Assessing Marketing Strategy Performance: How Do We Get There?

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Why Assess Marketing Strategy?

The value of marketing strategy as a field of academic study and managerial practice is often questioned. This argument cannot be simply dismissed. However, the question itself suggests that many people might find value in research examining it. Indeed, there are efforts to give marketing scholarship a stronger anchor in firm settings, such as the Marketing Science Institute priorities which emphasize the value of marketing and the productivity of marketing investments.

The idea for this book was conceived as we developed the program for a 2003 conference, "Cool Tools for Assessing Marketing Strategy Performance." Co-sponsored by the American Marketing Association and the Marketing Science Institute, the conference drew over one hundred participants, further demonstrating the interest in examining how the value of marketing strategy might be assessed.

When discussing the project, we observed that marketing has developed primarily into a discipline that examines *how marketing affects the market.* Important developments in consumer research as well as in the application of econometrics and operations research-related tools and insights to marketing problems have given us a rich accounting of the nature of consumer decision making and how marketing does and perhaps should affect market response.

At the same time, it appears that marketing has less to say about *how marketing affects the firm.* The following questions had not been adequately answered. Does marketing influence firm value or firm profits? Does marketing contribute to the development and maintenance of important intangible assets in the form of consumers, partners, brands, and knowledge? How can marketing contribute to greater firm efficiency? Can a firm's marketing capabilities become a source of value?

Our goal in organizing the conference and editing this book was therefore to provide a resource to help researchers investigate how marketing influences firm performance. We selected a set of theoretically rich and empirically powerful tools that we hope will stimulate new and more effective thinking about marketing's role in the firm. We do not, however, claim this volume is comprehensive. For example, Bayesian methods and game theory, among other approaches, can contribute to the topic as well.

What do we hope to achieve? First, the book may influence other scholars to study marketing strategy, thereby increasing the knowledge base. Second, we hope the book stimulates those already working in this area to consider new ways of thinking about marketing strategy, including a wider array of problems and approaches. Third, we hope the book makes the methods more accessible and improves research either by suggesting a better approach or by providing the means for triangulation.

Some researchers tend to deride firm problems in marketing as "managerial" and thus of neither theoretical nor methodological interest. We hope this volume will help alter that perspective. Understanding marketing's impact is not simply an accounting problem or a tool for marketing budgeting in organizations. There are numerous theoretically interesting and methodologically challenging problems in the area. Strategy research usually does have obvious implications, which we view as a plus. However, this relevance need not be traded off against theory development or rigorous methods. When done well, both rigor and relevance can be achieved. The desire for greater rigor and for broader comprehension by researchers and practitioners of a more diverse set of approaches and ideas for assessing marketing strategy performance was, therefore, a fourth objective.

When we first considered this project, we found a great deal of exciting work. However, we also saw very little binding the work together in a way that would be obvious to most observers. Some researchers use text analysis to model how industries evolved, others apply structural models to understand firm competition and performance, and still others dig through archives for historical insight about which marketing strategies work and why. And yet all of these scholars have applied or could apply their ideas to problems that involve two features central to this volume and to this area of marketing.

To begin, all of these tools can involve a *firm-level analysis*—assessing the value of marketing to the firm or thinking about marketing actions as part of an arsenal of firm-level factors. This firm-level view contrasts with a focus on marketing actions, managers, brands, or relationships. The distinction is important because examining marketing at the firm level requires scholars to account for several important, but often neglected, issues.

First, marketing is one of a number of factors that contribute to firm performance. Hence, isolating marketing's contribution is important and part of the methodological challenge of working in this part of the field. Second, assessing marketing strategy's contribution to firm performance (e.g., profits, stock market outcomes) requires different metrics than those used to evaluate customer response (e.g., satisfaction, loyalty) or product-market results (e.g., sales, share). This distinction clearly demands a more rigorous evaluation of marketing. Third, a firm-level view also acknowledges that firms can learn to be effective or efficient at marketing—in other words, to have a marketing capability.

In addition to a firm-level analysis, all of the tools contained in this volume are or can be applied to study *firm dynamics*. Many tools are inherently dynamic in nature (e.g., persistence modeling, agent-based modeling, survival analysis, stock return response modeling, event study approaches, historical analysis, meta-analysis, cellular automata, and structural models of competition). Other tools are agnostic with regard to time and could be easily used to understand how firms, industries, or performance are changing over time. For example, while network analysis can be used cross-sectionally, it can also be used as a tool for understanding the change in networks of partners, customers, or managers over time. Likewise, efficiency measurement can be used to understand the relation of firm inputs in one time period to outcomes at a later point in time. Finally, many of the innovations in field research are happening because scholars are finding ways to use quasi-experiments that extend over time, to perform surveys over time, or to use interventions that capture changes over time.

