

PART

V

EVALUATING BUSINESS MARKETING STRATEGY AND PERFORMANCE

Marketing Performance Measurement

Two business marketing managers facing identical market conditions and with equal resources to invest in marketing strategy could generate dramatically different results. Why? One manager might carefully monitor and control the performance of marketing strategy, whereas the other might not. The astute marketer evaluates the profitability of alternative segments and examines the effectiveness and efficiency of the marketing mix components to isolate problems and opportunities and alter the strategy as market or competitive conditions dictate. After reading this chapter, you will understand:

1. a system for converting a strategic vision into a concrete set of performance measures.
2. the function and significance of marketing control in business marketing management.
3. the components of the control process.
4. the distinctive value of “dashboards” for evaluating marketing strategy performance.
5. the importance of execution to the success of business marketing strategy.

Larry Bossidy and Ram Charan say, “When companies fail to deliver on their promises, the most frequent explanation is that the CEO’s strategy was wrong. But the strategy by itself is not often the cause. Strategies most often fail because they aren’t executed well.”¹

Managing a firm’s marketing strategy is similar to coaching a football team: The excitement and challenge rest in formulating strategy. Should we focus on running or passing? What weaknesses of the opposition can we exploit? How shall we vary our standard plays? So too, the business marketer applies managerial talent creatively when developing and implementing unique marketing strategies that respond to customer needs and capitalize on competitors’ weaknesses.

However, formulating effective strategy is only half of coaching or management. A truly great coach devotes significant energy to evaluating team performance during last week’s game to set strategy for this week’s. Did our strategy work? Why? Where did it break down? Similarly, a successful marketing strategy depends on evaluating marketing performance. The other half of strategy planning is **marketing control**, that is, checking actual against planned performance by evaluating the profitability of products, customer segments, and territories. James Harrington, Quality Advisor for Ernst & Young, puts the importance of marketing control in perspective: “Measurement is the first step that leads to control and eventually to improvement. If you can’t measure something, you can’t understand it. If you can’t understand it, you can’t control it. If you can’t control it, you can’t improve it.”² Importantly, an effective control system should measure the key drivers of success in the business environment and focus attention on where improvements need to be made.³

According to a study conducted by the Chief Marketing Officer (CMO) Council, chief marketing officers face intense pressure from bottom-line-focused CEOs and demanding corporate boards to improve the relevance, accountability, and performance of their organizations. Measuring marketing performance, quantifying and measuring marketing’s worth, and improving marketing’s efficiency and effectiveness continue to rank among the top challenges faced by marketers. The CMO Council study found that for today’s marketers, proving marketing’s value is the number-one challenge above other challenges, such as growing customer knowledge and extracting greater value and profitability from customers.⁴ Thus, the critical importance of an effective control system that provides key measures of performance is highlighted for all business marketers, whether small or large.

Information generated by the marketing control system is essential for revising current marketing strategies, formulating new ones, and allocating funds. As Roland Rust and his colleagues note, “the effective dissemination of new methods of assessing marketing productivity to the business community will be a major step toward raising marketing’s vitality in the firm and, more importantly, toward raising the performance of the firm itself.”⁵ Thus, marketing control provides a critical foundation

¹Larry Bossidy and Ram Charan, *Execution: The Discipline of Getting Things Done* (New York: Crown Business, 2002), p. 15.

²Amy Miller and Jennifer Cioffi, “Measuring Marketing Effectiveness and Value: The Unisys Marketing Dashboard,” *Journal of Advertising Research* 44 (September /October 2004): p. 244.

³Robert S. Kaplan and David P. Norton, “Using the Balanced Scorecard as a Strategic Management System,” *Harvard Business Review* 74 (January–February 1996): pp. 75–85.

⁴Laura Patterson, “Taking On the Metrics Challenge,” *Journal of Targeting, Measurement and Analysis for Marketing* 15 (June 2007): p. 273.

⁵Roland T. Rust, Tim Ambler, Gregory S. Carpenter, V. Kumar, and Rajendra K. Srivastava “Measuring Marketing Productivity: Current Knowledge and Future Directions,” *Journal of Marketing* 68 (October, 2004): 76–90.

for diagnosing and advancing firm performance, and the assessment of marketing performance is as important as the formulation and execution of marketing strategy. Importantly, the requirements for an effective control system are strict—data must be gathered continuously on the appropriate performance measures. Thus, an effective marketing strategy is rooted in a carefully designed and well-applied control system. Such a system must also monitor the quality of strategy implementation. Gary Hamel asserts that “implementation is often more difficult than it need be because only a handful of people have been involved in the creation of strategy and only a few key executives share a conviction about the way forward.”⁶

This chapter presents the rudiments of a marketing control system, beginning with a framework that converts strategy goals into concrete performance measures. Next, it examines the components of the control process. Finally, it examines the implementation skills that ultimately shape successful business marketing strategies.

A Strategy Map: Portrait of an Integrated Plan⁷

A strategy map provides a visual representation of the cause-and-effect relationships among the components of a company’s strategy. Recall that strategy maps were introduced in Chapter 6 to demonstrate how to align internal processes to support different marketing strategies. Figure 17.1 provides the strategy map for Boise Office Solutions—a \$3.5 billion distributor of office and technology products, office furniture, and paper products that developed a distinctive customer relationship strategy, emphasizing customer solutions and personalized service. Leading firms widely use the strategy map concept, developed by Robert S. Kaplan and David P. Norton, because it isolates the interrelationships among four perspectives of a company that the authors refer to as a balanced scorecard⁸ (see Chapter 6):

