Investigation of marketing accountability in South African organisations

by

Nathalie Hall

A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg

November 2006

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

NATHALIE HALL

14 NOVEMBER 2006

DEDICATION

To my friends and family who sacrificed many weekends and holidays to allow me to fulfil this goal. And to my little Spaniel Goldie, thank you for the many licks of love on late nights which kept me going.

ABSTRACT

For too long, marketers have not been held accountable for showing a return on marketing expenditures. This lack of accountability has undermined the credibility of marketers, threatened the standing of the marketing function within a firm and even threatened the existence of marketing as a distinct capability of the firm.

The research contained in this study highlights the internal and external factors driving marketing accountability. Bob Liodice, the President and CEO of the Association of National Advertisers defines marketing accountability "as the foundation for improving marketing, building business performance, enhancing productivity and streamlining critical processes." In the face of increasing price pressure and declining customer loyalty, more than anything what Chief Executive Officers (CEO's) seek from marketing is differentiation, especially differentiation that is difficult for competitors to copy. As industry and national boundaries are blurring, the ability to think across industries, transcend culture and find universal truths is emerging as the new necessity. Never has there been a more auspicious time for marketing to take a leadership role through these organisation-wide transformations that have top- and bottom-line impacts.

These findings provide insights around why marketing needs to evolve as a discipline as well as highlight the inhibiting factors for making this a practical reality. It is hoped that this study will encourage debate concerning what is

already known abou gest areas for further research regarding the practical implications for such marketing accountability.

ACKNOWLEDGEMENTS

I would like to express my sincere thanks to the following people for their support and assistance. Without their help this study would not have been possible:

My family for their unconditional support and understanding throughout the course of this study.

My supervisor, Ricardo Machado, for his time, encouragement and guidance throughout this research.

My friend and mentor, Luiza Mazinter, for the never-ending stream of support and information.

To every participant in the case organisations included in my research – thank you for your time and willingness to share. Specific mention must go to Sean McCoy, Andy Rice, and Muzi Kuzwayo. Without your friendship and support, this study would not have been possible.

LIST OF FIGURES

LIST OF TABLES

BACKGROUND TO THE STUDY

1.1 INTRODUCTION

In this chapter we will present the rationale to the research problem, define the problem and core objectives as well as articulate the propositions. We will also give an overview of the research methodology and its limitations respectively.

1.2 RATIONALE TO THE PROBLEM

According to a paper by the Australian Marketing Institute (AMI) “What Value Marketing?” (2004), it is time for the marketing profession to be recognised for its central role in creating and harvesting profitable revenue (inward cash flow). In its most recent definition, the institute defines marketing ‘as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organisational objectives’.

Institutions are under increasing pressure to justify their investments – a practice which filters down through every level of the organisation. Marketing is often perceived as a superfluous investment, particularly as its impact cannot be directly linked to the bottom line. Many marketing executives report being under increased pressure to demonstrate the value of their activities to both the higher ranks of the et many institutions fail to overcome the challenges of effectively tracking their activities.

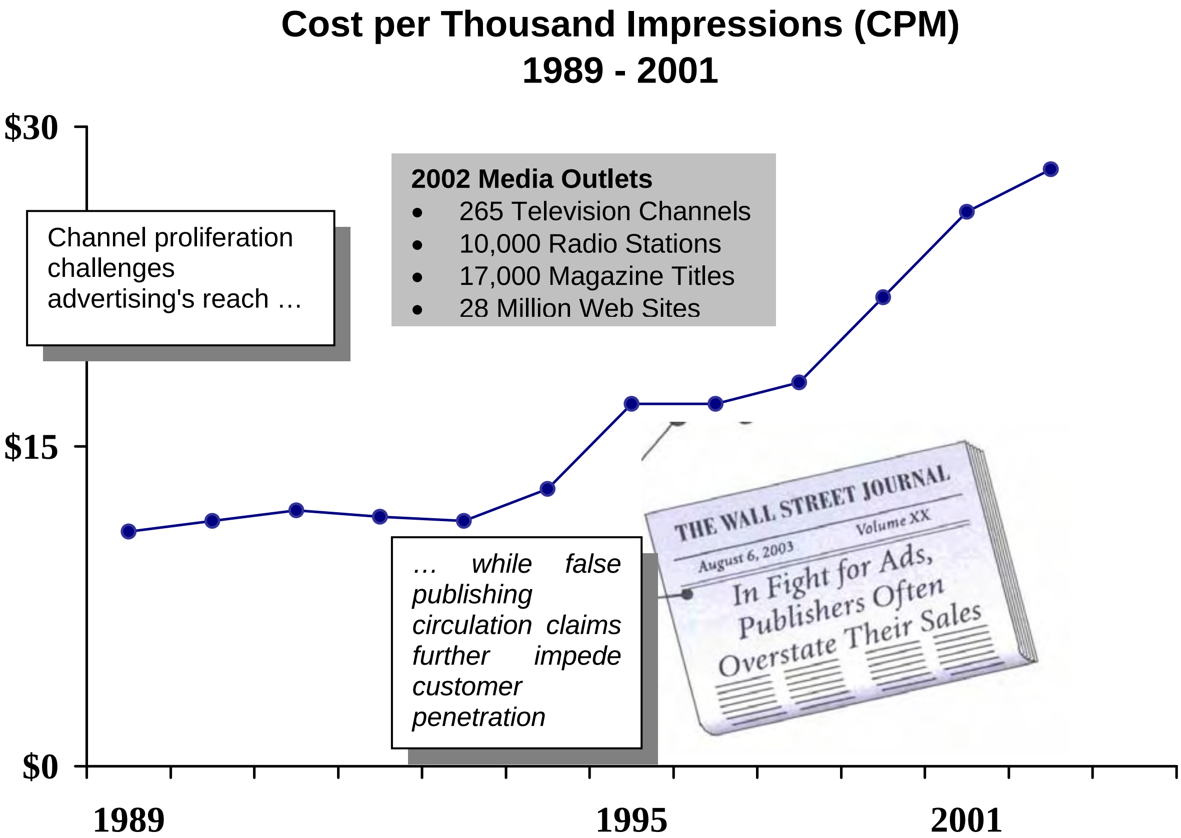
Evidence suggests that marketers are increasingly concentrating on investment-based marketing – a system of processes to measure return on investment consistently and to reduce instinct-based decisions. Kumar (2004) believes the demand from CEOs is for foresight rather than hindsight, for innovators, not tacticians, and for market strategists, not marketing planners. Dr. Roger Sinclair, an expert in Marketing Return On Investment (ROI) in South Africa argues that such marketing is a common sense issue and will have an impact on the way an institution plans, implements and assesses its marketing activities. He thinks that research indicates that the traditional methods of measuring marketing activities – such as response rates and costs per lead – do not fully take into account the costs or investments involved or the various aspects of the return, such as how the profits are retrieved. Pursuing a marketing return on investment approach may also bridge the gap between sales and marketing as the goals of the two departments become more aligned.

Lusch and Vargo (2004) agree that the goods-orientated, output based models have changed as the focus is shifting away from tangibles to intangibles, such as skills, information, and knowledge, and toward interactivity and connectively and ongoing relationships. The orientation has shifted from the producer to the consumer.

Returns on tradi… rticularly on marketing communications, have begun to dwindle in recent years. This is hardly news to experienced marketers. The continued rise in cost per thousand impressions (far outstripping inflation) and the seemingly endless fragmentation of media channels together conspire against marketers' attempts to reach their desired audiences efficiently. Exacerbating these trends is the (typically unappreciated) false or exaggerated reporting of reach by some media (Marketing Leadership Council, 2005).

Even beyond investments in advertising, other key marketing efforts are beginning to demonstrate diminishing results. New product development, a critical lever for sustaining brand health and financial performance, is generating smaller returns (despite growing investment) for a number of companies. Recent trends in the consumer electronics industry illustrates the dilemma that marketers face. While able to maintain premium prices for years on breakthrough products, such as the VCR, marketers have had to quickly drop prices on recent introductions, such as DVD and MP3 players, in the face of low-cost competition, reducing these products to near-commodity status well earlier than anticipated. Indeed, marketers at many companies see the net productivity of their organisations under significant pressure, requiring ever more investment to maintain the returns historically generated by their efforts. Clearly, this dynamic poses significant problems for marketers operating with reduced budgets or in companies with little understanding of the underlying trends negatively impacting marketing's ability to impact firm performance (Marketing Leadership Council, 2005).

Figure 1.1: Dwind spend



Source: The Marketing Leadership Council (2006).

Doyle (2000) believes the information revolution is antiquating the marketing strategies of many traditional industry leaders. He identifies three key drivers affecting this movement. Firstly, the central issue facing all firms now is understanding and adapting to rapidly changing markets – globalisation, new competition, rising customer expectations and the implications of the information revolution on how companies market. Secondly, marketing skills, rather than production skills, has become the key to creating competitive advantage. More and more leading companies of branded goods outsource all their manufacturing to outside suppliers, often in developing countries. Thirdly, marketing performance is the root source of shareholder value. The firm's opportunity to creat[illegible]t on its ability to create a competitive advantage that will enable it to attract and retain customers paying satisfactory prices.

Kotler (2006) defines a value proposition as the whole cluster of benefits the company promises to deliver and the value network as a system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings. Kumar (2004) believes that a focus on the valued customer, the value proposition, and the value network can help marketers win a prominent seat at the executive table. He believes that the basic mission of marketing is to create a difference between a company’s offering and that of its competitors on an attribute important to customers.

As firms increasingly turn to marketing to create and deliver value to target customers, the function’s ability to translate customer needs into profitable products and services proves paramount to remaining competitive. Kotler (2006) defines strategic marketing as the design and implementation of marketing activities and programs to build, measure, and manage brands to maximise their value. This definition of marketing strategy plays a central role in winning and retaining customers, ensuring business growth and renewal, developing sustainable competitive advantages, and driving financial performance through business processes (Marketing Leadership Council, 2005). A significant proportion of the market value of firms today lies in intangible off-balance-sheet assets such as brands, market networks, and intellectual property, rather than in tangible assets (Sinclair, 1999).

However marketing has lost influence in the business world because marketing strategies are not effectively linked to economic value. Growths of sales or market share are not reliable measures of operating performance. The real role of marketing is to create and utilise marketing assets to create future cash flows with a positive net present value. Marketing practitioners and scholars are under increasing pressure to become more accountable and to demonstrate how marketing expenditure adds to shareholder value (Doyle, 2000). However the approach for applying this marketing accountability theory at a practical level is a challenging one which we will now highlight in the following section.

1.3 RESEARCH PROBLEM

Sinclair (1999) believes marketing plays a vital role in the life of most companies. According to a survey conducted in late 1999 among financial managers of leading South African companies, marketing was ranked top of a list of functions that impact on the organisation's long-term profitability. It was placed ahead of Research and Development (R&D), Production, Information Technology (IT), Human Resources and Training, Accounts and Administration. Not only that but the respondents also said that marketing was mentioned to a greater extent in their annual reports than any other company function.

By contrast the survey also found that marketing, apparently so important to the health of the company and sufficiently influential with investors and analysts to warrant extensive tr [illegible] ef executive's report, was represented on the boards of the sample companies in only 29% of cases.

More recently, DeLegge (2006) points to the fact that return on investment has become the driving obsession of the marketing industry, igniting as much passion as anything involving econometric modelling ever could. However he goes onto explain the increasing demands in accountability are not necessarily translating into greater understanding of marketing results.

He claims that a survey by the Association of National Advertisers members conducted by Forrester Research and Aegis Group's Marketing Management Analytics found only two in five marketers could project the impact of a 10% cut in marketing spending. Furthermore he points to a recent study by the CMO Council, the global leader in the development of Marketing Performance Measurement (MPM) practices and intellectual capital that found less than 20% of top technology marketers surveyed had developed "meaningful, comprehensive measures and metrics for their marketing organisations." The last major study on marketing ROI by the CMO Council found that 68% of marketers were unable to determine the ROI of their initiatives.

Marketing performance is therefore a key area on the business agenda today and will be explored further in the research objectives that follow.

1.4 RESEARCH

The primary objective of this research study is to investigate the value of marketing accountability in organisations today and the reasons around why this need is not consistently being met by marketing practitioners.

The secondary objective provides insight into the following key elements listed below, relating to the primary objective.

- Establish the internal and external factors driving marketing accountability.
- Determine whether organisations are measuring marketing performance and what metrics are currently being used.
- Investigate whether the key metrics used by leading organisations uncovered in the literature review could be translated into improved marketing effectiveness by practitioners in the field.
- Understand the obstacles around evolving the marketing discipline.

In essence the literature review highlights that the marketing discipline needs to evolve globally. In developing economies like South Africa, marketers face the real challenge of competing globally. Increasingly they need to demonstrate to their boards and senior management how their marketing rands are being put to use so they can drive long-term value creation. This study will investigate whether this movement is affecting marketers in the South African business environment currently and more importantly understand some of the obstacles around improved marketing effectiveness in the field. The key take-outs from this literature review [illegible] research propositions that follow in the next section.

1.5 PROPOSITIONS

There has been a great deal of research motivating a global business imperative for marketing accountability. The key take-outs from the literature review highlight the following four propositions that will be tested in the research:

1.5.1 Proposition one

The business imperative for marketing accountability is driven by factors internal and external to the organisation, listed below:

- Governance.
- Demand for short-term financial performance.
- Increasing marketing costs.
- Fragmentation of customer media consumption.
- CEO/CFO demanding improvement.
- Growing acceptance of non-financial measurement tools.

1.5.2 Proposition two

Marketers understand the key drivers in marketing, however they lack clarity around how these drivers translate into improved marketing results.

1.5.3 Proposition three

A company's tailored metrics should include at least four elements:

- return on marketing investment;
- customer satisfaction;
- market share (in targeted segments);
- profitability; and
- brand equity.

1.5.4 Proposition four

Key obstacles to evolving the marketing discipline include the following:

- lack of consistency in measurement over time;
- freeing marketing capacity;
- lack of expertise;
- lack of cross-functional support;
- lack of funding; and
- lack of data.

The outcome of the research will be to investigate the requirement for marketing accountability and demonstrate the ambiguity around its practical implementation in the field.

1.6 RESEARCH

Leedy and Omrod (2001) suggest that the research paradigm is governed inter-alia, by the nature of the research, the method of data collection and the purpose of the research. In order to effectively achieve the stated research objectives, the research will be conducted using an exploratory qualitative research approach. The research will focus on various blue chip organisations across industry sectors in South Africa, selected by means of a non-probability sampling technique.

Malhotra (2004) explains the differences between exploratory and conclusive research when he describes qualitative research providing insights and understanding of the problem setting, whereas quantitative research seeking to quantify the data and, typically, applies some form of statistical analysis. Quantitative research typically focuses on a particular aspect of behaviour and how it is quantified.

According to Welman and Kruger (2001:18) "the purpose of exploratory research is to determine whether or not a phenomenon exists and to gain familiarity with such a phenomenon". It typically is undertaken in a relatively new area which lacks established theories or research findings (Welman & Kruger, 2001), and allows for as much qualitative information to be gathered as possible to form a complex, holistic picture of the problem (Leedy & Omrod, 2001). Marketing accountability has only recently been put on the business agenda and there is little research in the area accordingly so applying a qualitative as oppos [illegible] hosen as this approach “is concerned to identify concepts in the data and to develop a theory which incorporates them” (Walker, 1985:178).

In terms of data collection, the study will make use of semi structured personal interviews, conducted with designated marketing executives from within each organisation as well marketing consultants in the industry – identified by a means of non-probability sampling technique.

1.7 ANTICIPATED RESEARCH OUTCOMES

From the implementation of the research methods, the following outcomes are anticipated and listed below.

- Acquiring enough data to infer the extent of use of marketing metrics in South African organisations.
- Acquiring sufficient data to compile and describe a list of external and internal factors that have a direct impact on the marketing discipline.
- Acquiring sufficient data to describe and compile a list of potential obstacles that prevent the application of marketing accountability.
- Acquiring sufficient data to be in a position to make insightful and relevant recommendations in regards to key company metrics to improved marketing performance in South African organisations.

The above research methodology will be sufficient in obtaining the sufficient data and insights in order to address the research problem and four proposi-

1.8 POTENTIAL RESEARCH LIMITATIONS

For the benefit of clarity, the following delimitations and limitations of the research are noted.

1.8.1 Delimitations

- The study will not evaluate the degree of success or failure of the organisation's marketing accountability, but rather the use of certain marketing metrics.
- The study will not evaluate the brands of the organisations involved.
- The research is limited seven organisations in South Africa with head office infrastructures in the Gauteng province, due to time and resource constraints.

1.8.2 Limitations

Given the qualitative nature of the research, certain limitations apply:

- Zaltman (2003) explains that while research respondents may sincerely believe their own stated thoughts, they may not consciously understand the opposing forces that drive their true behaviour. This indicates that pure research without observation and testing will provide limited proof of the veracity of the findings.

- Further to this, th[illegible]ing methodology relies on the judgement, insight and skill of the researcher so the sample may not be truly representative of all public and private organisations.
- Given the nature of the unstructured interviews, it is possible that the respondent will direct the conversation towards his or her favourite topic or areas of interest unless the interviewer is alert to this and gently but firmly redirects the respondent to the subject of the research.
- Finally interviewer bias may be introduced in the process of data collection and interpretation as everyone has their own paradigms through which we see the world.

In recognising and acknowledging the limitations of the applied research methodology, it is suggested that the results of the study are interpreted appropriately.

1.9 OUTLINE OF THE STUDY

The layout of the research report will follow the framework of chapters, as set out below.

Chapter 1 introduces the research topic and presents the background to the research. It also discusses the main research problem of investigating marketing accountability in South African organisations.

Chapter 2 focuses [illegible] apter reviews the current literature surrounding marketing accountability but probing further into the challenges facing the industry in evolving the marketing discipline.

The first area of investigation is the finance and accounting literature that focuses on economic value and shareholder value, a definition of what assets are, with specific reference to intangible assets. The second and main body of literature focuses on marketing accountability, specifically the debate surrounding customer equity and brand equity, and finally, the different approaches currently being used to calculate marketing effectiveness.

In the past, measures of marketing performance tended to focus solely on accounting measures such as profit, sales and cash flow (Day & Fahey, 1988). However, it has been recognised more recently that this accounting-based approach includes historical data only and that in order to derive the real value that marketing adds, that marketers need to consider measures that capture potential future performance (Chakravarthy, 1986). Traditional accounting measures have been expanded upon to include non-accounting measures such as market share, quality, customer satisfaction, loyalty and brand equity (Clark, 1999).

Various literature will be investigated including the direct marketing models of customer equity (Blattberg, Getz & Thomas, 2001) and longitudinal database marketing models (Bolton, Lemon & Verhoef, 2004; Reinartz & Kumar, 2000). In addition, the financial impact of marketing will be investigated in relation to the theories of the es, Loveman, Sasser & Schlesinger, 1994) and return on quality (Rust, Zahorik & Keiningham, 1994).

Attention will also be paid to an even more recent approach that more closely resembles a holistic measurement of marketing, the Customer Equity model (Rust, et al. 2004).

The research propositions derived from the literature review are presented in Chapter 3. This chapter lists the four research propositions.

The research methodology is presented in Chapter 4, which discusses the nature of research, population and sampling technique, structure and design of the questionnaire and the procedures used to analyse the data, together with a justification of their relevance.

Chapter 5 is titled “Research Results”. This chapter allows for the presentation of the results of the raw data in the study in an objective format.

The interpretation of the results in contained in Chapter 6. This chapter focuses on the interpretation of the results presented in Chapter 5 and relates the results to the research objective and related propositions put forward.

The summary and conclusions reached by the researcher are detailed in Chapter 7. This chapter includes the implications of the research findings and highlights the recommendations for further research.

1.10 SUMMARY

In summary, the investigation highlights whilst many organisations understand the need for marketing accountability; progress in achieving real change in its implementation has been slow. It is hoped that these findings will provide insight into the marketing discipline's current status within the South African business environment and the hurdles around implementing marketing metrics in the field.

A qualitative approach will be used studying various blue chip organisations in the South African context. The study will examine on a qualitative the extent to which marketing metrics is being applied in the field. Secondarily, it will establish the obstacles that hinder the evolution of the marketing discipline accordingly. This chapter also indicated both the delimitations and limitations of the study, which will guide the ultimate interpretation of the research findings.

THEORY AND LITERATURE REVIEW

2.1 INTRODUCTION

It is increasingly apparent that the financial value of a firm depends on off-balance-sheet intangible assets. The revised International Accounting Standards 38 (AC 129) defines an intangible asset as "an identifiable non-monetary asset without physical substance". Gupta, Sunil, Lehmann, Donald, Stuart and Ames (2004) define the value of a customer as the expected sum of discounted future earnings. The results show that the linking of marketing concepts to shareholder value is both possible and insightful. They demonstrate that customers are a key measure of a firm's financial success, its market value.

A business is made up of a number of discrete functions that each contribute in a defined way, to the development and growth of its economic value. These functions generally include marketing, sales, finance, human resources, operations, manufacturing, distribution, IT, research and development, etc. Most of these functions have a well-defined range of feedback mechanisms in place that allows management to evaluate the effectiveness of their performance. Marketing is one business function where historically these types of feedback mechanisms have not been well defined (Ambler, 2003).

Drucker (1954) bel concerned with creating sustained competitive advantage, which in turn leads to superior financial performance. He describes two processes, which combine and interact, are fundamental to achieving this outcome. The first involves the creation of customer value (i.e. innovating, producing and delivering products to market); the other focuses on appropriating value in the marketplace (i.e. extracting profits). Value creation is the cornerstone of marketing. The marketing concept identifies the customer as the primary focus and the force that defines the scope and the purpose of a business enterprise. It postulates that for an organisation to achieve an advantage, it must create superior value for its customers.

The market-orientated firm consciously takes the consumer's viewpoint first. Research by Interbrand, the world's leading branding consultancy, shows that market-orientated firms are more financially profitable than their otherwise-orientated cousins. Most CEOs require to be made aware of the particular contributions from advertising, promotions and other parts of the marketing mix.

This is not the return on marketing as a whole, which is meaningless, but rather whether increasing or decreasing the elements of expenditure increases profits and/or brand equity. Better still, they would like to know this ahead of time when budgets are set (Ambler, 2003).

If marketing activities are capable of building shareholder value, then marketing expenditure needs to be considered as an "investment". By inference therefore, it is essential to ider to be invested in, as well as how these assets can contribute to company profits in the short run and provide sustainable growth and profitability in the long run (Rust, Ambler, Carpenter, Kumar & Rajendra, 2004).

The Executive level needs to begin with the wider perception of marketing and only then should it consider whether specialist marketers and budgets are needed. Marketing has to satisfy three groups of people: immediate (trade) customers, end users (consumers) and, thereby, all the firm’s stakeholders (Ambler, 2003).

The literature report investigates the role that marketing plays in driving financial performance and by inference creating economic and shareholder value respectively as well as understanding the obstacles for evolving the marketing discipline.

2.2 ECONOMIC VALUE

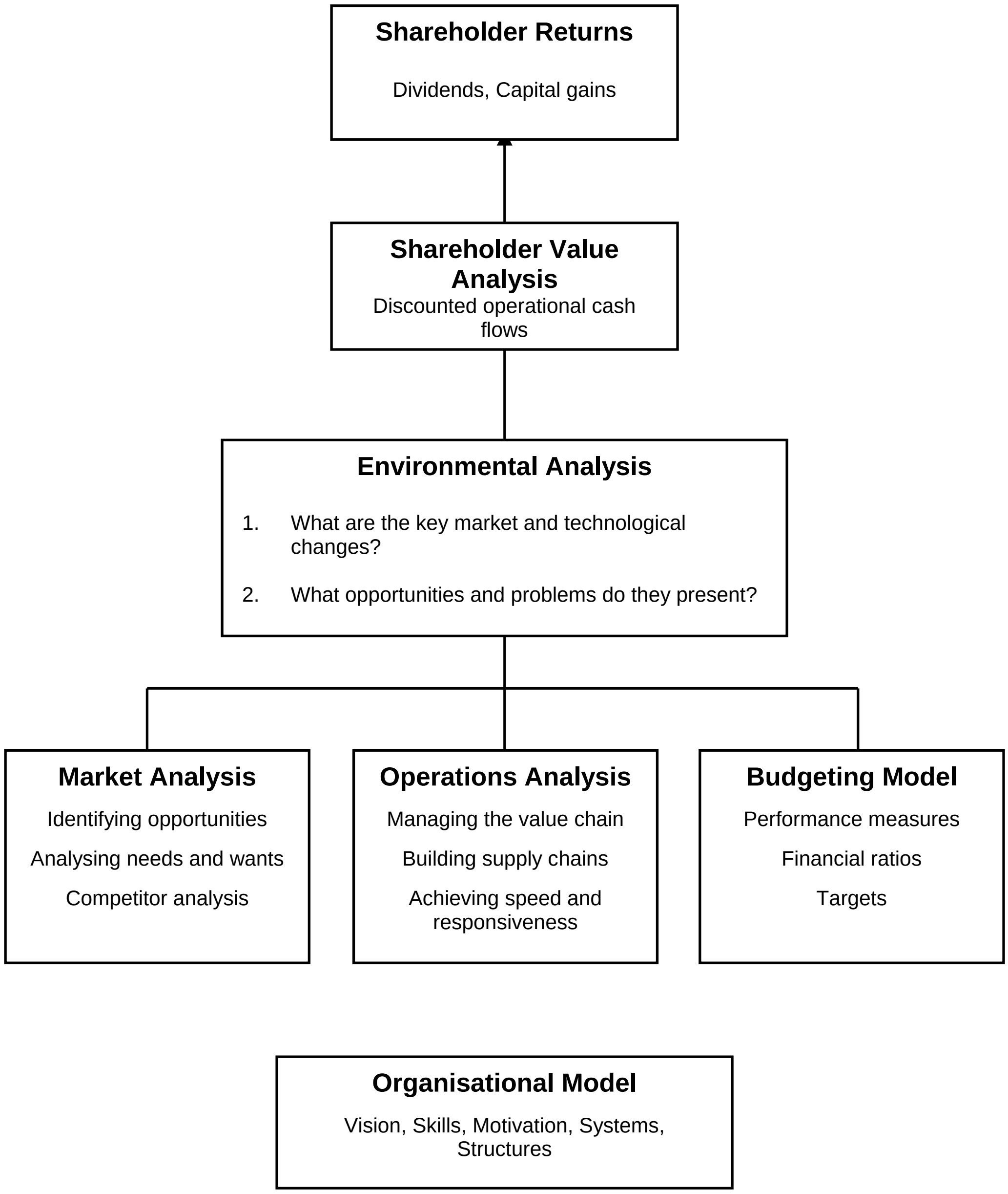
The primary financial goal of a firm is to maximise the wealth of the owners of the firm. Shareholder wealth can be generated in two ways: firstly by securing sustained, profitable inward bound cash flows and secondly by developing the value of the company’s assets, both on and off the balance sheet (Gallagher & Andrew, 2003).