We encourage you not to approach this volume looking for *the* best method. Indeed, while for a particular task one method may have advantages, it is also likely to have disadvantages. More importantly, no single technique captures all the facets and nuances of the impact of marketing. True knowledge comes from the application of multiple methods to a problem. Thus we hope this book not only allows researchers to use each of these techniques more effectively but also encourages researchers, as well as collaborative teams of researchers, to attack multiple relationships from different angles. Further, we hope researchers won't look at these techniques only through the lens with which we have described them or the authors have presented them. Instead, we urge them to seek opportunities to apply tools in "unconventional" ways and hence possibly create path-breaking work.

Overview of Chapters and Tools

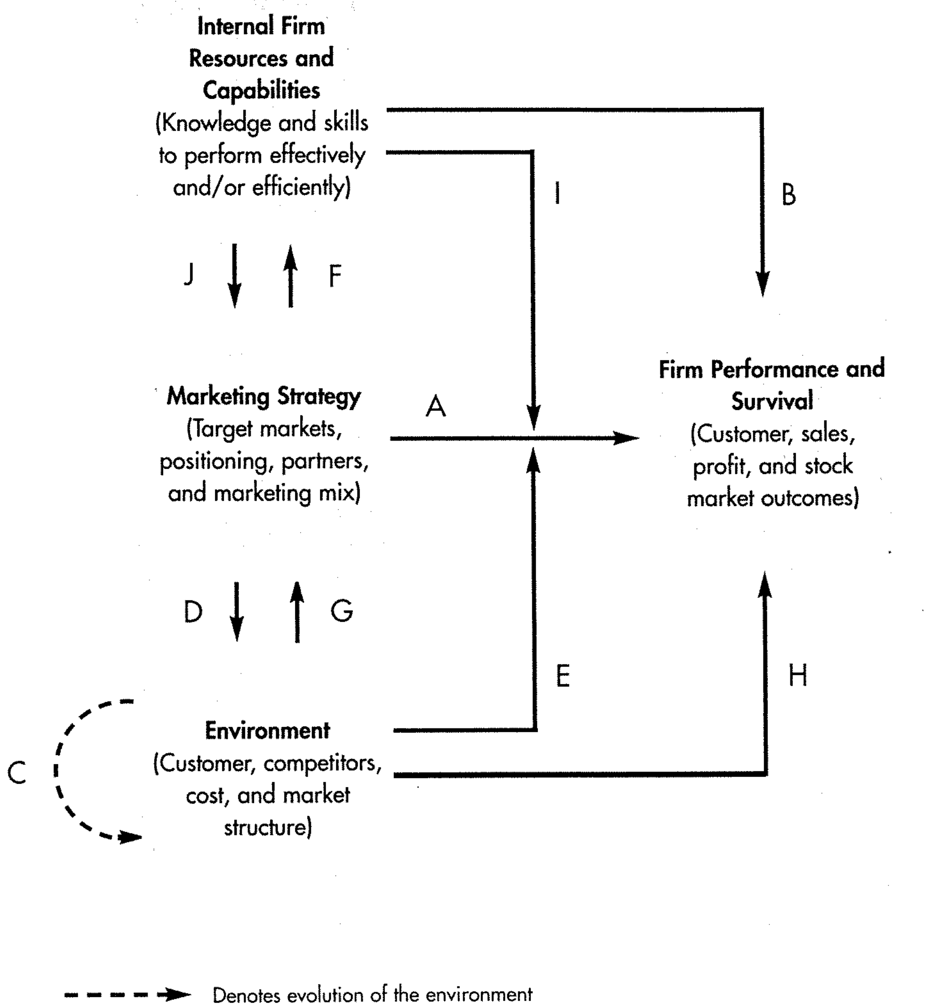
Figure 1 provides an overview of some ways in which the tools discussed in this book can be used to assess marketing strategy performance. These tools have broader applicability, but the figure highlights how they can be applied to assessment of marketing strategy performance for the firm. The figure is complex and we have chosen not to simplify it because it was our hope that scholars would appreciate the rich number of relationships they might examine. Further, it is clear that although many of the relationships examined in this volume directly address the link between marketing actions and firm performance, other chapters offer insight into that relationship via a set of more complex relationships, including critical linkages between the external inputs, firm resources and capabilities, marketing actions, firm performance, and market or industry evolution.

Linking Marketing Actions to Firm Performance and Survival (Link A)

The chapter by Bowman examines how various marketing actions influence firm survival. Furthermore, several chapters focus on examining marketing's contribution to firm performance in the stock market. Both studies of particular discrete situations (event studies; Bharadwaj and Srinivasan) and more gradual changes in market capitalization (stock return response; Mizik and Jacobson) have potential for demonstrating the value relevance of marketing to other parts of the organization (i.e., finance), albeit with attendant problems in detecting the unique effects of marketing strategy. Dekimpe and Hanssens provide a persistence modeling approach for assessing the long-term effects of marketing on customer, product-market, profit, or stock market outcomes.

