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Marketing strategy and marketing performance measurement system: Exploring the relationship

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Summary Though marketing performance measurement has long been a concern for literature and companies, the relationship between marketing strategy and marketing performance measurement system (MPMS) design is a substantially uncovered topic. This paper endorses Coviello et al. [Coviello, N. E., Brodie, R. J. and Munro, H. J. (1997) Understanding contemporary marketing: Development of a classification scheme. *Journal of Marketing Management*, **13**, 501—522.] classification scheme for marketing strategies and draws from literature a conceptual framework about the managerial levers for MPMS design (marketing performances, measures and control system), aiming to explore the possible existence and the nature of the marketing strategy—MPMS relationship. The study is carried out with a multiple case study approach in seven Italian organizations. The outcomes show that companies pursuing different marketing strategies adopt different MPMS, and the authors explore the impact of some contextual elements possibly impacting on the relationship, discussing their role in the glance of existing literature. The results have suggested some managerial implications.

Introduction

Marketing performance measurement has long been a main concern in marketing literature and a core, troubled issue in companies. Nonetheless, since the seminal works on marketing productivity analysis, the academician and managerial domains have seldom generated essential new knowledge on the topic (e.g. O'Sullivan and Abela, 2007). Though a strong effort has been devoted to the development of punctual measures better suited to assess the evolving relevant performances in response to the emerging marketing paradigms, marketing performance measurement system (MPMS) design still remains a widely uncovered topic (Clark, 1999). In particular, and quite surprisingly, substantially no studies have analyzed whether and how MPMS design should be adapted to the specificities of company's (marketing) strategy, so that the current knowledge about the marketing strategy—MPMS relationship is extremely

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scarce. In this paper, we aim at contributing to the construction of a theory on the topic by exploring the possible relationship between marketing strategy and some of the main MPMS design variables (performances assessed, measures adopted and control system implemented). In this respect, we introduce the results of seven in-depth case studies from companies adopting different marketing strategies. In the following, we will briefly summarize the state-of-the-art literature on marketing performance measurement in order to introduce the research framework. Then, we will illustrate the empirical exercise by presenting the methodology adopted. Next, after having briefly introduced the companies involved in the study and summarized the findings, we will discuss the outcomes in the light of the state-of-the-art literature. Finally, we will draw managerial implications of the study and the conclusions.

Literature review

The first theories about MPMS considered marketing activities mainly as a discretional cost centre and, as such, accounted for its incidence on corporate costs (e.g. Sevin, 1965). This approach, born and developed in a era of product centricity, has shown its weaknesses with the affirmation of more and more customer- and relationship-oriented marketing strategies (Sheth et al., 2002): such paradigms modified the role of the customer in the firm, from passive target of the marketing action to proactive partner involved in value generation, and, as such, as an asset the company must manage in time and continuously assess (e.g. Gummesson, 2004). This explains the growing attention paid to marketing intangibles and customer accountability, for instance through the theories on brand equity and customer equity (e.g. Rust et al., 2004). The underlying assumption of these streams is the need to enlarge the relevant marketing performances for the company, in response to the evolving marketing goals of the emerging paradigms, from pure internal efficiency and turnover generation to cost-effectiveness and customer profitability (Shah et al., 2006; Sheth et al., 2002). This element suggests that MPMS design should depend (also) on marketing strategy, and that a suited marketing accountability is a key-issue in pursuing the marketing strategic objectives. Nonetheless, the existing wisdom about marketing accountability is widely considered insufficient by literature: in a recent paper published on EMJ, for instance, Bonnemaizon et al. (2007) indicate the poor attention paid to the definition of a consistent marketing accountability as one of the causes of the lack of a dominant relationship marketing practice; Morgan and colleagues notice that ''*both academics and managers currently lack a comprehensive understanding of the marketing performance process and the factors that affect the design and use of marketing performance assessment systems within corporations*'' (Morgan et al., 2002, p. 363). It is not surprising, thus, that MSI has ranked marketing accountability, ROI, and MPMS among the top 10 marketing research priorities since 2002, and as the top-priority for 2008–2010 (MSI, 2008). Also in response to these calls, marketing literature has tried to analyze MPMS; in detail, three main literature streams on MPM have emerged:

i. the definition of the domain of marketing performances, i.e. the plethora of business performances marketing is accountable for (e.g. Bellis-Jones, 1989; Bhargava et al., 1994; Bolton, 2004; Blattberg and Deighton, 1996);
ii. the definition of the metrics suitable to assess such performances and their adoption in practice (e.g. Barwise and Farley, 2003, 2004; Shah et al., 2006; Rust et al., 2004; Berger and Nasr, 1998; Winer, 2000);
iii. the definition of the design variables and of the contingent and environmental variables possibly influencing MPMS (e.g. Jaworski, 1988; Jaworski et al., 1993; Clark, 1999; Morgan et al., 2002).

The first two points, though not exhaustively debated, have been explored much more deeply than the third one. Indeed, since Jaworski's MPM system conceptual framework definition (Jaworski, 1988), research on the MPMS design has generated some inferences about the role of the distribution channel configuration on marketing performance measurement and management (Loning and Besson, 2002) and some pre-eminently theoretical works aimed at defining conceptual frameworks for detecting the design variables for MPMS (Jaworski et al., 1993; Clark, 1999; Morgan et al., 2002; Gummesson, 2004). Nonetheless, many issues are still to be addressed, and evidence-based works are strongly requested by academy and business community. In particular, quite surprisingly, the relationship between marketing strategy and MPMS design is a mainly uncovered issue in marketing literature, and this work aims at providing first evidences on the topic.

Conceptual framework

The literature review aimed at formalizing a research framework that, grounded in the extant knowledge, could support an empirical investigation on the relationship between marketing strategy and MPM system. In order to carry out the analysis, it was necessary to define two components in the reference framework: firstly, the authors looked for taxonomies defining the basic marketing strategies companies may adopt; secondly, they detected a framework for describing the key elements of a MPM system.

Basic marketing strategies

The crisis of the mass market paradigm has generated a fragmentation in marketing practice by companies (Brodie and Coviello, 2008). The increasing attention paid to customer retention and to the relationships between the firm and its stakeholders led to the affirmation of more relationship-oriented marketing paradigms (e.g. Grönroos, 1990) and, more recently, of more radical approaches, such as: service dominant logic (SDL), (Vargo and Lusch, 2004), customer-centric marketing (Sheth et al., 2002, pp. 56–57) and Balanced Centricity (Gummesson, 2008). Nonetheless, a study by Coviello and Brodie (1998) has shown that many companies succeed mashing up elements of relationship and transactional marketing. This result called into question the dichotomy between transaction-oriented and relation-