BUSINESS MARKETING - TECHNOLOGY FOCUS
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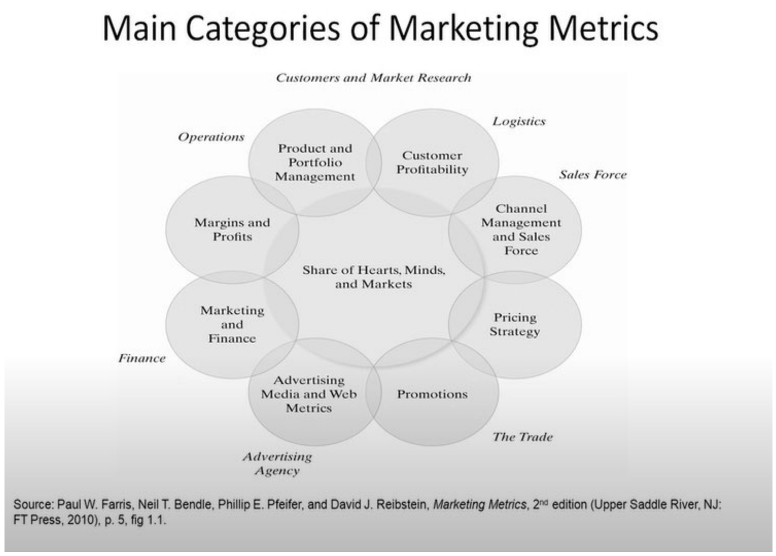
Lecture 33 : Marketing Metrics

Hello, I am Jayanta Chatterjee from IIT Kanpur and we are discussing B2B marketing with technology focus. So, we are at the very end of our series of sessions.



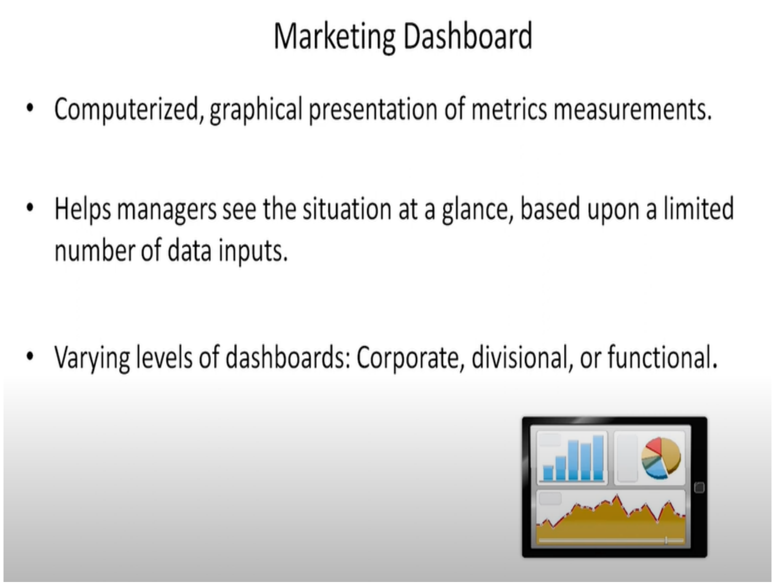
Today we are going to discuss about marketing metrics, that means the way we measure our performance. So we have discussed different aspects of the marketing activity in the B2B domain. We have looked at the marketing mix.

We have looked at product development. We have looked at technology management issues. We have looked at various strategic issues. So, we have looked at channel management. We have looked at logistics management.

We have looked at different aspects of promotion. We have looked at different aspects of pricing. We have looked at the interconnection between marketing and finance. We have looked at the concepts of margins, profits and so on. Now all that must be looked at in a comprehensive system because our ultimate aim is to enhance our share of the market, our share of the customer's mind and heart.

So, mind share, market share, enhanced optimization is our goal and to make that goal happen, we have to orchestrate the term that I introduced to you in an earlier session in the context of marketing communication. Here also we have to orchestrate all the different activities because they are all ultimately connected. And it's a complete ecosystem that ultimately creates the market share and customer mind share and customer happiness and therefore customer loyalty and the customer advocacy. So, we have therefore in front of you this particular diagram which shows the different activities under operations, different activities under market activity, sales activity, communication activity.

