

What Drives Managerial Use of Marketing vs. Financial Metrics and Does it Impact Performance?

*An Industry Study hosted by
The Paul Merage School of Business
University of California, Irvine
in cooperation with
The Society for Marketing Professional Services (SMPS)*



THE PAUL MERAGE SCHOOL OF BUSINESS
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SMPS

Society for Marketing
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Hello,

The Paul Merage School of Business at the University of California – Irvine would like to thank you for participating in our industry survey on “What Drives Managerial Use of Marketing vs. Financial Metrics and Does it Impact Performance.” As promised, in return for your participation, we have provided you with the following individualized benchmark report.

In this report, you will be able to see listings of marketing and financial metrics, as well as how an assortment of marketing activities and different types of firm, industry, and managerial characteristics influence managerial metric use. Furthermore, the metrics that are most often used and associated with highest performance for each of these 10 types of marketing activities and graphs depicting the relationship between metric use and marketing activity performance is provided as well.

Overall, a total of 541 managers completed our in-depth questionnaire, encompassing 1,617 marketing decisions. These managers ranged from a variety of sources including LinkedIn professional groups, marketing executive associations, MBA and undergraduate alumni from two universities, and managers directly approached by email from us. We very much appreciate these organizations support, which without this research may have not been possible.

We hope this research proves of value to managers, the research community, and policymakers alike. For any questions please email Ofer Mintz at omintz@uci.edu.

Thank you again for your participation.

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General Marketing Metrics

Definition: Marketing metrics refer to metrics that cannot be specified in direct financial terms without extensive econometric calculations. General marketing metrics can be used for any type of marketing activity.

- Market Share (Units or Dollars)
- Awareness (Product or Brand)
- Satisfaction (Product or Brand)
- Likeability (Product or Brand)
- Preference (Product or Brand)
- Willingness to Recommend (Product or Brand)
- Loyalty (Product or Brand)
- Perceived Product Quality
- Consideration Set
- Total Customers
- Share of Customer Wallet
- Share of Voice

Specific to Marketing Activity Marketing Metrics

Definition: Specific to marketing activity marketing metrics are specialized for use with certain types of marketing activities. Some of these metrics will overlap.

Traditional Advertising:

- Impressions
- Reach
- Recall

Price Promotion:

- Impressions
- Reach
- Trial / Repeat Volume (or Ratio)

Internet Advertising:

- Impressions
- Hits/Visits/Page Views
- Click-through Rate

Pricing:

- Price Premium
- Reservation Price
- Relative Price

Direct to Consumer:

- Reach
- Number of Responses by Campaign
- New Customer Retention Rate

PR / Sponsorship:

- Volume of Coverage by Media
- Reach
- Recall

Social Media:

- Hits/Visits/Page Views
- Number of Followers / Tags
- Volume of Coverage by Media

New Product Development:

- Belief in New Product Concept
- Attitude toward Product / Brand
- Expected Annual Growth Rate

Sales Force:

- Reach
- Number of Responses by Campaign
- New Customer Retention Rate

Distribution:

- Out of Stock % / Availability
- Strength of Channel Relationships
- Product Category Volume (PCV)



General Financial Metrics

Definition: Financial metrics refer to metrics that specified in direct financial terms. General marketing metrics can be used for any type of marketing activity.

- Net Profit
- Return on Investment (ROI)
- Return on Sales (ROS)
- Return on Marketing Investment (ROMI)
- Net Present Value (NPV)
- Economic Value Added (EVA)
- Marketing Expenditures (% specifically on Brand Building Activities)
- Stock Prices / Stock Returns
- Tobin's q
- Target Volume (Units or Sales)
- Customer Segment Profitability
- Customer Lifetime Value (CLV)

Specific to Marketing Activity Financial Metrics

Definition: Specific to marketing activity financial metrics are specialized for use with certain types of marketing activities. Some of these metrics will overlap.

Traditional Advertising:

- Cost per Customer Acquired / Cost per Thousand Impressions (CPM)
- Lead Generation
- Internal Rate of Return (IRR)

Internet Advertising:

- Cost per Click
- Conversion Rate
- Internal Rate of Return (IRR)

Direct to Consumer:

- Cost per Customer Acquired
- Conversion Rate
- Lead Generation

Social Media:

- Lead Generation
- Cost per Exposure
- Total Costs

Sales Force:

- Sales Potential Forecast
- Sales Force Productivity
- Sales Funnel / Sales Pipeline

Price Promotion:

- Promotional Sales / Incremental Lift
- Redemption Rates (coupons, etc.)
- Internal Rate of Return (IRR)

Pricing:

- Unit Margin / Margin %
- Price Elasticity
- Optimal Price

PR / Sponsorship:

- Lead Generation
- Cost per Exposure
- Total Costs

New Product Development:

- Expected Margin %
- Level of Cannibalization / Cannibalization Rate
- Internal Rate of Return (IRR)

Distribution:

- Total Inventory / Total Distributors
- Channel Margins
- Sales per Store / Stock-keeping units (SKUS)



TRADITIONAL ADVERTISING

Metric Use (n=170)	
Average:	7.00
SMPS Average:	4.58
Median:	7.00
Mode Use:	7.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.57
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.50

Top Five Metrics Used (% used):

1. Awareness (60%)
2. Marketing Expenditures (47%)
3. Reach (46%)
4. Return on Investment (ROI) (43%)
5. Lead Generation (42%)

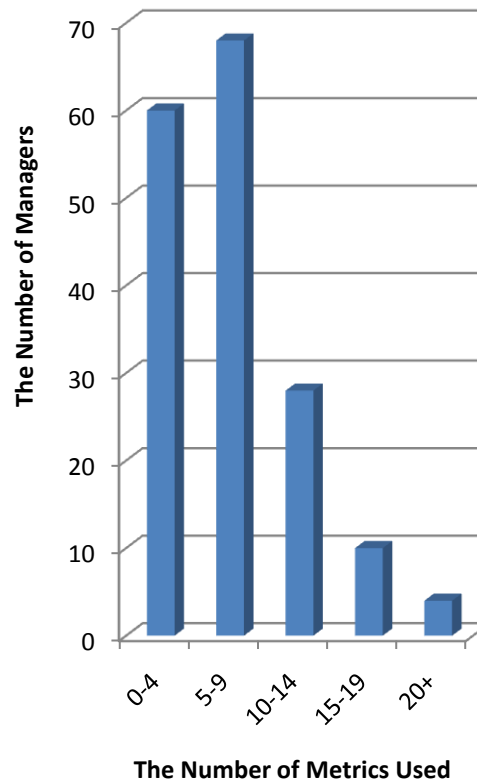
Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Awareness (79%)
2. Marketing Expenditures (63%)
3. Reach (53%)

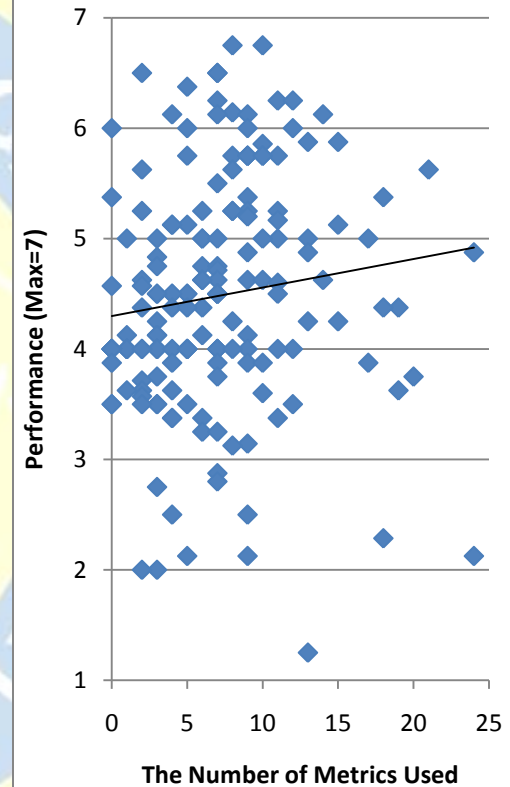
Thing that stood out:

1. Wide variance between different marketing groups who responded
2. More of a linear relationship with performance when more metrics used

