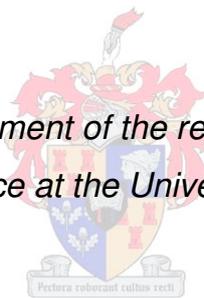


An investigation of the marketing performance measurement practices of South African organisations

by
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*Thesis presented in fulfilment of the requirements for the degree
Master of Commerce at the University of Stellenbosch*



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DECLARATION

By submitting this thesis electronically, I declare that the entirety of the work contained therein is my own, original work, and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

DECEMBER 2010

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ABSTRACT

The marketing function has been characterised as the only result-producing function of the organisation and as having the responsibility for achieving profitable revenue growth by means of demand creation. Marketing performance measurement thus not only influences organisational performance, but also influences the marketing function's stature within the organisation. Hence, marketing performance measurement is a critical management task. However, the negligence of the marketing function to demonstrate its contribution to organisational performance has caused the marketing function to lose its stature within the organisation and consequently, has a limited role in organisational strategy formulation. Only by implementing proper performance measurement practices, will the marketing function regain its credibility with top management, the organisation and resume a central role in organisational strategy. Marketers' negligence to measure their performance is linked to the paucity of research in marketing performance measurement. The intricacy of problems marketers have to overcome concerning performance measurement adds to their disinclination to measure marketing's performance. Nevertheless, if marketing performance is not measured, marketing will be unable to contribute to long-term organisational success. The aim of this study was therefore to investigate the marketing performance measurement practices of South African organisations.

The marketing performance measurement practices were investigated by focussing on: (1) the overall satisfaction with the existing measures of marketing performance, (2) the marketing performance measures considered by top management, (3) the periodicity of collection of marketing performance measures, (4) the importance top management attaches

to the marketing performance measures, (5) the types of benchmarks employed, and lastly (6) whether and how the marketing asset was measured.

The results of the study indicated that the South African marketers in this study are uninformed about proper marketing performance measurement practices and that marketing performance measurement is still in the development phases in these South African organisations. The surveyed marketers' satisfaction with the existing measures of marketing performance indicated their ignorance about the state of marketing performance measurement in South Africa. "Financial measures" emerged as the dominant marketing performance measure. In comparison to the other measures in the study, "financial measures" were collected most often, considered most often and deemed the most important marketing performance measure. Internal benchmarks were used by the majority of marketers in this study while external benchmarks were rarely employed. Only the minority regularly measured the marketing asset.

A more balanced set of marketing performance measures was proposed to replace the existing dominant "financial measures" presently utilised by most organisations in this study. It was further recommended that top management set aside their bias towards non-financial measures, considering their influence on the surveyed marketers' use of marketing performance measures. The introduction of external benchmarks in marketing performance measurement practices was suggested, since the predominant use of internal benchmarks creates a false impression of confidence of the state of marketing performance. It was also recommended that marketers develop measures to quantify the marketing asset. The last recommendation was that the South African Marketing Research Association (SAMRA) should stimulate research in the field of marketing performance measurement.

OPSOMMING

Die bemarkingsfunksie is al bestempel as die enigste funksie in die onderneming wat werklik 'n direkte bydrae lewer tot die winsgewende groei in die onderneming se inkomste. Die prestasie van die onderneming, asook die bemarkingsfunksie se reputasie in die onderneming word beide deur bemarkingsprestasiemeting beïnvloed. Daarom is bemarkingsprestasiemeting 'n kern bestuursaktiwiteit in die onderneming. Ongelukkig het bemarkers se onvermoë om bemarkingsprestasie te meet, veroorsaak dat die bemarkingsfunksie nie meer hoog geag word in die onderneming nie. Gevolglik, is die bemarkingsfunksie nie meer in 'n posisie om 'n bydrae te lewer tot die onderneming se strategiese besluitneming nie. Om bemarking se status as 'n waardevolle en belangrike organisatoriese funksie te herstel, moet bemarkers prestasiemetingspraktyke ontwikkel. As gevolg van die min navorsing oor hierdie onderwerp en die blote kompleksiteit van die probleme wat bemarkers in die gesig staar in verband met bemarkingsprestasiemeting, is bemarkers nie gretig om hul prestasie te meet nie. Indien bemarkers nie hul prestasie meet nie, sal die bemarkingsfunksie nie in staat wees om 'n bydrae tot die prestasie van die onderneming, te lewer nie. Die doel van hierdie studie was dus om die bemarkingsprestasiemetingpraktyke van Suid-Afrikaanse ondernemings te ondersoek.

Om bemarkingsprestasiemetingpraktyke te ondersoek was die volgende faktore in ag geneem: (1) bemarkers se tevredenheid ten opsigte van hul huidige bemarkingsprestasiemaatstawwe, (2) watter bemarkingsprestasiemaatstawwe deur topbestuur oorweeg word, (3) hoe gereeld bemarkingsprestasiemaatstawwe ingesamel word, (4) hoe belangrik topbestuur die bemarkingsprestasie-maatstawwe ag, (5) teen watter norme

die bemarkingsprestasiemaatstawwe gemeet word en laastens (6) op watter manier en hoe gereeld die bemarkingsbate gemeet word.

In hierdie studie is bevind dat Suid-Afrikaanse bemarkers oningelig is oor bemarkingsprestasiemetingpraktyke en dat bemarkingsprestasiemeting nog in die ontwikkelingsfase in Suid-Afrikaanse ondernemings is. Die bemarkers in die studie se tevredenheid met hul bestaande bemarkingsprestasiemaatstawwe, weerspieël hul onkunde oor die toestand van die bemarkingsprestasiemeting in Suid-Afrika. Die resultate dui aan dat "finansiële maatstawwe" die dominante bemarkingsprestasiemaatreël onder beide topbestuur en bemarkers in hierdie studie is. In vergelyking met die ander bemarkingsprestasiemaatstawwe in die studie, is "finansiële maatstawwe" die meeste ingesamel, meer dikwels oorweeg en ook as die belangrikste bemarkingprestasiemeting geag. Die meerderheid bemarkers in hierdie studie maak gebruik van interne norme, terwyl eksterne norme selde gebruik word. Slegs die minderheid van bemarkers in hierdie studie, het die bemarkingsbate op 'n gereelde basis gemeet.

Aanbevelings is gemaak dat 'n meer gebalanseerde stel bemarkingsprestasiemaatstawwe ontwikkel moet word, omdat "finansiële maatstawwe" huidiglik bemarkingsprestasiemetingpraktyke oorheers. Verder is aanbeveel dat die topbestuur van ondernemings hul vooroordeel teenoor nie-finansiële maatstawwe ter syde stel, aangesien bemarkers, in hierdie studie, se gebruik van bemarkingprestasiemaatstawwe daardeur beïnvloed word. Die gebruik van eksterne norme in die respondente se bemarkingsprestasiemetingpraktyke is voorgestel, omdat die gebruik van slegs interne norme 'n vals indruk van vertroue in die toestand van die bemarkingprestasiemeting skep. Aangesien die minderheid van die respondente gereeld bemarkingsbates gemeet het, is daar aanbeveel dat die betrokke maatstawwe ontwikkel moet

word. Ten slotte word aanbeveel dat die Suid-Afrikaanse Bemerkingsnavorsingvereniging navorsing op die gebied van bemarkingprestasiemeting moet stimuleer.

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"All the glory to Him, who alone is God, our Saviour, through Jesus Christ is our Lord" - Jude

**AN INVESTIGATION OF THE MARKETING
PERFORMANCE MEASUREMENT PRACTICES OF
SOUTH AFRICAN ORGANISATIONS**

TABLE OF CONTENTS

| | |
|--|-----------|
| CHAPTER 1: INTRODUCTION TO THE STUDY..... | 1 |
| 1.1 Introduction..... | 1 |
| 1.2 Marketing performance..... | 3 |
| 1.3 Assessing marketing's performance..... | 5 |
| 1.4 Problem statement..... | 7 |
| 1.5 Research objectives..... | 8 |
| 1.6 Research methodology..... | 10 |
| 1.6.1 Secondary research..... | 10 |
| 1.6.2 Primary research..... | 10 |
| 1.6.2.1 Population of the study..... | 11 |
| 1.6.2.2 Sampling procedure..... | 11 |
| 1.6.2.3 Data gathering..... | 12 |
| 1.6.2.4 Data processing..... | 13 |
| 1.7 Demarcation of the chapters..... | 14 |
| | |
| CHAPTER 2: BUSINESS MANAGEMENT..... | 16 |
| 2.1 Introduction..... | 16 |
| 2.2 The nature of business management..... | 16 |
| 2.3 The business management functions..... | 20 |

| | | |
|-------|---|----|
| 2.3.1 | The purchasing function..... | 21 |
| 2.3.2 | The operations function..... | 22 |
| 2.3.3 | The human resource function..... | 23 |
| 2.3.4 | The public relations function..... | 24 |
| 2.3.5 | The finance function..... | 25 |
| 2.3.6 | The information function..... | 26 |
| 2.3.7 | The marketing function..... | 27 |
| 2.4 | The position of marketing within business management..... | 30 |
| 2.6 | Conclusion..... | 32 |

CHAPTER 3: BUSINESS PERFORMANCE MEASUREMENT..... 33

| | | |
|-------|---|----|
| 3.1 | Introduction..... | 33 |
| 3.2 | Business performance measurement as a construct..... | 34 |
| 3.3 | The increased interest in business performance measurement..... | 37 |
| 3.4 | Business performance measurement practices..... | 41 |
| 3.4.1 | The development of business performance measures that are aligned with strategy..... | 43 |
| 3.4.2 | Top management commitment..... | 47 |
| 3.4.3 | Employee involvement..... | 48 |
| 3.4.4 | Reviewing and managing redundant measures..... | 49 |
| 3.5 | Performance measurement of the business functions..... | 50 |
| 3.5.1 | The purchasing function..... | 51 |

| | | |
|-------|--|----|
| 3.5.2 | The operations function | 52 |
| 3.5.3 | The human resource management function | 53 |
| 3.5.4 | The public relations function..... | 54 |
| 3.5.5 | The finance function..... | 55 |
| 3.5.6 | The information function..... | 56 |
| 3.5.7 | The marketing function..... | 57 |
| 3.6 | Business performance measurement in perspective..... | 57 |
| 3.7 | Conclusion..... | 58 |

CHAPTER 4: MARKETING PERFORMANCE MEASUREMENT... 59

| | | |
|-------|---|----|
| 4.1 | Introduction..... | 59 |
| 4.2 | Marketing performance measurement in context of the preceding literature... | 60 |
| 4.3 | The significance of the marketing function..... | 61 |
| 4.4 | The unaccountability of marketing to measure its performance..... | 64 |
| 4.5 | The factors that fuel marketing's unaccountability..... | 67 |
| 4.5.1 | Focus on financial measures..... | 69 |
| 4.5.2 | Focus on non-financial measures..... | 69 |
| 4.5.3 | Renewed focus on financial measures..... | 71 |
| 4.5.4 | Overabundance of measures..... | 73 |
| 4.5.5 | Pattern of metrics development..... | 74 |
| 4.6 | Basic criteria for assessment of marketing performance..... | 75 |
| 4.6.1 | Internal benchmarks..... | 75 |

| | | |
|-------|--|----|
| 4.6.2 | External benchmarks..... | 77 |
| 4.6.3 | Adjusting for change in brand equity..... | 78 |
| 4.7 | Framework for categorising measures..... | 80 |
| 4.8 | Marketing performance measurement in South Africa..... | 83 |
| 4.9 | Conclusion..... | 85 |

CHAPTER: 5 RESEARCH METHODOLOGY..... 86

| | | |
|---------|---|-----|
| 5.1 | Introduction..... | 86 |
| 5.2 | The marketing research process..... | 87 |
| 5.2.1 | Step 1: Identify and formulate the problem..... | 88 |
| 5.2.2 | Step 2: Formulate the research objectives and hypotheses..... | 89 |
| 5.2.3 | Step 3: Conducting secondary research..... | 95 |
| 5.2.4 | Step 4: Selecting a primary research method..... | 96 |
| 5.2.5 | Step 5: Sample selection..... | 101 |
| 5.2.5.1 | Define the target population..... | 101 |
| 5.2.5.2 | Select a sample frame..... | 102 |
| 5.2.5.3 | Establish the sample method and sample size..... | 103 |
| 5.2.6 | Step 6: Data gathering..... | 106 |
| 5.2.7 | Step 7: Data processing and analysis..... | 109 |
| 5.2.7.1 | Reliability and validity..... | 109 |
| 5.2.7.2 | Descriptive statistics..... | 111 |
| 5.2.7.3 | Inferential statistics..... | 112 |

| | | |
|-------|---------------------------------|-----|
| 5.2.8 | Step 8: Report preparation..... | 113 |
| 5.3 | Conclusion..... | 114 |

CHAPTER 6: RESEARCH RESULTS..... 115

| | | |
|--------|---|-----|
| 6.1 | Introduction..... | 115 |
| 6.2 | Descriptive statistics..... | 115 |
| 6.2.1 | Response rate profile..... | 116 |
| 6.2.2 | Demographic profile..... | 117 |
| 6.2.3 | Degree of satisfaction with existing marketing performance measures.... | 119 |
| 6.2.4 | Marketing performance measures considered by top management..... | 121 |
| 6.2.5 | Marketing performance measures that were collected..... | 124 |
| 6.2.6 | Importance attached to marketing performance measures by top management..... | 126 |
| 6.2.7 | Use of marketing performance benchmarks..... | 129 |
| 6.2.8 | Tracking the marketing asset..... | 130 |
| 6.2.9 | Compliance to the criteria for proper marketing performance assessment..... | 132 |
| 6.2.10 | Multi-variate normality of the data..... | 133 |
| 6.3 | Inferential statistics..... | 134 |
| 6.3.1 | The influence of organisation size on the degree of satisfaction with existing marketing performance measures..... | 134 |
| 6.3.2 | The difference in regularity of consideration between “financial | |

| | | |
|--|---|------------|
| | measures” and other measures of marketing performance..... | 136 |
| 6.3.3 | The influence of organisation size on the regularity of marketing performance measure consideration by top management..... | 139 |
| 6.3.4 | The difference in regularity of collection between “financial measures” and other measures of marketing performance..... | 142 |
| 6.3.5 | The influence of organisation size on the regularity of marketing performance measure collection..... | 144 |
| 6.3.6 | The difference in importance attached to “financial measures” and other measures of marketing performance by top management | 147 |
| 6.3.7 | The influence of organisation size on the importance top management attaches to marketing performance measures..... | 149 |
| 6.3.8 | The difference between the benchmarks employed for “financial measures” and other measures of marketing performance..... | 151 |
| 6.3.9 | The influence of organisation size on the tracking of the marketing asset..... | 152 |
| 6.4 | Conclusion..... | 154 |
| CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS..... | | 155 |
| 7.1 | Introduction..... | 155 |
| 7.2 | Conclusions..... | 155 |
| 7.2.1 | Marketers’ satisfaction with existing measures of marketing effectiveness..... | 156 |
| 7.2.2 | Marketing performance measures considered by top management..... | 157 |

| | | |
|-------|---|-----|
| 7.2.3 | Marketing performance measures that are collected..... | 159 |
| 7.2.4 | Importance attached to marketing performance measures by top management..... | 160 |
| 7.2.5 | Use of marketing performance benchmarks..... | 163 |
| 7.2.6 | Tracking of the marketing asset..... | 165 |
| 7.2.7 | Criteria for proper marketing performance measurement..... | 166 |
| 7.3. | Recommendations..... | 168 |
| 7.4 | Reconciliation of the research objectives..... | 170 |
| 7.5 | Areas of future research..... | 171 |
| 7.6 | Conclusion | 172 |

| | |
|--------------------------|------------|
| BIBLIOGRAPHY..... | 174 |
|--------------------------|------------|

| | |
|------------------------|------------|
| ANNEXURE A..... | 189 |
|------------------------|------------|

| | |
|------------------------|------------|
| ANNEXURE B..... | 195 |
|------------------------|------------|

LIST OF FIGURES

| | | |
|------------|--|----|
| Figure 1.1 | The research objectives of Kokkinaki <i>et al.</i> , (1999)..... | 6 |
| Figure 1.2 | The research objectives of this study..... | 9 |
| Figure 2.1 | Business management in context..... | 17 |
| Figure 2.2 | Maslow’s “Theory of Human Motivation”..... | 18 |
| Figure 2.3 | The role of business management..... | 20 |

| | | |
|------------|--|-----|
| Figure 2.4 | The business functions..... | 21 |
| Figure 2.5 | The marketing mix..... | 30 |
| Figure 2.6 | Marketing management in context..... | 31 |
| Figure 3.1 | Business performance measurement..... | 35 |
| Figure 3.2 | The business performance measurement transformation..... | 38 |
| Figure 3.3 | Practices for successful implementation of business performance measures..... | 43 |
| Figure 3.4 | Performance measurement in the business functions..... | 51 |
| Figure 3.5 | Business performance measurement in perspective..... | 58 |
| Figure 4.1 | Marketing performance measurement in context..... | 61 |
| Figure 4.2 | The generic value chain..... | 63 |
| Figure 4.3 | Marketing performance measurement development..... | 68 |
| Figure 4.4 | General pattern of metrics development..... | 74 |
| Figure 4.5 | Model of performance measures..... | 82 |
| Figure 5.1 | The marketing research process..... | 88 |
| Figure 5.2 | Classification of primary research methods..... | 97 |
| Figure 6.1 | Distribution of the organisation sizes..... | 118 |
| Figure 6.2 | Distribution of the organisation sectors..... | 119 |
| Figure 6.3 | Distribution of the satisfaction scores..... | 120 |
| Figure 6.4 | Regularity of marketing performance measure consideration..... | 123 |
| Figure 6.5 | Regularity of marketing performance measure collection..... | 125 |
| Figure 6.6 | Importance attached to marketing performance measures by top management..... | 128 |
| Figure 6.7 | The use of marketing performance benchmarks..... | 129 |

| | | |
|------------|---|-----|
| Figure 6.8 | Use of a term for the marketing asset..... | 130 |
| Figure 6.9 | Regularity of tracking the marketing asset..... | 131 |

LIST OF TABLES

| | | |
|------------|--|-----|
| Table 3.1 | Tests of relevance of business performance measures..... | 47 |
| Table 5.1 | Population statistics of South Africa and the United Kingdom..... | 104 |
| Table 6.1 | Response rates for the survey..... | 116 |
| Table 6.2 | Degree of satisfaction with existing marketing performance measures..... | 120 |
| Table 6.3 | Marketing performance measures considered by top management..... | 122 |
| Table 6.4 | Marketing performance measures collected..... | 124 |
| Table 6.5 | Importance attached to marketing performance measures by top management..... | 127 |
| Table 6.6 | Skewness and kurtosis of questionnaire items..... | 134 |
| Table 6.7 | Comparison of organisation sizes with satisfaction..... | 136 |
| Table 6.8 | Comparison between “financial measures” and each of the other categories..... | 138 |
| Table 6.9 | Logistic regression predicting likelihood of regularly considering marketing performance measures, pertaining to organisation size... | 141 |
| Table 6.10 | The odds of “small” sized organisations considering “consumer association measures”..... | 142 |
| Table 6.11 | Comparison between “financial measures” and each of the other | 142 |

| | | |
|------------|--|-----|
| | measure categories..... | |
| Table 6.12 | Logistic regression predicting likelihood of regularly collecting marketing performance measures, pertaining to organisation size... | 146 |
| Table 6.13 | The odds of “medium” sized organisations collecting “consumer association measures” | 147 |
| Table 6.14 | Comparison between the importance attached to “financial measures” and each of the other measure categories..... | 148 |
| Table 6.15 | Comparison between the benchmarks used for “financial measures” and each of the other measure categories..... | 152 |
| Table 6.16 | Logistic regression predicting likelihood of regularly measuring the marketing asset, pertaining to organisation size..... | 153 |

CHAPTER 1

INTRODUCTION TO THE STUDY

“Few factors are as important to the performance of an organisation as measurement, and measurement is among the weakest areas of management today” (Peter Drucker as quoted by Niven, 2005:22 as cited in Hough, Thompson, Strickland & Gamble, 2008:192).

1.1 INTRODUCTION

The 2008-2009 world economic recession caused major transformation in economies and organisations across the globe (IMF, 2009). As a result, 2010 was the year of recovery and economic revitalisation and organisations and corporate institutions had the responsibility to re-stimulate economic growth. However, the recession had resulted in increased demands for cost cutting and downsizing, which had subsequently led to poor returns (Dunne & Fahey, 2009; Carpenter, 2009).

In order to survive the lagged effects of the recession, organisations are dependent upon the capacity to create value. According to Porter (1998 as cited in Llonch, Eusebio & Ambler, 2002:414), value is defined by the customer. Porter developed the generic value chain and identified marketing as one of five primary value creating activities in the organisation (see section 4.3). Hence, “effective marketing” is the success of the entire organisation in gaining and retaining customers and thereby achieving the organisation’s long-term goals (Webster, 1992 as cited in Kokkinaki & Ambler, 1999:3).

Taking into account that nearly one quarter of all organisational expenditures are marketing-related (Stewart, 2008:1) and that for the majority of organisations, customers are the fundamental source of cash flow (Ambler, Kokkinaki, Puntoni & Riley, 2001), placing customers at the heart of an organisation is the key to sustained competitiveness (Kotler, 1997 as cited in Kokkinaki *et al.*, 1999:3). Thus, the measurement of marketing performance has the capacity to make a fundamental contribution to long-term organisational success. Kokkinaki *et al.*, put it concisely as “What you measure is what you get” (1999:3). Therefore, if marketing performance is not measured, marketing will be unable to contribute to long-term organisational success.

For this reason, the measurement of marketing performance is a crucial management task. However, despite the importance of performance assessment, there has been little research on this topic (Llonch *et al.*, 2002:414). Bonoma and Clark (1988:1 as cited in Ambler, Kokkinaki & Puntoni, 2004:476) already noted the lack of research on marketing performance measurement two decades ago, stating: “Perhaps no other concept in marketing’s short history has proven as stubbornly resistant to conceptualisation, definition, or application as that of marketing performance.” This assertion is reinforced by a more recent observation by Frösén, Jaakkola, Vassinen, Aspara, (2008) that marketing performance measurement still appears to be among the most neglected management activities in organisations.

Possible reasons for the disinclination to advance in the field of marketing performance measurement include the difficulties in measuring the marketing asset or brand equity (Marketing Leadership Council, 2001 as cited in Llonch *et al.*, 2002:414) as well as the complexity of relating marketing activities to short- and long-term effects, despite the importance that business management assigns to financial measures (Kokkinaki *et al.*,

1999:3). To encourage research in the field of marketing performance measurement and to highlight the importance thereof, the Marketing Science Institute selected marketing performance measurement as a top research priority for four consecutive iterations (MSI 1998, MSI 2000, MSI 2002, MSI 2004 as cited in O'Sullivan, s.a.). In the 2008-2010 iteration, accountability and return on marketing investment once again emerged as a research priority (MSI, 2008). Moreover, the "Journal of Marketing" endeavoured to increase the awareness and to highlight the importance of marketing performance measurement and its contribution to organisational performance by devoting an entire issue to the discipline of marketing performance measurement in 2004 (Frösén *et al.*, 2008).

1.2 MARKETING PERFORMANCE

Multiple studies have verified that marketing has the greatest influence and status in organisations where clear-cut measures of its contribution to organisational performance exist (Sevin, 1965 as cited in O'Sullivan & Abela, 2007:80; Webster, Malter & Ganesan, 2003:29; Lehman, 2004:74; Ambler, 2003; Ambler *et al.*, 1997 as cited in Llonch *et al.*, 2002:414). Thus, the inability of marketing to account for its contribution to organisational performance is recognised as the key factor that has led to marketing's loss of stature within organisations (Lehmann, 2004 as cited in O'Sullivan *et al.*, 2007:79). Moreover, marketing's subsistence as a distinct organisational capability is also threatened by the function's inability to measure its organisational contribution (Rust, Ambler, Carpenter, Kumar & Srivastava, 2004:76).

Marketing metrics that link marketing activities to organisational performance are vital to integrating marketing management with the organisation's decision-making and operating

processes (Frösén *et al.*, 2008). A metric can be described as “measuring system that quantifies a trend, dynamic or characteristic” (Farris, Bendle, Pfeifer & Reibstein, 2006:1). It has long been recognised that marketing’s limited role in the process of strategy formulation is due to the fact that marketers struggle to measure and communicate to top management the contribution of marketing activities on organisational performance (Anderson, 1982, Day, 1992 and Webster, 1992 as cited in O’Sullivan *et al.*, 2007:80; Seggie, Cavusgil & Phelan, 2007:834). Hence, marketing will assume a central role in organisational strategy only when its long-range contributions to organisational growth are better measured and communicated by marketing managers (Webster *et al.*, 2003:29). Hereby restoring marketing’s reputation as a valuable organisational function as well as reclaiming marketing’s rightful position in the boardroom.

Based on the variety of countries participating in marketing performance measurement research; Finland (Frösén *et al.*, 2008), China (Ambler & Xiucun, 2003), Spain (Llonch *et al.*, 2002) and Ireland (O’Sullivan *s.a.*); it appears that marketing performance measurement is a generic problem in organisations across the world. Likewise, the lack of marketing performance measurement remains a pressing issue in South African organisations. However, in spite of the need for marketing accountability, a lack of research in this field in South Africa exists (De Villiers, 2010, Moerdyk, 2010).

Little is known about the current marketing performance measurement practices employed in South African organisations (Moerdyk, 2010) and the concept of marketing performance measurement is still in its development phase in this country (McDonald, 2007). South African marketing researchers appear to be oblivious of the importance and demand for research in this field (Moerdyk, 2010). Other, seemingly more pressing issues, such as the 2010 FIFA

Soccer World Cup amongst others, had blurred the concern with such research. Even Moerdyk (2010), openly criticised the South African Marketing Research Association (SAMRA) for their lack of attention to the issue. He revealed that nearly R50 billion is wasted annually in South Africa alone on ill-conceived marketing strategies.

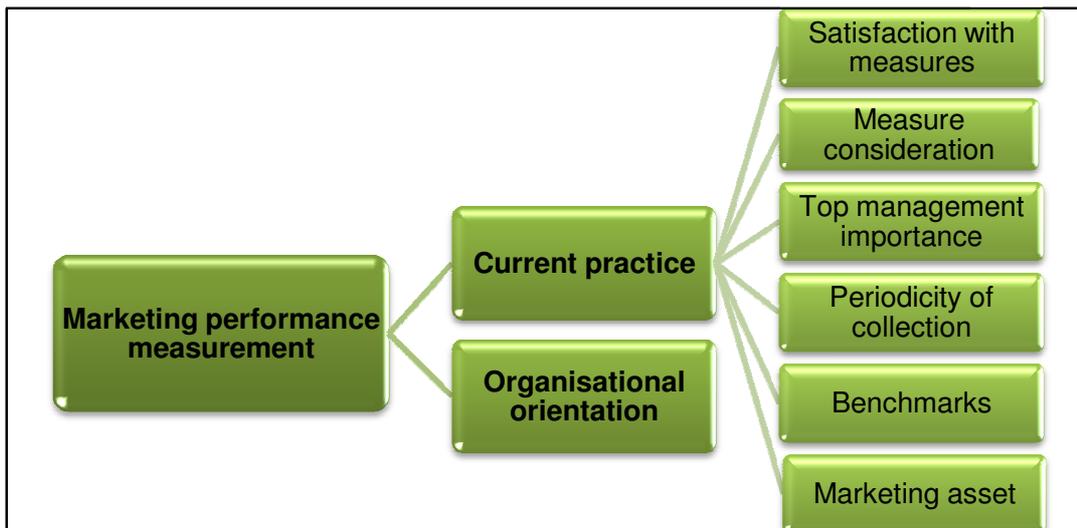
One can thus conclude that in South Africa too, marketing performance measurement remains a challenge. Moerdyk (2010) is of the opinion that “if the challenge of measurement is going to be met, the effort should be led by the market research industry”. Thus, to overcome the challenge and resolve the paucity of research in this field, research needs to be conducted. Hence, the present study aimed to investigate the marketing performance measurement practices of South African organisations.

1.3 ASSESSING MARKETING’S PERFORMANCE

In 1999, as part of the Marketing Metrics project, which was a research programme sponsored by the Marketing Society, the Marketing Council, the Institute for Practitioners in Advertising, the Sales Promotions Consultants Association, the London Business School and the Marketing Science Institute, a study was conducted by Kokkinaki and Ambler (1999) to perform an exploratory investigation into the current practice of marketing performance assessment. The primary objective of their research was to investigate the relevant marketing performance measurement practices employed by organisations in Britain (Kokkinaki *et al.*, 1999). The secondary research objectives were (1) “to explore how British organisations from a variety of business sectors assessed their marketing performance”, and (2) “to examine the relationship between performance (the combination of implementation and the results of that

implementation), measurement practice, and organisational orientation”. These research objectives are illustrated in Figure 1.1.

Figure 1.1 The research objectives of Kokkinaki *et al.*, (1999)



Source: Adapted from Kokkinaki *et al.*, (1999).

According to various researchers, a current need for replication research exists in the marketing realm (Berthon, Pitt, Ewing & Carr, 2002:416; Hunter, 2001:158 and Easley, Madden & Dunn, 2000:90). Since 1999, the study conducted by Kokkinaki *et al.*, (1999) had been replicated by researchers from various countries such as Finland (Frösén *et al.*, 2008), China (Ambler & Xiucun, 2003), Spain (Llonch *et al.*, 2002) and Ireland (O’Sullivan *s.a.*), which validates Kokkinaki and Ambler’s theory and methodology. In addition, the study by Kokkinaki *et al.*, (1999) was supported by internationally acclaimed schools, associations and institutions. Thus, given that this study also aimed to investigate the marketing performance measurement practices of South African organisations (see section 1.2) it was decided to replicate the study of Kokkinaki *et al.*, (1999).

Note should be taken that pure replication of Kokkinaki *et al.*, (1999) was not attempted; instead, this study partially replicated Kokkinaki *et al.*, (1999). A pure replication can be defined as a study “where the problem, theory, method and context remain the same as the study being replicated,” (Berthon *et al.*, 202:420). Firstly, the context in which the study was conducted was different; unlike Kokkinaki *et al.*, (1999) who conducted their study in Britain; this study was conducted in South Africa. In addition, the research problem was narrowed to investigating only marketing performance measurement practices and not the organisational orientation as well; hence not measuring the influence of marketing performance measurement on organisational performance. In spite of these changes, the method and theory pertaining to the first objective (see Figure 1.1) of Kokkinaki *et al.*, (1999) was replicated as close as possible.

1.4 PROBLEM STATEMENT

If marketing is to keep its stature within organisations and to be included in organisational strategies, it is evident that the field of marketing is in need of proper performance measurement practices that demonstrate its contribution to organisational performance. Considering the world economic recession; there is an even greater need for concrete measures that are acknowledged by marketing managers and top management, since resources are both scarce and costly during economic hardships. As stated, the importance of measuring marketing’s performance is further highlighted by the fact that the Marketing Science Institute has selected marketing performance measurement as one of their top research priorities for the fifth time and that the “Journal of Marketing” had devoted an entire issue to the discipline of marketing performance (see section 1.1).

Little is known about current marketing measurement practices in South Africa and what is troublesome, is the fact that even the South African Marketing Research Association is oblivious to the need for research in this field (Moerdyk, 2010). Although some conversations about marketing performance measurement are occurring in South African marketing journals (McDonald, 2007), a paucity of research concerning this field exists in South Africa. To solve the problem of marketers' inability to measure marketing performance, prominent market thought leaders are waiting upon marketing researchers to take the lead (Moerdyk, 2010).

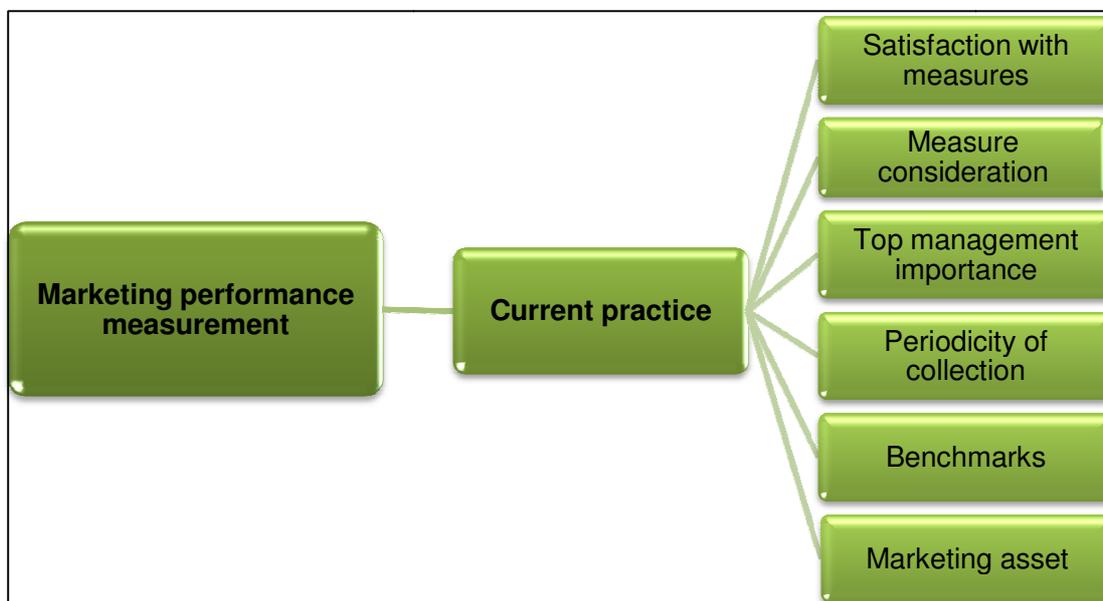
As part of the Marketing Metrics project, which was led by the Marketing Science Institute, Kokkinaki *et al.*, (1999) investigated the current marketing performance assessment practices of British organisations. Considering the need for replication research in marketing (Berthon *et al.*, 2002:416; Hunter, 2001:158 and Easley *et al.*, 2000:90) as well as the fact that Kokkinaki and Ambler's (1999) study was supported by various internationally acclaimed bodies and has been replicated by various researchers (Frösén *et al.*, 2008; Ambler *et al.*, 2003 and Llonch *et al.*, 2002; O'Sullivan *s.a.*) this study attempted to investigate the marketing performance measurement practices of South African organisations.