In recent years crea[illegible]e the overarching goal for the chief executives of more and more major companies. Doyle (2000) believes that in today's information age, placing the accounting focus on tangible assets only makes little sense now that the intangible assets are the overwhelming source of value creation.

2.2.1 Defining economic value

Doyle (2000) outlines a theory of business in Figure 2.1 below, which incorporates a set of assumptions about which operations are necessary for a firm to build and sustain a competitive advantage in its chosen industry.

Figure 2.1: Diagra ›f shareholder returns



Source: Doyle (2000).

These assumptions **ysis** which identifies the key market and technological changes as well as the opportunities and problems they present, key developments in the global economy and customer expectations that will define its markets in the future.

The Firm's Marketing Model, identifies the target audience, analyses its needs and wants and compares this to its competitive environment to determine the gaps and develop competencies to create a sustainable competitive advantage. **The Operations Model** manages the value chain to ensure the optimal production and delivery of products and services to customers, and **the Budgeting Model**, which defines the key performance measures management uses to monitor marketing and effectiveness of operations.

The foundation for all these is the **Organisational Model** which puts together the vision, skills, motivation, systems and structures to implement strategy. It is only with such a theory of the business that managers can use shareholder value to generate successful growth strategies (Doyle, 2000).

Frykman and Tolleryd (2003) confirm that an analysis of a company and its value cannot rely solely on analysing the present and historical balance sheets and profit and loss accounts. These only describe the past up to the present. In order to gain an insight into the company's future financial performance, the internal resources or intellectual capital and its environment must also be analysed - in effect this is the structure of the industry in which the company operates.

The AMI (2004) believe the focus of shareholder value is return on investment as indicated by discounted cash flows. The specific drivers of cash flow (inflows and outflows) are company-specific. Depending on circumstances and strategy, certain marketing levers (activities and/or expenditures) will drive particular market-based assets (e.g. brands), which will result in certain market outcomes (e.g. market share), which will in turn affect the amount, speed and risk of cash flows. At the same time issues of sustainability and ethical behaviour need to be taken into account. The critical task is to understand the relationship between these various levels such that cause and effect can be estimated, and the ultimate impact on cash flow determined. The AMI believe this provides the basis of a business case to be presented to senior management.

It is important to understand corporate valuation and the value creation process, firstly to measure the current status as well as future prospects of a company; secondly when understanding valuation to understand how to maximise the value of your company; thirdly the development of the value of the company which is the best long-term measure of how efficient the present management is, and finally, in a company with many shareholders, the owners usually have at least one common goal and that is maximising the value of the shares. It is important then that all parties agree on how value is measured and how to maximise it (Frykman & Tolleryd, 2003). We will now examine the value creation and value appropriation trade-off.

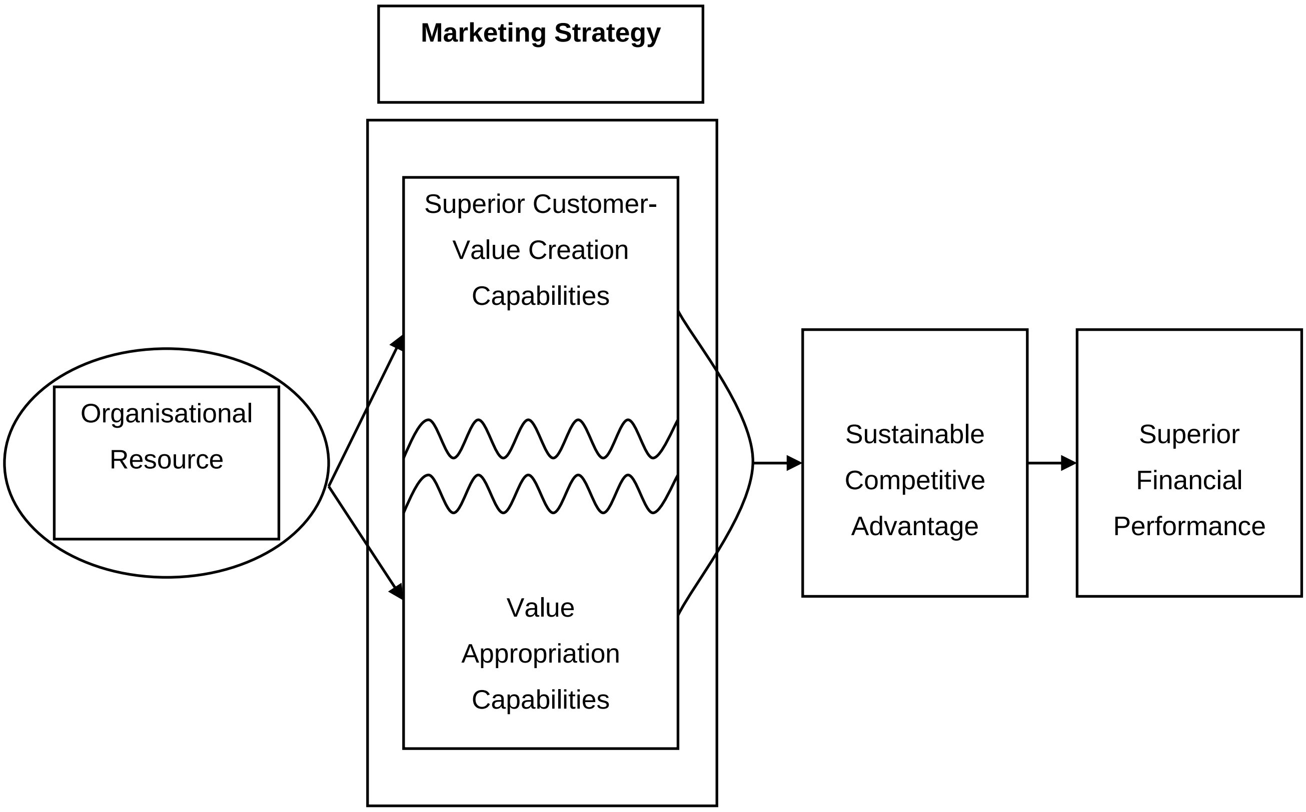
2.2.1.1 The va ion trade-off

Doyle (2000) discusses that in the past ten years more and more leading companies have shifted to adopting shareholder value as the criterion for evaluating strategies and the performance of their managers. This criterion asserts that business strategies should be judged by the economic returns they generate for shareholders, as measured by dividends and increases in the company's share price.

Firms allocate their limited resources between two fundamental processes of creating value (i.e. innovating, producing, and delivering products to the market) and appropriating value (i.e. extracting profits in the marketplace). Although both value creation and value appropriation are required for achieving a sustained competitive advantage, a firm has significant latitude in deciding the extent to which it emphasises the one over the other. The stock market reacts favourably when a firm increases its emphasis on value appropriation relative to value creation (Mizik & Jacobson, 2003).

As Figure 2.2 below illustrates, in order to create a sustainable competitive advantage that will lead to superior financial performance, a firm needs to make strategic trade-offs on which of these two processes it chooses to focus its limited organisational resources.

Figure 2.2: Marke mpetitive advantage



Source: Mizik and Jacobson (2003:64).

Mizik and Jacobson (2003) explain that a firm's marketing strategy is central to the value appropriation process as it allows the firm to differentiate its offering, thereby creating an isolating mechanism that will extend the length of time it is able to earn economic profits from its new product introductions in a competitive marketplace. Their findings indicate that increases in emphasis toward value appropriation capability and away from value creation capability are associated with increases in stock return for companies that are financially stable. The authors find that firms that fail to pay sufficient attend to value appropriation (through a lack of resources devoted to marketing), are not able to achieve sustained competitive advantage and to reap the rewards of their value creation activities (Mizik & Jacobson, 2003).

Drucker (1954) describes value creation as the cornerstone of marketing. The marketing concept identifies the customer as the primary focus and the force that defines the scope and the purpose of a business enterprise. It postulates that for an organisation to achieve an advantage, it must create superior value for its customers.

A second necessary process involves a firm's ability to restrict competitive forces (e.g. to erect barriers to imitation) so that it can appropriate some of the value that it has created in the form of profit. Firms that do not have the capabilities to restrict competitive forces are unable to appropriate the value they have created. Instead, competitors and customers will claim it (Mizik & Jacobson, 2003).

The task of allocating limited organisational resources between value creation and value appropriation capabilities necessitates strategic prioritisations and trade-offs. Strategic emphasis is a central aspect of this choice.

Central to the value creation and value appropriation processes is that a firm's technological capabilities driven by Research and Development (R&D) expenditures have been linked to value creation, whereas a firm's ability to differentiate its offering through advertising has been linked to value appropriation.

Aaker (1991) suppo [illegible] that a brand can serve as the foundation of meaningful differentiation, especially in contexts in which brands are similar with respect to product attributes. A brand can be a formidable barrier to imitation making it difficult for competitors to copy and dissipate a firm's advantage. As such, brand based differentiation serves to prolong a firm's advantage and is frequently used as an entry deterrence strategy. The author highlights advertising as one of the key factors that separates marketing share leaders that maintain their advantage from those that do not advertise. Thus, firm advertising facilitates value appropriation because it extends the duration of competitive advantage. A firm's marketing strategy can be viewed as an intangible asset that influences future returns (Srivastava, Shervani & Fahey, 1998).

Ambler (2003) agrees by noting that other value creation activities like new product development and other innovative activities within a firm are important for a competitive advantage. He advises that in order to appropriate value through innovation, firms require creative development and implementation skills. Often the firm's culture required to support these skills are in conflict, as the freedom to create may not fit well with the discipline required to deliver the desired result. He argues that if top management optimises its internal brand equity, the staff will optimise the external sources of cash flow.

2.2.1.2 Sharel

The value of a business is determined by whatever people are willing to pay for it. The more valuable people think a firm is, the more will they pay to own it. For businesses that sell stock to the general public, stock price indicates the firm's value because shares of stock are units of ownership. Thus, the basic financial goal of such firms is to maximise the price of the firm's stock. The value of a firm is affected by the size of future cash flows, their timing and their riskiness (Gallagher & Andrew, 2003).

Profit on the other hand is not an appropriate measure of business wealth. Profit, as defined in accounting terms, is simply the difference between sales revenue and expenses (Gallagher & Andrew, 2003).

Top management still focuses on company accounts that measure only the historical cost of assets and omit internally developed brands and other intangible assets. Yet these marketing assets are now by far the most important sources of shareholder value. Companies whose goal is maximising shareholder value need a framework for placing the development and management of marketing assets at the centre of their planning processes. It is these marketing assets – brands, market knowledge and customer and partner relationships – that have become the generators of long-term profits in today's information age (Doyle, 2000). This view is supported by corporate finance thinking that a focus on profitability is about cutting costs and shedding assets to produce quick improvements in earnings. When a firm does this, it tends to neglect new market in these, which destroys rather than creates economic value (Frykman & Tolleryd, 2003).

Economic theory describes 'economic profits' when a business earns a return on investment that exceeds its cost of capital. Porter (1996) describes that a company can outperform rivals only if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or both. The arithmetic of superior profitability then follows: delivering greater value allows a company to charge higher average unit costs. Without a unique advantage, competitors will enter the market and will drive a company's economic profits down to the cost of capital.

Traditionally, marketing has tended to see increasing customer loyalty and market share as ends in themselves. But today, top management requires that marketing view its ultimate purpose as contributing to increasing shareholder value. No longer can marketers afford to rely on the untested assumption that increases in customer satisfaction and market share will translate automatically into higher financial performance. This dilemma now suggests a reformulation of the marketing discipline, which involves developing and maintaining intangible assets – customer and channel relationships and brands – to maximise economic value. This is called value-based marketing (Doyle, 2000).

2.2.2 Valuing assets

The corporate world has become more dynamic. Mergers, acquisitions, divestitures and corporat important part of a day's work for many senior managers. As a response, corporate investors have come to be more demanding and increasingly focused on the creation of shareholder return and the maximisation of corporate value. The implication for companies is that it is no longer enough to satisfy the customer; a company must show it is capable of maximising company value (Frykman & Tolleryd, 2003).

How one measures this company value is a controversial topic. In recent years it has become widely accepted that the difference between the book value and the market value of an organisation can be attributed to 'intangible assets'; however, these types of assets were, until very recently, not recognised or captured by standard accounting practices (Srivastava, et al. 1998).

2.2.2.1 Intangible assets

Intangible assets are currently treated within accounting standards where although as from 2004 the existence of certain types of intangible assets has been recognised, the treatment of intangible assets in certain circumstances is still lacking.

2.2.2.1.1 Current accounting standards

The Accounting Framework issued by the International Accounting Standards Board (IASB) (2005), and then reissued in South Africa as part of the Statement of Generally Accep) states that the future economic benefits flowing from intangible assets may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. Many assets, for example, property, plant and equipment, have a physical form. However, physical form is not essential to the existence of an asset; patents and copyrights, for example, are assets if future economic benefits are expected to flow from them to the entity and if they are controlled by the entity (IASB, 2005).

GAAP refers to two groups of assets, one being tangible assets such as property, plant and equipment, which have clearly defined methods for how they are treated and reported on balance sheets and the second group which will be examined in more detail in this review called ”intangible assets”.

2.2.2.1.2 Accounting treatment of intangible assets

Traditionally, there have been no clearly defined and acceptable practices for identifying and dealing with intangible assets in a business, and the accounting profession therefore allocated these types of assets into a broad category called ‘goodwill’. Goodwill acquired in a business combination represented a payment made by the acquirer in anticipation of future economic benefits from assets that were not capable of being individually identified and separately recognised (IASB, 2005).

In June 2004, the ces Board approved the inclusion of the new International Accounting Standard 38 (IAS 38), introduced by the IASB as an update to the current International Financial Reporting Standards 3 (IFRS 3) Business Combinations. In South Africa the standard has been numbered AC 129 and it provides auditors with the framework they must use when dealing with a range of intangible assets in financial statements. (A full breakdown of the changes to IAS 38 (AC 129) can be found in Appendix 4).

The IASB developed the revised IAS 38 as part of its project on business combinations. The project's objective was to improve the quality of, and seek international convergence on, the accounting for business combinations and the subsequent accounting for goodwill and intangible assets acquired in business combinations (IASB, 2005).

The IASB clearly recognises that companies frequently expend resources, or incur liabilities, on the acquisition, development, maintenance or enhancement of intangible assets such as brands, customer or supplier relationships, customer loyalty, market share and marketing rights. However, they will only allow companies to capitalise these types of assets on their balance sheets if the asset is acquired at 'fair value' in a business combination, and is separately identified as an intangible asset, distinct from goodwill, at the acquisition date (IASB, 2005).

The standard explicitly states that internally generated goodwill shall not be recognised as an asset. To this point, a company can capitalise the cost of acquiring a brand o[illegible]nbination transaction, but is required to expense exactly the same kinds of intangible assets if they are developed internally.

To ensure that there is no misinterpretation of this standard, paragraph 64 of the Standard states:
"Expenditure on internally generated brands, mastheads, publishing titles, customer lists and items similar in substance cannot be distinguished from the cost of developing the business as a whole. Therefore, such items are not recognised as intangible assets" (IASB, 2005, paragraph 64).

Although IFRS 3 recognises intangible assets as brands, customer lists and customer relationships, these can only be treated as such on company statements if they are bought or sold at ‘fair value’ in a business combination.

This essentially this means that, not only do financial reports not recognise investments in internally generated intangible assets, but these investments are actually punished because the amount of the allocation into those assets are expensed at the time of the investment and there treated as a setback to earnings (Berry, 2005).

Berry (2005) explains that in the present-day’s idea-based economy, ownership of intangible assets can account for 90 percent or more of a company’s market value. In our previous industrial-intensive economy, labour was subservient to and supported capital-intensive output. However, the high level of mental output necessary dicates that intellectual contributions, and the intangible assets they develop, are at the core of the success of companies.

Bryan and Zanini (2005) refer to a recent survey by McKinsey and Company (2005) evaluating the market capitalisation of the top 150 United States and foreign companies in relation to the top 2000 companies. The study found that the book value component of the market capitalisation of the top 150 companies had declined dramatically relative to the top 2000. They go onto state that the top 150 have shifted the profile of their employment base towards a greater proportion of professionals and managers, it indicates that these mega-companies are better able to extract value out of their growing base of intangible assets, by generating and using knowledge through interactions with others, rather than through their own individual labour.

The findings of Bryan and Zanini (2005) indicate that top global companies are deriving better use out of their intangible assets and are applying them more effectively to both value creation and value appropriation in the market.

2.2.3 Reporting the needs of the market

Given the defects of conventional accounting, shareholder value analysis has become the new standard for company valuation.

Gummerson (2004) systems do not capture the value of intangible market-based assets; for example, the value of customer relationships is clearly an investment, but it has limited practical efficacy as a management tool in today's knowledge economy.

If capital is defined as 'anything of value' – a resource – we realise that money and other hard assets are not the only capital. Thus, intellectual capital and the balanced scorecard are applied to generate future-orientated knowledge whereas traditional accounting is history- orientated (Gummerson, 2004).

When function, reliability and relationships improve, this can be used to boost image, customer retention, and market share. Brand identity and brand equity increase. These changes stimulate more sales, differentiate the provider from the competition, making the provider less dependent on price competition, and more open to possible premium pricing (Gummerson, 2004).

In defining customer equity, as 'the total of the discounted lifetime values of all its customers', Rust, et al. (2004) also broaden Lifetime Value (LTV). Customer equity is the combined result of value equity (defined as relatively cognitive, objective, and rational customer perceptions of quality, price and convenience), brand equity (customer perceptions of a supplier that are relatively emotional, subjective and irrational), and retention equity (repeat purchases).

Blattberg, et al. (2001) believe customer equity management is more than just a method for calculating the asset value of customer relationships. Customer equity managemen keting system that uses financial valuation techniques and data about customers to optimise the acquisition, retention, and selling of additional products to a firm's customers, and that maximises the value to the company of the customer relationship through its life cycle.

We will now examine some of the current accounting tools for evaluating marketing performance.

2.2.4 Valuation methodologies

The current financial valuation methodologies that are employed in the recent literature concerning marketing accountability include Discounted Cash Flow (DCF), Economic Value Added (EVA) and Tobin's q. A short overview of these different methods follows.

2.2.4.1 Discounted cash flow

One of the most popular valuation methodologies today is called the Discounted Cash Flow (DCF) model, which equals the enterprise value to all future cash flows discounted back to the present day using the appropriate cost of capital. The model is divided into two parts. In the first part, free cash flow and the weighted cost of capital are forecast explicitly for every year and the cash streams are discounted back to the present. In the second part, the cost of capital and growth rate are assumed to be constant and the present value of all cash streams from t od to infinity is calculated (Frykman & Tolleryd, 2003).

Gallagher and Andrew (2003) describes this model as a company's share price determined by the sum of all its anticipated future cash flows, adjusted by the cost of capital. The cost of capital is the rate of return that investors would expect to receive if they invested elsewhere in assets that had a similar risk profile. The sum of these cash flows discounted to the present, is called the Net Present Value (NPV) of an asset (Gallagher & Andrew, 2003).

Gallagher and Andrew (2003) explain that a company's cash flows are discounted for two reasons:

- cash today is worth more than cash tomorrow, and
- risky returns are worth less than safe ones and are therefore penalised by a higher discount rate

2.2.4.2 Economic value added

Another popular approach to valuation is the Economic Value Added, popularly called EVA, which was developed by the American consultancy firm Stern, Stewart & Co. According to this approach, the enterprise value equals the current capital stock plus the present value of all future EVA, discounted to the present. The EVA for a given year is the excess return the company enjoys, once all operating as well as capital costs are recovered. Economic profit is the real profit the compa counting profit as decided by accounting principles (Frykman & Tolleryd, 2003).

2.2.4.3 Comparing DCF and EVA

The strengths of the EVA approach over the DCF model is that it is a period-by-period measurement, which can be computed separately for different business units, departments or product lines or geographic business segments within the organisation. EVA also provides a link between performance measurement and corporate valuation. This ensures evaluation and rewards to management and employees in a way consistent with how financial markets actually value companies (Frykman & Tolleryd, 2003).

The problem with EVA, however, is the arbitrariness of the calculation of capital employed and consequently of the estimate of the capital change and the return on capital employed. The DCF method does not require any estimates of balance sheet values, but EVA depends on them and different companies use different assumptions when calculating capital. Comparisons of economic profit or EVA across companies need to be treated with considerable caution. Thus, although this means that EVA can give varying estimates of value added, if the focus is on year-to-year changes in economic profit rather than on the absolute value, then it is acceptable to use it as a performance measure (Doyle, 2000).

The DCF approach on the other hand is very effective in valuing different strategic options as it requires an understanding of the underlying business and the industry within hich makes it useful for examining how various competing investments can contribute to building long-term shareholder value. Both the DCF and the EVA methodologies are built on a common economic foundation and will lead to identical valuations of the business if the input data are consistent (Frykman & Tolleryd, 2003).

2.2.4.4 Tobin’s q

According to Tobin’s approach, the principal way in which financial policies and events affect aggregate demand is by changing the valuations of physical assets relative to their replacement costs. Monetary policies can accomplish such changes, but other exogenous events can too. In addition to the exogenous variables explicitly cited in his models, changes can occur, and undoubtedly do, in the portfolio preferences – asset demand functions – of the public, the banks, and other sectors. These preferences are based on expectations, estimates of risk, attitudes towards risk and a host of other factors. In this complex situation, it is not to be expected that the essential impact of monetary policies and other financial events will be easy to measure in the absence of direct observation of the relevant variables described as ‘q’ in the models. There is no reason to think that the impact will be captured in any single exogenous or intermediate variables, whether it is a monetary stock or a market interest rate. Tobin’s q is strongly grounded in the economic theory of firm long-term profit maximisation. It provides a measure of a firm value that is long term, risk adjusted, forward looking and cumulative.

Tobin's q ratio is use[illegible]obin's q is the ratio of the market value of the firm to the replacement cost of the firm's assets, which include property, equipment, inventory, cash and investments in stock and bonds (Tobin, 1969). Tobin asserted that the replacement cost (q) is a logical measure of alternative uses of a firm's assets. The long-term equilibrium market value of a firm must be equal to the replacement value of the firm if it is to be perceived to be using its resources more effectively and thus to be creating increased shareholder value. A firm that does not create incremental value has a Tobin's q equal to 1. A q-value greater than 1.0 reflects an unmeasured source of value attributed to intangible assets. The gap between a firm's Tobin's q and 1 indicates the degree of anticipated abnormal returns (Anderson, Fornell & Mazvancheryl, 2004). Tobin's q has been used by some marketing scholars to value the intangible assets in a business (Rao, Agarwal & Dahlhoff, 2004) claim that replacement cost (the denominator of q) is a logical measure of alternative uses of a firm's assets, therefore, if a firm's q-value is greater than 1, it indicates the value attributable to intangible assets.

Rao, et al. (2004) claim that Tobin's q is a more forward looking measure than traditional measures such as ROI which only measure historical performance, as it is based on an efficient valuation by the stock market of a firm's expected future revenue streams in determining its present market value.

2.2.5 Marketing fit with finance

Organisational performance is increasingly tied to intangible assets such as corporate culture, c[illegible] equity. Yet controllers, who monitor and track firm performance, traditionally concentrate on tangible, balance-sheet assets such as cash, plants and equipment, and inventory. Lusch and Harvey (1994) argue that controllers can have an important role in tracking and analysing off-balance-sheet resources. They can be tangible or intangible. They are not inherently valuable; they become valuable when they are used productively. They are not static but dynamic. Drucker (1954) has argued that knowledge 'is the primary resource for individuals and for the economy overall'. Clearly, the traditional tools of control and the traditional work patterns of controllers do not fulfil organisations' needs for assessing knowledge or the other intangible resources that have become so important. A significant proportion of the market value of organisations today lies in intangible, off-balance-sheet assets such as brands, market networks and intellectual property (Lusch & Harvey, 1994).

Marketing strategy plays a critical role in acquiring and retaining customers, ensuring business sustainability and growth, developing competitive advantage and driving financial performance through business processes (Srivastava, et al. 1998). In order to gain sustainable leverage from these intangible assets and to enhance both short run and long run corporate performance, marketing managers need to move beyond their traditional focus on the inputs and outputs of marketing analysis, to a more holistic understanding of the financial consequences of marketing decisions (Rust, et al. 2004).

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Brandmetrics (1999 … tal role in the life of most companies and that it is possible to set marketing targets of a financial nature, linked to shareholder value. Marketing investment is judged by the return it will accumulate in brand value.

According to the AMI (2004) marketing needs to be able to manage and measure those marketing activities that contribute to cash flow. It is important for the language and metrics of marketing to be placed beside those of finance when CEOs and Boards access company performance. Marketers must be able to measure the value they are creating for customers and shareholders. Value is defined as the ratio of costs to benefits received from the 'brand attributes and related products and services' for the customer and 'long-term return on investment' for stakeholders as demonstrated by various indices such as shareholder value. In other words, it is not enough to satisfy customers – they must be profitable customers. These two aspects of value creation are clearly linked by the profitable cash flows, which will be generated by the brand. One of the key reasons for this is that financial reports are essentially backward looking, tracking cash generation in the past, while marketing metrics has the ability to inform the business about future cash flows.