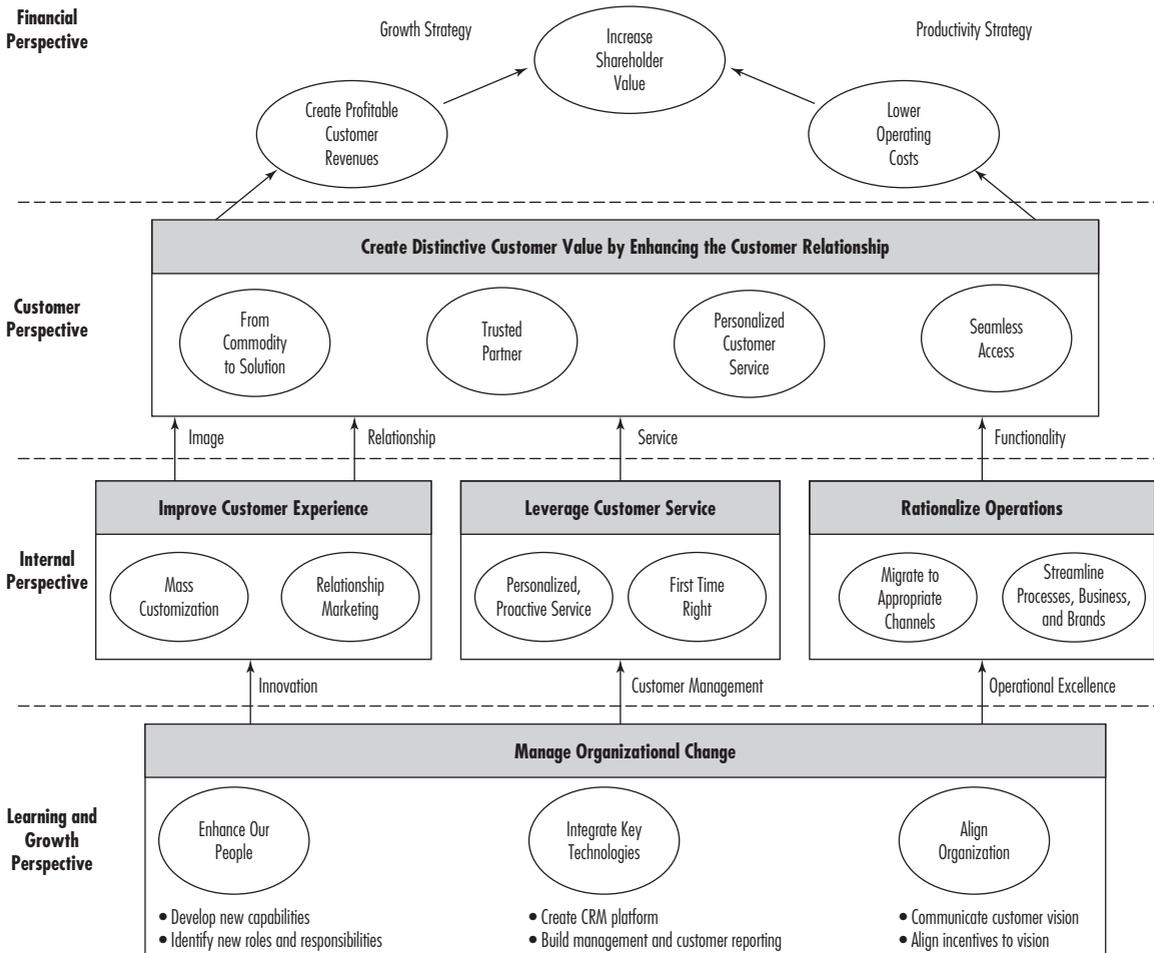
1. A **financial perspective** that describes the expected outcomes of the strategy, such as revenue growth, productivity improvements, or increased shareholder value.
2. The **customer perspective** that defines how the firm proposes to deliver a competitively superior value proposition to targeted customers.
3. The **internal perspective** that describes the business processes that have the greatest effect on the chosen strategy, such as customer relationship management (Chapter 4), innovation management (Chapter 9), or supply-chain management (Chapter 13).
4. The **learning and growth perspective** that describes the human capital (personnel), information capital (information technology systems), and organizational capital (climate) that must be aligned to the strategy to support value-creating internal processes.

⁶Gary Hamel, “Strategy as Revolution,” *Harvard Business Review* 74 (July–August 1996): p. 82. See also, Gary Hamel and Liisa Välikangas, “The Quest for Resilience,” *Harvard Business Review* 81 (September 2003): pp. 52–63.

⁷This section is based on Robert S. Kaplan and David P. Norton, *Strategy Maps: Converting Intangible Assets into Tangible Outcomes* (Boston: Harvard Business School Publishing, 2004).

⁸Kaplan and Norton, “Using the Balanced Scorecard,” pp. 75–85.

FIGURE 17.1 | **BOISE OFFICE SOLUTIONS STRATEGY MAP**



SOURCE: Reprinted by permission of *Harvard Business Review*. From “Strategy Maps: Converting Intangible Assets into Tangible Outcomes” by Robert S. Kaplan and David P. Norton, p. 357. Copyright © 2004 by the Harvard Business School Publishing Corporation; all rights reserved.

Using Boise Office Solutions as an illustrative case study, let’s explore the six-step process that managers can use to build a tightly integrated strategy.⁹

Developing the Strategy: The Process

A strategy must provide a clear portrait that reveals how a firm will achieve its goals and deliver on its promises to customers, employees, and shareholders.¹⁰ Boise Office Solutions sought a new strategy because the industry continued to consolidate

⁹Kaplan and Norton, *Strategy Maps*, pp. 355–360.

¹⁰Robert S. Kaplan and David P. Norton, “Having Trouble with Your Strategy? Then Map It,” *Harvard Business Review* 78 (September–October 2000): pp. 167–176.

and more and more of its customers viewed office products as a commodity. Without a fresh strategy, company executives believed that these challenging forces would continue to shrink profit margins and put increasing pressure on shareholder value. Likewise, in a service-driven, price-sensitive business, Boise managers were uncertain which customers might contribute the most value over time and how to allocate marketing budgets among the diverse customers that it served—from small businesses to large corporate accounts.¹¹

Step 1: Define the Financial Objectives and Establish Growth and Productivity Goals Strategy maps start with financial objectives for creating shareholder value through two paths: long-term revenue and short-term productivity. The long-term goal often establishes a stretch target that creates a value gap—the difference between a desired future state and current reality. Kaplan and Norton note that the size of the value gap must be established with care: “Executives must balance the benefits from challenging the organization to achieve dramatic improvements in shareholder value with the realities of what can possibly be achieved.”¹² So, specific targets for revenue growth and productivity improvements should be established along with a corresponding time line (for example, achieve revenue growth of 15 percent by year 1 and 30 percent by year 3).

Boise adopted a new customer strategy driven by this strategic theme: *Create Distinctive Customer Value by Enhancing the Customer Relationship* (see Figure 17.1). The financial objectives were to increase shareholder value by emphasizing market segmentation and measuring revenue, profit contribution, and cost-to-serve by individual customer segment.

Step 2: Define the Customer Value Proposition for Target Customer Segments Achieving revenue growth goals requires explicit attention to generating revenue from new customers or increasing revenue from existing customers. Thus, the most important component of strategy is to develop and clarify the value proposition for customers in targeted segments. Recall that Chapter 6 presented four major value propositions and customer strategies: low total cost, product leadership, complete customer solutions, and system lock-in.

Boise adopted a customer solutions strategy that enhances value through one-to-one marketing, anticipates customers’ needs to create customized service, and provides seamless access across sales channels (for example, sales force, Web, direct mail). A customer satisfaction survey assessed the core elements in the firm’s new value proposition. The core objective, “to create distinctive value,” was measured by

- The number of customers retained in targeted segments;
- The number of new customers acquired;
- Estimates of the lifetime value of customers.

Step 3: Establish the Time Line for Results To develop a coordinated plan, the high-level financial goals must be broken down into targets for particular functions or internal processes, like innovation management, so that organizational members unite behind the strategy and are comfortable with the overall target.

¹¹Kaplan and Norton, *Strategy Maps*, pp. 355–360.

¹²*Ibid.*, p. 353.

For Boise, operations management processes would reduce the costs of servicing customers, the customer management process would increase the number of relationship customers, and the innovation processes would create new offerings such as contract purchase plans. A time line for performance targets guided the efforts in each group.

Step 4: Identify the Critical Strategic Themes and Internal Processes with the Greatest Impact on the Strategy This step identifies the key processes in delivering the customer value proposition and reaching the company's financial objectives.

Boise's internal process objectives emphasized three themes (see Figure 17.1):

- *Operational excellence*: Rationalize operations by moving more customers to an e-commerce channel to provide more convenient customer access and lower costs per customer contact.
- *Customer management*: Leverage customer service by personalizing the ordering process, making interactions easier for the customer, and meeting all the customer's needs in a single interaction.
- *Innovation management*: Redefine customer value expectations by creating new tools that customers can use to control spending on office supplies.

Once again, Boise developed measures—such as the percentage of customers in a target segment that used the e-commerce channel—for each of these themes. To illustrate, for operations, success at reaching cost reductions was measured by the percentage of business in targeted segments that came through e-channels; for innovation management, success was measured by the number of customers participating in new contract purchasing plans.

Step 5: Identify the Human, Information, and Organizational Resources Required to Support the Strategy The learning and growth objectives assess how ready the organization is to support the internal processes that drive the strategy. This stage ensures that organizational members are aligned with the strategy and get with the training, information technology, and incentives to successfully implement it.

