

**UNIVERSITY OF JYVÄSKYLÄ**

**School of Business and Economics**

**THE IMPACT OF DIGITALIZATION ON MARKETING  
COMMUNICATIONS MEASUREMENT PROCESS**

**Case of Global B2B Industrial Companies**

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<p>Abstract</p> <p>The stature of marketing communications function is under a threat within the firms. As the board of management tends to demand the profitability of all business activities, marketing practitioners have for a long time been unable to credibly show the link between marketing communications actions and financial value. Fortunately, the digitalization has offered new insights and opportunities to make the marketing communications actions more measureable. "Everything can be tracked" is an often heard slogan when speaking of monitoring web users' online behavior facilitated by web analytics software. However, it is questionable how well this slogan fits the marketing communications of Business-to-business (B2B) industrial companies that tend to stress the role of personal selling in their marketing communications activities.</p> <p>This study investigates how B2B industrial companies measure the impacts of marketing communications actions in the digital age. In particular, it aims at describing the current marketing communications measurement process and examining if the digitalization has reformed the measurement practices in a way or another. As it is often argued that the marketing practitioners are required to show the results of their activities, this study examines also the reporting and feedback processes between the marketing communications function and the top management.</p> <p>The main findings of this study reveal that the case companies do not measure their marketing communications results systematically, nor report them regularly to the top management. In particular, the measurement is not widely based on strategic marketing communications goals, there is no explicit metrics system in use and the top management has not set clear criteria to guide the measurement and reporting practices. However, it is found that the digitalization has facilitated the measurement practices in terms of evaluating the visibility and attractiveness of online marketing communications actions. Nevertheless, the results suggest that the digitalization has not yet revolutionized the marketing communications measurement process of B2B industrial companies, even though the future might be different.</p>	
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# 1 INTRODUCTION

## 1.1 Study Background

For too long, marketing practitioners have been unable to show the value of their activities to the top management. The problem has been enlarged as modern marketing activities are more often aimed at building stronger brands and customer relationships which generate results only discernible in the future (Leone, Rao, Keller, Luo, McAlister & Srivastava 2006). Consequently, the resources allocated to marketers have been decreased, and the strategic role of marketing as a function has weakened within the firms (O'Sullivan & Abela 2007; Rust, Ambler, Carpenter, Kumar & Srivastava 2004). In order to strengthen the stature of marketing, practitioners need to be able to show its contribution to the firm's strategic business outcomes - marketing accountability is no more an option, but a requirement from the top (Stewart 2009).

While the academics have been striving to invent marketing measurement models for solving the problems, digitalization has brought new implications for marketing measurement issues. In particular, web analytics has enabled companies to track customer behavior in web environment (Phippen, Sheppard & Furnell 2004), and to monitor the online discussions revolving around the company and its products (Godes and Mayzlin 2004). Therefore, the digitalization has arguably brought new light to marketing measurement challenges, and perhaps, the long-lasting difficulties of measuring the total impact of marketing activities are finally realistic to overcome.

Lately, marketing measurement challenges and the new measurement opportunities through digital media have been widely discussed in the academic literature, but still, the existing knowledge seems inadequate. Indeed, marketing measurement issues have remained as research priorities of Marketing Science Institute (MSI) since the beginning of this century (MSI 2000, 2002, 2004, 2006, 2008 & 2010), and there have been complete issues in top journals concerning marketing productivity (e.g. Journal of Business Research 2002 & Journal of Marketing 2004). More recently, the MSI has specifically requested more research in the measurement opportunities empowered by

digital media (MSI 2006, 2008, 2010). The requests need to be taken seriously, as the role of MSI is to serve as a link between the marketing academics and practitioners (Seggie, Cavusgil & Phelan 2007). This implies that companies are truly eager to gain more know-how with regard to marketing measurement in the digital age. No wonder, as it has been discovered that the enhanced ability to measure marketing performance has a positive impact on firm performance, profitability, stock returns, marketing's stature within the firm and CEO satisfaction with marketing (O'Sullivan & Abela 2007; O'Sullivan, Abela & Hutchinson 2009).

Although the academic literature concerning marketing performance measurement has provided several theoretical models for capturing the total impact of marketing (e.g. Ambler, Kokkinaki & Puntoni 2004; Morgan, Clark and Gooner 2002; Rust et al. 2004; Srivastava, Shervani & Fahey 1998), the frameworks do not sufficiently take into account the changing nature of communications model, where customers have become essential moderators of marketing impact (Hoffman & Novak 1996). In other words, customers are becoming more important contributors of firm's marketing messages through creating and sharing firm-related content (text, pictures and videos) online (Hennig-Thurau, Malthouse, Friege, Gensler, Lobschat, Rangaswamy & Skiera 2010). Thus, traditional marketing productivity models might not be valid in the digital world, and more research is needed to investigate the impact of digitalization on marketing measurement process. In addition, the majority of research examining the impact of digital marketing actions has focused on e-commerce and consumer goods, whereas the knowledge of business-to-business (B2B) industrial companies' possibilities to measure the marketing impact in the digital age has remained weak.

## **1.2 Study Objective and Research Questions**

The objective of this study is to describe the marketing communications measurement process of B2B industrial companies and to gain insight into the effects of digitalization in that process. Consequently, the main research question of the study concerns how B2B industrial companies measure the impacts of marketing communications in the digital age. Additionally, as it is suggested that the marketing measurement and metrics selection should be based on predetermined goals (Ambler et al. 2004), this study investigates how well the measurement approaches of the case companies are in accordance with their marketing communications goals. Finally, since it is often argued that marketing accountability is demanded by executives and that marketing could strengthen its position within firms by demonstrating its contribution to the top management (Stewart 2009), this study investigates the reporting and feedback mechanisms between marketers and top management with regard to marketing communications results.

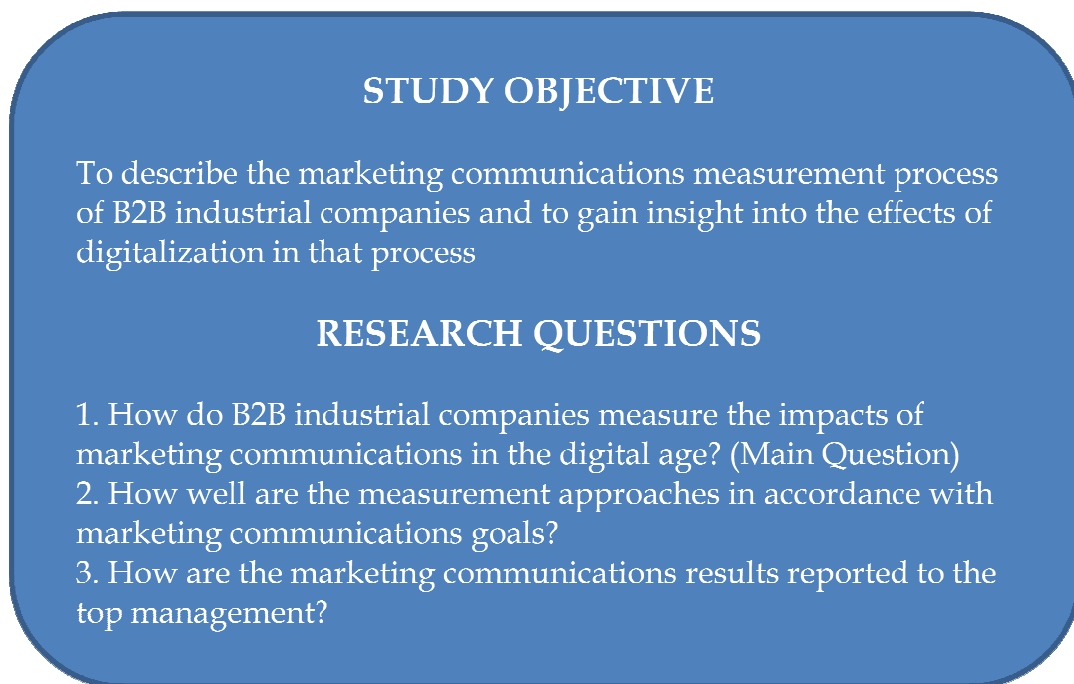


FIGURE 1 Study objective and research questions

This study contributes to the existing knowledge of marketing performance measurement in multiple ways. Firstly, while several studies have presented the benefits of web analytics in determining the direct value of online marketing communications actions (e.g. Phippen et al. 2004; Wilson 2010), few studies have investigated the wider impacts of digitalization on the whole marketing measurement process. In particular, not much is known how digitalization affects the marketing measurement processes in the context of B2B industrial companies which tend to focus on offline selling, instead of online marketing communications activities. Thus, the focus on B2B industrial firms is identified as the second contribution.

The third major contribution derives from the marketing communications emphasis. As the existing research frameworks (e.g. Rust et al. 2004, Srivastava et al. 1998) have examined the total contribution of marketing performance, the scope of this study is more focused in a sense that it investigates the measurement process from the marketing communications perspective. Still, it is noteworthy that measuring the impacts of marketing communications solely is not possible as the generated results are always affected by other marketing mix elements (price, product and distribution decisions). For example, the impact of marketing communications on sales is surely moderated by price, and brand equity is heavily affected by product quality.

As a remark, the term marketing communications is used instead of promotion in this study, although promotion has been probably more widely used in the marketing literature. This tradition dates back to the invention of the marketing mix concept (Borden 1964). The reason for using marketing communications term in this study derives from the ideas of van Waterschoot and Van den Bulte (1992) who suggest that all the marketing mix elements



(product, price, distribution and promotion) have persuasive/promotional power which renders the term promotion misleading. Therefore, the authors argue that the term communications should be used instead of promotion. This idea has been widely accepted, and the use of marketing communications has gained more and more ground in the academic literature. This is evidenced in the more recently emerged marketing concepts, such as integrated marketing communications (IMC) and digital marketing communications (DMC) which have surfaced as hot topics in the field of marketing.

### **1.3 Study Structure**

The structure of the study (Figure 2) is following: Chapter 2 discusses the existing knowledge with regard to the impact of digitalization on marketing communications measurement process. More specifically, the chapter begins with introducing the major marketing measurement challenges. Thereafter, the focus is shifted on the effects of digitalization on marketing communications strategies, tactics and particularly, new measurement opportunities that might be beneficial in overcoming the measurement challenges. In addition, the importance of reporting relevant performance metrics to the top management is discussed. Finally, a new framework is proposed on the basis of earlier research findings, which deals with the impact of digitalization on marketing communications measurement process. The framework serves as a bridge between the theoretical and empirical part of the study, as the interview themes and questions are based on the framework.

Chapter 3 concerns the methodological considerations. For the purposes of this study, a qualitative case study with descriptive design and abductive approach is selected as the research strategy. In order to get the most appropriate data to support the chosen strategy, semi-structured interviews were conducted as a data gathering method with eight marketing professionals in two distinctive B2B industrial companies. After explaining the selection of these methods, the chapter continues by presenting the analytical techniques that were applied to the analysis of the gathered data. Finally, chapter 4 reports the results of this study, after which chapter 5 draws the conclusions from the results, presents the limitations of the study and offers sources for further research.