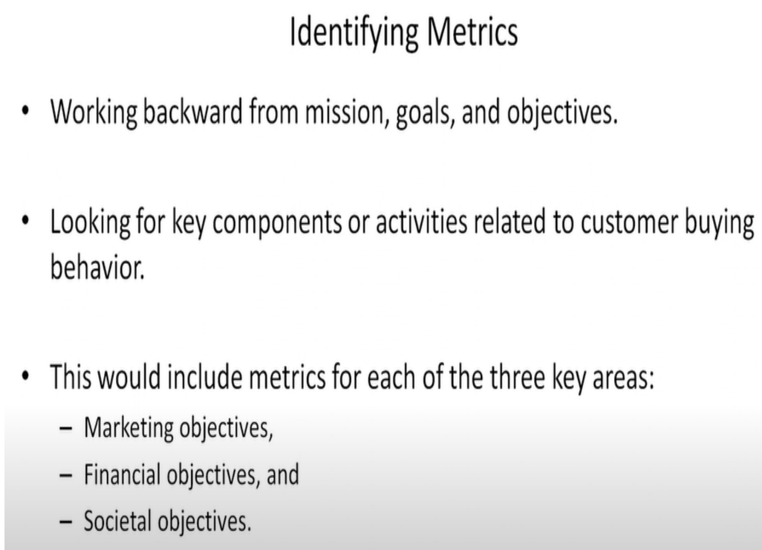
All those circles are interlinked and at the centre we have also another circle. It shows the systemic nature of the interactivity of these various blocks.



In an organization today, we often use what we call the marketing dashboard. The picture that you have in front of you is a typical look for a dashboard.

So, there are some graphs, there are some pie charts, there are some salient statistics, all that will be provided through a computerized graphical presentation and these provide the metrics, the measurements. Now, these will be designed, these screens will be designed to give the management the whole situation depicted at a glance And therefore, what will be displayed on a dashboard will vary according to the level of the viewer. So, it could be a functional dashboard which is dealing with only marketing communication or it could be only dealing with the supply system.

It may be only dealing with available inventory or it can be dealing with, at a corporate level, the strategic monitoring points. So, corporate, divisional, functional, various levels will have various dashboards displaying various sets of information in graphical, tabular and statistical manner.



What metrics we need and what should be displayed on the corporate screen or on the divisional screen or on the functional screen will have to be created working backwards from the mission, goal and objectives at each level.

So, we look for the key components or activities that ultimately relates to the whole marketing activity and subdivided in order of importance at every level. So, we will have metrics for key areas like marketing objectives, financial objectives, social environmental objectives, all of those will be covered by different kinds of metrics.

Sample Marketing Metrics

Objective	Metric
To acquire new customers.	Measure number or percentage of new customers acquired by month, quarter, year.
To retain current customers.	Measure number or percentage of customers who continue purchasing during a set period.
To increase market share.	Measure dollar/rupees or unit sales divided by total industry sales during a set period.
To accelerate product development	Measure the time needed to bring a new product to market.

This is a sample of what we mean by marketing metrics at the top level. So, we are looking at acquisition of new customers, retention of current customers, current and immediate goal with respect to market share, the product development performance.

So, acquisition of new customer we will measure by number or percentage of new customers acquired by month, by quarter, by year and so on. We will definitely measure retention of current customers because in this era of relationship marketing, particularly in B2B where we have few customers subject to fierce competition from few suppliers, We have to continuously monitor our current relationship with current customers and our performance, marketing performance, sales performance on each account. So, we have to measure number or percentage of customers who are continuing to purchase and what sort of volume they are purchasing.

All that we will have to measure on the dashboard on this count. We will be continuously monitoring our market share by measuring the dollars, rupees or unit sales divided by the total industry sales during a set period. And we will be also looking at our performance with respect to new product development and new product introduction. All these will be part of the dashboard at various level. So the acceleration of the product development will be depicted in a succinct or in a summary form may be in the corporate dashboard, but it will be addressed in great detail in the product management dashboard.

Sample Financial Metrics

Objective	Metric
To increase sales revenue by product.	Measure product sales in dollars/rupees per week, month, quarter, or year.
To improve profitability.	Measure gross or net margin for a set period by product, line, channel, marketing program, or customer.
To reach breakeven.	Measure the number of weeks or months until a product's revenue equals and begins to exceed costs.

Similarly, we will have financial metrics where we will look at sales revenue by product, we will look at profitability, we will reach look at our current position with respect to break even level. So, we will measure product sales in dollars, rupees per week, month, quarter or year. We will measure our gross margin or net margin over a period of time. We will see that profitability by way of product, product line, by channel, by marketing program for key customers and so on.

Sample Societal Metrics

Objective	Metric
To make products more environmentally friendly.	Measure the proportion of each product's parts that are recyclable or have been recycled during a set period.
To build awareness of a social issue.	Measure awareness among the target audience after the program or a set period.
To conserve electricity or fuel.	Measure amount used by month, quarter, year.

The break-even monitoring is very important at an early stage organization and that sometimes is set as a major view on the dashboard because we are continuously looking at as a startup or as a new product line manager where we are with respect to our break-even objectives. Then there are very important societal metrics. This can make products, how to make products more environment friendly and we will have metrics for that. We will look at to what extent we are recycling, to what extent we are designing with recyclable parts. We have to look at our awareness of social issues among the target audience, where do we stand.

And we have to also look at our energy efficiency by way of looking at our electricity or fuel consumption and these also will be often monitored and on the financial dashboard or on the corporate dashboard, these will be depicted in a prominent fashion.