To introduce the strategy at Boise, every employee saw a video of the CEO describing the strategy, and more than 1,000 employees attended a 6-hour course on the new customer management initiative. Moreover, the firm installed a comprehensive customer relationship management (CRM) system and provided 1,500 customer service representatives and managers with 30 hours of training on it.¹³ A video was likewise developed for customers to show them the benefits of the new strategy. Among the measures used were the percentage of employees trained for the new customer-centric strategy and the proportion of staff with incentives directly aligned to the strategy.

Step 6: Develop an Action Plan and Provide Required Funding for Each of the Separate Initiatives (Strategic Themes) To reach financial targets and fulfill the strategic vision, several separate initiatives—involving different functions and

¹³Don Peppers and Martha Rogers, *Return on Customer: A Revolutionary Way to Measure and Strengthen Your Business* (New York: Currency/Doubleday, 2005), pp. 133–134.

processes in the company—must support the overall strategy in a coordinated fashion (see Figure 17.1). These initiatives create the performance results and form the foundation for successfully implementing the strategy. Rather than a series of stand-alone projects, these initiatives should be aligned to the overall strategy and managed as an *integrated* bundle of investments.

Strategy Results Boise's new strategy allowed the firm to reduce costs, boost growth, and offer even their most price-sensitive customers an integrated solution that delivered greater value than lower-priced competitors. In turn, customer retention improved dramatically, and sales from the firm's most valuable customers expanded. Don Peppers and Martha Rogers describe how the strategy achieves profit targets:

The firm now has good customer profitability data, which is yielding steady benefits on a customer-by-customer basis. For instance, relying on this data, Boise chose to discontinue working with one of its largest customers, a hospital group that apparently cost Boise money with every sale. And a senior executive visited another customer's headquarters, shared data to show that the company was one of Boise's least profitable accounts, and won a price increase over two years.¹⁴

Maps: A Tool for Strategy Making

Because a firm's strategy is based on developing a differentiated customer value proposition, the business marketing manager assumes a lead role in both strategy development and implementation. Fundamental to this role is the challenging job of coordinating activities across functions to create and deliver a superior solution for customers.

Translating Objectives into Results The strategy map, coupled with the measures and targets from the balanced scorecard, provides a valuable framework for the strategist. First, the strategy map clearly describes the strategy, detailing objectives for the critical internal processes that create value and the organizational assets (for example, information technology, employee rewards) needed to support them. Second, the balanced scorecard translates objectives into specific measures and targets that guide critical components of the strategy. Third, to achieve financial or productivity goals, a set of well-integrated action plans must be designed that are carefully aligned to the overall strategy. Attention now turns to the central role of the control process in business marketing management.

Marketing Strategy: Allocating Resources

The purpose of any marketing strategy is to yield the best possible results. Resources are allocated to marketing in general and to individual strategy elements in particular to achieve prescribed objectives. Profit contribution, market-share percentage, number of new customers, cost-to-serve customers, and level of expenses and sales are

¹⁴Ibid., p. 135.

typical performance criteria; but regardless of the criteria, four interrelated evaluations are required to design a marketing strategy:

1. How much should be spent on marketing in the planning period? (This is the budget for achieving marketing objectives.)
2. How are marketing dollars to be allocated? (For example, how much should be spent on advertising? On personal selling?)
3. Within each element of the marketing strategy, how should dollars be allocated to best achieve marketing objectives? (For example, which advertising media should be selected? How should sales personnel be deployed among customers and prospects?)
4. Which market segments, products, and geographic areas are most profitable? (Each market segment may require a different amount of effort because of competitive intensity or market potential.)

Guiding Strategy Formulation

Evaluation outcomes provide the foundation for integrating the market strategy formulation and the marketing control system. Results in the most recent operating period show how successful past marketing efforts were in meeting objectives. Performance below or above expectations then signals where funds should be reallocated. If the firm expected to reach 20 percent of the OEM market but reached only 12 percent, a change in strategy may be required. Performance information provided by the control system might demonstrate that sales personnel in the OEM market were reaching only 45 percent of potential buyers; additional funds could be allocated to expand either the sales force or the advertising budget. On the other hand, since performance was below targets, as pointed out by the control system, the problem may not be with the strategy, but with the way it is being implemented. Thus, additional funds may be allocated to marketing efforts, but it may be necessary to also carefully examine how effectively the sales force is executing the sales strategy or whether the advertising was implemented effectively—perhaps the message is wrong or the advertising media were not appropriate.

*Managing Individual Customers for Profit*¹⁵

As explored in Chapter 4, business marketers should also focus on revenues from individual customers and isolate the cost-to-serve them. For relationship customers, attention should be given to the share-of-wallet the firm is attracting. **Share-of-wallet** represents the portion of total purchases in a product and service category (for example, information technology) that a customer makes from the firm (for example, Hewlett-Packard).

For customers with a more transactional focus, the business marketer should

- Develop a customer database that profiles the past purchasing patterns of customers;
- Determine the cost-to-serve each customer;

¹⁵Roland T. Rust, Katherine N. Lemon, and Das Narayandas, *Customer Equity Management* (Upper Saddle River, NJ: Prentice Hall, 2005), pp. 426–428.

- Set a revenue target and profit goal;
- Develop a customer contact plan that details the sales channel (for example, direct sales, telesales, Web-based contact) to be used;
- Monitor performance results and the relative effectiveness of different sales channels.

Marketing managers must weigh the interactions among the strategy elements and allocate resources to create effective and efficient strategies. To do so, a system for monitoring past performance is an absolute necessity. In effect, the control system enables management to keep abreast of all facets of performance.

The Marketing Control Process

Marketing control is a process management uses to generate information on marketing performance. Two major forms of control are (1) control over efficient allocation of marketing effort and (2) comparison of planned and actual performance. In the first case, the business marketer may use past profitability data as a standard for evaluating future marketing expenditures. The second form of control alerts management to any differences between planned and actual performance and may also reveal reasons for performance discrepancies.

Control at Various Levels

The control process is universal in that it can be applied to any level of marketing analysis. For example, business marketers must frequently evaluate whether their general strategies are appropriate and effective. However, it is equally important to know whether the individual elements in the strategy are effectively integrated for a given market. Further, management must evaluate resource allocation within a particular element (for example, the effectiveness of direct selling versus that of industrial distributors). The control system should work in any of these situations. The four primary levels of marketing control are delineated in Table 17.1. In short, measures of marketing performance should be used both to assess the overall business success and to examine the health of particular products, markets, or distribution channels.¹⁶

Strategic Control

Strategic control is based on a comprehensive evaluation of whether the firm is headed in the right direction. Strategic control focuses on assessing whether the strategy is being implemented as planned and whether it produces the intended results.¹⁷ Because the business marketing environment changes rapidly, existing product/market situations may lose their potential and new product/market matchups provide important opportunities. Philip Kotler suggests that the firm periodically conduct a

¹⁶Bruce H. Clark, "A Summary Of Thinking On Measuring the Value of Marketing," *Journal of Targeting, Measurement and Analysis for Marketing* 9 (June, 2001): p. 361.

¹⁷Philip Kotler, "A Three-Part Plan for Upgrading Your Marketing Department for New Challenges," *Strategy & Leadership* 32 (May 2004): pp. 4-9.