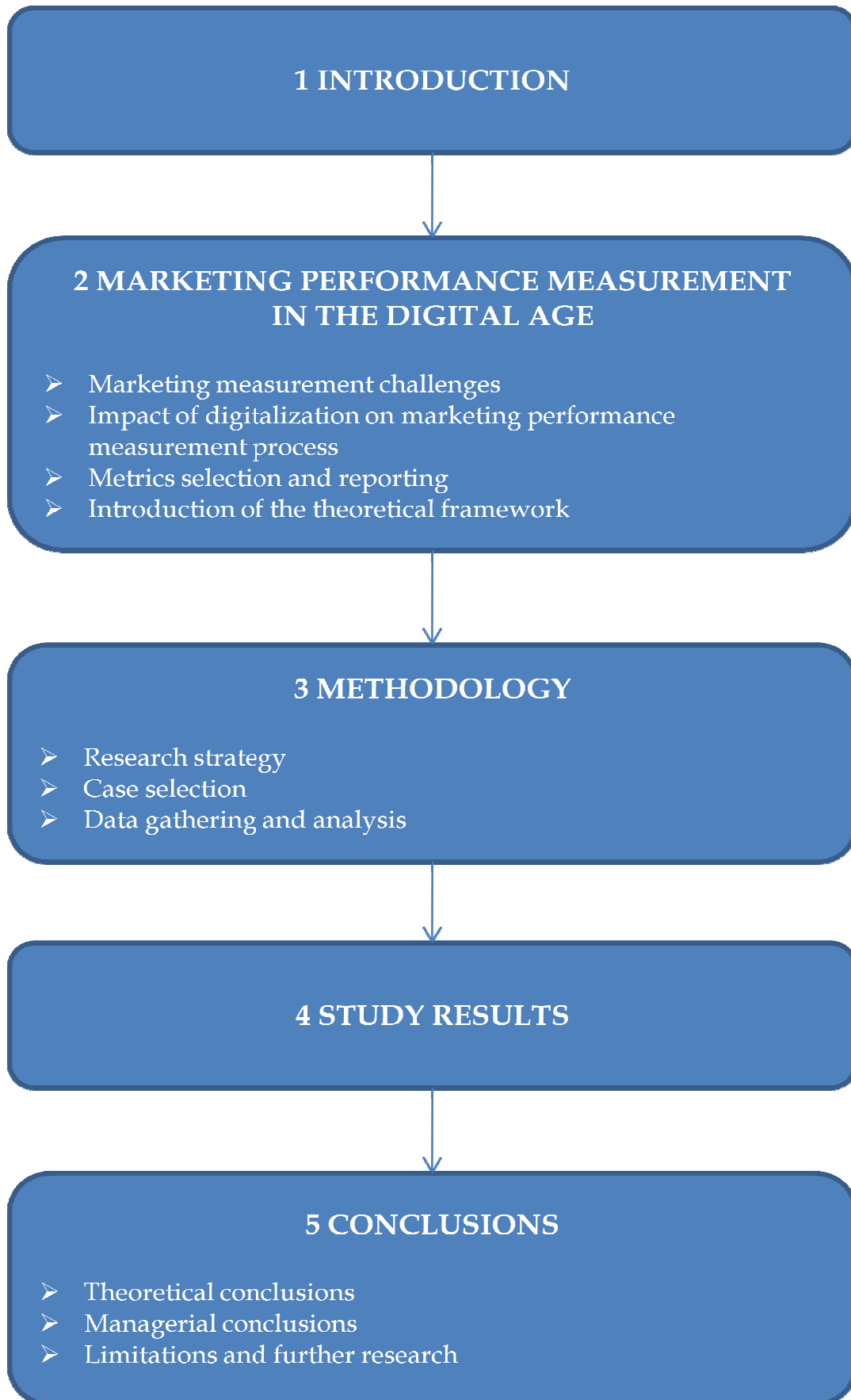


FIGURE 2 Study structure

## 2 MARKETING PERFORMANCE MEASUREMENT IN DIGITAL AGE

### 2.1 Challenges of Marketing Performance Measurement

Measuring the impact of marketing actions is generally considered as one of the most challenging tasks for marketers. There are three major challenges which can be identified: (1) linking marketing actions with long-term effects, (2) separating marketing actions from other activities, and (3) the emphasis on using short-term financial measures which have been proved inadequate to explain the total impact of marketing actions (Rust et al. 2004). In the following, the measurement challenges are discussed in more detail from the marketing communications point of view, and thereafter, relevant models for solving the measurement challenges are introduced.

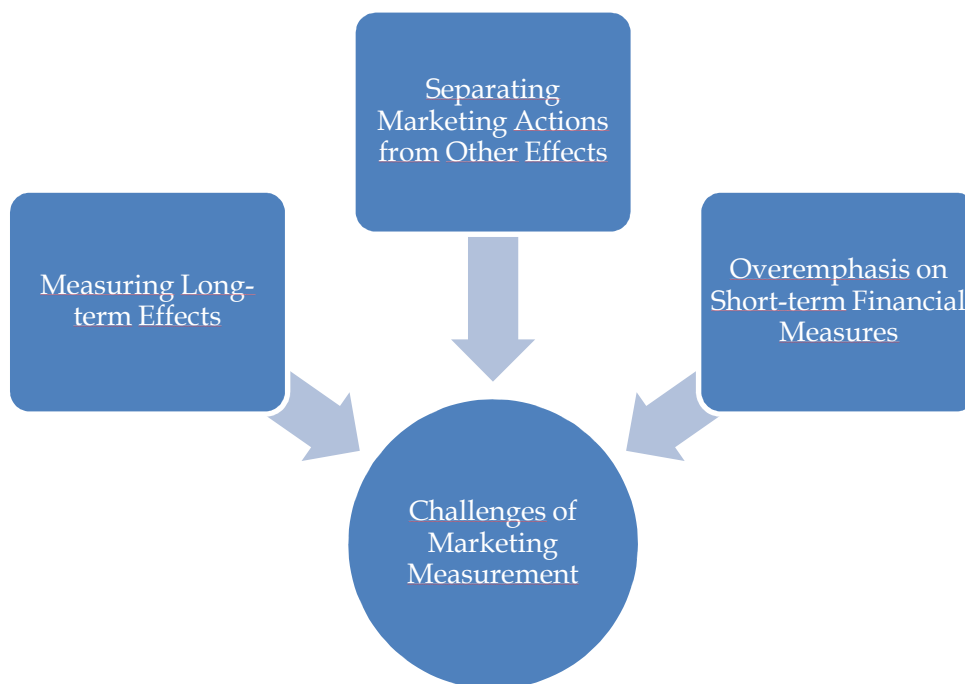


FIGURE 3 Challenges of marketing measurement (Rust et al. 2004)

### 2.1.1 Measuring Long-Term Effects

Measuring the effectiveness of marketing communications actions has traditionally been a difficult task, especially when it comes to the use of those marketing communications tools that may have long-lasting positive (negative) impact on firm performance such as PR (public relations) and advertising. The effects of advertising have been studied widely in the marketing literature (e.g. Krugman 1965; Mitchell & Olson 1981; Vakratsas & Ambler 1999), but attempts to measure the total impact is troublesome. Firstly, the study results concerning the duration of advertising effects on sales have ranged from a few months (Clarke 1976) to more than a year (Dekimpe & Hanssens 1995). This time gap is suggested to depend on the product and advertisement type (Pavlou & Stewart 2000). Secondly, using sales as the only measure to study advertising effects is controversial; In addition to behavioral effects that are directly linked with sales, advertising has also been found possessing cognitive and affective effects. These effects are related to customer beliefs, attitudes and awareness which are only indirectly linked with sales. (Vakratsas & Ambler 1999).

The cognitive and affective effects are often quantified with intermediate measures which are also known as non-financial or intangible measures (Sегgie et al. 2007; Srinivasan & Hanssens 2009). It can be argued that these intermediate measures, which concern how customer perceives the company and its products, form the essence of long-term marketing measurement problems. These problems to measure intermediate effects stem from at least two factors: firstly, it is unclear which metrics are the most relevant for measuring cognitive and affective effects (Keller 1993), and secondly, linking the selected intermediate metrics with financial outcomes has turned out to be difficult (Dekimpe and Hanssens 1995). Probably the most advanced way to approach these challenges is through measuring how cognitive and affective effects build brand equity which is further linked with financial value (Rust et al. 2004).

Brand equity can be defined as “the incremental profit that the brand earns over the profit it would earn if it was sold without the brand name” (Ailawadi, Lehmann & Neslin 2002, p. 7). This definition clearly implies that the brand equity has multiple effects on earning incremental profits and thus, cannot be measured in a straightforward way with a single metric. Indeed, brand equity seems to consist from several cognitive and affective components that together make the total impact. In one of the most known studies about brand equity, Keller (1993) identifies two basic components of brand knowledge/equity: brand awareness and image which are further divided to several subcomponents. He argues that the brand equity can be measured directly by evaluating the impact of brand equity on how customers respond to marketing actions. In order to understand what causes the differential customer response, the sources of brand equity (i.e. brand awareness, image and their subcomponents) should be investigated.

Measuring the brand equity by differential customer response is a complex matter, because there are again several different aspects of customer response. Ailawadi et al. (2002) mention four kinds of customer responses which may link brand equity with financial performance: Firstly, brand equity increases the volume of sales through better awareness and appeal. Secondly, it decreases price sensitivity (allows premium pricing). Thirdly, it makes other marketing communications activities more effective. For instance, when customers are already aware of a specific brand, the advertising message is remembered more easily, which means more impact with the same money or less money to achieve the same impact. Fourthly, it enables a pull strategy in distribution; it is easier to distribute a brand when the customers demand it from the retailers and thus “pull” the products to the stores, which again increases sales. Another way to approach the measurement of brand equity is through linking it directly with shareholder value (e.g. Aaker & Jacobson 2001; Kerin & Sethurman 1998; Simon & Sullivan 1993).

All in all, measuring long-term marketing impacts through brand equity is complicated; despite the progress, there is no agreement on the exact components that drive brand equity and how exactly these components should be measured (Keller 1993). For instance, while Keller (1993) introduced two major components of brand equity and eight measures to capture the equity, Aaker (1996) divided brand equity into four components and introduced ten measures. The other thing is that identifying and measuring brand equity components do not really help if they are not linked with financial outcomes which show the value relevance of the components (Aaker & Jacobson 2001; Morgan et al. 2002). For example, although it is good news when the firm’s brand name has more awareness after an advertising campaign, the financial impact cannot be captured until someone is able to tell how much the improved awareness generates profit. Taken together, brand equity measurement is vulnerable for critique, because it is problematic to quantify how much an individual marketing action increases (decreases) brand equity and what the increase (decrease) means in terms of financial value (Dekimpe & Hanssens 1995).

### **2.1.2 Separating Marketing Actions from Other Effects**

It makes common sense that separating marketing actions from other effects is a difficult task. As a simple example, if the end-point sales of a boat manufacturer increase after an advertisement campaign, how can you be sure which part of the total increase resulted from that particular campaign, and how much is explained by other factors such as the new model that was recently launched, better availability in retailing outlets, the newspaper story that was published at the same time, talented salesmen, price incentives, or how about the fact that boating season just started, economic is booming and two of the major competitors went to bankruptcy? The problem is magnified when long-term effects of marketing actions are examined. As McDonald (2010) explains, the

link between brand equity components and market outcomes (e.g. brand awareness and sales) is evident, but there is a plenty of other factors at the same time that may affect market outcomes, such as price, sales efforts and competitor actions.

Some of the other effects which affect marketing results can be seen exogenous (i.e. effects unrelated to the firm's own actions) while others are endogenous in a way that they derive from other marketing-related effects, such as pricing. The exogenous effects refer to the factors related to the firm's environment; clearly, in order to get truthful measurement results from marketing actions, the measurement should take into account the competitor actions and the stability of the industry concerned (Dekimpe & Hanssens 1995). This implies that the marketing measurement should be done in relation to competitors. Measuring against competition shows how the firm performs against its competitors and works as an indicator of market trends. For instance, if all competitors are performing well, it might be that the recent increase in sales was not only because of the latest marketing communications campaign, but due to the increased demand in the industry. In the case of multinational company, one problem is that it tends to be difficult to choose which competitors to follow, because they might change according to the market region concerned (Aaker 1996).

Measuring endogenous effects creates another, complicated dilemma. Indeed, measuring the results of a specific marketing action is always difficult, when the action is done at the same time with other marketing actions. As Pavlou and Stewart (2000) note, marketing communications is generating only one part of marketing impact and may be moderated by other marketing-related actions. For example, if a price of a product is reduced and the product is promoted at the same time, it is difficult to determine which action (price reduction or promotion) affected sales more effectively. Secondly, if the product was promoted through several marketing communications channels, it is not easy to know how much the total sales were generated by each channel (Pavlou & Stewart 2000).

In fact, it is disputable if the effects of marketing communication actions should be studied separately or in combination. On one hand, it is considered that measuring the total impact of marketing actions is not possible until researchers are able to direct the long-term results to a specific marketing action (Dekimpe & Hanssens 1995). On the other hand, separating the impact of specific marketing action is contradictory to the growing perception of integrated marketing communications which holds inside that marketing communications tools and actions should be used seamlessly in combination to achieve synergistic effects (De Pelsmacker, Geuens & Van den Bergh 2007, pp. 8-11). Now, if a specific marketing communications action affects and is affected by all other marketing communications actions, it becomes extremely difficult to measure its impact in isolation.

### 2.1.3 Overemphasis on Short-Term Financial Measures

Short-term financial measures have proved inadequate in demonstrating the benefits achieved by investing in intangible assets, such as brands, information technology, and research and development that may improve long-term performance of a firm, instead of instant results (Aaker & Jacobson 2001; Morgan et al. 2002). Indeed, short-term financial metrics tend to underestimate or sometimes even ignore the long-term effects resulting from marketing actions (Ambler & Roberts 2008). Undoubtedly, it takes time to observe the total effect of a marketing investment, and therefore, short-term financial metrics are often inadequate for evaluating the total impact (McDonald 2010).

Ambler and Roberts (2008) offer a good example of how using only short-term financial metrics, might lead to false conclusions: a marketing program generating a million dollars in sales profit with the cost of only half a million looks like an excellent outcome, but if it simultaneously reduced the value of brand equity by two million, the final result is not as pleasing as it intuitively seemed to be. Truly, the actions targeted to marketing asset building may actually hurt profitability temporarily and look unfavorable in terms of short-term financial measures, just like in the case of Amazon.com which reached stock-market capitalization of \$30 billion without having one single quarter of positive earnings since the establishment of the company (Aaker & Jacobson 2001). These examples show undisputedly that the financial value of long-term investments cannot be evaluated through short-term metrics.

In spite of the evidence demonstrating the inadequacy of short-term financial metrics, the firms tend to overemphasize the short-term metrics at the expense of long-term measurement. According to Ambler and Roberts (2008), the focus on short-term measurement derives from the management's desire for short-term financial metrics which are simple to measure, and the results are easy to understand. The authors argue that the managers would like to have a single profit-related number for alternative marketing plans so that they could select the plan with the highest number. After that the management would be able to evaluate the success of the plan by comparing the actual resulting number with the estimated one.

In the study conducted by Webster, Malter and Ganesan (2005), most of the marketing executives admitted that building strategic marketing assets, such as brand equity, suffers from the focus on quarterly earnings that dominates the management decisions. The respondents of the study felt that this short-termism weakens the long-term effectiveness of the marketing function and the business performance itself, as well as decreases the funds available for marketing activities, because marketing is seen as a variable cost, and not as an investment for the future. Clearly, the management's desire to see the results in short-term financial metrics makes it hard for marketing to justify its expenditures, because many of the marketing outcomes are only discernible in the long-term performance assessment which is more difficult to measure.