Examples of Behavioral Metrics

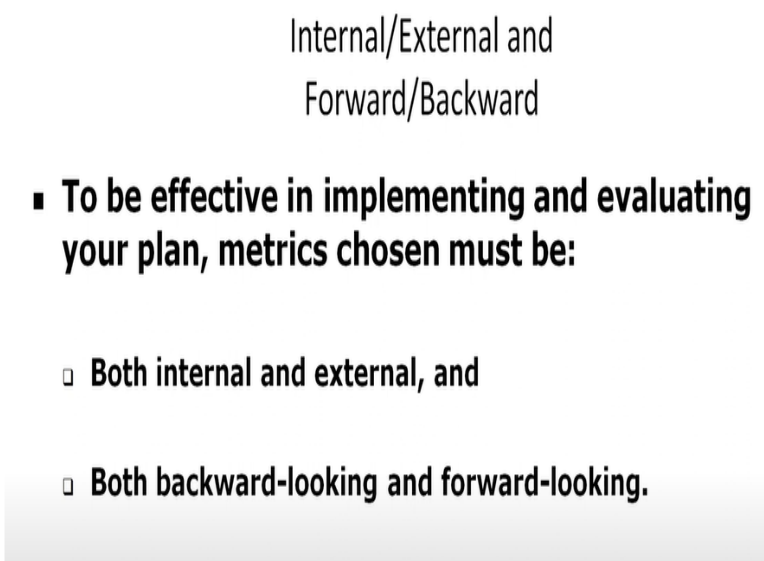
Behavior	Metric
Customer Awareness	Customer awareness of offering and competitors by segment.
Customer Learning	Number of information packets requested, number of hits to a website, etc.
Customer Attitudes	Customer attitudes per hotline, emails, social media, feedback on blogs, and customer letters.
Customer Trial	Number who receive site demo/ participate in trials.
Customer Purchase	Number of transactions, payment methods, etc.
Customer Satisfaction	Measure of satisfaction per inbound call, emails, social media, feedback on blogs, and customer letters.
Customer Loyalty	Measures of customer retention and churn, size and frequency of repeat purchases, use of frequent buyer program.

There are some metrics which are a little bit more qualitative nature or even look at certain intangible activities like customer awareness. We will try to measure it by to what extent our customers recognize through some statistical surveys and so on. But, we do want to also monitor these somewhat intangible or indirectly measured issues like customer awareness, customer attitude will be measured by way of angry customer calls or satisfied customer calls and comments over support lines, over social media, feedback on blogs, customer letters.

All these we discussed when we discussed the marketing communication, so we talked about communication from company to customer as well as from customer to company.

So, in customer attitude measurement, we look at all the channels of communication which are flowing from the customer to the company. So, similarly, we will look at trial performance, how many customers are asking for site demo, how many are participating in trial of new products and so on.

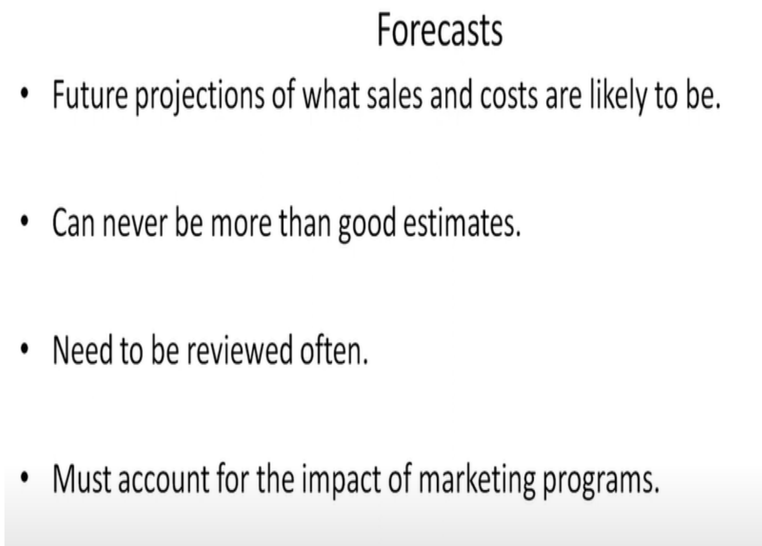
We also measure some tangibles here under the behavioral metric. We look at number of transactions for purchase, payment situation, percentage of payment received and all that.



To be effective obviously a metric system in the B2B domain must be both internal and external. And they must actually analyze the past as well as they must be forward looking. And that is how we will choose what we want to measure and what we want to display.

So, for example, marketing metrics for digital and social media. Some sessions that we had on this topic. There are metrics associated with those activities as well. So, this is an area which is not so easy to measure and what we need to measure here itself is a concept that is evolving. But at this stage, we definitely want to measure the number of positive comments or likes that we are receiving on the social media, number of followers we have, number of people who are retweeting our tweet and all that. So, we should not only look at like website we were discussing, the design of a interactive website and how it functions in B2B. We took up some case studies also if you remember, we looked at Tata Steel, we looked at JCB, we looked at Thermax. But remember in all those cases when we want to create a metric, we will not only look at the number of clicks we are receiving, we would even and today technology makes it possible that we can also assess that how long customers are spending to view those pages and which page attracts what kind of attention all that should also be part of the marketing communication evaluation metric for example.