TABLE 17.1 | LEVELS OF MARKETING CONTROL

Type of Control	Primary Responsibility	Purpose of Control	Tools
Strategic control	Top management	To examine whether the company is pursuing its best opportunities with respect to markets, products, and channels	Marketing audit
Annual plan control	Top management, middle management	To examine whether the planned results are being achieved	Sales analysis; market-share analysis; expense-to-sales ratios; other ratios; attitude tracking
Efficiency and effectiveness control	Middle management	To examine how well resources have been utilized in each element of the marketing strategy to accomplish a specific goal	Expense ratios; advertising effectiveness measures; market potential; contribution margin analysis
Profitability control	Marketing controller	To examine where the company is making and losing money	Profitability by product territory, market segment, trade channel, order size

SOURCE: Adapted from Philip Kotler, *Marketing Management: The Millennium Edition* (Englewood Cliffs, N.J.: Prentice-Hall, 2000), p. 698.

marketing audit—a comprehensive, periodic, and systematic evaluation of marketing operations that specifically analyzes the market environment and the firm’s internal marketing activities.¹⁸ An analysis of the environment assesses company image, customer characteristics, competitive activities, regulatory constraints, and economic trends. Evaluating this information may uncover threats the firm can counter and future opportunities it can exploit.

An internal evaluation of the marketing system scrutinizes marketing objectives, organization, and implementation. In this way, management may be able to spot where existing products could be adapted to new markets or new products could be developed for existing markets. The regular, systematic marketing audit is a valuable technique for evaluating the direction of marketing strategies.¹⁹

Marketing Performance Measurement (MPM) Strategies²⁰ Many firms are now *strategically* developing performance measurement approaches to evaluate their marketing efforts: They have developed a marketing operations area that concentrates on maintaining a set of pragmatic *marketing performance* objectives and measures which

¹⁸Philip Kotler, *Marketing Management: The Millennium Edition* (Englewood Cliffs, NJ: Prentice Hall, 2000), pp. 708–709; and Michael P. Mokwa, “The Strategic Marketing Audit: An Adoption/Utilization Perspective,” *Journal of Business Strategy* 7 (Winter 1986): pp. 88–95.

¹⁹For example, see Philip Kotler, William T. Gregor, and William Rogers III, “SMR Classic Reprint: The Marketing Audit Comes of Age,” *Sloan Management Review* 20 (Winter 1989): pp. 49–62; and Mokwa, “The Strategic Marketing Audit,” pp. 88–95.

²⁰This section based on Michael Gerard, “The Best Technology Marketers Are Well Versed in MPM,” *B to B* 93 (April 7, 2008): pp. 21–23.

become the marketing performance measurement (MPM) system. Very simply, **marketing performance measurement** is a business strategy that provides performance feedback to the organization regarding the results of marketing efforts, and it is often viewed as a specific form of market information processing for the organization.²¹

For example, IBM maintains MPM from a central marketing operations function, providing its global marketing board with an integrated view across all business units. This process is part of marketing's strategic planning and resource management process, ensuring that the marketing measurement and specific metrics line up with the company's strategic and business objectives. IBM executives assert that MPM allows them to better align marketing priorities to business priorities and to connect marketing expenditures to business performance. Also, consistent use of common metrics under a common structure allows IBM to restructure programs, shift emphasis on particular offerings, and move investments to higher-growth opportunities—in other words, to drive actionable results.

In a different approach, Intel identifies four top-level broad strategies each year. Then it determines key business strategies, marketing metrics, and targets, and puts these on a “dashboard.” These metrics are monitored quarterly or monthly and do not usually change radically throughout the year. Lastly, Intel drills down to the project level and identifies tasks and management by objectives (MBOs), which are measured by activity (completed or not) or results. Intel's dashboard increases visibility, reinforces accountability and facilitates execution of key marketing strategies. Intel marketing managers believe that the dashboard has allowed them to sharpen marketing strategies and to more clearly understand how marketing programs can contribute to business success.

MPM Guidelines and Payoff To effectively develop their MPM strategy, business marketing strategists should follow four important guidelines:

1. If the firm does not have an MPM process, it should begin slowly and should not aim for perfection.
2. The MPM should use relevant metrics that drive action.
3. All marketing groups and the sales department should be included in the MPM process.
4. The MPM process should become part of the weekly, monthly, quarterly and annual reporting as well as a central component of the strategic planning process.

In a study conducted by Don O'Sullivan and Andrew V. Abela, MPM ability was shown to have a positive impact on firm performance in the high-tech sector.²² The study found that firms with a strong MPM ability tend to outperform their competitors, as reported by senior marketers. The results also suggest that MPM ability has a positive influence on return on assets (ROA) and on stock returns. In addition, the research revealed

²¹Bruce H. Clark, Andrew V. Abela, and Tim Ambler, “An Information Processing Model of Marketing Performance Measurement,” *Journal of Marketing Theory and Practice* 14 (Summer 2006): p. 193.

²²Don O'Sullivan and Andrew V. Abela, “Marketing Performance Measurement Ability and Firm Performance,” *Journal of Marketing* 71 (April 2007): p. 79.

that MPM ability has a significant, positive impact on CEO satisfaction with marketing. Development of MPM ability requires that marketers divert part of their budget and attention away from actual marketing programs and toward measurement efforts.

Annual Plan Control

In **annual plan control**, the objectives specified in the plan become the performance standards against which actual results are compared. Sales volume, profits, and market share are the typical performance standards for business marketers. **Sales analysis** is an attempt to determine why actual sales varied from planned sales. Expected sales may not be met because of price reductions, inadequate volume, or both. A sales analysis separates the effects of these variables so that corrective action can be taken.

Market-share analysis assesses how the firm is doing relative to competition. A machine-tool manufacturer's 10 percent sales increase may, on the surface, appear favorable. However, if total machine-tool industry sales are up 25 percent, a market-share analysis would show that the firm has not fared well relative to competitors.

Finally, **expense-to-sales ratios** are analyses of the efficiency of marketing operations—whether the firm is overspending or underspending. Frequently, industry standards or past company ratios provide standards of comparison. Total marketing expenses and expenses of each strategic marketing element are evaluated in relation to sales. Recall the discussion in Chapter 15 on advertising expenditures, which provided a range of advertising expense-to-sales ratios for business-to-business firms. These figures provide management with a basis for evaluating the company's performance.

Marketing Control: The Marketing Performance Dashboard

Many business marketers have adopted the practice of creating “dashboards” of key metrics that provide information on the performance of the marketing function. Dashboards may be configured in many ways, but they typically present marketers with a highly graphical capsule view of key performance and operational metrics.²³ **Dashboards** provide management with a feedback system to track progress on key metrics and connect marketing performance to business outcomes.²⁴

A marketing performance dashboard graphically depicts a company's marketing and operational performance through the use of simple gauges and scales. They represent graphical overlays on databases, providing managers with visual clues about what's happening in real time. Marketing dashboards are an appropriate visualization of critical underlying performance data.²⁵ Business marketers are increasingly using dashboards because of the high level of attention senior management is devoting to marketing return-on-investment. Importantly, dashboards help companies improve performance because dashboard metrics center on the key outcomes expected from the marketing function. For example, Tektronix, a company that provides test and measurement equipment to high-tech firms, demonstrates the striking improvements that a performance dashboard can facilitate. Over the first 5 years of using the system, the company has achieved a 125 percent increase in responses to marketing programs and has seen a 90 percent increase in qualified sales leads. In addition, Tektronix has reduced its cost per lead by 70 percent. Moreover, the company's marketing forecast

²³Richard Karpinski, “Making The Most of a Marketing Dashboard,” *B to B* 91 (March 13, 2006): p. 17.