The notable threat stemming from the overemphasis on short-term measures is that it may result in stronger focus on short-term marketing campaigns instead of investments in building brand equity. This is one of the biggest concerns among marketers aiming at the best possible effectiveness of marketing activities; while the top management might regard marketing as a set of short-term incentives, the marketing managers consider long-term investments extremely important with regard to the growth and future profitability. (Webster et al. 2005.) All in all, the top management's focus on short-term profitability may threaten the long-term marketing effectiveness and business performance.

The top management is not the only one to blame for the short-term measures in use, however. The fact is that the reason for top management's inability to understand the financial value of generating long-term marketing assets is that marketing managers are unable to convince them by showing credibly the link between inputs and long-term marketing outcomes (Morgan et al. 2002). As reported in the CMO Council survey (2004), the chief marketing officers themselves were least satisfied with the measures assessing brand-building (Stewart 2009). This finding clearly suggests that the marketers lack credible long-term marketing performance metrics; if marketing managers themselves are not satisfied with their ability to measure long-term outcomes, how could top-management be?

After highlighting the importance of long-term marketing performance metrics, it is important to note that this is not to suggest short-term measures being somehow bad measures. Vice versa, long- and short-term metrics are both needed in order to form a complete picture of marketing performance (Ambler & Roberts 2005; Lehmann 2004; Webster et al. 2005). Undoubtedly, short-term profits are always needed for a firm's current survival, but maximizing short-term cash-flow may harm the long-term profitability. In this regard, firms should balance the short- and long-term metrics in order to make wise decisions on profitability.

#### **2.1.4 Theoretical Frameworks of Marketing Measurement**

The long-lasting challenges of marketing performance measurement have been addressed by several theoretical frameworks. In particular, the frameworks have aimed at solving the conundrum related to linking the short- and long-term effects of marketing actions to financial value. Determining the ultimate financial value of marketing is considered important, because it is the only way of making the marketing impact understandable and comparable, and that is what the top management is typically willing to see (Lehmann 2004; Stewart 2009). Undoubtedly, there is no such thing as perfect marketing measurement model, otherwise the challenges presented earlier would not exist. However, there are several frameworks that contribute to the general goal of making marketing accountable.



Since the existing frameworks approach marketing measurement challenges from different angles, it is difficult to combine their contributions to a coherent compilation. Therefore, the Chain of Marketing Productivity (Rust et al. 2004) was selected to guide the theoretical part of this study (Figure 4). This conceptual model is based on earlier research findings and is aiming at showing how marketing inputs eventually are transformed into outputs through several intermediate phases. In relation to the other existing frameworks, the Chain of Marketing Productivity model was considered most comprehensive and detailed with regard to showing the linkages between each step from marketing strategies and tactical actions all the way to the market results, financial outcomes and firm value.

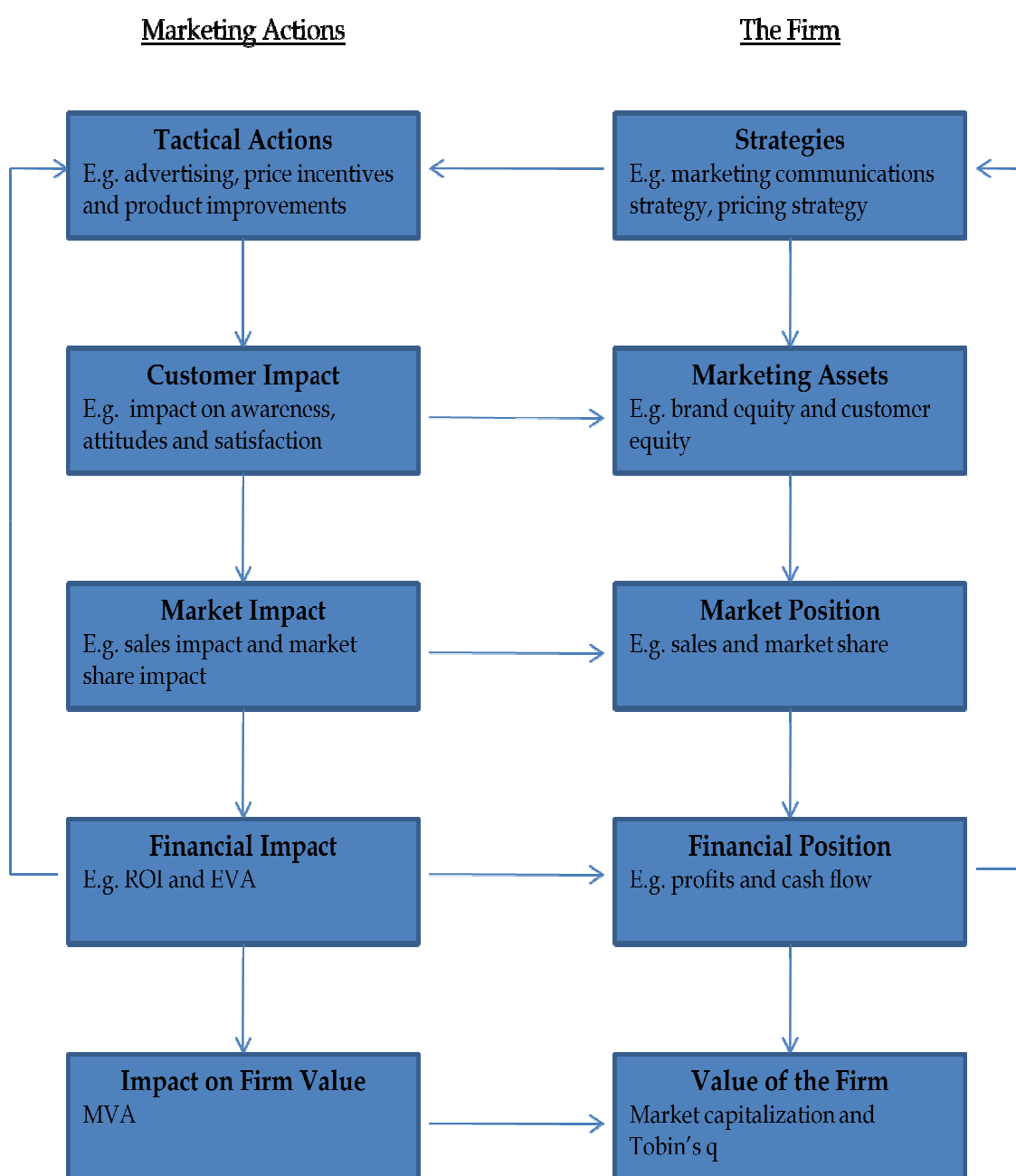


FIGURE 4 Chain of marketing productivity (adapted from Rust et al. 2004, p. 77)

The Chain of Marketing Productivity model by Rust et al. (2004) begins from marketing strategies that lead to certain tactical marketing actions, such as an advertising campaign. These tactical actions have customer impact indicating that the actions influence customers' mindset by e.g. increasing awareness or affecting the attitudes towards the firm. The customer impact has evidently influence on sales and market share (market impact), while at the same time it builds long-term marketing assets, such as customer and brand equity. Furthermore, the firm's market position is determined by current market outcomes and the strength of marketing assets that influence future cash flows. Consequently, the market position is linked with the firm's financial position and the ultimate value of the firm. Additionally, it is noted that all the marketing actions are affected by environmental and competitive context which are therefore closely related to measuring marketing productivity.

The biggest strength of the model is that it includes short- and long-term measurement into the same framework and explains their interrelationships. More specifically, it illustrates how marketing actions affect customer knowledge, feelings and beliefs (customer impact), and how these intermediate outcomes lead to market outcomes in the short and the long run. One of the key ideas of the framework is that marketing actions both create and leverage long-term marketing assets. In other words, marketing actions create brand and customer equity which thereafter generate short- and long-term market outcomes (e.g. strong brands and loyal customers are linked with greater sales).

For practical measurement purposes, the framework proposes that marketing assets can be measured through customer impact indicators (e.g. the change in customer awareness, satisfaction, attitudes and loyalty). Competitive market position should be measured as a combination of the market impact indicators (e.g. change in sales and market share) and the changes in marketing assets. When it comes to measuring financial impact, the authors warn using traditional ROI (return on investment) approach, because of its retrospective nature and the emphasis on short-term results that underestimate the long-term outcomes of marketing expenditure. Instead, companies are encouraged to use a set of discounted cash flow methods (e.g. internal rate of return and net present value) when measuring financial impact.

These ideas are indeed widely shared; ROI is often criticized due to its retrospective measurement approach which tends to focus on measuring short-term results (e.g. Ambler & Roberts 2008; Webster et al. 2005). Thus, cash flow is often selected for the ultimate financial metric instead of ROI in many other marketing measurement models due to its long-term focus and consistency as a measure across markets, products, customers and activities (e.g. Srivastava et al. 1998; Stewart 2009).

Finally, the value of the firm can be evaluated through different measures of stock market performance, such as the market-to-book ratio (the difference between the market value of all outstanding shares of a firm and the firm's book value on the balance-sheet) and Tobin's q (the ratio of the market value of the firm to the replacement cost of its tangible assets). Both of these are

considered good indicators of the value of marketing assets, because they are comparing firm's market value to tangible assets. However, measuring the influence of marketing assets on firm value is very challenging an issue which is discussed more comprehensively in the framework presented by Srivastava et al. (1998).

Indeed, the marketing measurement model by Srivastava et al. (1998) is aiming at explaining how marketing assets are linked with better marketing performance, and how the enhanced marketing performance increases shareholder value through more stable cash flows. All in all, the focus on measuring long-term marketing results is vital, firstly because it highlights the fact that marketing is not about short-term promotions, but strategic investments in the long-term cash flows. Secondly, linking marketing activities to shareholder value is an important step forward in creating marketing-finance interface and raising the marketing's standing in the firms. Only when this link is credibly demonstrated, the marketing's total contribution to companies can be observed.

The sources of criticism towards the Chain of Marketing Productivity stem from its focus on productivity which emphasizes marketing efficiency measurement at the expense of marketing effectiveness and adaptiveness. Indeed, The Normative and Contextual Marketing Performance Assessment frameworks by Morgan et al. (2002) suggest that marketing performance consist of three interrelated perspectives: effectiveness (to what extent the marketing objectives are met), efficiency (the relationship between the inputs and outputs i.e. productivity) and adaptiveness (how well the company is able to adapt to environmental changes). Consequently, these frameworks take into account the context of the company concerned and suggest that environmental changes, industry dynamics, competition and corporate goals should be an essential part of marketing performance evaluation.

In other words, the marketing performance is seen multidimensional by Morgan et al. (2002), which points out the biggest weakness of the Chain of Marketing Productivity; the model does not address the impact of firm's goals and environmental context (e.g. competitors) sufficiently. This is an essential shortcoming, because measuring against goals and competitors is generally considered as an essential element in marketing performance process (e.g. Ambler, et al. 2004; O'Sullivan & Abela 2007). Nevertheless, although the competitive context is not inherent in the Chain of Marketing Productivity model, the authors of the framework admit that the company environment and competition have great impact on marketing productivity. In addition, the market share is mentioned as a metric for competitive market position, which refers to measuring against the competition. Thus, it can be argued that the measurement against competitors is hidden in the framework.

Still, the model ignores completely the measurement of marketing effectiveness in a sense that marketing performance measurement against strategic goals is not discussed although the goals should be the basis of measurement process and guide the metrics selection (e.g. Ambler et al. 2004).

Additionally, the Chain of Marketing Productivity does not consider the reporting of marketing measurement results. Although reporting does not affect the actual measurement process, it might play an important role in communicating the outcomes of marketing performance to the top management and thus raise the marketing's standing in the firms (O'Sullivan & Abela 2007).

Despite the discussed deficiencies, the Chain of Marketing Productivity is selected for the basis of this study due to its comprehensiveness and ability to show the interrelationships between short- and long-term marketing measuring which concerns the very essential challenge of marketing measurement. For the purposes of this study, the model is used to identify the phases of marketing measurement process and to discuss from marketing communications perspective the modifications in these phases caused by digitalization. On the basis of the literature review, an adapted framework is proposed for measuring marketing communications results which better highlights the influence of digitalization on the measurement process (chapter 2.8).

## **2.2 Digitalization and Its Effects on Marketing Thinking**

The digitalization has changed the world as we know it. The developments in information technology have paved the way to an array of innovations ranging from digital TV to social networks and virtual worlds. The new innovations have influenced our lives in many ways, but at the same time, they have changed the business models and affected marketing in several aspects. In particular, the digitalization has altered the way how information is exchanged among individuals as the new, interactive media offer fast and effective ways to distribute information among people who may not even know one another. This phenomenon has major implications especially to marketing communications which will be discussed in this chapter. Before that, the concept of interactive digital media is introduced which plays a major role in this study.

### **2.2.1 Conceptualizing Interactive Digital Media (IDM)**

The role of digitalization has strengthened ever since the internet was invented. The internet created an international communication network where users were able to search information and communicate without physical barriers such as time and distance (Kiani 1998). Internet was followed by a list of innovations, e.g. website, e-mail and later on search engines. More recently, we have witnessed the rise of new forms of interactive digital media which have further strengthened the users' ability to communicate with one another and thus, increased the social nature of the digital world.

