

# MASTERING MARKET ANALYTICS

Business Metrics – Practice and  
Application

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Business Metrics – Practice and Application

EDITED BY

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INVESTOR IN PEOPLE

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## AUTHORS

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# INTRODUCTION

The Polish edition of this book was published in Poland in 2004. Back then, it was the first publication in the world to focus on marketing measurement, business analytics and marketing indices. The words of the main hero in the movie ‘The Beautiful Mind’ (i.e. John Nash) were quoted in the introduction to the first issue of the book. John Nash said that ‘...Conviction, it turns out, is a luxury of those who sit on the side-lines...’. This quotation is particularly significant nowadays in times when giants are falling before our eyes and creating an organisation worth tens of billions of dollars takes 2–3 years.<sup>1</sup> In such circumstances, humility as well as specific business impudence are becoming the key to success. A paradox which is just one of many in the modern world.

How else can we explain the fact that a company (Kodak), which not so long ago was one of the biggest corporations in the world, with an 85% share in the market of photographic equipment and a 90% share in the movie market, went bankrupt after 131 years of operations? It was ‘killed’ by the very product it created – a digital camera (in 1978).

Is the lack of humility the reason why a global company in the market of video and game rental services (Blockbuster), which at its peak hired 60,000 people and had 9,000 outlets, practically does not exist today?

Was market conservatism the reason why Nokia, until recently the leader in the mobile phone market with a market share of almost 40% (2008), lost out to Samsung and Apple?<sup>2</sup>

These examples are presented not only because they refer to well-known and popular brands. This is a much broader phenomenon. Babson’s Ilin Graduate School of Business proposed a hypothesis that 40 percent of the companies from the Fortune 500 Companies list will have ceased to exist by 2020.<sup>3</sup> Companies which once held all the chief assets in their hands – financial resources, technologies, brands, access to customers – are vanishing from the market now. We are observing a paradox in which resources are not the only condition determining survival and development. The scale of resources always helps, that is obvious; but it is not the decisive factor as far as market success in the contemporary world is concerned. Thus, it is necessary to agree with the statement that, to a significant extent, we live in a world of short-term discontinuities caused by new radical technologies and ideas,<sup>4</sup> and global economies and companies are hidden in the shadows; the former business realities and

solutions are still valid and effective, but innovative ideas and business models lead to creative destruction in many markets.<sup>5</sup>

In today's business world, change is no longer just a fascinating phenomenon and the subject of academic discussions. It has become a reality which can overwhelm, scare, paralyse or bring organisations to destruction. They may, however, provide business opportunities, be a driving force or a source of market success.

It is evident that the world has accelerated significantly. This is confirmed by the fact that, within the last decade or so, the period of creation of new products (the so-called time to market) has shortened by almost 50% globally – from 42 to 24 months on average. At the same time, the number of so-called genuine innovations has dropped by half while the percentage of so-called incremental innovations and improvements has increased almost two-fold<sup>6</sup> What is the source of these fascinating changes and what challenges do these changes bring for organisations, marketing and marketers?

It is believed that the following four phenomena have brought about this radical change.<sup>7</sup> First, digitalisation and computerisation which have brought new market opportunities. The leading companies of the 21st century are digital enterprises: Google, Apple, Facebook, Uber and Snapchat. In today's real world, virtually every business must be digital to some extent, that is, it must exist in social media, have a sales platform and offer collaboration on the Internet, as well as use tools such as Google Docs, Dropbox or Asana.

Second, the break-up of continuity, referred to in English as the 'dysfunction', which is often difficult to translate into Polish. This refers to the radical change in the principles of market game which has taken place in recent years. Digital innovations create new industries quickly (Facebook) or completely transform existing brands (Apple).

Third, demonetisation – which means withdrawing from collecting fees from the end user of a product/service and concentrating on alternative models of financing (e.g. YouTube). The companies which do not charge final users are quickly gaining an advantage over those which stick to the traditional model.

Fourth, democratisation is connected with common access to modern technologies and community-related channels of communication. This is the element which, together with the possibility of communication between users, has brought an end of the era of experts. Customers jointly manage brands, ranges of products and marketing communication. Small start-ups successfully compete with large corporations by means of using social media, free utility applications or phenomena such as crowdfunding and crowdsourcing.