The Number of Metrics Used by Managers



Relationship between Metrics and Performance





INTERNET ADVERTISING

Metric Use (n=177)	
Average:	7.53
SMPS Average:	4.25
Median:	7.00
Mode Use:	8.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.57
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.60

Top Five Metrics Used (% used):

1. Click-through Rate (75%)
2. Hits/Visits/Page Views (72%)
3. Cost per Click (61%)
4. Conversion Rate (56%)
5. Impressions (47%)

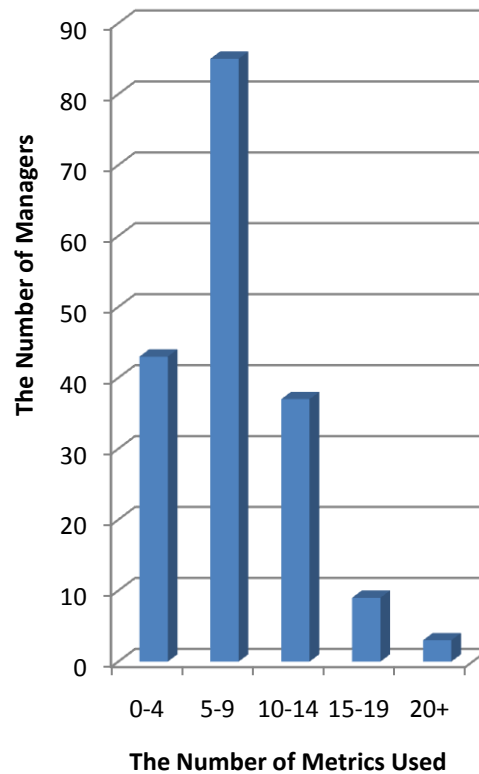
Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Click-through Rate (73%)
2. Hits/Visits/Page Views (69%)
3. Conversion Rate (64%)

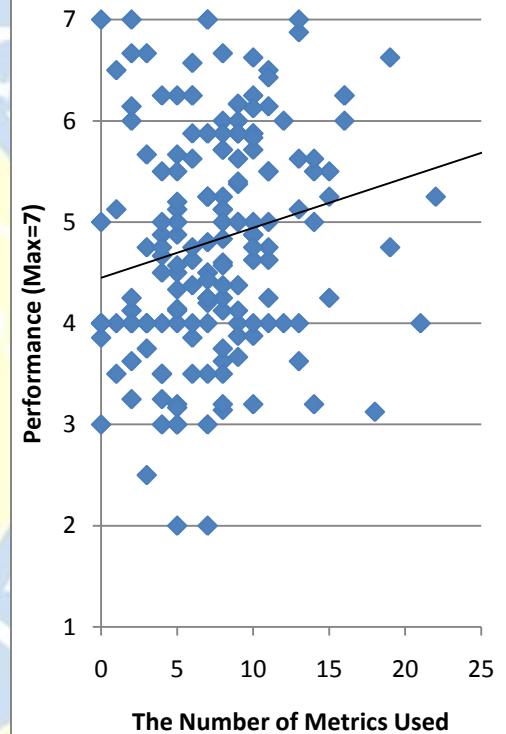
Things that stood out:

1. Same ratio of marketing vs. financial metrics as traditional advertising
2. Increasing metric use has a very steep linear relationship with performance

The Number of Metrics Used by Managers



Relationship between Metrics and Performance





DIRECT TO CONSUMER

Metric Use (n=259)	
Average:	7.03
SMPS Average:	4.71
Median:	6.00
Mode Use:	5.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.52
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.66

Top Five Metrics Used (% used):

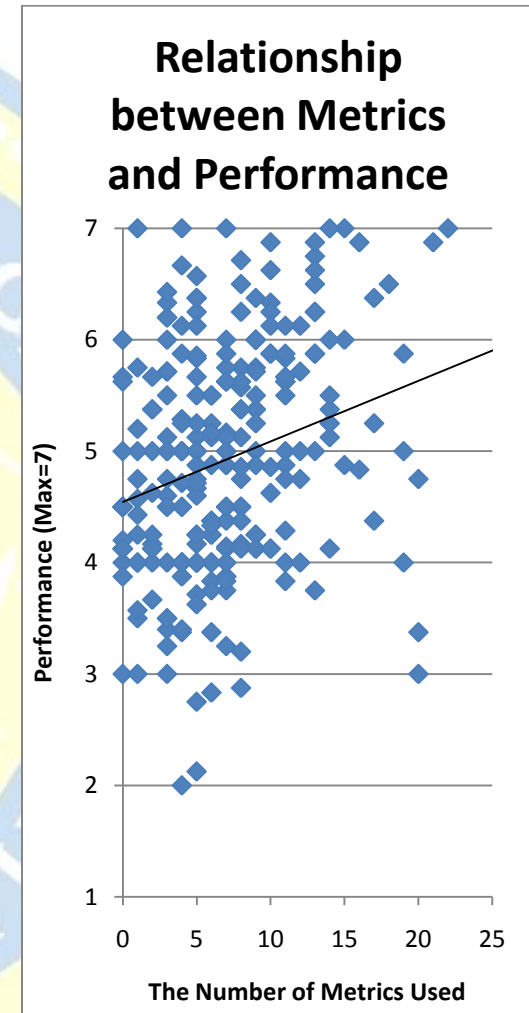
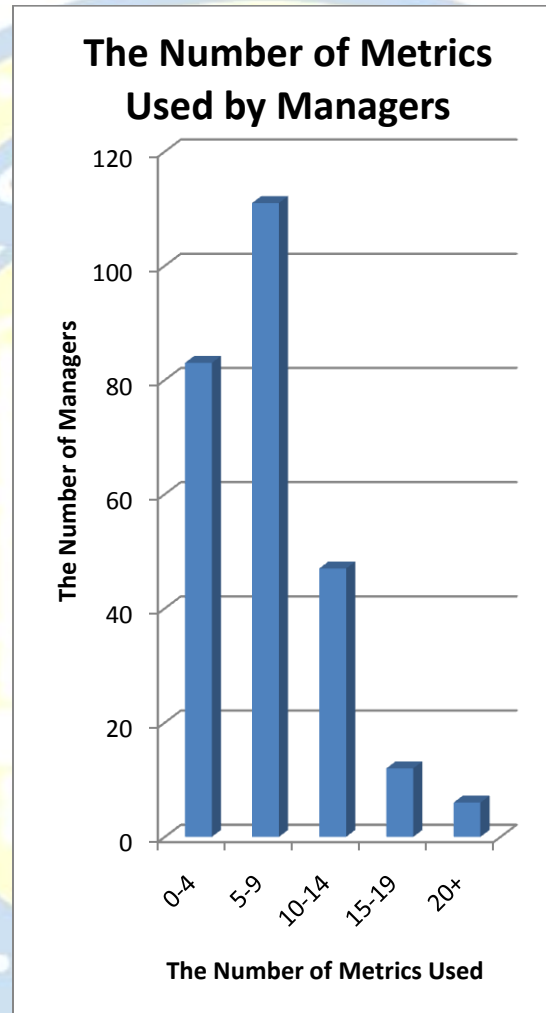
1. Number of Responses (62%)
2. Lead Generation (61%)
3. Conversion Rate (44%)
4. Awareness (43%)
5. Return on Investment (ROI) (41%)

Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Number of Responses (68%)
2. Lead Generation (63%)
3. Awareness (63%)

Things that stood out:

1. Only 6% did not use any metrics
2. Only 2% of higher performers did not use any marketing metrics





SOCIAL MEDIA

Metric Use (n=178)	
Average:	5.78
SMPS Average:	4.37
Median:	5.00
Mode Use:	5.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.67
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.73

Top Five Metrics Used (% used):