The new forms of interactive digital media have been most commonly referred as Web 2.0, social media or new media, but there is little agreement on

which one of the terms is the most appropriate one to use, and what the exact nature of each term is (Constantinides & Fountain 2008; Hearn, Foth & Gray 2009). Constantinides and Fountain (2008) suggest that web 2.0 refers to a set of online applications, while social media emphasizes the social aspects of these web 2.0 applications (e.g. participation, openness and connectedness). Indeed, there is a clear technology-oriented connotation in the term web 2.0. On the other hand, social media has appeared as a trendy buzz word among consultants and consumers, and is often mistakenly understood as a synonym for social networks and microblogging in colloquial expressions.

New media as a concept is probably the most neutral term to use, but simultaneously, it is problematic in a sense that the new media do not remain forever new which renders the term impractical to use in the long run (Hearn et al. 2009). "New media gets old" is a well justified argument considering that e.g. Hoffman and Novak (1996) mentioned interactive CD-ROMs when discussing the concept of new media fifteen years ago. Recently, the new media term has been defined as comprising all kinds of digital media where individuals can create content to be consumed and shared by other people in real time and in the future regardless of their geographic location (Hennig-Thurau et al. 2010).

Similarly to the above mentioned definition, this study represents a broad perception of new media. However, this study is not only concerning the most recent digital media applications (Table 1). Instead, the scope of this study covers all the interactive forms of digital applications in online environment ranging from websites and e-mail to the most recently emerged applications such as blogs, social networks and online communities. Consequently, interactive digital media (IDM) is used as a common denominator when referring to these interactive online applications. In sum, for the purposes of this study, *IDM is defined as an umbrella term for all the interactive forms of digital media in online environment.*

The emergence of IDM has revolutionized and reformed the business environment in many ways. For some industries the changes have been more dramatic reshaping the whole business models, such as in the case of music and printed newspaper industry where the products have been transformed into digital format, and the firms have encountered new kind of digital competitors (e.g. Hennig-Thurau et al. 2010). In most industries, however, the business models have remained the same, but marketing is encountering new challenges and opportunities. In particular, marketing communications have encountered dramatic changes with regard to how information is exchanged between firms and customers.

TABLE 1 New digital media application types (adapted from Constantinides &amp; Fountain 2008: 233)

<b>New Digital Media Application Type</b>	<b>Explanation/Definition</b>
<b>Blogs/Microblogging</b>	Public, online journals which typically revolve around a specific theme. Microblogging differs from blogging with regard to the length which is confined. In addition, microblogging may work as a social network at the same time. (E.g. Twitter).
<b>Social Networks</b>	Applications where users first build personal profiles and connect with one another. Through one's own profile, the user can share and consume content as well as communicate with other users. (E.g. Facebook, LinkedIn, Myspace).
<b>Content Communities</b>	Websites where certain types of content, such as text, photos and videos, can be organized, shared and sometimes edited. (E.g. Youtube, Wikipedia and Flickr).
<b>Discussion Forums/ Bulleting Boards</b>	Websites designed for discussion, sharing ideas, opinions and information about a specific theme. (E.g. epinions.com).
<b>Content Aggregators</b>	Applications enabling users to categorize and customize the web content they wish to access. These include RSS feeds (Real Simple Syndication or Rich Site Summary), widgets, bookmarks and tagging services. (E.g. iGoogle).

### 2.2.2 Change in Communications Model and Rise of eWOM

The discussion about the change in communications model between customers and firms has accelerated in the last few years along with the emergence of the latest IDM, but the phenomenon in itself is nothing new. In one of the earliest studies concerning the change in communications model, Hoffman and Novak (1996) outlined and explained the shift from traditional one-to-many model towards many-to-many communications model in which individuals and firms are participating in interactive conversations through online applications. The authors argued that many-to-many communications model is making the traditional marketing and advertising approaches ineffective, because they assume consumers as passive receivers of marketing messages. Instead, Hoffman and Novak believed that individuals were becoming active participants creating, sharing and consuming content together with businesses. Moreover, they assumed that the power was shifting from marketers to customers, because the customers were increasingly controlling which marketing messages they were willing to consume and which websites they wanted to visit. The marketers would have to adapt to this change by considering how to leverage the interactive digital media in order to participate in the conversation with customers.

The ideas of Hoffman and Novak (1996) have gained more acceptance over the years, and they are now widely shared among researchers. In particular, it is believed that the change in communications model which has led to the power shift from marketers to consumers (i.e. consumer empowerment) has rendered the traditional mass marketing activities (one-to-many) ineffective (e.g. Simmons, Thomas & Truong 2010; Varadarajan & Yadav 2002). In addition, the power of direct marketing has been called into question; the direct marketing is often intrusive which contradicts with the new consumer empowerment paradigm where the marketers are being talked rather than talking. Thus, it is argued that marketers can soon only participate in the conversation with customers. (Deighton & Kornfeld 2009).

The interactive digital media allow true conversation between the customers and firms, but probably even more characteristic to the IDM is the proliferation of firm- and product-related expressions of opinions and experiences among customers. These expressions are commonly referred as electronic word-of-mouth or shorter eWOM. (Hennig-Thurau, Gwinner, Walsh & Gremler 2004). Sharing these expressions and discussions have been facilitated by the latest IDM applications that allow individuals to create, share and consume content (e.g. text, pictures, videos) with very low costs regardless of time and place. Moreover, the content does not need to get accepted by any instance (e.g. publishers) which offers almost unlimited opportunities for individuals to create the kinds of content they wish to share. (Hennig-Thurau et al. 2010). Basically this means that the eWOM in the forms of e.g. blogs, comments and reviews can be created and shared in real-time, and it may remain available practically forever. Moreover, the eWOM is created by the global network of users and can be easily searched with low costs, which enhances the benefits that the consumers may gain (Varadarajan & Yadav 2002).

Firms have a good reason to take the increasing amount of eWOM seriously. According to the research results, traditional WOM has great impact on product evaluations (Herr, Kardes & Kim 1991), and it acts as the most important information source in strengthening and confirming a purchase decision of a new product or service (Engel, Blackwell & Kegerreis 1969). Indeed, WOM is probably the most credible channel to receive information affecting awareness and preferences of consumers (Godes & Mayzlin 2004).

What is new is that the increasing use of IDM has beaten the traditional limitations of WOM in a sense that it can be shared in electronic format among a massive pool of people who do not necessarily know each other (Duan, Gu & Whinston 2008a). Moreover, many people seem to be very enthusiastic to express and share their opinions even with strangers (Pang & Lee 2008). Many of these opinions are related to brands; e.g. 19% of microblog writings contain a mention of a brand (Jansen, Zhang, Sobel & Chowdury 2009). Basically, eWOM and traditional WOM have differences with regard to the written form of eWOM (instead of spoken) which makes it more formal, logical and faster to distribute (Sun, Youn, Wu & Kuntaraporn 2006). Despite these differences there are signs of its similar impact on consumers' purchase decisions (Riegner 2007).

In sum, eWOM is likely to become more effective form of WOM due to the ease of dispersion.

The change in communications models and the proliferation of eWOM have important implications for businesses many of which are related to the increased transparency. The information asymmetry between the sellers and buyers is decreasing due to the buyers' possibilities to search and learn about the product or service from other people before the actual purchase decision (Varadarajan & Yadav 2002). While traditionally buyers have been forced to rely on marketing messages and occasional face-to-face WOM, in the digital world buyers can find information of almost any product, because the experiences and opinions are shared around the globe incredibly fast.

From the marketing perspective, the increased transparency implies that the customers are harder to be deluded with false promises and there is a demand for true honesty (Deighton & Kornfeld 2009; Pires, Stanton & Rita 2006). Indeed, price competition is likely to be tightened due to the lower information search costs, and justifying premium pricing becomes more difficult, because brands truly have to live up to their promises every day. Consequently, delivering better value might become the only viable way to justify premium pricing. (Varadarajan & Yadav 2002.)

All in all, the greater transparency seems to further increase the power of customers, but it also makes the competition fairer. Presumably, the demand for honesty is helping the diffusion of quality products whereas hindering that of bad ones (Hennig-Thurau et al. 2010). Finally, it is noteworthy that despite the power shift from marketers to customers along with the change in communication model and the proliferation of eWOM, the businesses will not become unarmed. However, the businesses need to take into account the changes by modifying their marketing communications strategies and tactics accordingly (Figure 5).

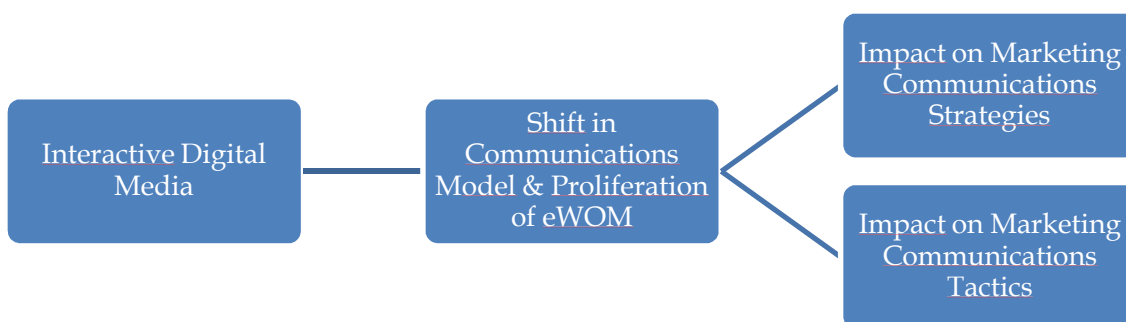


FIGURE 5 Effects of interactive digital media on marketing



### 2.3 Impact of IDM on Marketing Communications

Marketing strategy is tightly connected with business strategy and can be considered as an essential part of it; while business strategy concerns how to gain and maintain competitive position by exploiting firm's resources, marketing strategy contributes to the same goal through the effective use of marketing resources (Varadarajan & Yadav 2002). More specifically, marketing strategy concerns the firm's selections on market segmenting criteria, target market and the positioning of the firm's brand(s) with regard to 4P decisions (i.e. product, price, place/distribution and promotion/ marketing communications decisions) (Hunt & Morgan 1995). Consequently, marketing communications strategy works as a subordinate for overall marketing strategy and business strategy.

Because all three strategy levels (Business, marketing and marketing communications) are interconnected, they should be planned in harmony. In fact, several studies have concluded that the marketing strategy and marketing communications decisions should be made in line with the chosen business strategy, and that marketing has an essential role in contributing to the effective implementation of business strategies (McDaniel & Kolari 1987, Vorhies & Morgan 2003, Walker & Ruekert 1987). Most notably, Slater and Olson (2001) studied the importance of matching different marketing strategies with suitable business strategies and found strong evidence that matching the business and marketing strategies with similar characteristics led to superior performance with regard to profitability and market performance. When it comes to the marketing communications strategy, it has an essential role in supporting the selected business and marketing strategies and should be planned in accordance with the industry and product category concerned (Murphy & Enis 1986).

While the interconnectedness of business, marketing and marketing communications strategies is not the focus of this study, it is noteworthy that all these different strategy levels are being affected by interactive digital media. The influence of IDM on business strategies is observed e.g. in the rise of e-commerce (Pires & Aisbett 2003), while the modifications of marketing strategies can be discerned as a shift in resource allocation from offline to online activities (Varadarajan & Yadav 2002) as well as in the rise of new strategic marketing concepts, such as CRM (Customer Relationship Management) and CSS (Customer Self-Service) (Pires et al. 2006). Acknowledging the fact that interactive digital media have important implications for business and marketing strategies, this study focuses on the influence of IDM on marketing communications strategies where the influence is probably most evident due to the changes in communications model. This influence on marketing communications strategies has consequently led to new online tactics facilitated by the IDM. These tactics are introduced after discussing the implications of IDM on marketing communications strategies.

### 2.3.1 New Strategic Paradigms in Marketing Communications

Marketing communications strategies have encountered great challenges as the communications model has shifted from one-to-many communications towards many-to-many communications. This shift has rendered the traditional mass marketing difficult if not impossible, because it is based on the outdated one-to-many communications which contradicts with the modern marketing thinking of empowered customers. (Hoffman & Novak 1996.) The downturn of mass marketing communications has been evidenced by ANA/Forrester Research study in which marketers reported a decrease in TV advertising effectiveness, and a shift in investments from mass media towards online media advertising (Maddox 2008). The ineffectiveness of mass media advertising might be resulting partly from the simple fact that customers are watching commercials less frequently due to the digital options of watching TV (e.g. digital video recorders and online portals) and the consumers' increasing time spent on other digital media (Hennig-Thurau et al. 2010). The other side of the coin is that consumers' trust in mass marketing tactics has decreased, which implies that marketers need to find new ways to market their products and services (Constantinides & Fountain 2008).

As the traditional mass marketing communications are becoming more ineffective, new strategic marketing approaches must be developed which better suit the characteristics of IDM where the flow of information has become multidirectional and interconnected between customers and firms as well as among individual customers (Hennig-Thurau et al. 2010). The new strategic approaches need to take into account that the customer is part of the communications process and has the power to choose what kind of marketing messages he/she is willing to accept (Pavlou & Stewart 2000). As a result, it is argued that firms are increasingly rewarded for participatory, honest and less authoritarian marketing styles (Deighton & Kornfeld 2009). All in all, three paradigms can be identified in new strategic marketing communications approaches where IDM have played a major role: (1) personalization of marketing communications, (2) increase in dialogue and collaboration with customers, and (3) the efforts towards engaging customers in co-creating marketing communications.