1.5 RESEARCH OBJECTIVES

The primary objective of this study was to investigate the marketing performance measurement practices of South African organisations. The secondary objectives are listed and displayed below (Figure 1.2):

- to assess marketers' satisfaction with existing measures of marketing performance;
- to assess the measures considered by top management when reviewing marketing performance;
- to assess current marketing performance measurement practice with regard to measure collection;
- to assess the importance top management attaches to marketing performance measures;
- to assess the benchmarks used in marketing performance measurement; and
- to assess marketing performance measurement practice with regard to the organisation's marketing asset.

Figure 1.2 The research objectives of this study



Source: Adapted from Kokkinaki *et al.*, (1999).

1.6 RESEARCH METHODOLOGY

The research methodology that was applied to achieve the study's objectives will briefly be described. Since this study was a partial replication of Kokkinaki and Ambler's study, the methodology of this study mirrors that of Kokkinaki *et al.*, (1999).

1.6.1 SECONDARY RESEARCH

Secondary research is defined as data that have already been collected for purposes other than the problem at hand (Malhotra, 2004:102). For the purpose of this study, a literature review was executed, consulting sources that included books, published journal articles and various Internet sources. The majority of the secondary data sources on marketing performance measurement were of international origin, as a paucity of South African research exists in this field of study. Aspects that were included in the literature study were business management, business performance measurement and marketing performance measurement. These are outlined in Chapters 2, 3 and 4 of the study.

1.6.2 PRIMARY RESEARCH

Primary research refers to data that are originated by the researcher for the purpose of the investigation at hand (Churchill, 1999:214). In view of the fact that the secondary research was not sufficient to solve the research objectives, primary research was obligatory. This study's primary research was conducted among marketing managers of South African

organisations. Respondents were questioned about their marketing performance measurement practices by means of a Web-based survey.

1.6.2.1 POPULATION OF THE STUDY

The population of the study, in this case, refers to all the objects that possess a common set of characteristics with respect to a marketing problem (Kumar, Aaker & Day, 2002:299). As a result of partial replication, only the first objective of Kokkinaki *et al.*, (1999), pertaining to marketing managers, was replicated. Therefore, only marketing managers were included in the population of this study even though the population of Kokkinaki *et al.*, (1999) included both financial and marketing managers.

Furthermore, due to the little research in the field of marketing performance measurement in South Africa (McDonald, 2007), marketing managers were likely to be the most informed about the organisation's marketing measurement practices.

Thus, for the purpose of this study, the population comprised of marketing managers of any South African organisation, in no particular industry.

1.6.2.2 SAMPLING PROCEDURE

After the population has been identified, a sampling frame should be constructed. A sampling frame is a list from which the sample will be drawn (Zikmund & Babin, 2007:407). Since there was no available list of all the marketing managers in South Africa, the Marketing Association of South Africa (MASA) agreed to make their database of 1200 registered marketing

managers available for the study. Owing to the fact that the database of MASA did not include every marketer in South Africa, it was nonetheless a list. The database of MASA was thus used as a sample frame (discussed in detail in section 5.2.5.2).

A non-probability sampling method is justified when the population is homogeneous (Diamantopoulos & Schlegelmilch, 1997:14). The population of this study included marketing managers only. Hence, the use of a non-probability sampling was justified.

For the purpose of this study, a Bayesian sampling approach was followed, in particular, a sequential sampling approach. With regard to the sequential sampling, the cut-off marks for each of the sequences were 80 responses, 120 responses and 160 responses. The survey was sent to the database of 1200 marketers in order to minimise the non-response error. After the first sampling sequence was completed, 84 responses were obtained and the data were analysed. Since the results were conclusive, no subsequent responses were gathered. (The sampling procedure followed in this study is discussed in detail in Chapter 5.)

1.6.2.3 DATA GATHERING

Since this study was a partial replication of Kokkinaki *et al.*, (1999) a survey method was also used in this study. In particular, a Web-based survey was employed (discussed in detail in section 5.2.6). The survey was pre-tested among 10 respondents who were representative of the population. (Refer to Annexure A for a copy of the survey.)

Computer software called “SUrveys”, supplied by the University of Stellenbosch, was used to distribute the questionnaires via e-mail to the respondents. The e-mails contained a link which

redirected respondents to the Web-based questionnaire where it could be completed online. The answers of the completed questionnaires were automatically logged into an “Excel Spreadsheet”, ready for data processing.

Steps were taken to minimise the problem of non-response error, which is especially acute in e-mail and Web-based surveys (Zikmund *et al.*, 2007:189). To ensure a return rate that was as high as possible, an appeal for participation in the study, written by the executive director of the MASA, accompanied the survey. Return directions were clearly specified and follow-up reminders were e-mailed to remind those respondents who had not yet completed the questionnaire, to do so (Cooper & Schindler, 2006:286). The non-respondents were unable to be telephoned, as the researcher had no access to the database due to a non-disclosure agreement between MASA and its members. The response rate of 7% was justified by the absence of non-response error. (Refer to section 5.2.6 for a discussion of the non-response error.)

1.6.2.4 DATA PROCESSING

The processing of the primary data was done by means of the statistical computer program, SPSS 17.0 and with the assistance of the Centre for Statistical Consultation at Stellenbosch University. As mentioned, the “SURveys” software had already cleaned and coded the data. The appropriate reliability and validity tests were performed to assess the measurement quality of the questionnaire. Descriptive statistics were used to perform preliminary analysis of the data while inferential statistics were employed to test for significant differences and relationships within the data. (The data analysis of this study is discussed in detail in Chapter 6.)

1.7 DEMARCATION OF THE CHAPTERS

This study consists of seven chapters. This section outlines and briefly describes each of the chapters that are included in the study.

CHAPTER 1: INTRODUCTION TO THE STUDY

This chapter introduces the research problem. The broad context within which the problem exists is reviewed, the objectives of the study are stated and the research methodology is discussed.

CHAPTER 2: BUSINESS MANAGEMENT

In Chapter 2, business management is discussed in the light of psychological and economic theories. Each of the seven business functions is also discussed.

CHAPTER 3: BUSINESS PERFORMANCE MANAGEMENT

This chapter discusses the increased interest in business performance measurement and reviews practices for the successful implementation of business performance measurement in the organisations. Performance measurement within each business function is also addressed.

CHAPTER 4: MARKETING PERFORMANCE MANAGEMENT

The relevant literature concerning marketing performance management is addressed in this chapter. The importance of the marketing function within the organisation and current state of the marketing function's unaccountability towards performance measurement are reviewed. The factors that fuel marketing's lack of performance measurement are also discussed. Criteria for conducting proper marketing performance measurement are examined as well as the state of marketing performance measurement in South Africa.

CHAPTER 5: RESEARCH METHODOLOGY

The research process that is followed in this study is outlined and discussed in terms of the research design as well as the methods and techniques applied.

CHAPTER 6: RESEARCH RESULTS

In Chapter 6, the findings of the empirical research, a Web-based survey, are reported and interpreted.

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

The study concludes with Chapter 7, where conclusions are drawn from the findings and recommendations are made. In addition, areas for future research are identified and discussed.

CHAPTER 2

BUSINESS MANAGEMENT

2.1 INTRODUCTION

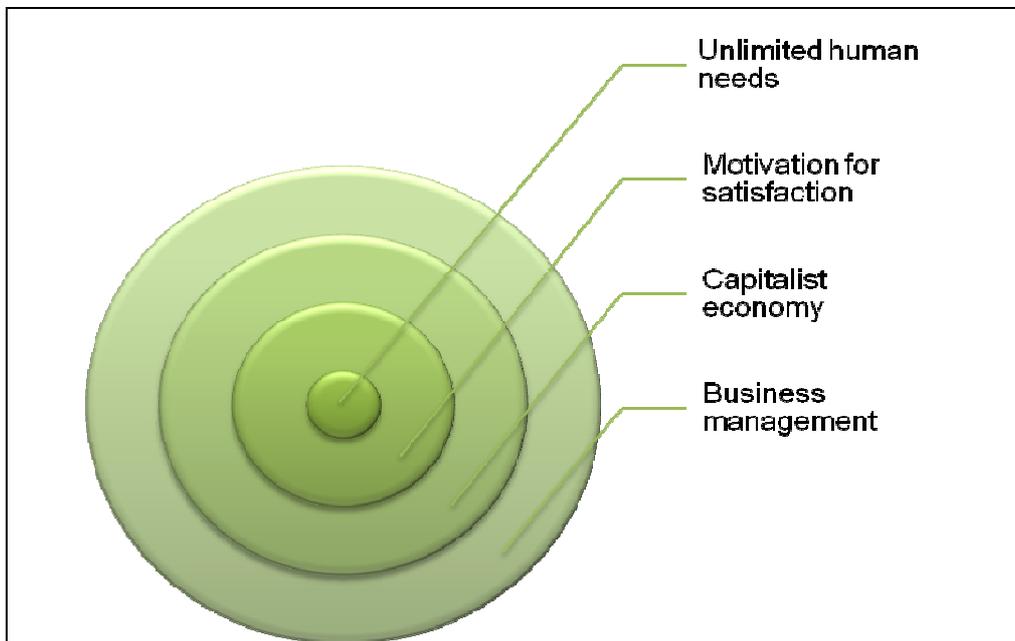
As established in Chapter 1, the purpose of this study is to investigate the marketing performance measurement practices of South African organisations. Since this study pertains to the subject area of business management, the principle objective of this chapter is to provide a perspective on the position of this study within the business management discipline.

The chapter commences with a discussion of business management with the aid of the “Theory of Human Need” (Gough & Doyal, 1999 as cited in Gough, 1994:28). This section is succeeded by an examination of the various business functions. Special attention is paid to the marketing function, as it is marketing that links this study to business management. The marketing function establishes the connection between this chapter, Chapter 3 and Chapter 4, which discuss business performance measurement and marketing performance measurement.

2.2 THE NATURE OF BUSINESS MANAGEMENT

In order to present a perspective on the position of this study within the business management discipline, the “Theory of Human Need” is used as conceptual basis. Figure 2.1 illustrates the position of business management in the proposed context.

Figure 2.1 Business management in context



The notion that the continued existence of humanity is driven by constant satisfaction of unlimited needs has existed for several years. According to the “Theory of Human Need”, developed by Gough and Doyal (1999 as cited in Gough, 1994:28), “basic human needs are the prerequisites for successful and, if possible, critical participation in one’s form of life.” The theory also states that needs are universal and define the material nature of humankind (Doyal & Gough, 1991 as cited in Croft & Beresford, 1996:178). In essence, without human needs, humans cannot exist. Two additional theorists, Karl Marx (1844) and Abraham Maslow (1943), support this theory.

In Marx’s (1844) “Economic and Philosophic Manuscripts”, he describes humans as creatures of need and states that human needs are essential for human development. Marx’s statements confirm those of Gough *et al.*, (1999 as cited in Gough, 1994:28). “Theory of

Human Need” suggests that humankind is defined by human needs and that needs are indispensable in life. Abraham Maslow took a step further by arguing that if needs are so central to humans, humans are driven to fulfil these needs.

This led Maslow (1943) to develop the “Theory of Human Motivation” where he argued that “all humans are motivated and motivated beings.” He arranges their needs in hierarchies of pre-potency; signifying that one need rests upon the prior satisfaction of another more pre-potent need. He identifies physiological needs as being the most pre-potent needs, and self-actualisation as being the most potent need, as illustrated in Figure 2.2. More simply, Maslow has provided a structure according to which humans act to satisfy their unlimited needs.

Figure 2.2 Maslow’s “Theory of Human Motivation”



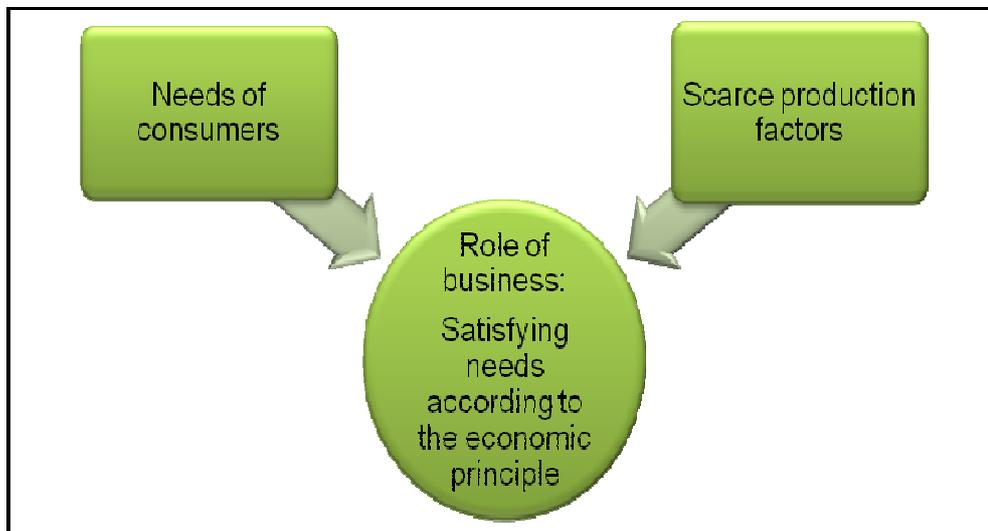
Source: Adapted from Maslow (1943).

In the light of the “Theory of Human Need” (Gough *et al.*, 1999 as cited in Gough, 1994:28), Marx’s statements (1844) and the “Theory of Human Motivation” (Maslow, 1943), one can assume that all human work is either directly or indirectly related to need satisfaction (Cronje, Du Toit, Marais & Motlatla, 2004:9). Within the context that all human work is in some way related to need satisfaction, one can characterise the economy as the sphere of social activity in which humans produce, distribute and consume the material requirements to meet their needs (Polanyi, 1957 as cited in Gough, 1994:34; Putterman, 1990 as cited in Gough, 1994:34).

Gough (1994) has studied the ability of different economic systems to satisfy human needs. He notes that capitalistic economy’s contribution to the satisfaction of human needs, in comparison to socialism and communism, is significant when one considers its ability to produce goods in prodigious quantities. Capitalism’s dominance over other economic systems is explained by its profit motive that rewards and motivates entrepreneurs to effectively apply scarce production resources in order to produce the optimum output to satisfy needs (Marx, Van Rooyen, Bosch, & Reynders, 1998:8). This is also known as “the economic principle”.

Business management as a science, in the context of a free market system, implies that a business is responsible to satisfy the needs of consumers according to the economic principle, whilst achieving profit goals (Marx *et al.*, 1998:6-22). In other words, business management is concerned with the management aspects of effectively applying scarce inputs and the conversion process, to produce optimum outputs (Niemann & Bennett, 2002:6) that satisfy consumer needs. This primary role of business management is illustrated in Figure 2.3.

Figure 2.3 The role of business management



Source: Adapted from Marx *et al.*, (1998:6).

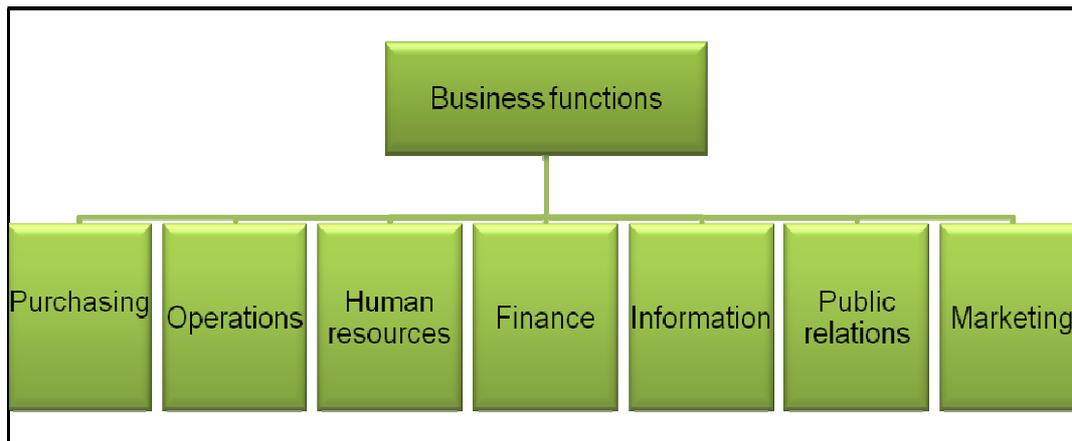
To accomplish business management's role of need fulfilment, the various functional areas of business management cooperate with each other (Niemann *et al.*, 2002:4). Thus, to gain a more comprehensive understanding of the subject of business management, the various business functions are examined.

2.3 THE BUSINESS MANAGEMENT FUNCTIONS

The primary reason for dividing the field of business managements into different functional areas of management is the need to systematise the large body of knowledge, as well as the multidisciplinary nature of business management that necessitates division (Cronje *et al.*, 2004:32). The most common business functions include purchasing, operations, human

resources, finance, information, public relations and marketing, as illustrated in Figure 2.4 (Lessing and Jacobs, 2006:4; Van Rensburg, 1997:11-12)

Figure 2.4 The business functions



Source: Adapted from Lessing *et al.*, (2006:4) and Van Rensburg (1997:11-12).

Although the training, knowledge and skills required for the various functions are highly diverse (Marx *et al.*, 1998:31), the functions ultimately form a synergistic whole to direct the business towards its goal and objectives (Cronje *et al.*, 2004:32). Therefore, like the business itself, the business functions should apply the economic principle to ensure that the activities are performed in the most efficient way (Niemann *et al.*, 2002:7).

2.3.1 THE PURCHASING FUNCTION

In order for a business to supply customers with need-satisfying products or services, production factors are needed. The obtaining of these resources is what is known as “the

purchasing function” of the business (Van Rensburg, 1997:118). Furthermore, it is important that the purchasing function support the economic principle, which is to achieve the optimum output from the minimum input. Therefore, the purchasing function can be defined as “the procurement of the correct requirements of the right quality and quantity, at the right time, from the right supplier, at the right price and delivered at the right place” (Vögel, 2006:118).

The importance of the purchasing function differs from business to business, depending on the context and the product or service delivered. However, according to Cronje *et al.*, (2004:527) in many cases, the purchasing function has a profound influence on profits, as purchasing costs are the greatest expense of a business. Cash-flow problems often occur as a result of large sums of money that are tied up in inventory, which is held in warehouses to safeguard disruptions in the production process. Thus, the more effectively the purchasing function operates, the fewer inventory needs to be stored and the money saved could be applied elsewhere to generate profit.

2.3.2 THE OPERATIONS FUNCTION

In recent times, the term “operations” has been used instead of the term “production”. This is because ‘production’ specifically refers to the activities in the primary sector only. The term ‘operations’ however, refers to activities wider than the manufacturing process, such as the process of delivering a service (Machado, Strydom & Cant, 1999:144). Operations management can be defined as the process that relates to planning, organising, activating and controlling the transformation system (Van Rensburg, 1997:131). In other words, the operations function involves using the resource inputs, which were provided by the production

function, and transforming these inputs into outputs (products or services) that will satisfy the needs of consumers.

According to De Witt (2006:139), the tasks of the operations function can be classified as long-, medium- and short-term. Long-term tasks include among others, fixed capacity planning and the layout and equipping of the factory. Medium-term tasks include sales forecasting and inventory management, where short-term tasks include materials management, quality control, maintenance and occupational safety.

2.3.3 THE HUMAN RESOURCE FUNCTION

The human resource function ensures that human resources are optimally used to the benefit of the organisation and to the achievement of its goals (Marx, 1998:477). The tasks of the human resource function can be divided into three categories (Van Rensburg, 1997:90):

- *Provision.* The provision of human resources involves the planning, recruitment, selection, placement, induction, and career management of employees.
- *Maintenance.* This category involves tasks such as managing the various regulations, performance appraisal, compensatory management, and motivation.
- *Development.* The development task involves training the employees and managing employees' development throughout their career at the organisation.

Over the past few decades, the human resource function has grown considerably because of complex legislation and greater awareness of human resource issues that are important to achieving organisational objectives (Marx, 2006:243). A number of statutes have been

created to regulate employment in South African organisations. These include the Unemployment Insurance Act (No. 63 of 2001), the Occupational Health and Safety Act (No. 85 of 1993), the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), the Labour Relations Act (No. 66 of 1995), the Basic Conditions of Employment Act (No. 75 of 1997), the Employment Equity Act (No. 55 of 1998), the Skills Development Act (No. 97 of 1998) and the Skills Development Levies Act (No. 9 of 1999) (Marx, 2006:243).

In conjunction with the above-listed regulations, as well as the existence of labour disputes, strikes, worker unions and the CCMA, the Commission for Conciliation, Mediation and Arbitration, (Machado *et al.*, 1999:85), the human resource function in South African organisations has become exceptionally important for organisations to achieve their objectives.

2.3.4 THE PUBLIC RELATIONS FUNCTION

According to Cronje *et al.*, (2004:353) a business is an open system that influences the environment in which it operates, and in turn, is influenced by the environment and therefore maintains close relationships with its publics (consumers, shareholders, suppliers, government) and employees. The creation of a positive reputation by means of purposeful communication is therefore essential. One can thus define the public relations function as the process of intentional and sustained communication between a business and its publics for the purpose of obtaining, maintaining or improving positive strategic relations and mutual understanding between the organisation and its different internal and external publics (Cronje *et al.*, 2004:354). Some of the common public relation communication methods include press

releases, the participation in business exhibitions, trade fairs and shows, and personal contact between the business and its publics (Machado *et al.*, 1999:118).

To ensure moral and ethical behaviour and conduct from public relations practitioners, the Institute for Public Relations and Communication Management of Southern Africa (PRISA) has developed a clear code of ethics and professional standards to which all public relations activities must adhere. The code of conduct includes guidelines on professional conduct for practitioners, conduct towards clients or employers, colleagues, the business environment, the channels of communication, the state and also towards PRISA (PRISA, 2004).

2.3.5 THE FINANCE FUNCTION

The finance function is one which aims to achieve the financial objectives of the organisation, which include profit maximisation, maximisation of shareholder wealth and maximisation of revenue by managing the flow of funds to and from the organisation (Marx *et al.*, 1998:588). Decisions concerning the acquisition of funds (which is known as “financing”) and the application of funds for the acquisition of assets (which is known as “investment”) (Cronje *et al.*, 2004:394), are of particular importance to the financial function to maintain a positive profitability, liquidity and solvency position (Machado *et al.*, 1999:128).

Thus, the primary activities involved in the finance function are (Marx *et al.*, 1998:593):

- efficient financial analysis, reporting and control;
- investment decisions and the management of the assets of the business;
- financing decision and the management of the liabilities of the business; and
- the provision of financial services.

It should be noted however, that the finance function is not a process function such as purchasing and operations, but a facilitator of these functions (Van Rensburg, 1997:142). All the other business functions are supported by the finance function that makes funds available for each function to perform its particular tasks.

2.3.6 THE INFORMATION FUNCTION

A high level of uncertainty and risk is present when decisions are made without accurate information (Van Rensburg, 1997:110). Information enables its users to have knowledge that yields improved insights into a business problem or situation, and leads to informed decision-making (Tong, 2006:287). The discipline of information management is seen as the transformation of data into usable and reusable information, and involves the structuring of intellectual capital of each individual within the organisation in order to reliably store it in a centralised location for retrieval by users (Tong, 2006:288). It is also the role of the information function to ensure that relevant, timely, cost-effective and accurate information is available to the appropriate decision-makers, as well as to ensure that the information is in the correct format (Marx *et al.*, 1998:666).

Without an effective information function, an organisation would fail to survive. Real-time information has certainly become one of the foundations for organisational success, especially in the current competitive globalised business environment within which organisations compete. For this reason, sophisticated information technology has become a necessity for organisations.

2.3.7 THE MARKETING FUNCTION

The marketing function is the final business function to be reviewed. Particular consideration is given to this function, as it is the marketing function that provides the connection between this study and business management. The role of the marketing function is to create a demand for the organisation's products or services among current and potential consumers. By creating a demand, the marketing function ensures that the organisation has an income (Marx *et al.*, 1998:30). In other words, marketing anticipates consumer needs and accordingly provides direction for the production function (Van Rensburg, 1997:162) so that products are created that meet consumer needs in a profitable manner (Lamb, Hair, McDaniel, Boshoff & Terblanche, 2004:4). The aim of marketing is thus to profitably meet and exceed consumer expectations, thereby creating customer satisfaction in a way that is better than that of the competitors. This is in accordance with the definition provided by the American Marketing Association which states that "marketing is the activity, set of institutions and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (AMA, 2008:1).

The marketing function is responsible for a variety of activities that together represent the marketing process (Lamb *et al.*, 2004:23). These activities include the following:

- setting the marketing objectives;
- collecting information about the markets and external environment;
- developing and implementing the marketing strategy; and
- designing marketing performance measures and evaluating the marketing efforts.

The competitive advantage for the organisation is created by the marketing strategy, which involves four key tasks: segmentation, targeting, positioning of the product, and the marketing mix.

- ***Segmentation***

According to Lamb *et al.*, (2004:165), the task of segmentation requires the marketer to divide the market into meaningful, relatively similar and identifiable segments. Thus, the different segments thus consist of consumers with approximately similar needs and characteristics (Van Rensburg, 1997:166). Two alternatives exist according to which markets are mainly segmented: descriptive characteristics or behavioural considerations (Kotler & Keller, 2006:247). The former includes segmentation variables such as geographic location, demographic characteristics and psychographic characteristics. The latter considers consumer responses to product or service benefits, use occasions or brands.

- ***Target marketing***

Once the market has been segmented, the marketer decides which segment(s) offers the greatest opportunity (Kotler *et al.*, 2006:24). These segment(s) then become the target for which a marketing offering is developed. Three strategies for selecting target markets are undifferentiated, concentrated and multi-segment targeting (Lamb *et al.*, 2004:178). Undifferentiated targeting involves developing a single marketing offer for the entire market and assumes that all consumers have the same needs. In a concentrated

targeting strategy, only one segment is selected for targeting, whereas in a multi-segment targeting strategy, more than one segment is selected for targeting. After deciding which segments to target, the marketer has to position the product or service.

- ***Product positioning***

Positioning the product entails designing the market offering and image to fill a distinctive location in the mind of the target market (Kotler *et al.*, 2006:310). Thus, marketers establish a competitive frame of reference in which the product or service is differentiated from those of competitors. Successful product positioning results in a customer-focused value proposition; the reason the consumer should purchase the product or service. The product positioning is succeeded by the marketing mix, which involves decisions about the actual marketing offer.

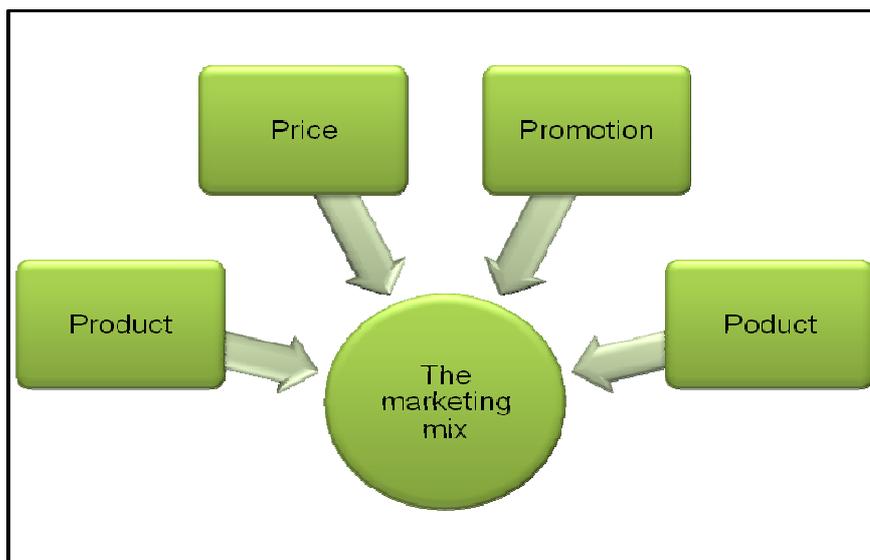
- ***The marketing mix***

The marketing mix, otherwise known as the “4 P’s” of marketing, consists of four elements: the product, the price, the place and promotion (Kotler *et al.*, 2006:19), as illustrated in Figure 2.5. Each element involves various decisions and will be briefly discussed (Van Rensburg, 1997:170-173).

Decisions relating to the product include features, quality, product line, accessories, warranty, packaging and branding. Price considerations entail customers’ reaction towards potential prices, mark-ups, discounts and legal restrictions. In terms of the

place, important factors are the distribution channel, intermediaries, storage and transportation, and market exposure. Promotion concerns personal or direct selling, advertising and sales promotion.

Figure 2.5 The marketing mix



Source: Adapted from Kotler *et al.*, (2006:19).

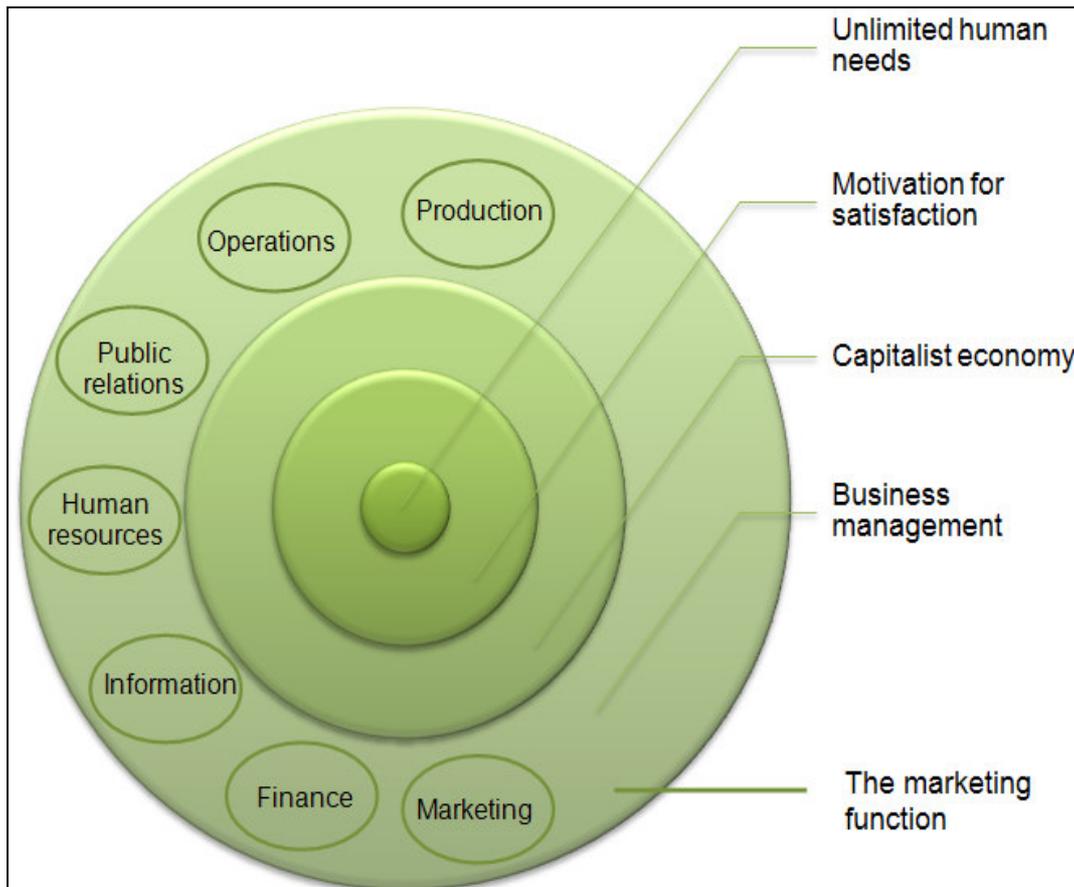
The four elements of the marketing mix, in combination with the segmentation, targeting and positioning tasks, are combined to achieve the objective of the marketing strategy.

2.4 THE POSITION OF MARKETING IN BUSINESS MANAGEMENT

The objective of this chapter was to provide a perspective on the position of this particular study in the business management literature. From the literature reviewed in this chapter, the

position of marketing in the business management discipline has become evident. Figure 2.6 presents an illustration of the position held by the marketing function.

Figure 2.6 Marketing management in context



However, this study ultimately aims to investigate the marketing performance measurement practices of South African organisations. Thus, to obtain a better understanding of performance measurement in the marketing function, a discussion of business performance measurement succeeds this chapter.

2.6 CONCLUSION

This chapter aimed to provide a perspective on the position of this study within the topic of business management. First, business management was discussed in the light of the “Theory of Human Need”. The different business functions were then discussed. The marketing function was discussed in detail, as it is the marketing function that links this study to business management. This specific chapter also formed the foundation for the subsequent chapter, which examines business performance measurement.

CHAPTER 3

BUSINESS PERFORMANCE MEASUREMENT

3.1 INTRODUCTION

The aim of this study was to investigate the marketing performance measurement practices of South African organisations. To ultimately develop an understanding of the importance of measuring and communicating the performance of marketing, it is necessary to examine the foundations of performance measurement in an organisation. The focus of this chapter is thus to provide theoretical background on the subject of business performance measurement.

The chapter commences by revisiting the aim of the study and the preceding literature review to provide a perspective of the position of business performance measurement. Secondly, the construct of business performance measurement is examined. The increased interest in business performance measurement is then reviewed. Fourthly, the various practices in business performance that create a foundation for performance measurement in the different business functions are explored. The chapter concludes with a discussion of performance measurement within each business function. The latter section establishes the link between Chapter 3 and Chapter 4, which provides an in-depth analysis of marketing performance measurement.

