

# [Importance of measuring returns in marketing](https://assignbuster.com/importance-of-measuring-returns-in-marketing/)

## Marketing Metrics

Background

Organizations have rapidly moved into an era of focused marketing spending. Cost cutting is no longer considered the best possible revenue generation vehicle because of its limitations. Tougher economy has put screws to marketing and sales department budgets. It has made marketing to prove it’s spend or at least justify the value of its investment. Ahuja et al., (2001) highlight that cost cutting alone is not enough in increasing a firm’s revenue, nor does it dramatically improve the bottom line over the long term. However, finding the “ lost” money that isn’t being wisely invested and reallocating it to more strategic marketing programs helps to increase a firm’s revenue and profits year after year after year (Kokkinaki & Stefano, 2004). This has given rise to the marketing metrics, marketing mathematics, measurement marketing.

Marketing spending is continually been questioned as marketing budgets get slimmer. There is an increasing accountability of marketing spending in the current market climate (Barwise & Farley, 2003). The marketing industry has reached an era where the firms are increasingly been forced to spend on profitable activities. The allowance to spend on things that don’t directly support the firm’s strategic plan, vision, and mission is reducing by each passing day. Leaders and higher managers are trying to continuously trying to motivate their firms to identify spending that isn’t tied to investment in the firm’s future (Clark, 1999). This is done to free up the money to reallocate it more strategically to more profitable propositions. The time of overspending with little or no control is drawing to a close.

The rise of internet marketing has also increased the relevance and importance of measuring as results can easily be measured online. Online marketers measure things such as ‘ Click-through rate’ (measures the relevancy of e-mail offerings by tracking the number of unique click-through). One of the other online measures used by organizations like Amazon is the ‘ Goal conversion rate’ (integrates web analytics with e-mail marketing tool to track the metric that matters) .

The rise of performance measurement

Performance measurement has been touted as an improvement for organizations for decades. Marketing managers and policymakers now have measurement tools to help carry out their responsibilities to deliver and improve services. Performance measurement can provide the link between “ what’s” (objectives, targets and performance standards) and “ how’s” (behaviors, competencies and processes) of personnel performance (Deery et al., 2002; pg 471). The measurement process involves setting of corporate, department, team and individual objectives. Researchers have recommended that a performance measurement framework should start with an organizational analysis. A decision to implement the performance measurement system should be made according to the organizational principles and model of the organization following the identification of the existing structure and functioning of the organization and the evaluation of the structural problems (Ambler, 2001). The most innovative companies and organizations, do not simply execute one good program, rather, they integrate advanced management techniques into a comprehensive approach to productivity improvement. They use performance measurement and evaluation to help establish goals and measure results, estimate and justify resource requirements, reallocate resources, develop organization improvement strategies and motivate personnel to improve performance (Schaufeli & Buunk, 2003; pg 383).

While some organizations do not believe in assembling data for measuring, others find marketing metrics hard to assemble. Lack of IT systems can be partly blamed as many organizations find different metrics scattered across the organization for different time periods, different customer and stakeholder segments, and a multitude of purposes.

Aims & Objectives

Aim

To identify and demonstrate the importance of measuring returns in marketing

The Purpose of this research is to gain fresh insights into the concept of marketing measurement, analyze the significance and relevance of measurement in the current marketing climate. All relevant measurement variables used by organizations to measure marketing effectiveness will be demonstrated. Their affect on strategic decision making will also be looked into.

Objectives

* To analyze the importance of measuring marketing activities

The research demonstrates the importance of measuring and the problems that might arise when marketing activities are not measured. Increased competition and lack of capital is making the marketing budget shrink which has meant more intelligent use of marketing money. This has greatly increased the importance of measurement within the marketing community as they want to know areas of higher return and focus their spend on these areas.

* To assess the benefits of measurement activities

The study not only highlights the benefits of measurement but also demonstrates the loss by not measuring marketing activities. In the process, it also considers the extra cost which the organization may incur while measuring these activities (cost in the form of technology, people and other fixed and variables cost)

* To illustrate and depict the relationship between marketing measurements and strategic decision making.

The research does not study the marketing measurement activities in isolation. It relates the impact of these measurements on strategic decision making. It takes the case of various medium and large organizations to justify the importance of measuring. It discusses the use of marketing measures by other organizations and the impact they have on strategic and tactical decisions.