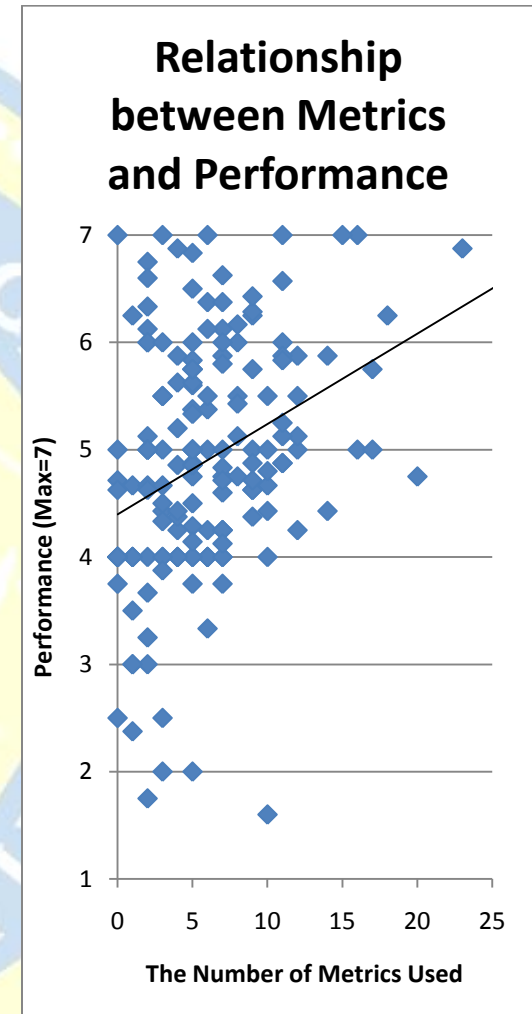
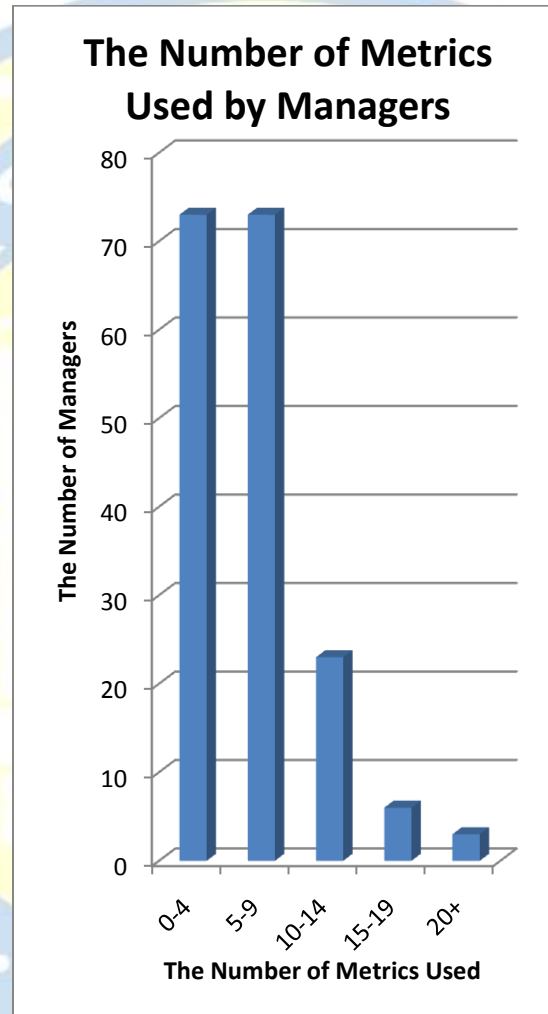
1. Number of Followers / Tags (58%)
2. Hits/Visits/Page Views (56%)
3. Lead Generation (48%)
4. Awareness (47%)
5. NO FINANCIAL METRICS USED (30%)

Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Hits/Visits/Page Views (70%)
2. Number of Followers / Tags (64%)
3. Lead Generation

Things that stood out:

1. Marketing/financial ratio is highest
2. Increasing metric use is results in less risky social media performance





SALES FORCE

Metric Use (n=163)	
Average:	7.58
SMPS Average:	3.38
Median:	7.00
Mode Use:	9.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.44
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.43

Top Five Metrics Used (% used):

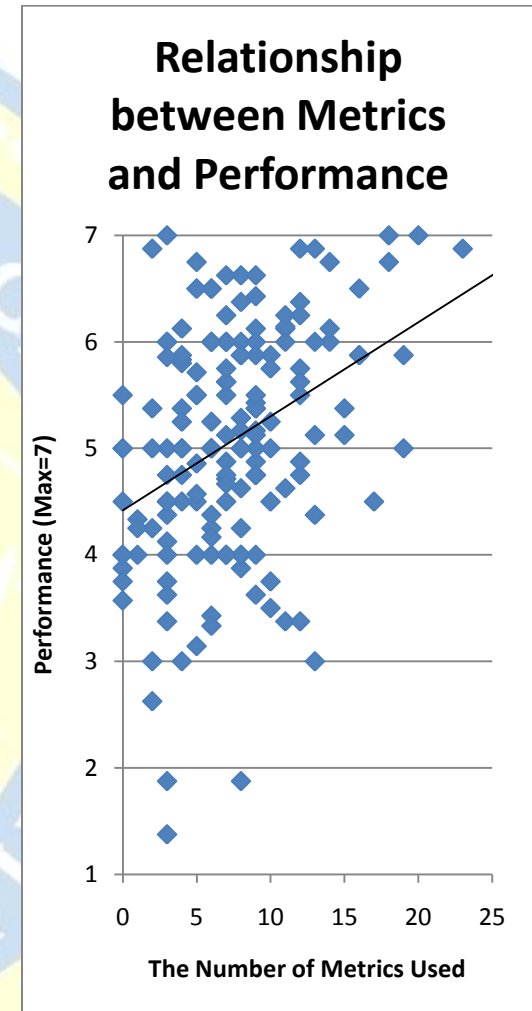
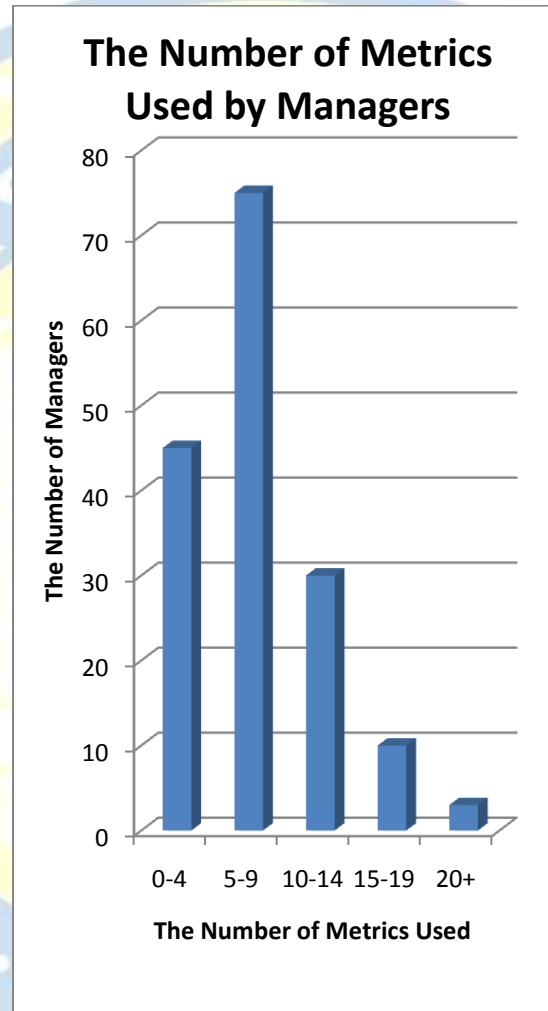
1. Target Volume (58%)
2. Sales Funnel / Sales Pipeline (58%)
3. Sales Potential Forecast (56%)
4. Sales Force Productivity (56%)
5. Total Customers (52%)

Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Sales Potential Forecast (69%)
2. Sales Funnel / Sales Pipeline (67%)
3. Sales Force Productivity (67%)

Things that stood out:

1. Marketing/financial metric ratio is lowest
2. 7 metrics are used 60% or more for highest performers





PRICE PROMOTION

Metric Use (n=101)	
Average:	6.67
SMPS Average:	6.00
Median:	7.00
Mode Use:	7.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.47
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.41

Top Five Metrics Used (% used):

1. Target Volume (76%)
2. Promotional Sales / Incremental Lift (60%)
3. Total Customers (50%)
4. Net Profit (46%)
5. Market Share (44%)

