performance art. Visually stunning but little value beyond awareness.

Let's talk about tech and your thoughts on voice assistants and AI. Instead of scrolling to a dashboard on your screen, wouldn't it be nice if you as a marketer could ask your question or hypothesis by voice and get a very nice answer back?

It would be if marketers were free to explore questions beyond KPIs. "What was my CPA last week?" "Are revenue numbers tracking above our forecasts?" These types of questions are all subject to the same faults as traditional dashboards: limited scope. I'd love to see more support for hypotheses and forward-looking predictions. "What might happen if we move 20% of our marketing budget from this bucket to that bucket?" We'll get there.

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Performance judgments should use a lens on how the rest of the market is doing versus the isolation of internal forecasts.

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So as yet, AI just generates what we have in traditional reports and does not add much value?

Managers rarely find themselves with an abundance of free time. They are overwhelmed by many, often conflicting, data sources and they are trying to untangle a picture. They need to meet – but ideally exceed – those KPIs. They need to manage a customer funnel, continually moving customers across an arbitrary funnel. Activities of curiosity toward the data and testing new ways of understanding the business are stubbornly deferred. AI can lighten the burden if managers can adopt the right mindset: to develop new hypotheses and invest in testing the AI-derived recommendations.

David Reibstein × ***This is a very scientific approach you suggest. Are companies willing to act based on data science?***

Companies are getting better but change is hard. They may start off with analyzing the decisions they are trying to make, studying the problem and the hypothesis they see. They invest in collecting more data, proving or disproving that hypothesis, but often fail to act. If I run a hundred tests for companies with, say, a hundred positive outcomes, meaning that if you make this change, then you will make more money, only about 60% of those projects ever get implemented.

I am really struck by your hundred tests and only 60% implemented. Why aren't the 40% implemented? Is it because they don't trust the data? Or is it because outcomes are not consistent with their pre-hypothesis and so they are rejecting whatever the data say? What can you do to encourage companies to act on the data?

A large enough test is going to find something that the company can do differently. So you will have people in the organization who benefit from that change and others who will not. There is enough gray area in any experiment, in any data set, for the "losers" to slow the organization. That's often what happens and why I generally look for an agreement on what to do with the results in advance. If I can't get agreement before the test is run, I'm not going to get it afterwards either. You need an agreement across teams, based on the possible range of outcomes on what they will do.

So to make better decisions you need to change not only the dashboards but the decision-making culture around data?

Yes, this all comes back to the organizational approach around data. What companies are not failing on is collecting data; they are failing when they discuss what to actually do with the results. They either let a product manager sell a measure or provide a lot of data and ask the boss what he or she wants to do. That's not rigorous at all. Therefore, companies are rethinking those processes, and this is really a challenge of organizational transformation at large.

Well, thanks, Neil, this was a very inspiring interview. I think we agree on what needs to be improved to make dashboards more relevant and actionable. You leave all of us – researchers, computer scientists, data scientists and managers – with lots of homework to do in order to create better dashboards and a data-driven culture for making better marketing decisions. ×

Guest Editors

Koen Pauwels is Distinguished Professor at Northeastern University and co-director of its Digital, Analytics, Technology and Automation (DATA) Initiative. He received his Ph.D. from UCLA, where he was named among the Top 100 Inspirational Alumni. After earning tenure at the Tuck School of Business at Dartmouth, Koen helped build the startup Ozyegin University in Istanbul. Ranking among the top 2 % of scientists worldwide, Koen has published more than 80 articles on marketing effectiveness, available at marketingandmetrics.com. This research received several awards from academics and managers, for instance the Gary Lilien ISMS-MSI-EMAC Practice Prize in 2018.

Koen is Associate Editor for the Journal of Marketing and the Journal of Consumer Research. His managerial books include Break the Wall: Why and How to Democratize Digital in Your Business and It's Not the Size of the Data – It's How You Use It: Smarter Marketing with Analytics and Dashboards. As Principal Research Scientist at Amazon's Advertising Marketing & Insights team, Koen leads research and publication efforts focused on changing the way data is leveraged to drive advertising success, including recommendations to hundreds of thousands of advertisers.

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David's research focuses on competitive marketing strategies, marketing metrics, branding, and product line decisions, among other issues. His marketing metrics work has focused on linking marketing metrics to financial consequences, resulting in his widely read book Marketing Metrics: The Manager's Guide to Measuring Marketing Performance. He has authored numerous articles appearing in major marketing journals, including Journal of Marketing Research, Marketing Science, Harvard Business Review, Journal of Advertising Research, Journal of Marketing and Journal of Consumer Research.

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