The AMI (2004) continue that demonstrating the true role of marketing implies a need to be more relevant at the Board and senior management level, with greater links to overall strategy as well as deeper capabilities for organisational development, innovation and finally research and measurement. The marketing discipline, which is the key custodian of assets such as corporate image, customer relationsh performance is therefore poised to assume a greater importance than ever before.

Srivastava, et al. (1998) make the interesting point that while marketers are focusing more on assessing the impact of marketing activities on shareholder value, accountants and financial professionals are broadening their thinking to include a non-financial measure of firm performance as a means to develop a more ‘balanced scorecard’, in line with the popular model of Kaplan and Norton (1996). The Balanced Scorecard approach provides a clear prescription as to what companies should measure in order to ‘balance’ the financial perspective and has four perspectives – financial, customers, people and processes.

The balanced scorecard takes note of indicators of capital other than just financial capital, including the customer base and the value of long term relationships (Kaplan & Norton, 1996). The authors reveal how the Balance Scorecard can be used as a robust learning system for testing, gaining feedback on and updating organisation’s strategy. The Balanced Scorecard provides the management system for companies which enables them to invest in the long term – in customers, employees, new product development and in systems –rather than managing the bottom line to inflate short-term earnings.

Gummerson (2004) states that if capital is defined as anything of value – a resource- we should realise that money and other hard assets are not the only capital and that the issue must recognise the long-term importance of other forms of capital for the generation of financial capital in a business. Marketing is an example of thi [illegible] ıpital in a business and it needs to be given credibility accordingly.

2.3 BUILDING MARKETING CREDIBILITY

The globalisation of business and the evolving recognition of the importance of customer retention, market economies and of customer relationship economics, among other trends, reinforce the change in mainstream marketing (Gronroos, 1994).

Gronroos (1994) goes on to say that there is a major shift in the perception of the fundamentals of marketing. The Four P's of the marketing mix consists of promotion, place, people and price has become an indisputable paradigm in academic research and Gronroos (1994) makes the point that marketing in practice has to a large extent been turned into managing this toolbox instead of truly exploring the nature of the firm's market relationships and genuinely catering to the real needs and desires of customers. To use a marketing metaphor, the marketing mix and its four P's constitute a production-orientated definition of marketing and not a market-orientated or customer orientated one.

The AMI's (2004) new definition of marketing 'as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organisational objectives' demonstrates a clear shift in focus away from the production-orientated, Four P's approach to marketing. Rather this new definition points towards a far m[illegible]er-centric view of the organisation. Gronroos (1994) asserts that the marketing department concept is obsolete and has to be replaced by some other way of organising the marketing function, so that the organisation will have a chance to become market-orientated.

Drucker (1954) describes marketing as the distinguishing, the unique function of business. It is the customer who determines what a business is. What people in the business think it produces is not of primary importance – especially not to the future of the business or to its success. The customer is the foundation of a business and keeps it in existence. He explained that for an organisation to achieve an advantage, it must create superior value for its customers. He goes onto assert that marketing is so basic that it is not just enough to have a strong sales department and to entrust marketing to it. Marketing is not only much broader than selling and it is not a specialised activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all aspects of the enterprise (Drucker, 1954).

Gronroos (1994) reinforces this opinion by asserting that true market orientation should be a firm-wide phenomenon, not just the responsibility of the marketing department. He claims that the psychological effect of a separate marketing department on the rest of the organisation often has a devastating effect on the development of a customer or market orientation in a firm in the long run.

2.3.1 The expanded role of marketing

The AMI (2004) mentions that since the 1990s, the world economy has been moving from one that is product driven and based on tangible assets to knowledge and service economy based on intangible (or market-based) assets. Examples of market-based assets are:

- brands;
- supplier and intermediary relationships;
- databases and information sources;
- responsive processes; and
- innovation capabilities and culture.

Such assets are not measured by a company's financial system. Nevertheless, all organisations today create sustainable value from leveraging these assets. Even after the bursting of the NASDAQ and dot com bubbles, in the United States of America in 2002, market-based assets accounted for more than 75% of a company's value (Ambler, 2003).

The AMI (2004) continues that the intangible component of total assets is likely to continue to grow as organisations seek to control the increase of fixed assets and to outsource non-strategic assets. It is increasingly recognised that market-based assets drive long-term value creation and need to be measured and managed.

The global environr , regulatory and social – which has had an impact on marketing across all industry sectors. This means that marketing is under continued pressure to achieve growth and short-term profits, while simultaneously facing the challenges associated with category clutter, less loyalty and increasing customer satisfaction.

Ambler (2003) believes that marketing focuses on maximising marketing health throughout the whole company's business in order to maximise corporate wealth. 'Marketing' needs to include employees (the internal market) and innovation that affects customers because these, possibly more than advertising and promotion, create new cash flow. He believes that companies should be just as concerned with their upstream wealth, as with the question of whether their competitors are diverting it. His research shows that companies that look to sources of cash flow-those that think about the market-are more profitable. Marketing therefore, needs to be more relevant at the board and senior management level, with greater links to overall strategy as well as deeper involvement in organisational development, innovation, research and measurement.

Doyle (2000) confirms this when he mentions the centrality of marketing in creating growth and shareholder value and suggests a new role for marketing both as a discipline and a function. Traditionally, marketing has been seen as satisfying the needs of customers more effectively than competitors. The concept of marketing that will make it more effective in tomorrow's boardroom is one of contributing alue. He describes how marketing has developed over time.

Table 2.1: The true nature of marketing

	Not Just...	But also...
Objectives of marketing	Create customer value	Use customer value to deliver shareholder value
Marketing Strategy	Increase market share	Develop and manage marketing assets
Assumptions	Positive market performance leads to positive financial performance	Marketing strategies need to be tested in value terms. Use of scenarios. Opportunity cost analysis
Contributions	Knowledge of customers, competitors and channels	Knowledge of how to leverage marketing to increase shareholder value
Focus of marketing	Marketing orientation	General management
Advocacy	Importance of understanding customers	Marketing's role in leveraging customers to create shareholder value
Concept of assets	Tangible	Market-based or Intangible
Rationale	Improves profits	Increases shareholder value
Performance metrics	Market share, customer satisfaction, return on sales and investment	Working jointly on shareholder value analysis via discounted cash flows (DCF); links made between drivers (marketing inputs) and outcomes (financial)

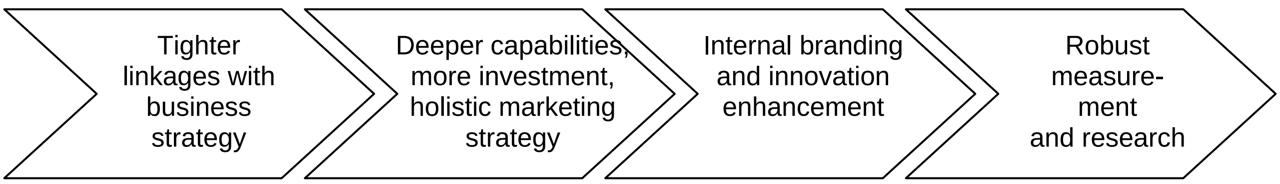
Source: Doyle (2000).

Table 2.1 above, d arketing and how it has shifted from being a specialist activity to an integral part of the general management process. Doyle (2000) demonstrates that without effective marketing, shareholder value is a trivial concept. Shareholder value analysis allows management to evaluate alternative strategies, but only marketing insight and investment can create worthwhile strategies, in the first place.

Doyle (2000) continues that marketing strategy lies at the heart of value creation. It is the platform on which are based growth, profitability and return on investment. Marketing strategy defines the choices regarding which customers the business will serve and how it will create customer preference. By targeting appropriate markets and creating a differential advantage the firm gains the opportunity to expand and create the margin spread that is the basis for value creation.

This wide ranging marketing activity is also reinforced by Gummerson (2004) when he states that every employee is either a full-time or a part-time marketer. The Australian Marketing Institute (2004) suggests an expanded value chain for marketing within the organisation as reflected in Figure 2.3 below.

Figure 2.3 Expansion of the marketing value chain



Source: AMI (2004).

Demonstrating the true role of marketing implies a need for closer alignment between marketing and the rest of the business, particularly with business strategy (or senior management), Human Resources (HR) (internal branding), and Research and Development (innovation enhancement).

In its working paper "What Value Marketing?" the Australian Marketing Institute (2004) has expanded on Doyle's original description of the changing role of marketing to include the items in Table 2.3.

Table 2.2: An expansion on marketing's true role

	Not Just...	**But also...**
Relationship with the board	Sales and margins	Jointly agreeing on the format and presentation of marketing metrics for board
Relationship with the strategy group	Average to minimal	Ensure integration of business and marketing strategies
Relationship with the finance group	Different perspectives and languages	Agreement on key metrics and their source and illustration
Relationship with HR	Functional	Working closer and even leading 'internal brand' integration with the external brand

Source: AMI (2004).

Ambler (2003) asserts that few companies have fully grasped just how fundamental marketing and brand equity are and the consequential folly of focusing on efficiency ratios such as ROI, but they are moving in the correct direction. A business cannot be run just by numbers as, historically, accounting and corporate finance have dominated senior management and board thinking.

Most organisations s growth and customer service delivery, both of which are key marketing activities. This suggests that the need for marketing is well understood at senior management level, but the contribution of marketing to achieving these objectives is not given the recognition it deserves.

2.3.2 A paradigm shift in marketing

Ambler (2003) believes the time has come for the marketing profession to be recognised for its central role in creating and harvesting profitable revenue or inward cash flow. To do this successfully, marketing needs to be able to manage and measure those marketing activities that contribute to cash flow. Marketing has often concentrated on aspects such as increasing market share and customer loyalty as ends in themselves, which may or may not be translated into improved financial performance. Making increased shareholder value the ultimate goal of any marketing activity will enhance the credibility of marketing as an accountable function (AMI, 2004).

Marketers must be able to measure the value they are creating both for customers and the shareholders. If value for the customer is defined as, the ratio of costs to benefits received from ‘brand attributes and related products and services’, and for shareholders as a ‘long-term return on investment’ found in indices such as shareholder value, it is then not enough for business to simply satisfy customers –they must be lucrative customers. The way in which these two aspects (s through profitable cash flow which are generated by the brand (AMI, 2004).

2.4 TRACKING MARKETING ACTIVITIES

Day and Fahey (1988) confirm that the search for shareholder value is changing the way marketing decisions are made. No longer will traditional payback or short-run ROI criteria be sufficient to evaluate investment proposals. Value-based planning methods incorporate the factors used by shareholders including cash flow and risk consequences of decisions. This broader perspective also shifts the focus from selecting discrete projects to funding strategies. If marketers are to influence the strategic dialogue persuasively within these new factors used by shareholders.

Chakravarthy (1986) asserts that strategic performance is the process through which managers ensure the long-term adaptation of their firm to its environment. Useful measures of strategic performance are therefore those that help assess the quality of a firm’s adaptation. Financial criteria such as Return on Investment (ROI), Return on Equity (ROE), Market and Book values (M/B ratio or sometimes called the Z factor) define one set of necessary conditions for ‘excellence’. A firm is excellent only if it has in addition the ability to transform itself in response to changes in its environment. The study points to the naïveté of both researchers and managers in relying solely on financial outcomes such as ROI or the Market/Book ratio for measuring a firm’s strategic performance. Maximising performance on these measures does not guarantee excellence; occasio it. The firm may have alienated its stakeholders in order to satisfy its stockholders, or may have compromised its ability to adapt to future environments.

Clark (1999) explains that traditional accounting measures of marketing effectiveness, have been expanded upon to include non-accounting measures such as market share, quality, customer satisfaction, loyalty and brand equity. More recently, the number and variety of measures has risen significantly.

Farris, Bendle, Pfeifer and Reibstein (2006) discuss how measurable performance and accountability have become the keys to marketing success. However, they highlight that few managers appreciate the range of metrics by which they can evaluate marketing strategies and dynamics. Fewer still understand the pros, cons, and nuances of each. They believe that numerical fluency is a crucial skill for every business leader. Managers must quantify market opportunities and competitive threats. They must justify the financial risks and benefits of their decisions. They must evaluate plans, explain variances, judge performance, and identify leverage points for improvement – all in numeric terms. These responsibilities require a strong command of measurements and of the systems and formulas that generate them. In short, they require metrics. ‘A metric is a measuring system that quantifies a trend, dynamic, or characteristic’ (Farris, et al. 2006:1).

The numeric imperative represents a challenge, however Farris, et al. (2006) discuss that in business and economics, many metrics are complex and difficult to master. Some a ited to specific analyses. They explain that many require data that may be approximate, incomplete, or unavailable.

Farris, et al. (2006) highlight that being able to ‘crunch the numbers’ is vital to success in marketing. Knowing which numbers to crunch, however, is a skill that develops over time. They believe that organisations must practice the use of metrics and learn from their mistakes. They explain that understanding metrics will allow marketers to choose the right input data to give them meaningful information. They should be able to pick and choose from a variety of metrics depending upon the circumstances and create a dashboard of the most vital metrics to aid them in managing their business.

Farris, et al. (2006) recommend that marketers use a portfolio or “dashboard” of metrics. By doing so, they can view market dynamics from various perspectives and arrive at “triangulated” strategies and solutions. Additionally, with multiple metrics, they believe marketers can use each as a check on the others. In this way, they can maximise the accuracy of their knowledge and also estimate or project one data point on the basis of others. They conclude that to use multiple metrics effectively, marketers must appreciate the relations between them and the limitations inherent in each.

A further challenge in metrics stems from wide variations in the availability of data between industries and geographies. Farris, et al. (2006) comment that fortunately, although both the range and type of marketing metrics may vary between countries, rapidly. Ambler (2003) reports that performance metrics has become a common language among marketers, and that they are now used to rally teams and benchmark efforts internationally.

2.4.1 Market based assets

Srivastava, et al. (1998) define market based assets as being either rational or intellectual. Rational assets are the outcomes of relationships between a firm and its key external stakeholders, and intellectual assets are the types of knowledge a firm possesses about its environment, including competitors, customers, channels and suppliers. Although both of these assets are intangibles, the authors propose that they can both be assessed in terms of their 'stock' and 'flow'.

- Stock- the extent of brand equity of knowledge of customers' purchasing criteria possessed by the firm; and
- Flow – the extent to which a stock of a particular asset is augmenting or decaying

It is clear that market-based assets do indeed propel long-term value creation and thus they need to be measured and managed. According to Ambler (2003) intangible market-based assets that need careful management and measurement are:

- brands;

- supplier and inte
- database and information sources;
- responsive internal process;
- innovation capabilities; and
- corporate culture.

None of these assets, if generated internally, can be measured by a company's accounting system. Nevertheless, all organisations today create sustainable value from leveraging these assets (Ambler, 2003).

Marketing assets as described by Rust, et al. (2004) are customer-focused measures of the value of the firm (and its offerings) that may enhance the firm's long-term value. The two approaches to assessing marketing assets that have received considerable attention in the marketing literature:

- brand equity; and
- customer equity.

2.4.1.1 Brand equity

Keller (2003) describes the brand equity concept as stressing the importance of the role of the brand in marketing strategies. He continues that through the skilful design and implementation of marketing programmes that capitalise on a well-conceived brand positioning, strong brand leadership positions can be obtained.

According to Rust, e[illegible]equity has emerged in the past 20 years as a core concept of marketing. A view of brand equity suggest that its value arises from the incremental discounted cash flow from the sale of a set of products or services, as a result of the brand being associated with those products and services (Keller, 2003). Brand equity is defined as the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name (Aaker 1991; Keller 2003). The specific effects are either consumer –level constructs such as attitudes, awareness, image and knowledge or firm level outcomes, such as price, market share, revenue and cash flow (Ailawadi, Neslin, & Lehmann, 2003).

Rust, et al. (2004) go on to describe that research on brand equity has sought to understand the conceptual basis for this remarkable value and its implications. The fruits of this research are changing how people think about brands and manage them. Managers have a deeper understanding of the elements of brand equity, how brand equity affects buyer behaviour, of how to measure brand equity, and the influence of brand equity on corporate value (Aaker 1991; Keller 2003). It is also important to note that brand equity leads to strength in the distribution channel. Thus, it is assumed that brand equity includes channel effects.

Ambler (2003) talks about this metrics research demonstrating that ‘brand equity’ is by far the most frequently used term to describe market-based assets, followed by ‘reputation’. He describes any market-based asset, be it reputation, goodwill or custome and equity'. Many large firms seek to deal with brand equity in purely financial terms. In theory, brand valuation quantifies the state of the marketing asset and the net change in the valuation from the beginning to the end of the financial period which is then used to adjust the short-term results. He cautions that people often confuse the asset itself (brand equity), with what the asset is worth (brand's valuation) and explains that a company needs to distinguish the asset itself from the measures that merely quantify it.

Aaker (1991) was the first to popularise the concept of brand equity, highlighting the role of senior management as brand custodians. He defined brand equity as 'a set of assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or that firm's customers'. The five components of brand equity were: brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets, such as intellectual property, patents and trademarks and channel relationships, which would give the brand a competitive advantage.

Srivastava, et al. (1998) define brand equity as: a set of associations and behaviours on the part of the customers of a brand, channel members and parent corporations, that permit the brand to earn greater volume or greater margins than it could without the brand name and that give a strong, sustainable and differential advantage.

Keller (2003) believ and wants of consumers and devising products and programmes to satisfy them are at the heart of successful marketing. He introduces the concept of customer-based brand equity as the power of a brand which lies in what customers have learned, felt, seen and heard about the brand as a result of their experiences over time. In other words, the power of a brand lies in what resides in the minds of customers. The challenge for marketers in building a strong brand is ensuring that customers have the right type of experiences with products and services and their accompanying marketing programmes so that the desired thoughts, feelings, images, beliefs, perceptions, opinions, etc become linked to the brand. He defines customer-based brand equity as the differential effect that brand knowledge has on consumer response to the marketing of that brand.

In more recent literature, the prevailing view of brand equity is that its value arises from the incremental discounted cash flow from the sale of a set of products and services, as a result of the brand being associated with those products or services (Keller, 2003).

A well-established method for measuring the value of brands is to examine various measures of market performance. Interbrand is one of the best known commercial organisations to do so (Ailawadi, et al. 2003). Interbrand in calculating brand equity, includes data on market leadership, stability, geographic spread, trends of the brand, support, and level of protections and characteristics of the markets in which it operates (Keller, 2003). Farris, et al. (2006) also discuss two commercial suppliers that have created widely used and influential meas rand and the Young and Rubicam advertising agency (Y&R).

There has also been some investigation into the influence of brand equity on market value, suggesting that marketing expenditures produce a valuation or revenue premium greater than that implied by cash flow (Ailawadi, et al. 2003; Srivastava, et al. 1998).

The South African company, BrandMetrics (www.brandmetrics.com) has developed a methodology to separate the brand portion of profits from those generated by the business as a whole. The originators were able to bring together two different brand variables: finance and marketing. In the model these are linked mathematically to produce values that capture the financial performance of the brand and its relationship to its user group. Discounting the forecast earnings of an asset to present value (DCF) is standard valuation practice but is usually conducted over short periods of time. The BrandMetrics approach recognises that brands are long-lived assets and that they will generate earnings for many years into the future. The number of years in the model is to a large extent a function of the relationship between the brand and its loyal users. The stronger the relationship, the more years there are in the model, and the more valuable is the brand. Naturally the opposite is equally true and the model deals with this as well.

The method uses DCF but drives forecasts into the future using a unique approach. The expected life of a truly successful brand can be as long as 50 years and more. Cc a low discount rate, there is still value can still be gained after this length of time. The BrandMetrics technique ensures that this distant value is not lost (Sinclair, 2000).

Sinclair (2000) states that brand valuation must encompass both brand premium profit and consumer Brand Knowledge Structure (BKS). Brand premium profit is that portion of the profit that the brand itself generates and which another owner could appropriate given a similar or better structure. BKS is a survey-based quantification of the strength with which the brand is held in consumer memory.

These two metrics are brought together through the corporate finance concept of Brand Expected Life. The stronger the BKS the longer the expected life. The Brandmetrix model uses discounted cash flow and the cost of capital as the discount rate, and therefore, the value of the brand is related to the number of years over which the brand profits are expected to be earned. The brand premium profits are then discounted back to their present value and capitalised. Marketing investment is judged by the return it will accumulate in terms of brand value (Sinclair, 2000). We will now describe the second approach to assessing marketing assets referred to as customer equity.

2.4.1.2 Customer equity

Blattberg and Deighton (1996) state that a firm's total customer equity equals returns on acquisition plus returns on retention plus returns on add-on selling across a firm's e ime. Customer equity understands the value of intangible assets from a customer perspective.

Rust, et al. (2004) confirm this definition of customer equity as the total of the discounted lifetime values totalled over all the firm's current and potential customers.

Hogan, Lemon and Rust (2002) explain how direct marketers were the first to capture purchase information in individual customer information files. They also pioneered the use of statistical techniques for predicting customer response to marketing communications and for the development of increasingly fine-grained behaviour-based segmentation techniques.

Hogan, et al. (2002) propose that the ability to acquire, manage and model customer information is a key asset of the firm that can be a source of sustained advantage. In the last few years, marketing managers at leading companies have begun to organise their marketing efforts around customers rather than product lines. In these firms, the product-orientated concept of brand equity is gradually being supplanted by customer-focused concept of customer equity. The expansion of the service sector over time, combined with the resultant shift from transaction to relationship-orientated marketing, has created increasing focus on customer lifetime value.

Blattberg, et al. (2001) believe that developing a business can therefore be framed as a matter of getting customers and keeping them so as to expand the value of the custon ner base is conceptually similar to appraising the value of a portfolio of income producing real estate. They continue that the goal of maximising customer equity by balancing acquisition and retention efforts properly should serve as the star by which a company steers its entire marketing programme. Finding this balance involves working with a dynamic, integrative, total marketing system that uses financial valuation techniques and data about customers to leverage the customer base.

Blattberg, et al. (2001) explain that companies that use customer equity as a marketing system have the ability to:

- compute the asset value of customers to make informed decisions regarding investments in acquisition, retention and add-on selling;
- adjust marketing investment levels as customer relationships move through their dynamic life cycles;
- organise processes and structures around acquisition, retention, and add-on selling to maximise the profitability of each over the customer life cycle;
- address the 'whole customer' who buys and uses a broad range of their products and services; and
- utilise customer interactions to reinforce relationships and acquire new customers.

Rust, et al. (2004) proposed the first broad framework for evaluating return on marketing. This enables marketing to be financially accountable and to trade off competing strategic marketing investments on the basis of financial return. They build their customer equity projections from a new model of customer lifetime value (CLV) of competitive effects and brand-switching patterns. Customer equity provides an information-based, customer-driven, competitor-cognisant, and financially accountable strategic approach to maximising the firm's long term profitability.

2.4.1.3 Brand equity versus customer equity models

Rust, et al. (2004) suggest that customers and customer equity are more central to many firms than brands and brand equity. The shift from product-centred thinking to customer-centred thinking implies the need for an accompanying shift from product-based strategy to customer-based strategy. They propose a firm's strategic opportunities might be best viewed in terms of the firm's opportunity to improve the organised efforts of its customer equity.

Blattberg, et al. (2001) advocate that brands do not create wealth; customers do. They explain that despite the fashionable concern with brand power, few would dispute that highly visible brands are just one instrument among many with which to build customer equity. They are a magnet to attract new customers and an anchor to hold existing customers. Brands are never more important than the customers they reach. Brand orientation provides a clear goal for marketing activities to maximise the total revenues derived from a brand and extract the greatest possible return from investment in the brand. Customer asset orientation focuses on a firm's entire future net income stream across brands and services. It does not view the customer only through the narrow aperture of the brand.

The various features of the Brand Equity and Customer Equity approaches are tabulated in Table 2.3 below:

Table 2.3: Brand equity and customer equity approaches

Marketing Activity	Brand Equity	Customer Equity
Product and service quality	Create strong customer preference	Create high customer retention rates
Advertising	Create brand image and position	Create customer affinity
Promotions	Deplete brand equity	Create repeat buying and enhance lifetime value
Product development	Use brand name to create flankers and related products	Acquire products to sell to the installed customer base
Segmentation	Customer characteristics and benefit segmentation	Behavioural segmentation based on customer database
Channels of distribution	Multistage distribution system	Direct distribution to customer
Customer service	Enhance brand image	Create customer affinity

Source: Blattberg, et al. (2001:7).

The table describes the marketing activity in the first column and the related benefits of applying a brand equity approach in the second column versus a customer equity approach in the third column respectively.

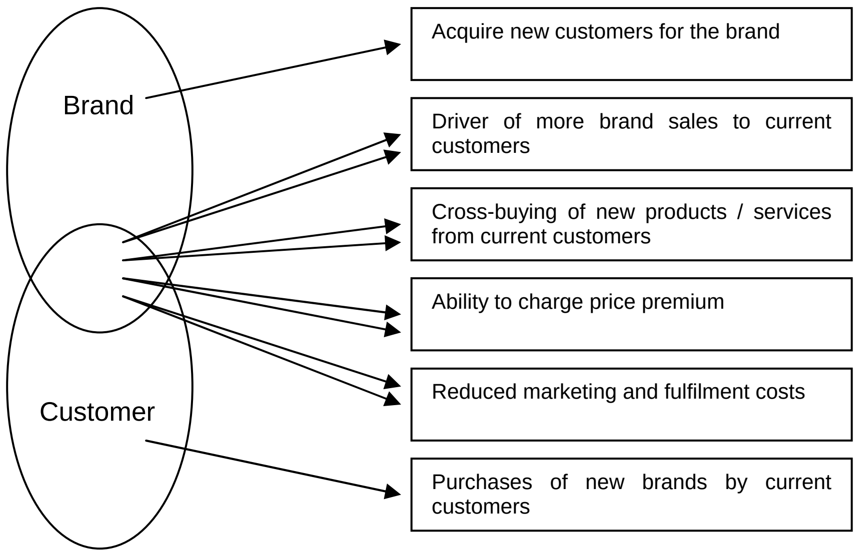
The authors explain there are two fundamental reasons for companies to move to a customer equity approach. Firstly, several critical new technologies are converging to make customer asset-based management feasible. Customer equity management secting advances in four spheres: affordable information technology, low-cost communications, sophisticated statistical modelling, and flexible fulfilment. Secondly, these same technological capabilities, along with other changes in how markets work in today's turbulent business environment, are making it a requirement to manage marketing to maximise the value of the customer assets of a company.