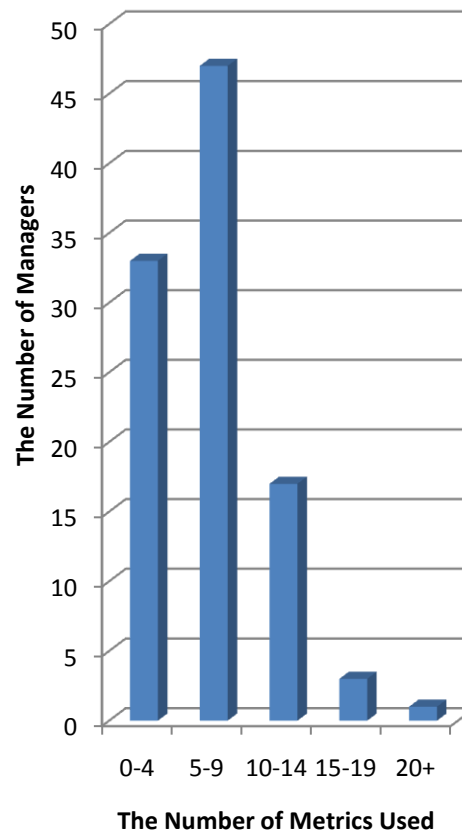
Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Target Volume (85%)
2. Promotional Sales / Incremental Lift (65%)
3. Net Profit (65%)

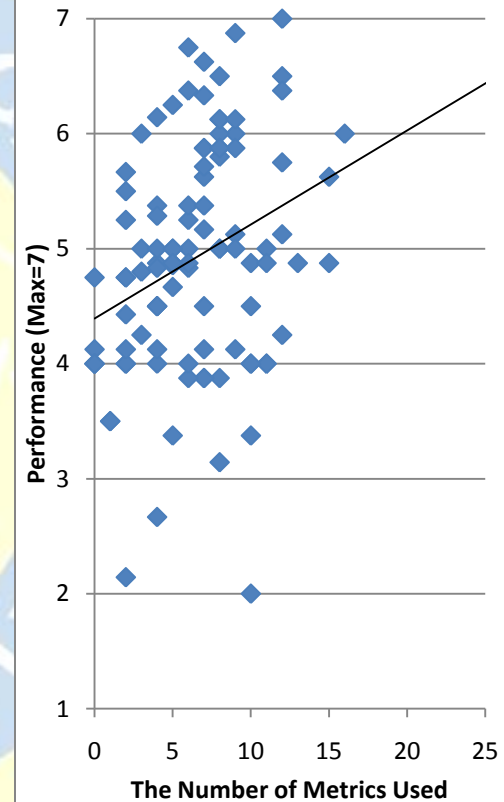
Things that stood out:

85% of highest performers and 76% of managers overall used target volume

The Number of Metrics Used by Managers



Relationship between Metrics and Performance





PRICING

Metric Use (n=133)	
Average:	7.98
SMPS Average:	6.78
Median:	7.00
Mode Use:	6.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.49
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.56

Top Five Metrics Used (% used):

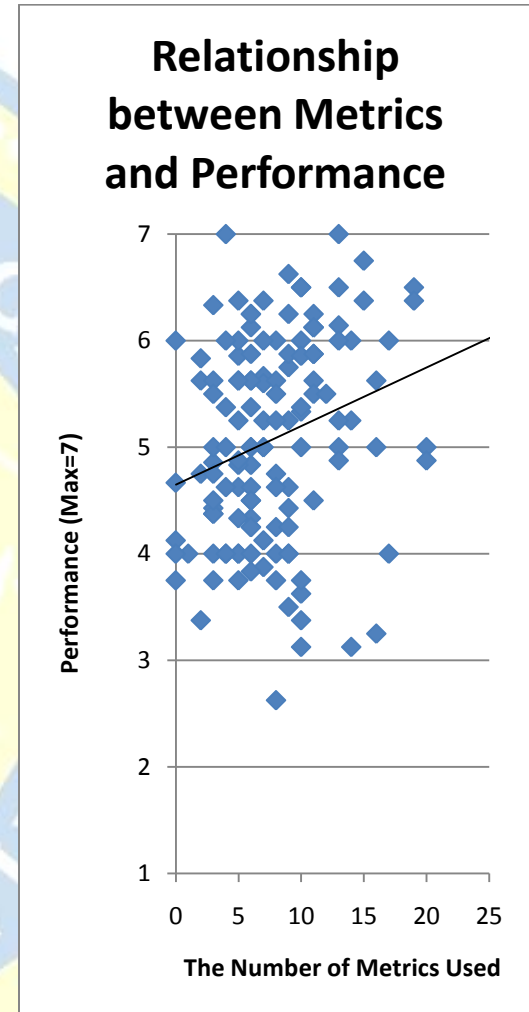
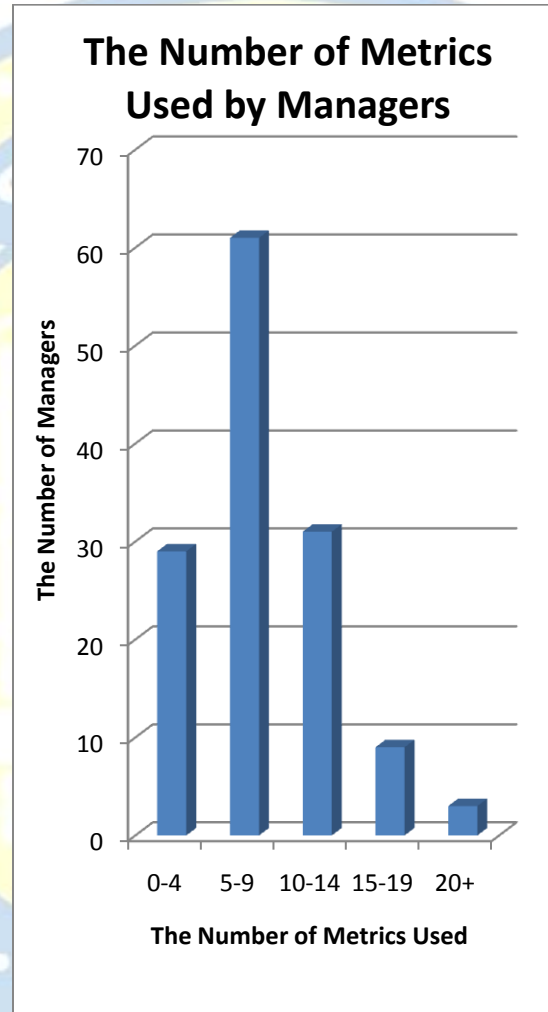
1. Net Profit (61%)
2. Target Volume (58%)
3. Unit Margin / Margin % (50%)
4. Market Share (48%)
5. Relative Price & Price Elasticity (44%)

Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Net Profit (69%)
2. Unit Margin / Margin % (67%)
3. Target Volume (64%)

Things that stood out:

1. 10 top metrics used had equal split, but top 4 metrics associated with highest performance are financial
2. Very few “poor” performers





PR / SPONSORSHIP

Metric Use (n=189)	
Average:	5.19
SMPS Average:	4.21
Median:	5.00
Mode Use:	0.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.67
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.62

Top Five Metrics Used (% used):

