Performance Measurement

Marketers have traditionally focused on a company's *sales*, *market share*, and *margin* to set its objectives and judge its performance. But gains in market share, while desirable, need further examination. Did you gain the right or wrong kinds of customers? Are they the staying or the switching kind? Are you "buying" share or "earning" it? Are you gaining a greater share of a shrinking market? Consider the following:

- Years ago General Electric fired a division manager because he grew his share of the vacuum tube market when he should have pursued the transistor market.
- Jack Welch said when he retired from GE that he had been wrong about needing to be number one or two in every business because "it leads management teams to define their markets narrowly . . . and has caused GE to miss opportunities and growth."

Focusing on margins can also be misleading. U.S. automakers resisted making good small cars because the margins were small. The Japanese went after this market knowing that they could capture the hearts of new young customers who would eventually buy larger Japanese cars.

Your company needs a whole set of additional measures to set its goals and gauge its performance (see box).

Your company must set more specific performance goals and measures for different marketing areas. For service support, you can use "on-time, first-time fix" to know the percentage of times the service person arrived on time and fixed the product perfectly. For order

Goals and Performance Measures

- Percentage of new customers to average number of customers.
- Percentage of lost customers to average number of customers.
- Percentage of win-back customers to average number of customers.
- Percentage of customers falling into very dissatisfied, dissatisfied, neutral, satisfied, and very satisfied categories.
- Percentage of customers who say they would repurchase from the firm.
- Percentage of customers who say they would recommend the firm to others.
- Percentage of customers who say that the company's products are the most preferred in its category.
- Percentage of customers who correctly identify the company's intended positioning and differentiation.
- Average perception of company's product quality relative to chief competitor.
- Average perception of company's service quality relative to chief competitor.

fulfillment, you can measure the percentage of "orders filled completely and accurately."

Every company must set appropriate incentives for the achievement of different goals. Companies must avoid setting incentives that create short-term profit but long-term customer loss. Paying automobile salespeople a commission leads them to manipulate the customer in order to make the sale. Stockbrokers on commission have an incentive to churn the customer's holdings. Insurance claims representatives try to pay as little as possible. Telemarketers are paid for speed over service and this can hurt long term relationship building. Incentive systems must be carefully monitored to avoid abuse.

Positioning

Thanks to Al Ries and Jack Trout, "positioning" entered the marketing vocabulary in 1982 when they wrote *Positioning: The Battle for Your Mind*.[47] Actually the word had been used earlier in connection with placing products in stores, hopefully at the eye-level position. However, Ries and Trout gave a new twist to the term: **"But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect."** Thus Volvo tells us that it makes "the safest car"; BMW is "the ultimate driving machine"; and Porsche is "the world's best small sports car."