The authors believe that the future of companies will have a basic rule: those companies, which are one step removed in the channel, must develop brand equity first, and customer equity will follow. Those that are directly connected to the customer must create customer equity first, and brand equity will follow. Firms whose products are sold through a channel will have far more difficulty creating customer equity, whereas those directly connected to customers will be much more vulnerable if they have low customer equity.

Heskett, Jones, Loveman, Sasser and Schlesinger (1994) believe that when service companies put employees and customers first, a radical shift occurs in the way they manage and measure success. They argue that quality of market share, measured in terms of customer loyalty, deserves as much attention as quantity of market share. They discuss how profitability depends not only on placing hard values on soft measures but also on linking those individual measures together into a comprehensive service picture. Service organisations need to quantify their investments in people – both customers and employees. The authors discuss the service-profit chain as a mechanism for developing and maintaining corpora to customers and fellow employees.

Ambler (2003) states that the valuation procedures of both brand and customer equity is estimated by taking the present value of the same cash flows. As he indicates in Figure 2.4 below, they cannot be added together when valuing the company as a whole. Therefore, what are mostly seen are different perspectives of the same asset.

Figure 2.4: The relationship between brand and customer equity



Source: Ambler (2003).

In essence the difference, as indicated in Figure 4, lies in the acquisition of new brands and customers. For the existing brand and customer, the brand asset and the customer asset are one and the same.

In looking to the fut ew brands or customers that can be gained. Ambler (2003) explains that the customer asset perspective, for example, tends to put the emphasis on retention rather than seeking new customers. In the short term this may be right but in the long term all customer defects or die. Brands, however, can be refreshed with new products and be, near enough, immortal.

Ambler (2003) goes on to explain that neither perspective is right or wrong, but that perhaps one should be looking at the total market-based asset, including brand and customer perspectives, i.e. total equity.

Gummerson (2004) confirms this by defining customer equity as the combined outcome of value equity (the cognitive, objective and rational customer perceptions of price, quality and convenience), brand equity, (the emotional, subjective and irrational customer perceptions of a supplier) and retention equity (customer repeat purchase behaviour).

Srivastava, et al. (1998) assess the value of market-based assets by presenting a conceptual framework that links the contribution of these assets to the financial performance of the firm and begins to suggest ways in which the value of marketing activities can be identified, measured, and communicated. Figure 2.5 below, illustrates this.

Figure 2.5: Linkin … holder value

Market-Based Assets	Market Performance	Shareholder Value
Customer relationships: • Brands • Installed base	Faster market penetration • Faster trials • Faster referrals • Faster adoption	Accelerate cash flows Enhance cash flows
Partner relationships: • Channels • Co-branding • Network	Price premium Share premium Extensions Sales / service costs Loyalty / retention	Reduce volatility and vulnerability of cash flows Enhance residual value

Source: Srivastava, et al. (1998:8).

The authors present the market-based assets as Customer and Partner relationships formed on the basis of value delivered to customers through enhanced product functionality, such as superior performance, greater reliability and durability, unique features, better product and service quality, wider availability, greater ease of use, lower levels of perceived risks, higher levels of trust and confidence, and better reputation and image. This value, they claim is the basis for customer satisfaction.

The first column of Figure 2.5 represents the effects of activities designed to deliver value to customers, and those in the second column summarise the consequences of cu red desirable by firms i.e. the second column deals with outcomes of customer satisfaction or brand equity and represents various measures of market performance.

The consequences of customer satisfaction include payoffs such as buyer willingness to pay a price premium, the use of more of the product, the provision of referrals, as well as lower sales and service costs and greater customer retention and loyalty.

Srivastava, et al. (1998) believe that the value of any strategy is inherently promoted by:

- an acceleration of cash flows by increasing the responsiveness of the marketplace to marketing activity;
- the generation of high cash flows by developing stronger long-term relational bonds through brand and loyalty building investments thus being able to charge a price premium and introduce brand extensions by leveraging relationships with loyal customers and suppliers;
- lowering the vulnerability and volatility of cash flows which result in a lower cost of capital or discount rate. This is reduced when customers satisfaction, loyalty, and retention are increased and supplier relationship are co-ordinated in a more stable fashion; and
- influencing the residual value of cash flows through a higher quality customer base and sustained, long-term customer loyalty, which result in a more stable business and therefore a lower cost of capital.

They believe there of marketing with other disciplines such as finance. In this spirit of the marketing-finance framework presented by the authors, cross-functional teams can aid in both listing such assets and affording an opportunity to begin the necessary dialogue across organisation boundaries about market-based assets and their impact on financial performance.

Farris, et al. (2006) confirm that as marketers progress in their careers, it becomes increasingly necessary to co-ordinate their plans with other functional areas. Sales forecasts, budgeting, and estimating returns from proposed marketing initiatives are the focus of discussions between marketing and finance today.

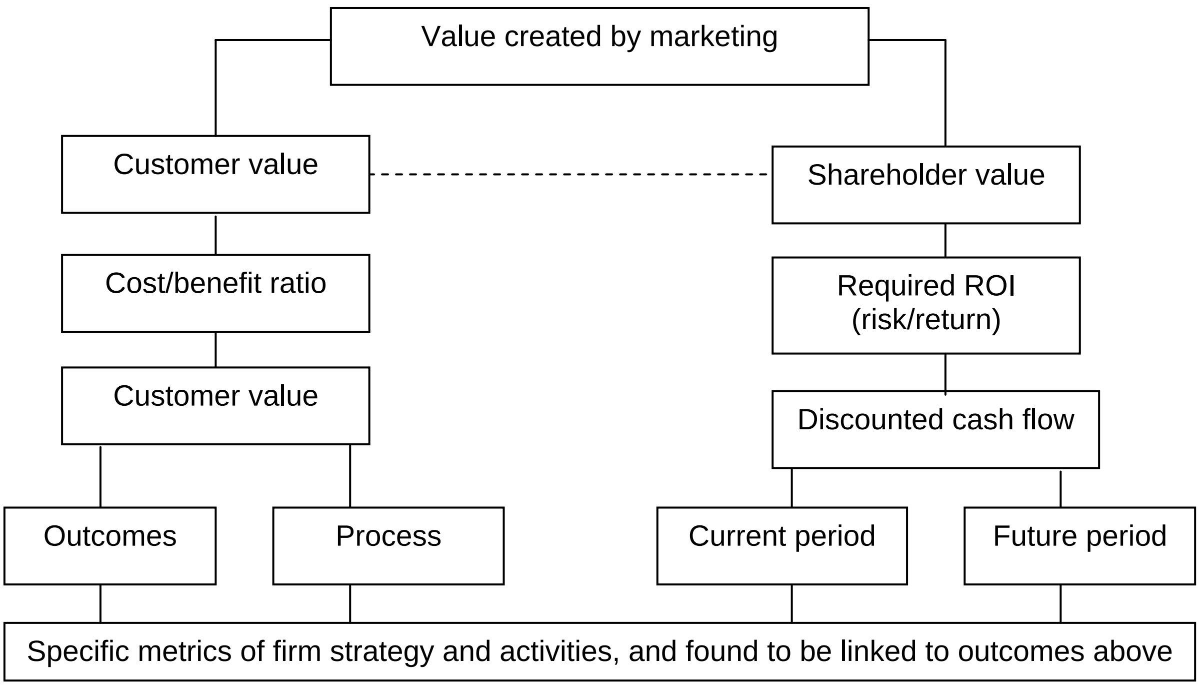
A current cross-disciplinary stream of research involving marketing, neuroscience, sociology and cognitive science needs to be taken into account in this debate. This involves an investigation into how the mind really works and how this impacts on traditional market research and marketing activity. Zaltman (2003) asserts that while observing consumers can lead to important insights, this approach should also be used in conjunction with one that accounts for the consumers' interpretation of their own behaviour. This means that in order to develop more effective marketing strategies, marketing first needs to understand the 'why' behind the 'what' of consumer behaviour so that it can reflect this knowledge. A study that integrates the latest findings in neuroscience with the ability to enhance customer equity would be of great value.

2.5 MEASURING MARKETING PERFORMANCE

The AMI (2004) believes that by successfully managing the company's market-based assets, marketing contributes to cash-flow generation, which leads to improved shareholder value.

The AMI does not support the idea that one set of metrics should be used uniformly by all organisations. On the contrary, it proposes a framework for measuring marketing performance that is based on underlying principles and a basic process, the framework of which is presented graphically below:

Figure 2.6: A Framework for measuring the value created by marketing



Source: AMI (2004).

The framework spe ... ompany's tailored metrics should include four elements:

- return on marketing investment
- customer satisfaction
- marketing share (in targeted segments)
- brand equity

The value created by marketing should be measured by the value created for customers as well as by the value created by shareholders.

Rust, et al. (2004) explain that for too long, marketers have not been held accountable for showing how marketing expenditures add to shareholder value. As time has gone by, this lack of accountability has undermined marketers' credibility and threatened the standing of the marketing function within the firm and even threatened the existence of marketing as a distinct capability within the firm.

Doyle (2000) agrees that marketing practitioners and scholars are under increased pressure to be more accountable for showing how marketing expenditure adds to shareholder value.

Rust, et al. (2004) define marketing activities as those that build shareholder value. Therefore the marketing assets in which investments are made must be identified and how the assets contribute to profits in the short run and provide potential for growth and sustained profits in the long run must be understood.

Rust, et al. (2004) believe the firm should have a business model that tracks how marketing expenditures influence what customers know, believe and feel, and ultimately how they behave. They continue by explaining that the central problem is that these intermediate issues are usually measured by non-financial measures such as attitudes and behavioural intentions.

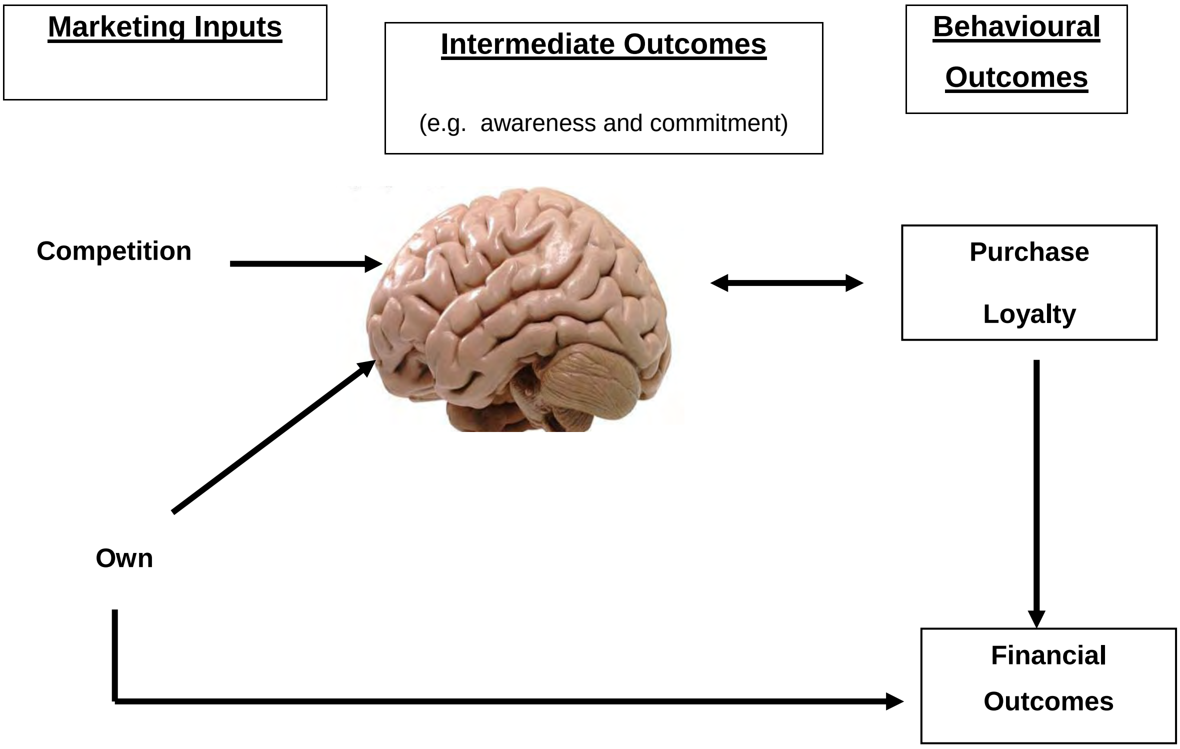
Ambler, Kokkinaki and Puntoni (2004) agree that much of the marketing performance literature has been criticised for its limited diagnostic power and its focus on the short term. They explain that the simplest framework would simply include a category for marketing actions and expenditures (inputs) and profits and cash flow (outputs).

The authors suggest a framework for categorising metrics around the following:

- marketing activities;
- intermediate measures of memory, (e.g. awareness, use, satisfaction and attitudes);
- behaviours (which include customer behaviours in response to marketing inputs);
- competitive measures (which include competitor behaviours in response to the marketing inputs); and
- financial results (accounting measures such as sales, margins, profitability etc.).

Figure 2.7 below, illustrates the above-mentioned metrics.

Figure 2.7: Graphical representation of the categorisation of metrics



Source: Ambler, et al. (2004).

Ambler, et al. (2004) explore the issues derived from the use of such categories of metrics by marketing and financial practitioners in research conducted in the United Kingdom (UK). Their findings indicate that accounting measures were reported as being seen by top management as significantly more important than all other categories, i.e. direct customer, competitive, consumer intermediate, consumer behaviour and innovativeness metrics.

2.5.1 Challenges and issues

The AMI (2004) discusses the issues associated with the successful introduction of a uniform system of performance measurement. These include the cost of obtainin d skill level of marketing personnel in presenting metrics to the Board of a firm, terminology, and the treatment of intangible assets in financial statements.

Ambler (2003) states that in large companies the alignment of strategy and measurement need sustained task force activity. The whole firm needs to evolve through the stages. He explains that the metrics that really matters should unite the company. They should give marketing, finance, human relations and operations a shared language to understand strategy, performance, and the drivers of success in the company's chosen market. He advocates that the choice of metrics should be aligned to the unique and differentiated strategy of each firm.

The AMI's international position paper has recommended a series of key metrics that are currently being used by leading organisations. Table 2.4 summarises this point:

Table 2.4 Key m ... ions

Marketing Activity	Metric
New Product Development (NPD) Pre-Launch	• Size of target market • Belief in New Product (NP) concept • Awareness of NP concept • No. of ideas generated • Cycle time from concept to launch
NPD Post-Launch	• NP sales (volume) • NP revenue • Penetration • NP margins • Level of cannibalisation
Advertising / PR	• Brand awareness prompted / unprompted • Advertising awareness prompted / unprompted • Consumer purchases • Brand images and attributes • Recall of advertising content
Sales Promotion	• Sales uplift from the promotion • Cost per promotion • Coupon redemption rate • Channel / vendor participation • No. of promotions conducted
Loyalty Programmes	• Participation • Customer satisfaction • Relative purchase frequency • Programme cost • Relative purchase volume
Direct Marketing	• Reach • Consumer awareness • Conversion revenue • Frequency of purpose • Regency of purchase
Direct Marketing e-Metric	• Page views • Visits • Users • Conversion revenue
e-Metric Life Cycle Tracking	• Reach • Conversion • Retention • Abandonment • Attrition
Sales Force	• Costs of sales force versus sales • Cost per visit • Customers per sales person • Hit rate (sales revenue per first purchase) • Number of contacts before closure

Source: AMI (2004).

In addition to Table 2.4, the AMI (2005) lists some commonly used metrics that cover the more functional aspects of marketing.

Table 2.5: Key o

Financial Metrics

Metric	% vs. plan / prior year	% vs. competition
Sales	Volume / Value	Market Share
Marketing Investment	Period Costs	Share of Voice
Bottom Line	Economic Profit etc.	Share of Profit

General Brand Equity Metrics

Metric	Comment
Familiarity	• Salience, i.e. familiarity relative to other brands in the consideration set
Penetration	• No. of customers or no. of active as a % of the intended market
Brand Perception	• Brand preference as a % of other brands within the consideration set, intention to buy, or brand knowledge
What They Feel	• Customer satisfaction as a % of consideration set about brand
Loyalty	• Behavioural (share of requirements, repeat buying, retention, churn) and/or intermediate (commitment, engagement, or bonding)
Availability	• Distribution, e.g. weighted % of retail outlets carrying the brand

Innovation Metrics

Metric	Comment
Strategy	• Awareness of goals • Commitment to goals • Active innovation support • Perceived resource adequacy
Culture	• Appetite for learning • Freedom to fail
Outcomes	• No. of initiatives in process • No. of innovations launched • % revenue due to launches in past 3 years

Employee-Based Metrics

Metric	Comment
Organisation focused	• Perceived calibre of employees • Relative employee satisfaction • Commitment to corporate goals • Employee retention • Perceived resource adequacy • Appetite for learning • Freedom to fail • Customer / brand empathy

Source: AMI (2004).

The AMI points out that there is no 'one-size-fits-all' approach and this list is by no means comprehensive. However, it does serve to categorise the metrics into key marketing activities and demonstrates a combination of financial, non-financial, innovation each functional activity in an organisation.

Ambler (2003) states that the basic issue in using financial techniques in marketing is balance. Non-financial metrics will give a better picture of the market than the financial, but the financial tools should be used in moderation to explore the likely impacts of alternative marketing strategies and actions. The second balance requires that more attention be given to a scientific analysis of the facts as at the present, rather than hypothetical lifetime values. However, historical data, bought-in data (e.g. for simulated test markets) and proven tools can improve the predictive qualities of those forecasts.

Ambler (2003) says the reality of the present can be measured, but the future can only be estimated. It is not about eliminating a forecast nor of financial tools, but rather about focusing on measurable facts (metrics). In other words, a closer search for the present signs of future consequences is needed and less time should be spent examining computerised spreadsheets. Looking to the future does not influence future cash flow, but the actions taken today do. The competitive edge arises from applying different imagination to the same market facts.

Booz, Allen and Hamilton (2003:2) believe that to truly measure marketing effectiveness, “companies must accept the need for a comprehensive transformation of the way they go to market.” This involves not only more sophisticated analytics and systems, but also aligning marketing and promotion processes (e.g. plar post-promotions analysis, target setting and funding, etc.) around the idea of Return on Investment (ROI) marketing. They note that Marketing ROI is a major change program, and it takes time. It is also important that this programme is driven by senior management and there is a commitment to making it happen at every level in the organisation.

Booz, et al. (2003) further note that ROI marketing is a legitimate and necessary idea but it's terribly executed in most marketing practices. They believe it takes time to come up with company tailored metrics and companies must be willing to spend the time and energy on special studies or projects that zero in on the problem.

The Marketing Leadership Council (2005) remark that despite the benefits of marketing focusing on firm-wide objectives, their research reveals that, in many organisations, the function remains heavily focused on more tactical objectives. Expert respondents in their research suggest that two factors represent the most significant impediments to Marketing's focus on long-term, strategic goals:

- an emphasis on short-term goals such as revenue generation; and
- marketing's inability to document ROI

The Marketing Leadership Council (2005) further identifies the following key obstacles for focusing marketing on the drivers of firm value:

- broad marketing mandate;
- lack of higher-order marketing skills;

- tactical obligatio[illegible] erational responsibilities); and
- hardwiring marketing into firm wide processes.

2.6 KEY FINDINGS

In conducting this literature review it became clear that:

- market-based assets do indeed propel long-term value creation and thus they need to be measured and managed;
- marketing is the means to this cash-flow generation and plays a vital role in the life of most companies;
- however there are obstacles for the practical application of marketing performance in the field. Few managers appreciate the range of metrics by which they can evaluate marketing strategies and dynamics. Fewer still understand the pros, cons, and nuances of each; and
- Until these are resolved, marketing will have a hard time proving its credibility to business, particularly to a senior executive team and a Board.

2.7 SUMMARY

As was set out to achieve, the literature review has provided a sound base around the current thinking surrounding marketing accountability while also probing into the challenges facing the industry in evolving the marketing discipline.

The chapter has e[illegible] in order to facilitate a common understanding of the discipline. It further identifies the new economy forces that are driving the changes in the marketing landscape. The chapter continued by investigating the financial and accounting literature that focused on economic value and shareholder value, a definition of what assets are, with specific reference to intangible assets. The second and main body of literature focused on marketing accountability, specifically the debate surrounding customer equity and brand equity, and finally, the different approaches currently being used to calculate marketing effectiveness.

In addition, the financial impact of marketing was investigated in relation to the theories of the service profit chain and return on quality. Attention was also paid to an even more recent approach that more closely resembles a holistic measurement of marketing, the Customer Equity model.

From the above, it was deduced that a need exists for the industry to fully immerse itself in improved marketing performance. This deduction therefore gives relevance to the research objective and investigating whether this movement is affecting marketers in the South African business environment. Ultimately, this literature provides the background and guidelines for the research propositions that are to be developed in the next chapter. The purpose of the research will be to test these propositions and investigate marketing accountability in South African organisations.

RESEARCH PROPOSITIONS

3.1 INTRODUCTION

The following research propositions were derived from the literature study in Chapter 2. A research proposition is a statement about the concepts that may be judged as true or false if it refers to an observable phenomena (Cooper & Schinder, 1998:43). The research propositions will be presented separately for each area of investigation.

3.2 RESEARCH PROPOSITION 1

The business imperative for marketing accountability is driven by factors internal and external to the organisation as listed below.

- Governance.
- Demand for short-term financial performance.
- Increasing marketing costs.
- Fragmentation of customer media consumption.
- CEO/CFO demanding improvement.
- Growing acceptance of nonfinancial measurement tools.

3.3 RESEARCH

Marketers understand the key drivers in marketing, however they lack clarity around how these drivers translate into improved marketing results.

3.4 RESEARCH PROPOSITION 3

A company's tailored metrics should include at least five elements:

- return on marketing investment;
- customer satisfaction;
- market share (in targeted segments);
- profitability; and
- brand equity.

3.5 RESEARCH PROPOSITION 4

Key obstacles to evolving the marketing discipline include the following:

- lack of consistency in measurement over time;
- freeing marketing capacity;
- lack of expertise;
- lack of cross-functional support;
- lack of funding; and
- lack of data.

3.6 SUMMARY

Chapter 3 identified a number of research propositions that investigated marketing accountability in South African organisations as well as understanding the ambiguity around its practical implementation in the field. An exploratory qualitative research approach was adopted to examine the four research propositions which will be explained in more detail in Chapter 4.

RESEARCH METHODOLOGY

4.1 INTRODUCTION

In this section we will describe the research methodology that was used in this study in detail. The methodology will explain the nature of the research, describe the population and sample approach as well proposed data collection, analysis and research limitations.

4.2 NATURE OF THE RESEARCH

An exploratory qualitative research approach was adopted to examine the four research propositions. Malhotra (2004) explains that there are the two major types of research designs: exploratory and conclusive. He explains the differences between exploratory and conclusive research when he describes qualitative research providing insights and understanding of the problem setting, whereas quantitative research seeking to quantify the data and, typically, applies some form of statistical analysis.

Tustin, Ligthelm, Martins and Van Wyk (2005) highlight that it is important to understand that the difference between quantitative and qualitative research methods is based on sampling methdology and not the type of data generated from the survey. They note that qualitative research methods can generate quantitative information (numbers or figures), but this information cannot be generalised to the t amples are drawn, this is applicable only to the sample population. They note that qualitative research seeks insights through a less structured, more flexible approach.

Welman and Kruger (2003) inform us that qualitative approaches originated from the ethnographic methods applied by cultural and social anthropologists in their groups and communities. Such approaches have been adapted by sociologists, psychologists and educationists and defined as qualitative research methods. These methods often describe small communities, groups and organisations, and are more aply used to study cases that do not fit into particular theories. There is not a lot of theory published around marketing accountability in the field so for these reasons, qualitative research was chosen as being particularly appropriate.

4.2.1 Depth interviewing

Depth interviews differ from structured interviews in that the process is dynamic and not limited to a fixed questionnaire schedule. Welman and Kruger (2003) define semi-structured interviews by means of a continuum – with semi-structured interviews somewhere between structured interviews on the one extreme and unstructured on the other.

A structured interview is guided by a collection of predetermined questions from which the interviewer may not deviate from in regard to the wording or the order thereof. An unstructured interview on the other hand is almost exclusively exploratory in natu es formulation. To that extent, the interviewer has total freedom in terms of the structure and wording of any pertinent questions (Welman & Kruger, 2003). This allows the interviewer the ability to depart from his or her role as a detached interviewer and interact with the indivual with whom the interview is conducted in an attempt to understand how indivduals experience their life-world and how they make sense of what is happening to them. The interviewer's question should thus be directed at the participant's experiences, feelings, beliefs and convictions about the theme in question.

Since the research was exploratory in nature and sought to elicit the experiences, views and perspectives of those who participated in the study, the survey research technique of depth interviews was followed (Welman & Kruger, 2001). Walker (1985:4) describes the "depth interview as a conversation in which the researcher encourages the informant to relate, in their own terms, experiences and attitudes that are relevant to the research problem".

In depth interviews the interviewer simply suggests the general theme of discussion and poses further questions as these come up in the "spontaneous development of the interaction between interviewer and research participant" and thereby uncover a deeper meaning (Welman & Kruger, 2001:188).