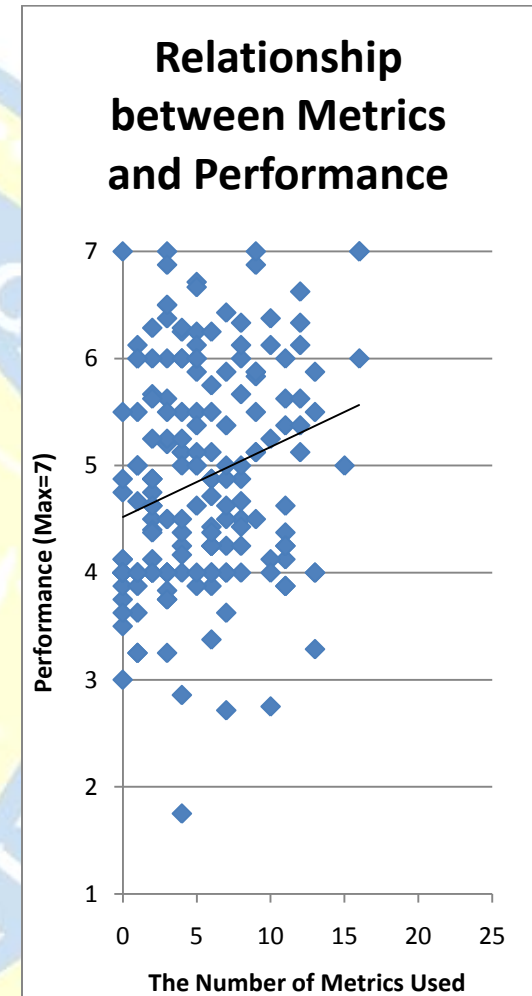
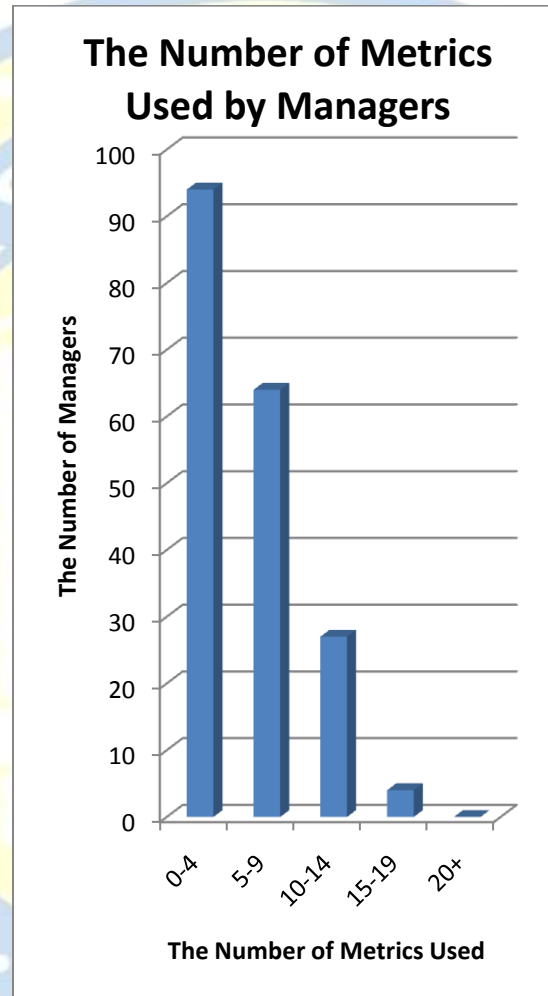
1. Awareness (57%)
2. Reach (42%)
3. Lead Generation (41%)
4. Volume of Coverage by Media (33%)
5. Total Costs (30%)

Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Awareness (78%)
2. Reach (55%)
3. Lead Generation (41%)

Things that stood out:

1. 11% of managers used no metrics
2. Notice that b/c higher marketing/financial ratio, this activity has wider variance with performance





NEW PRODUCT DEVELOPMENT

Metric Use (n=180)	
Average:	8.32
SMPS Average:	7.67
Median:	8.00
Mode Use:	5.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.51
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.51

Top Five Metrics Used (% used):

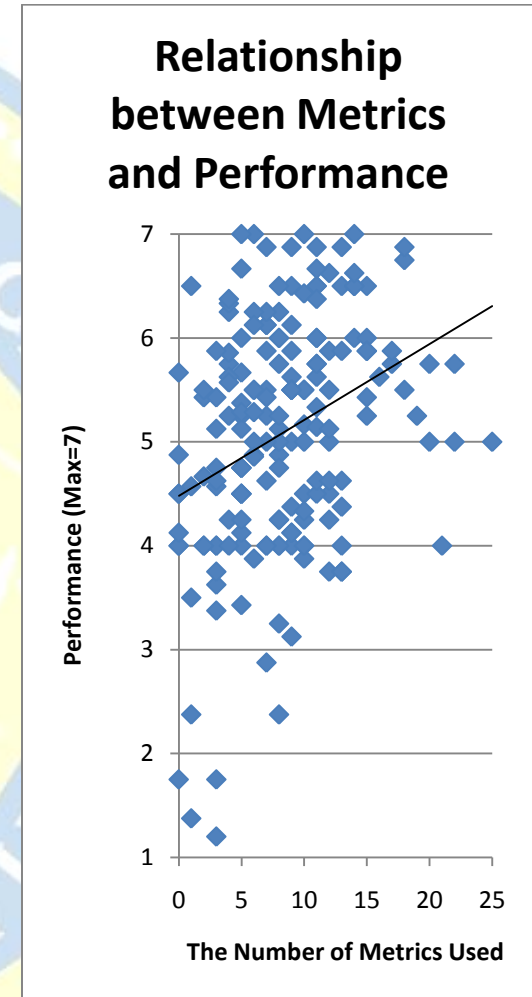
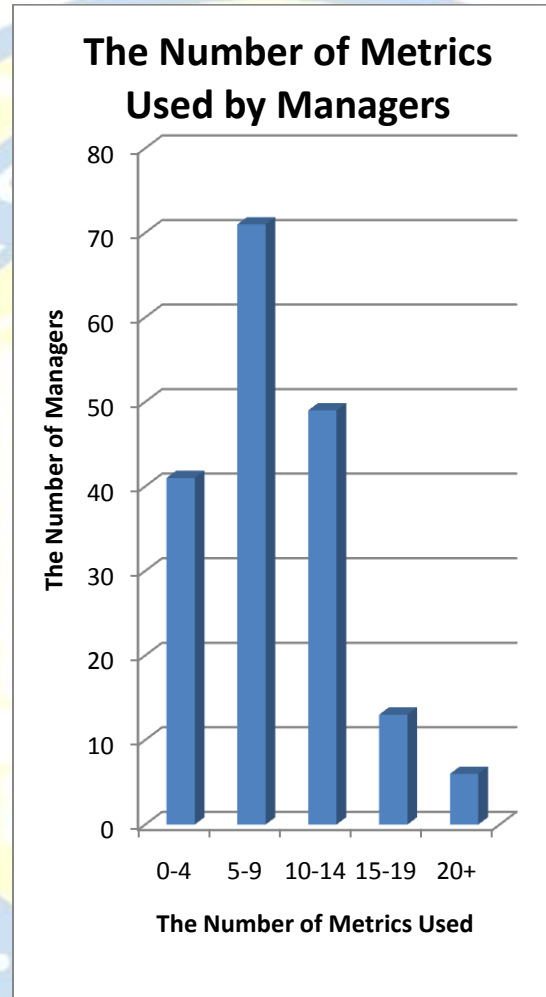
1. Target Volume (67%)
2. Return on Investment (ROI) (58%)
3. Market Share (53%)
4. Expected Margin % (52%)
5. Net Profit (48%)

Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Target Volume (76%)
2. Return on Investment (ROI) (64%)
3. Expected Margin % (64%)

Things that stood out:

1. Most amount of metrics used for this activity
2. Top 4 of 5 metrics used are financial, then next 7 metrics are marketing





DISTRIBUTION

Metric Use (n=67)	
Average:	7.91
SMPS Average:	7.50
Median:	7.00
Mode Use:	7.00
Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.48
SMPS Ratio of Marketing vs. Financial Metrics (Marketing/Financial)	0.56

Top Five Metrics Used (% used):

1. Target Volume (72%)
2. Strength of Channel Relationships (67%)
3. Channel Margins (63%)
4. Total Customers (55%)
5. Net Profit & Total Inventory / Total Distributors (43% each)

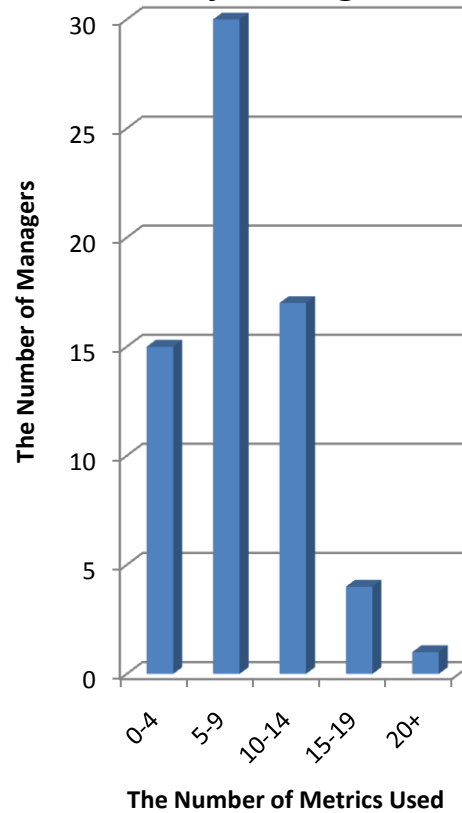
Top Three Metrics Associated with High Performance (i.e., used most in top quartile):