Interactive digital media have led to the growing consumer empowerment where customers increasingly decide what kind of marketing messages they are willing to receive. This implies that bombarding customers with irrelevant marketing messages is a waste of resources and there is a growing demand for personalized marketing messages tailored to individual customer preferences. (Pavlou & Stewart 2000). In order to implement personalized marketing strategies, the companies need to know and understand the customers' preferences regarding e.g. what kind of information the individual customer is interested in, and how often he/she wants to interact with the focal firm (Pires et al. 2006).

While the preferences are sometimes articulated by the customers, it is more common that firms need to find this information on their own. Fortunately, the interactive digital media offers great opportunities for implementing personalized strategies; while customers are now having better ability to search information, customize content and communicate with firms and peers, the marketers can track, collect and exploit this information for segmenting customers and tailoring marketing messages (Pavlou & Stewart 2000). Another advantage from the marketers' point of view is that the digital media have widened the scope of potential customers into global which creates better opportunities for companies to create and target personalized marketing communications strategies for customers with very specific needs. Offering personalized communications to the fragmented customer needs can be seen as a competitive advantage in maintaining customer relationships, and it can be done in a strategic way as evidenced by many successful CRM approaches. (Pires et al. 2006). In sum, it seems that due to the IDM, businesses are moving from mass segmenting towards treating customer relationships individually.



FIGURE 6 New paradigms in marketing communications strategies

The second trend is driving marketers from using authoritarian marketing styles towards collaboration and dialogue (Deighton & Kornfeld 2009). The main idea is to collect information from customers to improve services, products and marketing communications. The IDM are facilitating the information collection by enabling the dialogue and collaboration between customers and firms. (Pavlou & Stewart 2000.) Indeed, customers are taking a more active role as co-creators of products and services as they are equipped with better ways to give feedback, write reviews and discuss with the firms (Hennig-Thurau et al. 2010). Sometimes the collaboration with customers is

taken so far that the customers actually participate in the process of developing marketing strategies (Hoffman & Novak 1997).

The argument that businesses cannot control the discussion about the firm and its products, but can only participate in the conversation (Deighton & Cornfeld 2009), is the source of the third major trend. Undoubtedly, it is questionable how much marketers still hold power over their marketing messages, as customers can easily share their opinions about and experiences with the specific company and its products to the whole world through interactive digital media. It has been suggested that marketers might be better off by giving up the power to customers and engaging the loyal customers to deliver the marketing messages through WOM activities, recommendations and helping other customers (van Doorn, Lemon, Mittal, Nass, Pick, Pirner & Verhoef 2010).

Engaging customers to the marketing communications process might be sometimes challenging, but it may also improve the effectiveness of marketing messages (Pavlou & Stewart 2000). The problem is that customers cannot be forced to engage, but they have to be intrinsically or extrinsically motivated to help the company (van Doorn et al. 2010). Intrinsically motivated customers are certainly what the firms would like to have as these people are the true fans of a brand, but there is evidence that also extrinsically motivated individuals (i.e. the ones who are offered some benefits in exchange for their engagement) can generate effective marketing communications in the form of positive WOM (Godes & Mayzlin 2009). To conclude, the tendency is that customers are doing the talking instead of marketers, and in the future, the firms' marketing communications strategy should become more focused on maintaining the presence in online discussions by monitoring and participating in the conversations with customers (Jansen et al. 2009).

### **2.3.2 IDM-empowered Online Marketing Communications Tactics**

New marketing communications tactics have emerged as the IDM have facilitated companies to approach their customers in more interactive ways. In addition, the new marketing communications tactics reflect the strategic paradigms in marketing communications which were discussed above. The main argument is that while customers have the power to choose what kind of marketing messages they consume and create, the new communications tactics should be focused on tracking customer discussions, participating in them and becoming findable for potential customers (Jansen et al. 2009). Although not all online marketing communications tactics fit to this description (e.g. e-mail marketing), the shift towards more interactive communications forms is easily observed in the table 2 which summarizes the IDM-empowered online marketing communications tactics.

TABLE 2 IDM-empowered online marketing communications tactics

Online Marketing Communications Tactic	Description
Websites	
<i>Corporate Website</i>	Typically a home base for the firm's online marketing activities. Providing firm-related information to potential customers, building brand-image and fostering direct and indirect selling (Hwang et al. 2003).
<i>Campaign Website</i>	Special website, typically used for promotional purposes e.g. along with a product launch, <a href="http://www.subservientchicken.com">www.subservientchicken.com</a> (Krishnamurthy 2006).
Banner Advertising	Hyperlinked pixel displays on websites which are used for gaining visibility, generating traffic for the corporate website and building brands (Briggs and Hollis 1997).
Search Engine Marketing	
<i>Search Engine Advertising</i>	A form of advertising where firms pay a fee to internet search engines in order to be displayed on top of non-paid web search results with specified keywords. The goal is to drive targeted audience to the corporate website. (Ghose & Yang 2009.)
<i>Search Engine Optimization</i>	A process of identifying and fine-tuning the elements of a website in order to achieve a high ranking to a relevant query in search result listings, and thus gain visibility and attract targeted audience (Zhang & Dimitroff 2005).
E-Mail Marketing	Low-cost way for reaching actual and potential customers with targeted marketing messages (Phelps et al. 2004).
Viral/WOM Marketing	Firms' intentional influencing of consumer-to-consumer communications (Kozinets et al. 2010). In practice it is often done by creating buzz (eWOM) through online writings, pictures or videos.
Corporate Blogging	A corporate blog may be internal or external, the latter of which works as a marketing communications tactic. The main purpose is to inform about topical issues related to the firm which may concern e.g. a new product launch or an upcoming event. (Lee et al. 2006.)

(Continues)

Table 1 (continues)	
Microblogging	A tool for providing topical information about the firm fast and with confined length e.g. Twitter. It is used for branding purposes, connecting with potential customers and attracting them to other online channels. (Jansen et al. 2009.)
Social Networking	Companies may build their own profile through which they can share information and interact with their customers by e.g. asking feedback e.g. LinkedIn (Constantinides & Fountain 2008).

It is noteworthy that the table 2 is not an attempt to present an all-embracing listing of all online marketing communications tactics empowered by IDM, but includes probably the most general tactics that the companies are exploiting as part of their marketing communications decisions. In the matter of fact, it is difficult to provide an all-embracing listing, because it is not clear which firm actions are classified as marketing communications tactics. For instance, participating in online discussions might be considered as a marketing tactic, but answering to customer feedback may be regarded as routine customer service. Thus, it is difficult to draw the line between the actual marketing communications tactics and other marketing-related activities. In any case, the summary of tactical actions above is sufficient to demonstrate how the IDM-empowered marketing communications tactics reflect the three marketing communications paradigms presented earlier.

As the first marketing communications paradigm, personalized marketing communications can be implemented through e.g. e-mail marketing if it is based on permission (i.e. the customer has requested information about a specific theme, such as new product offers) (Tezinde, Smith & Murphy 2002). Another way to offer personalized marketing communications to customers is through tracking the customer behavior on websites by using clickstream data. Among other things, clickstream data offer information of the specific customer's points of interest e.g. the products, services and marketing messages that appealed to the customer. Consequently, marketers can take advantage of this information when planning personalized marketing communications. In some cases, marketers are even able to identify the customer's identity through log-on information or cookie data. This enables marketers to follow the website behavior of a specific customer over time, which helps forming a complete picture of the customer. (Wilson 2010.)

Secondly, there are several online communications tactics that strengthen the dialogue and collaboration between firms and customers. For example, blogging, microblogging as well as social networking can be seen as dialogic tactics, because they allow the true interaction with customers. According to the McKinsey Global Survey Results (2009), writing blogs and social networking are actively used by companies, because they are beneficial for improving

interaction with customers by e.g. inviting feedback. The improved interaction was reported leading to stronger customer relationships and lower costs. In addition, the survey respondents mentioned that the new online tactics enabled the collaboration with customers in a sense that they enabled customers' modification and co-creation of products and services. (Bughin, Chui & Miller 2009.)

Thirdly, there are many online communications tactics which help marketers to fulfill the third strategic paradigm, engaging customers in co-creating marketing communications. It makes common sense that the customers who act as company advocates by e.g. spreading positive WOM and helping other customers, are usually doing so as a result of their satisfaction towards the specific company. However, this is not to say that firms can only wait and hope that satisfied customers will create positive WOM about the firm and its products. Instead, the firms can take action to increase WOM exogenously (i.e. WOM marketing). In practice, WOM marketing can be implemented by offering incentives to loyal customers or opinion leaders such as popular bloggers to spread positive eWOM about the company through blogs or other online media forums. (Godes & Mayzlin 2009.) Alternatively, firms can hire or organize competitions for talented and enthusiastic company advocates to create viral films about the firm or its products (Constantinides and Fountain 2008). The marketing messages from peers are generally considered more credible, and there is evidence that WOM marketing can drive sales in some cases (Godes & Mayzlin 2009). In addition to the direct business benefits, the marketers are also able to generate valuable insights through WOM marketing by mining the online discussions resulting from the campaigns (Kozinets, de Valck, Wojnicki & Wilner 2010).

Tracking and mining online discussions is also known as monitoring. As an excellent way to gain insight of customers' experiences and preferences about the firm and its products, monitoring can also be used for participating in the firm-related discussions. In practice, the firms can participate in the discussions by answering to customers' questions, providing information about the company, attracting potential customers to other online media and reacting to customer feedback. As the negative eWOM can be shared fast, it is vital to react quickly to the negative sentiment, and fix brand-related problems before they are enlarged by an explosion of negative WOM. (Jansen et al. 2009.) Indeed, monitoring the negative discussion is gaining more attention in the firms as the critical websites and brand spoofs have become more common due to the ease of creation and distribution, which poses a notable threat for the firms' brand building. The firms have to take into account the negative eWOM and content creation by the customers and consider how to react to the negative sentiment, and how to rebuild the trust among customers. (Hennig-Thurau et al. 2010.)

As the customers choose increasingly what marketing messages they are willing to consume, the companies' main responsibility is to become findable. Many of the online communications tactics offer opportunities for companies to

become more visible. For instance, banner advertising can be exploited to gain visibility, awareness and favorable attitudes towards the firm among web users. This is most effective when banner advertisement is placed to a firm- or industry-related websites which are more likely to be visited by potential customers. (Moore, Stammerjohan & Coulter 2005.) Moreover, the firm can optimize its corporate and campaign websites as well as blogs so that they are more easily observed in the web searches. This is called search engine optimization which is implemented in order to reach top positions in unpaid/organic search listings (Zhang & Dimitroff 2005). Generating valuable content for visitors and building a strong brand can be considered as key factors with regard to gaining a high search engine ranking in organic listings. An easier option is search engine advertising in which the search ranking can be lifted on top of the search results in exchange for a payment to the search engine company (Rangaswamy, Giles & Seres 2009).

To sum up, IDM-empowered online marketing communications tactics offer great advantages for companies aiming at implementing the new strategic marketing communications paradigms. However, it is not self-evident that all these tactics suit the chosen marketing communications strategy. It is crucial that firms consider deliberately which online tactics contribute most effectively to the overall marketing communications strategy before implementing them (Constantinides and Fountain 2008). Another thing is that the tactics should be selected and implemented in a way that they support each other and lead to synergy advantages among offline and online marketing communications (De Pelsmacker et al. 2007 p. 11).

## **2.4 Web Analytics as the Solution for Measurement Problems**

Measuring long-term effects, separating marketing actions from other effects and the overemphasis of short-term financial measures were earlier (chapter 2.1) identified as the three major marketing measurement problems and discussed from the marketing communications point of view. Now, after introducing the impact of digitalization and IDM on strategic and tactical marketing communications, the spotlight is on how digitalization can be leveraged to address these traditional marketing measurement problems. As the premise of this study, it is argued that the digitalization facilitates both short- and long-term measurement and might be the key for effective measurement of marketing results. The basic rationale supporting the argument is that everything an individual does online can be tracked by other individuals and companies (Hennig-Thurau et al. 2010). Although this is not entirely true (e.g. closed information and discussions in social networks such as LinkedIn cannot be tracked), it is evident that marketing measurement has been offered great new opportunities to obtain more accurate information of marketing results in online environment.



As concluded earlier, both short- and long-term marketing measurement are needed in order to obtain a complete picture of marketing results (Ambler & Roberts 2005; Lehmann 2004; Webster et al. 2005). The marketers should thus balance between short- and long-term measuring, and there is no reason to assume that the same would not apply both in offline and online environment. Fortunately, the digitalization has made both short- and long-term measurement more accurate through the ability to track customers' actual online purchase behavior (short-term measurement) and to monitor their awareness and attitudes towards the company and its products on the basis of online discussions (long-term measurement).

The tracking and monitoring abilities refer to the increasing use of web analytics which is defined as "the measurement, collection, analysis and reporting of internet data for the purposes of understanding and optimizing web usage" (Web Analytics Association 2011). Broadly understood, the web analytics include both tracking customers' online behaviour as well as monitoring online discussions. In this regard, web analytics can be facilitated for both short- and long-term measurement, although it is most commonly mentioned in short-term click-stream data context (e.g. Phippen et al. 2004).