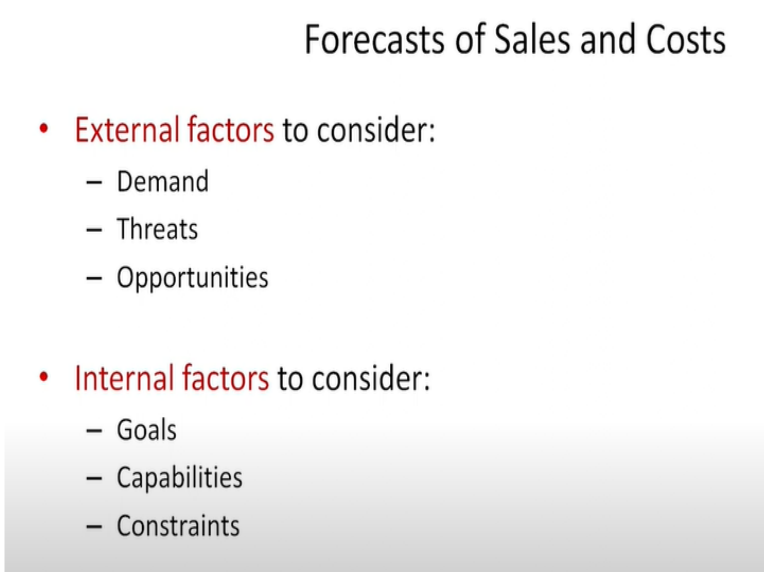
This is just a example of a particular area of activity and the current situation we have with respect to measurement there.



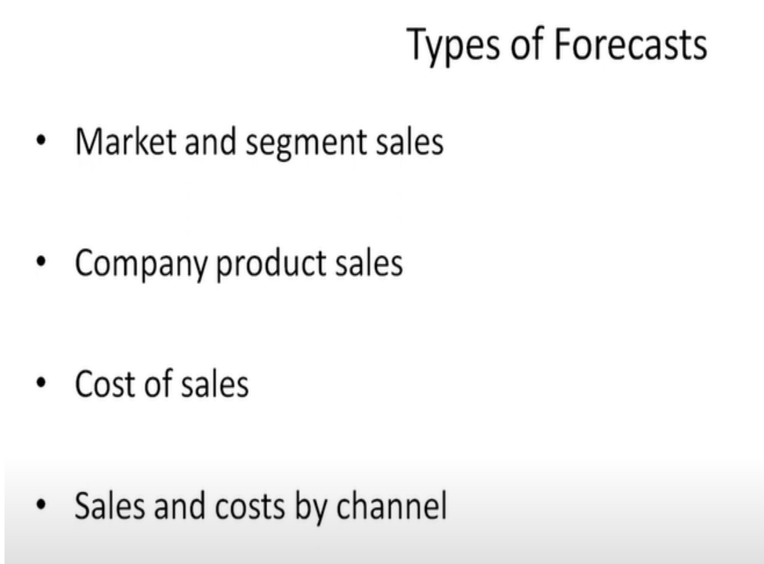
For example, all dashboards as I just now said deals with the past performance as well as it looks at forward sensing data. So, for example, forecasts. Forecasts are future projection of what sales and costs are likely to be.

Here we have discussed this a little bit earlier. But we can look at it again in terms of the dashboards and the marketing metrics at this stage. The forecasts are must be very dynamic. They must be continuously updated because long-term forecasts in today's markets are not very valid. So we do have long-term forecasts.

But what is more important is our forecast for the near future and which also needs to be continuously updated because these will have major impact on the marketing program.



So, we want to look at demands, we want to look at emerging threats, we want to look at emerging opportunities and they are to be matched to internal goals, capabilities and these create the types of forecasts.



For example, we have market and segment sales, product line wise and product type wise sales, cost of sales, sales and costs by channel. These all will be projected over the next quarter or the next six months for the year and will be continuously updated depending on the speed or velocity of the business. It may have to be updated every fortnight, every month or every week.

Judgmental Tools for Forecasting

- Sales force estimates
- Executive opinion
- Delphi method
- Online prediction market

And to arrive at these numbers, as we had discussed in a previous session, we adopt different methods. We use sales force estimates that means we take the data from the entire sales force and we put it together and that aggregated output of the individual sales persons estimate creates the what we call the sales force estimate.

Sometimes, that may be compared with the executive or top management opinion who out of their longer experience or deeper experience may have sometimes views which are different from the sales force. So both, not one or the other, but both are often compared or and depicted on the dashboard. Sometimes we consult external experts and adopt the Delphi method which we have discussed earlier. Or sometimes we also use these days online community predictions from the customers or from the consultants or from the other stakeholders.