Technology on one side and the problem of Big Data and artificial intelligence on the other are lurking in the background. Some details regarding the phenomenon of Big Data may be shocking. It is estimated that 90% of globally generated data have been created within the last 2 years, while just one properly computerised company creates 167 times more data in just 60 minutes than all the resources found in the US Library of Congress.<sup>8</sup>

The Internet and innovative technologies have become the symbols of our times. They create challenges for countries, economies, organisations as well as for marketing specialists. As many as 80% of marketers are convinced that marketing must change substantially in the next 3–5 years. This is the result of studies published by *The Economist*. What is more, this change will be taking place much faster than in previous years. This refers to a substantial extent to the role of marketing in an organisation as well as to the tools applied and the skills of marketing specialists. The changes, as indicated, will refer to several key areas<sup>9</sup>:

- Marketing will be a source of revenue, not costs, to a much greater extent than at present.
- Marketing will be responsible for building and managing customer experience.
- The role of marketing in customer experience management will result in, among others, an increase of the importance of actions aimed at building customer involvement understood as strengthening the relationships with a given brand or company.
- Digital technologies, strategy and planning and data analysis will be essential skills of marketers.
- The largest investments in the scope of marketing activities will be aimed at social media, mobile marketing, marketing analysis, email marketing, etc.

A deeper analysis of the quoted results of research studies and forecasts indicates the increasing role of the so-called marketing analytics. A contemporary manifestation of the increase in the significance of marketing analytics is the appearance of new professions, for example, Marketing Insight Manager or Data Scientist. As might be expected, other professions associated with phenomena such as sharing economy, open innovation, marketing automation or crowdsourcing will soon appear. All this leads to a situation where the book 'Marketing Metrics' published more than 10 years ago, is consistent with current market trends. The knowledge regarding measurements is becoming no longer just a privilege, but an obligation of the people specialising in marketing, the market and business.

The intention of the authors of this book was and still is to search for a new identity and role for marketing by providing the tools which enable companies to create a competitive advantage thanks to organisational market learning, improving the effectiveness of operations as well as measuring the value of generated intangible assets, including in particular the ones created through marketing activities. However, our objective has not been to work out a complete and universal set of marketing measures. To be honest, this is not possible owing to the various stages of development of organisations, the different conditions in which they compete, the different levels of potential development, the varied levels of managerial expertise etc. The aim of this publication is to stimulate readers to take a look at the application of measures, which are often known but not used or only used to a limited extent, from a fresher perspective and to inspire readers to create

their own sets of indices that will measure the results of their activities in the best possible way. We have chosen the indices which are broadly applied and provide a lot of information. When selecting them, we have used the opinions of people working for large corporations as well as those employed in small companies. We have tried to include the point of view of those who deal with sales and marketing every day on a regular basis.

This book comprises two separate parts. The first (Chapter 1) serves as a justification for the matters discussed herein and as a theoretical basis of the measures described in the second part; in particular, it presents different systems of measuring market operations. It also indicates the most frequent mistakes made by organisations and managers during the process of building measurement systems, as well as how to avoid them. Thanks to several important publications as well as the authors' practical experience, this part of the book has been largely modified and supplemented as compared to previous issues.

The second part (Chapters 2–5) includes descriptions of 61 indices divided into four groups depending on the level of marketing management (strategic and operational level) and the area of application (sales, distribution, marketing communication, e-commerce and social media). Each index has been described based on the same pattern. We have tried to focus mainly on the application-related nature of the presented measurement tools. The descriptions have the following layout: definition and significance, conditions of application, stages of calculation and examples of the application of individual indices. Thanks to the test questions, case studies and tasks with solutions included in the book, the reader will have an opportunity to verify his/her skills related to index calculation and, what is more important, interpretation and drawing conclusions.

Robert Kozielski  
*Editor*

## NOTES

1. YouTube went from being a start-up to being purchased by Google for \$1.4 billion in less than 18 months. Groupon leapt from conception to \$6 billion in value in less than 2 years. Whereas traditional Fortune 500 companies took almost 20 years to reach capitalisation of 1 billion dollars, today's companies have done it in 2–3 years. For example: Uber, Snapchat, etc. (Ismail, Malone, & van Geest, 2014).

2. The company was taken over by Microsoft in 2013.

3. Ismail et al. (2014).

4. Płoszajski (2005).

5. Obłój (2002).

6. Cooper (2011).

7. Ismail et al. (2014).

8. Misiak, T. (2015).

9. *The Economist: The Rise of the Marketer* (2015).