Starting from the short-term measurement which is aiming at linking specific marketing actions directly with sales, the advancements in online measurement compared to offline measurement are evident. While it has traditionally been difficult to determine the results of a specific marketing communications action when it is done along with other actions and through multiple channels (Pavlou & Stewart 2000), the web analytics allows tracking the customer behavior from advertisement exposure to interest and all the way to a sales lead or purchase decision (Wilson 2010). In practice this means that in online environment, the problem of directing short-term marketing results to a specific campaign has become almost obsolete. In other words, it is easy to count the total short-term return for an online marketing communications campaign. However, the long-term effects cannot be evaluated by simply tracking the customers' clicks in the web environment (e.g. Drèze & Hussherr 2003). These issues are discussed in detail in chapter 2.5.

Measuring long-term effects has been the Achilles heel for marketers as explained earlier. In particular, measuring the intermediate effects of marketing communications and linking these effects with financial outcomes has been challenging, and unfortunately, remains challenging also in the online environment. However, there have been clear advancements in measuring the customer impact of marketing communications (e.g. customers' awareness and attitudes) in online environment through monitoring online discussions and other sources of eWOM (e.g. Godes and Mayzlin 2004). In practice, monitoring online discussions has enabled marketers to gain insight of what customers think about the company and its products, and to determine the awareness and persuasiveness of eWOM through automated information technology solutions (Pang & Lee 2008). Presumably, eWOM awareness and persuasiveness are at

least to some extent equivalent to brand equity factors, such as brand awareness and image.

In short, the automated information technology solutions for monitoring and measuring eWOM may facilitate the measurement of brand equity and linking it with sales, which will be discussed in chapter 2.6 in more detail. At least the automated solutions are likely to make the information gathering more effortless compared to traditional offline surveys, and in addition, it is probable that eWOM is more truthful form of communication, because it tends to represent the actual opinions of customers. In this regard, monitoring and measuring eWOM may facilitate the measurement of long-term marketing impact. Given that the short-term measurement has been overemphasized (Webster et al. 2005), and proven inadequate when measuring the total effects of marketing (Ambler & Roberts 2008; McDonald 2010), the advancements of web analytics may be decisive steps towards more accurate marketing measurement and finding the balance between the short- and long-term measurement. Not least, because eWOM not only concerns the firm's online marketing actions, but also offline activities and the company as a whole.

## **2.5 Direct Financial Value of Online Tactics**

Traditionally, it has been quite challenging to estimate how many people have seen and paid attention to a specific marketing message. In particular, firms have had hard time in assessing the effectiveness of their marketing communications campaign with regard to how many potential customers were actually listening, who really got interested and especially, how many times this interest resulted in a purchase decision. In the online environment, web analytics has emerged as a beneficial tool for solving these classical questions by tracking how the potential customers enter and navigate through the website (WAA 2007). This section presents how this data can be deployed for measuring the direct financial value of online marketing communications tactics and discusses whether or not measuring the direct financial value of online marketing tactics is enough.

Measuring the results of online marketing communications tactics has traditionally been heavily based on counting clicks. For example, banner advertising has been considered effective when internet users click on the banner and get directed to the firm's website (Briggs & Hollis 1997). In this regard, websites are often considered as the firm's home base, where potential customers are attracted by other online marketing communications actions. Basically, measuring the direct financial value of the actions is possible when the website visit results in a purchase decision or a sales lead. Consequently, the direct financial value of online actions is affected by at least three factors: 1) the number of visitors that the website attracts facilitated by all the other online tactics (Chiang, Huang & Huang 2010), 2) the percentage of website visitors that

complete the targeted action, such as the purchase decision (i.e. conversion rate; Web Analytics Association 2007), and 3) the average revenue (contribution margin) generated per purchase. Presumably, the last-mentioned is a matter of industry, product type and a combination of other factors which makes it impossible to assess in a general level. However, the two former factors enable an analysis of how the direct financial value should be measured.

### **2.5.1 Attracting Visitors to Corporate Website**

Gaining attention and attracting visitors to the firm's website can be considered as the primary goal or prerequisite for the firm's website success, because without this "first step", none of the other goals can be achieved (Welling & White 2006). Moreover, attracting plentiful visitors is important, because it has been found that popularity among web users drives additional visitors to the website (Chiang et al. 2010). This might be due to the higher ranking in search engine results, as the popularity of the website and the previous clicks are tied to higher search engine ranking against relevant searches (Ghose & Yang 2009). In fact, not many internet users enter the website directly by typing the URL address. Instead, according to the Forrester Research (2011), search engines remain by far as the most important generator of website traffic followed by other interactive digital media, especially when discovering new websites (Komarketing Associates 2011). It is noteworthy that offline marketing communications and word-of-mouth may also increase website traffic, but measuring the generated traffic is more difficult.

Since attracting visitor is the prerequisite for website success and the visitors are mainly attracted to the website by other marketing communications tactics, it is vital for firms to measure how effectively each tactic generates traffic. The majority of research concerning website traffic generation is focused on banner advertising (e.g. Ilfeld & Winer 2002) and search engine advertising (e.g. Rutz & Bucklin 2011). Determining the effectiveness of banner advertising has been a source of dispute between advertisers and the websites that host the online advertisements; whereas the hosts have been inclined to charge for each exposure of specific banner advertisement, the advertisers have demanded traffic generation for the basis of payment. The traffic generation is a straightforward measure for advertisers as it can be easily measured by quantifying the number of click-throughs (i.e. counting the web surfers' clicks on the banner which directs them straight to the advertiser's website). (Manchanda, Dubé, Goh & Chintagunta 2006). In this payment model, the hosts charge for each click on the banner, also known as "cost per click" method, which is commonly used as the basis of search engine advertising payments (Ghose & Yang 2009).

Regardless of the payment method, companies use most typically the number of click-throughs or click-through rate (i.e. clicks/impressions; Ghose & Yang 2009) for measuring the effectiveness of online advertising as these measures tell how effective the online advertisements have been in attracting

visitors to the corporate website (Drèze & Hussherr 2003). In the context of e-mail marketing campaigns, the term response percentage/rate is most commonly used instead of click-through. However, the response rate has a similar meaning as it refers to the percentage of marketing message receivers who respond or “click through” to the sender’s website (Marinova, Murphy & Massey 2002). It is noteworthy that in addition to the online advertising tactics, the latest online marketing communications tactics, such as blogging/microblogging, social networking and viral videos may also drive traffic to the website. Therefore, measuring the effectiveness of these tactics to drive traffic to the corporate website is gaining importance; fortunately, the measurement can also be done with the click-through rate (i.e. how effectively new online tactics direct visitors to the corporate website). Although the ability of new online marketing communications tactics in driving traffic to the website has not yet been widely investigated, there is some evidence that the inclusion of the new interactive features (e.g. blogs and videos) on corporate website attracts more visitors and increases the duration of the average visit (Chiang et al. 2010).

Following click-through rates of different online tactics and investigating where the traffic of company’s website is driven from can be exploited for targeting online advertising more accurately (Montgomery 2001). Clearly, better targeting of online advertising may further increase the amount of potential customers visiting the website. The other side of the story is how effectively the website visitors attracted by the different online marketing communications tactics are eventually converted to sales or sales leads. With that information, the direct financial value can be determined for each online marketing communications action. In the following, the focus is shifted from attracting visitors to analyzing how the conversion rate can be maximized by moving the visitor on the website through the sales funnel.

### **2.5.2 Tracking Website Visitors’ Behavior**

The website visitors can be tracked through clickstream data obtained by web analytics software that tracks the mouse clicks of web users on a particular website (Wilson 2010). As an attempt to determine the direct financial value of online marketing communications tactics, the major focus is on investigating how many website visits result in a purchase decision or a sales lead (i.e. conversion). In order to maximize the conversion rate, it is vital to examine the navigation path of website visitors through clickstream data. By examining how the users navigate through the website, it can be recognized, which points/pages typically lead to abandoning the site, and what kind of content the visitors are particularly interested in each page (Phippen et al. 2004; Wilson 2010). This helps firms to develop the content, design and usability of websites which have been identified as indicators of website success (Palmer 2002).

In addition to the clickstream data, firms are sometimes able to gather personal information of frequent website visitors through e.g. subscriptions or log-on information (Phippen et al. 2004). This allows companies to follow the

website behaviour of a specific visitor through his/her lifecycle (Wilson 2010). With the combination of clickstream data and personal information the website can be customized according to the specific customer's preferences which may lead to more frequent conversions (Eirinaki & Vazirgiannis 2003; Montgomery 2001). In the matter of fact, Wilson (2010) demonstrated that the better design and appealing marketing messages on a website lead to the better conversion rate and thus increase the direct revenue generated through the website. In particular, Wilson (2010) shows that when suitable web analytics software and relevant metrics are in place to track the website performance, firms can test what works on the website and what does not, in order to maximize the direct financial value of the website.

In sum, comparing the conversion rate of website visitors and the average generated income of a conversion to the money spent on the specific online marketing action, such as blogging, search engine and banner advertisements, it seems quite straightforward to determine the direct financial value of each marketing action in online environment. However, it is another question how much direct financial value matters for companies in the long run. In particular, measuring direct financial value does not tell much about the other effects that the online tactics might have beyond the click-through and conversion rate, which is discussed next.

### **2.5.3 Significance of Direct Financial Value**

Measuring direct financial value in online environment is somewhat easy, but that does not capture the total effect of online marketing communications tactics. In fact, there is evidence that online tactics have impact on brand building which increases sales also in the long run (e.g. Drèze & Hussherr 2003, Manchanda et al. 2006). In addition, measuring direct financial value of online tactics is not even an essential goal for many companies (Welling & White 2006). Therefore, measuring only click-through and conversion rates does not seem to be sensible for companies aiming at measuring the total value of their online activities.

It makes common sense that many firms do not consider only sales when they maintain their websites and initiate other online marketing communications actions. Even if the sales might be the ultimate goal, it is rarely gained directly due to e.g. an excellent website. Rather, it is more likely that the online marketing communications tactics together contribute to the sales along with offline marketing efforts, especially in the case of B2B companies. In fact, this tendency has been evidenced in the study conducted by Welling and White (2006), in which the authors found out that B2B companies tend to emphasize the long-term goals when it comes to the main purposes of having a web site. More specifically, providing education/information for the web site visitors, and raising brand awareness were identified as the most important goals, whereas gaining sales leads was considered as a short-term, secondary purpose.

Welling and White (2006) show that companies do not always aim at increasing sales, but pursue for strengthening the brand. For those companies, counting direct financial value becomes less valuable information, but attracting visitors remains important. It seems that for most companies it is the attention (i.e. the total time spent on the website by all visitors) that matters for most websites which consists of three elements: the number of unique visitors, the average number of page views per visitor and the time spent per page view (Chiang et al. 2010). In their study, Chiang et al. (2010) discovered that the attention can be increased through the use of interactive tools on the company website. This result might be due to the richer web site experience that these tools create through encouraging interactivity and content creation. Presumably, the rich website experiences create also positive WOM which may further increase the amount of visitors. All in all, for the companies aiming at brand building through the website, it seems that attracting potential customers and making them want to stay there are important goals which can be facilitated through interactive tools.

The fact that not all companies are considering website as a sales channel but rather a branding channel indicates that measuring simply conversion rate for website visitors may not be sensible. When it comes to the banner advertising and e-mail marketing, the doubts of using click-through or response rate as an effectiveness indicator is also called into question as the rates have been reported lowering from year to year (e.g. Manchanda et al. 2006; Marinova, Murphy & Massey 2002). In fact, DoubleClick (2010) reported that the click-through rates of banner advertisements have sunk to as low as 0.1%. The figure is so low that it might be explained by accidental clicks. Drèze and Hussherr (2003) investigated web users' attention to banner advertising with eye-tracking device and discovered that the users actually avoid looking at banner when browsing online.

The low click-through rate has led to the growing perception of banner advertisements as an ineffective form of advertising, and raised doubts about investing in them (Drèze & Hussherr 2003; Manchanda et al. 2006). In particular, those advertisers who get charged for impressions have been wondering, what the value of banner advertising is if nobody clicks on them (Briggs & Hollis 1997). Interestingly, despite the low click-through rates and the disbelief in the effectiveness of banner advertising, the investments in banner advertising and online advertising in general seems to be growing fast. According to the eMarketer report (2011), the search engine advertising is growing quickly as the biggest target of online advertisement spending, but the banner advertising investments are growing even faster with the rate of 22% in the US online advertising markets this year, and the growth is estimated to remain stable in the near future.

The increase in online advertisement spending is understandable as the new forms of advertising, such as online videos, are becoming more popular. However, the fast growth of banner advertising is somewhat surprising with the decreasing click-through rates. Some of the growth is explained by the

newer forms of online media, such as social networks, which have improved the marketers' opportunities to place their advertisements in new environments that allow better targeting. For instance, the online ad expenditure on Facebook has been increasing over 100% per year since 2009 (eMarketer 2011). In addition to the newer forms of online media, the reason for growth might be found from the marketers' increasing ability to look beyond the pure click-through rates, and to understand the possible long-term effects of online advertising.

The click-through rate does not capture the total effect of online advertising effectiveness as evidenced in numerous studies. It is actually considered quite bizarre that the online advertising effectiveness has been typically measured on the basis of click through. As Briggs & Hollis (1997, p. 33) explain: "the practice of evaluating web advertising on the basis of click-through is like evaluating television ads for automobiles on the basis of how many people visit a showroom the next day." Clearly, the online advertising is a lot more than only attracting visitors to the website and functions similarly to offline advertising; in fact, the print advertising and online advertising have been found equally effective when it comes to the advertising recall and emotional response (Gallagher 2001).