Although depth interviews are by definition relatively unstructured, researchers typically have clear objectives for the interview, some broad questions in mind as well as the order in which these questions may be posed. Each respondent in this research re[illegible] rised introduction to the objectives of the research and a set of broad questions to be explored during the course of the interview. The purpose of the interviews in the research was to develop constructs and identify the key trends around evolving the marketing discipline and inhibiting factors for applying marketing accountability in the field.

4.2.2 Strengths and weaknesses of depth interviewing

On the positive side Malhotra (2004) believes that depth interviews can uncover greater depth of insights than focus groups. He continues that depth interviews attribute the responses directly to the respondent, unlike focus groups where it is often difficult to determine which respondent made a particular response. Depth interviews result in free exchange of information that may not be possible in focus groups because there is no social presure to conform to group response. This face-to-face encounter allows the collection of a large amount of expansive and contextual data in a fairly short timeframe.

However on the negative side Welman and Kruger (2001) believe depth interviewing precludes standardisation as the process is highly dependent on the ability of the researcher to be resourceful, systematic and honest as well as to control bias. Malhotra (2004) confirms this as he believes the lack of structure makes the results susceptible to the interviewer's influence, and the quality and completeness of the results depend heavily on the interviewer's skills.

4.3 POPULATIO

Malhotra (2004) defines the target population as the collection of elements or objects that possess the information sought by the researcher and about which inferences are to be made.

Tustin, et al. (2005:96) define the population "as the group from which the sample will be drawn. It should include all the people or establishments whose opinions, behaviours, preferences and attitudes will yield information for answering the research question". In marketing research the target population is specified in terms of sample elements, sampling units, extent and time. Malhotra (2004) describes a sampling unit as an element, a unit containing the element, that is available for selection at some stage of the sampling process.

There is not a lot of literature published on best case practice of accountabilty in marketing. Therefore, the population was defined as expert consultants and senior practitioners in the field of marketing as it was felt that they would have an understanding of the requirement and obstacles around evolving the marketing dicipline.

4.4 SAMPLING

Tustin, et al. (2005) notes that there are basiclally two types of sampling: probability and non-probability samples. A probability sample is characterised by every element in the population having a known non-zero probability of being selected. Such a s calculate the extent of sampling error in a given study. In constrast, the sampling error cannot be determined for a non-probability sample. Under a non-probability sampling approach the selection of the sampling units/elements is at the discretion of the researcher.

Non-probability convenient sampling was used, as access to and availability of expert consultants and senior practitioners in the field of marketing within a random sample of companies from the above population could not be guaranteed. Malhotra (2004) desribes convenience sampling as obtaining a sample of convenient elements. The selection of sampling units is left primarily to the interviewer. To the point, the sampling units in this study were accessible in that the researcher could tap into her own network, they were easy to measure in that the numbers of participants were small, and they were cooperative as all the participants had no negative bias to the topic of the study. It is important to note that non-probability sampling does rely on the judgement, insight and skill of the researcher so the sample may not be truly representative of all blue chip organisations. Attempts were made in this study to reduce the bias by approaching a number of organisations across various industry sectors.

Leading experts in the field of marketing were identified via the extent and relevance of their published work in the field and contacted directly. Marketing practitioners who have acknowledged expertise and experience in the field of marketing were also contacted directly. This provided the researcher with the best opportunity to who were most likely to provide relevant information and make the research meaningful.

Malhotra (2004) believes the nature of research has an impact on sample size. For exploratory research designs like this study using qualitative research, the sample size is typically small. From the literature utilising the proposed methodology, between ten and fifteen interivews were considered sufficient to establish reliable constructs (Tustin, et al. 2005). In the end, thirteen in-depth interviews were conducted each lasting between an hour to a hour and a half. The list of respondents is given in Appendix 2.

4.5 RESEARCH INSTRUMENT

A questionnaire was developed (see Appendix 1) which was unstructured and directed at senior marketing consultants and executives. It aimed at qualitatively exploring the case of an organisation's readiness and ability to employ improved marketing performance in the field. Section A of the questionnaire uncovered some key information around Proposition 1 which explored whether marketing accountability was important to organisations as well as understanding the key drivers for the movement. Section B extracted information around Proposition 2 highlighting the key drivers in marketing and how these translate into improved marketing metrics. The area of discovery around what a company's tailored metrics should include in Proposition 3 was uncovered in Section C. Finally Section D served to highlight areas around Proposition 4 addressing the factors that hindered the evolution of marketing as well as what poten e future development of marketing.

4.6 DATA COLLECTION

As indicated in 4.1.1, primary data was collected by interviewing the appropriate expert consultants and senior practitioners in the field of marketing within each of the selected industries. Each respondent was contacted telephonically and the objectives of the research explained. This was followed by an email which sought to place the research in context, and provide a set of broad questions to be explored during the course of the interviews. All respondents were interviewed at their place of work. All interviews were tape-recorded and then transcribed. During the interview, the researcher prompted the respondent by asking open-ended questions and testing the understanding of key constructs and themes raised during the interaction.

4.7 CONTENT ANALYSIS

Data analysis and interpretation are an important part of the research process. Given that the data being collected was qualitative in nature, considerable use of inductive reasoning was made during the analysis and interpretation. Welman and Kruger (2003:29) define the inductive process as one that begins with an individual case, or cases and then proceeds to a general theory in order to generalise to all cases within the population.

Furthermore conten e data collected from the interviews. Leedy and Omrod (2001:55) define it as the detailed and systematic examination of the contents of a particular body of material for the purpose of identifying patterns, themes, or biases. Content analysis measures the semantic content or the "what" of a message (Leedy & Omrod, 2003).

The following procedure recommended by Leedy and Omrod (2001) for data analysis was adopted:

- arrangement of facts in a logical order;
- categorisation of data into meaningful groups;
- examination of other information for meanings in relation to the case;
- scrutinisation of data for underlying themes and other patterns that characterise the case more broadly than a single piece of information can; and
- synthesis of an overall portrait for the case and generalisation.

Based on the above, the qualitative results from the questionaire were therefore used to establish a content analysis for each case site. This was done by means of interpreting the data collected during the interviews and presenting it in a way so as to provide a holistic picture of each site case.

Gillham (2000) confirms that content analysis is about organising the substantive content of the interview: the content that is substance. So there are two essential strands to the analysis:

- identifying those key, substantive points; and

- putting them into

Data for each interview in this study was transferred onto excel spreadsheets and numerically coded according to major constructs and themes which were then clustered under the broad headings of the research propositions. Where new issues were raised by respondents, these were grouped under new constructs and mapped to the broad headings of the research propositions. An unmarked transcript was given to a 'peer' who was asked to highlight what she saw as substantive statements to find areas of large agreement. Gillham (2000) believes using a 'peer review' – getting someone equally competent to yourself to review the initial identification of substantive statements is an essential part of the rigour of the analysis.

Gillham (2000) notes that the essential character of writing up interview data is to weave a narrative which is interpolated with illustrative quotes. Generality of statements quoted were cited and their frequency determined by the frequency of interviewees making that point accordingly. The results were then translated into graphs for further analysis. Although no academic theory exists on this latter approach, it makes sense given the researcher's background in marketing and research.

4.8 LIMITATIONS OF RESEARCH

Zaltman (2003) explains that while research respondents may sincerely believe their own stated thoughts, they may not consciously understand the opposing forces that drive the ... ıat pure research without observation and testing will provide limited proof of the veracity of the findings. Tustin, et al. (2005) confirm that there is a risk of subjectivity that may lead to bias in the results.

It is assumed however, that the respondents to this research, while governed by a personal bias and varied experience, will answer as accurately and objectively as possible.

Tustin. et al. (2005) note that the researcher should guard against the following potential pitfalls of interpretation: over-generalisation, generalising beyond the scope of observations and confusing correlation with causation. This requires experience, disciplined thinking and familiarity with the research method to allow the results to say what they are able to say.

4.9 SUMMARY

Chapter 4 has provided a detailed description of the research methodology applied in this study. The chapter started off by describing both the qualitative- and quantitative research paradigms of the study, after which a comprehensive description of depth interviewing research methodology was given. Having defined and described the depth interviewing method, the chapter then proceeded with a discussion of the process and criteria by which the respondents were selected.

The next section of f data collection that was used to extract information from the respondents within the various organisations. It provided insight into the design of the research questionnaire, specifically focussing on the way it related to the research propositions developed in Chapter 3. Finally, the chapter addressed the issues of validity and reliability, so as to provide further credibility to the findings of the study.

The following chapter discusses the research results, which were extracted by means of the discussed questionnaire.

RESULTS

5.1 INTRODUCTION

This chapter that follows presents the results from the research questionnaires, which set out to investigate marketing accountability in South African organisations. To that point, the qualitative findings from the questionnaire will be used to do a content analysis.

5.2 CONTENT ANALYSIS

Not much has been published in the area of marketing accountability in practice to date so the thirteen respondents interviewed were drawn from a broad population to provide better insight into the research problem. Table 5.1 provides a breakdown of the types of organisations and industry sectors from which the sample was drawn. Five of the participants were leading academics and/or consultants in the field while eight participants represented the firms selected for this study.

Table 5.1: Conte

TYPE OF ORGANISATION	SECTOR	NO. OF RESPONDENTS
Consultancy	Branding	3
	Marketing	1
	Communications	1
	Strategy	1
Private sector	Beverages	1
	Financial services	3
	Telecommunications	1
	Retail	1
	Technology	1
TOTAL		**13**

As indicated in section 4.5, the content of each interview was analysed to extract major themes from the data and clustered under broad headings of the four research propositions. Both the importance of an issue (i.e. from the perspective of all participants) and evidence thereof (i.e. provided by organisations included in the study) were assessed. The constructs then were ranked in order of importance and/or evidence provided.

The frequency counts derived from this analysis are presented in the subsequent graphs. Given the exploratory nature of the research and the different groups included in the study even a low frequency count may be important and therefore these have been included where appropriate.

5.2.1 Responses t

The following findings were extracted from the qualitative findings of the questionnaire. The analysis of the responses to the questions were done by first listing the actual question per section, and then the analyse the responses particular to that question. This will be done for each section of the questionaire. We will begin with section A.

Section A:

Section A recovered some key information around Proposition 1 which explored whether marketing accountability was important to organisations as well as understanding the key drivers for the movement.

Question 1

In your opinion do you think accountability in marketing is important and why?

All thirteen respondents reported that marketing accountability was important. To quote several respondents:

- “It is vital because it costs money and it takes resource so if it is not delivering something of value then that is a problem”.
- “I suppose in any area of any business including marketing there comes a time for any cent that is spent has to come back into the business in some form or another, so absolutely there is an importance on it.”
- “It is vital that marketing can actually substantiate where it is investing its money and that there is an actual return on it.”

- “Yes, well, defini [illegible] because there is a whole issue of marketing spends money to make money so how does one account for that money and that investment, what are marketing’s objectives and when do you make tradeoffs and justify marketing expenses.”
- “I think it is important enough for it to have the attention of the highest power in the organisation and I say that because where I have been CEO's take an active interest in marketing and where this is the case it is often is a success story.”
- “Absolutely, I think it should be measurable and one should set about to identify very clearly the set of criteria by which you are going to measure it.”
- “I think that marketing is a function that gets squeezed more and more by the financial people in an organisation, so in terms of proving that there is a return on investment, it is vital so that it can actually substantiate where it is investing its money and that there is an actual return on it.”
- “It is important today because more and more businesses have to answer to shareholders who are investing money into the business and marketing supports this total shareholder value.”

Question 2

How do you define the term marketing accountability?

Nine of the respondents defined it in terms of a return on investment and said:

- “For every R1 that you spend on marketing you should get it back three times.”
- “Marketing needs to track the direct links between a sales promotion and increase in sales.”

- “What did I ge … I was asked to spend (“investment”)?”
- “Am I making or losing money for each rand invested?”
- “What is the relative payback (or loss) of each element that I am using?”

Contrary to the above responses, three respondents felt that marketing accountability should be defined in terms of the business strategy. The following comments provided evidence thereof:

- “Marketing is not a return on investment; in fact I am taking out return on investment from my perspective and instead talking about return on business objectives.”
- “It all depends on what objectives the chief executive sets for marketing or sets for a marketing project.”
- “The value that marketing can create in achieving the strategic objectives of business.”

Question 3

Are you experiencing a need for marketing accountability in your organisation and what are the key internal and external factors driving this requirement?

This question relates directly to Proposition 1 – the business imperative for marketing accountability is driven by factors internal and external to the organisation and depicted in Figure 5.1.

Figure 5.1: Factor ity

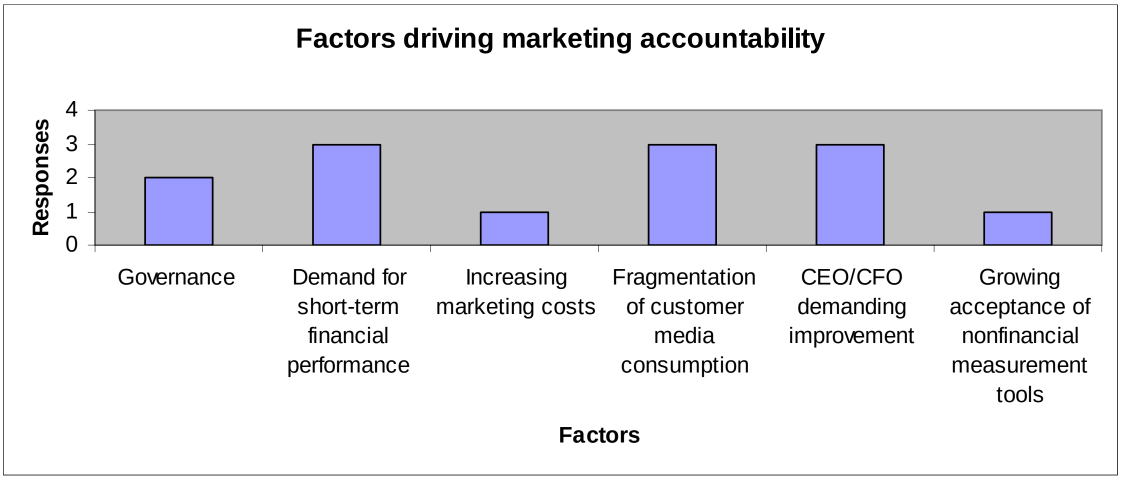
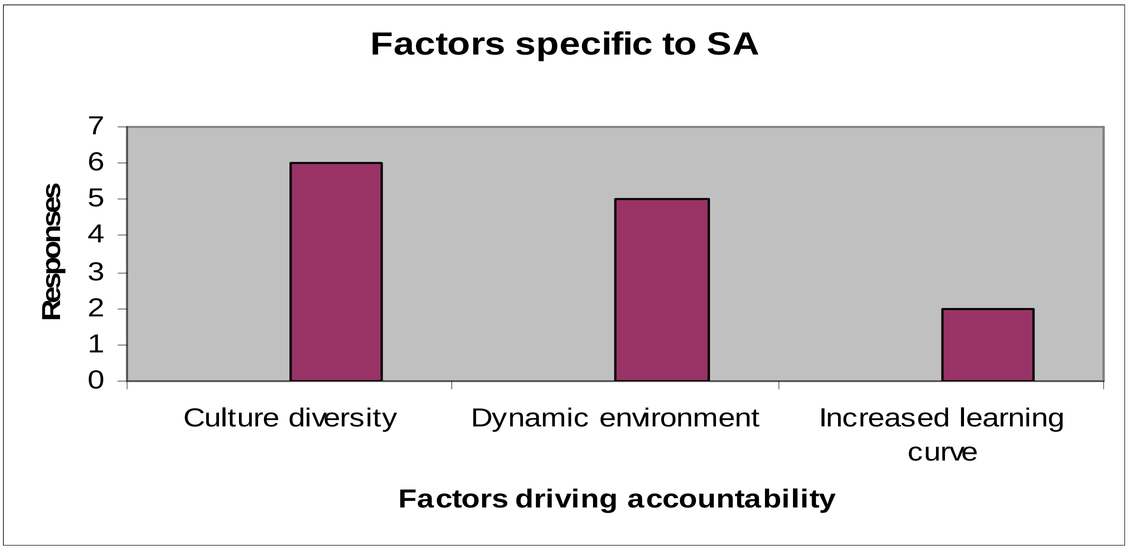


Figure 5.1 shows the demand for demonstrating a financial return in marketing by the CEO/CFO and the demand for short-term financial performance as the most important drivers of marketing accountabiliy, although a couple of firms mentioned the fragmentation of customer media consumption driving the movement. This was followed by governance, the growing acceptance of non-financial measurement tools and increasing marketing costs.

Question 4

Do you believe there are additional factors which are peculiar to South African organisations?

Figure 5.2: Facto



In figure 5.2 shows the content analysis of the answers to question four. Almost half of the respondents were of the opinion that culture diversity was an additional factor effecting marketers in South African organisations in terms of driving marketing accountability. This was closely followed by a dynamic environment and increased learning curve. One respondent shared that the wide ranging demographics of the country would naturally create more marketing accountability in organisations given there is an ability to now clearly segment the market i.e.:

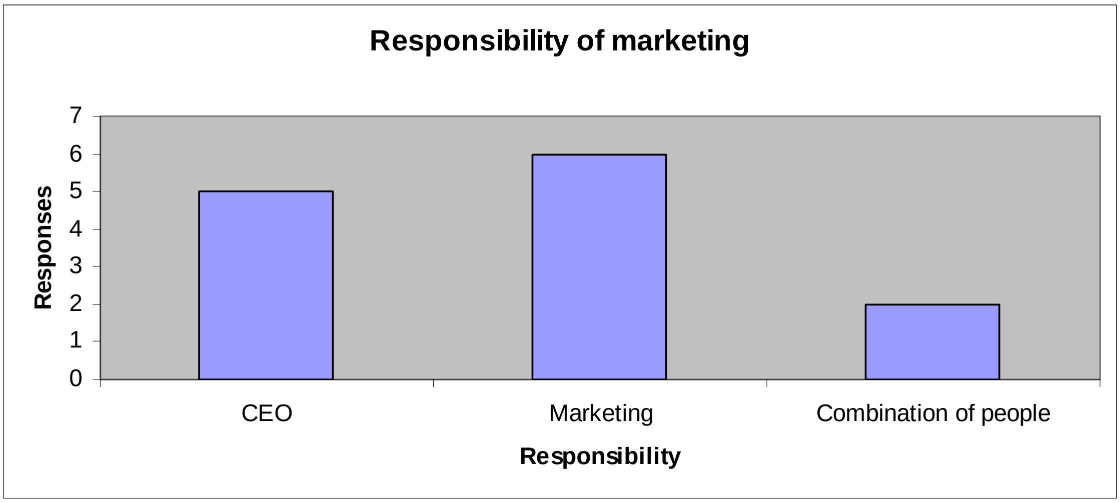
- "The demographic shift in our country might be prompting a lot of people to say: well demonstrate how you are now utilising that money, are you reaching the target market that strategically we as a company are aiming at."

Question 5

Who is/should be responsible for driving marketing accountability in your organisation?

The analysis of question 5 is show in figure 5.3 where it was clear from the responses that it was necessary to hold marketing accountable for their performance targets. In fact, six of the respondents felt that it was imperative for marketing to control the budget allocation and spending respectively (see figure 5.3).

Figure 5.3: Responsibility of marketing



Section B:

In this section information was extracted around Proposition 2 highlighting the key drivers in marketing and how these translate into improved marketing metrics.

Question 1

What metrics are currently being used to measure marketing performance in your organisation?

Figure 5.4: Dissat ance measurables

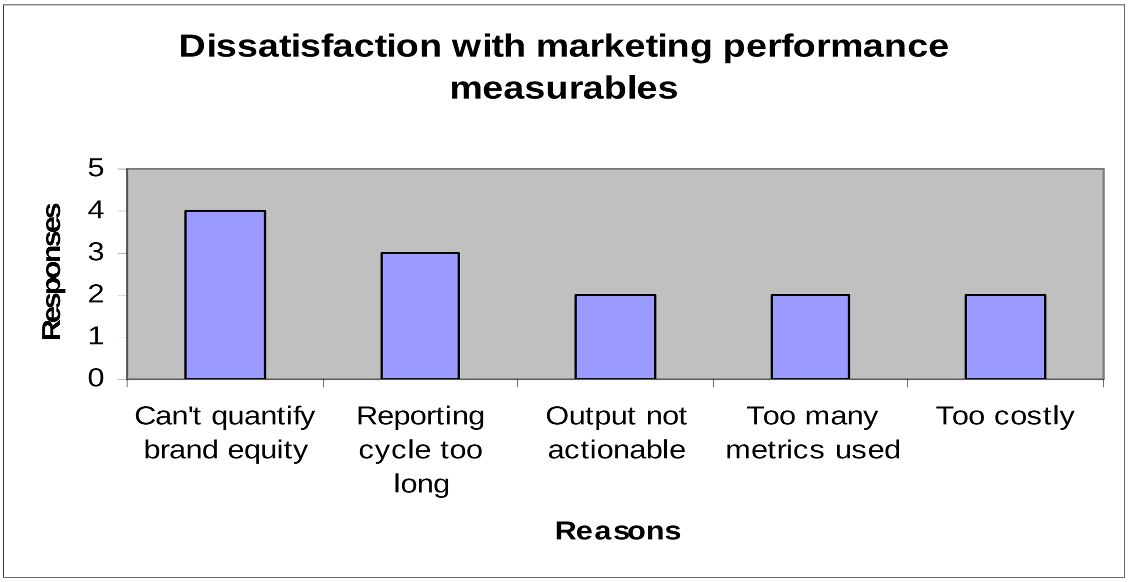


Figure 5.4 shows that most of the respondents indicated that they were dissatisfied with the metrics being used in their organisations to evaluate marketing. The following concerns were identified and ranked in figure 5.4 above in terms of importance.

- Can’t quantify brand equity.
- Reporting cycle too long.
- Output not actionable.
- Too many metrics used.
- Too costly.

Respondents listed multiple metrics of marketing performance in their organisations, which fell into three categories listed below.

- Brand: Awarene … ss rating points (GRPs), Reach/Frequency, Media post-buy, financial value of brand equity.
- Direct marketing: Number of leads, cost per lead, cost per sale, lifetime value of a customer (LTV).
- Sales: Total sales, incremental sales, market share, ratio of adspend to sales.

Comments from some of the respondents illustrate these categories, namely:

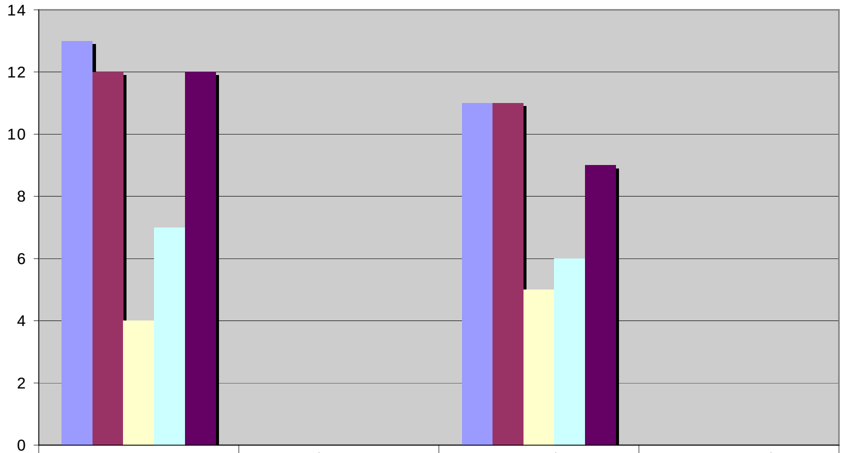
- "Marketing performance generally tends to relate to brand equity in our business because we sell a bulk product and through an indirect distribution system that makes perfect sense".
- "We absolutely link sales figures to marketing performance, so if our sales performance is lagging, we will go back and have a look at whether our marketing plan has affected us".
- "We measure our advertising by the degree to which people like it and how it influences their propensity to purchase our product."

Question 2

This question asked the respondents to complete a form in terms of what they feel is important, not important, used and not used in terms of the key metrics used currently in organisations for measuring performance. They were asked to tick each metric indicated in the 'metric' column against this criteria accordingly.

Figure 5.5 – New p -launch

New Product Development - Pre Launch

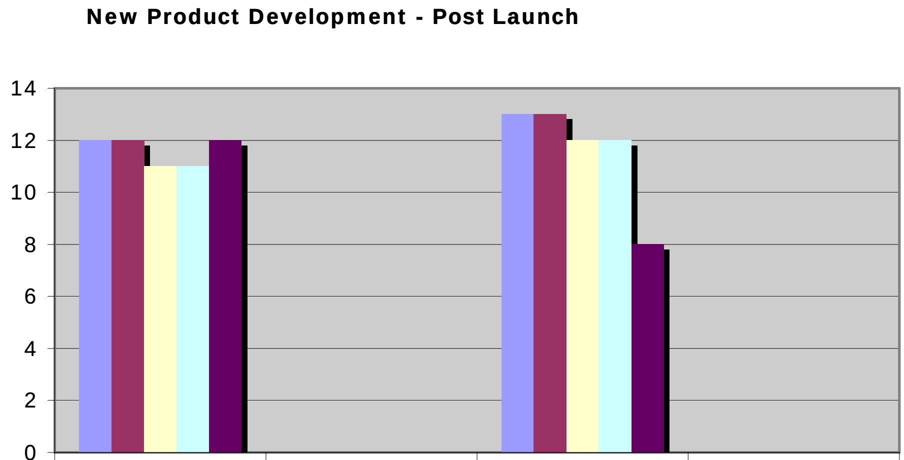


	Important	Not important	Used	Not used
Size of target market	13	0	11	0
Belief in New Product (NP) concept	12	0	11	0
Awareness of NP concept	4	0	5	0
No. of ideas generated	7	0	6	0
Cycle time from concept to launch	12	0	9	0

Figure 5.5 above highlights that all thirteen respondents agreed that new product development – pre-launch was an important marketing metric and a majority of the respondents were using this metric in their organisations. Interestingly a couple of respondents felt that awareness of the new product concept and number of ideas generated for new product development was neither important or used in their organisations respectively.

