



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



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.

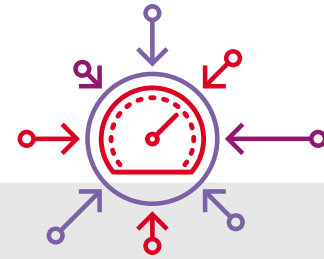
FIGURE 1 > Collage of metrics managers might use in their decision-making



> **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.

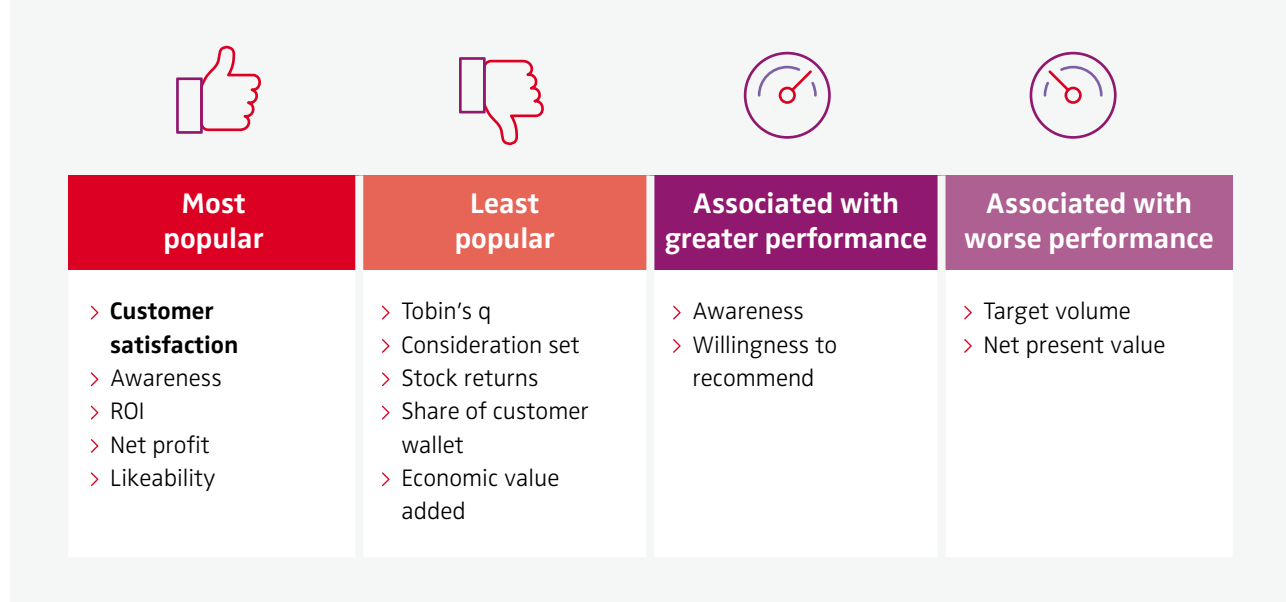
In addition, using non-financial marketing metrics, such as awareness, willingness to recommend and loyalty, surprisingly seemed to be associated with better marketing mix performance outcomes than using financial metrics, such as target volume, NPV and net profit. There are two main reasons for this 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-



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



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



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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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FURTHER READING

Mintz, O. (2022). The post-pandemic business playbook: Customer-centric solutions to help your firm grow. Singapore. Palgrave Macmillan.

Mintz, O., & Imran, S. C. (2013). What drives managerial use of marketing and financial metrics and does metric use affect performance of marketing-mix activities? *Journal of Marketing*, 77(2), 17-40.

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