3.2 BUSINESS PERFORMANCE MEASUREMENT AS A CONSTRUCT

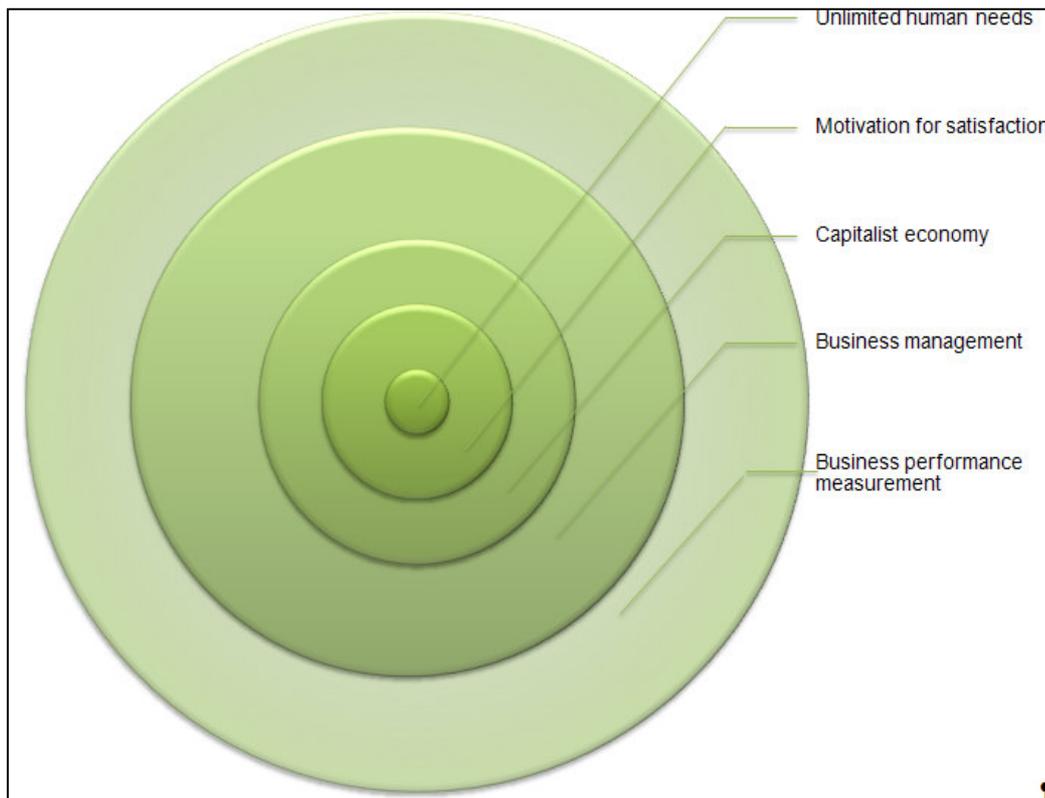
The phrase “business performance measurement” has attained principal status in the corporate environment. This is even more true during economic crises where organisations are tempted to measure everything measurable in an attempt to minimise excessive costs and activities. In spite of its corporate-jargon status, business performance measurement is relevant to the purpose it is used for and by whom it is used. To many people the subject of business performance measurement does not exceed the well-known “Balanced Scorecard” (Kaplan & Norton, 1998:125).

The study of what comprises work and how it is measured is very old. Long ago, people must have considered what the optimal way was to sow seed, to plough, to harvest or to hunt. This would have concerned examining how effectively the process associated with the action, was performed (Baxter & MacLeod, 2008:55). Today still, the practice of determining the optimal way to perform a certain action, regardless of the context, involves measurement. Only by thoroughly assessing current situations, can performance be improved. The purpose of measuring business performance is thus not to establish an organisation’s level of performance, but to enable the organisation to perform better (Strydom, 2002:93).

Performance measurement is therefore deemed to be a fundamental cornerstone of modern management (Franco-Santos & Bourne, 2005:114). The appropriate use of performance measurement generates a holistic view of the organisation’s performance to assist management in making informed decisions and altering strategies. Figure 3.1 provides an

illustration of business performance measurement as the foundation of business management, as proposed by Franco-Santos *et al.*, (2005:114).

Figure 3.1 Business performance measurement



Source: Adapted from Franco-Santos *et al.*, (2005:114).

Accordingly, organisations using well-designed business performance measures as the foundation for management outperform organisations that do not use such measures (Lingle & Schiemann, 1996 as cited in Neely & Kennerley, 2002:145). However, the question of how to structure an organisation and its actions to maximise business performance has been a source of enduring debate in the practice and in academic realms (Moorman & Rust, 1999:181).

New reports and articles on the issue of performance measurement have been appearing at a rate of one every five hours of every working day since 1994 (Neely, 2002:xi). During 1996 in the United States of America, new books on the topic have appeared at a rate of one every two weeks (Neely, 1999:207). Furthermore, a search of the Internet revealed over 24 million Websites dedicated to performance measurement, up from 12 million in 2002 and 200 000 in 1997 (Neely, 2002:xi). Evidently, from these statistics, Einstein's message of "not everything that counts can be counted and not everything that can be counted, counts" (Neely, 2002:42), appears to have been neglected as today's corporate society has become fixated with performance measurement. Managers are driven to measure organisational actions with the hope of improving organisational competitiveness.

In spite of the abundance of publications on the discipline of business performance measurement, authors rarely explicitly define the exact meaning of the word "performance", even when the focus of the article or book is on performance. In fact, Lebas and Euske (2002:67) consider performance as a "suitcase word" in which "everyone places the concepts that suit them, letting the context take care of the definition". It is therefore important that the meaning of the concept as intended in this study is unambiguous. Neely, Adams and Kennerley (2002:xii) define performance measurement as "the process of quantifying the efficiency and effectiveness of past actions". Since this definition can apply to performance measurement in any field of study, it can be considered as a universal definition to performance measurement. Thus, business performance measurement in particular, would then involve measuring the "efficiency and effectiveness of past actions" (Neely *et al.*, 2002:xii), where past actions would refer to the organisation's strategy and functional operations. As a result of business performance measurement, management would be able to

collect information to address shortfalls and adjust the organisational strategy accordingly by setting suitable objectives (Managementor, 2007; Schmitz, *s.a*).

During earlier years, business performance measurement was not as important an area of the organisation, as it is today. The increased interest in business performance measurement can be ascribed to a number of trends, which have acted as catalysts. In other words, these trends triggered as urgency to develop business performance measures.

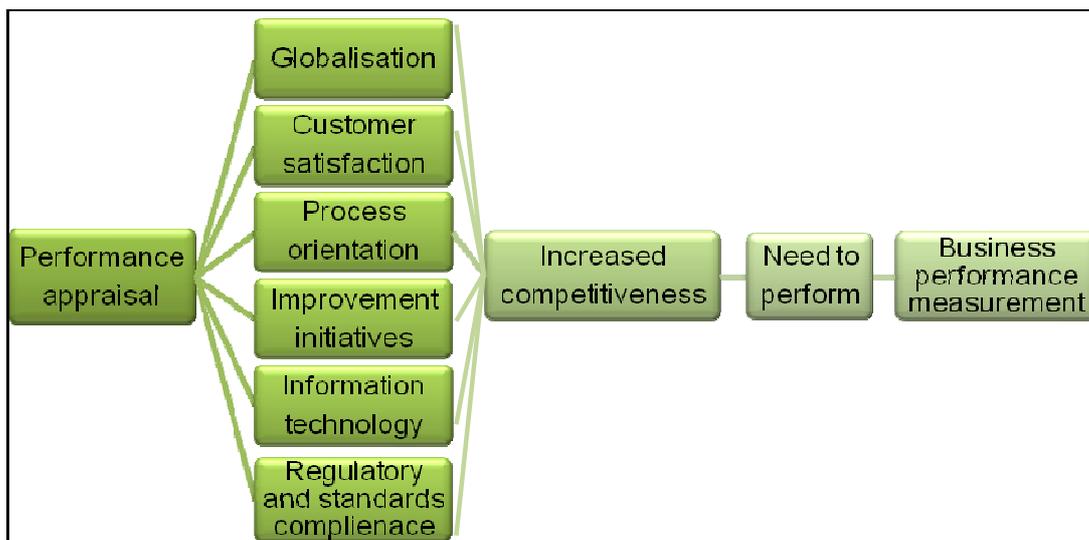
3.3 THE INCREASED INTEREST IN BUSINESS PERFORMANCE MEASUREMENT

Business performance measurement has undergone a transformation over the past years from being merely an appraisal process (Neely, 1999:210) to becoming an organisation-wide process that is essential for the achievement of sustained performance (Hough *et al.*, 2008:192). Various trends have led managers to use business performance measurement as a way to improve an organisation's competitive advantage and competitiveness on a global scale.

Neely (1999:210) and Rolstadås (1998:989) both suggest similar probabilities that validate the focus on competitiveness and the subsequent interest in business performance measurement. Moreover, Neely, Mills, Platts, Gregory and Richards, (1994:141); Kellen (2003) as well as course notes from the Harvard Business School, (Managementor, 2007) provide reasons akin to those of Neely (1999:210) and Rolstadås (1998:989) on why measuring business performance has become so important.

On reviewing the above-mentioned literature, the probabilities or trends that acted as catalysts in the increased interest in business performance measurement are: globalisation, customer satisfaction, process orientation, improvement initiatives, information technology, and regulatory and standards compliance (Neely, 1999:210; Rolstadås 1998:989; Neely *et al.*, 1994:141; Kellen 2003 & Managementor 2007). Figure 3.2 illustrates the transformation of business performance measurement, how the above mentioned trends had created an increased competitiveness among organisations which resulted in a need to improve business performance. A discussion of each trend follows.

Figure 3.2 The business performance measurement transformation



Source: Adapted from Neely (1999:210), Rolstadås (1998:989), Neely *et al.*, (1994:141); Kellen (2003) & Managementor (2007).

- ***Globalisation***

Globalisation has been a major catalyst in the increased interest in business performance measurement. Globalisation has caused the intensity of competition that organisations are faced with, to escalate now that products and services are produced for a global market. Moreover, the abolishment of national trade barriers has caused organisations to deem the world as their market. Thus, organisations are now competing in an international arena where survival depends on being the best in the world, and not merely the best in the country. This causes pressure among organisations across the world to reduce costs and to improve customer value in order to enhance their performance and overall competitiveness.

- ***Customer satisfaction***

As a result of technological advancements such as Internet access via cell phones that provide customers with real-time information anywhere in the world; the 21st-century customer has become vigilant, demanding and well-informed. In an attempt to satisfy customers at all cost, products are developed and manufactured according to the needs of customers. Consequently, customisation, zero defects, short delivery times and low costs have become the order of the day. Even front- and back-line employees are required to have a mindset of customer satisfaction. Therefore, organisations have become increasingly competitive in order to maintain and increase customer bases.

- ***Process orientation***

As depicted in Figure 3.2, one of the tools available to organisations to remain competitive in the global corporate environment is to re-engineer core organisational processes. This is also known as process orientation, which entails the outsourcing of secondary organisational activities to different parts of the world where conditions are most favourable. This way, management can focus on increasing the competitive advantage of the organisation's core activities. Mexico, India and China have become popular outsource destinations due to the low labour costs and lack of adequate employee rights in these countries.

- ***Specific improvement initiatives***

As stated in section 3.2, performance measurement facilitates improvement of any sort (Strydom, 2002:93). Measuring the performance of business processes and functions enables management to recognise and attend to problems in a swift manner, to prevent business performance from deteriorating excessively. Consequently, organisations can deliver greater value to customers. Business performance measurement is thus a means to monitor and control organisational activities to maximise the improvement effort and become more competitive.

- ***Information technology***

The field of information technology also assisted in creating an increased interest in the field of business performance measurement (see Figure 3.2). The information technology

discipline had grown considerably in the past decade, and the rate of growth is not slowing down. Complex information technology systems are becoming more user-friendly, resulting in increasing numbers of people who are gaining access to information technology. Moreover, tasks such as data gathering and analysis, as well as review, presentation and consequent action, are much less complicated tasks than they used to be. The electronic point-of-sale system employed by retailers is a case in point. Managers have access to real-time information on the performance of different products or service offerings, which allows them to alter strategies according to the measured performance. One can thus conclude that information technology has given organisations the ability to be more performance-orientated and hence, more competitive.

- ***Regulatory and standards compliance***

As illustrated in Figure 3.2, the final aspect that can be considered a catalyst in the increased interest in business performance measurement, is the requirement of complying with various regulations and standards. Nowadays, organisations are obliged to act in accordance with government regulations such as pollution laws (which are especially prevalent in the mining sector), employment and labour acts, and international quality standards, such as the ISO 9000.

This section has revised the trends that have acted towards increasing the interest in measuring business performance. The following section, examining the practices of business performance measurement, aims to create a foundation that accounts for performance measurement in any of the business functions.

3.4 BUSINESS PERFORMANCE MEASUREMENT PRACTICES

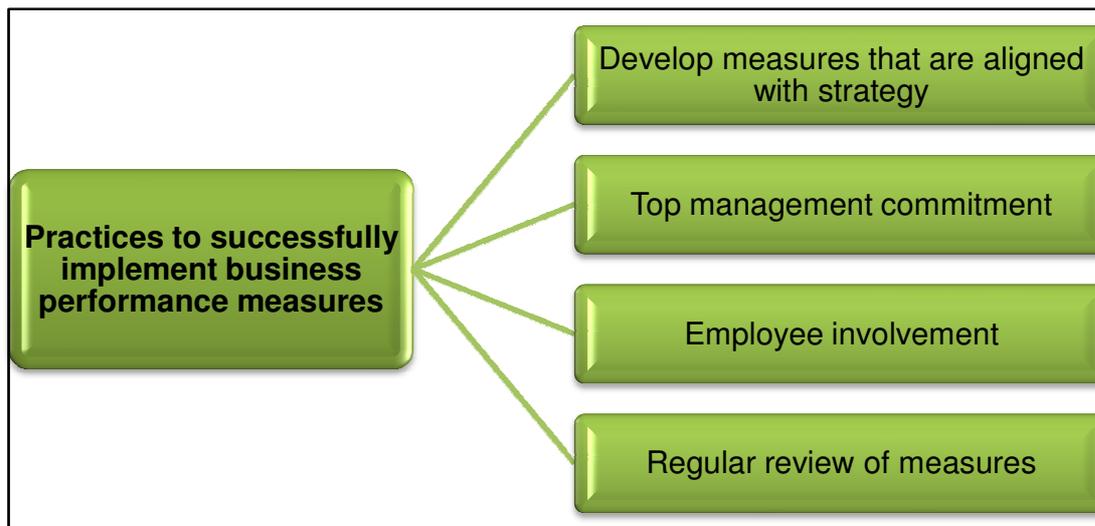
Putting a business performance measurement system into practice can cause radical culture changes in an organisation, as new ways of defining success are established. If such change is badly managed, the business performance measurement endeavour may result in employee uncertainty, and consequently employee resistance. The implementation process is not merely a series of steps, but should be built progressively, “accepting the incremental nature of learning and understanding” (Meekings, 1995:7). Therefore, as illustrated in Figure 3.3, practices that will enable the organisation to successfully implement the business performance measurement system include:

- the development of business performance measures that are aligned with strategy;
- the commitment of top management of the organisation to implementing the new business performance measures;
- the involvement of employees of the organisation the implementation process of the business performance measurement system; and
- the regular review of business performance measures

Considering that organisational size impacts on the effectiveness of the business performance measurement system, it is of particular importance for large organisations to apply these practices to ensure successful implementation. According to Hoque and James (2000 as cited in Franco-Santos *et al.*, 2005:119-120), “as the size of organisations increase, organisations place greater emphasis on business performance measurement (specifically the “Balanced Scorecard”) to support strategic decision making”. Moreover, these practices

also create a foundation on which the performance measures specific of each subsequent business function, can be developed

Figure 3.3 Practices for successful implementation of business performance measures



3.4.1 THE DEVELOPMENT OF BUSINESS PERFORMANCE MEASURES THAT ARE ALIGNED WITH STRATEGY

Since business performance measurement is the heart of strategic management (Venkatraman & Ramanujam, 1986:801), business performance measures are largely subject to the way the organisational strategy is crafted, executed and controlled (Kellen, 2003; Malina & Selto, 2004:244 as cited in Hough *et al.*, 2008:193). Therefore, business performance measures should be aligned with the organisation's strategies and objectives (Moravec 1996:41; Cross & Lynch, 1998-1989, Dixon *et al.*, 1990, Kaplan & Norton, 1993 and Neely *et al.*, 1995 as cited in Bitici, Turner & Begemann, 2000:695). The advantage of

aligning business performance measures with organisational strategy is that business performance measures encourage strategy implementation (Neely *et al.*, 1994 as cited in Neely, 1999:211; Kaplan & Norton, 1992, 1996, 2001 and Neely, 1998 as cited in Franco-Santos *et al.*, 2005:119).

Business performance measurement fulfils a vital role in translating organisational strategy into results (Lingle & Schiemann, 1996; Kellen, 2003) by acting as a “vehicle for strategic dialogue” within the organisation (Kaplan & Norton, 2001 as cited in Kellen, 2003). In other words, if business performance measures, which are aligned with the organisational strategy, are properly communicated to all employees, the business performance measures act as goals. Thus, if all the employees work to achieve these goals (or business performance measures), the consequence is twofold. First, strategy will successfully be implemented, and secondly, performance of the specific organisational function to which the measure applies, as well as the entire organisation, will be improved.

Neely, Richards, Mills, Platts and Bourne (1997:1136) have developed a framework called the “Performance Record Sheet”, which aims to assist managers in designing business performance measures. The framework is based on research conducted by Neely, Gregory and Platts (1997:1148 as cited in Neely *et al.*, 1997:1136) who established criteria for designing effective measures that are aligned with organisational strategy. Each aspect of the “Performance Record Sheet” is summarised below (Neely *et al.*, 1997:1136-1140; Neely *et al.*, 2002:37).

- *Measure*. The title of the measure should be clear enough that it is self-explanatory and that no one in the organisation will have problems comprehending it.
- *Purpose*. The reason for the measure's introduction as well as its aim should be stipulated in the purpose section.
- *Relates to*. Measures should be derived from the organisational strategy (Kellen, 2003). Hence, the measures should be related to both the business objectives and the other measures.
- *Target*. A desired level of performance is estimated for each measure. Targets are usually time-bound to ensure that performance is comparable to previous time periods and to those of competitors. Without targets, it will be complicated to evaluate whether performance is sufficient.
- *Formula*. Particular attention should be paid to the formula of the measure, as the manner in which the formula is defined directly affects employee behaviour. Ill-defined formulas can induce behaviour that is inconsistent with the organisation's performance targets and cause employees to pursue individual interests instead. Sales personnel might opt for contracts that are bigger in value to obtain a higher commission, instead of opting for contracts that are bigger in profits and better for the organisation.
- *Frequency*. The difficulty and expenses to obtain measures as well as how quickly the measures change, are factors worth considering with regard to the periodicity of measurement.

Also, whether the data is obtained from outside sources or from within the organisation further influences the matter of periodicity. The former is usually collected less while the latter is collected more often.

- *Who measures.* The person(s) responsible for collecting and analysing the data should be identified.
- *Source of data.* A consistent data source is imperative to compare data over time and it is thus necessary to specify the source of data.
- *Who acts on the data.* The individual who acts on the data is responsible for instigating actions and ensuring that the performance improves.
- *What do they do.* The general management process to be followed, whether the performance is improving or worsening, should be stipulated. Often this may be difficult as some of the steps in this stage may be context-specific. However, this stage is arguably the most important stage. If the results of the measure cannot be put to use, there is no sense in actually measuring it.

Kennerly and Neely (2003:220) also suggest nine tests to assess whether the business performance measures are appropriate; if not, modification is required to ensure the measure's relevancy. The nine tests are displayed in Table 3.1

As a result of the advantages associated with developing business performance measures that are aligned with strategy, it is worth investing the necessary time to develop business performance measures according "Performance Record Sheet" (Neely *et al.*, 1997:1136-1140; Neely *et al.*, 2002:37) and the business performance measure relevance tests as proposed by Kennerly *et al.*, (2003:220).

Table 3.1 Tests of relevance of business performance measures

| Test | Purpose of the business performance measure |
|-------------------------|--|
| Truth test | Does the measure actually measure what it is supposed to? |
| Focus test | Is the measure exclusively measuring what it is supposed to? |
| Consistency test | Is the measure consistent despite by whom or when it is measured? |
| Access test | Is it easy to access the data needed to make the measurement? |
| Clarity test | Is there potential for ambiguity in the interpretation of the results? |
| So what test | Will the acquired data be acted upon? |
| Timeliness test | Can the data be analysed swiftly enough for action? |
| Cost test | Is the data obtained worth the costs involved to measure it? |
| Gaming test | Is the measure likely to motivate undesirable behaviour? |

Source: Adapted from Kennerly *et al.*, (2003:220).

3.4.2 TOP MANAGEMENT COMMITMENT

Research has indicated that top management commitment serves as one of the key drivers of implementing business performance measures in an organisation (Bourne, Neely, Platts & Mills, 2002:1308; Hendriks, Wiedman & Menor, 2008:R29). Top management fulfils an important role in specifying organisational values, thereby providing the entire organisation

with clear goals for focusing the culture change effort (Lingle *et al.*, 1996:59; Moravec, 1996:42). Thus, if the commitment of top management is weak, commitment at employee level and among the rest of management will follow suit. Consequently, the implementation of the business performance measures into the organisation will be impeded. Thus, the commitment of top management to the business performance measures is a very effective way to encourage employees (Meekings, 1995:7). The traditional phrase “leading by example” applies in this situation.

3.4.3 EMPLOYEE INVOLVEMENT

As depicted in Figure 3.3, employee involvement in the development and implementation processes, to ensure employee “ownership” of the business performance measures, is imperative. The possibility that employees can strongly resist new ways of measuring success that are unfamiliar to them is frequently underestimated (Lingle *et al.*, 1996:61). Resistance often begins with the lack of understanding, the fear of showing incompetence, or the fear of failure to deliver results according to the new standards (Meekings, 1995:8). The business performance measures have a greater chance of being successfully implemented by the empowerment, enablement and encouragement of employees (Frigo & Krumweide, 1999 as cited in Franco-Santos *et al.*, 2005:118).

- *Empowerment.* Active involvement in the development and implementation processes will aid employees to become more comfortable and familiar with the business performance measures, and avoid the “not-invented-here” syndrome. Consequently, empowerment will increase the likelihood that employees will take ownership of the measures (Moravec, 1996:41).

- *Enablement.* Training and education about the business performance measures and associated activities such as data acquisition, collation, sorting, analysing and interpretation, should be provided to employees (Frigo & Krumweide, 1999 as cited in Franco-Santos *et al.*, 2005:118). Such training ensures that both management and employees operate from shared expectations (Moravec, 1996:41).
- *Encouragement.* To develop a positive attitude towards the business performance measures, employees should be encouraged to employ the results of the business performance measures in their daily work (Franco-Santos *et al.*, 2005:118). As noted in the previous subsection, top management commitment is also an effective way to encourage employees (Meekings, 1995:7).

3.4.4 REVIEWING AND MANAGING REDUNDANT BUSINESS PERFORMANCE MEASURES

As illustrated in Figure 3.3, successful implementation of business performance measures requires that redundant business performance measures be reviewed and managed accordingly. The business performance measures face the challenge of the unremitting evolution of the dynamic corporate environment (Neely, 2005:1272). As the organisational strategy is adjusted according to the changing environment, the business performance measures have to be adjusted accordingly. The process of reviewing and adjusting the business performance measures should take place on a regular basis to ensure that the business performance measures remain aligned with the organisational strategy and do not become irrelevant or counterproductive (Kaplan & Norton, 1996, Kumaiti, 2004 and Neely *et al.*, 1997 as cited in Johnston & Pongatichat, 2008:942).

Another need to thoroughly review all currently employed business performance measures occurs when management decides to implement new performance measures (Neely *et al.*, 2002:52). Management tends to keep the old business performance measures and just include the new business performance measures. As a result, organisations have a plethora of redundant measures that only cause more administrative work and make implementation even more complicated. Thus, to keep the business performance measures relevant, it is vital that management constantly questions what is being measured and why (Neely *et al.*, 2002:73). The business performance measurement system should thus be construed as an ongoing process “*en route* for excellence” (Andersen & Fagerhaug, 2002:112; Johnston *et al.*, 2008:945; Kennerley *et al.*, 2003:218) and not merely an annual routine.

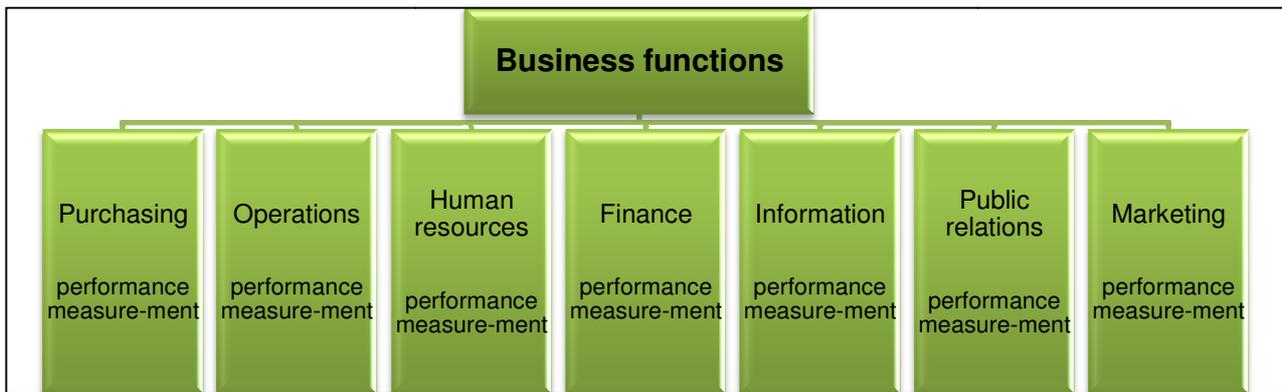
In this section, the measurement practices as illustrated in Figure 3.3 were reviewed. As stated, these practices not only aid the aid the implementation of business performance measurement in an organisation, but also form a foundation for developing performance measures for the various business functions. The subsequent section will examine performance measurement of each of the seven different business functions.

3.5 PERFORMANCE MEASUREMENT OF THE BUSINESS FUNCTIONS

This section discusses performance measurement of the various business functions. As stated in Chapter 2, all the business functions need to adhere to the “economic principle”, which is to achieve the optimum output with limited resources, as it is the rule by which the entire organisation conducts business. However, each function requires a separate set of

performance measures to gauge its operations and ensure that the function adheres to the “economic principle”. Figure 3.4 provides an illustration of the various business functions that will be discussed.

Figure 3.4 Performance measurement in the business functions



Source: Adapted from Van Rensburg (1997:11-12).

3.5.1 THE PURCHASING FUNCTION

As stated (section 2.2.1), the purchasing function is the procurement of the correct requirements of the right quality and quantity, at the right time, from the right supplier, at the right price and delivered at the right place (Vögel, 2006:118). Therefore, the measurement of this function’s performance involves gauging timeliness, supplier performance, prices and costs, amongst others. According to Cronje *et al.*, (2004:542) and Marx *et al.*, (1998:434-435) some of the more popular key success factors for the purchasing function include the following:

- *Price proficiency.* Number and value of discounts negotiated for a period, determining which part of every rand turnover constitutes purchasing costs, the actual prices paid in comparison to budgeted prices.
- *Supplier performance.* Supplier performance measures involve the number or rejected orders, orders received late, and the number of times it was necessary to expedite.
- *Timeliness.* Measures of timeliness involve noting the number of orders indicated as urgent, and the number of operations interruptions or rescheduling due to shortages in stock.
- *Workload.* This involves measuring the number of orders and requisitions attained by the purchasing function.
- *Purchasing costs.* Here purchasing costs are measured as a percentage of the monetary value of the purchases, to establish whether the costs involved were worth the actual purchase.
- *Inventory holding.* Inventory measures include the annual turnover of inventory, inventory losses and the obsolescence of stock.
- *Relationship performance.* This measure gauges the relationship of the purchasing function with those of suppliers, by means of a survey, supplier turnover, or number of alliances formed.

3.5.2 THE OPERATIONS FUNCTION

As stated, the operations function is responsible for transforming resource inputs into products or services (outputs) (see section 2.2.2). More simply, the operation function plans, organises and controls the transformation system (Van Rensburg, 1997:131). Cronje *et al.*,

(2004:515) propose quality, lead time and cost as major performance measures for the operations function:

- *Quality.* Quality control is considered one of the most important measures in the production function. Poor quality results in products being returned and the function having to repair or replace a product on its own cost, and standing the chance of hogging the current production line. Almost all organisations have some sort of quality control system in place.
- *Lead time.* Lead time refers to the time it takes the operations function to transform the input into the specified output. In other words, from when the order is received until the output is delivered. The lead time mirrors the effectiveness of the function, and the shorter the lead time, the more beneficial for the organisation.
- *Cost.* The cost metric considers the actual price in transforming the input into the output. The lower the price, the more cheaply the product could be offered to the consumer, or the organisation could obtain better profit per product or service sold.

3.5.3 THE HUMAN RESOURCE FUNCTION

The human resource function is responsible for the provision, maintenance and development of the organisation's employees (Van Rensburg, 1997:90). The performance of this particular function can take two approaches. First, human resource performance refers to measuring the performance of the employees for performance appraisal purposes. More specifically, employees' performance is assessed and compared to predetermined standards as set out in the job description. Second, the function itself can be gauged for the effectiveness of

performing its tasks according to the above-mentioned definition by Van Rensburg (1997). Cronje *et al.*, (2004:274) provide the following ratio analyses that can be applied:

- *Labour turnover*. Labour turnover refers to the number of times employees had to be replaced in a year, due to resignations.
- *Absenteeism*. The number of days employees did not come to work in a year. High absenteeism can be a sign of low job motivation or poor remuneration.
- *Composition of the labour force*. This measure indicates whether the workforce complies with the South African Employment Equity Act No. 55 of 1998.

3.5.4 THE PUBLIC RELATIONS FUNCTION

Public relations is the process of intentional and sustained communication between an organisation and its publics for the purpose of obtaining, maintaining or improving positive strategic relations and mutual understanding between the organisation and its different internal and external publics (Cronje *et al.*, 2004:354). Cronje further elaborates on the methods available to evaluate the effectiveness of the public relations. He proposes the following:

- *The amount of publicity accepted by the media*. The amount of publicity accepted by the media entails measuring the number of exposures obtained in newspapers, radio or television for a certain event. However, the pitfall with this measure is that exposure does not mean the target audience understood or even received the message.

- *Readability tests.* Readability tests are performed to measure whether the reports were properly readable. A readable report does not necessarily mean that the target audience has accepted the message.
- *Listener research.* This metric measures the number of people who heard or watched a programme.
- *Gauging attitudes.* By means of surveys, people's responses to certain reports or programmes can be measured.

3.5.5 THE FINANCE FUNCTION

As stated, the finance function is accountable for decisions concerning the acquisition of funds (which is known as financing) and the application of funds for the acquisition of assets (which is known as investment) (Cronje *et al.*, 2004:394) (see section 2.2.5). The activity of financial performance measurement is threefold; it concerns financial resources flowing into the organisation (revenue, returns on investment), financial resources that are held by the organisation (working capital, cash) and financial resources flowing out of the organisation (expenses, salaries) (Cronje *et al.*, 2004:272). In order to best measure the three activities, one can use a budget, financial analysis, or both.

- *Budget.* A budget is a formal plan that stipulates, in financial terms, how the organisation's financial resources are allocated to different departments or activities. Therefore, the budget forms the basis for controlling the application of the organisation's financial resources (Cronje *et al.*, 2004:272).
- *Financial analysis.* Financial analysis, on the other hand, is used to compare the financial performance of the organisation with that of competitors, by using ratio

analysis. Financial ratios can be divided into profitability ratios, activity ratios, and capital structure and liquidity ratios (Weitz, 2008:89):

- *Profitability ratios* aim to establish the profitability of the organisation by gauging how well the assets were applied and day-to-day operations were managed. Typical profitability ratios include net profit percentage, operating profit percentage and operating cost percentage.
- *Activity ratios* examine how well the application of current assets accomplished to produce sales or cash. Examples of activity ratios are the total asset turnover, fixed asset turnover, inventory turnover and percentage return on total assets.
- *Capital structure and liquidity ratios* assess whether the organisation is solvent, as well as its ability to pay debt. Ratios for this type of analysis include the debt-to-equity ratio, current ratio, return of equity percentage, and financial leverage.

3.5.6 THE INFORMATION FUNCTION

The role of the information function is to ensure that relevant, timely, cost-effective and accurate information is available to the appropriate decision-makers, as well as to ensure that the information is in the correct format (Marx *et al.*, 1998:666) (see section 2.3.6). Considering this definition, the following two performance measures can be deduced for this business function:

- timeliness of feedback; and
- accuracy of feedback.

Because these two information performance measures are self-explanatory, they will not be elaborated upon.