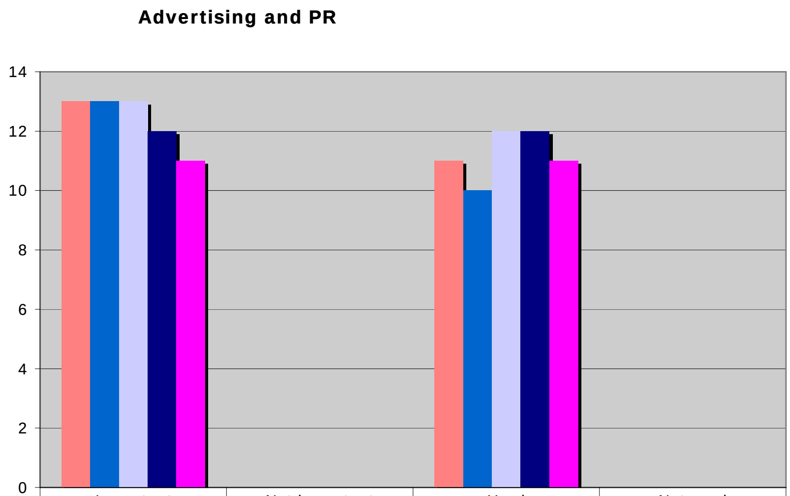
Figure 5.6 below indicates that all respondents felt that new product development – post launch metric was important and used in organisations. Interestingly the level of cannibalisation was only used by half of the respondents.

Figure 5.6: New product development – post launch



	1	2	3	4
NP sales (volume)	12	0	13	0
NP revenue	12	0	13	0
Penetration	11	0	12	0
NP margins	11	0	12	0
Level of cannibalisation	12	0	8	0

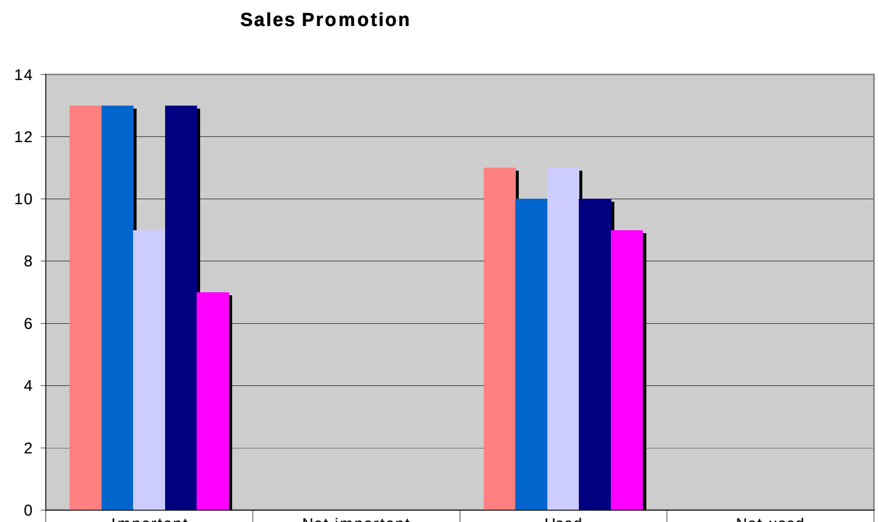
Figure 5.7: Advertising and public relations (PR)



	Important	Not important	Used	Not used
Brand awareness prompted / unprompted	13	0	11	0
Advertising awareness prompted / unprompted	13	0	10	0
Consumer purchases	13	0	12	0
Brand images and attributes	12	0	12	0
Recall of advertising content	11	0	11	0

Figure 5.7 shows t t Advertising and Public Relations (PR) is an important metric and being used by a majority of organisations.

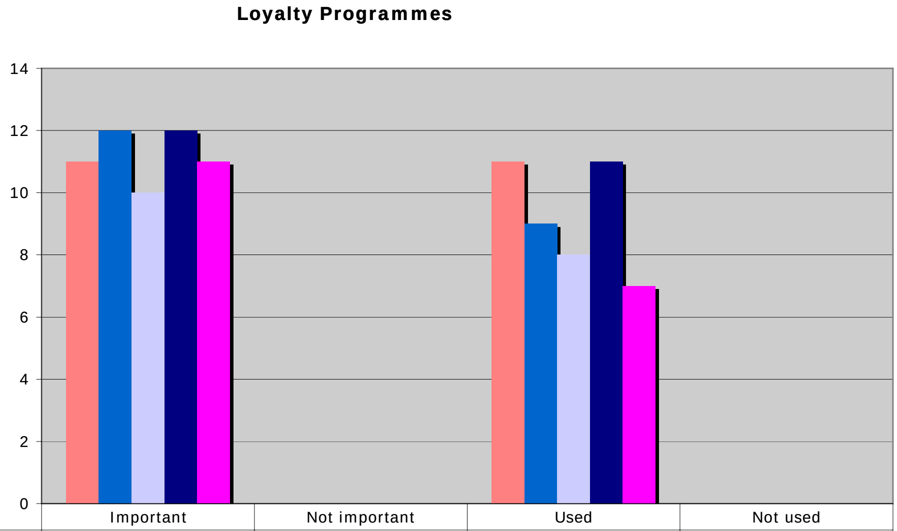
Figure 5.8: Sales promotion



	Important	Not important	Used	Not used
Sales uplift from the promotion	13	0	11	0
Cost per promotion	13	0	10	0
Coupon redemption rate	9	0	11	0
Channel / vendor participation	13	0	10	0
No. of promotions conducted	7	0	9	0

Most of the respondents agreed that sales promotion is an important metric and used in organisations as depicted in figure 5.8. Interestingly the coupon redemption rate metric was seen as important to a couple of respondents although more than half of the respondents noted it as being used by organisations. Similarly, the number of promotions metric is also indicated as less important than being used in organisations.

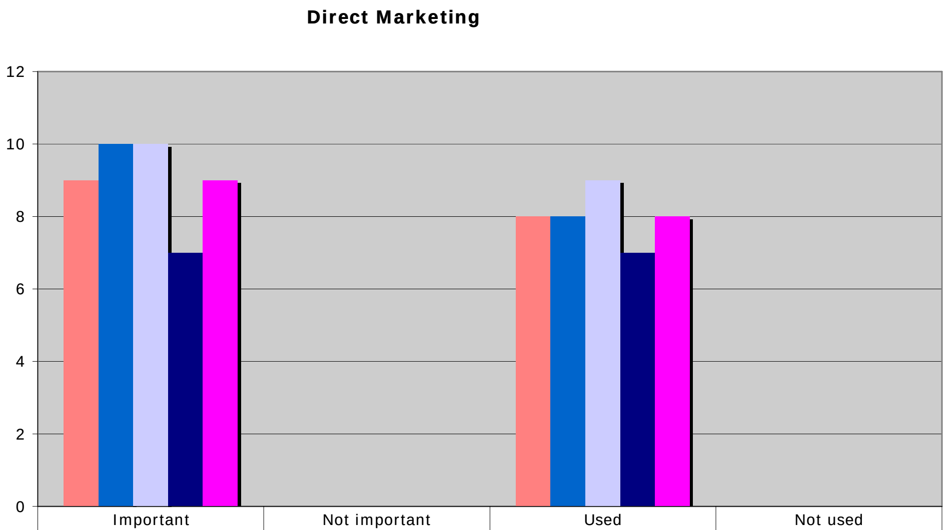
Figure 5.9: Loyalt



	Important	Not important	Used	Not used
Participation	11	0	11	0
Customer satisfaction	12	0	9	0
Relative purchase frequency	10	0	8	0
Programme cost	12	0	11	0
Relative purchase volume	11	0	7	0

In figure 5.9 most of the respondents agreed that loyalty programmes were important however the relative purchase volume metric used to evaluate a loyalty program was not used by half of the respondents.

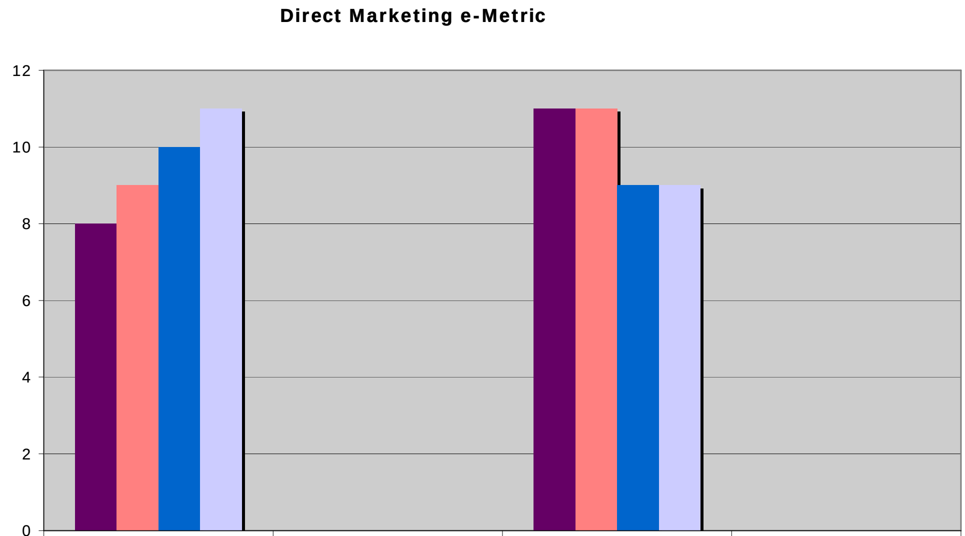
Figure 5.10: Direct marketing



	Important	Not important	Used	Not used
Reach	9	0	8	0
Consumer awareness	10	0	8	0
Conversion revenue	10	0	9	0
Frequency of purpose	7	0	7	0
Recency of purchase	9	0	8	0

Figure 5.10 indicated that although respondents agreed that direct marketing was an important metric, it was not being used by organisations.

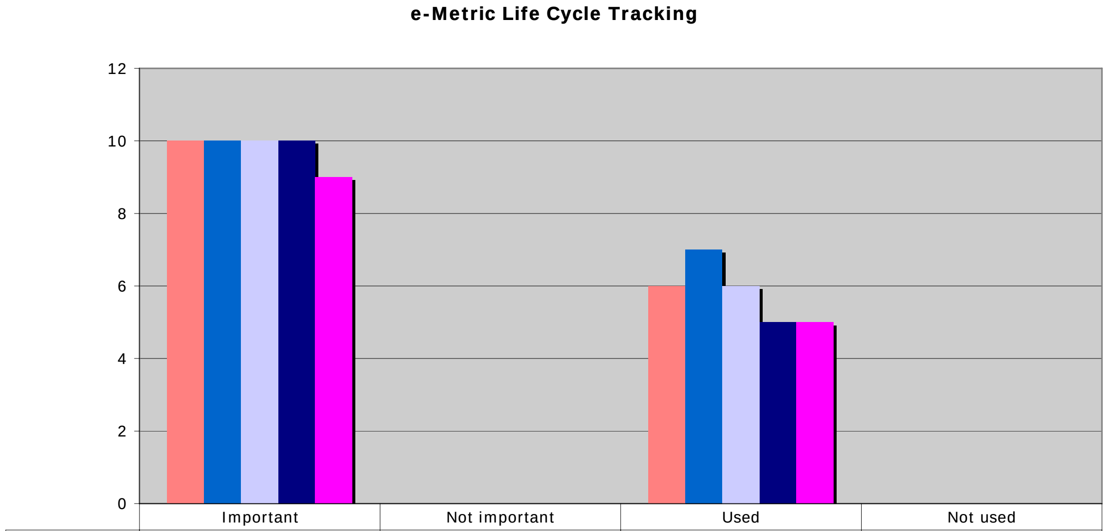
Figure 5.11: Direct marketing e-Metric



	Important	Not important	Used	Not used
Page views	8	0	11	0
Visits	9	0	11	0
Users	10	0	9	0
Conversion revenue	11	0	9	0

Figure 5.11 indicates that a majority of respondents felt that direct marketing e-metric was important and being used. It is interesting to note that there was a rather large discrepancy for the page view metric which was being used by a majority of organisations although not seen as important. Similarly page visits, users and conversion revenue metrics were also valued but not currenlty being used in practice.

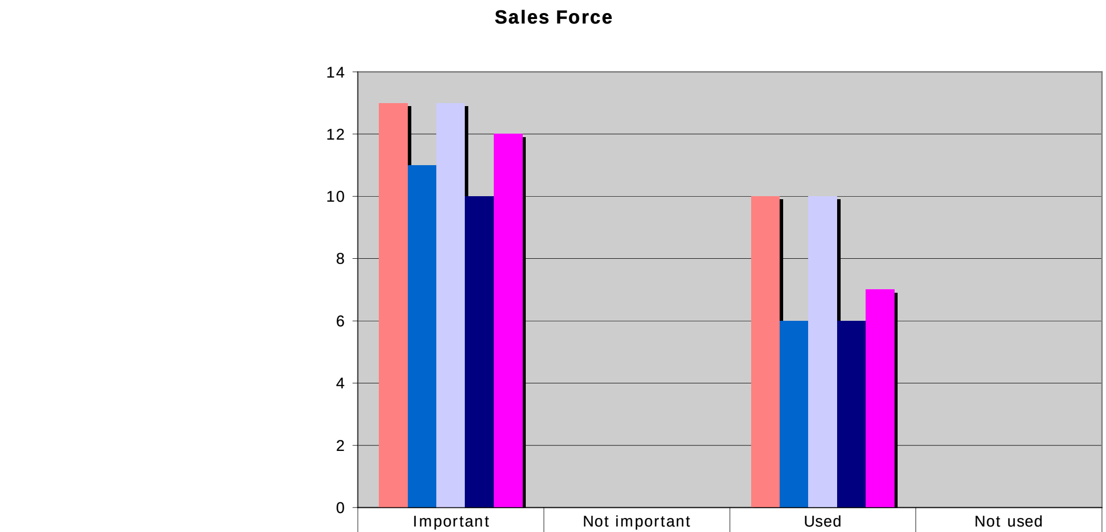
Figure 5.12: e-Me



	Important	Not important	Used	Not used
Reach	10	0	6	0
Conversion	10	0	7	0
Retention	10	0	6	0
Abandonment	10	0	5	0
Attrition	9	0	5	0

Most of the respondents agreed in figure 5.12 that the e-Metric life cycle tracking metric was important although not being used by their organisations.

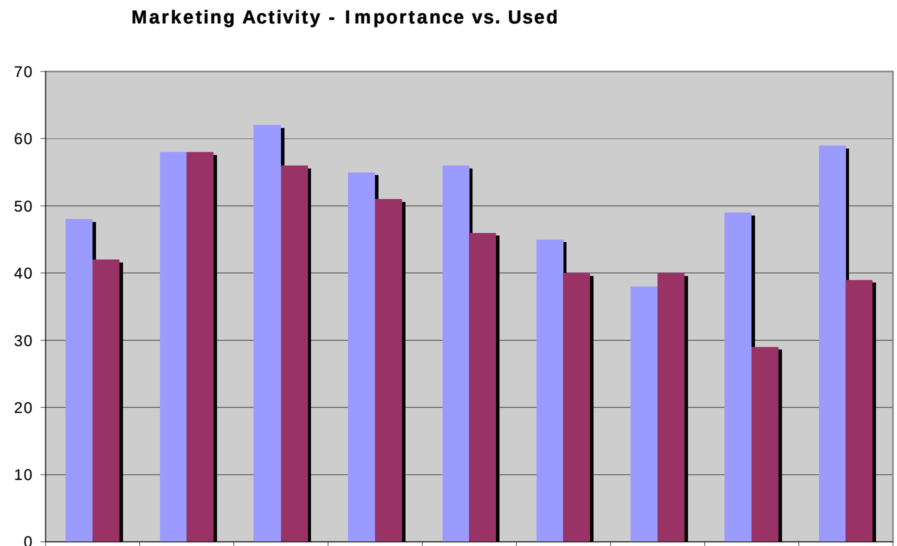
Figure 5.13: Sales force



	Important	Not important	Used	Not used
Costs of sales force versus sales	13	0	10	0
Cost per visit	11	0	6	0
Customers per sales person	13	0	10	0
Hit rate (sales revenue per first purchase)	10	0	6	0
Number of contacts before closure	12	0	7	0

Respondents' felt that the sales force metric was important as displayed in figure 5.13 however the metric was not being used by a majority of organisations.

Figure 5.14: Marketing activity – importance vs used consolidated findings



	NPD Pre-Launch	NPD Post-Launch	Advertising / PR	Sales Promotion	Loyalty Programmes	Direct Marketing	Direct Marketing e-Metric	e-Metric Life Cycle Tracking	Sales Force
Marketing Activity Important	48	58	62	55	56	45	38	49	59
Marketing Activity Used	42	58	56	51	46	40	40	29	39

The data presented in figure 5.14 above, is a consolidated view of all the metrics displayed in figures 5.5 – 5.13 in terms of importance and usage of key metrics respectively. There is no real disparity between what is important and used in terms of key metrics as discussed earlier. However the graph does highlight gaps between those metrics which are valued but not being used currently in organisations i.e. New Product Development (NPD) Pre-launch, Advertising and Public Relations (PR) and Direct Marketing metrics. It is interesting to note [illegible]ting activities like Direct Marketing was not used in organisations as much s the immeasurable activities like Advertising and Public Relations (PR). This highlights a lack of using a return on marketing (ROI) approach in marketing efforts in organisations. The following quote demonstrates this evidence, “there are very few marketers that I have ever come across that can embrace the full ambit of marketing and its measurables i.e. traditional as well as non-traditional marketing methods like e-marketing, direct marketing etc.”

As highlighted earlier there appears a discrepancy in regards to the commitment of tracking the sales pipeline and the e-metric life cycle. One respondent shared this insight, “I think marketing needs to be rejuvenated in terms of where it is today because what is taught it is reflective of a world that was, and not of a world that is. To this point marketing needs to work hand in hand with sales. You have got to work with your sales force to deliver the same things and the problem is that you cannot say well finance delivers this, marketing delivers that, HR delivers this and IT delivers that. You are all delivering the bottom line, so it is quite hard to cut the cake up in this way. That is why you need to have a holistic measurement, so certainly with where marketing begins and sales end is seen as one process.”

Section C:

The area of discovery around what a company’s tailored metrics should include in Proposition 3 is uncovered in this section.

Question 1

What in your opinion do you believe a company's tailored metrics should include for example, in financial services; percentage of cross sales could be a metric. Could these metrics be generically applied to any organisation globally?

Feasible company's tailored metrics identified by the respondents are given in table 5.2.

Table 5.2: Feasible company's tailored metrics identified by respondents

Constructs	Frequency recorded of the importance of each construct
Company's tailored metrics include:	
• Return on marketing investment.	9
• Customer satisfaction.	9
• Market share (in targeted segments).	8
• Profitability.	7
• Brand equity.	9

Table 5.2 indicated that most of the respondents felt that brand equity, return on marketing investment and customer satisfaction should be included in a company's tailored metrics. Market share and profitability were also indicated by a couple of respondents as being mandatory. The following comments were made that capture these points respectively:

- "Any metrics must capture the real strategic contribution of marketing which is the brand equity portion."

- "Especially in th [illegible] etrics around profitability needs to be instantaneous."
- "Market share should be aligned to share of voice in the industry".
- "We definitely measure the actual service ethic i.e. servicing side of our products".
- "Our problem is that we want to measure brand-building information because this is number one for marketing but low on the list according to our corporate goals so there has to be a balance in regards to generating a return on investment in all marketing effort."

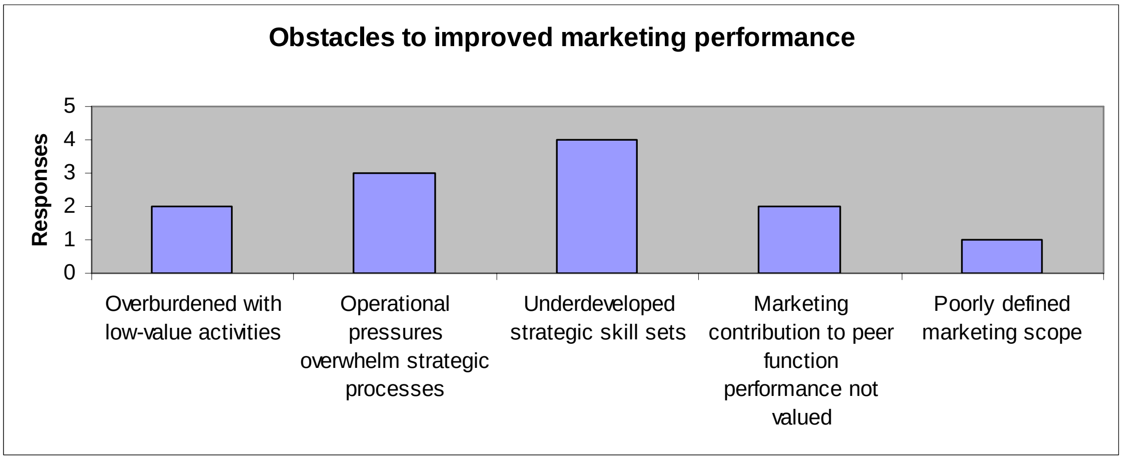
Section D:

This last section of the questionnaire served to explore Proposition 4 addressing the factors that hindered the evolution of marketing as well as what potential solutions could assist with the future development of marketing.

Question 9

What are the current internal and external obstacles marketers' needs to overcome to increase marketing performance?

Figure 5.15: Obst ... rformance



Of the obstacles to achieving marketing accountability quoted in the literature, four respondents cited that underdeveloped strategic skills sets was problematic (see figure 5.15). This was closely followed by the operational pressures overwhelm strategic processes, marketing contribution to peer function performance not valued and that marketing is overburdened with low-value activities. One respondent also shared that the poorly defined marketing scope was also an obstacle. The obstacles affecting the evolution of marketing will now be explored in terms of the evidence found accordingly.

9a Underdeveloped strategic skill sets

Without exception, the respondents indicated that there was a lack of strategic skills in marketing and that few companies can claim development programs robust enough to build the skills needed in a more strategically oriented marketing function. Extracts of their comments are provided below:

- "I think there should be more emphasis on qualifications like a chartered marketer when employing candidates".

- "There are very … siness orientated enough and I think that is where the problem lies."
- "I think part of our dilemma in the South African context and I say this cautiously, is that you have got people in marketing roles that are soft to the science in marketing so you have got a lot of people doing marketing and are not competent marketers and therefore are not doing great things."
- "The issue is partly because advertising people aim for marketing jobs which do not require the same sort of skills to do marketing correctly".

9b Operational pressures overwhelm strategic processes

Understanding the components of operational pressures overwhelm strategic processes, the following quotes were noted:

- "Marketers are trying to be everything to everybody. They are trying to control the people on the frontline; they are trying to own innovation; they are trying to own product sales when actually their specialisation is just that direct link to the consumer."
- "Marketers are often hindered by their scope of the marketing activities they have to perform."

9c Marketing contribution to peer function performance not valued

The following comments embodied the sentiment around the marketing contribution to peer function performance not being valued:

- "Confusion starts coming in when you have all these different marketing deliverables that are wide ranging across the business however there is very little support fror :o support marketing with its mandate”.

- “Marketing is seen just as an area of functionality and what it needs to do is it needs to be far more involved in the broader business agenda”.

9d Overburdened with low-value activities

The sentiment expressed by a couple of respondents who saw marketing as overburdened with low-value activities as an obstacle to evolving marketing accountability is expressed in the following quote:

- “There are so many activities in marketing and so many different people implementing marketing plans; it is hard to come up for air long enough to focus on developing a strategic agenda for marketing for everyone to focus their effort around.”

9e Poorly defined marketing scope

As indicated in graph 5.15, a poorly defined marketing scope was seen as an obstacle to evolving marketing accountability. The following comment provides insight into this finding:

- “I think marketers have been supremely poor in explaining their roles in the business framework so the bounds of marketing’s responsibilities are either too narrowly drawn to a support function or at the other extreme the function is overtaxed diluting its strategic contribution.”

Question 10

How should organisations go forward in terms of evolving the marketing discipline, name five key areas that should be prioritised in terms of this endeavour?

In discussing the way forward for achieving marketing accountability, the responses were tabulated and ranked according to frequency and is illustrated in table 5.3 below:

Table 5.3: Responses ranked according to frequency

Ranking	Construct	Frequency
1	Clarifying marketing's mandate	6
2	Freeing marketing capacity	5
3	Developing higher-order marketing skills	4
4	Reconciling strategic and operational responsibilities	4
5	Hardwiring marketing into firm wide processes	4

The following quote shows evidence from the research that respondents felt that marketing required a clearer mandate:

- "I don't believe marketing is a department but an approach to business that needs support from every aspect of the organisation."

Freeing up marketing capacity as a way forward for evolving marketing was captured in the following quote:

- “Marketing is so r the logo should be on a piece of literature that is doesn’t have the time to think strategically about the bigger picture.”

Several respondents shared the following evidence around the area of developing higher-order marketing skills:

- “Unless we educate marketers differently we won’t have the skills to evolve marketing.”
- “I think we need to think carefully about appointing a buddies and balloons person, or a smoke and mirrors person, or a showgirl and feathers person. You have got to employ somebody who knows how to build brands and think strategically about marketing.”

Reconciling strategic and operational responsibilities was demonstrated in the following quotes:

- “I think we need some smart strategic thinking with great execution at a tactical level to improve marketing performance.”
- “I think an appreciation of marketing by boards and acknowledgement that, and this is again an utopian perspective, marketing can add strategic value and that you have to make long term commitments to marketing.”