Overall, it has been discovered that the banner advertising may have diverse long-term effects without anybody clicking on the banner and getting directed to the company website. Firstly, the banner advertisements have been found to increase brand equity by raising awareness, creating brand associations and image and cultivating attitudes towards the brand (Briggs & Hollis 1997). Even though the web users avoid looking at the banners, they process the ads passively and sometimes memorize them, which implies that advertisers should rely more on brand equity measures such as brand awareness and advertising recall (Drèze & Hussherr 2003). Moreover, Manchanda et al. (2006) discovered that the banner advertising is affecting online sales, by increasing the purchase probabilities of current customers, but there is a temporal gap between the exposure and purchase. The authors suggest that the temporal separation exists because the advertising acts as a branding tool and reminder, and thus, should be measured in a similar way to conventional advertising.

Search engine advertising does not seem to suffer from the low click-through rates like banner advertising. Vice versa, advertisers have discovered that they get well-targeted traffic on their websites. This might be due to the finding that search engine advertisements are considered less intrusive, as they are based on web user's own search. (Ghose & Yang 2009.) This is not to say that the search engine advertisements would not have long-term effects as well. For example, generic search advertisements (i.e. text advertisement in response to generic keyword search e.g. flights instead of Finnair flights) may increase brand awareness and make the search engine users understand the relevance of the brand in relation to the specific search. This may also lead to the user's future search activity for keywords that include the brand name. (Rutz & Bucklin 2011.) In addition, Ghose and Yang (2009) observed a temporal gap

between the search and the conversion. The authors concluded that the search engine advertising does not always lead to conversion during the same session, but later in the future. This might be, because the user wants to get familiar with the brand first and make the purchase decision later. These findings suggest that search engine advertising does not function solely as a traffic driver to the firm website either, but also possesses long-term impact on brand equity beyond click-through and conversion rate.

Altogether, it seems clear that marketers should not simply focus on short-term measurement of digital marketing activities and neglect the long-term effects required for brand building. However, there are also contrary research results. Namely, Ilfeld and Winer (2002) found that the marketers of online businesses should focus on generating website traffic through online advertising instead of building brands, because the latter results from former. Thus, the authors argued that their study results did not suggest any evidence of brand building potential of online advertising. However, this argument is somewhat contradictory; given that the online advertising was found to increase traffic, it implies that there are more web users who have become aware of that particular website. In other words, better awareness is presumably a prerequisite for increased traffic. Awareness, on the other hand, can be considered as an essential factor of brand equity (e.g. Aaker 1996).

In sum, the studies investigating online advertising effectiveness are quite unanimous in that the online advertisements do have long-term impact beyond the direct financial value. Interestingly, Dahlén, Rasch and Rosengren (2003) suggest that website in itself is an effective branding tool for high-involvement (but not for low-involvement) product advertisers, and thus, companies operating in high-involvement product industries should focus on generating traffic to their websites. On the contrary, companies in low-involvement industry should rely on banner advertising, because banners do not generate much traffic, but have proven to have brand building power without click-through. Still, given that the consumers consider banner advertisements intrusive and even avoid looking at them, it is arguable how well banner advertising fits to the new paradigm in marketing communications where consumers decide what kind of marketing messages they are willing to receive (Drèze & Hussherr 2003). Maybe companies would be better off by participating in online users' discussions instead. Eventually, even if banner advertisements have impact on brand awareness and recall, it does not automatically mean that they improve brand image. It may be that the banners have sometimes negative impact on brand image, but how do we know that? The following section offers insights into listening to the online discussions of web users and measuring the brand strength via online channels.



## 2.6 Impact of Customers' Online Actions

The many-to-many communications model holds inside that the customers are no longer passive receivers of marketing messages, but act also as content creators (Hoffman & Novak 1996). In other words, the customers are not only affected by firms' marketing communications, but are increasingly influenced by their peer customers. The created content of customers may appear in multiple formats (e.g. text, sound, video, photo), and typically concerns firm- and product-related expressions of opinions and experiences which are most commonly referred as eWOM (e.g. Hennig-Thurau et al. 2004). As probably the most credible channel to receive information, the WOM has always been appreciated by the people who are uncertain about their buying decisions (Godes & Mayzlin 2004). Along with technological development, individuals have become surprisingly enthusiastic of expressing their thoughts and opinions online for strangers (Pang & Lee 2008). Thus, the new characteristic of digital media is that the WOM can be received from millions of people (who do not necessarily know each other) facilitated by technological solutions (Duan, Gu & Whinston 2008a).

Clearly, the digitalization has increased the amount of available WOM and made it observable. This phenomenon increases the impact of WOM on customer decision making, but in addition, enables the collection of actual WOM information (Liu 2006). While WOM has traditionally been measured by surveys and inference which have relied on customer recall and interpretation, the digitalization has made the measurement more accurate allowing the gathering of actual exchange of information between individuals (Godes and Mayzlin 2004).

Despite the fact that the opinions and experiences may also be shared through traditional offline communications or in other online formats, the focus of this section is on grade-based and textual eWOM as well as referrals which seem to be the most prominent ways to measure the impact of customer actions on other customers; offline communications has turned out to be hard to capture and other online formats, such as videos, are difficult to interpret. All in all, eWOM is probably the most obvious way to affect other individuals' opinions and deserves attention as a promising way to measure the impact of customer actions on firm's business outcomes. This section presents alternative measures to evaluate the different aspects of eWOM, discusses the challenges of measurement and summarizes the current knowledge of the impact of eWOM on market outcomes and firm value.

### 2.6.1 Measurement Approaches for Evaluating eWOM

It is widely believed that eWOM affects customers' opinions and decision making, but it is less clear which aspects of eWOM are the ones that matter and how big is the influence. Moreover, there are no clear standards of how these

aspects should be measured and with which metrics. However, the two basic aspects of eWOM on customers' opinions and decision making seem to be awareness and persuasiveness: eWOM increases awareness and puts the product/firm into the consideration set of the customer, while the persuasiveness of eWOM affects the customer's image of and attitudes towards the product/firm (Duan et al. 2008a).

The easiest and most widely used method for measuring eWOM impact is simply counting the mentions of a product or firm, which is generally known as volume (Godes and Mayzlin 2004). The volume allows companies to quantify how many times the firm or its product is mentioned. In other words, it tells something about how much the firm or product is being discussed among potential customers. The bigger the volume, the greater is the number of people who will become aware of the firm/product. The weakness of the volume as a measure is that it does not tell exactly how many different individuals are participating in and following these discussions which might be even more relevant a piece of information regarding awareness. In practice, the volume of eWOM related to a firm might be high due to a couple of very active fanatics who are writing blogs, comments and mentions. For these reasons, Godes and Mayzlin (2004) consider volume as a naïve measure and add dispersion (i.e. how much firm/product-related conversations occur across various communities. While volume signals the frequency of firm/product-related discussions, the dispersion indicates how many individuals are taking part in these discussions. They believe that using dispersion along with volume will indicate more accurately how many people become aware of the focal firm/product due to the online discussions.

While the awareness metrics, volume and dispersion, indicate how many people might be affected by the eWOM, the persuasiveness concerns whether the eWOM induces negative or positive images of the firm/product. This is typically measured through the valence of eWOM which captures the nature of eWOM and indicates whether the firm/product is discussed in a positive or negative context on average (Liu 2006). Another measure related to the persuasiveness of eWOM is the amount of recommendations or referrals that the firm/product gains (Trusov, Bucklin, Pauwels 2009). Basically, if a peer customer recommends a firm/product to another potential customer, it can be considered as a strong form of persuasion. All in all, the most common metrics that have been used in the academic research are volume (awareness) and valence (persuasiveness).

## **2.6.2 Challenges of eWOM Measurement**

Measuring eWOM is challenging, because it is difficult to track and especially analyze the tremendous amount of online data involving firm-/product-related opinions and experiences of individuals. As the majority of data is in the form of unstructured text, there is a clear demand for technologies that would capture and interpret the data automatically (Li & Wu 2010). Compared to the

valence, measuring the volume of eWOM has been a lot easier task; indeed, Godes and Mayzlin (2004) exclude the valence measurement in their study by arguing that it is not practical to implement with reasonable cost. However, the recent technological advancements have brought some light into the dilemma of valence measurement.

The approaches for capturing the valence of eWOM have been most commonly referred as sentiment analysis or opinion mining in the scientific discussions which refer to the computer-mediated analysis of opinion, sentiment and subjectivity in online data. These two terms occur in different publication venues, but essentially refer to the same field of research and can be used interchangeably. The other terms presented for the same phenomenon are brand, buzz and social media monitoring which still lack scientific definitions. (Pang and Lee 2008.) In this study, the term sentiment analysis is used to signify the technological solutions for capturing valence of eWOM, because it best describes the nature of valence which essentially concerns the sentiment of eWOM (i.e. positive/negative tone of online opinions).

The sentiment analysis has been facilitated by the availability of digital data in the forms of aggregate-grades and text, and by the technological advancements which have enabled computers to track and process this digital data (Pang & Lee 2008). However, there are several challenges related to the gathering, analyzing and summarization of information which are yet to overcome: Firstly, the information gathering problems derive mainly from identifying the expressions related to the specific firm/product (Pang and Lee 2008). For example, the system does not automatically understand that the brand name may have also other meanings, such as in the case of Apple e.g. "I hate the taste of apple".

Secondly, the information analysis problems are multifarious starting from classifying the keywords to positive and negative ones, which have only led to the accuracy of 60-80% (Pang & Lee 2008). In other words, only 60-80% of the positive/negative keywords actually indicate positive/negative sentiment when the context is taken into account. Practically this means that the computational systems do not yet understand ironic meanings and the context where the keywords are used. For instance, the sentence "Nokia's decision to co-operate with Microsoft is smart, as perceived in the stock price movement" includes only positive keywords and is most likely interpreted as positive sentiment by the system. However, given that the stock price plummeted after the decision, the sentence was meant to be ironic and indicates negative sentiment.

The third group of problems is caused by the issues related to summarizing the gathered and analyzed information. The source of the major summarizing problem is the different coding approaches (Hennig-Thurau et al. 2010). More specifically, it is difficult to unify the stars, grades and percentages with free-form text and determine the overall sentiment of eWOM. Another problem regarding free-form text is that the different languages may be sometimes difficult to combine, as most of the systems have been developed for

English language (Pang & Lee 2008). Indeed, the discussion about a global company might occur in dozens of languages, and thus, the language integration poses an essential challenge. Altogether, there are numerous targets for developing the sentiment analysis systems, and it is likely that the sentiment analysis will continue developing. Despite the current challenges, the sentiment analysis systems are emerging as an effective way to find sentiment-related information about the firm and its products fast which also enables an automated measurement approach to capture the valence of the firm-/product specific online discussions.

In addition to the challenges presented above, there are other interesting issues worth mentioning regarding the measurement of eWOM. One of the growing trends is to identify who the influential individuals are that create content regarding a firm/product (Li, Lin & Lai 2010). Truly, it matters who is saying, because some of these opinion leaders or “eInfluentials”, such as popular bloggers, are being followed by a great number of people. Basically, these people raise the awareness of the firm/product and have persuasiveness effect a lot more than a random comment writer on product review site. Godes and Mayzlin (2004) approached the influence measurement by investigating how much the online conversations are distributed across different communities. Still, it is another matter to evaluate how much each individual may affect to other customers feelings by e.g. leveraging bad experiences related to a specific brand. For example, if Barack Obama said that a firm X is harming the US economy with dishonest business practices, many Americans would surely believe in him and start boycotting the firm. Therefore, it is not the same who is the source of eWOM, but measuring the influence of each person remains difficult as it requires the ability to identify every contributor online.

Finally, it is controversial how well the measuring of user-generated eWOM actually reflects the offline opinions and experiences (Godes & Mayzlin 2006; Liu 2006). Moreover, it is unclear how much eWOM actually has impact on other customers’ opinions; On the one hand, it has been suggested that at least traditional WOM might just predict rather than influence sales (Eliashberg & Shugan 1997). On the other hand, as eWOM stems largely from past sales, it might be that an essential part of eWOM does not even predict future sales, but indicate past sales (Godes & Mayzlin 2004). Despite these uncertainties, it is widely believed that eWOM is a good reflector of overall WOM and can effectively influence web users’ mindset and buying decisions (Zhu & Zhang 2010). In the following sections, the current knowledge of the relationship between eWOM aspects (awareness and persuasiveness) and market outcomes are introduced. In addition, the correlation between eWOM and firm value (stock price) is discussed.

### **2.6.3 Impact of eWOM on Market Outcomes**

It is widely believed that eWOM has impact on customers’ buying behavior. As introduced earlier, the impact of eWOM is largely measured through the

awareness (e.g. volume) and persuasiveness (e.g. valence) metrics. Now, the big question is how much the awareness and persuasiveness of eWOM eventually matter in terms of market outcomes (e.g. sales), which is discussed in the light of earlier research in this section. Clearly, as a new research field, a lot of confusion still exists and the research results do not seem to be consistent. However, summarizing the current knowledge gives some insight into the multidimensional phenomenon.