1. Target Volume (84%)
2. Strength of Channel Relationships (84%)
3. Channel Margins (84%)

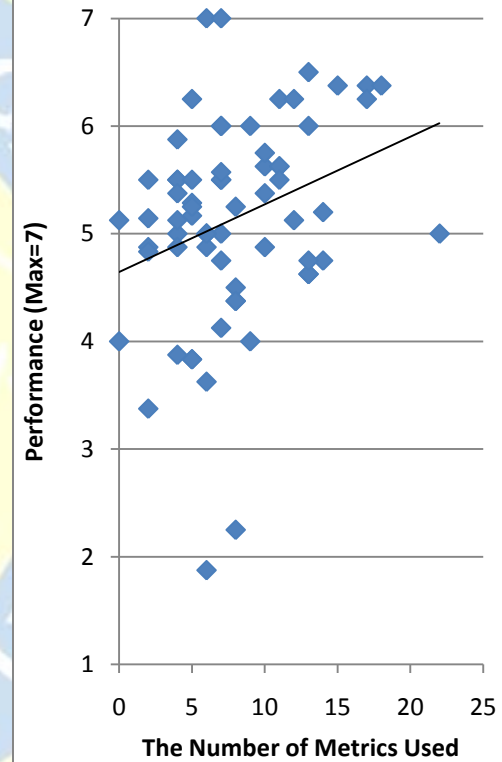
Things that stood out:

Only 3% did not use any metrics

The Number of Metrics Used by Managers



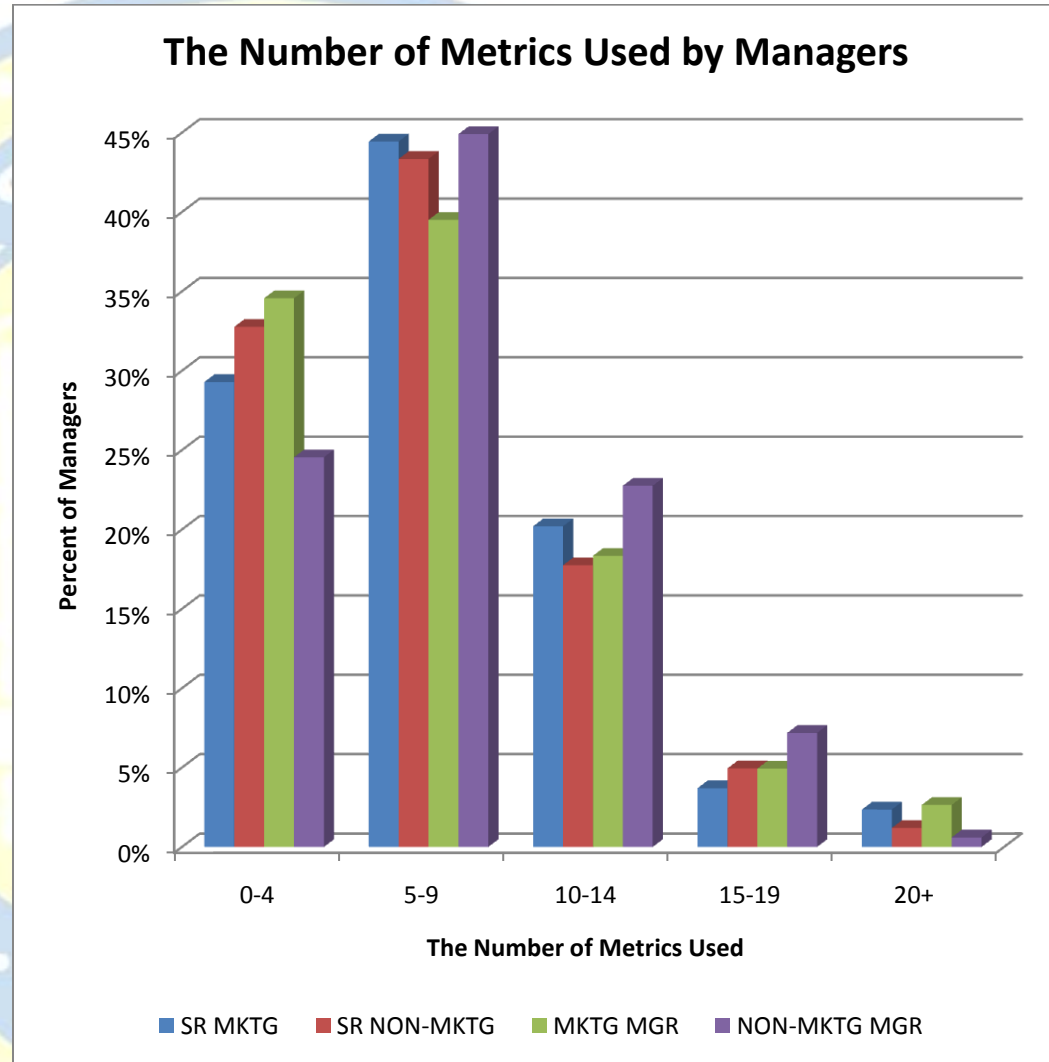
Relationship between Metrics and Performance





JOB TITLE

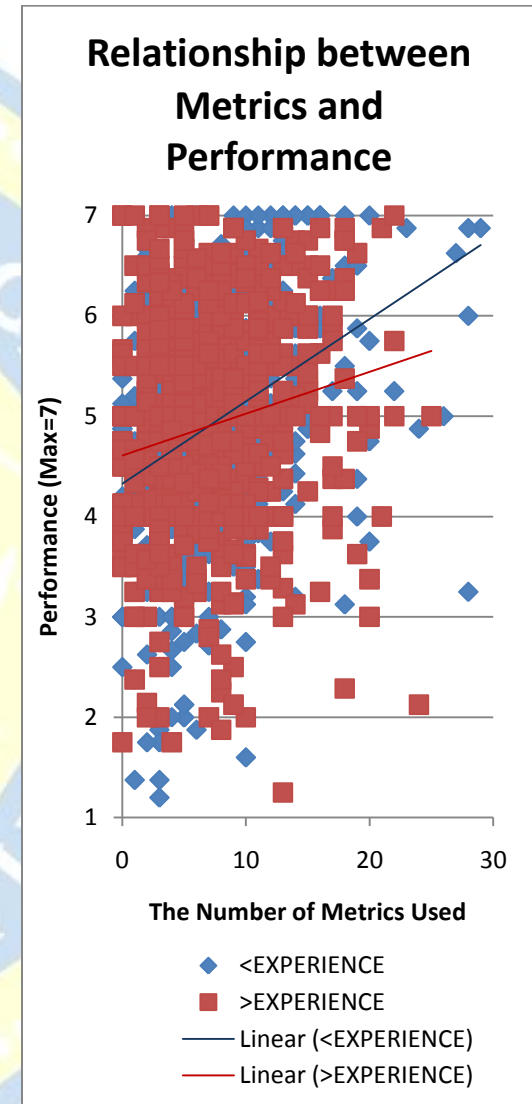
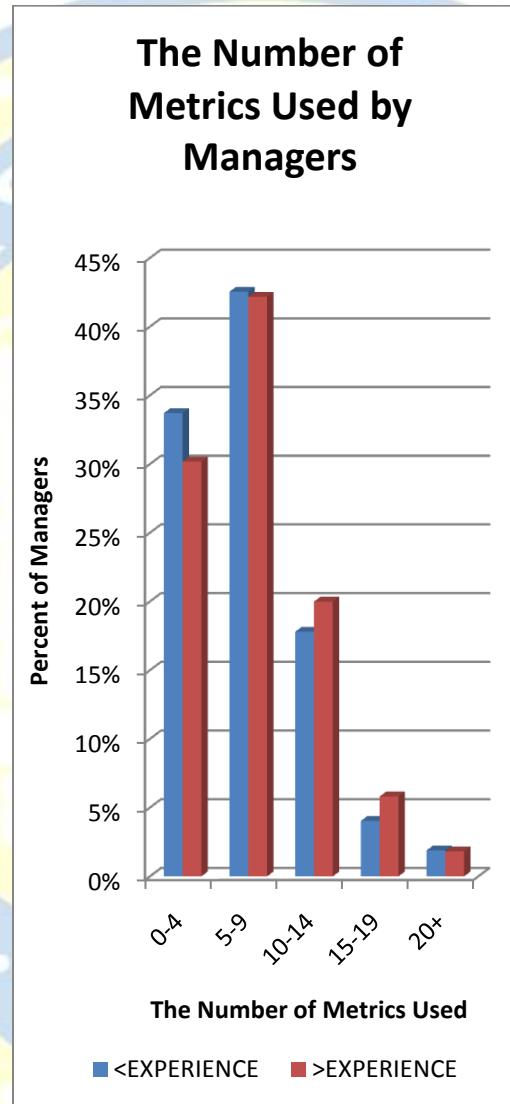
Metric Use	
Senior Marketing Executives Average:	7.21
Senior Non-Marketing Executives Average:	6.85
Marketing Managers Average:	6.95
Non-Marketing Managers Average:	7.51
SMPS Senior Marketing Executives Average:	3.17
SMPS Senior Non-Marketing Executives Average:	5.89
SMPS Marketing Managers Average:	4.01
SMPS Non-Marketing Managers Average:	2.75