* To examine the difficulties faced by organizations looking to measure marketing activities.

Marketing activities are not easy to measure and organizations can face technical and process difficulties in trying to measure its marketing returns. Smaller and medium sized organizations may have to make investments in technology and human expertise in order to measure their activities. It can also change the way data is stored in the data bases and other technical issues. The research will analyze these factors and make conclusions after doing a cost benefit analysis of marketing measurements.

* To make appropriate recommendations regarding marketing measurements.

The research will recommend specific metrics and the way they should be measured to give accurate and timely information to the organizations. It will discuss the use of these metrics under different marketing situations and budget constraints.

Scope

The scope of the research is limited to secondary research. There is limited field research done for the purpose of this research. Also, there are a huge number of different metrics used by organizations across the globe, the study looks at the most common and appropriate measures. There might be other marketing measures which are equally suitable. Also, the research is generic in nature which means that a particular measure discussed might not be suitable for a particular organization at a particular time. The measures and metrics suggested does not relate to the nature, structure and culture of the organization. The study does mention the relevance of discussed measures under varying circumstances.

Rationale

The interesting perceptions with contradictory thinking with regards to marketing measurements is what aroused sufficient interest in the author to go in for a research into the concept which has become a part of the marketing decision making and corporate strategy. Although, conventional wisdom dictates that measuring marketing activities will give an organization a good indication of their effectiveness, in reality, marketing measurement is still not practiced by most organizations. It has also been inefficient for others because of the use of irrelevant measures. This makes the topic even more interesting because it is not just the use of measures that leads to effectiveness but its the use of relevant and appropriate measure. This tricky concept of marketing measurements was what made the author go in for a research as no existing literature gave a clear-cut judgment on the subject.

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Layout and structure of the dissertation

The dissertation is laid out in five chapters, sub-divided logically on the basis of their relative importance to the study. Each chapter looks at the research problem in a different perspective though there is noticeable degree of inter-relationship amongst them. The actual study begins from chapter two with Review of Literature analyzing different marketing measures used across the industry and assessing its relevance to organizational decision making. The contents in the research report can be elaborated briefly as shown under the following headings.

Chapter One – Introduction

As the name suggests, this chapter introduces the study of the primary focus of the area of research. It clearly marks out the purpose, aim and objectives of the research giving a reader a guideline as to what to expect. It also gives out the scope of the research and spells out the rationale behind the study.

Chapter Two – Literature Review

This chapter primarily prepares the study for empirical work by looking at evaluations and conclusions drawn on certain theories and concepts to check for similarities and difference made by past writers on similar or related studies. It’s on this basis, that later stages in the research are developed. It is therefore, purely a representation of secondary data with various notions. In particular, academic journals, websites and textbooks that articulate models and related theories are used as a reference.

Chapter Three – Analysis of Research Findings

This chapter is devoted to the presentation and analysis of the information collected and the theories studied as a part of this dissertation. Marketing measures are examined in detail. Illustrations are also given to highlight the relevance of these measures under different marketing climate and organizational structure. The learning from the review of literature are linked to metrics used by different organizations. The chapter also discusses various cases and illustrates the importance of using the ‘ right’ metrics and measures.

Chapter Four – Conclusions

After careful examination, evaluation, assessment and analysis of data, in this chapter, the study points out how the aims and objectives of the research are met. It points out how the respective objectives are realized and tries to give an answer to the research question. It also discusses the problems faced by organizations in implementing marketing measures and the associated systems.

Chapter Five – Recommendations

The last and final chapter of the study gives generic recommendations based on the study undertaken. From the various cases studied, it was felt that some metrics are absolutely vital to the business and gives a good indication of marketing performance. These measures along with other suitable metrics are recommended. The chapter also discusses the limitations of the study and areas where further research may be carried out.

Summary

This chapter provided us with a basic guideline of the things to come. It gave a detailed description of the aim, purpose and objectives of the study and what the study seeks to achieve. It clearly mentioned the scope of the research and areas where the study will not throw much light on. The study now moves forward to discuss the existing theories and concepts, to explore the concepts of marketing metrics and how metric s are measured. It will also examine the different metrics used by organizations and the relevance of those metrics and measurements to the organization.