A couple of respondents identified hardwiring marketing into firm wide processes as a way forward when they said:

- “I think marketing [illegible] the discipline and for the contribution to business performance overall as opposed to just being the head of the department that does the sexy and glamorous things.”
- “Marketing needs to understand its mandate and know the CEO’s vision so it can align itself to the corporate agenda accordingly.”

5.3 CONCLUSION

In the preceding section, key constructs have been developed under the broad headings of each of the four research propositions. Both the importance of the construct and evidence thereof has been assessed. Chapter 6 now seeks to evaluate these constructs opposite the models and theories presented in Chapter 2. This will establish whether the research findings support or contradict the literature around the requirement for marketing accountability and its practical implementation in the field.

RESULTS EVALUATION

6.1 INTRODUCTION

This chapter of the report will analyse and discuss the results from Chapter 5 in terms of the research objectives that the study set out to achieve, as defined in Chapter 1, Section 1.4. In order to do so effectively, reference will be made to the research propositions that were developed in Chapter 3.

6.2 EVALUATION OF FINDINGS

As mentioned in the introduction, the findings will be evaluated by means of addressing the study's original research objectives. The primary objective of this research study was to investigate the value of marketing accountability in organisations today and the reasons around why this need is not consistently being met by marketing practitioners. The secondary objective provided insight into the following key elements relating to the primary objective:

- establish the internal and external factors driving marketing accountability;
- determine whether organisations are measuring marketing performance and what metrics are currently being used;
- investigate whether the key metrics used by leading organisations uncovered in the literature review could be translated into improved marketing effectiveness by practitioners in the field; and
- understand the obstacles around evolving the marketing discipline.

Evaluation of these objectives will now be made in relation to the research propositions that were developed in Chapter 3 individually.

6.2.1 Research proposition 1: Business imperatives for marketing accountability

The first proposition that was defined in Chapter 1, Section 1.4 was to discover the major factors that was driving the evolution of marketing. Section A of the questionnaire contained five open-ended questions, which aimed to establish the need for marketing accountability, to define marketing accountability, to highlight the important factors driving it globally and in particular within the South African context as well as understand who should be responsible for the task at hand. Figure 5.1 contains the consolidated findings of the qualitative questions, ranked in order of frequency. The evaluation below will expand on these findings.

As shown in the responses to question one of section A of the questionnaire, all thirteen respondents agreed that there was a strong business case for marketing accountability, driven equally by factors external and internal to the organisation. This outcome directly links to that of the Marketing Leadership Council (2005) earlier findings that there is a pressure on marketers to increase their accountability and as a result marketers are exhibiting unprecedented interest in marketing measurement capabilities.

Over half of the res[illegible]ountability as a return on investment (see question 2, section A). Rust, et al. (2004) have expressed similar sentiments i.e. if marketing activities are capable of building shareholder value, then marketing expenditure needs to be considered as an “investment”. By inference therefore, they feel it is essential to identify the marketing “assets” that are to be invested in, as well as how these assets can contribute to company profits in the short run and provide sustainable growth and profitability in the long run.

Alignment with business strategy was also shown in question 2, section A to be an important driver of marketing accountability by several respondents. This supports the AMI (2004) and Ambler’s (2003) earlier findings that contend there is a renewed focus and heightened urgency being brought about by the executive level who require a wider perception of marketing i.e. marketing planning must be integrated and directly linked to strategic business priorities in order to ensure global competitiveness and economic growth.

The following factors were identified and ranked as being of key importance in driving marketing accountability and are listed below.

- *CEO/CFO demanding improvement.*

This is probably the easiest factor to identify and it is not entirely surprising that it achieved one of the highest frequencies (see graph 5.1). As one respondent shared; “King 2 report now requires a triple bottom line in business. Marketing contributes to the profit element of the triple bottom line but there are other aspects of the botto ment development where marketing can play an even bigger role and contribute to the chief executive's broader business agenda". This outcome aligns itself to Kumar (2004) in particular who highlights the demand from CEOs today is for foresight rather than hindsight, for innovators, not tacticians, and for market strategists, not marketing planners. Ambler (2003) takes this further by explaining that CEOs require to be made aware of the particular contributions of advertising, promotions and other parts of the marketing mix. Doyle's (2000) earlier findings also confirm that top management requires that marketing view its ultimate purpose as contributing to increasing shareholder value. He refers to this as "value-based" marketing.

- *Demand for short term financial performance*

Another factor which also received the highest frequencies in figure 5.1 was the demand for short term financial performance. As one respondent pointed out; "It is vital that marketing can actually substantiate where it is investing its money and that there is an actual return on it immediately after its effect." This supports Ambler's (2003) and Doyle's (2000) earlier findings that highlight that corporations are under increased pressure to show that every dollar they spend delivers results. They believe that marketing expenditures are now being held to the same level of accountability as other investments which need to demonstrate a short term positive result.

- *Fragmentation o*

It is clear from figure 5.1, that the fragmentation of customer media consumption is equally an important factor driving marketing accountability. As one respondent indicated; “there is so much fragmentation of media and media options that the need to become more scientific about what works and what doesn't work is important. Advertising and media has changed and not demonstrating the same results it did a few years ago.” Evidence presented by the Marketing Leadership Council (2005) shows key marketing efforts beginning to demonstrate diminishing results. Several respondents indicated that this fragmentation was a result of media options available to consumers have increased and technologies that have been designed to suit consumers’ growing desire to be in control of what they see and hear have given consumers the option to reject advertising messages.

- *Governance*

Figure 5.1 shows that governance is another key driver of marketing accountability. One respondent pointed out: “corporate governance is pressuring all disciplines in business to become more accountable”. This supports the earlier findings of the AMI (2004) that describes the global environment is dynamic – economic, regulatory and social factors – which has had an impact on marketing across all industry sectors.

- *Increasing marketing costs*

As shown in figure 5.1, increasing marketing costs influences the requirement for marketing accountability. Respondents related this point to the fragmentation of r increase in marketing expenditure year on year. They agreed that CEOs expect to see detailed, quantifiable results for their marketing and advertising efforts that demonstrate a positive return on their investments. These CEOs want to know which elements of their marketing plan helped achieve their goals in the most efficient manner - and which did not - and be able to allocate their budgets on an ongoing basis accordingly. The AMI's (2004) earlier findings confirm that marketing needs to be able to manage and measure these marketing activities that contribute to cash flow.

- *Growing acceptance of non-financial measurement tools*

One respondent noted that the growing acceptance of non-financial measurement tools was driving the movement for marketing accountability (see figure 5.1). Earlier findings by Ambler (2003), Doyle (2000), Srivastava, et al. (1998) acknowledge intangible assets becoming an overwhelming source of value creation. Berry (2005), Bryan and Zanini's (2005) support this when they demonstrate that intangible assets can account for 90 percent or more of a company's market value. Srivastava, et al. (1998) go further and report that in recent years it has become widely accepted that the difference between the book value and the market value of an organisation can be attributed to 'intangible assets'. Gummerson (2004) remarks that traditional accounting systems do not capture the value of intangible market-based assets and this deficit is shifting the reporting needs of the market which is driving the debate of how one measures company value and what new accounting tools could evaluate marketing performance.

Half of the respondents in figure 5.2 were of the opinion that culture diversity was an additional factor effecting marketers in South African organisations in terms of driving marketing accountability. This was closely followed by having a dynamic environment and increased learning curve in South Africa (see figure 5.2).

It was clear from graph 5.3 that a majority of responses that it was necessary to hold marketing accountable for their performance targets and that marketers need to be able to report on their effort accordingly. This follows earlier findings by Farris, et al. (2006) who believe that few marketers will rise to senior levels without deep fluency in marketing metrics.

In conclusion, the research confirms proposition 1 - the business imperative for marketing accountability is driven by factors internal and external to the organisation, namely (in order of importance).

- CEO/CFO demanding improvement.
- Demand for short-term financial performance.
- Fragmentation of customer media consumption.
- Governance.
- Increasing marketing costs.
- Growing acceptance of non-financial measurement tools.

6.2.2 Research p[illegible]stand the key drivers in marketing

Marketers understand the key drivers in marketing, however they lack clarity around how these drivers translate into improved marketing results. The second research objective that was identified in Chapter 1, section 1.4 was to confirm that marketers understand the key drivers in marketing but lack clarity and consistency on how to measure these drivers in the field. Section B of the questionnaire contained an open-ended question on how marketing is currently being measured as well as an exercise, which aimed to determine the most important metrics and their usage respectively.

Most of the respondents indicated that they were dissatisfied with the metrics being used in their organisations to evaluate marketing (see figure 5.4). Currently they agreed that multiple metrics of marketing performance in their organisations fell into three categories; Brand, Direct Marketing and Sales. In the earlier findings around key metrics, Farris, et al's (2006) incorporate these areas respectively.

Figures 5.5-5.14 contain the qualitative results, ranked accordingly to frequency of mention in regards to the form respondents were asked to complete what they feel is important, not important, used and not used in terms of the key metrics for measuring marketing performance.

It is interesting to no[illegible]keting activities like Direct Marketing were seen to be less used in organisations as opposed to the immeasurable activities like advertising. This highlights a lack of using a ROI approach in marketing efforts. This supports the earlier insight by the AMI (2004) that marketing now needs to be able to manage and measure those marketing activities that contribute to cash flow. DeLegge (2006), also points to the fact that the increasing demands for marketing accountability in theory aren't necessarily translating into greater understanding of marketing results. DeLegge (2006) points to a recent study by the CMO Council, which found that 68% of marketers were unable to determine the ROI of their initiatives.

Farris, et al. (2006) discuss in their earlier findings how measurable performance and accountability have become the keys to marketing success. From this research, it would appear that few managers appreciate the range of metrics by which they can evaluate marketing strategies and dynamics. Fewer still understand the pros, cons, and nuances of each.

Data presented in figure 5.15 also reflects a discrepancy in regards to the commitment of tracking the sales pipeline and the e-metric life cycle which highlights the age old tension between sales and marketing on the one hand and the IT and marketing discipline on the other. Respondents advised that this was indicative of organisations being soloed in nature which makes the seamless integration of marketing across the organisation almost impossible. The respondents spoke of the tension between sales and marketing which was also acknowledged by Sinclair (1999) who advocated pursuing a marketing return on investmer [illegible] e gap between sales and marketing as the goals of the two departments become more aligned. The earlier findings by the AMI (2004) confirm that the true role of marketing implies a need for closer alignment between marketing and the rest of the business, particularly with business strategy (or senior management), Human Resources (HR) (internal branding), Sales and Research and Development (innovation enhancement). Srivastava, et al. (1998) give evidence that there is a need for greater integration of marketing with other business disciplines.

The research findings confirmed proposition 2, i.e. marketers understand the key drivers in marketing, however they lack clarity around how these drivers translate into improved marketing results.

6.2.3 Research proposition 3: Company's tailored metrics

Research proposition 3 sought to establish what a company's tailored metrics should include. Given the diverse nature of the businesses selected in the research it would appear from several responses in question 1, section C that there is no uniform marketing "dashboard" that could be generically applied to any organisation globally. It is the author's opinion that marketers require knowledge and judgement around metrics and multiple metrics unique to their businesses to capture the different facets of their business and give them a complete picture of their business's health into the future.

This sentiment is su[illegible] highlight that being able to ‘crunch the numbers’ is vital to success in marketing. They explain that understanding metrics will allow marketers to choose the right input data to give them meaningful information. They should be able to pick and choose from a variety of metrics depending upon the circumstances and create a dashboard of the most vital metrics to aid them in managing their business.

Table 5.3 contains the qualitative results, ranked according to frequency. The following key metrics were identified as being the most important sources of value to be derived and align to the earlier findings by the AMI (2004) framework for measuring the value created by marketing:

- *Return on marketing investment (ROI)*

This benefit is rather self explanatory and obvious, but in a discipline which is experiencing greater scrutiny from a powerful mix of internal and external pressures, most of the respondents agreed that the ability to improve marketing accountability is imperative going forward. Farris, et al. (2006) reported earlier that ROI provides a snapshot of profitability adjusted for the size of the investment assets tied up in the enterprise. They explain that marketing decisions have obvious potential connection to the numerator or ROI (profits), but these same decisions often influence assets usage and capital requirements (for example, receivables and inventories). Several respondents indicated that the first piece of information needed for marketing ROI is the cost of the marketing campaign, program, or budget. However they highlighted that defining which costs belong in marketing can be problematic, and an even bigger challenge is ue, contribution, and net profits attributable to marketing. To this point, many respondents agreed that marketing effects on sales and profits extend into future periods. They believe that a far more disaggregated approach to evaluating marketing spending designed to acquire long-lived customer relationships is needed when marketing spending is expected to have effects beyond the current period.

- *Customer satisfaction*

Nearly all the respondents agreed that the benefit is almost exclusively derived from sustainable customer relationship management leveraging off a value-based marketing strategy and the use of integrated marketing communications. Some of the respondents cautioned that ‘response bias’ is endemic in satisfaction data. For this reason, marketers can find it difficult to judge the true level of customer satisfaction. This sentiment is shared by Farris, et al. (2006) who recommend reviewing survey data over time, will allow marketers to discover important trends or changes. For example, if complaints suddenly rise, for example, that my constitute an early warning of a decline in quality or service.

Farris, et al. (2006) also caution discrepancies around the sample selection because only customers are surveyed for customer satisfaction, a firm’s ratings may rise artificially as deeply dissatisfied customers take their business elsewhere. They suggest that to correct this issue, marketers are advised to review satisfaction measures over time within the same market.

The authors go ontc ound measuring customer satisifaction: Because many firms define customer satisfaction as “meeting or exceeding expectations”, this metric may fall simply because expectations have risen. Thus, in interpreting ratings data, managers may come to believe that the quality of their offering has declined when that is not the case. Of course, the reverse is also true in that a firm might boost satisfaction by lowering expectations. In so doing, however, it might suffer a decline in sales as its product or service comes to appear unattractive.

Respondents agreed that generating high customer satisfaction results in increased lifetime value by improving the customer’s propensity to repurchase within the brand, by increasing the number of transactions throughout the customer’s lifetime, and by increasing the value of each transaction. This supports the findings by Blattberg and Deighton (1996) who state that a firm’s total customer equity equals returns on acquisition plus returns on retention plus returns on add-on selling across a firm’s entire portfolio over time. Rust, et al. (2004) support this sentiment around generating lifetime value from current and potential customers.

- *Market share (in targeted segments)*

Over half of the respondents believe market share is key in a company’s tailored metrics. They indicated that increased marketing performance in targeted segments will result in a more efficient allocation of marketing funds. This does not necessarily mean a smaller budget will be required, but that the organisation will see greater value and impact from its marketing expenditure.

This confirms Farris describe market share as an indicator of how well a firm is doing against its competitors. This metric, supplemented by changes in sales revenue, helps managers evaluate both primary and selective demand in their market. This allows marketers to judge not only total market growth or decline but also trends in customers' selections among competitors. Conversely, losses in market share can signal serious long-term problems that require strategic adjustments. Firms with market shares below a certain level may not be viable. Similarly, within a firm's product line, market share trends for individual products are considered early indicators of future opportunities or problems. They caution that if a firm defines its market too broadly, it may dilute its focus. If it does so too narrowly, it will miss opportunities and allow threats to emerge unseen. To avoid these pitfalls, they advise as a first step in calculating market share, managers should define the served market in terms of unit sales or revenues for a specific list of competitors, products, sales channels, geographic areas, customers and time periods.

- *Profitability*

One of the metrics that respondents identified as being key, which wasn't contained in the literature study, was that a company's tailored metrics should measure profitability. Gallagher and Andrew (2003) identified in their previous findings that the basic financial goal of any firm is to maximise the price of the firm's stock. By profitable, respondents were referring to an organisation whose marketing activities are capable of building shareholder value. This sentiment is shared by Ailawadi, et al. (2003) and Srivastava, et al. (1998) who suggest that marketing expenditu ue premium greater than implied cash flow.

Respondents indicated that measuring profitability is a challenging one. This sentiment is shared by Farris, et al. (2006) who caution that measuring customer profitability is often the easy part; assigning the costs to customers is much harder. The authors explain that the costs of goods sold obviously gets assigned to the customers based on the goods each customer purchased. Assigning the more indirect costs may require the use of some form of activity-based costing (ABC) system. Finally, the authors highlighted that there may be some categories of costs that will be impossible to assign to the customer. If so, they suggest it is probably best to keep these costs as company costs and be content with the customer profit numbers adding up to something less than the total company profit.

Earlier findings by Blattberg and Deighton (1996), Rust, et al. (2004) and Hogan, et al. (2002) require customer equity as a forward-looking metric that attempts to account for the anticipated future profitability of each customer relationship.

- *Brand equity*

Most of the respondents agreed that brand equity was key in a company's tailored metrics. They indicated that organisations could benefit from the use of marketing methods by virtue of stronger, more purposeful brand recognition.

This sentiment is sh 1991) earlier findings that stress the importance of the role of the brand in marketing strategies.

One respondent who is an expert in brand evaluation methodology explained that there are a number of ways to assign a monetary value to one or more brands. If the owner of a brand portfolio has recently been acquired, then the goodwill component of its acquisition price may shed some light on the valuation of its brands. He goes onto describe goodwill as the amount paid to acquire a company, in excess of the value of the tangible and measurable assets of the firm.

Farris, et al. (2006) indicate in their earlier findings that marketers use various techniques in contemplating the value of a brand. Brand equity metrics have also been proposed by several academic reseachers and developed further by commerical suppliers of market research data.

In conclusion, the research findings confirmed that the most successful and comprehensive company tailored metrics should include and in no particular order.

- ROI.
- Customer satisfaction.
- Market share.
- Profitability.
- Brand equity.

6.2.4 Proposition 4: Key obstacles to evolving marketing

Research proposition four sought to establish whether the barriers for achieving marketing accountability at senior management level, include the following:

- marketing contribution to peer function performance not valued;
- marketing overburdened with low-value activities;
- poorly defined marketing scope;
- underdeveloped strategic skill sets; and
- operational pressures overwhelm strategic processes.

As shown in figure 5.15, underdeveloped strategic skill sets, closely followed by operational pressures overwhelming strategic processes, were seen as the most important barriers to successful transformation in terms of improved marketing performance. This supports findings by Rust, et al. (2004) who advocate a move to a more holistic understanding of the financial consequences of marketing decisions. The AMI (2004) advocates the language and metrics of marketing to be placed beside those of finance when CEOs and Boards access company performance. They contend that active management commitment and accountability from senior, middle and line management is a critical success factor for achieving marketing accountability.

Evidence presented in graph 5.15, also shows that marketing contribution to peer function performance not valued was an obstacle to improved marketing performance. It is interesting to note, that the findings of the 1999 BrandMetrics study are not consi the current research. In the BrandMetrics study, marketing was ranked at the top of a list of functions expected to impact on the organisation's long-term profitability (BrandMetrics 1999). The perception among respondents in this research was that marketing is not given the attention or focus it deserves at CEO or Board/Exco level.

Figure 5.15, also revealed that marketing was overburdened with low-value activities. Respondents contended that despite the benefits of Marketing focusing on firm wide objectives, in many organisations the function remains heavily focused on more tactical objectives.

Poorly defined marketing scope was also identified by a respondent as an obstacle to improved marketing performance. The respondent shared that in companies that are not marketing-led or that have only short histories of a formal marketing function, the bounds of marketing's responsibilities are likely to be narrowly drawn, relegating marketers to a supporting role, typically focussed on advertising. At the other extreme, in companies where marketing plays a large role, the function is commonly overtaxed, involved in processes that dilute its contribution to firm performance.

6.3 CONCLUSION

In conclusion, proposition four was confirmed that marketing performance carriers the risk of facing the following obstacles:

- marketing contribution to peer function performance not valued;
- marketing overburdened with low-value activities;
- poorly defined marketing scope; and
- underdeveloped strategic skill sets.

Advice offered by respondents in discussing the way forward for achieving marketing accountability were noted in table 5.3 of question 10, section D. While the obstacles facing marketing in this effort may appear daunting, the good news is that a number of companies have made real progress. At a top level, marketing organisations successfully navigating these obstacles share three key areas of focus: 1) ensuring that marketing is properly aligned with and focused on the company's strategic priorities; 2) enabling marketing to play more strategic roles; and finally, 3) integrating marketing with peer functions in a principled manner.

At a more granular level, several respondents indicated areas for evolving marketing which are align to similar research findings by the Marketing Leadership Council (2006). The path before marketers consists of:

- *Clarifying marketing's mandate:*

Respondents felt that marketers need to critically reassess the scope of their roles and responsibilities, mapping out new competencies for the function to add value to their c ctivities that don't clearly contribute to the realisation of the corporate agenda.

- *Freeing marketing capacity:*

In order to create the "space" required for more strategic focus, respondents agreed that marketers should reduce the time intensity of low-value activities, specifically by streamlining internal processes and the management of vendor relationships.

- *Developing higher-order marketing skills*

All thirteen respondents stressed the requirement of higher-order marketing skills. They explained that marketers need to look far beyond traditional approaches to training, developing next-generation marketing leaders instead by creating experiential learning opportunities and providing tailored, just-in-time training that focuses on business drivers.

- *Reconciling strategic and operational responsibilities*

Respondents aluded to the need for focussing on long-term growth drivers and as a requirement, marketers may need to redesign current organisational structures and incentives that irresistibly skew focus toward realising short-term revenues.

- *Hardwiring marketing into firmwide processes*

Many of the respondents discussed the need for marketing to identify the most leveraged points of integration across company processes, creating targeted partnerships with ot[illegible]s ability to add value to its peers and the firm.

In summary, chapter 6 set out to intepret the research results which were published in chapter 5. The author elected to evaluate the research findings according to the research objectives that were defined in chapter 1 of this study. As reinforced earlier the first research objective was to investigate the value of marketing accountability in organisations today and the reasons around why this need is not consistently being met by marketing practitioners, which was done by considering the research findings against the various research propositions that were developed in chapter 3. The author concluded by stating his interpretation of the findings, which was that although marketers clearly valued marketing accountability; they were only engaging in it at a very basic level.

The second research objective dealt with uncovering insights into the following key elements relating to the first objective, namely:

- establish the internal and external factors driving marketing accountability;
- determine whether organisations are measuring marketing performance and what metrics are currently being used;
- investigate whether the key metrics used by leading organisations uncovered in the literature review could be translated into improved marketing effectiveness by practitioners in the field; and
- understand the obstacles around evolving the marketing discipline.

The results of the re in detail. Finally, the last section of this chapter revealed suitable suggestions and recommendations for evolving the marketing discipline which will be discussed further in the final chapter of this study.

RECOMMENDATIONS AND CONCLUSIONS

7.1 INTRODUCTION

The research conducted in the previous chapters of this study has addressed all the research objectives that were listed in the first chapter. It is clear from the proceeding chapters, that in order for marketing accountabililty, or more explicitly, the achievement of marketing accountability, to be successful, it should be tackled in a holistic manner. Chapter 6 in particular highlighted this evidence when respondents noted that CEOs require a wider perception of marketing i.e. marketing planning must be integrated and directly linked to strategic business priorities in order to ensure global competitiveness and economic growth. It should also form part of a highly integrated process.

The research evaluation in Chapter 6 also highlighted that in many companies marketing accountability was neither uniform nor consistent in its application in the field. Most of the respondents indicated that they were dissatisfied with the metrics being used in their organisations to evaluate marketing. Because marketing addresses an external world that it does not control, it is certainly true that many factors may intervene between the expenditure and the reward. But a lack of control does not necessarily mean a lack of knowledge and experience: however, a lack of measurement does imply a lack of worthwhile experience, because measurement underpins learning. To this point, there was consensus that marketing can and should be measured better than it is currently in most or felt that marketers need to tailor their 'marketing dashboards' according to the key activities and metrics specific to their organisations and industries.

It is the author's recommendation that although the proposition around the poor implementation of marketing accountability in the field was proved; a broader framework is required that makes progress in the right direction of evolving the marketing discipline i.e. of linking marketing with the core profit generation concerns of its organisation, rather than assessing marketing in marketing's own terms. The research highlighted that marketing is suffering from a crucial gap in its ''toolbox'': i.e. the means to represent its strategies and activities in the financial terms used by the rest of the organisation.

A framework will now be presented which can be implemented within the broader context of marketing resource planning activities. This framework links directly to broader market dynamics while still linking itself to the the key company tailored metrics proved in proposition 3, Chapter 6.

The following parameters are defined for the framework which were also extracted from the data and theories presented in Chapter 6, listed below.

