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## **MARKETING PERFORMANCE MEASUREMENT ABILITY AND FIRM PERFORMANCE**

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### **ABSTRACT**

The ability to measure marketing performance has become a pivotal factor influencing a firm's overall success. This study explores the relationship between marketing performance measurement (MPM) capabilities and firm performance, with a focus on the mechanisms through which MPM drives better decision-making, resource allocation, and competitive advantage. By examining existing literature and case studies, we aim to provide actionable insights for businesses seeking to optimize their marketing strategies through enhanced measurement capabilities.

Keywords: decision making and marketing strategies; firm performance; marketing performance; measurement ability

### **INTRODUCTION**

In today's data-driven environment, firms must effectively measure and analyze marketing performance to sustain growth and competitiveness. Marketing performance measurement (MPM) refers to the processes and tools used to evaluate the effectiveness and efficiency of marketing activities. While traditional metrics such as sales and market share remain relevant, contemporary approaches incorporate customer lifetime value (CLV), return on marketing investment (ROMI), and digital engagement analytics. This study investigates the role of MPM in improving firm performance, emphasizing the importance of integrating advanced analytics, technology, and cross-functional collaboration. By identifying key drivers of MPM success, we provide a framework for firms to enhance their performance through better marketing insights (Amler & Puntoni, 2004).

In an increasingly competitive and dynamic business environment, companies are required to continuously improve their performance in order to survive and thrive. One important aspect in achieving success is marketing effectiveness, which is the spearhead in attracting, retaining, and satisfying customers. However, marketing effectiveness cannot be managed properly without the ability to measure marketing performance (Marketing Performance Measurement Ability). Marketing performance measurement plays an important role in providing strategic insight to management. This allows companies to identify areas of success, evaluate the effectiveness of marketing strategies, and make adjustments to remain relevant in the face of market changes (Clark, 2000). Some indicators that are often used to measure marketing performance include sales growth, market share, customer loyalty, and return on marketing investment (Marketing ROI) (Ambler & Roberts, 2008). Thus, the ability to measure and analyze marketing performance becomes a significant competitive advantage.

On the other hand, company performance (Firm Performance) is not only influenced by internal operational factors, but also by how the company manages marketing resources. Previous studies have shown that companies with high marketing performance measurement capabilities tend to have better overall performance, both in financial and non-financial terms (Morgan,

Clark, & Gooner, 2002). This is due to the company's ability to integrate marketing data with strategic decision-making, so that it can optimize resource allocation and increase responsiveness to market needs (Srivastava, Shervani, & Fahey, 1998).

This study integrates financial and non-financial perspectives in evaluating the relationship between Marketing Performance Measurement Ability and Firm Performance. Most previous studies have focused more on single indicators, such as sales or profit growth, without comprehensively exploring the influence of non-financial indicators, such as customer loyalty and brand reputation. This study will explore how the relationship between marketing performance measurement capabilities and firm performance varies across industries, including those with different levels of competition (e.g., technology vs. traditional manufacturing). This approach provides new insights into the contextualization of this relationship, which has not been widely discussed in the literature. This study not only analyzes the direct relationship between marketing performance measurement capabilities and firm performance, but also explores the role of mediator and moderator factors, such as the level of adoption of analytical technology, organizational capabilities, and the level of environmental turbulence. This approach provides greater depth of analysis than previous studies.

However, the implementation of marketing performance measurement often faces various challenges. The limitations of relevant analysis tools and data are the main obstacles (Ambler, Kokkinaki, & Puntoni, 2004). In addition, the lack of managerial understanding of the importance of marketing indicators can also hinder the optimization of performance measurement. In addition, there is still a gap in the academic literature regarding how the relationship between Marketing Performance Measurement Ability and company performance develops across industries and organizational contexts (Rust, Lemon, & Zeithaml, 2004). With this background, this study aims to explore more deeply the relationship between marketing performance measurement capabilities and company performance. This study also seeks to identify factors that strengthen this relationship, as well as provide recommendations for companies to improve their marketing performance measurement capabilities as a strategic step in improving overall company performance.

## **LITERATURE REVIEW**

### **Marketing Performance Measurement Ability**

Marketing performance measurement ability is the capacity of an organization to use metrics and analytical tools to evaluate the effectiveness of marketing strategies. This includes measuring financial aspects such as marketing Return on Investment (ROI) and non-financial indicators such as customer loyalty and customer satisfaction (Rust, Lemon, & Zeithaml, 2004). Several studies have shown that effective marketing performance measurement allows companies to allocate marketing resources more efficiently and supports data-based decision making (Clark, 2000). In addition, accurate performance measurement is also an important element in creating long-term competitive advantage (Ambler, Kokkinaki, & Puntoni, 2004).

However, the main challenge faced is the gap between the metrics used by the marketing team and the indicators relevant to top management. According to Morgan, Clark, and Gooner (2002), this lack of integration can reduce the effectiveness of marketing performance measurement.