²⁴Patterson, “Taking On the Metrics Challenge,” p. 274

²⁵Christopher Hosford, “Driving Business with Dashboards,” *B to B* 91(December 11, 2006): p. 18.

accuracy now has a variance of 3 percent, down from a variance of 50 percent before the dashboard was developed.²⁶

Which Metrics Matter? The metrics to be included in a marketing dashboard will vary dramatically from one firm to the next, because each firm has different performance outcomes that are considered important.

Marketers must accept that there's no one-size-fits-all dashboard they can use; they must customize the tool for themselves. After establishing what the company's true business drivers are, management must cull the myriad possibilities down to the three or four key ones that will be the most fruitful to follow. At least one of these drivers, such as share of wallet, should indicate performance relative to competitors. At least one, such as loyalty, should clearly measure the customers' experience. And one, such as customers' average annual expenditures or lifetime value, should measure the growth of retained customers' business. Finally, any driver on the dashboard must be one the company can manipulate. It might be informative for a supplier of hospital beds to track the number of elective surgeries in the US, but the company can't influence that number, so it's not a useful metric for them to follow—they cannot 'manipulate' the number of elective surgeries.²⁷

Isolating Performance Drivers There is both art and science in the creation of effective marketing dashboards. However, an effective dashboard maps out the relationships between business outcomes and marketing performance. One of the great challenges is determining where all the relevant data reside: The marketer has to define what the key performance metrics are and think about where to get the actual data to populate those metrics, according to one expert who designs marketing dashboards.²⁸ In addition, the information one really needs to make decisions almost always comes from multiple sources: internal sales and marketing data, as well as external partner or third-party data. A typical dashboard could include data from 6 to 10 sources, which presents a major challenge. Table 17.2 provides examples of the metrics used in the marketing dashboards by Cisco Systems, Cognos Corporation, and Adobe Systems. Note that each company employs a very different set of metrics. The dashboard elements for each firm reflect the importance that each particular element plays in the success of marketing strategy.

Desirable Dashboard Features One expert in the development of marketing dashboards suggests that a good dashboard should accomplish several objectives. The dashboard should

1. Foster decision making: the metrics should suggest a course of action to be followed;
2. Provide a unified view into marketing's value to the business;
3. Enable better alignment between marketing and the business;
4. Translate complex measures into a meaningful and coherent set of information.²⁹

²⁶Kate Maddox, "Tektronix Wins for Best Practices," *B to B* 90 (April 4, 2005): p. 33.

²⁷Gail J. McGovern, David Court, John A. Quelch, and Blair Crawford, "Bringing Customers into the Boardroom," *Harvard Business Review* 82 (November 2004): pp. 70–80.

²⁸Karpinski, "Making The Most of a Marketing Dashboard," p. 18.

²⁹Patterson, "Taking On the Metrics Challenge," p. 273.

TABLE 17.2 | EXAMPLE OF MACROSEGMENTATION: AIRCRAFT INDUSTRY

Cognos Corp	Adobe Systems	Cisco Systems
Market share	Marketing activities: Ad reach; Web site hits	Image
Financial analyst firm rankings	Operational measures: Brand awareness	Brand perception
Average revenue per sales rep	Cost per sale; Program-to- people ratio	Lead generation
Penetration of top global companies	Outcome-based metrics: Market share; Number of leads	Employee retention
Number of customers using a company solution year-to-date	Leading indicators: Brand loyalty; Lifetime value of a customer	Customer satisfaction

SOURCES: Kelly Shermach, "Driving Performance," *Sales & Marketing Management* 157 (December 2005): p. 18; Kate Maddox, Sean Callahan, and Carol Krol, "Top Trends," *B to B* 90 (June 13, 2005): p. 24; and Sandra Swanson, "Marketers: James Richardson," *B to B* 90 (October 24, 2005): p. 10.

Finally, a dashboard should be focused on two levels: The dashboard should (a) report operations metrics that are internally focused and (b) reflect execution metrics that mirror marketplace performance.³⁰

Operations metrics can include such measures as a

marketing budget ratio, which tracks marketing investment as a percent of total revenue; a program-to-people ratio that determines the percent of a marketing dollar spent on programs versus staff; and an awareness-to-demand ratio that evaluates the percent of marketing investment focused on awareness-building versus demand-generation. Execution metrics, on the other hand, determine how effectively the marketing strategy is being executed. Here the measures include efficiency and effectiveness around implementation: Is awareness building? Are we developing preference? Is the company gaining consideration? Are leads being generated, opportunities identified and qualified? Are deals being closed?³¹

Marketing performance dashboards are powerful control tools that provide management at all levels of the company with vital data concerning just how well marketing strategy is performing and how much value the marketing function is adding to the firm.

Efficiency and Effectiveness Control

Efficiency control examines how efficiently resources are being used in each element of marketing strategy (for example, sales force, advertising); **effectiveness control** evaluates whether the strategic component is accomplishing its objective. A good control system provides continuing data for evaluating the efficiency of resources used for a given element of marketing strategy to accomplish a given objective. Table 17.3 provides a representative sample of the types of data required. Performance measures

³⁰Michael Krauss, "Marketing Dashboards Drive Better Decisions," *Marketing News* 39 (October 1, 2005): p. 7.

³¹*Ibid.*, p. 7.

TABLE 17.3 | ILLUSTRATIVE MEASURES FOR EFFICIENCY AND EFFECTIVENESS CONTROL

Product

Sales by market segments
 Sales relative to potential
 Sales growth rates
 Market share
 Contribution margin
 Percentage of total profits
 Return on investment

Distribution

Sales, expenses, and contribution by channel type
 Sales and contribution margin by intermediary type and individual intermediaries
 Sales relative to market potential by channel, intermediary type, and specific intermediaries
 Expense-to-sales ratio by channel, etc.
 Logistics cost by logistics activity by channel

Communication

Advertising effectiveness by type of media
 Actual audience/target audience ratio
 Cost per contact
 Number of calls, inquiries, and information requests by type of media
 Dollar sales per sales call
 Sales per territory relative to potential
 Selling expenses to sales ratios
 New accounts per time period

Pricing

Price changes relative to sales volume
 Discount structure related to sales volume
 Bid strategy related to new contracts
 Margin structure related to marketing expenses
 General price policy related to sales volume
 Margins related to channel member performance

and standards vary by company and situation, according to the goals and objectives in the marketing plan.

Profitability Control

The essence of **profitability control** is to describe where the firm is making or losing money in terms of the important segments of its business. A **segment** is the unit of analysis management uses for control purposes; it may be customer segments, product lines, territories, or channel structures. Suppose a business marketing firm

focuses on three customer segments: health-care organizations, universities, and local government units. To allocate the marketing budget among the three segments, management must consider the profit contribution of each segment and its expected potential. Profitability control, then, provides a methodology for linking marketing costs and revenues with specific segments of the business.

Profitability by Market Segment Relating sales revenues and marketing costs to market segments improves decision making. More specifically, say Leland Beik and Stephen Buzby,

For both strategic and tactical decisions, marketing managers may profit by knowing the effect of the marketing mix on the target segment at which marketing efforts are aimed. If the programs are to be responsive to environmental change, a monitoring system is needed to locate problems and guide adjustments in marketing decisions. Tracing the profitability of segments permits improved pricing, selling, advertising, channel, and product management decisions. The success of marketing policies and programs may be appraised by a dollar-and-cents measure of profitability by segment.³²

Profitability control, a prerequisite to strategy planning and implementation, has stringent information requirements. To be effective, the firm needs a marketing-accounting information system.