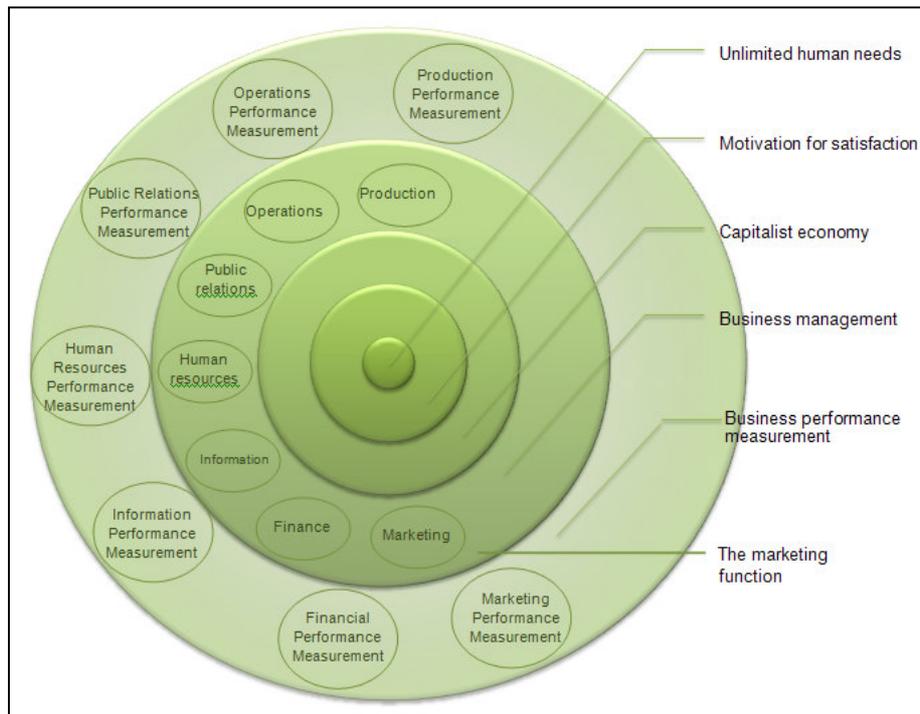
3.5.7 THE MARKETING FUNCTION

As confirmed by the discussion in this section, contributions to the business performance measurement domain have been made by researchers from diverse disciplines, such as finance, human resource management, manufacturing and operations, marketing and business strategy (Neely, 1999:221). However, the concept of marketing adopted in an organisation affects the kind of performance measurement system implemented for determining performance (Moorman, 1995, Dun *et al.*, 1994, Jaworski, 1988, Ruekert, 1992 and Webster, 1992 as cited in Ambler *et al.*, 2001). Since the aim of this study was to investigate marketing performance measurement practices in use in South African organisations, performance measurement of the marketing function is discussed in more detail in Chapter 4.

3.6 BUSINESS PERFORMANCE MEASUREMENT IN PERSPECTIVE

The objective of this chapter was to discuss the literature pertaining to business performance measurement, as well as to discuss performance measurement of each business function. Figure 3.5 presents an illustration of the position of business performance measurement with regard to business management. The performance measurement of each business function is also illustrated.

Figure 3.5 Business performance measurement in perspective



3.7 CONCLUSION

The main objective of this chapter was to discuss business performance measurement. The objective was achieved by examining the nature of business performance measurement. The trends that led to the increased interest in business performance measurement were reviewed, as well as four important practices of business performance measurement. The last section discussed performance measurement in each of the business functions, with the exception of the marketing function. The following chapter, Chapter 4, provides an in-depth discussion of marketing performance measurement.

CHAPTER 4

MARKETING PERFORMANCE MEASUREMENT

“It’s axiomatic in marketing that it’s not creative unless it moves merchandise. If more organisations understood that, they would post their profit and loss statement on their walls instead of their advertising awards” (Levinson, 1997).

4.1 INTRODUCTION

As stated, the negligence of marketers to measure their performance and to communicate their contributions to organisational performance has caused the marketing function to lose its credibility in the organisation and the global business realm (see section 1.2). The objective of this chapter is to examine the discipline of marketing performance measurement.

The chapter commences by revisiting the previous chapters to place marketing performance measurement in context. The significance and value of the marketing function in the organisation is then examined. This is followed by a discussion of the problem of marketing unaccountability. The various aspects that fuel this unaccountability as well as marketing’s history of unaccountability are also reviewed. The focus then shifts from unaccountability to one of accountability, as the requirements for a proper measurement system are discussed as well as a proposed framework for categorising marketing performance measures. The chapter concludes by examining marketing performance measurement in South Africa.

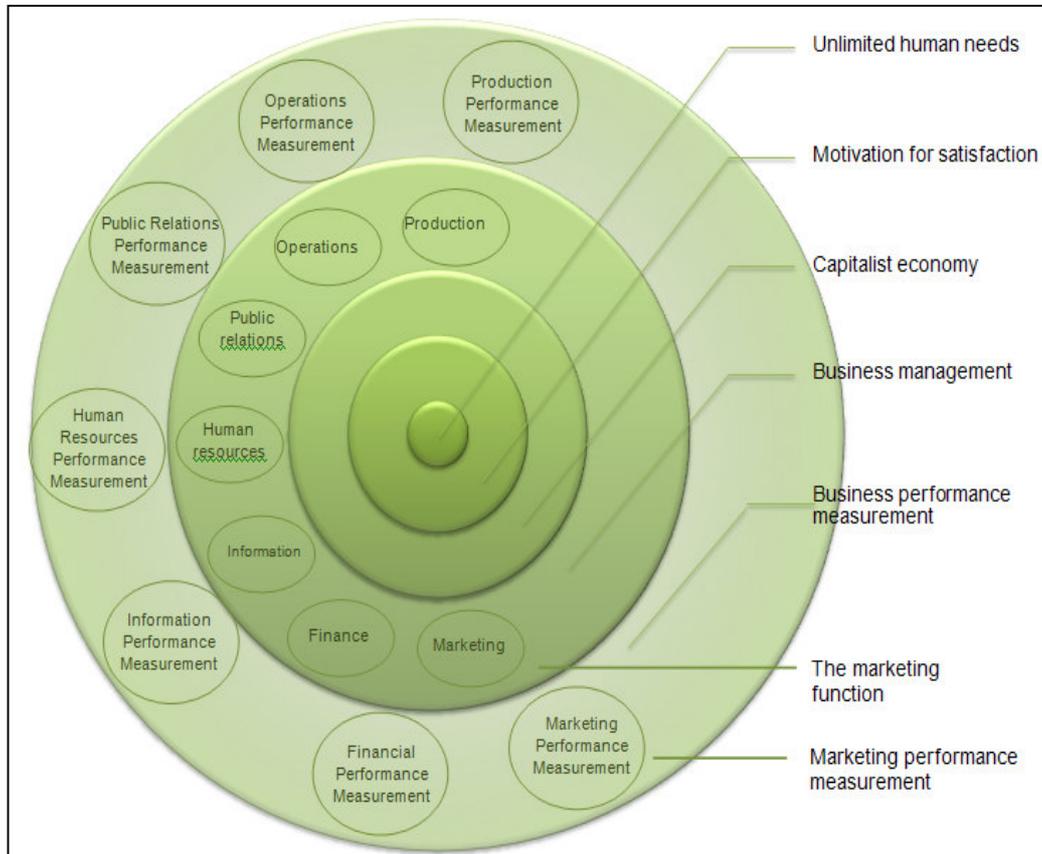
4.2 MARKETING PERFORMANCE MEASUREMENT IN CONTEXT OF THE PRECEDING LITERATURE

Chapter 2 provided a perspective of the position of this study within the business management literature, and in doing so, clarified the position of marketing within the business management discipline. Marketing, as it was established, is one of the seven functions of business management, which assists the business in achieving its role of need fulfilment, whilst applying the economic principle (Niemann *et al.*, 2002:4).

Chapter 3 examined the literature pertaining business performance measurement and argued that performance measurement is essential for any business improvement endeavour. Considering that the marketing function assists the organisation in achieving its objectives, the marketing function, like the other business functions, should therefore also adhere to the custom of performance measurement. Figure 4.1 depicts the various business functions as well as the responsibility of each business function, including marketing, to measure and communicate its performance and its contribution to the whole organisational performance.

Thus, from Chapter 3 and Figure 4.1 it becomes evident that performance measurement of the marketing function, like the other business functions, is compulsory. However, the marketing function's value and purpose in the organisation causes marketing performance measurement to be particularly important to the organisation. Therefore, a discussion of the significance of the marketing function precedes the discussion about marketing performance measurement.

Figure 4.1 Marketing performance measurement in context



4.3 THE SIGNIFICANCE OF THE MARKETING FUNCTION

Chapter 2 defined marketing according to the American Marketing Association’s definition which states that marketing is “an activity, set of institutions and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large,” (AMA, 2008). In addition to this definition, effective marketing can be described as the success of the whole organisation in gaining and retaining customers

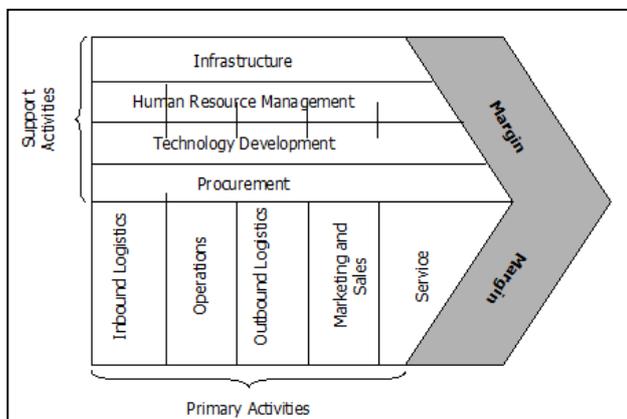
and thereby realising the organisation's purpose (Webster, 1992 as cited in Kokkinaki *et al.*, 1999:3).

Drucker (1974:61) maintains that the sole purpose of an organisation is to create and satisfy customers, implying that marketing is the only result-producing function in the organisation and that the other business functions are all merely expenses. This statement is explained by the fact that if no sufficient demand for products or services exists, the organisation is incapable of generating a profit; hence, none of the other organisational functions will matter (Kotler *et al.*, 2006:4; Marx *et al.*, 1998:30). Thus, what the organisation thinks it produces is not of first importance, especially not to the future of the organisation and to its success (Drucker, 1974:63). The marketing function anticipates consumer needs and provides direction for the production function (Van Rensburg, 1997:162) to produce products that meet consumer needs in a profitable manner (Lamb *et al.*, 2004:4). Thus, by means of demand creation, the marketing function ensures that the organisation has an income (Marx *et al.*, 1998:30).

The organisation's customers are the future flow of income. This notion is further supported by Ambler *et al.*, (2001), stating that customers remain the fundamental source of cash flow for most organisations and thus the provider of the resource on which all stakeholders depend. Eldridge (1970), Kotler and Keller (2006:4) assert that the marketing function is responsible for the financial success of the organisation. Kotler (1999 as cited in Patterson, 2007:271) summarises the importance of marketing to create customers to subsequently create profit, in a single sentence, "Marketing has the main responsibility for achieving profitable revenue growth by finding, keeping and growing the value of profitable customers."

The marketing function's contribution to profit generation is also underlined by Porter's (1990:40) generic value chain, as illustrated in Figure 4.2. The value chain identifies five primary activities that are foremost in creating customer value (Porter, 1990:40-41); these include inbound logistics, operations, outbound logistics, marketing and sales and service. The value chain also pinpoints four support activities: infrastructure, human resource management, technology development and procurement. For the organisation to be proficient in its value delivery, the performance of each value-creating activity should be measured and improved. Such increased value deliverance will result in increased cash flows, as indicated by the margin area in Figure 4.2. Considering that marketing is a primary value-creating activity, effective marketing contributes to increasing the organisation's profit.

Figure 4.2 The generic value chain



Source: Adapted from Porter (1990:41).

Thus, to remain in existence and to grow, the organisations is reliant upon its capability to create value as defined by its customers (Day, 1990, Porter, 1998 as cited in Llonch *et al.*, 2002), and not its products, factories or offices (Webster, 1992:14). Placing customers at the

heart of the organisation is not only the key to sustained competitiveness (Kotler, 1997 as cited in Kokkinaki *et al.*, 1999:3), but also keeps the organisation in existence (Drucker, 1974:63). The marketing function therefore contributes to the profit-generating ability of an organisation and subsequently influences the long-term organisational performance.

4.4 THE UNACCOUNTABILITY OF MARKETING TO MEASURE ITS PERFORMANCE

From the above, it has become evident that even though one cannot single out one business function as being the most important, the marketing function emerges as the only result-producing function of the organisation and is therefore the essence of the organisation's profit-generating ability. The ability of the marketing function to measure and communicate its contribution to organisational performance is thus vital to integrating the marketing function with the organisation's decision-making and operating processes (Frösén *et al.*, 2008). For this reason, measuring the performance of the marketing function not only influences organisational performance, but also influences the marketing function's stature within the organisation (Ambler, 2003 as cited in Frösén *et al.*, 2008; Lehman, 2004; Webster, Malter & Ganesan, 2003, Sevin, 1965 as cited in O'Sullivan *et al.*, 2007:80, 88; Ambler & Kokkinaki, 1997 and Ambler, 2000 as cited in Llonch *et al.*, 2002:415; Moorman *et al.*, 1999:181; O'Sullivan, *s.a*). Marketing performance measurement can thus be described as "the assessment of the relationship between marketing actions and organisational performance" (Clark and Ambler 2001:231 as cited in O'Sullivan *et al.*, 2007:80).

On account of the definition and the influence proper marketing performance measurement can have, it ought to be a critical management task. However, in reality, the discipline of marketing performance measurement has been neglected. Bonoma and Clark (1988:1 as cited in Ambler *et al.*, 2004:476) noted this negligence two decades ago, considering their statement, “Perhaps no other concept in marketing’s short history has proven as stubbornly resistant to conceptualisation, definition, or application as that of marketing performance.” This assertion is reinforced by more recent observations by Frösén *et al.*, (2008) stating that marketing performance measurement still appears to be among the most neglected management activities in the organisation and Stewart (2008:2), who argues that marketing is the last of the organisational functions to officially build and implement procedures and principles that can be measured quantitatively.

This negligence of the marketing function to demonstrate and communicate its contributions to organisational performance has caused the marketing function to lose its stature within the organisation (Lehmann, 2004 as cited in O’Sullivan *et al.*, 2007:79) and threatens marketing’s subsistence as a distinct organisational capability (Rust *et al.*, 2004:76). Consequently, marketing has a limited role in the process of organisational strategy formulation (Anderson, 1982, Day, 1992 and Webster, 1992 as cited in O’Sullivan *et al.*, 2007:80; Seggie *et al.*, 2007:834).

Marketing’s lack of accountability is even more worrisome considering the world economic recession that occurred in 2009 (IMF, 2009:1), creating an even greater need among organisations to understand and measure the returns obtained from the marketing investment. Organisations are under pressure to stay afloat and the burden lies with organisations to re-stimulate economic growth. Therefore, the pressures for cost-reduction,

combined with the current inability to document the contribution of marketing to organisational performance (Webster *et al.*, 2003:44) have resulted in marketing budget cuts and the downsizing of the marketing function.

According to Stewart (2008:1), nearly 25% of organisational expenditures are marketing-related, which makes the marketing budget a point of interest for management and shareholders. For this reason, it is obvious that management has realised that profits can easily be boosted during organisational hardships by simply reducing the marketing budget and other marketing expenses (Doyle, 2000:233). The CIA MediaLab Finance Director Survey (2000, as cited in Ambler, 2003:97) which established that marketing is the expenditure that is most likely to be cut back during difficult times confirms this notion.

By embracing the tougher accountability standards, marketers stand a chance to regain increased legitimacy and credibility with top management and in the organisation, and subsequently, marketing will resume a central role in organisational strategy (Webster *et al.*, 2003:29). Marketing's investment recommendations will thus be more critically reviewed and increasing amounts of resources will be allocated to value-enhancing marketing initiatives (Rust, Ambler, Carpenter, Kumar & Sarivastava, 2004 as cited in Seggie *et al.*, 2007:836). It is far better that marketers divert part of the allocated budget away from actual marketing programmes, towards measurement efforts (O'Sullivan *et al.*, 2007:90), rather than to undergo arbitrary budget cuts and have even less money for marketing programmes and measurement endeavours.

4.5 THE FACTORS THAT FUEL MARKETING'S UNACCOUNTABILITY

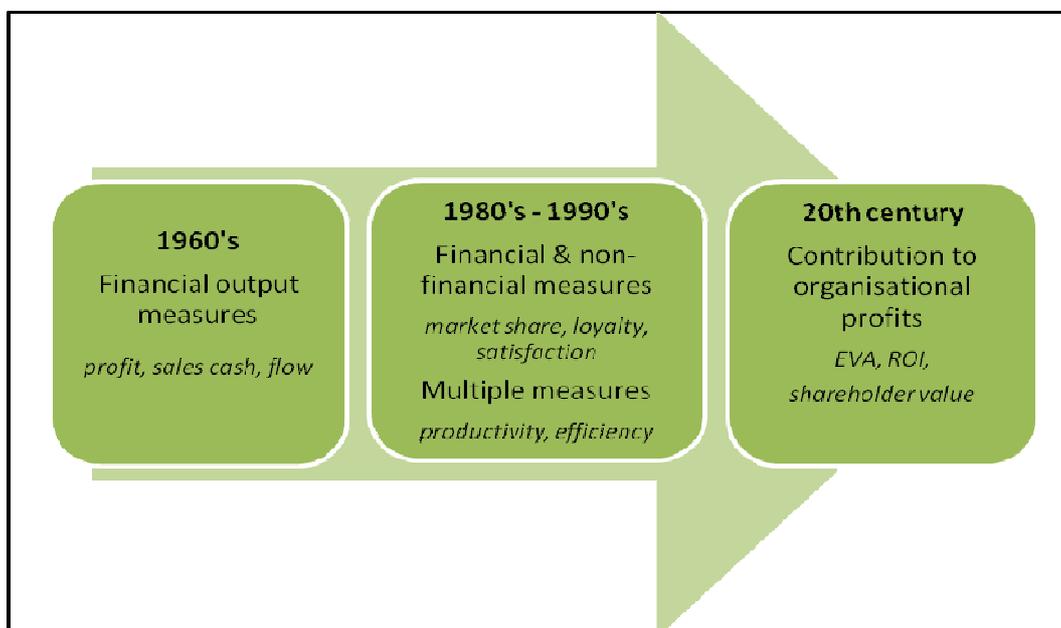
The laxity of marketers to measure their performance can be directly related to the lack of research in this particular field (Llonch *et al.*, 2002:414). However, the magnitude and complexity of the issues marketers are facing with regard to performance measurement explain the disinclination to conduct research. Apart from being unaccountable, the marketing performance literature has been criticised for its inability to measure performance in financial terms (Kokkinaki *et al.*, 1999:3) and for the lack of relating marketing activities to short- and long-term effects, which leads to difficulties in measuring brand equity (Marketing Leadership Council, 2001 as cited in Llonch *et al.*, 2002:414 and Dekimpe & Hanssens 1995, 1999 as cited in Ambler *et al.*, 2001). Lastly, the excessive number of different measures and the related difficulty of comparison (Clark, 1999; Kokkinaki & Ambler, 1997) remain a problem.

As stated (see sections 1.1 and 1.4), to encourage research in the field of marketing performance measurement and to highlight the importance of measuring marketing performance, the Marketing Science Institute selected marketing performance measurement as a top research priority for four consecutive iterations (MSI 1998, MSI 2000, MSI 2002, MSI 2004 as cited in O'Sullivan, s.a.). In the 2008-2010 iteration, accountability and return on investment of marketing expenditures once again emerged as a research priority (MSI, 2008). Even admired journals such as the "Journal of Marketing" had devoted an entire issue to the discipline of marketing performance measurement in 2004 (Frösén *et al.*, 2008).

By discussing the short history of marketing performance measurement, the obstacles that marketers face, are evident. Since its induction, marketing performance measurement has

been a balancing act between financial and non-financial measures and needs to find equilibrium of measures. Whilst attempting to find a balance between financial and non-financial measures, marketing performance measures have developed from being merely of a financial nature, to incorporating both financial and non-financial measures, to include multiple measures (see Figure 4.3).

Figure 4.3 Marketing performance measurement development



Source: Adapted from Clark (1999).

Ultimately, marketing performance measures should demonstrate the function's contribution to organisational profits. These different measurement focuses, as depicted in Figure 4.3, will be discussed below.

4.5.1 FOCUS ON FINANCIAL MEASURES

The pioneering efforts in the marketing performance measurement discipline, in the late 1960s, assumed an accounting perspective to measurement, and focussed on financial measures such as profit, sales and cash flow (Sevin, 1965 and Goodman, 1979, 1972 as cited in Clark, 1999:712). However, these financial measures received much criticism. During the late 1980s and the 1990s, intangible resources started making increased contributions and rapid changes in technology. Shortened product life cycles occurred, hence financial measures, which primarily focussed on the short term, were no longer deemed as sufficient (Johnson & Kaplan 1987:254 as cited in Chendall & Langfield-Smith, 2007:167).

The short-term focus of financial measures caused management to focus their attention on the immediate effects of marketing: the short-term sales rather than profit over the long term (Webster *et al.*, 2003:40). As a result, the long-term customer focus, which was generated by the marketing investment, was damaged (Ambler *et al.*, 2001) because of the difficulty in drawing any causality between substantial lag between marketing expenses and returns. As a result, the financing available for marketing actions also started to dwindle (Webster *et al.*, 2003:34).

4.5.2 FOCUS ON NON-FINANCIAL MEASURES

Researchers realised that financial measures merely recorded historical performance, and that forward-looking measures were necessary to measure organisational strategy (Chakravarthy, 1986 as cited in Ambler *et al.*, 2001). Seggie *et al.*, (2007:836) compared the

concept of managing according to historical performance measures to steering a car by looking in the rear-view mirror. Consequently, performance measurement frameworks were expanded to include both financial and non-financial measures. Measures such as market share, customer satisfaction, customer loyalty and brand equity became increasingly popular (O'Sullivan, s.a.; Clark, 1999:714). Brand equity, in particular, was developed in reaction to the short-term focus of financial measures (Leuthesser, 1988 and Barwise, 1993 as cited in Barwise & Farley, 2004:258) to help resolve the difficulty of relating marketing activities to long-term effects.

At the same time that non-financial measures were appearing, multiple measures such as efficiency, effectiveness, marketing audit and multivariate analysis emerged (Clark, 1999:719). This movement evoked contrasting reactions. For researchers, multidimensional measures were theoretically more desirable, to obtain the most complete representation possible of marketing performance. Conversely, practitioners found the complicated measures more difficult to use (Clark, 1999:719).

The abundance of non-financial measures available resulted in marketers misusing the measures to gain unfair advantages. Marketing managers constantly employed a different set of measures that portrayed the function in a positive light, in order to escape being held accountable for poor performance. In addition, marketers manoeuvred intermediate measures such as customer satisfaction and market share, to get bonuses and job promotions, whilst the actual performance suffered (Seggie *et al.*, 2007:836). Moreover, by merely applying non-financial measures and thus escaping financial accountability, the marketing function was perceived as being weak and became disregarded at boardroom level.

4.5.3 RENEWED FOCUS ON FINANCIAL MEASURES

Then, at the turn of the century, a major shift towards the specialisation of functional areas in the organisation occurred, which not only resulted in greater efficiency, but also facilitated a deeper level of knowledge within each function. This shift ultimately led to the domination of the financial function (Lehmann, 2004:73). Consequently, organisational functions were expected to account for their expenses and contributions to organisational performance in financial terms. Measures such as economic value added, return on investment and shareholder value have been dominating the scene since then (O'Sullivan, *s.a.*). As a result, marketing can no longer disregard the power of numbers (Stewart, 2001:301) and needs to link its expenses and contributions to financial performance in order to be re-acknowledged as an imperative voice in the boardroom about important organisational decisions (Lehmann 2004:74).

The rationale for financial accountability is further underscored by the simple fact that in a free-market system, success is measured in currency; therefore, organisational activities are logically assessed in monetary terms (Lehmann, 2004:73). Accordingly, all organisations report and are evaluated based on financial measures, signifying that finance is the language of business (Stewart, 2008). Thus, by speaking the same language as the rest of the organisation, CEOs, CFOs and shareholders can obtain a better understanding of marketing initiatives, intervene in a more timely way when value creation is slowing, and take appropriate corrective action (Seggie *et al.*, 2007:836). This supports the *raison d'être* of performance measurement, which is to attain well-timed feedback so that remedial action can be taken (Ambler *et al.*, 2004).

Finance and accounting, however, are far from being flawless, considering the scandals that marked the turn of the 21st Century, such as Enron and WorldCom in the United States (CNNMoney, 2002) and Fidentia and Leisurenet (FANews Online, 2007) in South Africa. Moreover, financial accounting hardly manages to capture the intangible assets that make up the majority of many organisations' worth (Lehmann, 2004:73). To illustrate the importance of intangible assets, in 1996 already, tangible assets were responsible for less than a third of the value of Wall Street (Standard & Poor, 1996 as cited in Kokkinaki *et al.*, 1999:6). Two thirds of Wall Street's value is thus left to be accounted for by intangibles assets. Similarly, research revealed that two-thirds of the market value of Britain's largest organisations also lies in intangible assets (Doyle, 2000:236). Certainly, not all of the intangible assets derive from marketing activities; some may arise from the skills of the employees, the value of patents and licences, or the possession of scarce resources (Doyle, 2000:236). Nevertheless, the majority of marketing assets are intangible (Foster & Gupta, 1994 as cited in Seth & Sharma, 2001:343).

Marketers have yet to link marketing's performance to organisational performance in a language that is comprehensible to the boardroom. Until then, marketing remains the face of unaccountability, arguing, "Justifying its expenditures in financial terms is intricate, as many of the outcomes are by definition difficult to measure" (Webster *et al.*, 2003:34). Because of the importance business management assigns to financial measures, Clark (1999:723) realised that financial measures would most likely always be employed for marketing performance assessment. Financial analysis is essential for modern business and advantageous in moderation.

However, excessive dependence on financial measures may be detrimental for the organisation (Ambler, 2003:69) as it can result in an overall short-term focus (as discussed in section 4.6.1). For this particular reason, non-financial measures also have their place in marketing performance measurement (Marketing Science Institute, 2000, Schult, 2000, Moorman & Rust, 1999 and Shaw & Mazur, 1997 as cited in Ambler *et al.*, 2001) and marketers ought to regard the different metrics as complements rather than substitutes (Barwise *et al.*, 2004:258).

4.5.4 OVERABUNDANCE OF MEASURES

Although the marketing function is neglecting to measure and communicate its contributions to organisational performance, the few marketers who attempt performance measurement find themselves overwhelmed by the overabundance of measures. This is simply a result of the shifts in focuses within the marketing performance measurement realm, as depicted in Figure 4.3. Consequently, the discipline is plagued by a plethora of available measures. In Ambler and Kokkinaki's (1997:672) study about the measures of marketing success, the number of different measures employed by marketers globally, was already evident in 1997. Thirteen years later, with marketing still being as unaccountable as ever, this problem has surely not been solved; in fact, it has only intensified.

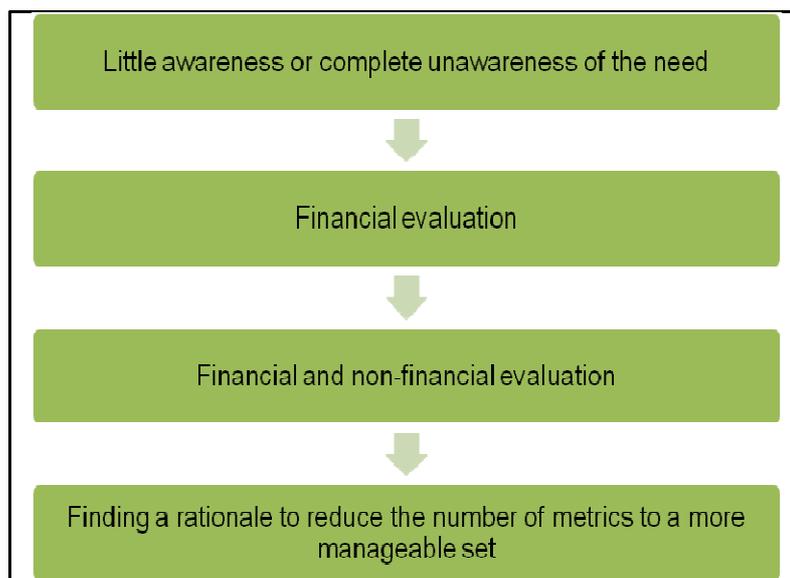
Besides, not only is the multiplicity of measures difficult to make sense of, it restricts marketers from drawing comparisons between the outcomes of different studies (Murphy *et al.*, as cited in Ambler *et al.*, 2001). Performance measures need to be compared in order to provide perspective and meaning to the outcome. Ideally, marketing should aim to present

management with a few measures that are straightforward enough to be usable, but broad enough to give a truthful performance assessment (Clark, 1999:720).

4.5.5 PATTERN OF METRICS DEVELOPMENT

Considering the above discussion, there appears to be a general pattern according to which marketing metrics are developed. Ambler (2003:94; 2001) documented similar patterns on two different occasions. A combination of the two is presented in Figure 4.4.

Figure 4.4 General pattern of metrics development



Source: Adapted from Ambler, (2003:94; 2001)

- o *Stage 1: Little awareness or complete unawareness of the need.* During the first stage of the process, marketers and top management are either completely

oblivious or else hardly aware of the need to measure marketing performance. In such cases, the marketing function is probably not regarded as an organisational function that deserves boardroom attention.

- *Stage 2: Financial evaluation.* In Stage 2, marketing performance is assessed using only financial measures. Top management only consider reviewing marketing performance in terms of profit and loss account and cash flow.
- *Stage 3: Financial and non-financial evaluation.* Financial measures are acknowledged as being insufficient, and numerous non-financial measures are employed. Consequently, an oversupply of performance measures exists. At this stage, the pressure escalates to develop a single performance measure to encapsulate the countless measures in use.
- *Stage 4: Finding a rationale to reduce the number of metrics to a more manageable set.* Management aims to simplify the abundance of financial and non-financial measures, by analysing all measures in use to provide a list of the measures considered as being the most important to the organisation as well as the most accurate and predictive. This stage is ultimately where all organisations should aim to be.

The crux of marketing performance measurement lies not in the actual act of measuring performance, as has been discussed until this point. The crux lies in the process of assessing the performance. Marketing performance assessment entails that the marketer is able to evaluate, compare, debate and reflect upon the performance results in order to draw managerial conclusions from them. In other words, performance assessment necessitates the marketer to have an understanding of what the actual measurement outcomes are implying for the marketing function and the organisation as a whole. It has been suggested that there

are three basic criteria to which the marketer should adhere, in order to properly conduct marketing performance assessment.

4.6 BASIC CRITERIA FOR ASSESSMENT OF MARKETING PERFORMANCE

Performance will remain relative, unless it is compared to benchmarks (Kokkinaki *et al.*, 1999:5). Marketing performance without having a basis to compare it to is like “serving spaghetti without a plate”. Measurement needs a foundation in order to be comprehensible (Ambler, 2003:127). More simply, if performance is not compared to a target, the performance remains meaningless, as there is no indication whether the performance has improved or not, or whether the organisation is on par with the industry standards or not. In order to properly establish how well marketing is performing, marketing performance measures should be compared to internal benchmarks as well as external benchmarks, and should be adjusted for any change in the brand equity (Kokkinaki *et al.*, 1999:6; Ambler *et al.*, 2001; 2004:485; Ambler, 2003:26).

4.6.1 INTERNAL BENCHMARKS

Internal benchmarks reveal the extent to which management’s own expectations are met (Kokkinaki *et al.*, 1999:5; Ambler, 2001). The marketing or business plan is considered the most common internal benchmark. Research reveals that marketing plans are predominantly financial, containing overall more financial measures than market measures (Ambler, 2003:27-28). Where marketing plans do not contain any metrics for comparison,

organisations are compelled to use benchmarks such as the previous year's results, and results of different departments within the organisation (Eccles, 1991:133).

However, the problem posed by these internal benchmarks is that more often than not, the prior year's results do not reflect management's vision for the current year (Ambler, 2003:27). Furthermore, internal benchmarks in general tend to cause complacency, thereby misleading management into a wrong impression of confidence in the performance (Eccles, 1991:133).

4.6.2 EXTERNAL BENCHMARKS

Conversely, external benchmarking entails the comparison of the organisation's performance to that of successful companies or competitors (Eccles, 1991:133) in the external environment. The rationale behind this measurement is simple; no matter how good the organisation's performance is, it still needs to be better than the competitors' performance. This kind of measurement is not frequently found in marketing, since few organisations publish their performance results, because it is deemed to be market intelligence and therefore a competitive advantage. Ambler (2003:30) posits that "if organisations start measuring alike they may begin to think alike and marketing is all about differentiation."

It is imperative that managers assess performance against what it was supposed to achieve, and against competitors. Therefore, marketers should develop a balanced set of benchmarks. Over-emphasis on either internal or external benchmarks can be potentially detrimental for the performance, as management risks losing touch with the external environment when only focussing on internal yardsticks and *vice versa*.

4.6.3 ADJUSTING FOR CHANGE IN BRAND EQUITY

As mentioned (see section 4.5), the marketing performance literature has been criticised for the lack of relating marketing activities to short- and long-term effects, which in turn leads to difficulties in measuring brand equity (Marketing Leadership Council, 2001 as cited in Llonch *et al.*, 2002:414 and Dekimpe & Hanssens 1995, 1999 as cited in Ambler *et al.*, 2001). Brand equity, or whatever term is used for the marketing asset, represents the “present value of future performance, insofar as it has already been earned” (Ambler, 2003:66). In other words, brand equity is in fact a storehouse of future profits which have resulted from past marketing activities, and have yet to reach the profit and loss accounts. Thus, the marketing asset is a means to reconcile the short- and long-term performance of marketing (Leuthesser, 1988 and Barwise, 1993 as cited in Barwise *et al.*, 2004:258; Ambler *et al.*, 2001).

Kotler *et al.*, (2006:276) define brand equity as “the added value endowed to products or services, by the brand and may be reflected in how consumers act, think or feel with respect to the brand.” In other words, brand equity exists in the minds of consumers, and results in consumers being willing to pay a price premium for the branded product, and acts as a barrier for competing products. Hereby, the organisation gains a sustainable competitive advantage by using the brand as a competitive barrier (Farquhar, 1989).

The requirement for valid benchmark comparisons emphasises the importance of measuring short-term performance on a like-for-like basis. However, to compare like with like and report truthful short-term performance, marketers should ensure that the period under review is not corrupted by the effects of other periods (Ambler, 2003:32). For instance, an advertising campaign may have effects that take longer than a year to perish. Consequently, these

effects will have an impact on the following year's financial outputs (Assmus, Farley & Lehmann, 1984 as cited in Kokkinaki *et al.*, 1999:5; Ambler *et al.*, 2001; 2004:485; Ambler, 2003:26) and cause misalignment between the marketing inputs and financial outputs.