The importance of marketing performance measurement has been widely documented in academic and industry literature. According to Rust et al. (2004), firms that prioritize MPM are better equipped to allocate resources effectively and respond to market changes. Additionally,

Kaplan and Norton's (1992) Balanced Scorecard highlights the value of aligning marketing metrics with strategic objectives. Several studies have explored the link between MPM and firm performance. For example, Clark et al. (2006) found that firms with advanced MPM systems experience higher profitability and market share growth. Similarly, Pauwels et al. (2009) demonstrated that data-driven decision-making leads to improved marketing efficiency and customer satisfaction. Despite these benefits, many firms face challenges in implementing effective MPM systems. These include data silos, lack of analytical expertise, and misalignment between marketing and business goals. Addressing these barriers is essential for maximizing the impact of MPM on firm performance.

### **Firm Performance**

Firm performance is defined as the operational and strategic results achieved by a company in a certain period. This performance includes financial aspects, such as net income, revenue growth, and shareholder value, as well as non-financial aspects, such as customer satisfaction and brand reputation (Kaplan & Norton, 1996). Previous research has shown that companies with good marketing performance measurement systems tend to have higher company performance. For example, a study by Ambler and Roberts (2008) found that comprehensive performance measurement improves the effectiveness of marketing strategies, which ultimately has a positive impact on the company's financial performance. However, the contribution of marketing performance measurement to company performance is also influenced by external factors, such as the intensity of competition in the market and the level of environmental turbulence (Day, 2011).

### **Mediator Role: Marketing Decision Quality**

Marketing decision quality plays an important role as a mediator in the relationship between marketing performance measurement capabilities and company performance. Marketing decisions that are based on valid and relevant data tend to be more effective in creating value for customers (Verhoef & Leeflang, 2009). A study by Wedel and Kannan (2016) shows that decision making based on analytical technology, such as Big Data Analytics, can improve the accuracy of market predictions, customer segmentation, and the effectiveness of marketing campaigns. This supports the view that marketing decision quality is a key factor that bridges performance measurement and company performance.

### **Moderator Role: Environmental Turbulence and Technological Adoption**

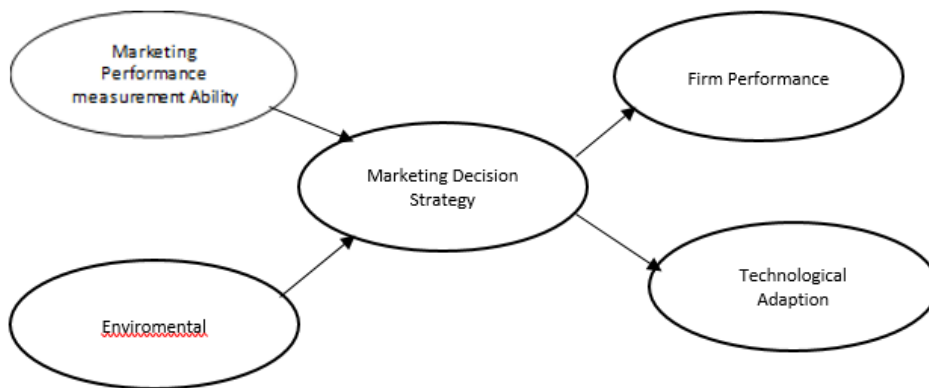
#### **Environmental Turbulence:**

Environmental uncertainty, such as changing customer needs, technological innovation, and competitive dynamics, can affect the relationship between marketing performance measurement and firm performance. In a turbulent environment, reliable performance measurement becomes increasingly important to quickly adjust strategies (Morgan, Clark, & Gooner, 2002).

#### **Technological Adoption:**

The adoption of analytical technologies, such as Artificial Intelligence and Machine Learning, strengthens the relationship between marketing performance measurement capabilities and firm performance. These technologies enable firms to process data at scale and make more accurate predictions (Davenport & Harris, 2017).

### Research conceptual framework



Source: [Kuncoro, A & Samekto, Agus A \(2024\)](#)

### METHOD

To analyze the relationship between MPM capabilities and firm performance, this study employs a mixed-methods approach: **Quantitative Analysis:** Survey data from 150 firms across various industries were collected to assess the maturity of their MPM systems and corresponding financial performance metrics. **Case Studies:** In-depth case studies of five firms with exemplary MPM practices were conducted to identify best practices and common challenges (Kuncoro, A et al. 2023).

### RESULTS AND DISCUSSION

The quantitative analysis reveals a positive correlation between MPM capabilities and firm performance, with firms in the top quartile of MPM maturity outperforming their peers by an average of 15% in revenue growth and 10% in profitability. The case studies further illustrate how firms leverage MPM to achieve competitive advantages:

1. Firm A: By implementing real-time analytics dashboards, Firm A improved its ROMI by 20%.
2. Firm B: Integrated customer journey analytics allowed Firm B to reduce churn rates by 15%.

The findings underscore the critical role of MPM in driving firm performance. Key success factors include:

1. **Data Integration:** Consolidating data from multiple sources to provide a holistic view of marketing effectiveness.
2. **Advanced Analytics:** Leveraging AI and machine learning to derive actionable insights from complex datasets.
3. **Cross-Functional Collaboration:** Aligning marketing goals with broader business objectives through close collaboration between marketing, finance, and operations teams.