An Activity-Based Cost System The accounting system must first be able to link costs with the various marketing activities and must then attach these “activity” costs to the important segments to be analyzed. The critical element in the process is to trace all costs to the activities (warehousing, advertising, and so on) for which the resources are used and then to the products or segments that consume them.³³ Such an **activity-based cost (ABC) system** reveals the links between performing particular activities and the demands those activities make on the organization’s resources. As a result, it can give managers a clear picture of how products, brands, customers, facilities, regions, or distribution channels both generate revenues and consume resources.³⁴ An ABC analysis focuses attention on improving activities that have the greatest effect on profits.

Robin Cooper and Robert Kaplan capture the essence of ABC:

ABC analysis enables managers to slice into the business many different ways—by product or group of similar products, by individual customer or client group, or by distribution channel—and gives them a close-up view of whatever slice they are considering. ABC analysis also illuminates exactly what activities are associated with that part of the business and how those activities are linked to the generation of revenues and the consumption of resources. By highlighting those relationships, ABC helps managers understand precisely

³²Leland L. Beik and Stephen L. Buzby, “Profitability Analysis by Market Segments,” *Journal of Marketing* 37 (July 1973): p. 49; see also Fred A. Jacobs, Wesley Johnston, and Natalia Kotchetova, “Customer Profitability: Prospective vs. Retrospective Approaches in a Business-to-Business Setting,” *Industrial Marketing Management* 30 (June 2001): pp. 353–363.

³³Robin Cooper and Robert S. Kaplan, “Measure Costs Right: Make the Right Decisions,” *Harvard Business Review* 66 (September–October 1988): p. 96. For a related discussion, see Robin Cooper and W. Bruce Chew, “Control Tomorrow’s Costs through Today’s Designs,” *Harvard Business Review* 74 (January–February 1996): pp. 88–97.

³⁴Robin Cooper and Robert S. Kaplan, “Profit Priorities from Activity-Based Costing,” *Harvard Business Review* 69 (May–June 1993): p. 130; see also Robin Cooper and Robert S. Kaplan, “The Promise—and Peril—of Integrated Cost Systems,” *Harvard Business Review* 76 (July–August 1998): pp. 109–118.

where to take actions that drive profits. In contrast to traditional accounting, activity-based costing segregates the expenses of indirect and support resources by activities. It then assigns those expenses based on the drivers of the activities, rather than by some arbitrary percentage allocation.³⁵

ABC System Illustrated³⁶ ABC analysis highlights for managers where their actions will likely have the greatest effect on profits. The ABC system at Kanthal Corporation led to a review of profitability by size of customer (see Chapter 4). Kanthal, a manufacturer of heating wire, used activity-based costing to analyze its customer profitability and discovered that the well-known 80/20 rule (80 percent of sales generated by 20 percent of customers) was in need of revision. A 20/225 rule was actually operating: 20 percent of customers were generating 225 percent of profits. The middle 70 percent of customers were hovering around the break-even point, and Kanthal was losing 125 percent of its profits on 10 percent of its customers.

The Kanthal customers generating the greatest losses were among those with the largest sales volume. Initially, this finding surprised managers, but it soon began to make sense. You can't lose large amounts of money on a small customer. The large, unprofitable customers demanded lower prices, frequent deliveries of small lots, extensive sales and technical resources, and product changes. The newly revealed economics enabled management to change the way it did business with these customers—through price changes, minimum order sizes, and information technology—transforming the customers into strong profit contributors.

Using the ABC System An ABC system requires the firm to break from traditional accounting concepts. Managers must refrain from allocating all expenses to individual units and instead separate the expenses and match them to the activity that consumes the resources.³⁷ Once resource expenditures are related to the activities they produce, management can explore different strategies for reducing the resource commitments. To enhance profitability, business marketing managers need to figure out how to reduce expenditures on those resources or increase the output they produce. For example, a sales manager would search for ways to reduce the number of sales calls on unprofitable customers or find ways to make the salesperson more effective with them. In summary, ABC systems enable the business marketing manager to focus on increasing profitability by understanding the sources of cost variability and developing strategies to reduce resource commitment or enhance resource productivity.

Implementation of Business Marketing Strategy

Many marketing plans fail because they are poorly implemented. Implementation is the critical link between strategy formulation and superior organizational performance.³⁸ **Marketing implementation** is the process that translates marketing plans into action assignments and ensures that such assignments are executed in a

³⁵Cooper and Kaplan, "Profit Priorities from Activity-Based Costing," p. 131; see also Robert S. Kaplan and Steven R. Anderson, "Time-Driven Activity-Based Costing," *Harvard Business Review* 82 (November 2004): pp. 131–138.

³⁶This section is based on Cooper and Kaplan, "Profit Priorities from Activity-Based Costing," p. 130, and Cooper and Kaplan, "The Promise—and Peril—of Integrated Cost Systems," pp. 109–119.

³⁷Cooper and Kaplan, "Profit Priorities from Activity-Based Costing," p. 130.

³⁸Charles H. Noble and Michael P. Mokwa, "Implementing Marketing Strategies: Developing and Testing a Managerial Theory," *Journal of Marketing* 63 (October 1999): pp. 57–73.

INSIDE BUSINESS MARKETING

Tracking Marketing Success at Siemens

Inside a huge corporation—one with a multitude of products and services and thousands of employees serving its customers worldwide—what constitutes a marketing success? With so many transactions and interactions, and a seemingly endless supply of data components, the question to be asked is, “Can success be effectively defined, tracked, measured, and communicated?”

For Siemens AG, a leading global electronics and engineering company employing more than 417,000 people in 192 countries, this process became a strategic goal more than 5 years ago on the B2B side and has since resulted in a program that has been rolled out in nine countries, including the United States. Siemens, like most businesses, understood that it needed to justify its marketing and marketing-related technology budgets from the start so there would be no surprises to report to senior management at the end of each quarter and at year’s end. Getting to this point is a logical step, but accomplishing it is less easy. Siemens realized its goal through a strategy that combined both art and science.

The company’s “*marketing scorecard*” report of the enterprise-marketing division offers invaluable insight across the entire marketing continuum, including awareness, interest, consideration, evaluation, and ultimate purchase—and illustrates the return-on-investment (ROI) of individual efforts. Here is an example: Say a Webinar costs \$70,000 to produce. E-mail efforts to generate

awareness produce 4,654 impressions. From that group, 529 express genuine interest by responding to the e-mail message. From here, 54 leads are generated. The questions become, “What did it really cost to get someone to respond?” and “What is the cost per lead?” Analysis of the marketing scorecard may indicate that some leads are too expensive and therefore should be refined or aborted.

The beauty of the scorecard—which Siemens uses to report to management monthly and to the company quarterly—is that it offers key measurement elements on one sheet of paper. Marketers are able to see how many orders were placed and how many were confirmed with the sales organization. It shows in black and white what each marketing dollar is producing or *not* producing and helps to determine quickly where the winners are and which efforts should be continued, retested, or dropped.

What may seem like an “overnight success” story for Siemens actually took years of collaboration and data-driven strategy that have now become engrained in the culture. Both art and science have been skillfully combined to help Siemens manage, track, and fund its marketing efforts—proving that each sustained activity creates a beneficial impact on the bottom line.

SOURCE: Yvette Castanon, “Keeping Score,” *Marketing Management*, 13 (September/October 2004): pp. 16–18.

manner that accomplishes a plan’s defined objectives.³⁹ Special implementation challenges emerge for the marketing manager because diverse functional areas participate in both developing and executing strategy.