Therefore, to ensure that short-term performance portrays an unbiased picture, the gain or loss in the market-based asset should be quantified at the beginning and end of each period, and the difference should be used to adjust the short-term performance (Kokkinaki *et al.*, 1999:5; Ambler *et al.*, 2001; 2004:485; Ambler, 2003:26). The third condition for proper marketing performance measurement is thus whether management formally reviews the marketing assets and the amounts by which they have changed from period to period (Ambler, 2003:33).

As stated, (see section 4.5.3) marketing assets are becoming increasingly important, considering that intangible assets account for up to two-thirds of major American and British organisations. Yet the predicament of marketing performance measurement lies in measuring the intangible asset, or brand equity (Ambler *et al.*, 2001, 2003:51; 2004:480). Financial or non-financial measures can be employed for the measurement of brand equity (Ambler *et al.*, 2004:479). However, more clarity on measuring the brand equity will be provided in the following section.

This section has given criteria for thoroughly assessing marketing performance. As mentioned previously, marketers who attempt to measure find themselves overwhelmed by the abundance of measures. Thus, in order to adhere to the criteria discussed in this section, amidst the plethora of measures a framework for proper marketing performance

measurement is required. The following section reviews an outline by which marketers can categorise their marketing measures for proper assessment.

4.7 FRAMEWORK FOR CATEGORISING MEASURES

The simplest framework for categorising marketing performance measures may contain only input and output measures, input measures being the marketing actions and expenditures, and outputs being the profits and cash flow that results from the marketing actions (Ambler *et al.*, 2004:480). However, such a framework would be erroneous as the link between the inputs and outputs is mostly unclear, as previously mentioned (see sections 4.6.2 and 4.7.3). The vague link between marketing inputs and outputs is because marketing actions create benefits that have yet to be materialised as sales in future periods. Moreover, these benefits or brand equity exists in consumers' heads, and cannot readily be measured. For this reason, proxies are required to translate the value of the marketing asset (brand equity).

Kokkinaki and Ambler (1999) performed an exploratory investigation into the current practice of marketing performance assessment, as part of the Marketing Metrics project. As stated (see section 1.2), the Marketing Metrics project was a research programme that was sponsored by the Marketing Society, the Marketing Council, the Institute for Practitioners in Advertising, the Sales Promotions Consultants Association, the London Business School and the Marketing Science Institute. Their research revealed that marketing performance measures could be classified into six categories:

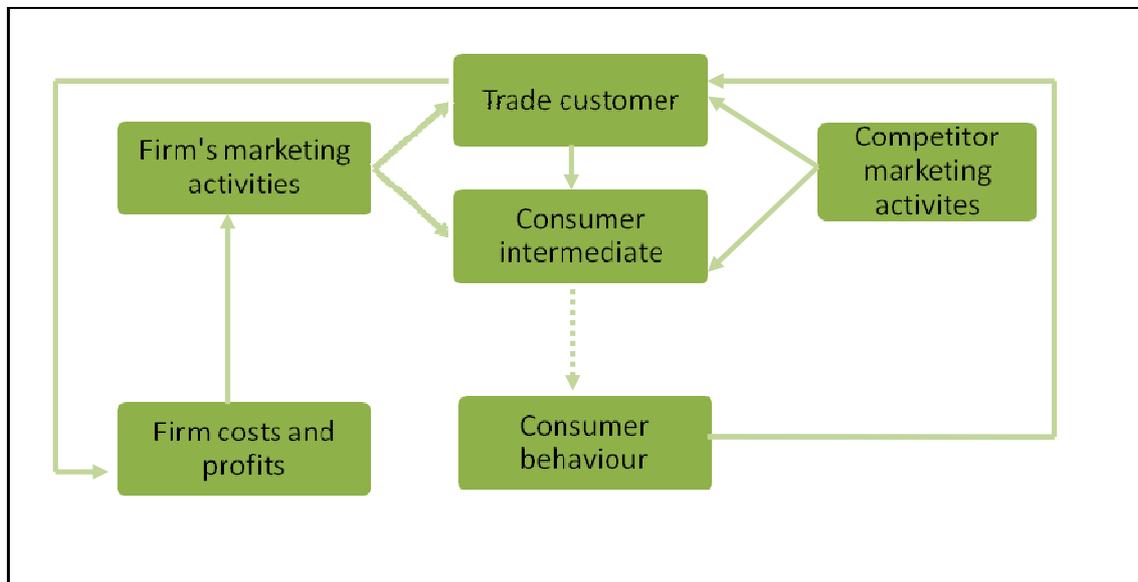
- *Financial measures*. For example sales volumes or turnover, profit contribution, return on capital.
- *Competitive market measures*. For example, market share, share of voice, relative price, share of promotions.
- *Consumer behaviour measures*. For example, penetration, number of users or consumers, user or consumer loyalty, user gains, losses or churn.
- *Consumer intermediate measures*. For example, awareness, attitudes, satisfaction, commitment, buying intentions, perceived quality.
- *Direct customer measures*. For example, distribution or availability, customer profitability, satisfaction, service quality.
- *Innovativeness measures*. For example, number of new products or services, revenue generated from new products or services as a percentage of sales.

These six categories of marketing measures are assembled into a conceptual model, which

- illustrates how intermediate and behaviour measures can be used to separate the effects of brand equity and
- provides a framework for assembling marketing measures (Ambler *et al.*, 2001).

Figure 4.5 provides a graphical representation of the conceptual model and the relationships among the marketing performance measures.

Figure 4.5 Model of marketing performance measures



Source: Adapted from Kokkinaki *et al.*, (1999:11).

As previously mentioned, marketers require the use of proxies, such as intermediate measures and behaviour measures, to help translate the value of brand equity. Figure 4.5 proposes two ways to break-down the results of brand equity; first by separating the “immediate (trade) customer from the end user (consumer)” and secondly, by “distinguishing the consumer intermediate effects from consumer behaviour effects” (Ambler *et al.*, 2001). Intermediate measures seek to estimate what is in consumers’ heads by measuring attitudes, intentions, awareness or perceived quality, and are mainly emotional interpretations of consumers’ memories. Consumer behaviour measures such as loyalty and purchases are more reliable and encompass the actual action performed by the consumer, and not merely an emotion (Ambler, 2003:63). Thus, marketing activities affect both trade customers and end users at the intermediate level. These in turn interact and result in consumer usage. Cash

flows from consumer to trade customer to the financial results (both costs and profits) but these also fund the marketing activities (Ambler *et al.*, 2001).

Figure 4.5 also provides a framework by which marketing performance measures can be categorised according to the necessary short- and long-term measures. In this respect, short-term measures are provided by

- inputs, or marketing activities such as share of voice, and by
- outputs, or the financial results such as profit contribution and sales.

Then the brand equity changes, which are required to adjust the short-term focus by, are supplied by the status of the three boxes in the central columns: trade customer, and consumer intermediate, and consumer behaviour as discussed in the previous paragraph (Ambler, 2001).

According to the three criteria as discussed in section 4.7, for proper marketing performance measurement, marketing performance measures should be compared to internal benchmarks and external benchmarks, and should be adjusted for any change in the brand equity (Kokkinaki *et al.*, 1999:6; Ambler *et al.*, 2001; 2004:485; Ambler, 2003:26). Since this framework, as proposed by Kokkinaki *et al.*, (1999:6), Ambler *et al.*, (2001, 2004:485) and Ambler (2003:26) was developed in response to, and thus adheres to, the three criteria, this framework can be used to assess the adequacy of the marketing performance measurement system.

4.8 MARKETING PERFORMANCE MEASUREMENT IN SOUTH AFRICA

It appears that marketing performance measurement is a generic problem in organisations across the world, considering that studies about marketing performance measurement as well as its influence on organisational performance have been conducted in multiple countries including Finland (Frösén et al., 2008), China (Ambler & Xiucun, 2003), Spain (Llonch et al., 2002) and Ireland (O'Sullivan s.a.). In South Africa too, the lack of marketing accountability remains a pressing issue due to the lack of research in this field (De Villiers, 2010).

Marketing performance measurement is still in its development phase in South Africa as little knowledge exists about its practices in South African organisations (Moerdyk, 2010). Only recently have South African marketing researchers started discussing the problem of marketing's unaccountability (McDonald, 2007). South African marketing researchers seem oblivious of the importance and demand for research in the marketing performance measurement field (Moerdyk, 2010). Little knowledge thus exists about the marketing performance measurement practices of South African organisations.

From the above, one can thus conclude that even in South Africa, marketing performance measurement remains a challenge. Moerdyk (2010) is of the opinion that the marketing research industry should lead the effort of attempting to measure marketing performance. To overcome the challenge and resolve the paucity of research in the field, in South Africa (McDonald, 2007) research needs to be conducted into the marketing performance measurement practices.

4.9 CONCLUSION

In summary, the pressure on marketing managers to be accountable for all marketing expenses in a way that is understood by everyone in the organisation is increasing. Performance measurement simply needs to become an integral part of marketing in South African organisations and in organisations across the world, if marketing wishes to maintain its position in the boardroom and remain part of the organisation's strategic decision-making processes.

This chapter has provided a broad overview of the different facets of marketing performance measurement. The chapter commenced by revisiting the previous chapters to place marketing performance measurement in context. This was followed by an examination of the significance and value of the marketing function in the organisation. The problem of the marketing function's unaccountability to measure its performance and the factors that fuel this unaccountability was then discussed. An overview of marketing's history of unaccountability was also provided. The basic criteria for proper marketing performance assessment were reviewed, followed by a discussion of a framework by which marketers can categorise marketing performance measures. The chapter concluded with an inspection of marketing performance measurement in South Africa. The following chapter will examine the research methodology that was employed to reach the study's objectives.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

The preceding chapters discussed business management, business performance measurement and marketing performance measurement. The objective of this chapter is to describe the research methodology that was used in this study by examining each step of the marketing research process. Since the research methodology depends on the research problem and objectives (Mouton, 1996:38), it is deemed appropriate to reiterate the research problem and objectives, as stated in section 1.3.

The research problem was the unaccountability of marketers towards performance measurement. Hence, the purpose of this study was to investigate the marketing performance measurement practices used by marketers in South African organisations.

The secondary objectives of the study were as follows:

- to assess marketers' satisfaction with existing measures of marketing performance;
- to assess the measures considered by top management when reviewing marketing performance;
- to assess current marketing performance measurement practice with regard to measure collection;

- to assess the importance top management attaches to marketing performance measures;
- to assess the benchmarks used in marketing performance measurement; and
- to assess marketing performance measurement practice with regard to the organisation's marketing asset.

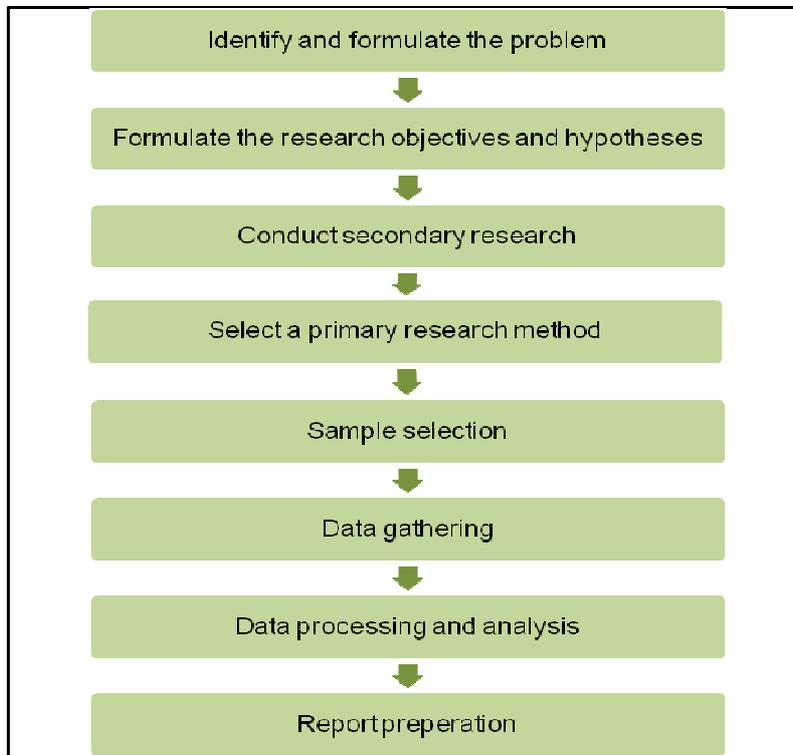
As noted in section 1.3, this study is not a pure replication of Kokkinaki *et al.*, (1999), but a partial replication only. Hence, apart from changing the context and narrowing the research problem, the methodology was designed to mirror the methodology of Kokkinaki *et al.*, (1999).

5.2 THE MARKETING RESEARCH PROCESS

Marketing research can be defined as “the systematic and objective identification, collection, analysis and dissemination of data to ultimately assist management in decision making related to the identification and solution of problems and opportunities in marketing” (Roberts-Lombard, 2002:2). Simply put, marketing research removes some of the uncertainty and improves the quality of decision-making in a highly complex environment (Malhotra, 2002:15).

Like any form of scientific enquiry, marketing research involves a sequence of interrelated activities (Zikmund *et al.*, 2007:58), referred to as the marketing research process. The process provides a systematic and planned approach to the research study, and is illustrated in Figure 5.1. A discussion of each of the steps and their application follows.

Figure 5.1 The marketing research process



Source: Adapted from Zikmund (2007:60).

5.2.1 STEP 1: IDENTIFY AND FORMULATE THE PROBLEM

The marketing research process commences with the identification and formulation of the research problem. A marketing problem refers to the situations that might embody actual problems to a marketing decision-maker as well as those situations that might be called opportunities (Churchill & Iacobucci, 2002:61). Defining the problem incorrectly will cause the research process to be misdirected (Zikmund *et al.*, 2007:194). Thus, for research to be valuable and appropriate, it is vital that the problem is accurately defined (Kumar, Aaker & Day, 2002:48).

In Chapter 1 exploratory research was conducted by exploiting secondary data to properly identify and formulate the problem. For the purpose of this study, the problem was the lack of information about marketing performance measurement in South African organisations. Therefore this study investigated the marketing performance measurement practices of South African organisations.

As stated in Chapter 1, Kokkinaki *et al.*, (1999) conducted a study to investigate marketing performance assessment in British organisations. Considering the need for replication research in marketing (Berthon *et al.*, 2002:416; Hunter, 2001:158 and Easley *et al.*, 2000:90) and the fact that their study was supported by various internationally acclaimed bodies and associations, as well as the fact that multiple researchers have replicated their study (Frösén *et al.*, 2008; Ambler *et al.*, 2003 and Llonch *et al.*, 2002; O'Sullivan *s.a.*), it was decided to partially replicate a study conducted by Kokkinaki *et al.*, (1999) (see section 1.3).

5.2.2 STEP 2: FORMULATE THE RESEARCH OBJECTIVES AND HYPOTHESES

The marketing research objectives are the goals to be accomplished by conducting research (Zikmund *et al.*, 2007:59). Achieving the objectives provides the information necessary to solve the marketing problem in question (Burns & Bush, 2006). The research objectives should be stated in terms of the precise information necessary to address the marketing research problem.

As stated in Chapter 1, the purpose of this study was to investigate the marketing performance measurement practices in South African organisations. Since this study attempted to partially replicate a study conducted by Kokkinaki *et al.*, (1999), the research

objectives were formulated to be consistent with a section of the Kokkinaki study that was replicated (see section 1.3). The research objectives for this study are as follows:

- to assess marketers' satisfaction with existing measures of marketing performance;
- to assess the measures considered by top management when reviewing marketing performance;
- to assess current marketing performance measurement practice with regard to measure collection;
- to assess the importance top management attaches to marketing performance measures;
- to assess the benchmarks used in marketing performance measurement; and
- to assess marketing performance measurement practice with regard to the organisation's marketing asset.

Next, the hypotheses need to be derived from the research objectives (Zikmund *et al.*, 2003:524). Hypotheses are formal statements about the relationship between two or more variables, which are formulated in a manner suitable for empirical testing, with the intention to achieve the research objectives (Coldwell & Herbst, 2004:86).

In this study, marketing performance measures were classified into six categories (i.e. "financial measures", "competitive market measures", "consumer behaviour measures", "consumer association measures", "direct customer measures" and "innovativeness measures") (see section 4.7). Research questions were derived from the research objectives and each research question, was subdivided into six hypotheses, relating to each measure category.

Does the size of an organisation influence respondents' satisfaction with existing marketing performance measures?

H₁ : The size of an organisation influences respondents' satisfaction with existing marketing performance measures

Does top management consider "financial measures" of marketing performance more regularly than the other measures of marketing performance?

H_{2(A)}: "Financial measures" are more regularly considered by top management than "competitive market measures"

H_{29B)}: "Financial measures" are more regularly considered by top management than "consumer behaviour measures"

H_{2(C)}: "Financial measures" are more regularly considered by top management than "consumer association measures"

H_{2(D)}: "Financial measures" are more regularly considered by top management than "direct (trade) customer measures"

H_{2(E)}: "Financial measures" are more regularly considered by top management than "innovativeness measures"

Does the size of an organisation influence the regularity with which marketing performance measures are considered by top management?

H_{3(A)}: The size of an organisation influences the regularity with which "financial measures" are considered by top management

- H_{3(B)}:** The size of an organisation influences the regularity with which “competitive market measures” are considered by top management
- H_{3(C)}:** The size of an organisation influences the regularity with which “consumer behaviour measures” are considered by top management
- H_{3(D)}:** The size of an organisation influences the regularity with which “consumer association measures” are considered by top management
- H_{3(E)}:** The size of an organisation influences the regularity with which “direct (trade) customer measures” are considered by top management
- H_{3(F)}:** The size of an organisation influences the regularity with which “innovativeness measures” are considered by top management

Are “financial measures” of marketing performance are more regularly collected than the other measures of marketing performance?

- H_{4(A)}:** “Financial measures” are more regularly collected than “competitive market measures”
- H_{4(B)}:** “Financial measures” of are more regularly collected than “consumer behaviour measures”
- H_{4(C)}:** “Financial measures” are more regularly collected than “consumer association measures”
- H_{4(D)}:** “Financial measures” are more regularly collected than “direct (trade) customer measures”
- H_{4(E)}:** “Financial measures” are more regularly collected than “innovativeness measures”

Does the size of an organisation influence the regularity with which marketing performance measures are collected?

H_{5(A)}: The size of an organisation influences the regularity with which “financial measures” are collected

H_{5(B)}: The size of an organisation influences the regularity with which “competitive market measures” are collected

H_{5(C)}: The size of an organisation influences the regularity with which “consumer behaviour measures” are collected

H_{5(D)}: The size of an organisation influences the regularity with which “consumer association measures” are collected

H_{5(E)}: The size of an organisation influences the regularity with which “direct (trade) customer measures” are collected

H_{5(F)}: The size of an organisation influences the regularity with which “innovativeness measures” are collected

Does top management attach more importance to “financial measures” of marketing performance than the other measures of marketing performance?

H_{6(A)}: Top management attaches more importance to “financial measures” than “competitive market measures”

H_{6(B)}: Top management attaches more importance to “financial measures” than “consumer behaviour measures”

H_{6(C)}: Top management attaches more importance to “financial measures” than “consumer association measures”

H_{6(D)}: Top management attaches more importance to “financial measures” than “direct (trade) customer measures”

H_{6(E)}: Top management attaches more importance to “financial measures” than “innovativeness measures”

Does the size of an organisation influence the importance attached to marketing performance measures, by top management?

H_{7(A)}: The size of an organisation influences the importance top management attaches to “financial measures”

H_{7(B)}: The size of an organisation influences the importance top management attaches to “competitive market measures”

H_{7(C)}: The size of an organisation influences the importance top management attaches to “consumer behaviour measures”

H_{7(D)}: The size of an organisation influences the importance top management attaches to “consumer association measures”

H_{7(E)}: The size of an organisation influences the importance top management attaches to “direct (trade) customer measures”

H_{7(F)}: The size of an organisation influences the importance top management attaches to “innovativeness measures”

Do the benchmarks employed for “financial measures” of marketing performance differ from the benchmarks employed for the other measures of marketing performance?

H_{8(A)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “competitive market measures”

H_{8(B)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “consumer behaviour measures”

H_{8(C)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “consumer association measures”

H_{8(D)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “direct (trade) customer measures”

H_{8(E)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “innovativeness measures”

Does the size of an organisation influence the regularity with which the marketing asset is measured?

H_{9(A)}: The size of an organisation influences the regularity with which the marketing asset is measured with “financial measures”

H_{9(B)}: The size of an organisation influences the regularity with which the marketing asset is measured with “other measures”

5.2.3 STEP 3: CONDUCTING SECONDARY RESEARCH

The data collection efforts of the study commenced with collecting secondary data, as secondary data can be located more quickly and inexpensively than primary data (Malhotra, 2004:102). Secondary data is defined as data that are already available as the data were collected for some purpose other than solving the problem at hand (Kumar *et al.*, 2002:74). Internal secondary data are collected from within the organisation (Churchill *et al.*, 2002:202) and typical sources include sales invoices and customer complaints. External secondary data

are collected from outside sources such as the Internet, books, newspapers, journals or other organisations that produce information (Zikmund *et al.*, 2007:171).

The external secondary data sources utilised in this research are collated in the bibliography at the end of the study. The majority of the secondary data sources on marketing performance measurement were of international origin, since there is a paucity of research in this field in South Africa (see section 1.2). Considering that the research problem in question could not be solved using only secondary research, it was necessary to conduct primary research.

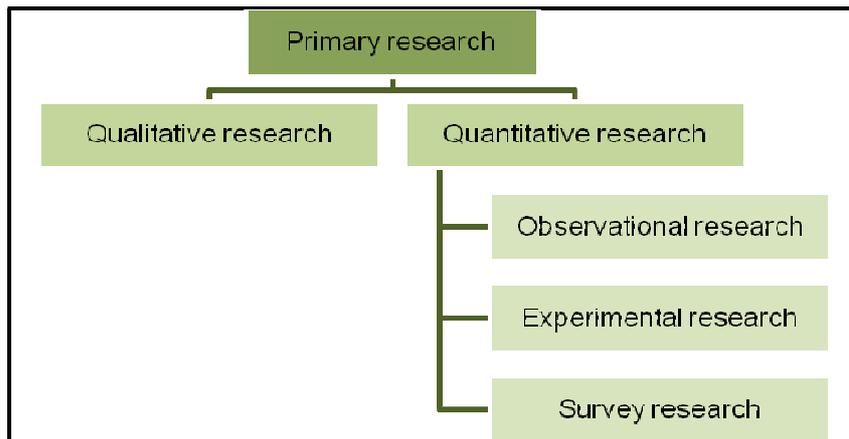
5.2.4 STEP 4: SELECTING A PRIMARY RESEARCH METHOD

Primary research refers to data that are originated by the researcher for the specific purpose of addressing the research problem, and can be classified as either qualitative or quantitative (Malhorta, 2004:102). Qualitative primary research refers to research methods that permit the researcher to make elaborate interpretations of market phenomena without depending on numerical measurements (Zikmund *et al.*, 2007:681). Quantitative primary research aims to quantify the data and apply statistical analysis (Malhotra, 2004:137). The three basic methods for gathering quantitative primary data, as illustrated in Figure 5.2, are survey research, observational research and experimental research (Malhotra & Birks, 1999:207).

Observational research is a systematic process of recording the behavioural patterns of people, objects or occurrences as they are witnessed (Zikmund *et al.*, 2007:237). One can distinguish among several types of observation, such as direct or indirect, disguised or

undisguised, structured or unstructured, and human or mechanical observation (Burns & Bush, 2003:208).

Figure 5.2 Classification of primary research methods



Source: Adapted from Malhotra (2004:137).

Experimental research permits the researcher to control the research situation in order that causal relationships among variables may be evaluated (Zikmund *et al.*, 2007:256). In other words, one variable is manipulated and its effect upon another variable is measured, while other variables that may confound the situation may be eliminated (Coldwell *et al.*, 2004:39). Experimental research can be conducted in a laboratory or in the field (Crimp & Wright, 1995:175).

Survey research, which is the third method to collect quantitative data, involves using a structured interview to collect information from respondents (Cooper *et al.*, 2006:273). Survey research can be conducted by means of personal interviews, telephone interviews, mail surveys, location interviews and e-mail or Web-based surveys (Kumar *et al.*, 2002:215).

As noted in section 1.3, this study is not a pure replication of Kokkinaki *et al.*, (1999), but a partial replication only. Therefore, apart from changing the context and narrowing the research problem, the methodology was designed to mirror the methodology of Kokkinaki *et al.*, (1999). Both Kokkinaki *et al.*, (1999) and the researchers who had replicated their study (Frösén *et al.*, 2008; Ambler *et al.*, 2003 and Llonch *et al.*, 2002; O’Sullivan s.a.) used the survey method. Although the aforementioned researchers used different survey techniques, a Web-based survey research method was used to collect the primary data of this study.

The first consideration for choosing a Web-based survey method was the fact that a Web-based survey would be ideal to reach the geographically diverse population of this study, which included marketers from across South Africa. Cost constraints was also considered. Moreover, Cooper *et al.*, (2006:268) state that the cost of Web-based surveys can be one-sixth of the cost of telephone interviews. Secondly, with Web-based surveys anyone other than the intended respondent would be unlikely to receive the survey, since the e-mails were sent to personal e-mail accounts. Thirdly, employing a Web-based survey method ensured that interviewer bias in the way questions were asked or used, was avoided (Zikmund *et al.*, 2007:192). Note should be taken that e-mail surveys are considered to have the lowest response rate of all the available survey methods (Churchill, Brown & Suter, 2010:215). (The decisions made to minimise non-response are discussed in section 5.2.7.)

After the research method is finalised, the measuring instrument could be developed. A questionnaire is a structured technique or formalised set of questions for collecting information from sample elements or respondents (Malhotra, 2004:280). In the case of this study, the questionnaire developed and used by Kokkinaki *et al.*, (1999) was employed. The

researchers who also replicated Kokkinaki *et al.*, (1999) used this particular questionnaire as well (Frösén *et al.*, 2008; Ambler *et al.*, 2003; Llonch *et al.*, 2002 and O'Sullivan *s.a.*).

Kokkinaki *et al.*, (1999:9) developed the questionnaire based on the findings of a qualitative study they had conducted in the United Kingdom. The qualitative study comprised 44 in-depth interviews which were held with marketing and finance officers from 24 British organisations, from all main business sectors. As a component in their research, Kokkinaki *et al.*, (1999:9-11) identified six categories according to which marketing performance measures could be classified. They also developed a conceptual model depicting the relationships among these different measurement categories (see section 4.7).

The measuring instrument that was constructed by Kokkinaki *et al.*, (1999:27) consisted of 12 questions. Unlike traditional questionnaires where a single construct is measured by means of several single questionnaire items, the questionnaire developed by Kokkinaki *et al.*, (1999) contained mostly matrix type questions, with the exception of the demographic questions. A matrix question is a series of questions that share answer choices, and is arranged like a table, where the questions are listed down the left, and answer choices across the top (UW Information Technology, 2009). The respondent is then allowed only one answer per row. Thus, with the exception of the of the questions measuring the demographics information, the questionnaire developed by Kokkinaki *et al.*, (1999) contained matrix type questions. (Refer to Appendix A for the complete questionnaire.)

Of the 12 questions in Kokkinaki and Ambler's questionnaire (1999), three questions were removed as these questionnaire items were related to the second objective of their study, which was not replicated in this study (see section 1.3). Consequently there was no need for

the questions to remain in the questionnaire. The first question that was removed concerned organisational orientation while the second and third questions concerned organisational performance.

Since the questionnaire was of international origin, (i.e. United Kingdom) it was vital to pilot the questionnaire before the accumulation of data, thereby, modifying and improving the questionnaire where it was required. The pilot study involved ten respondents who were representative of the population used in this study. The subsequent problems were identified and adjusted accordingly:

- First, the measurement category “consumer intermediate”, was perceived as vague and confusing to the test respondents. O’Sullivan (*s.a.*), who also used Kokkinaki and Ambler’s questionnaire (1999), experienced the same problem and replaced the term “consumer intermediate” with the term “consumer attitude”. O’Sullivan’s (*s.a.*) example was followed, and the term “consumer attitude” was used instead.
- Secondly, based on the suggestions of the pilot study respondents, changes were made to the general appearance of the questionnaire, such as spacing and fonts.
- Lastly, the cover letter for the survey was shortened. To avoid bias, leading information was removed that might have suggested or implied certain answers. The final cover letter is presented in Appendix B of this study along with the cover letter used in the follow-up e-mail.

The next step in the marketing research process was to plan the sample.

5.2.5 STEP 5: SAMPLE SELECTION

When conducting primary research, information about the population can be attained by taking either a sample or a census (Malhotra, 2004:314). A census involves an investigation of all the individual elements that make up the population (Zikmund & Babin, 2010:412) while sampling is the process of selecting a representative part of a population for the purpose of making conclusions about the whole population (Coldwell *et al.*, 2004:74). The steps taken in this study to select a sample was discussed in the light of the sampling process as proposed by Malhotra (2004:316).

5.2.5.1 *Define the target population*

The sampling process commences with the definition of the target population. The target population refers to a collection of elements containing information required by the researcher and about which the researcher can make inferences (Malhotra, 2004:315). It is critical to accurately and precisely define the target population. Improper definition thereof will result in research results that do not answer the research question (Kumar *et al.*, 2002:301).

Since this study investigated the marketing performance measurement practices of South African organisations, the target population included marketing managers of any South African organisation, of no particular business sector. As stated in section 1.6.2.1, only marketing managers were included in the target population. Apart from replication purposes, the decision also considered that marketing performance measurement is still in the development phase in South Africa (McDonald, 2007), and thus marketing managers were

likely to be the most informed about the organisation's marketing measurement practices. This perception was confirmed by Moerdyk (2010) stating that "it is common knowledge that, with few exceptions, brand management skills are not particularly high in this country". He also doubts whether marketers are even aware of the need for performance measurement.

5.2.5.2 *Select a sample frame*

The next step in the sampling process was to obtain a list of elements from which the sample could be drawn (Zikmund *et al.*, 2010:417). A sample frame is a representation of the elements of the target population (Malhotra, 2004:316). According to Tustin, Ligthelm, Martins and Van Wyk, (2005:343), certain requirements should be met for the sample frame to be considered as reliable. The requirements are as follows:

- the sample frame should be complete and include all the population members;
- the sample frame should be free from duplicate elements; and
- the sample frame should be accurate and free from foreign elements.

Owing to the lack of a list containing the names and contact details of all the marketers in South Africa, the Marketing Association of South Africa (MASA) agreed to assist in the research endeavour by making their database available (see section 1.6.2.2). The database contained the names and e-mail addresses of the marketers registered with MASA. However, the database of MASA did not contain all the population members, and consequently, did not comply with the requirements for a reliable sample frame, as stated by Tustin *et al.*, (2005:343). Notice should also be taken that the marketers registered with MASA might have changed e-mail addresses without informing MASA, and hence that the database might have

contained redundant e-mail addresses. Nonetheless, the database remains a list. Hence, for the purpose of this study the database of MASA was used as the sample frame.

5.2.5.3 *Establish the sample method and sample size*

Taking in to account that the limitations of the sample frame as mentioned, a non-probability sampling method was employed. According to Diamantopoulos *et al.*, (1997:14) a non-probability sampling method is justified when the population is homogeneous. In the case of this study, the population included marketing managers only and therefore, the non-probability sampling method used in this study, was justified.

Thus, for the purpose of this study a sequential sample was drawn as opposed to fixed sampling. It was decided that the results would be analysed once 80 responses were obtained. If the results were not sufficient, more responses would be gathered until 120 responses were obtained. The data would then be re-analysed. If the results were still inconclusive at this stage, observations would be gathered until 160 responses were obtained and analysed again. In order to minimise the non-response error of Web-based surveys (as mentioned in section 5.2.4) and to obtain at least 80 responses, the survey was sent out to the database of 1200 marketers.

The sample size concerns the number of respondents to be included in the research. It is vital that the size of the sample is sufficient to be able to make dependable inferences about the population (Crimp *et al.*, 1995:115). Too small samples might produce data that are not representative of the greater population.

The sample of the study conducted by Kokkinaki *et al.*, (1999:9) contained 1014 British marketing managers. In spite of using the same data collection method as Kokkinaki *et al.*, a sample of such size was unattainable. The United Kingdom has a population of 61,113,205 people with a GDP per capita of \$34,800, while South Africa has a population of 49,052,489 people with a GDP per capita of only \$ 10,300 (CIA, 2010) (see table 5.1). Thus, not only is the South African population smaller than the British population, but the average GDP per person is much lower. Moreover, the high unemployment rate and the mass of citizens living below the poverty line in South Africa are fair indications that one can expect a smaller percentage of the population to be employed in a professional position, such as a marketing manager.

Table 5.1 Population statistics of South Africa and the United Kingdom

| | South Africa | United Kingdom |
|--|---------------------------|---------------------------|
| <i>Population</i> | 49,052,489 (2010 est.) | 61,113,205 (2010 est.) |
| <i>GDP per capita</i> | \$10,300 (2009 est.) | \$34,800 (2009 est.) |
| <i>Unemployment rate</i> | 24% (2009 est.) | 7.6% (2009 est.) |
| <i>Percentage of population below poverty line</i> | 50% (2000 est.) | 14% (2006 est.) |

Source: Adapted from CIA, (2010).

According to the Department of Education (South Africa, 2003), only 74% of the 193169 students who are enrolled at a South African university, are successful in completing their

degrees at some stage. Hence, less than 1% of the total South African population has a tertiary undergraduate degree from a university (considering South Africa to have a population of approximately 47 million). On the contrary, the United Kingdom aims to achieve a “50% participation target” for higher education (MacLeod, 2003), and according to the BBC News (2007), the United Kingdom has one of the highest entry rates into vocational courses. Thus, South Africa delivers far fewer graduates (<1%) than Britain.