WORK EXPERIENCE

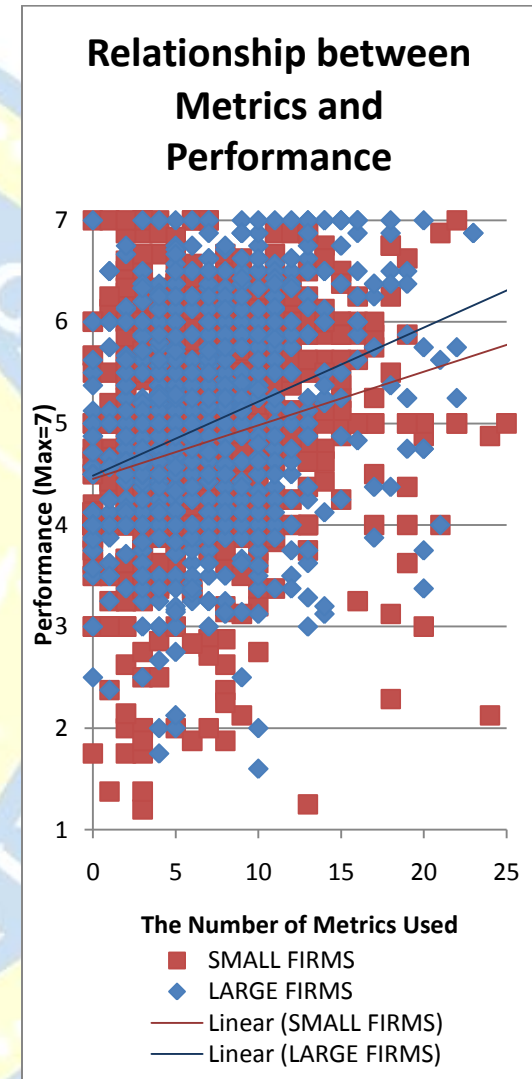
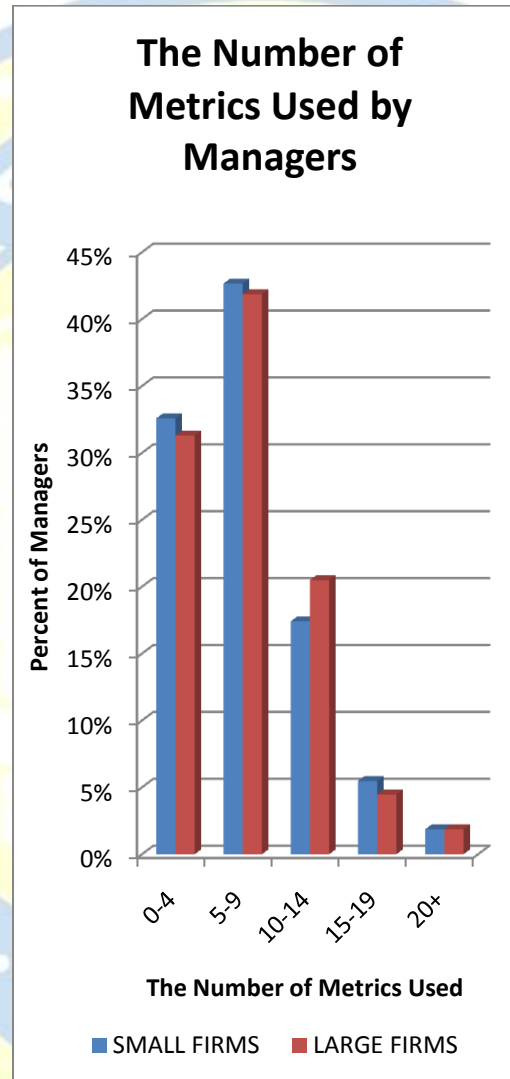
Metric Use	
More than Average Experience Average:	7.29
Less than Average Experience Average:	6.74
SMPS More than Average Experience Average:	3.62
SMPS Less than Average Experience Average:	4.56
More than Average Experience Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.55
Less than Average Experience Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)::	0.54
SMPS More than Average Experience Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.55
SMPS Less than Average Experience Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.64





FIRM SIZE

Metric Use	
Small Firm Average:	6.96
Large Firm Average:	7.09
SMPS Small Firm Average:	3.45
SMPS Large Firm Average:	4.75
Small Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.55
Large Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)::	0.53
SMPS Small Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.62
SMPS Large Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.61

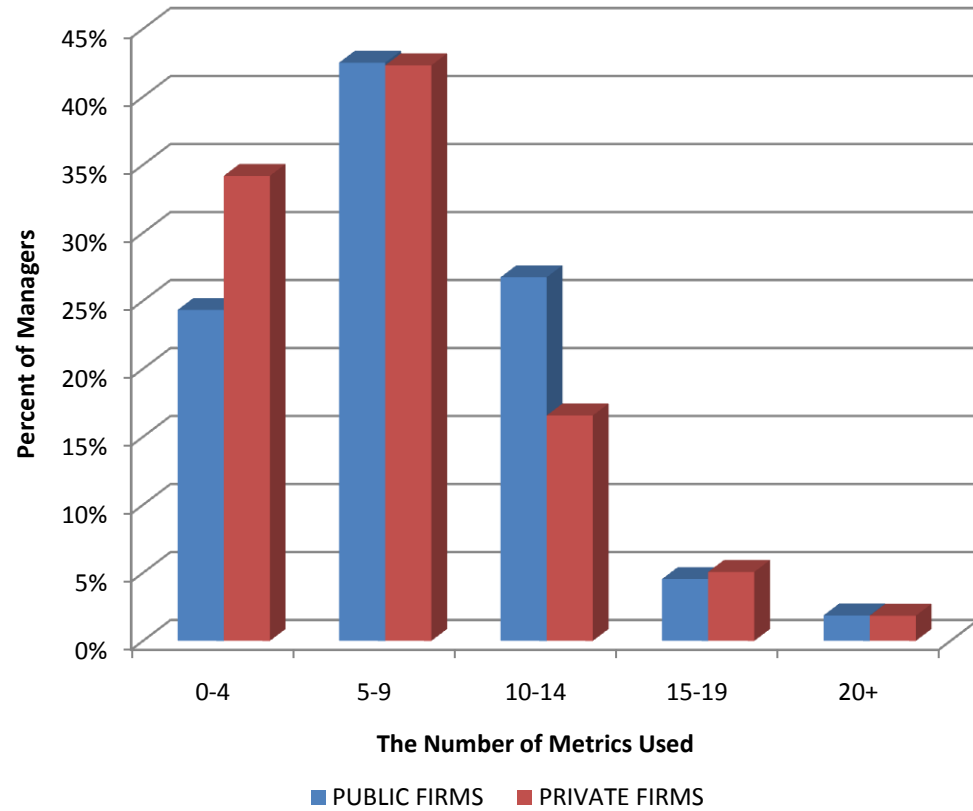




OWNERSHIP TYPE

Metric Use	
Public Firm Average:	7.87
Private Firm Average:	6.76
SMPS Public Firm Average:	3.58
SMPS Private Firm Average:	4.28
Public Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.51
Private Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial)::	0.55
SMPS Public Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.60
SMPS Private Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.61