Budgets

- Budgets are time-defined allocations of financial outlays for specific functions, programs, customer segments, or geographic regions.

- Enable marketing managers to:
  - Allocate expenses, and
  - Compare estimates with actual expenses.

Another area for the dashboard, again very important is our budget and our performance against the budget. So, budgets are time defined allocation of organizational resources, financial outlays for specific functions, for specific programs, customer segments and regions.

So, in different ways we look at, we look at the marketing budget, we look at the operations budget, we look at the logistics budget and we look at those fixed numbers which are created in maybe in the beginning of the planning period and then we look periodically how we are stacking up against those numbers which were originally assigned and whether we need to revise somewhere and of course this whole process is controlled with the top management participation but we try to therefore look at different activities presented at the different level of the dashboard so the manufacturing department may be only looking at the manufacturing budget, the marketing department may be looking at the marketing budget, but at the top management they may be looking at the composite budgets.

So, everywhere again we have to develop a system of budget reset if it is at all allowable Sometimes, in most cases, we will not tamper with the budget so easily and we will actually, if we are in a deficit or if we are actually running short or running in a surplus mode, then some internal adjustments are sometimes allowed. But otherwise, we will be holding the budget and monitoring the periodic performance against the budget and the budgets are therefore on various activities. In the marketing department it allows us to allocate expenses and compare estimates with actual expenses that is the whole function of the budgeting but in marketing we look at the, because marketing is one of the marketing and sales are areas where we spend money.

Marketing and sales also are areas where we earn money through the sale, but it is also activities where we spend money. So, the cost of sales need to be monitored, the cost of marketing needs to be monitored against our sales and marketing performance.

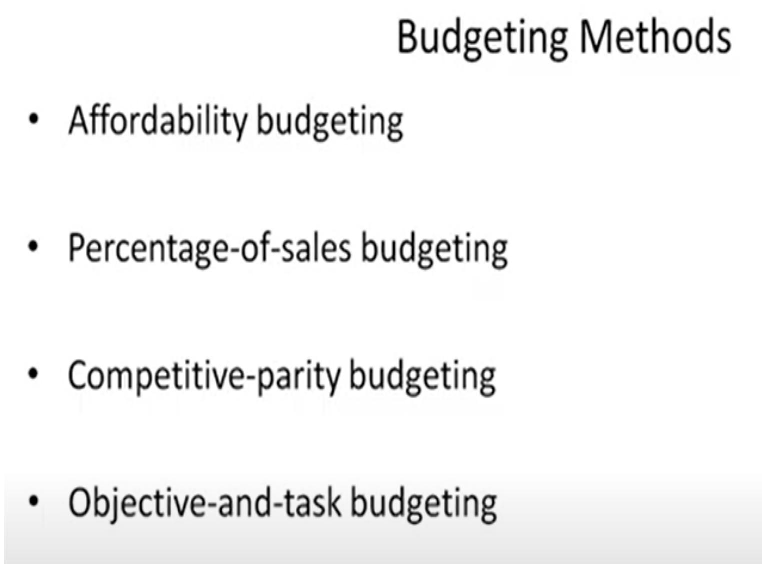
Examples of Budgeting Policies

- Follow internal financial calendars
- Specify profit hurdles
- Specify particular assumptions
- Mandate particular formats or supporting documentation
- Best-case, worst-case, and most-likely scenarios
- Adjusting budgets monthly instead of annually

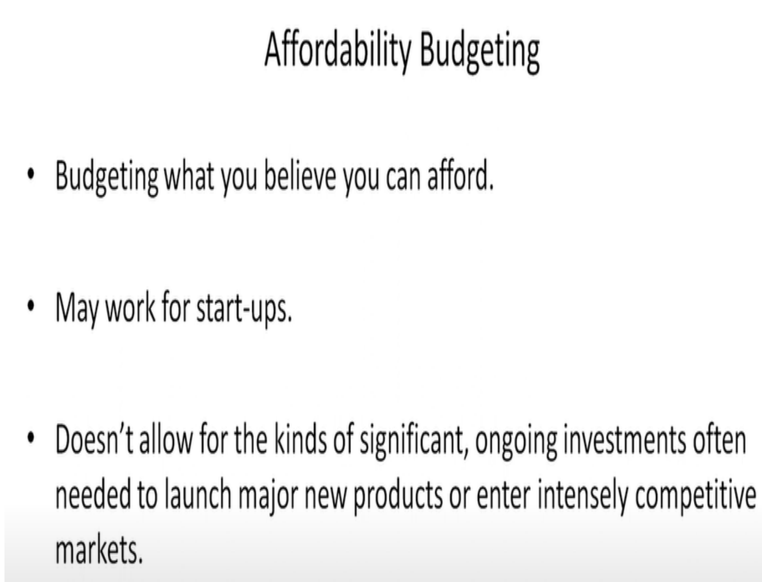
So, we follow different processes in the budgeting system. We follow internal financial calendars. We create hurdle points that means this is what we want to achieve.