Taking the above mentioned statistics into account, the fact that there are significantly fewer professional marketing practitioners in South Africa than in the United Kingdom, is evident. Consequently, the sample size was inevitably smaller than the sample of Kokkinaki *et al.*, (1999) despite using the same data collection method. For this reason, a Bayesian approach to sample size determination was taken. This particular approach provided a formal procedure for selecting the sample size that maximised the difference between the expected payoff of sample information and the estimated cost of sampling (Diamantopoulos *et al.*, 1997:17018).

In the framework of a Bayesian approach, either a fixed or sequential sample can be drawn. In fixed samples, the sample size is decided upon beforehand and all the data are collected before the analysis commences, while in sequential sampling, the sample size is not decided beforehand (Churchill *et al.*, 2010:333). Instead, sequential sampling involves drawing a small sample and if the results are inconclusive, more observations are made. If the results are still not conclusive after the second sequence, the sample will be expanded further and so on (Diamantopoulos *et al.*, 1997:18). Thus, at every stage or sequence, a decision is made about whether more responses should be collected or whether the responses are sufficient to draw

valid conclusions from. As a result, additional costs are reduced by simply not collecting additional responses if the response adds only a little information (Churchill *et al.*, 2010:333).

5.2.6 STEP 6: DATA GATHERING

During this phase of the marketing research process, primary data was collected. It is at this stage of the research process that the survey method is employed. As discussed in section 5.2.4, a Web-based survey method was used. Thus, the data was not collected by fieldworkers, but by means of a self-administered, structured, Internet-based survey, and there was no personal interaction with any of the respondents. As a result interviewer bias was eliminated.

For the purpose of this research, computer software called “SURveys” was used. The software, which was made available by the University of Stellenbosch, was used to translate the survey into an electronic format, and to distribute the questionnaires via e-mail to the respondents. The Web-based survey involved sending each sample element an e-mail to his or her personal e-mail account. The e-mails contained a link which, by clicking on, redirected the respondents to an Internet Website where the survey could be completed online. As the respondents completed the survey, the answers were automatically logged by the “SURveys” software, and could then be retrieved by means of an “Excel Spreadsheet”. Considering that e-mail is the means of communication of MASA with its members, it was assumed that all the MASA members had access to Internet and were also Internet-savvy. Hence, the members would be comfortable with a Web-based survey.

As stated, Web-based surveys are the survey method with the lowest response rate of all available data collection methods (Churchill *et al.*, 2010:215) (see section 5.2.4). Therefore, some practical suggestions, as proposed by Cooper *et al.*, (2006:386) were followed to ensure a return rate that was as high as possible. An appeal to participate in the research study was written by the executive director of MASA. In this the director tried to convey the value and importance of the research to the South African marketing industry and encouraged the members of MASA to participate by completing the survey. Directions on how the survey was to be completed were included in the e-mail, as well as the exact time it would take to complete the survey. The letter of appeal also assured respondents that their answers would be confidential. Lastly, reminders were sent out to those respondents who had not yet completed the survey, to do so.

In addition, it is important to note that, owing to a non-disclosure agreement between MASA and the registered marketers, the researcher did not have access to the database. The survey was sent out by the MASA secretary on behalf of the researcher. As a result, the researcher could not phone respondents to remind them to complete the survey, nor could phone calls be made to follow up on non-respondents.

The collection of primary data commenced on 15 April 2010. A total of 1200 surveys were e-mailed to marketers registered with MASA and 68 completed responses were acquired. Since the first sampling sequence would only be complete once 80 responses were obtained (see section 5.2.5.3), a reminder e-mail was sent on 5 May 2010 to the MASA database of 1200 marketers. In total, 16 additional responses were obtained after the reminder e-mail was sent. The primary data of the study were thus gathered over the period of five weeks. Overall, 84 complete responses were received. Since this was more than the pre-established 80

responses for the first sampling sequence, the researcher advanced to the data analysis stage to assess whether the responses were sufficient to make conclusions from. The 84 responses produced a response rate of 7% which was less than Kokkinaki and Ambler's average of 36% (1999:9).

According to Lindner, Murphy and Briers (2001:51), when a response rate of less than 85% is achieved, extra procedures for non-response are imperative. Blair and Zinkhan (2006:4) argue that non-response should be accounted for, regardless of the response rate; in particular for studies using non-probability samples. Considering the response rate of only 7%, the non-response error was calculated by comparing the early respondents with late respondents. In their meta-analysis, Lindner *et al.*, (2001:51) noted that this method was primarily used in social science literature. The rationale behind comparing early to late respondents "is based on the concept that subjects who respond late are similar to non-respondents" (Pace, 1398 as cited in Lindner *et al.*, 2001:51).

Consequently, in this study, the 25% of respondents who responded first were compared with the 25% of respondents who responded last. The early and late respondents were compared based on their answers to the survey questions, using t-tests. None of the questions revealed significant differences between the early and late responses. Thus, the response rate of 7% was justified by the lack of non-response error.

Based on the sequential sampling approach that was followed (see section 5.2.5.3), the 7% response rate was deemed sufficient as valid conclusions could be drawn from the data (refer to Chapter 6 for the data analysis). As previously stated, if the data were deemed insufficient after analysis, more responses would have had to be collected; however, if the data were

sufficient, the research could continue to draw conclusions and make recommendations based on the outcomes (refer to Chapter 7 for the conclusions and recommendations).

5.2.7 STEP 7: DATA PROCESSING AND ANALYSIS

The aim of this step is to generate meaning from the first sampling sequence's collected data (Coldwell *et al.*, 2004:92). The data preparation process ensures that the data are accurate and that the data are converted from a raw format into a classified form, appropriate for analysis (Cooper *et al.*, 2004:490). The process involves the validation, editing, coding, transcription and cleaning of data (Malhotra, 2004:402). The data preparation process for this study was already completed by the data gathering software, "SURveys". Thus, the spreadsheet produced by the "SURveys" software could be directly loaded into SPSS 17.0, which was the computer software package used for analysing the data. The Centre for Statistical Consultation at the Department of Statistics at Stellenbosch University provided assistance in the data analysis process where necessary.

The first step in analysing the data was to establish the reliability and the validity of the measuring instrument. The following steps in the data analysis were the descriptive and inferential statistical analysis of the data where the actual hypotheses were tested.

5.2.7.1 Reliability and validity

Reliability and validity are determinants of measurement quality (Diamantopoulos *et al.*, 1997:32). As stated in section 5.2.3, the survey used matrix type questions to assess the marketing performance measurement practices. Since composite scales were not used in the

survey, the reliability was not assessed (Cox, 1980:409; Zikmund *et al.*, 2003:335). The validity of the survey was assessed to ensure that this research would produce trustworthy results.

- **Validity**

Validity is the accuracy of a measure or the extent to which a score truthfully represents a concept (Zikmund *et al.*, 2007: 323). In other words, validity proves whether a measure indeed measures what it is supposed to measure. Three approaches are delineated by theory to verify validity:

- *Face or content validity.* Face or content validity refers to whether the measuring instrument appears to measure what it purports to measure (Coldwell *et al.*, 2004:18)
- *Criterion validity.* Criterion validity measures whether the measurement scale performs as expected in relation to other variables selected as meaningful criteria (Malhotra, 2004:269).
- *Construct validity.* Construct validity exists when a measure reliably measures and truthfully represents a unique concept and consists of content, convergent, criterion and discriminant validity (Zikmund *et al.*, 2010:337).

Since this study measured the reliability of the measurement scale, it was possible to also measure the validity. It was regarded as acceptable to assess the validity based on face or content validity because the measurement instrument had been used on several occasions by

Ambler and other researchers (O'Sullivan s.a.; Llonch *et al.*, 2002; Ambler & Xiucun, 2003; Frösén *et al.*, 2008), which validates the merit of the measuring instrument.

The following step in the data analysis process involves statistical analysis of the data. Statistical techniques can be categorised as either descriptive or inferential. The respective statistical techniques will be discussed next.

5.2.7.2 Descriptive statistics

Descriptive statistics involve the elementary transformation of raw data in a manner that describes the basic characteristics such as central tendency, distribution and variability (Zikmund *et al.*, 2010:516). In the study conducted by Kokkinaki *et al.*, (1999) the descriptive statistics listed below were used; therefore these statistics were also used to perform the preliminary analysis of the data in this partial replication study.

- *Skewness and kurtosis.* The skewness and kurtosis of the data are analysed to assess the whether the data is normally distributed. The skewness reports the symmetry of the data while the kurtosis concerns the “peakness” of the distribution (Diamantopoulos *et al.*, 1997:91).
- *Frequency distribution.* A frequency distribution reports the quantity of responses that a particular question received (Kumar *et al.*, 2002:361).
- *Cross-tabulation.* Cross-tabulation is a technique for comparing data from two or more categorical variables (Cooper *et al.*, 2006:525).
- *Mean.* The mean is the average value characterising a set of numbers (Burns *et al.*, 2003:438).

- *Standard deviation.* The standard deviation is an indicator of the spread of variability, in other words, it indicates the average distance the average score is from the mean (Coldwell *et al.*, 2004:104).

5.2.7.3 Inferential statistics

Inferential statistics are concerned with the simultaneous relationships among two or more phenomena, and focus upon the degree of the relationship. (Malhotra, 2004:416) as well as testing the hypotheses by means of various statistical tests (see section 5.2.2). Selecting the most appropriate test depends on the type of data collected (Coldwell *et al.*, 2004:93) and it is important to obtain the desired results.

The significance level indicates the amount of risk the researcher is willing to accept in rejecting a true null hypothesis (Diamantopoulos *et al.*, 1997:139). The most typical significance values are 0.05, 0.01 and 0.001 and the less risk one is willing to take, the lower the significance value should be. For the purpose of this study, a significance level of 0.05 was used, similar to Kokkinaki *et al.*, (1999).

The statistical methods employed in this study are listed below and briefly explained (Zikmund *et al.*, 2007:674-680):

- *Chi-Square test.* The Chi-square test assesses statistical significance particularly for hypotheses about frequencies which are arranged in a frequency or contingency table.

- *T-test for difference of means.* A t-test is employed to test whether the mean scores of an interval or ratio scaled variable are significantly different for two independent groups.
- *Analysis of variance (ANOVA).* An ANOVA is used to test whether statistically significant differences in means exist between two or more groups.
- *Direct logistic regression.* Logistic regression assesses the ability of models to predict categorical outcomes with two or more categories. The “Cox and Snell R Square” and “Nagelkerke R Square” values provide an indication of the amount of variation in the dependent variable explained by the model (from a minimum of 0 to a maximum of 1) (Pallant, 2006:167).

Based on the outcome of the data analysis, the 84 responses obtained in the first sequence of sampling (see section 5.2.6.3) were deemed sufficient to draw valid conclusions from. It was thus not necessary to collect additional responses. (The results of the data analysis are discussed in the following chapter.)

5.2.8 STEP 8: REPORT PREPARATION

The marketing research process concludes with the report preparation phase. In this stage the researcher communicates the research findings, recommendations and other conclusions (Zikmund *et al.*, 2007:626). The aforementioned procedures must be presented in a comprehensible, formal research report. This study’s report is presented in the following chapter.

5.3 CONCLUSION

This chapter dealt with the research methodology which was applied in this study. Marketing research and the marketing research process were briefly discussed, followed by an in-depth discussion of each of the stages involved in the marketing research process. Being a partial replication study, the methodology mirrored that of Kokkinaki *et al.*, (1999), while the context was changed and the research problem was narrowed from the original study. The research findings will be discussed in the next chapter.

CHAPTER 6

RESEARCH RESULTS

6.1 INTRODUCTION

The primary objective of the study was to investigate the marketing performance measurement practices of South African organisations. The marketing performance measurement practices were investigated by focussing on: (1) the overall satisfaction with the existing measures of marketing performance, (2) the marketing performance measures considered by top management, (3) the periodicity of collection of marketing performance measures, (4) the importance top management attaches to the marketing performance measures, (5) the types of benchmarks employed, and lastly (6) whether and how the marketing asset was measured.

The objective of this chapter is to present the results of the primary research undertaken in this study. An interpretation and discussion of the profile of the sample and the data analysis are provided. The chapter is divided into two main sections. The first section concerns descriptive statistics employed in this study. The second section discusses the inferential statistical tests conducted to evaluate specific phenomena.

6.2 DESCRIPTIVE STATISTICS

Descriptive statistics are employed to describe and to provide a basic understanding of the research sample (Gaten, 2000). The profile of the sample is discussed in terms of the

survey's response rates and the respondents' demographic data. Statistics such as means, standard deviations, minimums and maximums are used to describe the nature of the data. Lastly, the multi-variate normality of the data is discussed.

6.2.1 RESPONSE RATE PROFILE

As stated, a Web-based survey was used to collect the primary data in this study (see section 5.2.5). An e-mail containing the link to the Web-based survey was sent to the Marketing Association of South Africa's (MASA) database of 1200 marketers. Three weeks after the initial e-mail, a reminder e-mail was sent to the marketers registered with MASA to remind those who had not yet completed the survey, to do so. (Refer to Annexure A for a copy of the survey and Annexure B for the initial and reminder e-mails.) Table 6.1 provides a breakdown of the response rates for the initial and the follow-up e-mails.

Table 6.1 Response rates for the survey

| | First e-mail | | Reminder e-mail | | Overall | |
|----------------------|--------------|--------|-----------------|-------|----------|-----------|
| | <i>f</i> | % | <i>f</i> | % | <i>f</i> | % |
| Sent to | 1200 | 100% | 1200 | 100% | 1200 | 100% |
| Opened the survey | 123 | 10.25% | 37 | 3.08% | 160 | 13.33% |
| Never completed | 46 | 3.83% | 18 | 1.5% | 64 | 5.33% |
| Incomplete responses | 9 | 0.75% | 3 | 0.25% | 12 | 1% |
| Response rate | 68 | 5.67% | 16 | 1.33% | 84 | 7% |

The initial e-mail generated 68 completed responses, which was a response rate of 5.67%. The reminder e-mail managed to generate 16 completed responses (a 1.33% response rate). Of both e-mails that were sent, only 160 of the 1200 marketers followed the link to the Web-based survey (13.33%). Overall, a total of 64 marketers immediately terminated the Web-based survey without answering a single question. Closer inspection revealed that 12 marketers partially completed the survey; these surveys were deemed unusable. Thus, a total of 84 questionnaires were completed and the overall response rate was 7%.

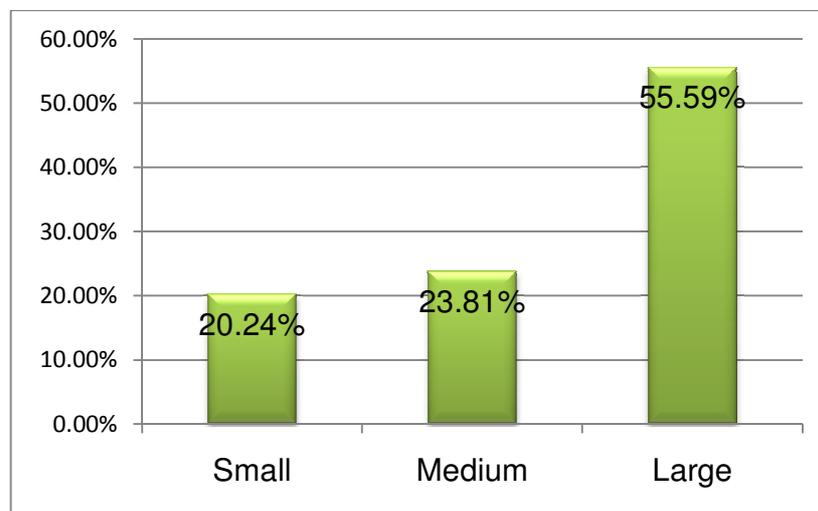
As previously mentioned, Web-based surveys, such as those used in this study, were the data collection method with the lowest response rate. By comparing the first responses to the last responses, the response rate of 7% was justified by the lack of non-response error in the majority of the questions (see section 5.2.6). Moreover, the data analysis, as captured in this chapter, illustrates that the response rate of 7% was sufficient, as valid conclusions could be drawn (Diamantopoulos *et al.*, 1997:18). If the researcher had been unable to draw valid conclusions from the current data, more responses would have had to be collected (see section 5.2.5.3).

6.2.2 DEMOGRAPHIC PROFILE

The purpose of this study was to investigate the marketing performance measurement practices of South African organisations. For this reason, respondents were not probed about their age, race, gender or location. Respondents were merely asked to indicate the size of their organisation as well as the sector in which they were operating.

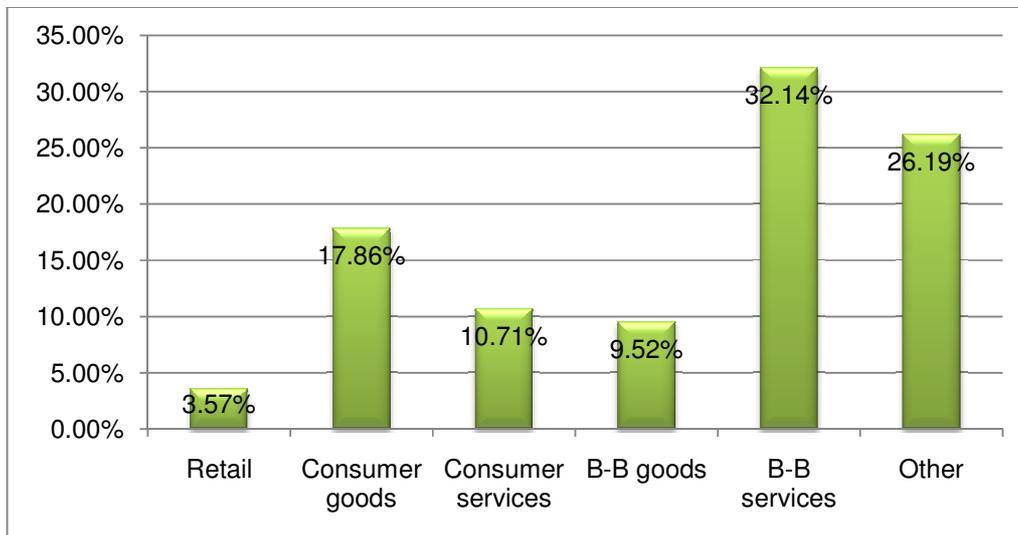
The size of the organisation was measured by the number of employees and was an ordinal scaled question ranging from “small” (less than 110 employees), to “medium” (less than 500 employees), to “large” (500 or more employees). Figure 6.1 presents the data for the size of the organisations.

Figure 6.1 Distribution of the organisation sizes



From Figure 6.1 it is evident that more than half of the respondents (55.59%) were from a “large” organisation. Of the remaining respondents, 23.81% were from a “medium-sized” organisation and 20.24% were from “small” organisations. The sector in which the organisations operated was assessed by a nominal scaled question. Respondents were offered six options to choose from: “retail”, “consumer goods”, “consumer services”, “business-to-business goods”, “business-to-business services” and “other”. The responses are presented in Figure 6.2.

Figure 6.2 Distribution of the organisation sectors



Nearly one third of the respondents (32.14%) were from organisations that operated in the “business-to-business services” sector. More than a quarter of the respondents (26.19%) selected the “other” option. The reason for the popularity of this category was perhaps because many large organisations were operational in more than one sector. A case in point may be major financial institutions that operated in both “consumer services” and “business-to-business services”. The “retail” sector was the least represented, with a mere three respondents from this sector (3.57%).

6.2.3 DEGREE OF SATISFACTION WITH EXISTING MARKETING PERFORMANCE MEASURES

Question one of the survey assessed the first component of current practice, which was the degree of satisfaction with existing measures. Respondents were asked to indicate their level

of satisfaction with existing marketing performance measures on a 7-point Likert scale, ranging from “very dissatisfied” to “very satisfied”. The response is presented in Table 6.2.

Table 6.2 Degree of satisfaction with existing marketing performance measures

| | Mean | Mode | SD |
|---------------------|-------------|-------------|-----------|
| Satisfaction | 4.02 | 5 | 1.583 |

The mean satisfaction score was 4.02, out of a maximum of 7. This indicates that marketers in this study were “neither dissatisfied nor satisfied” with their existing measures of marketing effectiveness. The mode indicates that the option of “fairly satisfied” had the highest frequency. More detail of the respondents’ satisfaction with existing measures of marketing performance is provided by Figure 6.3.

Figure 6.3 Distribution of the satisfaction scores

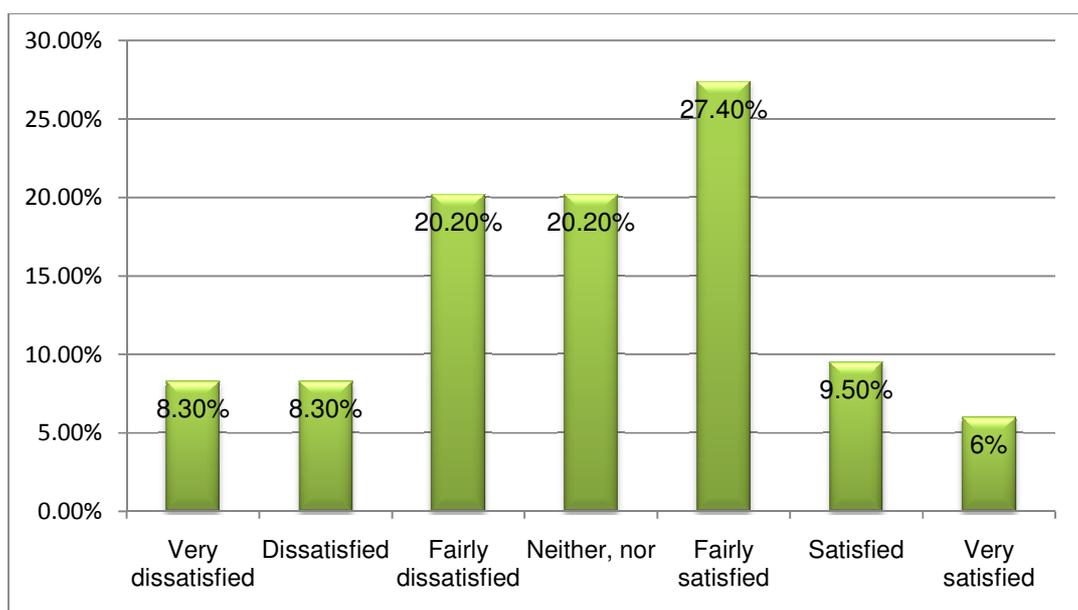


Figure 6.3 illustrates the percentage of responses each option on the 7-point scale obtained. It is clear that the majority of respondents (43%) were satisfied with their existing marketing performance measures to a certain degree (“fairly satisfied”, 27.4%; “satisfied”, 9.5%; “very satisfied”, 6%). Only 16.6% of respondents appeared to be “dissatisfied” (8.3%) and “very dissatisfied” (8.3%) with their existing marketing performance measures.

Whilst thought leaders in the South African marketing industry expressed their concern about marketing performance measurement (see section 1.2), it appears that marketers who participated in the study were rather “satisfied” with existing measures of marketing performance.

6.2.4 MARKETING PERFORMANCE MEASURES CONSIDERED BY TOP MANAGEMENT

Question two of the survey investigated marketing performance measurement by focussing on the measures that top management considered when reviewing marketing performance as well as the regularity with which the measures were considered (see section 6.1). It should be noted that this question assessed the perception of marketers, who participated in this study, of which marketing performance measures were considered top by management, and not the perception of top management themselves.

The respondents were required to indicate the regularity of consideration for each of the six measure categories (i.e. “financial measures”, “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and

“innovativeness measures”). The regularity of collection was measured by selecting one of four available options: (1) never, (2) rarely/ad hoc, (3) regularly/yearly/quarterly or (4) monthly or more. Table 6.3 presents the descriptive information.

Table 6.3 Marketing performance measures considered by top management

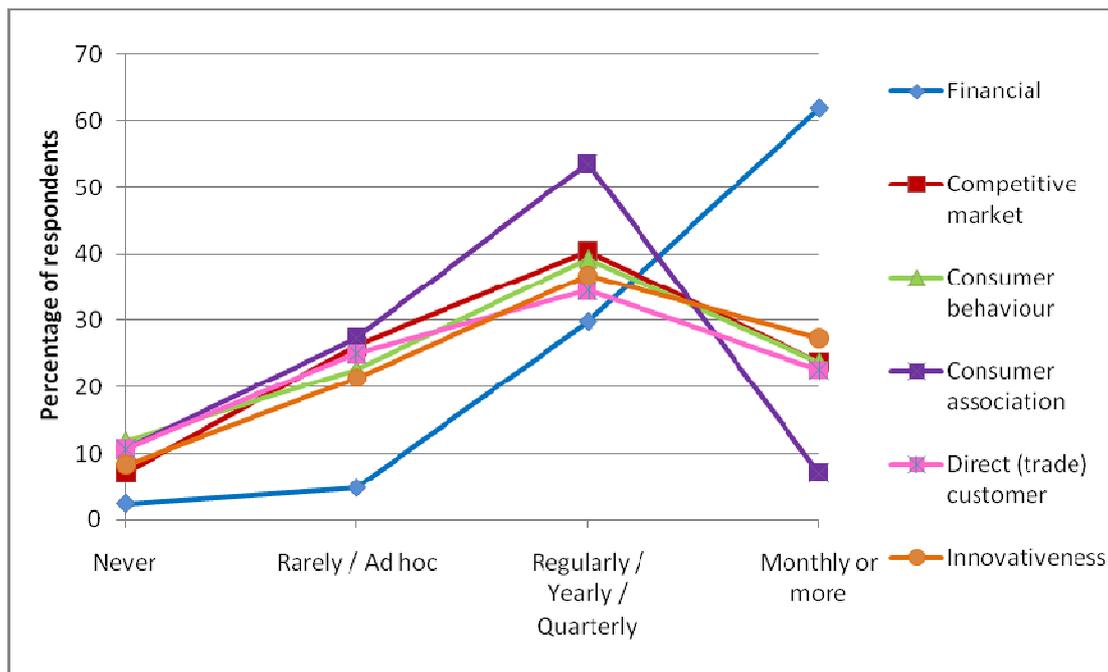
| | Mean | Mode | SD |
|-------------------------|-------------|-------------|-----------|
| Financial | 3.53 | 4 | 0.704 |
| Competitive market | 2.83 | 3 | 0.866 |
| Consumer behaviour | 2.77 | 3 | 0.960 |
| Consumer association | 2.58 | 3 | 0.783 |
| Direct (trade) customer | 2.71 | 3 | 1.002 |
| Innovativeness | 2.88 | 3 | 1.005 |

From Table 6.3 it is clear that in this study, top management most frequently considered “financial measures” when reviewing marketing performance. “Direct customer measures”, with a mean of 2.7, were considered least. Figure 6.4 provides more in-depth information on the responses.

As mentioned, “financial measures” were considered most often by top management in this study, supporting the findings of a study conducted by O’Sullivan, (s.a.) who stated that “financial measures are the most frequently considered by top management when reviewing marketing performance”. Nearly 62% of the respondents indicated that top management

reviewed “financial measures” monthly or more, confirming the mode value of 4 (see Table 6.4).

Figure 6.4 Regularity of marketing performance measure consideration



As clearly illustrated in Figure 6.4, no other measure was as regularly considered as “financial measures”. “Competitive market measures” (64.3%), “consumer behaviour measures” (63.1%) and “innovativeness measures” (64.3%) were considered regularly or more by approximately two-thirds of the sample. Only 2.4% of the respondents indicated that “financial measures” were never considered. One could conclude that marketing performance measurement in these organisations might not be a priority.

6.2.5 MARKETING PERFORMANCE MEASURES THAT WERE COLLECTED

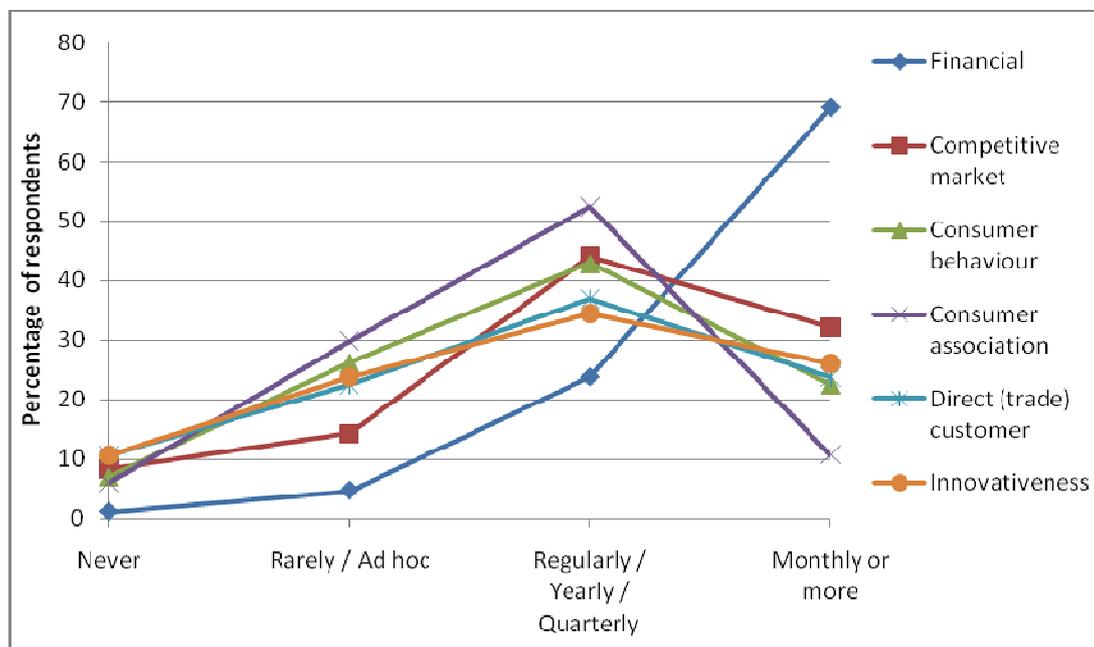
Question three of the survey investigated marketing performance measurement practice by focussing on the periodicity of collection of marketing performance measures (see section 6.1). Respondents were asked to indicate which marketing performance measures were collected, irrespective of who reviewed them, and how often the measures were collected. As with the previous question, respondents were required to indicate the regularity of collection for each of the six measure categories (i.e. “financial measures”, “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and “innovativeness measures”). The regularity of collection was measured by selecting one of four available options: (1) never, (2) rarely/ad hoc (3) regularly/yearly/quarterly or (4) monthly or more. Table 6.4 provides descriptive information of the responses.

Table 6.4 Marketing performance measures collected

| | Mean | Mode | SD |
|-------------------------|-------------|-------------|-----------|
| Financial | 3.63 | 4 | 0.638 |
| Competitive market | 3.01 | 3 | 0.904 |
| Consumer behaviour | 2.82 | 3 | 0.872 |
| Consumer association | 2.69 | 3 | 0.748 |
| Direct (trade) customer | 2.78 | 3 | 0.956 |
| Innovativeness | 2.80 | 3 | 0.973 |

From Table 6.4 it is clear that “financial measures” were collected most often with “competitive market measures” being collected second most often by marketers in this study. The mode of “financial measures” indicates that the majority of marketers in this study collected financial measures monthly or more. “Consumer association measures” were collected the least, with a mean of 2.69. The results are depicted in Figure 6.5.

Figure 6.5 Regularity of marketing performance measure collection



Nearly 70% of the respondents indicated that they collected “financial measures” monthly or more, while a mere 6% indicated that “financial measures” were collected rarely, *ad hoc* or never. It is thus clear that marketers in this study were highly focussed on collecting financial measures to assess marketing performance with. Approximately one in four marketers in this study indicated that “consumer behaviour measures”, “direct customer measures” and “innovativeness measures” were collected monthly or more.

Only a third of the marketers who participated in this study collected “competitive market measures” monthly or more. Considering the results of Table 6.4 and Figure 6.5, one can conclude that the majority of marketers in this study collected marketing performance measures between once and four times a year, with the exception of “financial measures” which were collected on a monthly basis (or more).

6.2.6 IMPORTANCE ATTACHED TO MARKETING PERFORMANCE MEASURES BY TOP MANAGEMENT

In question four, marketing performance measurement practices were investigated by focussing on the importance attached to marketing performance measures by top management (see section 6.1). As in question 6.2.4, this question assessed the perception by marketers, who participated in this study, of the importance top management attached to marketing performance measures, and not top management’s own perception of importance. Respondents indicated the importance top management attached to different measures as indicators of marketing performance on a 7-point scale, ranging from “very unimportant” to “very important”. Table 6.5 provides descriptive information of the responses obtained.

The results illustrate that “financial measures” had the highest mean importance (6.32), followed by “competitive market measures” (5.31) and “innovativeness measures” (5.23). With the exception of “consumer behaviour measures” and “consumer association measures” all the measures’ means were above the mid-point on the scale. Thus, according to the marketers in this study, “financial measures”, “competitive market measures”, “direct

customer measures” and “innovativeness measures” were all regarded as important by top management.