Research in this volume also provides the opportunity to widen the lens on the set of marketing strategies by stressing the role of firm alliances and network creation behaviors as an important engine for firm performance (see Houston et al.). This moves us beyond more traditional marketing factors to understand how partners and the networks that house them can influence firm performance.

Figure 1
A Framework for Assessing Marketing Strategy Performance



Linking Firm Capabilities to Firm Performance (Link B)

Dutta, Kamakura, and Ratchford describe tools for examining how efficiently a firm converts resources into performance outcomes. Efficiency estimation can also be used to assess a firm's marketing capability (how efficiently a firm converts marketing dollars into sales response) which can influence performance of any type.

Linking Environment Inputs (Link C) and Firm Marketing Actions (Link D) to Industry Evolution

Rosa, Spanjol, and Porac offer a tutorial on how to use text analysis in marketing strategy research. Although the tools have broad applicability, they discuss them within the context of a series of studies that examine how markets evolve. By examining industry publications, they are able to understand how firms (Link D) and customers (Link C) use cognitive categories that influence how markets evolve. These changes, in turn, influence which marketing strategies tend to perform well and which tend to fail (Link E).

Goldenberg, Libai, and Muller describe cellular automata, a simulation technique useful in understanding any situation where marketing strategies (Link D) set in motion a dynamic effect among customers, partners, or competitors. These dynamics are modeled at the individual customer or firm level and assumed to behave in a particular manner (Link C). Subsequently, these dynamics then determine market performance, including market penetration in general and for firms (Link H).

Lusch and Tay offer an agent modeling approach where agents evolve (learn) over time. The approach can be used to understand how marketing actions influence firm (Link A) and industry outcomes (Link D) as well as how marketing actions might evolve into firm resources and capabilities (Link F). These, in turn, influence many of the other links in the model.

Linking External Inputs to Marketing Strategy and Firm Performance

Chintagunta, Kadiyali, and Vilcassim examine a structural model of competition that accounts for customer, costs, and industry inputs. These inputs, in turn, are used to understand optimal firm strategies (Link G) and firm performance (Link H). This approach also accounts for firm differences in cost efficiencies which influence firm performance (Link B).

Multiple Links

Several of the chapters can be used to examine any of these linkages. Jap and Anderson's examination of the challenges of field research could apply to any of these links, although most of the research they review examines Link A. Likewise, Farley, Hoenig, Lehmann, and Szymanski's discussion of meta-analysis is relevant to any linkage with a substantial body of literature. Finally, Chandy, Golder, and Tellis offer a tutorial on historical analysis that could be applied to understanding any of these linkages. However, most of their work has examined either how marketing strategies affect firm performance and survival (Link A) or how internal resources/capabilities influence a firm's marketing strategies (Link J).

Although no chapter examines the moderating effect of resources on the effectiveness of firms' marketing strategies, we delineate this Link (I) because we think it deserves further attention. Relatively little work explores how firm-level variables influence how effectively or efficiently firms implement marketing strategy activities.[1]

Generating or Analyzing Data?

It is also important to note that the tools reviewed in this book can serve multiple purposes within a research project. First, several of the tools can be used to generate datasets from scratch or to construct a dataset from multiple sources. Our authors demonstrate, for example, that data can be developed from multiple and varied historical records (i.e., historical methods), communication content (text analysis), actual or reported behavior in markets (field research, network analysis) or from prior analyses (meta-analysis). Alternatively, one can assume some basic properties of customers or firms and through simulation produce observations of how markets behave under different conditions/sets of assumptions (cellular automata, agent-based modeling).

Second, several categories of tools concentrate more heavily on analyzing available data. Many of these can be used to focus on longer-term impacts of strategic marketing actions (persistence modeling), the long-term effects of relationships and networks of relationships (network analysis), the efficient use of resources (stochastic frontier estimation), accounting for competitive behavior (structural models), examining the effect on the ultimate metric of performance for a publicly held company—stock price (event studies, stock return response modeling), and the continued existence of customers and firms (survival models).

Thanks

We close by offering special thanks to our contributors. This team was very generous with their time in participating in the conference and writing their chapters. Their enthusiasm for the project and their chapters made our job, frankly, a delight. We thank the American Marketing Association and the Marketing Science Institute for the financial support to make this project possible. We thank Paul Root, Leigh McAlister, Ross Rizley, Dennis Dunlap, Mary Gilly, and Greg Marshall—all officers of the AMA or MSI during the time when we sought support for the work. We also thank a great team of supporters that helped us organize the conference and book: Carolyn Caswell and Susan Keane (MSI) and Pat

Goodrich, Cher Dougherty, and Doug Bastianelli (AMA). Without all of you, this project would have been next to impossible to complete.

Acknowledgements

Thanks to Peter Golder and Aric Rindfleisch for their comments on a previous version of this chapter.

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Note

1. For an exception, see Rebecca Slotegraaf, Christine Moorman, and J. Jeffrey Inman (2003), "The Role of Firm Resources in Returns to Market Deployment," *Journal of Marketing Research* 40 (August), 295–309.