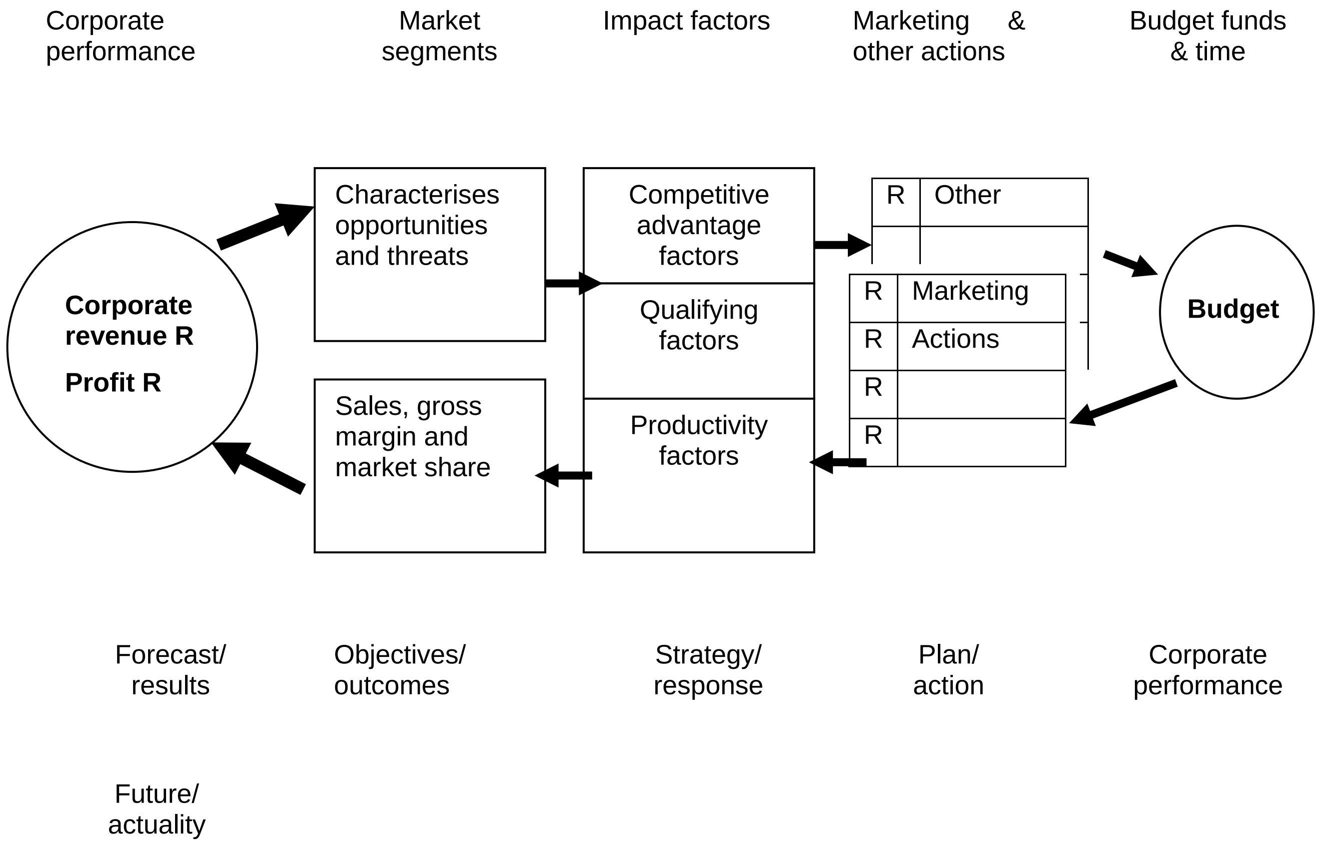
- The definition of marketing would include all customer-impacting activity.
- The aim was not to measure 'marketing' as a function or department, but 'marketing' in terms of any customer value-adding activity, wherever it happened in the company.

- Sales and cust as an integral part of marketing in this sense.
- Measurement objectives would be focused on the company aims, and on their links with marketing, not those of marketing in its own terms.

The author hopes that the framework will assist companies to build their unique set of measurements around marketing activity that will enable them to track progress on relevant marketing factors; provide information to improve their understanding of the impact of their marketing; enable them to put their experience to better use and learn from it; and as a result build credibility for marketing at a senior management or board level.

The adapted framework will be displayed as a whole and then each element will be discussed individually, in terms of the nature and role of each of them respectively.

Figure 7.1: Busin



Adapted from: Woodburn (2006).

7.2 DESCRIPTION OF THE FRAMEWORK

7.2.1 Corporate revenue and profit

The model starts with corporate revenue and profit because this is where most companies start – with what they want to achieve as a business. The measurement of how this is done can be seen as having several essential dimensions.

- Metric: what sh nitions of its nature and scope.
- Data: how facts will be collected.
- Target: planned level of achievement in the future.
- Result: recorded level of achievement in the past.

Forecasts

Corporate revenue and profit forecasts drive the measurements for the future against which marketing and the rest of the company needs to achieve, and corporate revenue and profit results reflect how successful it has been in their contribution to performance. Once forecasts have been made, all the company's functions and activities should respond to deliver them.

While marketing is clearly not the only contributor to corporate performance, corporate targets may be broken down by metric (e.g. sales revenue or volume) and those to which marketing makes a major contribution, and should ''own'', can be identified. As highlighted in the evaluation of the research in Chapter 6, it is pointless to try and separate marketing from sales activity as marketing seeks to generate demand, while sales seeks to capture it, and neither can be effective working independently of the other.

7.2.2 Market segments

Chapter 6 also highlighted that in order to understand how they interact with customers, companies must have information about them. The most valuable information is quan   racked and comparisons made. So, once the organisation's aspirations have been expressed, marketing must naturally turn to the marketplace to understand its nature and the opportunities and threats it offers.

Market segmentation

A marketplace is not a homogenous mass, but is subdivided into market segments. It is a fundamental tenet of marketing and, indeed, common sense as well; that different people and organisations have different needs and will not respond in the same way to the same offer. The marketplace will therefore be segmented differently according to the kind of offers under consideration. Marketers need to understand these market triggers and evaluate their initiatives according to this orientation.

Characteristics, opportunities and threats

One needs to bear in mind that each segment has its own set of characteristics. Segments are not created equal and will differ in size, number and location of segment members, and especially, relevant needs and wants. So a marketer needs to:

- decide criteria for segmentation (lifestyle, technology use, attitude to risk etc.);
- define its market segments according to these criteria and prioritise them;
- select important measurements about these segments, especially those describing significant changes;
- collect current/baseline data; and

- make forecasts c ;ators.

Concentrating on a limited number i.e. those that are critical in understanding the behaviour of the segment and tracking trends will assist marketers with understanding the opportunities and threats against which companies decide how they will achieve their corporate targets.

The next stage is data collection, and here the practical issue of funding comes to the fore. As this information is about the external market, it is not to be found on any single database. Data colleciton will become fundamental to the prediction of trends in the behaviour of segments, and hence the outcomes that can be expected.

Sales, gross margin and market share

Overlaid on the external data about the segments, marketers must equip themselves with data about the company's performance in the segment. Modern technology enables a huge amount of analysis of internal data, and if it is linked to external data, it can give real insight and competitive advantage.

For any given segment, a company should have two sets of measurements of its own performance:

- actual results: the recent past, hence a ''lag'' measurement; and
- forecasts: for next year, (a "lead" measurement) the following year etc.

7.2.3 Impact facto

''Impact factors'' are defined here as those propositions that make a difference to the response of a market segment and hence to the outcomes or results a marketer might expect.

Strategies

Marketers need to create explicit strategies for each segment, since what is powerful with one may have little effect on another. There are different kinds of impact factors that a marketer needs to consider for such strategies:

- competitive advantage – differentiators, business winners;
- qualifying – maintain position, potential business losers; and
- productivity – internal efficiency/cost improvements.

These impact factors shall now be elaborated further:

Competitive advantage factors

Competitive advantage factors are defined here as being those factors or elements of the value proposition which will give a company positive and powerful differentiation versus their competitors, in the eyes of the market segment to which they are directed. They would therefore be focused on important customer needs.

Competitive advantage factors may endure for a long time, but they may also turn into qualifying factors. A competitive advantage factor will become a qualifying factor whe ame level of performance and nobody is able to exceed that level.

Qualifying factors

There are parts of the ‘‘value proposition’’ which are the least that customers expect. Suppliers cannot differentiate themselves positively on them, but they can certainly differentiate themselves negatively, if their performance is poor.

Productivity factors

Companies can improve their financial results either by increasing sales or reducing costs. Competitive advantage factors and qualifying factors are largely about increasing volume and sales revenue from the marketplace. However there may be initiatives that marketers can implement that reduce costs; for example, in supply chain management, in marketing communications, in the way that they process transactions. These are defined as productivity factors.

7.2.4 Marketing actions

Obviously, there has to be action to implement these strategies. At this stage, the author recommends that the measurement of action is done in terms of its progress and fulfilment, not its outcomes, which are taken into account in the previous section that discusses market segments.

It is these actions th[illegible]d to attach each action to the internal and external costs of implementation respectively.

Actions

Actions here are divided into marketing and other operational actions, in line with traditional ways of company working However, it is important to note that this distinction may well be largely driven by the structure of company budgeting, that allocates the funds for actions on a departmental basis, to marketing, operations, supply chain etc. If budgets were better aligned with the purpose for which the money is intended, action could be grouped in a more meaningful way as well.

It is recommended here that actions be grouped according to their purpose or according to who fulfils them and who is ‘‘paying for them’’. Marketers will therefore need to identify for each impact factor the list of actions that marketing is expected to carry out, and the same for Operations, IT, Finance, etc.

Costs of action

As discussed in Chapter 6, marketing can incur substantial external spend (particularly in terms of marketing communications, which can involve heavy agency and media costs), so a strong focus has always been placed on this highly visible expenditure.

The author recommends that marketers need to clearly identify the costs of internal actions that are required to implement marketing strategies: they are by no means inconsid difficult, estimating time demands can be a start point.

7.2.5 Budget

By budget, the author refers to the allocation of resources which is an input to marketing activity.

Budget process

In many organisations the annual round of budget planning starts with taking out last year's budget to see what that said, which leads to a repetitive programme of activity that becomes increasingly divorced from the real needs of the business. It is recommended that budgets would make more sense if the purpose of the actions which implement the strategies/impact factors drove the structure of the budget and also the process of budget-setting and cost identification.

Budget structure

The author recommends that marketers create a budget structure that has the following criteria:

- the actions required to implement …;
- the impact factors that will drive the company forward in …; and
- the market segments it has selected.

It is recommended t d according to the impact factors that the action is designed to achieve. They would be quantified by building up a picture of the action required to implement each strategy.

This approach is very different from traditional practices. It begins the process of tracking the use of resources to the effect they will produce in the marketplace which is the core endeavour of this approach. Budget categories would then be defined by groups of actions, ideally according to the impact factor they are designed to address. It will also be easier to link the marketing budget with the budgets of other functions, which should show resources allocated to those of their actions which are directed at specific impact factors.

Resource costs

As indicated in Chapter 6, leveraging of other internal resources is particularly important in this framework in taking a more integrated view of marketing, as marketing engages the rest of the business in delivering against strategic impact factors. Taking this broader view of the resources deployed by marketing more realistic, also positions marketing more correctly in the organisation. Marketing requirements can incur costs well beyond those normally allocated to the department. The author recommends that if these are not acknowledged and included in the budgets of the other functions involved, the true cost of strategies is not known, and different decisions might be made if they were and provision is not made so that intended strategies are blocked, thus wasting investment made elsewhere and/or fialing to deliver against important market demands.

7.3 FUTURE RESEARCH RECOMMENDATIONS

The previous sections have described the measurements that are required to populate the adapted framework, with the aim of providing clarity and understanding of marketing activity throughout the organisation. The framework quantifies the assumptions made in Chapter 6 which the author hopes will help communication, decision making and clarification of expectations in marketing at a more practical level.

It is the authors opinion that companies need to identify which of the factors of marketing accountability impact on their competitiveness and business survival. They also need to identify how marketing accountability can benefit the company. What is more all marketing accountability initiatives must be driven by the CEO, who must embrace the strategic imperative for evolving the marketing discipline.

The following areas below, have been identified for future research.

- Research into the use of the adapted framework in Figure 7.1 in the South African context using a survey based approach which draws input from a broader sample of market players.
- Research into the correlation between an organisation's overall level of performance and its use of improved marketing performance methods.

7.4 CONCLUSION

The AMI (2004) is working closely with top companies and marketing professionals in that country to create a coherent and consistent approach to using marketing metrics, in order to quantify the economic value that marketing contributes to an organisation. Through their study, they have positioned marketing, not just among marketers, but among senior business executives, as the custodian of intangible assets such as brands, corporate image, and customer relationships (AMI, 2004).

It is hoped that this analysis will provide insight into the value of marketing and encourage further debate in the industry around how it can be made more accountable in business today.

The author has provided an adapted framework of relevant measurements in section 7.1 in the hope that business cases for marketing activity can be built and considered in a more objective and informed manner. Ultimately if companies understand what they are doing in a marketplace and why, they will gain competitive advantage over those who are still fumbling in the dark. It is the author's belief that the informed company is also a learning company that can adapt and improve into the future.

Aaker, D. (1991). *Managing brand equity*. New York: The Free Press.

Ailawadi, K.L., Neslin, S.A. & Lehmann, D.R. (2003) Revenue Premium as an outcome measure of brand equity. *Journal of Marketing*, 67(4) 1-17.

Ambler, T., Kokkinaki, F. & Puntoni, S. (2004) Assessing marketing performance: Reasons for metrics selection. *Journal of Marketing Management*, 20: 475-498.

Ambler, T. (2003) *Marketing and the bottom line*. Edinburgh: Pearson Education Limited.

Anderson, E.W., Fornell, C. & Mazvancheryl, S.K. (2004). Customer satisfaction and shareholder value. *Journal of Marketing Management*, 68: 172-185.

Australian Marketing Institute (2004). *What value marketing? A position paper on marketing metrics in Australia*. Summary at http://www.ami.org.au/metrics1.asp?nv=4 (Accessed 23/02/2006).

Berry, J. (2005). *Tangible strategies for intangible assets*. New York: McGraw Hill.

Blattberg, R.C. & Deighton, J. (1996). Managing marketing and the customer equity test. *Harvard Business Review*, 75(4): 136-144.

Blattberg, R.C., Getz, G. & Thomas, J.S. (2001). *Customer equity: Building and managing relationships as valuable assets*. Boston: Harvard Business School Press.

Bolton, R., Lemon, theoretical underpinnings of customer asset management: A framework and propositions for future research. *Journal of the Academy of Marketing Science, 32.*

Booz, Allen Hamilton, Inc. (2003). *When art meets science: The challenge of ROI marketing*. Wharton University and Booz Allen Hamilton Inc. Accessed at: www.strategy-business.com

Bryan, L.L. & Zanini, M. (2005). Strategy in an era of global giants*. The McKinsey Quarterly*. Summary at http://www.mckinseyquarterly.com/article_page.aspx?ar=1689&L2=21&L3=37&srid+17&gp=0

Chakravarthy, B.S. (1986). Measuring strategic performance. *Strategic Management Journal*, 7: 437-458.

Clark, B.H. (1999). Marketing performance measures: History and interrelationships. *Journal of Marketing Management*, 15: 711-732.

Cooper, D.R. & Schinder, P.S. (1998). *Business research methods*. (6th Edition). Singapore: McGraw-Hill.

Day, G.S. & Fahey, L. (1998). Valuing marketing strategies. *Journal of Marketing*, 52: 45-57.

De Vos, A.S. (1998). *Research at grass roots – a primer for the caring professions.* Pretoria: J L van Schaik Publishers.

Doyle, P. (2000). *Value-based marketing*. Chichester: John Wiley & Sons.

Drucker, P.F. (1954). *The practice of management*. New York: Harper & Row.

Farris, P.W., Bendl [illegible], D.J. (2006). *Marketing metrics: 50+ metrics for every executive should master.* New Jersey: Pearson Education, Inc.

Frykman, D. & Tolleryd, J. (2003). *Corporate valuation: An easy guide to measuring value*. Harlow: Prentice Hall.

Gallagher, T.J. & Andrew, J.D. (2003). *Financial management: Principles and practice*. (3rd Edition). New Jersey: Prentice Hall.

Gillham, B. (2000). *The research interview*. London: Continuum.

Gronroos, C. (1994). From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing. *Management Decision*, 32 (2) p4-20.

Gummerson, E. (2004) Return on Relationships (ROR): The value of relationship marketing and CRM in business-to-business contexts. *Journal of Business and Industrial Marketing*, 19 (2) P136 -148.

Gupta, S., Lehmann, D. R. and Stuart, J. A. (2004) Valuing Customer. *Journal of Marketing Research* (JMR), 41 (1) p7-19.

Heskett, J.L., Jones, T.O., Loveman, G.W., Sasser, W.E. Jnr. & Schlesinger, L. (1994). Putting the service-profit chain to work. *Harvard Business Review*, 72(2): 164-174.

Hogan, J.E., Lemon, K.N. & Rust, R.T. (2002). Customer Equity Management: Charting new directions for the future of marketing. *Journal of Service Research*, 5 (1) p4-12.

International Accounting Standards Board, (2005). *International financial accounting standards 3: Business combinations*. London: IASCF Publications Department.

International Accou[illegible]. *International financial accounting standards: Accounting framework*. London: IASCF Publications Department.

International Accounting Standards Board, (2005). *International Financial accounting standards: IAS38 intangible assets*. London: IASCF Publications Department.

Kaplan, R.S. & Norton, D.P. (1996). *The balanced scorecard*. Boston MA: Harvard School Press.

Keller, K.L. (2003). *Strategic brand management: Building, measuring and managing brand equity*. (2nd Edition). New Lersey: Prentice Hall.

Kotler, P. & Keller, K.L. (2006). *Marketing management 12e.* (12th Edition). United States: Pearson/Prentice Hall.

Kumar, N. (2004). *Marketing as strategy: The CEO's agenda for driving growth and innovation.* Harvard Business School Press.

Leedy, P.D. & Ormrod, J.E. (2001). *Practical research: Planning and design*, (7th Edition). New Jersey: Merrill Prentice Hall.

Lusch, R.F. & Harvey, M.J. (1994). Opinion: The case for an off-balance sheet Controller. *Sloan Management Review*, 35 (Winter): 101-105.

Malhotra, N.K. (2004). *Marketing research: An applied orientation.* (4th Edition). United States: Pearson/Prentice Hall.

Mazinter, L. (2005). *Measuring the economic value that marketing contributes to an organisation*. Johannesburg: MBA dissertation, Gordon Institute of Business Science, University of Pretoria.

Mizik, N. & Jacobso value creation and value appropriation. *Journal of Marketing*, 67(1): 63-77.

Porter, M. (1996). *What is strategy? On competition*. Boston MA: Harvard Business Review Press.

Rao, S. & Perry, C. (2003). Convergent interviewing to build a theory in under-researched areas: Principles and an example investigation of Internet usage in inter-firm relationships. *Qualitative Market Research*, 6(4): 236-247.

Rao, V.R., Agarwal, M.K. & Dahlhoff, D. (2004). How is manifest branding strategy related to the intangible value of a corporation. *Journal of Marketing*, 68(4): 136-141.

Rust, R.T., Ambler, T., Carpenter, G.S., Kumar, V. & Srivastava, R.K. (2004). Measuring Marketing Productivity: Current knowledge and future direction. *Journal of Marketing*, 68(4): 76-89.

Rust, R.T., Zahorik, A.J., and Keiningham, T.L. (2004). *Return on quality: measuring the financial impact of your company's quest for quality*. Chicago: Probus Publishing.

Rust, R.T., Zeithaml, V. A. and Lemon, K. N. (2004) Return on Marketing: Using Customer Equity to Focus Marketing Strategy. *Journal of Marketing*, 68 (1) p109-128.

Sinclair, R. Measuring marketing - the value method (Accountancy SA). Summary at http://www.brandmetrics.com/cgi-bin/brandmetrics/brand-displayarticle.pl?20010503_988883509
(Accessed 23/02/2006).

Srivastava, R.K., Shervani, T.A. & Fahey, L. (1998). Market based assets and shareholder value: A framework for analysis. *Journal of Marketing*, 62 (January): 2-18.

Tustin, D.H., Ligthelm, A.A., Martins, J.H. & Van Wyk, H de J. (2005). *Marketing research in practice*. (1st Edition). South Africa: Unisa Press.

Walker, R. (1985). An Introduction to applied qualitative research (In Walker, R. (editor). *Applied qualitative research*). Aldershot, Hants: Gower Publishing Company Limited.

Welman, J.C. & Kruger, S.J. (2001). *Research methodology for the business and administration sciences.* (2nd Edition). Southern Africa: Oxford University Press.

Woodburn, D. (2006). Insights from practice. Marketing measurement action research model. *Measuring Business Excellence*, 10(2): 50-64.

Zaltman, G. (2003). *How customers think: Essential insights into the mind of the market*. Boston MA: Harvard Business School Press.

Guide to authors

Guide to authors (2005), marketingleadershipcouncil.com website of the Marketing Leadership Council. Refining Marketing Productivity: Focusing marketing on the drivers of firm value. Summary at: http://www.marketingleadershipcouncil.com/MLC/1,1540,0-0-Protected_Abstract-83945,00.html (Accessed 22/05/2006).

Guide to authors (2005), marketingleadershipcouncil.com website of the Marketing Leadership Council. Assessing corporate marketing: Roles and responsibilities. Summary at: http://www.marketingleadershipcouncil.com/MLC/1,1540,0-0-Protected_Abstract-83945,00.html (Accessed 22/05/2006).

Guide to authors [illegible] website of the American Marketing Association. Summary at:
http://www.marketingpower.com/content4620.php (Accessed 13/05/2006).

Guide to authors (2003), strategy+business.com: web site of the University of Pennsylvania's Wharton School. Summary at:
http://knowledge.wharton.upenn.edu/ (Accessed 12/08/2006).

Guide to authors (2005), marketingtoday.com: website on the online guide to marketing in the information age. Summary at:
http://www.marketingtoday.com/marketing/bottom_line_marketing.htm
(accessed 28/05/2006).

INTERVIEW GUIDE

QUESTIONS

Section A: Proposition 1

1. In your opinion do you think accountability in marketing is important and why?
2. How do you define the term marketing accountability?
3. Are you experiencing a need for marketing accountability in your organisation and what are the key internal and external factors driving this requirement?
4. Do you believe there are additional factors which are peculiar to South African organisations?
5. Who is/should be responsible for driving marketing accountability in your organisation?

Section B: Proposition 2

1. What does marketing performance mean in your organisation and what metrics are currently being used to measure this performance respectively?
2. Based on the AMI table (see Appendix 3), complete the form in terms of what you feel is important, not important, used and not used in terms of the

key metrics use measuring performance. Please tick each metric indicated in the 'metric' column against this criteria.

Section C: Proposition 3

1. What in your opinion do you believe a company's tailored metrics should include for example, in financial services; percentage of cross sales could be a metric. Could these metrics be generically applied to any organisation globally?

Section D: Proposition 4

1. What are the current internal and external obstacles marketers' needs to overcome to increase marketing performance?
2. How should organisations go forward in terms of evolving the marketing discipline, name five key areas that should be prioritised in terms of this endeavour?

INDUSTRY EXPERTS INTERVIEWED

Industry experts who were interviewed include:

- Dr Roger Sinclair - BrandMetrics
- Dr Ivan May – Blue Skies
- Muzi Kuzwayo – King James
- Andy Rice – Yellowwood Brand Architects
- Sean McCoy – HKLM
- Henk Pieterse – FNB Marketing
- Gary Block – Investec
- Heather Third – Microsoft
- Jozi McKenzie - Virgin Money
- Andrea Ellens – Added Value Group
- Enzo Scarcella – Edcon
- Andre Beyers – Vodacom
- Ann Stevens – SAB

INTERVIEW GUIDE - SELF COMPLETION FORM FOR

QUESTION 3 – TICK THE APPROPRIATE BOX RESPECTIVELY

Marketing Activity	Metric	Important	Not important	Used	Not used
New Product Development (NPD) Pre-Launch	• Size of target market • Belief in New Product (NP) concept • Awareness of NP concept • No. of ideas generated • Cycle time from concept to launch	•	•	•	•
NPD Post-Launch	• NP sales (volume) • NP revenue • Penetration • NP margins • Level of cannibalisation	•	•	•	•
Advertising/ PR	• Brand awareness prompted / unprompted • Advertising awareness prompted / unprompted • Consumer purchases • Brand images and attributes • Recall of advertising content	•	•	•	•
Sales Promotion	• Sales uplift from the promotion • Cost per promotion • Coupon redemption rate • Channel / vendor participation • No. of promotions conducted	•	•	•	•
Loyalty Programmes	• Participation • Customer satisfaction • Relative purchase	•	•	•	•

	fre • Programme cost • Relative purchase volume				
Direct Marketing	• Reach • Consumer awareness • Conversion revenue • Frequency of purpose • Recency of purchase	•	•	•	•
Direct Marketing e-Metric	• Page views • Visits • Users • Conversion revenue	•	•	•	•
e-Metric Life Cycle Tracking	• Reach • Conversion • Retention • Abandonment • Attrition	•	•	•	•
Sales Force	• Costs of sales force versus sales • Cost per visit • Customers per sales person • Hit rate (sales revenue per first purchase) • Number of contacts before closure	•	•	•	•

Adapted from: AMI (2004).

CHANGES TO IAS 38 (AC 129)

IAS	Old Standard (1998)	Revised Standard (2004)
Definition of an intangible asset	Identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes	Identifiable non-monetary asset without physical substance
	An intangible asset could be distinguished clearly from goodwill if the asset was separable, but separability was not a necessary condition for identifiability	An asset is "identifiable" as intangible when it: (a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
Criteria for initial recognition	An intangible asset could be recognised only if it was probable that the expected future economic benefits attributable to the asset would flow to the entity, and its cost could be measured reliably.	The original criteria still apply, however, additional guidance ahs been included to clarify that: (a) the probability recognition criterion is always considered to be satisfied for intangible assets that are required separately or in a business combination. (b) the fair value if an intangible asset acquired in a business combination can be measured with sufficient reliability to be recognised separately from goodwill
Subsequent expenditure	The treatment of subsequent expenditure on an in-progress intangible asset acquired in business combination was unclear.	Clearly defines when to recognise it as an expense and when to recognise it as an intangible asset.
Useful life	The useful life of an intangible asset was always been as finite. The standard included a rebuttable presumption that the useful life could not exceed twenty years from the date the asset was available for use.	The rebuttable presumption has been removed. The standard requires an intangible asset to be regarded as having an indefinite useful life when, based on an analysis of all the relevant factors, there is nor foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Intangible assets with indefinite useful lives		ngible asset with an indefinite useful life should not be amortised. (a) the useful life of such an asset should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite for finite should be accounted for as a change in an accounting estimate.
Impairment testing intangible assets with finite useful lives	The standard required the recoverable amount of an intangible asset that was amortised over a period exceeding twenty years from the date it was available for use to be estimated at least at each financial year-end, even if there was no indication that the asset was impaired.	This requirement has been removed. An entity needs to determine the recoverable amount only when , in accordance with IAS 36, there is an indication that the asset may be impaired
Disclosure		If an intangible asset is assessed as having an indefinite useful life, the new Standard requires an entity to disclose the carrying amount of that asset and the reasons supporting the indefinite useful life assessment.