Table 6.5 Importance attached to marketing performance measures by top management

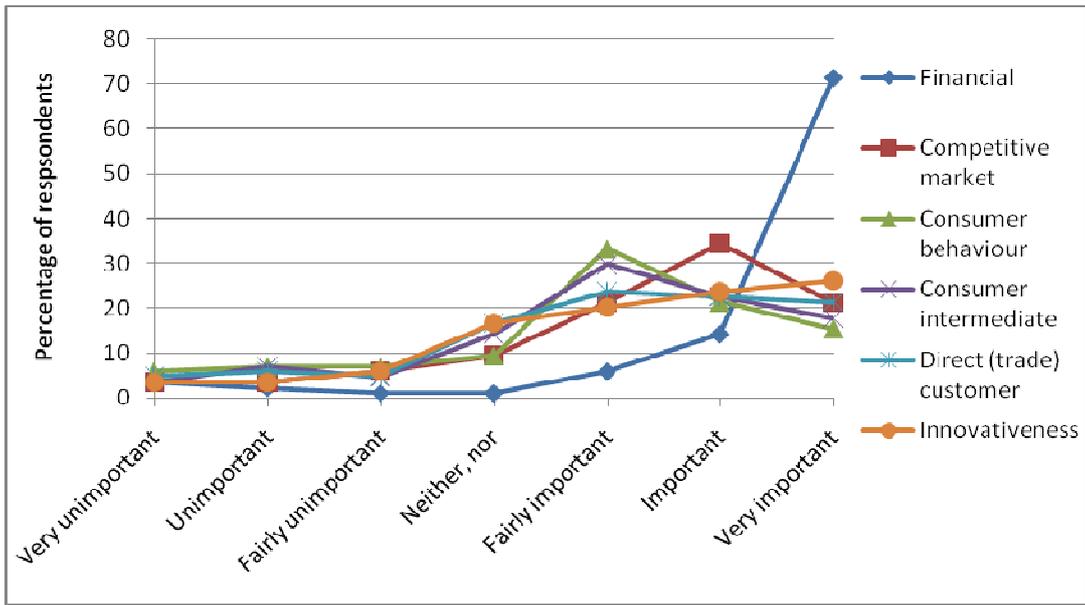
| | Mean | Mode | SD |
|-------------------------|-------------|-------------|-----------|
| Financial | 6.32 | 7 | 1.458 |
| Competitive market | 5.31 | 6 | 1.537 |
| Consumer behaviour | 4.83 | 5 | 1.678 |
| Consumer association | 4.99 | 5 | 1.587 |
| Direct (trade) customer | 5.02 | 5 | 1.664 |
| Innovativeness | 5.23 | 7 | 1.601 |

Marketers in this study also specified that the majority of top management regarded “innovativeness measures” as very important; however, according to the mean score, “innovativeness measures” were only fairly important. Figure 6.6 presents the responses for this question in greater detail.

From Figure 6.6, it is evident that according to the marketers in this study, top management deemed “financial measures” (71.4%) as the most important marketing performance measure and “competitive market measures” as second most important (34.5%). Moreover, considering the low scores on the bottom end of the scale for all six measure categories, it is

obvious that no one marketer in this study perceived top management as considering any of the measures as unimportant.

Figure 6.6 Importance attached to marketing performance measures by top management

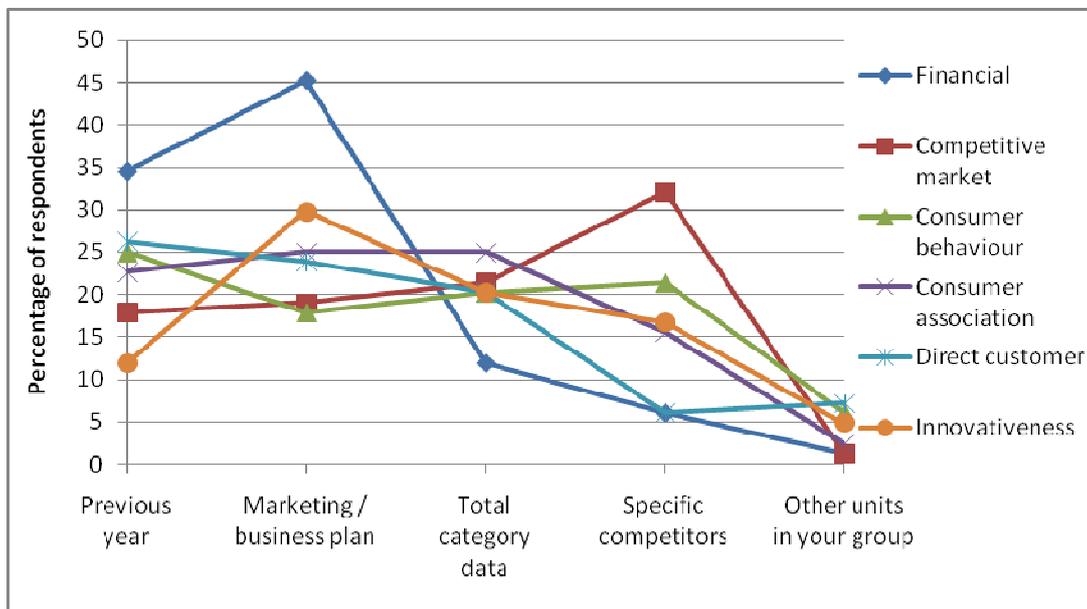


Correspondingly, the scores in the top end of the scale (from “fairly important” to “very important”) were nearly equally dispersed, with the exception of “financial measures”. It is thus clear that marketers in this study believed that top management considered all the marketing performance measures as important. However, based on the results obtained in question two (see section 6.2.4) and question three (see section 6.2.5) it appears that only “financial measures” were regularly collected. Thus, marketers in this study thought marketing performance measurement was important, but these marketers did not act accordingly, considering that only “financial measures” were considered and collected.

6.2.7 USE OF MARKETING PERFORMANCE BENCHMARKS

Question five of the survey assessed marketing performance measurement by focussing on the use of marketing performance benchmarks (see section 6.1). Both internal (i.e. “marketing/business plan”) and external benchmarks, (i.e. “previous year”, “total category data”, “specific competitors”, “other units in the group”) were assessed. Respondents were required to indicate which benchmark was used for each of the measures categories (i.e. “financial measures”, “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and “innovativeness measures”). The responses are displayed in Figure 6.7.

Figure 6.7 The use of marketing performance benchmarks



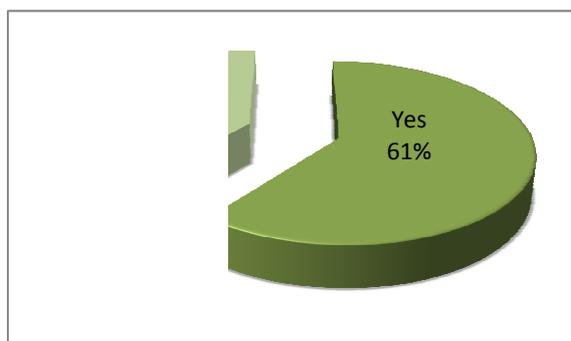
From Figure 6.7 it is clear that the “marketing/business plan” was the most frequently used benchmark for both “financial measures” (45.2%) and “innovativeness measures” (29.8%).

“Competitive market measures” were mostly compared to “specific competitors” (32.1%). “Consumer association measures” were equally assessed against the “marketing/business plan” (25%) and “total category data” (25%). Both “consumer behaviour measures” (25%) and “direct customer measures” (26.2) were most often measured against the “previous year’s results”. Overall, the “marketing/business plan” benchmark appeared to be the most widely employed among marketers in this study, while the “previous year” as a benchmark was second most employed, and “specific competitors” in third position. “Other units in the group” was the least used benchmark for marketing performance purposes. Therefore, one can conclude that marketers in this study prefer using internal benchmarks to using external benchmarks.

6.2.8 TRACKING THE MARKETING ASSET

Questions six, seven and eight the survey investigated marketing performance measurement by focussing on the marketing asset (see section 6.1). In question six, respondents were asked whether they had a term for the main marketing asset built by the organisation’s marketing efforts. The result is illustrated in Figure 6.8.

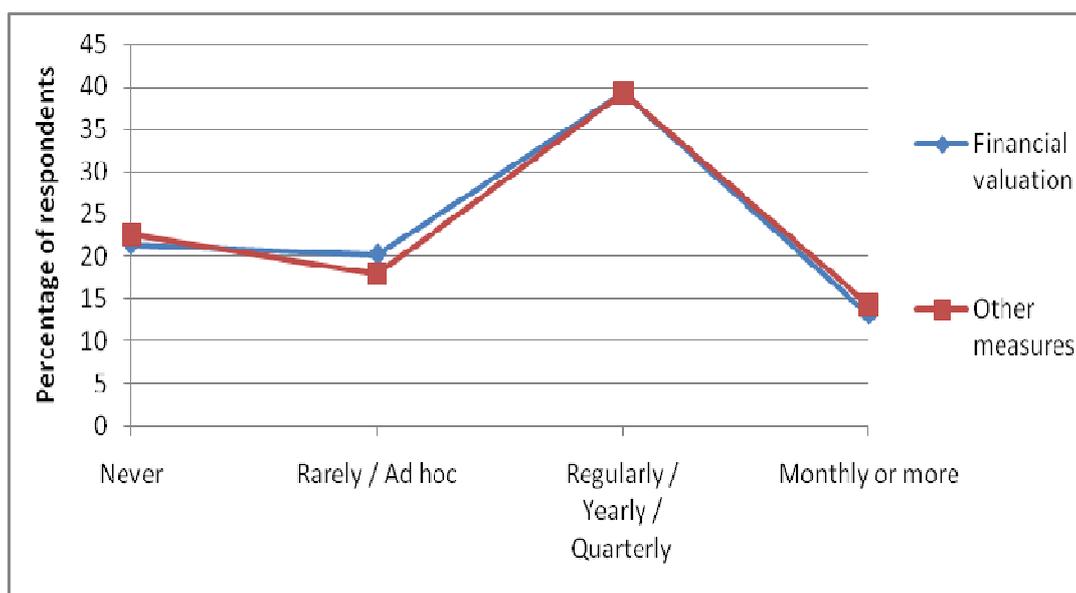
Figure 6.8 Use of a term for the marketing asset



Of the 84 respondents, two-thirds (60.7%, or 51 in total) reported the use of a term to describe the marketing asset. In question seven, the respondents who reported using a term for the marketing asset, were asked to write what their organisation called the marketing asset. The most common term was “brand equity” (15.6%), followed by “reputation” (14.3%) and “brand health” (10.8%). The terms “brand value” and “goodwill” were both used by 4.8% of the sample. “Perception” and “brand” were also both used by 2.4% of respondents. Only one respondent, who reported measuring the marketing asset, did not provide a term when asked to state what the organisation called the marketing asset.

In question eight, respondents were asked to indicate whether their organisation measured their marketing asset by means of “financial measures” or “other measures”. Respondents also had to indicate the regularity with which measurement took place. Figure 6.9 presents the results of this question.

Figure 6.9 Regularity of tracking the marketing asset



Of the 51 respondents who indicated in question six that they had a term for the marketing asset (see Figure 6.8), three respondents never measured the marketing asset (neither with “financial measures” nor with “other measures”) and five respondents rarely measured the marketing asset with “financial measures” or “other measures”. However, of the 51 respondents who had a term for the marketing asset, 33 respondents (39.29% of the sample) regularly (yearly, quarterly, monthly or more) measured the marketing asset by means of “financial measures” while 34 respondents (40.28% of the total sample) regularly (yearly, quarterly, monthly or more) used “other measures” to measure the marketing asset. A third of the marketers in this study (33.33%) used both “financial measures” and “other measures” to regularly measure the marketing asset while almost half of the marketers in this study (45.24%) used either “financial measures” or “other measures” to regularly measure the marketing asset. One can thus conclude that the minority of organisations (33.33% of the total sample) regularly measured the marketing asset using both “financial measures” and “other measures”.

6.2.9 COMPLIANCE WITH THE CRITERIA FOR PROPER MARKETING PERFORMANCE ASSESSMENT

Chapter 4 (section 4.6) reported three criteria which marketers should adhere to, in order to conduct proper and formal marketing measurement. Thus, for formal assessment of how well marketing is performing, marketing performance measures should be compared to internal benchmarks and external benchmarks and should be adjusted for any change in the brand equity (Kokkinaki *et al.*, 1999:6; Ambler *et al.*, 2001; 2004:485; Ambler, 2003:26).

Of the 51 marketers (60.7%) who measured the marketing asset, only 38 respondents (45.24%) regularly measured the marketing asset using either “financial measures” or “other measures”. Of these 38 respondents, only five respondents measured “consumer measures”, “competitive measures” or “direct customer measures” in their “business/marketing plan” and employed “competitive” benchmarks. Thus, only five marketers in this study (5.95%), met the criteria as stipulated by Kokkinaki *et al.*, (1999). One can therefore conclude that the minority of South African organisations in this study conducted proper and formal marketing performance measurement.

6.2.10 MULTI-VARIATE NORMALITY OF THE DATA

Data that have been collected by means of primary research are subject to the assessment of multi-variate normality; which concerns assessing whether the data are normally distributed around the mean. The purpose of assessing the multi-variate normality of the data is to ensure that the data do not violate any underlying assumptions of the statistical techniques to be employed later in the study.

Skewness and kurtosis were used to describe the multi-variate normality of the data. Skewness concerns the symmetry (or lack of it) of the data, where kurtosis reflects the “peakness” of the distribution (Diamantopoulous *et al.*, 1997:91). A perfectly normal distribution produces skewness and kurtosis values of zero. Skewness values ranging from -1 to +1 are accepted, while kurtosis values ranging from -3 to +3 are suitable (Zikmund *et al.*, 2007:438). Questionnaire items with skewness and kurtosis values outside the scope of these ranges indicate that the items suffer from severe violation of multi-variate normality.

Research in the social sciences (for instance about marketing) rarely produces data that are perfectly normally distributed (Churchill *et al.*, 2010). Hence the necessity of measuring the skewness and kurtosis of the data obtained for this study. Table 6.6 presents the questionnaire items which do not have normal distributions.

Table 6.6 Skewness and kurtosis of questionnaire items

| | Skewness | Kurtosis |
|--|-----------------|-----------------|
| “Financial measures” considered | -1.612 | - |
| Questionnaire items “Financial measures” collected | -1.788 | 3.190 |
| Importance attached to “financial measures” | -2.614 | 6.307 |
| Importance attached to “competitive market measures” | - | -1.131 |
| Benchmarks – “financial measures” | 1.047 | - |

From Table 6.6, it is clear that the skewness and kurtosis values are outside the acceptable range. One can thus conclude that the items included in Table 6.6 are not normally distributed, and violate the assumption of multi-variate normality. Hence, appropriate statistical tests, which do not require the condition of normality, should be used when testing the questionnaire items in Table 6.6.

6.3 INFERENCE STATISTICS

This section discusses the inferential statistical tests which were conducted to test the hypotheses listed in section 5.2.2. The inferential statistical tests conducted included the Chi-Square test, Analysis of Variance (ANOVA), and direct logistic regression. Refer to section 5.2.7.3 for a discussion of the various tests. Like Kokkinaki *et al.*, (1999), a minimum significance level of 0.05 was used.

6.3.1 THE INFLUENCE OF ORGANISATION SIZE ON THE DEGREE OF SATISFACTION WITH EXISTING MARKETING PERFORMANCE MEASURES

As stated, the emphasis placed on business performance measurement increases as the size of an organisation increases (Hoque & James, 2000, as cited in Franco-Santos *et al.*, 2005:119-120) (see section 3.4). Since marketing performance measurement is a part of business performance measurement (see Figure 3.5), one can deduce that more emphasis will also be placed on marketing performance measurement as the size of an organisation increases. Thus, considering that this study investigated marketing performance measurement practices, the effect of an organisation's size on respondent's satisfaction with existing marketing performance measures was assessed. For this purpose, an ANOVA analysis was performed. Table 6.7 presents the comparison between the two constructs. The hypothesis considered for this assessment was:

H₁: The size of an organisation influences respondents' satisfaction with existing marketing performance measures

Table 6.7 Comparison of organisation sizes with satisfaction

| | | Mean | SD | F-value | Sig. |
|-------------|--------|-------------|-----------|----------------|-------------|
| Size | Small | 3.88 | 1.17 | 0.103 | 0.902 |
| | Medium | 4.00 | 1.71 | | |
| | Large | 4.09 | 1.68 | | |

Based on the results in Table 6.7, the alternate hypothesis as stated above was not supported, and therefore the null hypotheses was supported (p-value > 0.05). Thus, the size of an organisation does not introduce any statistically significant difference in respondents' satisfaction with existing marketing performance measures. One can conclude that marketers who participated in the study were all satisfied with their measures of marketing effectiveness, regardless of the size of their organisation.

6.3.2 THE DIFFERENCE IN REGULARITY OF CONSIDERATION BETWEEN “FINANCIAL MEASURES” AND OTHER MEASURES OF MARKETING PERFORMANCE

As stated in section 6.2.4, marketers in this study considered “financial measures” noticeably more regularly than any of the other measures (i.e. “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and “innovativeness measures”). Therefore, statistical analysis was conducted to assess whether “financial measures” were statistically, more regularly considered than the

other measure categories. Therefore the following hypotheses were considered (refer to section 5.2.2):

H_{2(A)}: “Financial measures” are more regularly considered by top management than “competitive market measures”

H_{29B)}: “Financial measures” are more regularly considered by top management than “consumer behaviour measures”

H_{2(C)}: “Financial measures” are more regularly considered by top management than “consumer association measures”

H_{2(D)}: “Financial measures” are more regularly considered by top management than “direct (trade) customer measures”

H_{2(E)}: “Financial measures” are more regularly considered by top management than “innovativeness measures”

The Chi-Square test was used for this analysis, as the condition of normality is not a requirement for this test (see section 6.2.10). Table 6.8 provides the results of the tests.

From Table 6.8 it is clear that only “consumer association measures” and “direct customer measures” appear to differ significantly from “financial measures”. Therefore, the hypotheses H_{2(C)} and H_{2(D)} as stated above, were supported (p-value < 0.01). There are thus statistical significant differences between the regularity with which “financial measures” are considered by top management in this study, and the regularity with which both “consumer association measures” and “direct customer measures” are considered. In other words, marketers in this study believed that top management considered “financial measures” significantly more

regularly as a performance measure than “consumer association measures” and “direct customer measures”.

Table 6.8 Comparison between “financial measures” and each of the other categories

| | | X² | Df | Sig. |
|-------------------------|-------------------------|----------------------|-----------|---------------|
| | Financial | - | - | - |
| H_{2(A)} | Competitive market | 15.634 | 9 | 0.75 |
| H_{2(B)} | Consumer behaviour | 13.202 | 9 | 0.154 |
| H_{2(C)} | Consumer association | 2.746 | 9 | 0.007* |
| H_{2(D)} | Direct (trade) customer | 28.079 | 12 | 0.005* |
| H_{2(E)} | Innovativeness | 11.208 | 15 | 0.738 |

*p-value < 0.01

Although none of the other measures (i.e. “competitive market measures”, “consumer behaviour measures”, and “innovativeness measures”) differed statistically significantly from “financial measures”, Table 6.3 confirms that differences did in fact exist and that “financial measures” were most regularly considered overall. The results thus confirm that South African marketers in this study perceived top management as highly dependent on “financial measures” and believed that non-financial measures of marketing performance carried significantly less weight.

6.3.3 THE INFLUENCE OF ORGANISATION SIZE ON THE REGULARITY OF MARKETING PERFORMANCE MEASURE CONSIDERATION BY TOP MANAGEMENT

As stated in section 3.4, the size of an organisation is positively correlated with the emphasis placed on business performance measurement. Hence, one can assume that the size of an organisation will also have an influence on the marketing performance measurement of an organisation, considering that marketing performance measurement is a part of business performance measurement (see Figure 3.5). Given that the purpose of this study was to investigate marketing performance measurement practices of South African organisations, the influence of organisation size on the regularity of measure consideration by top management, was assessed. The hypotheses for the assessment were (see section 5.2.2):

- H_{3(A)}:** The size of an organisation influences the regularity with which “financial measures” are considered by top management
- H_{3(B)}:** The size of an organisation influences the regularity with “competitive market measures” are considered by top management
- H_{3(C)}:** The size of an organisation influences the regularity with which “consumer behaviour measures” are considered by top management
- H_{3(D)}:** The size of an organisation influences the regularity with which “consumer association measures” are considered by top management
- H_{3(E)}:** The size of an organisation influences the regularity with which “direct (trade) customer measures” are considered by top management

H_{3(F)}: The size of an organisation influences the regularity with which “innovativeness measures” are considered by top management

Logistic regression analysis was employed for the assessment for two reasons. Firstly, the condition of normality is not a necessity for logistic regression, considering that the data in this particular questionnaire item were not normally distributed (see section 6.2.10). Secondly, the authors of the questionnaire, Kokkinaki *et al.*, (1999), expressed their concern about the scale used to measure “frequency”, since the proximity between the measures of regularity is not equal. Thus, this study followed O’Sullivan’s (*s.a.*) example and condensed the “frequency” scale into two categories:

- organisations who do not regularly (never/rarely/ad hoc) consider marketing performance measures, and
- organisations who regularly (regularly/yearly/quarterly/monthly or more often) consider marketing performance measures.

Table 6.9 presents the results for the logistic regression performed to assess the impact of organisation size on the regularity with which marketing performance measures were considered. A logistic regression analysis was performed for each of the measure categories (or models). Each model contained three independent variables concerning the size of the organisation (i.e. “small”, “medium” and “large”).

According to the output of the analysis, only one of the six models containing all the predictors was statistically significant; the “consumer association measures” model. Thus, the hypothesis H_{3D}, was supported and the null hypothesis was rejected ($p < 0.05$). One can

therefore conclude that the model was able to distinguish between marketers in this study who believed that top management did not regularly consider “consumer association measures” and those marketers in this study who believed that top management regularly considered “consumer association measures” of marketing performance. The model explained between 9.6% (Cox and Snell R Square) and 13% (Nagelkerke R Square) of the variance in the regularity of top management’s consideration of “consumer association measures” and correctly classified 66.3% of cases.

Table 6.9 Logistic regression predicting likelihood of regularly considering marketing performance measures, pertaining to organisation size

| | | χ^2 | df | Sig. | Cox and Snell R Square | Nagelkerke R Square | Classification |
|-------------------|-------------------------|----------|----|---------------|------------------------|---------------------|----------------|
| H _{3(A)} | Financial | 3.846 | 2 | 0.146 | 4.5% | 11.2% | 92.8% |
| H _{3(B)} | Competitive market | 1.613 | 2 | 0.446 | 1.9% | 2.7% | 65.9% |
| H _{3(C)} | Consumer behaviour | 1.521 | 2 | 0.467 | 1.8% | 2.5% | 64.6% |
| H _{3(D)} | Consumer association | 8.377 | 2 | 0.015* | 9.6% | 13% | 66.3% |
| H _{3(E)} | Direct (trade) customer | 1.740 | 2 | 0.419 | 2.2% | 3% | 62.8% |
| H _{3(F)} | Innovativeness | 1.778 | 2 | 0.411 | 2.2% | 3.1% | 68.4% |

*p-value < 0.05

With regard to H_{3(D)}, Table 6.10 indicates that it was only “small” sized organisations that made a statistically significant contribution to the “consumer association measures” model (p<0.05). The odds ratio of 4.861 indicates that the respondents from “small” sized

organisations were nearly five times more likely to regularly consider “consumer association measures” than respondents from “medium” or “large” organisations.

Table 6.10 The odds of “small” sized organisations considering “consumer association measures”

| | Size | B | S.E. | Wald | df | Sig. | Odds ratio | 95% C.I. for odds ratio |
|-------------------------------|-------|-------|------|-------|----|--------|------------|-------------------------|
| Consumer association measures | Small | 1.581 | .615 | 6.605 | 1 | 0.010* | 4.861 | 1.455 till 16.235 |

*p-value < 0.05

6.3.4 THE DIFFERENCE IN REGULARITY OF COLLECTION BETWEEN “FINANCIAL MEASURES” AND OTHER MEASURES OF MARKETING PERFORMANCE

In section 6.2.5 it was evident that “financial measures” of marketing performance were collected more regularly than the other measures of marketing performance (i.e. “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and “innovativeness measures”). To assess whether this regularity with which “financial measures” were collected differed statistically significantly from the regularity with which the other measures were collected, Chi-Square analysis was conducted. The hypotheses considered were thus (refer to section 5.2.2):

H_{4(A)}: “Financial measures” are more regularly collected than “competitive market measures”

H_{4(B)}: “Financial measures” are more regularly collected than “consumer behaviour measures”

H_{4(C)}: “Financial measures” are more regularly collected than “consumer association measures”

H_{4(D)}: “Financial measures” are more regularly collected than “direct (trade) customer measures”

H_{4(E)}: “Financial measures” are more regularly collected than “innovativeness measures”

Chi-square analysis was the most appropriate test, since the data of this question violate multi-variate normality (see section 6.2.10). The results are presented in Table 6.11.

Table 6.11 Comparison between “financial measures” and each of the other measure categories

| | | χ^2 | Df | Sig. |
|-------------------------|-------------------------|----------|----|----------------|
| | Financial | - | - | - |
| H_{4(A)} | Competitive market | 17.613 | 9 | 0.040* |
| H_{4(B)} | Consumer behaviour | 16.789 | 9 | 0.052 |
| H_{4(C)} | Consumer association | 7.776 | 9 | 0.557 |
| H_{4(D)} | Direct (trade) customer | 24.080 | 9 | 0.004** |
| H_{4(E)} | Innovativeness | 8.826 | 9 | 0.453 |

*p-value < 0.05

**p-value < 0.01

According to the data displayed in Table 6.11, the regularity with which both “competitive market measures” and “direct customer measures” were collected, differed significantly from the regularity of collection of “financial measures”. Therefore, hypotheses $H_{4(A)}$ and $H_{4(D)}$ are supported and the null hypotheses were rejected ($p\text{-value} < 0.05$). In other words, “financial measures” were collected significantly more regularly than “competitive market measures” and “direct customer measures”.

Even though only two measures of marketing performance were collected significantly less than “financial measures”, the mean collection scores captured in Table 6.4 indicated that the remaining measures of marketing performance (i.e. “consumer behaviour measures”, “consumer association measures” and “innovativeness measures”) were also collected less regularly than “financial measures”, although not significantly so. This illustrates once again that South African organisations, who participated in this study, were dependent on “financial measures” more than the other measures.

6.3.5 THE INFLUENCE OF ORGANISATION SIZE ON THE REGULARITY OF MARKETING PERFORMANCE MEASURE COLLECTION

As stated, the larger the organisation is, the more emphasis is placed on business performance measurement (see section 3.4). Therefore, as explained in section 6.3.3, one can assume that the size of an organisation will also have an influence on the emphasis placed on marketing performance measurement. Since the purpose of this study was to investigate marketing performance measurement practices in South African organisations, logistic regression analysis was used to assess the influence of organisation size on the

regularity of marketing performance measure collection. The hypotheses addressing this investigation were:

- H_{5(A)}:** The size of an organisation influences the regularity with which “financial measures” are collected
- H_{5(B)}:** The size of an organisation influences the regularity with which “competitive market measures” are collected
- H_{5(C)}:** The size of an organisation influences the regularity with which “consumer behaviour measures” are collected
- H_{5(D)}:** The size of an organisation influences the regularity with which “consumer association measures” are collected
- H_{5(E)}:** The size of an organisation influences the regularity with which “direct (trade) customer measures” are collected
- H_{5(F)}:** The size of an organisation influences the regularity with which “innovativeness measures” are collected

As stated in section 6.3.3, an explanation for the use of logistic regression analysis for this particular “frequency” scale was provided. Although, the data of this question violated multi-variate normality (see section 6.2.10), normally distributed data are not a requirement for logistic regression analysis. Logistic regression analysis was performed for each of the measure categories (or models). The models each contained three independent variables concerning the size of the organisation (“small”, “medium” and “large). Table 6.12 presents the outcome.

Table 6.12 Logistic regression predicting likelihood of regularly collecting marketing performance measures, pertaining to organisation size

| | | χ^2 | Df | Sig. | Cox and Snell R Square | Nagelkerke R Square | Classification |
|-------------------|-------------------------|----------|----|---------------|------------------------|---------------------|----------------|
| H _{5(A)} | Financial | 1.077 | 2 | 5.84 | 1.3% | 3.5% | 94% |
| H _{5(B)} | Competitive market | 2.346 | 2 | 0.309 | 2.8% | 4.2% | 77.1% |
| H _{5(C)} | Consumer behaviour | 3.260 | 2 | 0.196 | 3.9 | 5.3% | 66.3% |
| H _{5(D)} | Consumer association | 7.752 | 2 | 0.021* | 8.9% | 12.2% | 66.3% |
| H _{5(E)} | Direct (trade) customer | 4.784 | 2 | 0.091 | 5.9% | 8.1% | 64.6% |
| H _{5(F)} | Innovativeness | 3.889 | 2 | 0.143 | 4.7% | 6.5% | 65% |

*p-value < 0.05

From Table 6.12 it is clear that only the model pertaining to “consumer association measures” was statistically significant ($p < 0.05$). The hypothesis, H_{5(D)}, is supported, thus rejecting the null hypotheses for this particular model. One can therefore conclude that the model was able to distinguish between marketers who regularly collected “consumer association measures”, and those who did not. The model explained between 8.9% (Cox and Snell R Square) and 12.2% (Nagelkerke R Square) of the variance in the regularity of “consumer behaviour measure” collection and correctly classified 66.3% of cases.

With regard to H_{5(D)}, Table 6.13 specifies that only “medium” sized organisations made a statistically significant contribution to the model concerning “consumer association measures”

($p < 0.05$). The odds ratio of 0.250 indicates that respondents of “medium” sized organisations were less likely (Pallant, 2006:167) to regularly collect “consumer association measures” than respondents from “small” or “large” sized organisations.

Table 6.13 The odds of “medium” sized organisations collecting “consumer association measures”

| | Size | B | S.E. | Wald | df | Sig. | Odds ratio | 95% C.I. for odds ratio |
|----------------------|--------|--------|------|-------|----|---------------|------------|-------------------------|
| Consumer association | Medium | -1.386 | .566 | 5.992 | 1 | 0.041* | 0.250 | 0.082 till 0.750 |

*p-value < 0.05

6.3.6 THE DIFFERENCE IN IMPORTANCE ATTACHED TO “FINANCIAL MEASURES” AND OTHER MEASURES OF MARKETING PERFORMANCE BY TOP MANAGEMENT

Section 6.2.6 revealed that all the measures of marketing performance were considered as important by top management. However, the fact that “financial measures” were deemed as considerably more important compels one to assess whether the differences between “financial measures” and each of the other measures (i.e. “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and “innovativeness measures”) are significant. Therefore, the considered hypotheses were:

H_{6(A)}: Top management attaches more importance to “financial measures” than “competitive market measures”

H_{6(B)}: Top management attaches more importance to “financial measures” than “consumer behaviour measures”

H_{6(C)}: Top management attaches more importance to “financial measures” than “consumer association measures”

H_{6(D)}: Top management attaches more importance to “financial measures” than “direct (trade) customer measures”

H_{6(E)}: Top management attaches more importance to “financial measures” than “innovativeness measures”

Chi-Square analysis was performed as this test did not require the data to be normally distributed (see section 6.2.10). The outcome of the test is presented in Table 6.14.

Table 6.14 Comparison between the importance attached to “financial measures” and each of the other measure categories

| | | χ^2 | df | Sig. |
|-------------------------|-------------------------|----------|----|-----------------|
| | Financial | - | - | - |
| H_{6(A)} | Competitive market | 69.766 | 36 | 0.001** |
| H_{6(B)} | Consumer behaviour | 58.080 | 36 | 0.011* |
| H_{6(C)} | Consumer association | 56.851 | 36 | 0.015* |
| H_{6(D)} | Direct (trade) customer | 70.821 | 36 | 0.000*** |
| H_{6(E)} | Innovativeness | 74.216 | 36 | 0.000*** |

*p-value < 0.05

**p-value < 0.01

***p-value < 0.001

Based on the values captured in Table 6.14, the above-mentioned hypotheses ($H_{6(A)}$, $H_{6(B)}$, $H_{6(C)}$, $H_{6(D)}$, $H_{6(E)}$) were supported and the null hypotheses were rejected. The importance score of “financial measures” thus differed a statistically significant amount from importance scores of all the other measures of marketing performance. In other words, one can conclude that top management attached significantly higher importance to “financial measures” of marketing performance than any of the other measures of marketing performance.

The results indicate that “financial measures” dominated marketing performance measurement practices in the organisations that participated in this study. The three preceding questions indicated that “financial measures” of marketing performance were: (1) considered most often by top management, (2) collected most often and (3) regarded as most important by top management. Additional validation for the findings is provided by the fact that in certain cases the “financial measures” were significantly more considered, more collected and more important than some of the other measures. According to Ambler’s (2003:94) phases of metrics development discussed in Chapter 4 (section 4.5.5), South African organisations in this study were clearly still in the early development phase owing to marketers’ dependence on “financial measures” of marketing performance as well as the lack of having a balance between financial and non-financial measures of marketing performance.

6.3.7 THE INFLUENCE OF ORGANISATION SIZE ON THE IMPORTANCE TOP MANAGEMENT ATTACHES TO MARKETING PERFORMANCE MEASURES

As stated, the emphasis placed on business performance measurement increases as the size of the organisation increases (see section 3.4). Taking into account that marketing performance measurement is a part of business performance measurement (see Figure 3.5);

one can assume that marketing performance measurement will also be influenced by the size of an organisation as business performance measurement is influenced. Thus, given that marketing performance measurement practices was investigated in this study, the influence of organisation size on the importance top management attaches to marketing performance measures was assessed by means of a logic regression analysis. The hypotheses for the assessment were:

- H_{7(A)}:** The size of an organisation influences the importance top management attaches to “financial measures”
- H_{7(B)}:** The size of an organisation influences the importance top management attaches to “competitive market measures”
- H_{7(C)}:** The size of an organisation influences the importance top management attaches to “consumer behaviour measures”
- H_{7(D)}:** The size of an organisation influences the importance top management attaches to “consumer association measures”
- H_{7(E)}:** The size of an organisation influences the importance top management attaches to “direct (trade) customer measures”
- H_{7(F)}:** The size of an organisation influences the importance top management attaches to “innovativeness measures”

No statistical significant differences were found between the importance attached to marketing performance measures and different organisation sizes. Therefore, the null hypotheses were supported, and the alternative hypotheses, as stated above, were not supported ($p > 0.05$). One can thus conclude that the size of the organisation did not influence

the surveyed marketers' perception of the importance top management attached to marketing performance measures.