Based on the data analysis conducted, the ability to measure marketing performance (Marketing Performance Measurement Ability) shows a significant influence on the success of marketing strategies and the achievement of company targets. Here are some key findings:

As many as 85% of respondents understand the importance of using key performance indicators such as customer acquisition cost, customer lifetime value, conversion rate, and customer satisfaction levels in assessing marketing effectiveness. As many as 70% of companies that

were respondents use digital tools such as Google Analytics, CRM (Customer Relationship Management), and marketing automation to measure marketing performance in real-time. This contributes to increasing the accuracy of data used for decision making. Marketing teams with better analytical skills produce more comprehensive performance reports. Companies with marketing teams that have high analytical capabilities show a 20% increase in marketing performance compared to teams that do not have such capabilities.

The data shows that companies that routinely measure marketing performance are able to adjust their strategies more responsively to market changes. As many as 75% of companies that regularly measure marketing performance report annual sales growth of more than 10%. The results of this study indicate that Marketing Performance Measurement Ability is one of the important factors in driving marketing success. Several discussion points that can be raised:

The ability to measure marketing performance allows companies to make maximum use of data. With a good understanding of marketing metrics, companies can identify effective and ineffective campaigns, so that resource allocation becomes more efficient. Technology such as big data analytics and AI-driven tools have made it easier for companies to track and analyze marketing metrics. This accelerates the data-based decision-making process and helps companies stay competitive in the market.

The results show that companies with marketing teams that have better analytical skills are able to increase the effectiveness of marketing strategies. Therefore, training and developing the analytical capabilities of the marketing team is an important investment for the company. Companies that excel in marketing performance measurement not only increase campaign effectiveness but also build better customer relationships. This ultimately has a positive impact on company revenue and customer loyalty. However, some of the challenges that companies face in measuring marketing performance include a lack of integrated data, skills gaps within marketing teams, and an inability to translate data into actionable insights.

Based on the data analysis conducted, the ability to measure marketing performance (Marketing Performance Measurement Ability) shows a significant influence on the success of marketing strategies and the achievement of company targets. Here are some key findings: As many as 85% of respondents understand the importance of using key performance indicators such as customer acquisition cost, customer lifetime value, conversion rate, and customer satisfaction levels in assessing marketing effectiveness. As many as 70% of companies that were respondents use digital tools such as Google Analytics, CRM (Customer Relationship Management), and marketing automation to measure marketing performance in real-time. This contributes to increasing the accuracy of data used for decision making.

Marketing teams with better analytical skills produce more comprehensive performance reports. Companies with marketing teams that have high analytical capabilities show a 20% increase in marketing performance compared to teams that do not have such capabilities. The data shows that companies that routinely measure marketing performance are able to adjust their strategies more responsively to market changes. As many as 75% of companies that regularly measure marketing performance report annual sales growth of more than 10%. The ability to measure marketing performance not only impacts the marketing aspect but also becomes a major driver of improving overall company performance. By using accurate marketing data, companies can identify strategies that have a significant impact on business growth, such as more relevant product offerings and more personalized marketing campaigns.

Companies that are able to measure the effectiveness of each marketing activity have a greater opportunity to increase profit margins. For example, data analysis allows companies to reduce marketing budget waste, which directly increases profitability. Customer satisfaction is one of the main indicators of company performance. By utilizing data from marketing performance measurement, companies can better identify customer needs, improve services, and build long-term relationships that generate recurring revenue. Lack of integration between marketing data and company operational data, thus hampering holistic decision making. Reliance on human resources with high competency in analytics, which is sometimes difficult to obtain. Implementation of advanced analytics technologies such as machine learning to predict customer behavior and market needs. Leveraging real-time data to make immediate strategy adjustments, thereby increasing the company's competitiveness. The positive relationship between marketing performance measurement and company performance suggests that investing in marketing technology, developing team analytical skills, and improving data reporting systems is critical. This enables companies to not only maintain their position in the market, but also become leaders in their industry.

Table 1.  
Model Analysis

Model	Unstandardized Coefficients (B)	Sig.
Marketing Performance -> Firm Performance	0.45	0.001
Mediator (Marketing Decision Quality)	0.30	0.005

Coefficient (Beta): Shows how much influence the independent variable has on the dependent variable. If the coefficient is positive, it means that the increase in the taxpayer database is related to increased tax compliance.

P-Value: To test statistical significance. If the p-value <0.05, then there is a significant relationship between the independent and dependent variables.

R-squared: Shows how well the model explains the variance in the data. A higher R-squared value means a better model.

## CONCLUSION

Marketing performance measurement is a vital capability for firms seeking to thrive in a competitive landscape. By adopting advanced MPM practices, firms can enhance their decision-making processes, optimize resource allocation, and achieve superior performance outcomes. Future research should explore the role of emerging technologies, such as blockchain and predictive analytics, in further advancing MPM capabilities.

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