And we see up to which point we have achieved by way of surplus generation, profit generation, sales target achievement, etc. And everywhere we provide assumptions and formats of the dashboards or the reports are dictated by individual functions and their needs. Also in good budgets, particularly with the availability of excellent software tools today, we often also depict the best case scenario, the worst case scenario, the most likely scenario as time lapses from the starting period of the planning period and we continuously update these scenarios and keep track of where we stand with respect to our initial projection.

So, today because of the many software earlier everything had to be done on paper. So, it needed lot of people working together for a length of time, but today with software and interconnected computer networks that cover the entire enterprise which we call the enterprise resource planning ERP system. There actually we can adjust the budgets every week, every month. And don't have to wait for the end of the year.



Budgeting methods are different approaches or philosophies are there for budgeting. Like one is affordable budget. Another is percentage of sales budget and competitive parity budget and objective and task budget.



Now, affordability budget is actually a very rudimentary system of budgeting. Because we are saying that this is as much as we can afford and that gives us the budget.

This may be still applied to a startup or a very small organization, but this actually will not be a correct way to look at budgeting because it will not allow us to put significant ongoing investment in a new product launch or for a new series of activities. So, this budget will be very sort of retroactive this approach to budgeting. So, unless it is a very small startup or a small organization, this affordability budget is not the way we go about.

Percentage-of-Sales Budgeting

- **Advantage:**
  - **Simple to implement.**
- **Disadvantages:**
  - **Sales are seen as the source of marketing funding, rather than as the result of budget investments.**
  - **Difficult to justify the % set aside for marketing.**
  - **Self-defeating: lower sales may lead to a lower marketing budget.**

Percentage of sales budget is often used because it is very simple to implement, but it has many disadvantages because it actually does not allow us good freedom in new initiative because lower sales will mean lower allocation for marketing if we are making the marketing budget as a percentage of sales achieved.

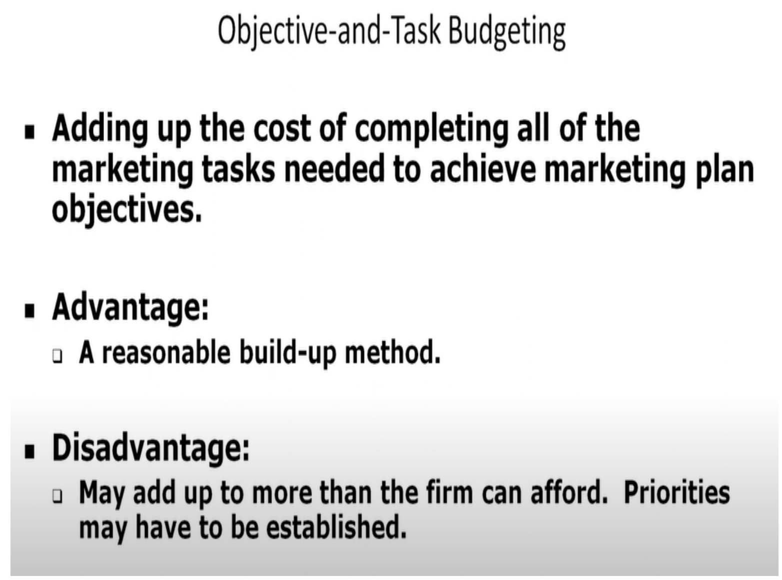
And in a way, it is self-defeating because we are assuming here that marketing is actually a source for sales to happen. But instead of that, here we look at marketing as a kind of a cost, almost idle cost. So, that is a very reactive way of looking at. So, percentage of sales budget, though used because of its simplicity, but may not be very scientific to use.

Competitive-Parity Budgeting

- **Advantage:**
  - **Simple to implement.**
- **Disadvantages:**
  - **Ignores differences between companies.**
  - **Doesn't allow for adjustments to meet specific marketing objectives.**

The competitive parity budget is often also, in fact, the sales percentage and the competitive parity, these are the two which are often toyed together in the organizations to set the marketing budget. Because competitive parity is you look at the marketing percentage in the financial reports of your competing organizations because these are all mostly public limited companies there. Financial data are all published. So, you look at what your major competitors are spending on and you decide therefore your budget by combining this competitive parity with your percentage of sales, etc. But the most scientific approach will be beyond this.

Because in the competitive parity we will be ignoring sometimes the new initiatives or the difference between the companies and also it will not allow adjustments to be made for some specific marketing objectives.



So, best is to follow if it is possible, financially possible to take an objective and task budgeting. That means we look at the marketing objective, we list the tasks that we want to perform to achieve that objective and then assign costs to those tasks and activities and based on that we build a budget bottom up. So, it is a reasonable scientific practical method, but the disadvantage is that it may finally add up to a figure which we cannot afford. So, then priorities will have to be established.

So, ultimately as you can see here this the four methods that we talked about percentage of sales, affordability all will may have to often work together. So, these are the four methods we talked about and we may actually rely most on the objective and task budgeting, but we may have to prune or cut our coat according to the cloth available. So, we may actually combine objective and task budgeting with some affordability budgeting.