The Strategy-Implementation Fit

Thomas Bonoma asserts that “marketing strategy and implementation affect each other. Although strategy obviously affects actions, execution also affects marketing strategies, especially over time.”⁴⁰ Although the dividing line between strategy and execution is a bit fuzzy, it is often not difficult to diagnose implementation

³⁹Kotler, *Marketing Management: The Millennium Edition*, p. 695.

⁴⁰Thomas V. Bonoma, “Making Your Marketing Strategy Work,” *Harvard Business Review* 62 (March–April 1984): pp. 69–76.

problems and distinguish them from strategy deficiencies. Bonoma presents the following scenario:

A firm introduced a new portable microcomputer that incorporated a number of features that the target market valued. The new product appeared to be well positioned in a rapidly growing market, but initial sales results were miserable. Why? The 50-person sales force had little incentive to grapple with a new unfamiliar product and continued to emphasize the older models. Given the significant market potential, management had decided to set the sales incentive compensation level lower on the new machines than on the older ones. The older models had a selling cycle one-half as long as the new product and required no software knowledge or support. In this case, poor execution damaged good strategy.⁴¹

Marketing strategy and implementation affect each other. When both strategy and implementation are appropriate, the firm is likely to meet its objectives. Diagnosis becomes more difficult in other cases. For example, the cause of a marketing problem may be hard to detect when the strategy is on the mark but the implementation is poor. The business marketer may never become aware of the soundness of the strategy. Alternatively, excellent implementation of a poor strategy may give managers time to see the problem and correct it.

Implementation Skills

Thomas Bonoma identifies four important implementation skills for marketing managers: (1) interacting, (2) allocating, (3) monitoring, and (4) organizing.⁴² Each assumes special significance in the business marketing environment.

Marketing managers are continually *interacting* with others both within and outside the corporation. Inside, a number of peers (for example, R&D personnel) over whom the marketer has little power often assume a crucial role in strategy development and implementation. Outside, the marketer deals with important customers, channel members, advertising agencies, and the like. The best implementers have good bargaining skills and the ability to understand how others feel.⁴³

The implementer must also *allocate* time, assignments, people, dollars, and other resources among the marketing tasks at hand. Astute marketing managers, says Bonoma, are “tough and fair in putting people and dollars where they will be most effective. The less able ones routinely allocate too many dollars and people to mature programs and too few to richer ones.”⁴⁴

Bonoma asserts that marketing managers with good *monitoring* skills exhibit flexibility and intelligence in dealing with the firm’s information and control systems: “Good implementers struggle and wrestle with their markets and businesses until

⁴¹Ibid., p. 70.

⁴²Ibid.

⁴³Michael D. Hutt, “Cross-Functional Working Relationships in Marketing,” *Journal of the Academy of Marketing Science* 23 (Fall 1995): pp. 351–357.

⁴⁴Bonoma, “Making Your Marketing Strategy Work,” p. 75.

they can simply and powerfully express the ‘back of the envelope’ ratios necessary to run the business, regardless of formal control system inadequacies.”⁴⁵

Finally, the best implementers are effective at *organizing*. Sound execution often hinges on the marketer’s ability to work with both the formal and the informal organizational networks. The manager customizes an informal organization to solve problems and facilitate good execution.

The Marketing Strategy Center: An Implementation Guide⁴⁶

Diverse functional areas participate to differing degrees in developing and implementing business marketing strategy. Research and development, manufacturing, technical service, physical distribution, and other functional areas play fundamental roles. Ronald McTavish points out that “marketing specialists understand markets, but know a good deal less about the nuts and bolts of the company’s operations—its internal terrain. This is the domain of the operating specialist. We need to bring these different specialists together in a ‘synergistic pooling’ of knowledge and viewpoint to achieve the best fit of the company’s skills with the market and the company’s approach to it.”⁴⁷ This suggests a challenging and pivotal interdisciplinary role for the marketing manager in the business-to-business firm.

The marketing strategy center (discussed in Chapter 6) provides a framework for highlighting this interdisciplinary role and for exploring key implementation requirements. Table 17.4 highlights important strategic topics examined throughout this textbook. In each case, nonmarketing personnel play active implementation roles. For example, product quality is directly or indirectly affected by several departments: manufacturing, research and development, technical service, and others. In turn, successful product innovation reflects the collective efforts of individuals from several functional areas. Clearly, effective strategy implementation requires well-defined decision roles, responsibilities, timetables, and coordination mechanisms.

On a global market scale, special coordination challenges emerge when selected activities such as R&D are concentrated in one country and other strategy activities such as manufacturing are dispersed across countries. Xerox, however, has been successful in maintaining a high level of coordination across such dispersed activities. The Xerox brand, marketing approach, and servicing procedures are standardized worldwide.⁴⁸

The Marketer’s Role To ensure maximum customer satisfaction and the desired market response, the business marketer must assume an active role in the

⁴⁵Ibid.

⁴⁶Michael D. Hutt and Thomas W. Speh, “The Marketing Strategy Center: Diagnosing the Industrial Marketer’s Interdisciplinary Role,” *Journal of Marketing* 48 (Fall 1984): pp. 53–61; and Michael D. Hutt, Beth A. Walker, and Gary L. Frankwick, “Hurdle the Cross-Functional Barriers to Strategic Change,” *Sloan Management Review* 36 (Spring 1995): pp. 22–30.

⁴⁷Ronald McTavish, “Implementing Marketing Strategy,” *Industrial Marketing Management* 26 (November 5, 1988): p. 10; see also Deborah Dougherty and Edward H. Bowman, “The Effects of Organizational Downsizing on Product Innovation,” *California Management Review* 37 (Summer 1995): pp. 28–44.

⁴⁸Michael E. Porter, “Changing Patterns of International Competition,” *California Management Review* 28 (Winter 1986): pp. 9–40.

TABLE 17.4 | INTERFUNCTIONAL INVOLVEMENT IN MARKETING STRATEGY IMPLEMENTATION: AN ILLUSTRATIVE RESPONSIBILITY CHART

Decision Area	Marketing	Sales	Manufacturing	R&D	Purchasing	Physical Distribution	Technical Service	Strategic Business Unit	Corporate-Level Planner
Product/service quality									
Technical service support									
Physical distribution service									
National accounts management									
Channel relations Sales support									
Product/service innovation									

NOTE: Use the following abbreviations to indicate decision roles: R = responsible; A = approval; C = consult; M = implement; I = inform; X = no role in decision.

strategy center by negotiating market-sensitive agreements and coordinating strategies with other members. While being influenced by other functional areas to varying degrees in the process, the marketer can potentially influence key areas such as the design of the logistical system, the selection of manufacturing technology, or the structure of a materials management system. Such negotiation with other functional areas is fundamental to the business marketer's strategic interdisciplinary role. Thus, the successful business marketing manager performs as an integrator by drawing on the collective strengths of the enterprise to satisfy customer needs profitably.

Looking Back

Figure 17.2 synthesizes the central components of business marketing management and highlights the material presented in this textbook. Part I introduced the major classes of customers that constitute the business market: commercial enterprises, governmental units, and institutions. The timely themes of organizational buying behavior and customer relationship management provided the focus of Part II. Part III discussed the tools for assessing market opportunities; it explored techniques for

B2B TOP PERFORMERS

Cross-Functional Relationships: Effective Managers Deliver on Promises

Ask an R&D manager to identify a colleague from marketing who is particularly effective at getting things done and he or she readily offers a name and a memorable episode to justify the selection. To explore the characteristics of high-performing cross-functional managers, detailed accounts of effective and ineffective interactions were gathered from managers at a *Fortune* 100 high-technology firm. Interestingly, the top-of-mind characteristics that colleagues emphasize when describing high performers are soft skills like openness rather than hard skills like technical proficiency or marketing savvy. Here's a profile:

- High-performing managers are revered by their colleagues for their *responsiveness*. Remembering effective cross-functional episodes, colleagues describe high performers as “timely,” “prompt,” and “responsive” (for example, “When I need critical information, I turn to him and he gets right back to me”).
- Rather than a “functional mindset,” high performers demonstrate *perspective-taking* skills—the ability to anticipate and understand the perspectives and priorities of managers from other units (for example, “He’s a superb marketing strategist but he also recognizes

the special technical issues that we’ve been working through to get this product launched on schedule”).