6.3.8 THE DIFFERENCE BETWEEN THE BENCHMARKS EMPLOYED FOR “FINANCIAL MEASURES” AND OTHER MEASURES OF MARKETING PERFORMANCE

Descriptive statistics in section 6.2.7 revealed that a difference exists between the benchmarks employed for “financial measures” of marketing performance and the other measures of marketing performance (i.e. “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and “innovativeness measures”). Chi-Square analysis was performed to assess whether the benchmarks employed for financial measures differed significantly from the benchmarks employed for the other measures. Therefore, the hypotheses were:

H_{8(A)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “competitive market measures”

H_{8(B)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “consumer behaviour measures”

H_{8(C)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “consumer association measures”

H_{8(D)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “direct (trade) customer measures”

H_{8(E)}: The benchmarks employed for “financial measures” differ from the benchmarks employed for “innovativeness measures”

Table 6.15 illustrates that there was a significant difference between the benchmarks used for “consumer behaviour measures” and the benchmarks used for “financial measures” (p-value < 0.05). Thus, $H_{8(B)}$ was supported and hence, the null hypothesis for this particular comparison was rejected. One can therefore conclude that the benchmarks employed for “financial measures” differed significantly from the benchmarks used for “consumer behaviour measures”. One might assume this is because of the wide spread use of “financial measures” in comparison to the other measures categories.

Table 6.15 Comparison between the benchmarks used for “financial measures: and each of the other measure categories

| | | χ^2 | df | Sig. |
|------------|-------------------------|----------|----|---------------|
| | Financial | - | - | - |
| $H_{8(A)}$ | Competitive market | 17.483 | 16 | 0.355 |
| $H_{8(B)}$ | Consumer behaviour | 28.615 | 16 | 0.027* |
| $H_{8(C)}$ | Consumer association | 18.038 | 16 | 0.322 |
| $H_{8(D)}$ | Direct (trade) customer | 26.680 | 20 | 0.145 |
| $H_{8(E)}$ | Innovativeness | 28.989 | 20 | 0.088 |

*p-value < 0.05

6.3.9 THE INFLUENCE OF ORGANISATION SIZE ON THE TRACKING OF THE MARKETING ASSET

As stated in sections 6.3.1, 6.3.3, 6.3.5 and 6.3.7, the fact that the size of an organisation has an effect on the importance placed on business performance measurement (see section 3.4),

allows one to assume that the size of an organisation will also have an effect on the marketing performance measurement of an organisation. The assumption is derived from the fact that marketing performance measurement is a part of business performance measurement (see Figure 3.5). Thus, for the purpose of investigating marketing performance measurement practices, a logistic regression analysis was performed to assess the influence of organisation size on the regularity of marketing asset assessment. The hypotheses under consideration were:

- H_{9(A)}:** The size of an organisation influences the regularity with which the marketing asset is measured with “financial measures”
- H_{9(B)}:** The size of an organisation influences the regularity with which the marketing asset is measured with “other measures”

Section 6.3.3 discussed the concern over the scale as well as how it was accounted for. Preliminary analysis was performed to ensure no violation of the assumptions of normality (see section 6.2.10). Table 6.16 presents the outcome.

Table 6.16 Logistic regression predicting likelihood of regularly measuring the marketing asset, pertaining to organisation size

| | | χ^2 | df | Sig. | Cox & Snell R Square | Nagelkerke R Square | Classification |
|-------------------|-----------|----------|----|-------|----------------------|---------------------|----------------|
| H _{9(A)} | Financial | 1.477 | 2 | 0.478 | 1.9% | 2.5% | 55.7% |
| H _{9(B)} | Other | 0.299 | 2 | 0.892 | 0.3% | 0.4% | 57% |

A logistic regression was performed for each of the measure categories (“financial measures” and “other measures”) and each model contained three independent variables (“small”, “medium” and “large”). Neither of the models were statistically significant ($p > 0.05$) thus supporting the null hypotheses and not $H_{9(A)}$ and $H_{9(B)}$, as stated above. One can conclude that neither of the models was able to distinguish between respondents who did not regularly and those who did regularly measure their marketing asset. Therefore, the size of the organisation does not influence the measurement of the marketing asset, whether it is by “financial measures” or by “other measures”.

6.4 CONCLUSION

This chapter discussed the results obtained from the primary research that was conducted for the purpose of this study. First, a profile of the sample was sketched by discussing the response rates and the demographic data as well as describing the basic characteristics of the data using descriptive statistics. The multi-variate normality of the data was also assessed. Then the inferential statistical tests employed in this study were discussed. Chapter 7 provides a discussion of the findings and in view of that makes recommendations of how South African marketers from this study can improve their performance measurement practices.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

The importance of the marketing function in the organisation is unmistakable. However, due to marketers' unaccountability with regard to performance measurement, the marketing function has lost its stature in the organisation. Hence, if marketing is to keep its stature within organisations and wants to influence organisational strategic decisions, marketers should conduct proper marketing performance measurement that demonstrates its contribution to organisational performance. This is even more true in South Africa, where little research has been conducted in the field of marketing performance measurement (Moerdyk, 2010).

In this chapter, conclusions are drawn and recommendations are made based on the results discussed in Chapter 6. The areas of research which have potential for further research are then examined. The chapter concludes with the reconciliation of the research objectives.

7.2 CONCLUSIONS

For the purpose of this study, the population constituted all South African marketers, regardless of the industry. The Marketing Association of South Africa (MASA) agreed to make their database of 1200 marketers available to the study and was thus used as the sampling frame. Be it an incomplete sample frame, it was nonetheless a list. Sequential sampling was

exercised. To minimise the non-response error from the Web-based survey, the survey was sent out to all the marketers on MASA's database. It was decided that the results would be collected and analysed in sequences of 80, 120 and 160 responses. After the first sequence, 84 responses were collected and the data were conclusive after analysis. No additional responses were needed; hence, no further sequences were performed. Also, the response rate of 7% was justified since there was no non-response error present (see section 5.2.5).

The realised sample consisted of 55.59% of respondents from "large" organisations, 23.81% of respondents from "medium" organisations and 20.24% of respondents from "small" organisations. Also, the "business-to-business services" sector was the most represented (32.14%), while the "retail" sector was the least represented (3.57%). Nearly a quarter of the respondents (26.19%) selected the "other" sector option. One can conclude that these were probably organisations operating in more than one sector, such as a bank which operates in both "consumer services" and "business-to-business services" sectors (see section 6.2.2). The conclusions about the marketing performance measurement practices of marketers, who participated in this study, will be discussed next.

7.2.1 MARKETERS' SATISFACTION WITH EXISTING MEASURES OF MARKETING EFFECTIVENESS

From the results, it appeared that the majority of marketers in this study were "fairly satisfied" with their existing measures of marketing effectiveness. Very few respondents indicated (16.6%) that they were "dissatisfied" or "very dissatisfied" with the existing measures of marketing effectiveness. On average, the marketers in this study were neutral ("neither

satisfied nor dissatisfied”) with existing measures of marketing effectiveness. Furthermore, organisation size had no effect on respondents’ satisfaction with existing marketing performance measures (see sections 6.2.3 and 6.3.1).

From the above results it is clear that South African marketers who participated in this study (regardless of the size of their organisation) seemed to be satisfied with their existing measures of marketing effectiveness. Considering that kingpins in the South African marketing industry expressed their concern about marketing performance measurement (section 4.8), and the fact that in South Africa, very little research had been done in the marketing performance measurement realm (section 4.8); one would have expected more respondents to be dissatisfied. One might conclude that respondents’ satisfaction with existing measures of marketing effectiveness originated from a position of ignorance, as they are unaware and perhaps unacquainted with the marketing performance measurement literature, and therefore uninformed about what constitutes proper marketing performance measurement practices. Hence, South African marketers in this study assumed that their existing measures of marketing performance are adequate.

7.2.2 MARKETING PERFORMANCE MEASURES CONSIDERED BY TOP MANAGEMENT

Marketers in this study perceived that, from all the marketing performance measure categories (i.e. “financial measures”, “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and “innovativeness measures”), none were as regularly considered by top management as

“financial measures”. The results from this study confirmed that more than half of the marketers in this study (62%) indicated that top management considered “financial measures” on a monthly basis (or more). According to the surveyed marketers, “direct customer measures” and “consumer association measures” were considered least by top management and were the only marketing performance measures that were considered significantly less than “financial measures”. “Competitive market measures” (23.8%), “consumer behaviour measures” (23.8%) and “innovativeness measures” (27.4%) were each considered on a monthly basis by approximately one quarter of top management, as perceived by marketers in this study. Finally, marketers in this study perceived that top management from “small” sized organisations were more likely to regularly consider “consumer association measures” than top management from “medium” or “large” organisations.

These results confirm that South African marketers in this study believe top management are highly dependent on “financial measures” of marketing performance (i.e. sales volume, turnover, profit contribution, return on capital) and that non-financial measures (i.e. market share, consumer loyalty, awareness, distribution) carry significantly less weight in the boardroom. This might be explained by the fact that non-financial measures are not displayed in the organisations’ financial statements and therefore, top management would rather spend time considering “financial measures”. As stated (see section 3.4.2), the organisation’s top management is one of the key drivers of implementing performance measures in the organisation. Thus top management commitment to “financial measures” (or lack of commitment to non-financial measures) causes employees’ commitment to follow suit. Hence, if top management of the organisations in this study continues to consider primarily financial marketing performance measures in the boardroom, the use and implementation of non-financial measures of marketing performance will be impeded.

The marketers in this study perceived top management as not considering “consumer association measures”. However, in the case that “consumer association measures” would be considered by top management, the surveyed marketers indicated that top management from “small” sized organisations were most likely to consider of “consumer association measures”, than top management from “medium” or “large” organisations. Even so, the lack of consideration of “consumer association measures” by top management, as perceived by marketers in this study, signifies that, in spite of its importance (see section 4.5.3), the marketing asset (brand equity) has little or no clout in the organisations from which the marketers in this study, were from. One can assume various reasons for this. Firstly, since the marketing asset measures are not measured in financial terms and do not appear in the balance sheet, top management possibly do not even regard them worthy of measurement. Secondly, top management might be unaware of the importance of measuring the marketing asset, or thirdly, top management and marketers alike are uninformed about the appropriate measures to measure the marketing asset.

7.2.3 MARKETING PERFORMANCE MEASURES THAT ARE COLLECTED

This objective confirmed that marketers in this study collected primarily “financial measures”. Nearly 70% of the surveyed marketers collected “financial measures” on a monthly basis (or more). In support of these results, only 6% of the respondents rarely, *ad hoc* or never collected “financial measures”. Moreover, “financial measures” were collected significantly more regularly than “competitive market measures” and “direct customer measures”. “Consumer association measures” were collected the least. Marketers from “medium” sized organisations were less likely to collect “consumer association measures” than marketers from “small” or “large” sized organisations. With regard to the regularity of marketing

performance measure collection, the majority of marketers in this study collected marketing performance measures between once and four times a year, with the exception of “financial measures”, which were collected on a monthly basis (or more).

The above-mentioned results also confirmed that South African marketers surveyed in this study, are highly focused on “financial measures” (see section 7.2.2). The lack of collection of “consumer association measures” (i.e. awareness, attitudes, satisfaction, commitment, buying intentions, perceived quality) may have been caused by surveyed marketers’ inability to measure this dimension or that the marketers in this study are oblivious to the importance of the marketing asset.

The consequences of top management’s consideration of marketing performance measures became evident in the results about which marketing performance measures are actually collected. One can conclude that since top management only considers “financial measures” of marketing performance, the majority of marketers in this study collects “financial measures” and collects “financial measures” most regularly of all the marketing performance measures. Also, since top management, do not consider “consumer association measures”, according to marketers in this study, it might be the reason why “consumer association measures” are collected the least. Thus, the effect of top management commitment to marketing performance measures in this study, once again is evident (see section 3.4.2). In addition, it appeared that the size of an organisation has an influence on marketing performance measure collection.

One can thus conclude that according to Ambler’s (2003) model of measure development (see section 4.4.5), the organisations the surveyed marketers are from, are still in the early

stages of marketing performance measure development, considering that “financial measures” of marketing performance are still primarily collected. Only once both financial and non-financial measures of marketing performance are collected and employed, does marketing performance measurement reach a more mature stage of development.

7.2.4 IMPORTANCE ATTACHED TO MARKETING PERFORMANCE MEASURES BY TOP MANAGEMENT

As in section 7.2.2, the surveyed marketers’ perception of top management’s reliance on “financial measures” for marketing performance measurement, became evident when the importance attached to marketing performance measures by top management was investigated. More than 70% of marketers in this study believed that top management considered “financial measures” as the most important measure to assess marketing performance with. In addition, marketers in this study thought that “financial measures” were so highly regarded by top management that a significant difference existed between the importance attached to “financial measures” and each of the other measures (i.e. “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct customer measures” and “innovativeness measures”). “Competitive market measures” (34.5%) appeared to be second most important to top management. With the exception of “consumer behaviour measures” and “consumer association measures”, the remaining measures (“financial measures”, “competitive market measures”, “direct customer measures” and “innovativeness measures”) were all considered as important by top management in this study, since their mean scores were above the mid-point on the scale. Also, the four measures’ scores (“financial measures”, “competitive market measures”, “direct customer

measures” and “innovativeness measures”) were nearly equally dispersed, with the exception of “financial measures” which had a much higher score. Lastly, organisation size had no effect on the surveyed marketers’ perception of the importance top management attached to marketing performance measures (see section 6.3.7).

As stated, the results illustrate that “financial measures” dominate marketing performance measurement in the surveyed organisations. According to the marketers in this study, top management’s focus and preference for “financial measures” of marketing performance is unmistakable, considering that “financial measures” are considered as significantly more important than the other measures.

The three preceding objectives indicated that “financial measures” of marketing performance are: (1) considered most often by top management, (2) collected most often by marketers themselves and (3) considered as most important by top management. Additional validation for the findings is provided by the fact that in certain cases the “financial measures” are significantly more considered, more collected and more important than some of the other measures. Once again, this illustrates that South African organisations in this study are still in the development phase of metrics development due to marketers’ (and top management’s) dependence on financial performance measures (see sections 4.5.5 and 7.2.3).

The fact that “competitive market measures” are regarded as second most important to “financial measures” implies that the surveyed marketers believe it is important for top management, to track the competition. This might be due to top management’s concern to keep the organisation’s competitive advantage or closing the gap between the organisation and the market leaders. Conversely, it is interesting to note that while the marketers in this

study believed that top management regard these measures (“competitive market measures”, “direct customer measures” and “innovativeness measures”) as very important, they were rarely collected by marketers themselves (see section 7.2.3). In addition, the marketers in this study did not perceive top management to consider these measures when reviewing performance (see section 7.2.2).

Thus, marketers in this study believe that top management does not consider any of these measures (“competitive market measures”, “direct customer measures” and “innovativeness measures”) worthy of measurement, since these measures do not appear in the organisation’s balance sheet. One can conclude that according to the marketers in this study top management has poor execution of their ideals.

7.2.5 USE OF MARKETING PERFORMANCE BENCHMARKS

Overall, “marketing/business plans” was the most widely employed benchmark among marketers in this study. “Previous year’s results” was the second most used benchmark while “specific competitors” as a benchmark was third. Surveyed marketers made the least use of “other units in their group”, as a benchmark. “Financial measures” (45.2%), which was the most used measure for marketing performance assessment (see section 7.2.2, 7.2.3 and 7.2.4), were predominantly benchmarked against the “marketing/business plan”. “Innovative measures” (29.8%) were also mainly assessed against the “marketing/business plan”. “Competitive market measures” were predominantly compared to “specific competitors” (32.1%). The “previous year’s results” was the most preferred benchmark for both “consumer behaviour measures” (25%) and “direct customer measures” (26.2). “Marketing/business

plans” and “total category” data were both equally preferred benchmarks for “consumer association measures”.

From the results, one can conclude that internal benchmarks (i.e. “marketing/ business plan”) are preferred over external benchmarks (i.e. “previous year”, “total category data”, “specific competitors”, “other units in the group”), considering that the majority of marketers preferred using “marketing/ business plans”, and the “previous year’s results” as benchmarks. This conclusion is in line with the literature which follows that the “marketing/business plan” is the most common internal benchmark (see section 4.6.1). The fact that “marketing/business plans” are predominantly financial is probably the main driver among marketers in this study to use these as internal benchmarks (Ambler, 2003:27-28). As mentioned (see section 4.6.1), over-emphasis on internal benchmarks can potentially mislead both marketers and management (also in this study), into a false impression of confidence in marketing’s performance, since the performance was not benchmarked against competitors’ performance (Eccles, 1991:133).

One can conclude that the reason that the external benchmark “specific competitors” was only the third most preferred among the surveyed marketers, might be a result of the fact that measurement was not frequently found in marketing. Hence, few organisations published their performance results, as it is deemed to be market intelligence and therefore a competitive advantage (Ambler 2003:30) (see section 4.6.2).

Furthermore, considering that the “marketing/business plan” is primarily used to benchmark marketing performance, one can also conclude that marketers in this study aim to keep the performance measures aligned with the organisational and marketing strategies. This agrees

with the literature (see section 3.4.1), which states that performance measures should be aligned with the organisation's strategies and objectives as stipulated by the "marketing/business plan" as the measures are largely subject to the way the organisational strategy is crafted and executed (see section 3.4.1).

From the above, two conclusions can thus be drawn. Firstly, one can conclude that formal learning from the outcomes of the marketing performance measures take place as the measures are aligned with the marketing strategy. Secondly, aligning the marketing performance measures with the marketing strategy encourages strategy implementation, as the performance measures act as goals to be achieved (see section 3.4.1). Hence, the marketing strategy will successfully be implemented, and performance of the marketing function, as well as the entire organisation, will be improved.

7.2.6 TRACKING OF THE MARKETING ASSET

In this study, 60.7% of the respondents reported the use of a term to describe the marketing asset. Among these respondents, the most common term used was "brand equity" (15.6%). Of the respondents who reported having a term for the marketing asset, those who regularly (yearly, quarterly, monthly or more) measured the marketing asset using "financial measures", constituted 39.29% of the entire sample. Similarly, 40.28% of the total sample, regularly (yearly, quarterly, monthly or more) measured the marketing asset using "other measures". Lastly, only 45.24% of the entire sample regularly measured the marketing asset using either financial or other measures, while 33.33% of the total sample of 84 respondents measured the marketing asset regularly using both "financial measures" and "other measures".

From these results, one can thus conclude that the majority of marketers in this study recognise the existence of the marketing asset and have a term to describe it. However, considering that less than half of the marketers in this study who named the marketing asset, quantifies it; whether it was by means of “financial measures” or “other measures”, or both; it is evident that South African marketers in this study are probably not knowledgeable about appropriate measures for assessing the marketing asset. This matter also becomes evident in sections 7.2.2 and 7.2.3 where the results indicated that “consumer association measures” were considered least by top management and collected least by marketers themselves.

Even considering the importance of marketing assets, that they now comprise the majority of many organisations’ worth, that up to two-thirds of the market value of Britain’s largest organisations also lies in intangible assets, and the majority of marketing assets are intangible (see section 4.5.3), it is worrying that so few marketers in South Africa, who participated in this survey, are able to measure their marketing asset. This correlates with the statement in section 4.6.3, that the predicament of marketing performance measurement lies in measuring the marketing asset (brand equity).

7.2.7 CRITERIA FOR PROPER MARKETING PERFORMANCE MEASUREMENT

As previously mentioned in section 7.2.6, only 38 respondents (45.24%) regularly measured the marketing asset using either “financial measures” or “other measures” of marketing performance. However, of these 38 respondents, only five respondents measured “consumer measures”, “competitive measures” or “direct customer measures” of marketing performance in their “business/marketing plan” and employed “competitive benchmarks”. Thus, only five

South African marketers in this study, or 5.95% of the total sample, met the criteria as stipulated by Kokkinaki *et al.*, 1999:6; Ambler *et al.*, 2001; 2004:485; and Ambler, 2003:26.

*From the results, one can conclude that only the minority of South African organisations in this study conduct proper and formal marketing performance measurement according to the criteria in section 4.7. Thus, only 5.95% of the surveyed South African marketers compare marketing performance measures to internal benchmarks, to external benchmarks and adjust for any change in the brand equity (see section 4.6). As underscored by Kokkinaki *et al.*, (1999:6) and Ambler *et al.*, (2001; 2004:485), “these results only suggest that organisations do possess marketing performance measures to make proper comparisons. However, whether such measures are in reality put to use, is yet unknown.”*

Although 5.95% is a small percentage of marketers in this study, who conducted formal marketing performance measurement, the result is in accordance with the rest of the findings obtained in this study. The study’s results revealed that “financial measures” dominated marketing performance measurement in the organisations that participated in this study. “Financial measures” are considered most often, collected most often and also deemed most important. Moreover, South African marketers in this study appeared to be fairly satisfied with their existing measures of marketing performance; signifying their ignorance about the state of marketing performance measurement in South Africa. Hence, the outcome that only 5.95% of organisations in this study conduct formal marketing performance measurement was not unexpected considering the results obtained throughout the rest of the study. In fact, the results provided confirmation of the poor state of marketing performance measurement in South African organisations.

7.3. RECOMMENDATIONS

Based on the results in Chapter 6 and the conclusions drawn in section 7.2 of this chapter, it is evident that the state of marketing performance measurement in South African organisations in this study is improper. This section will thus make recommendations on how to improve the overall state of marketing performance measurement in South Africa.

The results indicated that South African marketers in this study relied primarily on “financial measures” to assess marketing performance, in terms of regularity and importance, consideration and collection. Although this was in line with the traditional use of “financial measures” (Clark, 1999 as cited in Ambler et al., 2001), *it is of utmost importance that South African marketers in this study develop a more balanced set of marketing performance measures. While “financial measures” are important and have their rightful place in marketing performance measurement as stated by Clarke (1999) above, overemphasis on “financial measures” means that other aspects of marketing performance measurement, such as “consumer behaviour measures” and “consumer association measures”, are neglected. In addition, excessive dependence on “financial measures” is detrimental for the organisation and may result in an overall short-term focus (see section 4.5.3).*

The fact that top management of organisations in this study only considered “financial measures” is comprehensible, considering that non-financial measures are not displayed in the financial statements, and therefore not deserving boardroom time. *However, although the bias of top management in this study towards “financial measures” is understood, it is essential that non-financial measures are considered as well, and hence top management in*

this study should not underestimate their influence on the use of performance measures. As soon as non-financial measures gain stature at management level, marketers will follow suit and also start considering non-financial measures.

Considering the fact that only 5.95% of South African marketers in this study adhered to the criteria for formal and proper marketing performance measurement, as set out by Kokkinaki *et al.*, 1999:6; Ambler *et al.*, 2001; 2004:485; and Ambler, 2003:26, recommendations can be made with regard to marketing performance benchmark usage and the measurement of the marketing asset. South African marketers in this study have fair usage of internal benchmarks; however, they lacked the usage of external benchmarks. *It is thus essential that more emphasis should be placed on the employment and use of external benchmarks otherwise, South African marketers in this study will remain having a false impression of confidence in their own marketing performance. Moreover, the use of “specific competitors” as an external benchmark is also one of the criteria for conducting formal marketing performance measurement.*

Pertaining to the marketing asset, various factors indicated the lack of measuring the marketing asset. Firstly the fact was that “consumer association measures” were least considered and collected by marketers in this study and secondly that the minority of the marketers in this study regularly measured the marketing asset by whatever means, “financial” or “non-financial”. *Thus, considering the significance of the marketing asset, it is of utmost importance that South African marketers who participated in this study, start measuring their organisations’ marketing assets. Moreover, marketers in this study need to align the financial period’s inputs and outcomes by adjusting them for the state of the marketing asset. Hence, if the marketing asset is not measured or is non-existent according*

to the marketers, no adjustment can take place and marketers cannot truthfully report on their performance (see section 4.7).

The poor state of marketing performance measurement practices in South African organisations who participated in this study can be ascribed to the paucity of research on this topic in South Africa. Hence, the majority of South African marketers in this study were not aware of their poor performance measurement practices and considered “financial measures” as adequate. *At this stage, it is necessary that the South African Marketing Research Association (SAMRA) make a call for research papers on the topic of marketing performance measurement to stimulate research and also host conferences in the country to educate and inform marketers of proper performance measurement practices. Consequently, marketers will develop better insights and knowledge in this area of study. This will be the first step towards repairing the stature and position of marketing in South African organisations and boardrooms. Ultimately, marketers who participated in this study will be accountable for the marketing expenses and able to illustrate their contribution to overall organisational performance and hence, be considered in major organisational strategic decisions.*

7.4 RECONCILIATION OF THE RESEARCH OBJECTIVES

The primary objective of this study was to investigate the current marketing performance measurement practices of South African organisations. In an endeavour to achieve the primary objective, six secondary objectives were developed.

The secondary objectives were:

- to assess marketers' satisfaction with existing measures of marketing performance;
- to assess the measures considered by top management when reviewing marketing performance;
- to assess current marketing performance measurement practice with regard to measure collection;
- to assess the importance top management attaches to marketing performance measures;
- to assess the benchmarks used in marketing performance measurement; and
- to assess marketing performance measurement practice with regard to the organisation's marketing asset.

The objective of the study was achieved. It is evident that “financial measures” of marketing performance dominated marketing performance measurement practices in South African organisations, in this study. Also, the minority of South African organisations employed formal marketing measurement practices (use internal and external benchmarks and adjust for the change by using brand equity).

7.5 AREAS OF FUTURE RESEARCH

The following areas for future research were identified:

1. The replication study (Kokkinaki *et al.*, 1999) also explored financial managers' perceptions about marketing performance measurement. This might be insightful to

- explore in the South African context as one might expect to see significant differences between marketing and financial managers' perceptions about this topic.
2. Future research could also focus on the characteristics of organisations, such as the sector, and its effect on marketing measurement practices as well as on individual metrics.
 3. The study by Kokkinaki *et al.*, (1999) could be replicated again in the South African context, but with a larger database and by conducting a simple random sample.
 4. The relationship between marketing performance measurement and organisational performance should be assessed; in terms of marketing's contribution to the ROA or ROI of the organisation.

7.6 CONCLUSION

In this study the current marketing performance measurement practices of South African organisations were investigated by examining (1) overall satisfaction with the measures of marketing performance; (2) which marketing performance measures were considered by top management; (3) the importance top management attached to the marketing performance measures, (4) the periodicity of collection of marketing performance measures; (5) the types of benchmarks employed, and lastly (6) whether and how the marketing asset was measured.

This study contributed an exploratory study to the increasing interest in the measurement of marketing performance. From the study, it is evident that “financial measures” of marketing performance are the dominant metric relative to “competitive market measures”, “consumer behaviour measures”, “consumer association measures”, “direct (trade) customer measures”,

and “innovativeness measures”. It was also confirmed that internal benchmarks (i.e. “the marketing/business plan”) are primarily used instead of external benchmarks (i.e. “previous year”, “total category data”, “specific competitors” and “other units in the group”) and that even though the majority of marketers have a term to describe the marketing asset, only the minority of marketers who participated in this study actually measured the marketing asset. Furthermore, according to the three criteria for formal quantified marketing assessment, as developed by Kokkinaki *et al.*, (1999:25), only a very small percentage of South African marketers in this study were able to conduct proper marketing performance assessment.

From the findings, it is evident that South African marketers in this study were not knowledgeable about marketing performance measurement and that very poor marketing performance measurement practices exist in South African organisations. The South African Marketing Research Association (SAMRA) should stimulate research in this particular field to inform and educate marketers. Once this is done, marketers will be able to better account for their expenses as well as to account for their contribution to organisational performance. Ultimately, the marketing function’s stature in South African organisations and boardrooms alike will be restored and marketing will be rightfully regarded as the valuable and important function it is.

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ANNEXURE A

Overall, how satisfied are you with your existing measures of marketing effectiveness?

| | | | | | | |
|-------------------|--------------|---------------------|------------------------------------|------------------|-----------|----------------|
| Very dissatisfied | Dissatisfied | Fairly dissatisfied | Neither dissatisfied nor satisfied | Fairly satisfied | Satisfied | Very satisfied |
|-------------------|--------------|---------------------|------------------------------------|------------------|-----------|----------------|

Which measures are considered by your organisation's TOP management (or Board) when reviewing marketing performance? And how often?

| | Never | Rarely / Ad hoc | Regularly / Yearly / Quarterly | Monthly or more | Don't know / Not applicable |
|--|-------|-----------------|--------------------------------|-----------------|-----------------------------|
| Financial measures (e.g. sales volumes/turnover, profit contribution) | | | | | |
| Competitive market measures (e.g. market share, relative price, share of voice) | | | | | |
| Consumer behaviour (e.g. number of consumer/users, user gains/losses/churn) | | | | | |
| Consumer association (e.g. awareness, attitudes, satisfaction, perceived quality) | | | | | |
| Direct (trade) customer (e.g. distribution/availability, customer profitability) | | | | | |
| Innovativeness (e.g. number of new products/services, revenue generated from new products/services) | | | | | |

What marketing performance measures are collected by your organisation, irrespective of who reviews them? And how often?

| | Never | Rarely / Ad hoc | Regularly / Yearly / Quarterly | Monthly or more | Don't know / Not applicable |
|---|-------|-----------------|--------------------------------|-----------------|-----------------------------|
| Financial measures (e.g. sales volumes/turnover, profit contribution) | | | | | |
| Competitive market measures (e.g. market share, relative price, share of voice) | | | | | |
| Consumer behaviour (e.g. number of consumer/users, user gains/losses/churn) | | | | | |
| Consumer association (e.g. awareness, attitudes, satisfaction, perceived quality) | | | | | |
| Direct (trade) customer (e.g. distribution/availability, customer profitability) | | | | | |
| Innovativeness (e.g. number of new products/services, revenue generated from new products/services) | | | | | |

What importance does your organisation's TOP management attach to these kinds of measures as indicators of marketing performance?

| | Very un-important | Un-important | Fairly un-important | Neither important nor un-important | Fairly important | Important | Very important |
|--|-------------------|--------------|---------------------|------------------------------------|------------------|-----------|----------------|
| Financial measures (e.g. sales volumes / turnover, profit contribution) | | | | | | | |
| Competitive market measures (e.g. market share, relative price, share of voice) | | | | | | | |
| Consumer behaviour (e.g. number of consumer/users, user gains/losses/churn) | | | | | | | |
| Consumer association (e.g. awareness, attitudes, satisfaction, perceived quality) | | | | | | | |
| Direct (trade) customer (e.g. distribution / availability, customer profitability) | | | | | | | |
| Innovativeness (e.g. number of new products/services, revenue generated from new products/services) | | | | | | | |

What are these particular measures usually compared to?

| | Previous year | Marketing / business plan | Total category data | Specific competitors | Other units in your group | Don't know / not applicable |
|--|---------------|---------------------------|---------------------|----------------------|---------------------------|-----------------------------|
| Financial measures (e.g. sales volumes/turnover, profit contribution) | | | | | | |
| Competitive market measures (e.g. market share, relative price, share of voice) | | | | | | |
| Consumer behaviour (e.g. number of consumer/users, user gains/losses/churn) | | | | | | |
| Consumer association (e.g. awareness, attitudes, satisfaction, perceived quality) | | | | | | |
| Direct (trade) customer (e.g. distribution / availability, customer profitability) | | | | | | |
| Innovativeness (e.g. number of new products/services, revenue generated from new products/services) | | | | | | |

Do you have a term for the main intangible asset(s) built by your firm's marketing efforts (e.g. brand equity, goodwill, brand health, brand strength, reputation)?

| | |
|-----|----|
| Yes | No |
|-----|----|

If you answered "yes" to the previous question, please state what you call the intangible asset in your organisation:

We call it: _____

For internal control purposes, do you measure the intangible marketing asset(s)? And if so, how often (tick one box for each line that applies).

| | Never | Rarely / Ad hoc | Regularly / Yearly / Quarterly | Monthly or more | Don't know / Not applicable |
|---------------------|-------|--------------------|--------------------------------------|--------------------|-----------------------------------|
| Financial valuation | | | | | |
| Other measures | | | | | |

Indicate the size of your organisation by the number of employees (if it is a subsidiary, how large is the whole group):

| | | |
|---------------------------------|----------------------------------|-------------------------------|
| Small (less than 110 employees) | Medium (less than 500 employees) | Large (500 or more employees) |
|---------------------------------|----------------------------------|-------------------------------|

What sector is your organisation in? (if you are in several, tick only the most appropriate one)

| | | | | | |
|---------------|----------------|-------------------|----------------------------|-------------------------------|-------|
| Retail | Consumer goods | Consumer services | Business-to-business goods | Business-to-business services | Other |
|---------------|----------------|-------------------|----------------------------|-------------------------------|-------|

ANNEXURE B

THE INITIAL E-MAIL

Dear Members of the Marketing Association of SA,

I have been in discussion with Heleen Mills, a student registered at Stellenbosch University who is conducting post-graduate research into *marketing performance measurement*.

To date no research on marketing performance measurement has formally been conducted in South Africa. This research endeavour will investigate the marketing performance measurement practices of South African organisations.

This research will create a foundation of marketing performance measurement knowledge in South Africa. Every participating member in this research study will receive an executive summary of the findings and conclusions of the research.

The survey consists of **only 11 questions** and takes approximately **8 minutes** to complete. The survey is **anonymous**.

Your participation will be greatly appreciated!

In order to participate, please open the following link:

<https://surveys.sun.ac.za/Survey.aspx?s=d858fc416db94fe4a372aa7a0a6083da>

Kind regards,

Chris de Villiers (FCIS)

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THE FOLLOW-UP E-MAIL

Dear Members,

Thank you for those members who have responded to the research survey being conducted by Heleen Mills of Stellenbosch University. We have received a pleasing number of responses – however, in order for the research to be validated, we must have an additional 50 responses.

If you have not yet filled in the survey, in the interests of important research on marketing behaviour, we ask you to consider completing the brief exercise. Thank you for your assistance in this regard.

<https://surveys.sun.ac.za/Survey.aspx?s=d858fc416db94fe4a372aa7a0a6083da>

Regards,

Chris de Villiers (FCIS)

Executive Director

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