We may combine competitive parity budgeting with the percentage of sales budgeting. So, we have to look at these together and take a holistic view and create the final marketing budget. I spent some time on the marketing budget because we are in the discussing, this discussion is taking place in a course on B2B marketing. That is why I took up the marketing budget and its challenges.

Budgets Within the Marketing Budget

- For each marketing mix program,
- For each brand, segment, or market,
- For each region or geographic division,
- For each division or product manager, and
- Summarizing overall marketing expenses.

Within the marketing budget, there will be sub-budgets and these sub-budgets are like the budget for the marketing mix program which is the marketing mix if you remember are the product, the promotion, the place and price and so on. For each brand segment or each market segment, we will have some budget. For each region or geographic division, we will have some budget. For each product manager for the products under his or her purview, we will have some budget.

And for all the marketing expenses, the aggregate marketing expenses broken up for each activities are also to be monitored usually.

Schedules

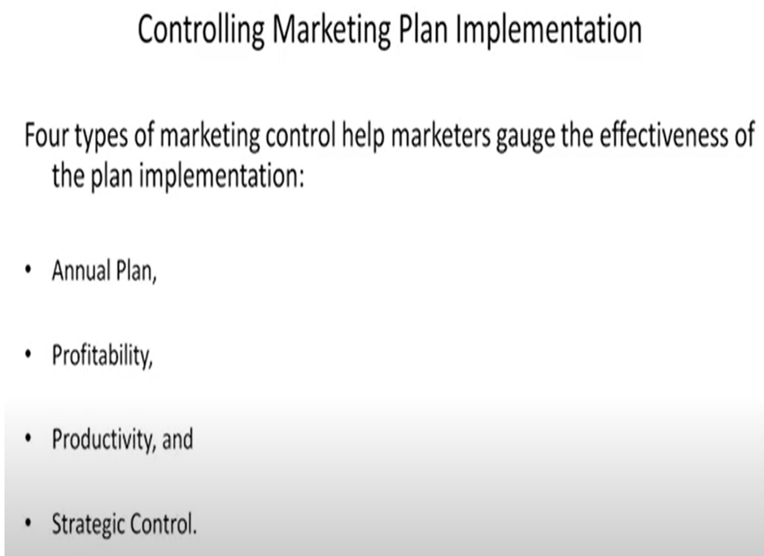
- **Schedules are time-defined plans for completing a series of tasks or activities related to a specific program or objective.**
- **Help avoid conflicts.**
- **Help measure progress toward completion.**

Finally, in the matrix, we have schedules. Schedules are time defined plans for completing a series of tasks or activities related to a particular program or objective. So, the schedules are important because it helps us to avoid conflicts between activities and resource allocation approaches. It helps to measure at a glance our progress towards completion of major goals.

The Scheduling Process

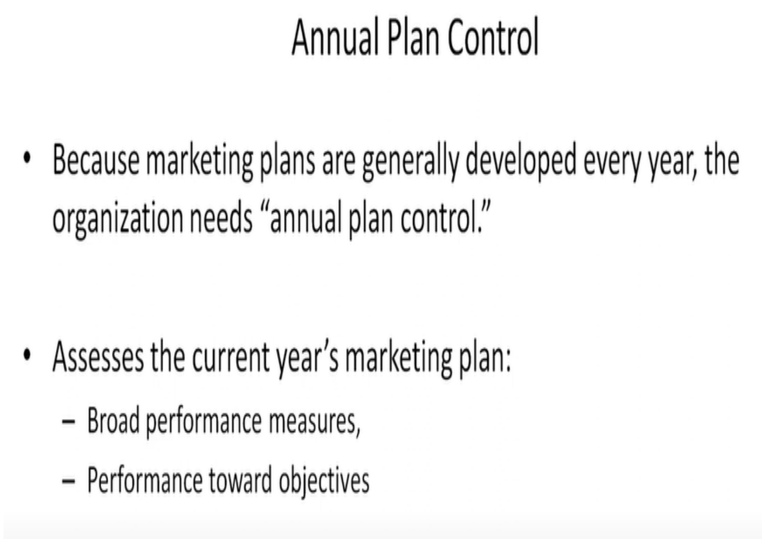
- List the main tasks and activities.
- Assign each a projected start and end date.
- Determine who is responsible for each task.
- Develop an overall summary schedule.
- Develop detailed schedules for each sub-program.

So, the scheduling process is also quite scientific and also aided by a lot of software today. So, we have the list, the main tasks and activities, we assign each projected start and end date. So, basically we use the project management principles and software, its derivatives in the scheduling process and good dashboards actually can also tell us if we dig through the layers, it can tell us that who is responsible for which task and we can also look at an overall summary and we can see where lags are happening, where we are ahead of the schedule, all of those can be built into the dashboard system.