- When colleagues describe the *communication style* of their high-performing cross-functional counterparts, they focus on three consistent themes: openness, frequency, and quality. Interactions with high performers are described as “candid,” “unencumbered,” and characterized by a “free flow of thoughts and suggestions.” Such high-quality interactions clarify goals and responsibilities.

By “delivering on their promises,” effective managers develop a web of close relationships across functions. “He has really good personal relationships with a lot of people and he has a network—he really understands the mechanisms that you have to use to get things done.”

SOURCE: Michael D. Hutt, Beth A. Walker, Edward U. Bond III, and Matthew Meuter, “Diagnosing Marketing Managers’ Effective and Ineffective Cross-Functional Interactions,” Working paper, Tempe, AZ.: Arizona State University, 2005. See also Edward U. Bond III, Beth A. Walker, Michael D. Hutt, and Peter H. Reingen, “Reputational Effectiveness in Cross-Functional Working Relationships,” *Journal of Product Innovation Management* 21 (January 2004): pp. 44–60.

identifying market segments, and forecasting sales. Functionally integrated marketing planning provides a framework for dealing with each component of the business marketing mix, as detailed in Part IV. Special attention was also given to the special challenges and unique opportunities that rapidly developing economies present for business-to-business firms.

Once business marketing strategy is formulated, the manager must evaluate the response of target market segments to minimize any discrepancy between planned and actual results. This chapter, which constitutes Part V, explores the critical dimensions of the marketing control process, which is the final loop in the model presented in Figure 17.2: planning for and acquiring marketing information. Such information forms the core of the firm’s management information system; it is derived internally through the marketing–accounting system and externally through the marketing research function. Evaluation and control enable the marketer to reassess business market opportunities and make adjustments as needed in business marketing strategy.

firm's critical objectives and the cause-and-effect relationships among them that drive superior organizational performance.

An effective control system has four distinct components. Strategic control, which is operationalized through the marketing audit, provides valuable information on the present and future course of the firm's basic product/market mission. Annual plan control compares annual with planned results to provide input for future planning. Efficiency and effectiveness control evaluates whether marketing strategy elements achieve their goals in a cost-effective manner. Finally, profitability control seeks to evaluate profitability by segment. Marketing dashboards are effective tools for helping managers to isolate and monitor key performance metrics while providing top management with a compact profile concerning the impact of marketing strategies on overall company performance.

Many business marketing plans fail because they are poorly executed. Marketing implementation is the process that translates marketing plans into action assignments and ensures that such assignments are executed in a timely and effective manner. Four implementation skills are particularly important to the business marketing manager: (1) interacting, (2) allocating, (3) monitoring, and (4) organizing. Nonmarketing personnel play active roles in implementing business marketing strategy. This suggests a challenging and pivotal interdisciplinary role for the marketing manager.

Discussion Questions

1. Discuss why a firm that plans to enter a new market segment may have to develop new internal business processes to serve customers in this segment.
2. Not all customer demands can be satisfied profitably. What steps should be taken by a marketing manager who learns that particular customer accounts—including some long-standing ones—are unprofitable?
3. Describe the relationships between and among the four central perspectives represented in the balanced scorecard and included in a strategy map: financial, customer, internal business process, and learning and growth.
4. Last December, Lisa Schmitt, vice president of marketing at Bock Machine Tool, identified four market segments her firm would attempt to penetrate this year. As this year comes to an end, Lisa would like to evaluate the firm's performance in each of these segments. Of course, Lisa turns to you for assistance. First, what information would you seek from the firm's marketing information system to perform the analysis? Second, how would you know whether the firm's performance in a particular market segment was good or bad?
5. Susan Breck, president of Breck Chemical Corporation, added three new products to the firm's line 2 years ago to serve the needs of five NAICS groups. Each of the products has a separate advertising budget, although they are sold by the same salespersons. Susan requests your assistance in determining what type of information the firm should gather to monitor and control the performance of these products. Outline your reply.

6. Assume that the information you requested in question 5 has been gathered for you. How would you determine whether advertising and personal selling funds should be shifted from one product to another?
7. Hamilton Tucker, president of Tucker Manufacturing Company, is concerned about the seat-of-the-pants approach managers use in allocating the marketing budget. He cites the Midwest and the East as examples. The firm increased its demand-stimulating expenditures (for example, advertising, personal selling) in the Midwest by 20 percent, but sales climbed only 6 percent last year. In contrast, demand-stimulating expenditures were cut by 17 percent in the East, and sales dropped by 22 percent. Hamilton would like you to assist the Midwestern and Eastern regional managers in allocating their funds next year. Carefully outline the approach you would follow.
8. Your company produces electric motors for use in appliances, machinery, and a variety of other industrial applications. The CEO of the company wants the chief marketing officer (CMO) to create a dashboard of marketing indicators that could be reviewed by top management to evaluate the contribution of marketing to overall firm performance. What advice would you give to the CMO in terms of criteria he or she should use in designing the dashboard? That is, what will be required to make the dashboard effective?
9. Using the marketing strategy center concept as a guide, describe how a strategy that is entirely appropriate for a particular target market might fail because of poor implementation in the logistics and technical service areas.
10. Describe how the strategy implementation challenges for a marketing manager working at DuPont (an industrial firm) might be different from those for a marketing manager working at Pillsbury (a consumer-goods firm).

Internet Exercise

1. McKinsey & Company is a leading management consulting firm. The company publishes *McKinsey Quarterly*, an online journal that features the latest thinking on business strategy, finance, and management. Go to <http://www.mckinsey.com>, click on *McKinsey Quarterly*, and conduct a search for articles on “strategy implementation.” Select a recent article on this topic and briefly outline the key insights that the article provides.

Intuit Leads in the Accounting Software Market⁴⁹

Intuit, Inc. has developed a loyal customer base for its QuickBooks (small-business accounting) products, which simplify the difficult task of keeping accounting records. Once a customer becomes familiar with its products, the time it takes to transfer data or to learn a new application makes it quite difficult and inefficient to switch to a competing product.

The company has attracted a customer base of 3.5 million small-business clients who buy QuickBooks upgrades as their business requirements become more complex. “Intuit has loyal customers because it listens to users and incorporates their feedback to improve products. Few businesses understand their customers as well as Intuit.” With 24 million small businesses already in existence and 600,000 new ones launched each year, Intuit has significant opportunities to grow.

Intuit’s strategy centers on generating more revenue from its existing customers by adding a host of new services, attracting nonusers to its existing products, and entering new markets.

Discussion Question

1. As Intuit introduces new services and attempts to further strengthen the position of QuickBooks in the lucrative small-business market, what marketing performance metrics should marketing managers use to monitor the progress of its growth strategy and to make required adjustments?

⁴⁹Irina Logovinsky, “When it Comes to Accounting Software: Intuit Has No Equal,” *Morningstar* (August 15, 2008), accessed on August 25, 2008 at <http://www.morningstar.com>.

Case Planning Guide

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