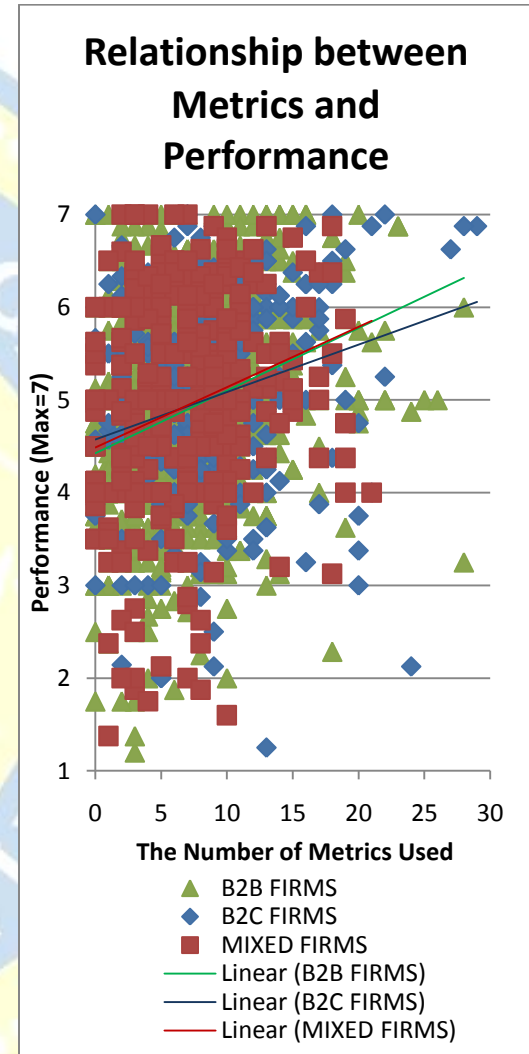
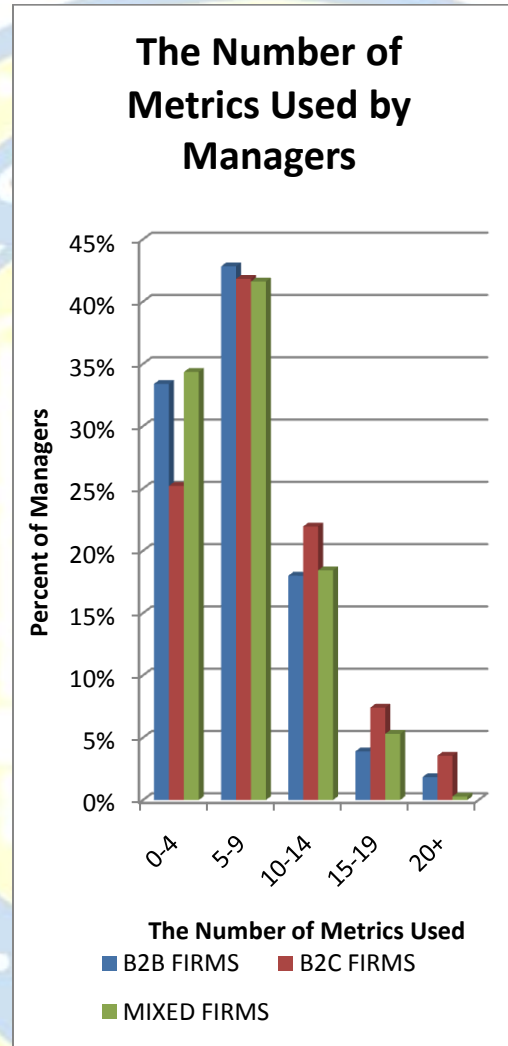
The Number of Metrics Used by Managers





B2B vs. B2C

Metric Use	
B2B Firm Average:	6.77
B2C Firm Average:	8.19
Mixed Firm Average:	6.54
SMPS B2B Firm Average:	4.18
SMPS B2C Firm Average:	3.00
SMPS Mixed Firm Average:	4.68
B2B Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.54
B2C Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.55
Mixed Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.53
SMPS B2B Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.64
SMPS B2C Firm Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.48
SMPS Mixed Firm Average Ratio:	0.59





INDUSTRY

Average number of metrics used for each marketing activity by industry

Metric Use	
Architecture Average:	4.51
Banking / Finance / Accounting / Insurance Average:	6.46
Communications / Media Average:	6.90
Consumer Packaged Goods Average:	7.34
Consumer Services Average:	8.23
Education Average:	7.82
Energy Average:	8.00
Engineering Average:	3.84
Government Average:	4.60
Health Care / Pharm. Average:	7.70
Manufacturing and Process Industries (Non-computer) Average:	8.52
Mining / Construction Average:	5.64
Professional Services / Law / Consulting Average:	6.41
Retail / Wholesale Average:	9.52
Technology (Software / Biotech) Average:	7.10
Transportation Average:	8.06
Other (non-listed) Industries Average:	7.59

INDUSTRY	TR AD	INT AD	D2C	SM	SF	PP	PRI	PR	NPD	DIST
Architecture	4.7	7.0	4.2	5.3	1.4	N/A	N/A	4.4	N/A	9.0
Banking / Finance / Accounting / Insurance	5.8	7.8	7.4	7.0	7.1	6.5	5.8	4.8	7.0	3.5
Communications / Media	8.0	7.8	8.6	5.4	6.3	6.0	7.7	5.9	6.2	5.0
Consumer Packaged Goods	8.5	6.7	9.5	6.0	7.4	5.8	6.7	5.6	9.3	5.4
Consumer Services	8.2	9.5	9.0	9.5	0.0	6.7	11.0	3.3	7.7	N/A
Education	9.6	7.4	9.0	12.0	8.7	5.0	4.8	11.5	3.0	7.0
Energy	6.4	6.0	4.7	5.0	7.0	12.0	8.7	9.0	9.8	18.0
Engineering	3.9	4.5	4.5	3.2	2.7	5.0	6.7	3.2	3.0	N/A
Government	3.0	4.0	5.0	5.0	7.5	N/A	6.0	1.0	6.5	2.0
Health Care / Pharmaceutical	8.0	7.8	7.4	8.8	8.8	6.4	7.6	5.3	8.3	6.6
Manufacturing and Process Industries (Noncomputer)	8.9	7.3	8.2	3.0	10.4	9.1	10.3	5.2	10.9	6.0
Mining / Construction	3.3	3.7	4.4	4.8	9.5	11.5	8.2	3.6	8.0	12.5
Other	7.0	8.8	7.7	6.3	8.7	5.7	8.7	5.3	9.7	7.5
Professional Services / Law / Consulting	6.3	6.6	6.2	5.4	5.9	11.5	8.5	6.0	7.1	6.0
Retail / Wholesale	10.4	10.2	12.6	9.2	10.8	9.0	8.3	3.3	7.0	12.5
Technology (Software / Biotech)	7.6	7.3	7.2	5.1	7.9	5.9	7.9	6.1	7.8	9.4
Transportation	4.0	6.0	4.5	7.0	13.5	N/A	13.0	8.0	11.0	12.5



**INTERNATIONAL COUNTRY /
REGION**

Average number of metrics used for each marketing activity by country/region

Metric Use	
USA Average:	6.83
Canada Average:	7.14
Europe Average:	9.14
Latin America Average:	7.86
South Asia, Mid East, & Africa Average:	7.05
USA Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.53
Canada Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.50
Europe Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.56
Latin America Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.59
Pacific Rim & East Asia Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.58
South Asia, Mid East, & Africa Average Ratio of Marketing vs. Financial Metrics (Marketing/Financial):	0.52

COUNTRY / REGION	TR AD	INT AD	D2C	SM	SF	PP	PRI	PR	NPD	DIST
USA	6.8	7.4	6.8	5.6	6.9	6.4	7.9	4.8	9.0	7.4
Canada	8.3	8.0	7.8	5.3	8.0	5.8	7.6	5.9	6.9	6.5
Europe	12.4	9.7	8.1	7.7	9.7	8.2	8.3	10.0	8.3	9.3
Latin America	9.0	11.0	8.6	5.7	8.3	7.2	8.0	7.5	5.7	11.7
Pacific Rim & East Asia	6.7	6.8	7.5	6.5	12.2	10.7	15.7	8.9	6.0	9.6
South Asia, Mid East, & Africa	6.4	7.3	8.1	5.9	8.9	5.8	7.8	4.3	6.1	8.5