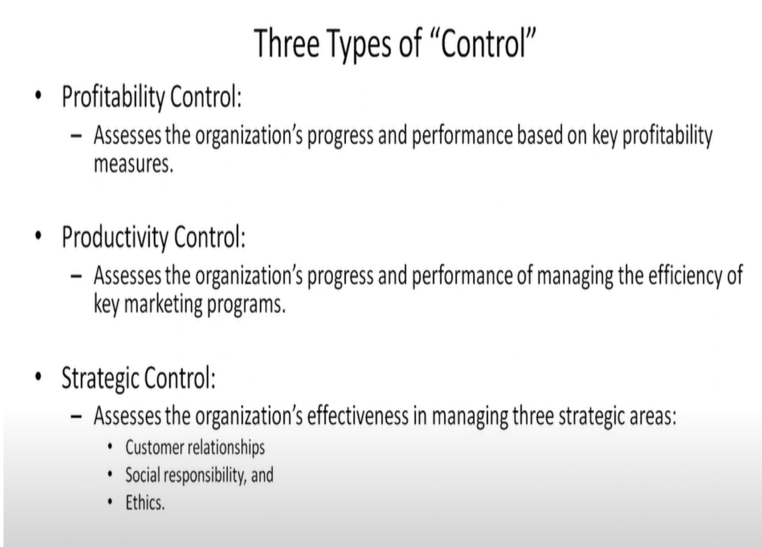


And finally, we will be looking at the control of the marketing plan implementation. Four types of marketing control help our marketers to gauge the effectiveness of the plan implementation. So, we have control by way of looking at annual plans, we look at profitability, we look at productivity, strategic control and all of those.

So, this diagram represents in a simple way successful implementation of a marketing plan depends on these various blocks of activities and it also shows us that who will be responsible for which part of the final successful implementation. So, ownership teams are defined, time to succeed is defined, continuous improvement targets are defined. All these are ways of looking at and designing the dashboard.



One thing is very important. The different parts of the dashboard have different time horizons. Like annual plans, marketing plans are generally developed for every year and they even have subsections relating to every month, every quarter.



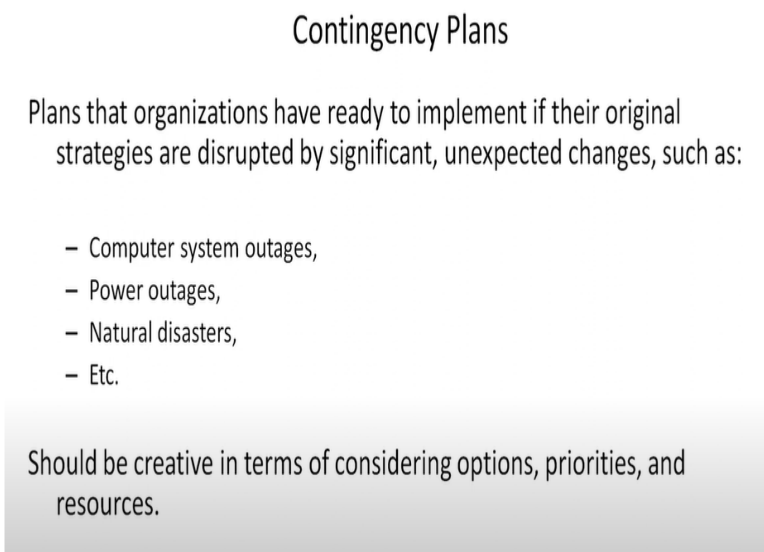
So, here we need to have more frequent control and updates. We will be looking at broad performance measures as well as the different objectives which we discussed just now, but the marketing plan will have to have a more frequent update as opposed to the financial plans which may be reviewed twice in a year or sometimes once every quarter or productivity control may be more over a longer time horizon, but the marketing plans are usually updated more frequently because those are all what we call short term plans subject to tactical corrections.

If we are looking at organization effectiveness with customer relation formation and our progress on those counts or social responsibility, those will have to be monitored on a longer time frame.

Applying Control

1. Set objectives.
2. Determine metrics.
3. Determine measurement intervals.
4. Measure and analyze results.
5. Take corrective action, if necessary.

The control implementation is easy to understand, quite logical flow because you have to set objectives, determine the metrics that we want to measure by, determine the measurement intervals and then we measure, show it on the dashboard and take corrective action wherever necessary.



And lastly, which we just now discussed in today's market particularly in B2B, many things happen, many unforeseen circumstances arise. So, we need to therefore obviously have always contingency plans. And so we should be creative in our metrics and its implementation in terms of considering options, priorities and allocation of resources.

So, that brings us to the conclusion of this session on metrics and its application in the marketing domain and with that we complete our series of sessions on B2B marketing with technology focus. We will have one more session where I will help you to look at the kind of questions you may face in the examination and what kind of questions and answers are desired from you. This is in response to many requests that we receive from the students and from the participants.

So, we will give you some sample questions and the right answers in another session which may not be available to you as a stored information, but at least you will get a good insight if you attend that next session. Thank you.