Firstly, many studies seem to indicate that there is a strong relationship between the pure volume of eWOM and sales. The rationale behind the relationship is that eWOM makes more individuals aware of the product which leads to greater sales (Liu 2006). On the other hand, it would make perfect sense that there is a similar relationship between the valence of eWOM and sales. Interestingly, this relationship is not supported by several studies. For instance, Duan et al. (2008a) found that the buzz around the product (i.e. the volume of online posts) influences sales significantly, while the positive ratings do not have noteworthy impact on sales revenue. Similarly, Liu (2006) came to the conclusion that eWOM has a strong relationship with the product sales, and it seems to derive from the volume of eWOM and not from its valence. Thus, these studies imply that it may not always be even sensible to track the valence of eWOM. On the other hand, it is suggested that the volume of eWOM is not sufficient metric for awareness, and it would be more beneficial to measure how broadly the eWOM is distributed across different communities (dispersion) than within them (volume), as evidenced in the study conducted by Godes & Mayzlin (2004). In a nutshell, according to these research findings the eWOM does not have significant persuasive effect, and the awareness is the major driver increasing sales.

The findings indicating that “the awareness is all that matters” are not easy to accept as general wisdom. The eWOM is full of information regarding individuals’ brand-related positive/negative experiences and preferences; e.g. 19% of microblog texts contain a mention of a brand, out of which 20% contain a clear expression of brand sentiment (Jansen et al. 2009). Given that the percentages are presumably much higher on e.g. product review sites, it is hard to believe that it does not matter if the valence of these discussions is negative or positive. Undoubtedly, the eWOM is supposed to matter as the positive eWOM enhances the attitudes towards a brand while negative eWOM reduces them (Liu 2006). Indeed, Chevalier & Mayzlin (2006) found a significance relationship between the eWOM valence and sales when investigating online book sales. To be exact, they discovered that the positive book online reviews led to an increase in sales. Moreover, they found that the negative ratings were harming the sales more than the positive ratings were increasing the sales. Basuroy, Chatterjee and Ravid (2003) found the same phenomenon regarding the greater power of negative ratings compared to positive, in the study concerning expert product reviews. Indeed, in addition to the consumer-generated eWOM, the valence of expert reviews (e.g. film critics) has been found correlating with sales (Basuroy et al. 2003; Eliashberg & Shugan 1997).

The relationship between eWOM valence and sales is not necessarily straightforward, however. In the study conducted by Duan, Gu and Whinston (2008b), the authors found that the eWOM valence on product review sites does not influence sales directly, but affects the eWOM volume which thereafter influences sales. Thus, the eWOM valence and volume may have different roles in affecting market outcomes. In another study concerning blogger sentiment, it was found that the sentiment alone is not a sufficient indicator of sales, but improves the accuracy of the correlation between the volume of product references in blogs and the product sales (Mishne & Glance 2006). On the other hand, if we consider online recommendations instead of valence as the eWOM persuasiveness measure, the findings seem to differ and suggest a clear relationship between eWOM persuasiveness and sales. In the matter of fact, it has been discovered that in some cases the online recommendations (automated and human) may increase the sales greatly, as the recommended products may be chosen twice as often as products without recommendation (Senecal & Nantel 2004).

In the light of the findings presented, a lot of contradictions exist around the impacts of eWOM on market outcomes which can be condensed to the question of whether or not “any publicity is good publicity”. In other words, the awareness seems to play an important role, but it is somewhat unclear if it matters if the awareness is increased in a positive or negative context. Berger, Sorensen and Rasmussen (2010) argue that it depends on the existing awareness of the product; they suggest that the negative product reviews increase the sales of an unknown product, but hurt the sales when the product/brand is well established. The rationale behind the argument is that it is vital for unknown products to raise the awareness in which case even the negative reviews are beneficial. On the contrary, Zhu and Zhang (2010) conclude that just one unfavorable rating for an unknown product may have a harmful effect on the product sales. The authors argue that the impact of online reviews on sales is dependent on the specific product; the valence of online reviews tends to have more impact on unknown products.

The question of whether or not the persuasiveness of eWOM has an essential impact on sales is important for the firms when considering how to manage the firm-related WOM. As a growing marketing tactic, it has been proven that the firm-created WOM can increase sales (Godes & Mayzlin 2009). This finding implies that the firms might be tempted to manipulate the firm-related eWOM by e.g. writing positive product reviews as an attempt to increase sales. However, the current knowledge implies that it is more effective to focus on dispersing the awareness of the product, because the eWOM awareness has been identified having stronger relationship with sales (Duan et al. 2008a). Still, the causality of the relationship between eWOM and market outcomes is still somewhat unclear; although the general belief is that the eWOM affects sales, it has also been suggested that the relationship might work the other way around, meaning that the past sales affect eWOM (Godes & Mayzlin 2004). This view has received some support from the research results

pointing out that it is not only the eWOM that affects sales, but the relationship is interdependent (Duan et al. 2008a; Duan et al. 2008b). According to this conclusion, there is a dynamic relationship between the eWOM and sales: eWOM increases sales which in turn creates more eWOM.

To conclude, there are a variety of studies examining the relationship between eWOM and market outcomes, but still, a lot of confusion and contradictions exist when it comes to the research results. The conflicting research results may be due to the inconsistencies between the studies. The current research results come from different industries: entertainment services (e.g. Liu 2006), online books (e.g. Chevalier & Mayzlin 2006), tv shows (Godes & Mayzlin 2004) and video games (Zhu & Zhang 2010); from several eWOM platforms: online reviews (e.g. Duan et al. 2008a), online communities/discussion boards (e.g. Godes & Mayzlin 2004) and blogs (Mishne & Glance 2006); and the data is gathered in distinct data forms: free-form text (e.g. Liu 2006) and numeric ratings (e.g. Chevalier & Mayzlin 2006). Therefore, it is no wonder that some inconsistencies occur.

As the common characteristics of the studies, the current knowledge is focused on measuring the effects of eWOM volume and valence on actual purchase behavior with only few exceptions. In addition, the studies have largely investigated new product launches instead of existing ones. This implies that the products have been more or less unknown, and thus, the research results indicating that eWOM awareness is more important than its persuasiveness is not surprising. It makes common sense that the major focus for new products is to raise awareness. It might be that the eWOM volume (positive or negative) reflects the buzz around the new product indicating that the product is interesting, which is resulting in higher sales (Pang & Lee 2008). However, this does not say that the valence is not important for existing brands or that it does not matter in the long run.

Moreover, to the best of our knowledge, the current studies have only examined consumer products. Therefore, it is questionable how much the research results can be generalized to concern B2B industries. Indeed, it is not clear how much the eWOM affects market outcomes in those industries. Presumably, as the B2B firms are often more concerned with managing existing customer relationships, it is likely that eWOM does not have direct impact on sales. Rather, it might influence the brand awareness and image, and have only indirect impact on market outcomes and firm value.

#### **2.6.4 Impact of eWOM on Financial Results and Firm Value**

As the existing knowledge related to the effects of eWOM is heavily focused on actual consumer purchasing, a lot less research has investigated the impact of eWOM on the firms' long-term financial results. The existing studies have found that eWOM in the form of electronic referrals may have essential power in acquiring new customers (Trusov et al. 2009), and that customer acquisitions through eWOM increase the long-term financial value in the form of CLV

(customer life-time value) almost twice as much as the traditional marketing activities (Villanueva, Yoo & Hanssens 2008). Thus, eWOM attracts more customers and increases the CLV of the customer base, which implies that the eWOM does have long-term financial value for the firms. Presumably, this is due to the change in image of and attitudes towards the brand that the eWOM induces; it seems that the eWOM persuasiveness, such as a recommendation or referral from a friend has a great power in affecting customer mindset by encouraging product trial and commitment. However, more research is needed to confirm this assumption.

The other way to measure the long-term impact of eWOM is to investigate the relationship between eWOM aspects and firm value. The existing research has examined the correlation between online discussion activity on stock message boards and changes in stock levels (e.g. Das & Chen 2007). However, the research results have not shown significant evidence that the eWOM would influence the stock price movements. Instead, eWOM volume and valence seem to have predictive roles in stock level volatility (Antweiler & Frank 2004; Das & Chen 2007). Moreover, eWOM valence on stock message boards does not evidently predict stock returns, but vice versa, eWOM valence is driven by stock returns (Das, Martínez-Jerez & Tufano 2005).

Clearly, the evidence from stock message boards does not offer any reasonable evidence suggesting that eWOM would influence the firm value. On the other hand, the eWOM on stock message boards tends to contain speculative predictions from the companies' forthcoming results which do not necessarily reflect genuine opinions, let alone customer experiences with the firm. Therefore, it is a lot more relevant to investigate the relationship between general eWOM and firm value. Luo (2007; 2009) has made essential contribution to this discussion by investigating the long-term impact of negative WOM, as the author presumes that negative WOM has more significance than positive WOM. The results of these studies show that negative WOM has significant impact on the particular firm's cash-flows as well as stock prices. Moreover, it takes 3-4 months for the impact of negative WOM on cash flows and stock prices to reach its peak, and the impact remains significant as long as 6-7 months.

In sum, the existing knowledge of eWOM offers evidence showing that the customer actions may have great impact on firms' business success. The impact of eWOM aspects (awareness and persuasiveness) lead to market outcomes in the form of increased (decreased) sales. In addition, the long-term effects of eWOM have been demonstrated regarding customer acquisition and life-time value as well as firm value in the form of changes in cash flows and stock prices. In the light of these findings, the firms cannot afford to ignore the influence of customer actions on marketing communications effectiveness and business performance as a whole. There is clear evidence that the many-to-many communications model truly increases the power of customers, and the increased power does not only render the traditional marketing



communications ineffective, but also directly influences on peer customers, market outcomes as well as firm value.

## **2.7 Metrics Selection, Performance Evaluation and Reporting**

This study has stated that there are many ways to measure the impact of marketing communications tactics as well as customer actions, and that the measurement has been facilitated by technological advancements. Since there is almost innumerable amount of success indicators which can be assessed, the question remains of what aspects of success should be eventually measured. Truly, it is believed that the metrics selection for measuring marketing communications results is a major decision for marketers to make which will be discussed in this chapter. Additionally, reporting the results to top-management is utmost important for marketers in order to justify marketing expenditures. The reporting might be facilitated by performance dashboards which will be introduced with regard to the development and implementation of such systems.

### **2.7.1 Determining Correct Number of Metrics**

A metric is a regularly assessed performance measure that matters to the whole firm and requires attention from top management (Ambler 2000). There is an abundance of metrics related to marketing communications results or marketing performance in general, but it is more difficult to determine, which metrics are the best to reflect the success of the focal company, and what the suitable number of metrics would be. Starting from the latter question, it has been argued that the managers would like to see a single financial metric indicating the total performance of marketing (Ambler & Roberts 2008). So far, this has turned out to be an impossible task, because none of the existing metrics capture the total impact of multidimensional marketing performance (Ambler & Roberts 2005; Ambler & Roberts 2008; Seggie, Cavusgil & Phelan 2007). This is largely due to the fact that short- and long-term marketing measurement may generate contradictory results, and secondly, marketing has multiple goals which need to be measured separately in order to discover whether they were met or not (Ambler & Roberts 2005). Thus, a single metric is not enough, and there is a need for multiple metrics.

The concept of multiple metrics may lead to measuring too many things, which might result in a great deal of confusion (Aaker 1996). Indeed, it has been argued that measuring too many things may be accumulated to a burden for marketers (Clark 1999). Thus, measuring everything that can be measured is not sensible, and the key challenge for marketers is to recognize the valuable insights from the huge amount of data that can be collected (Montgomery 2001). Some studies have even suggested an optimal number of marketing metrics.

For instance, Clark, Abela and Ambler (2006) propose ten metrics as a good number of metrics to be reported to the board and argue that adding metrics might lead to harmful effects. According to their research, the firms reporting more than 20 marketing metrics to the senior management were as unsatisfied with marketing measurement as the companies that did not report any metrics at all. This finding indicates that the top management does not want to see plenty of figures, but rather a few key metrics explaining everything essential. However, the study does not tell how many measures marketers should have for their own use.

Determining the correct number of metrics can be considered as a bit naïve approach, and many studies conclude that marketing needs a comprehensive, but manageable set of metrics (e.g. Clark 1999; Pauwels, Ambler, Clark, LaPointe, Reibstein, Skiera, Wierenga & Wiesel 2009). Moreover, it is important to understand the interrelationships among the metrics in order to narrow the number down to a condensed set of metrics that is still capable of telling everything important (Clark 1999). In the best scenario, these interrelated metrics could be linked with financial performance and firm value (Pauwels et al. 2009). All in all, it seems that the optimal number of metrics cannot be determined, but the key is to find the golden mean; too many metrics are difficult to track whereas too few are impossible to interpret (McGovern, Court, Quelch & Crawford 2004).

### **2.7.2 Selecting Right Metrics**

While the number of marketing metrics is difficult to determine, deciding which aspects of success should be measured, and selecting the most appropriate metrics is likely to be even more challenging for the managers (Clark 1999). Broadly speaking, there are two distinct approaches for selecting the right metrics: general approach holds inside that the metrics should be the same across industries and business units, whereas tailored approach considers metrics as firm-specific measures which should be adapted to the strategy and strategic goals of the firm (Pauwels et al. 2009). The latter, tailored approach seems to have gained more acceptance in the academic literature (e.g. Ambler & Roberts 2008; Clark et al. 2006). The rationale behind the wider acceptance of tailored approach can be found from the argument that the marketing success tends to mean different things for different companies (Phippen et al. 2004). Ambler (2000) criticizes the general approach by arguing that the use of exact same metrics across different companies suggests that all companies should have the same marketing strategy. However, Ambler suggests a compromise between the general and tailored approach by proposing that some metrics (e.g. market share) should be similar across companies, while others must be company-specific. The advantage of general metrics is that they are comparable across companies and business units (Pauwels et al. 2009).

Clearly, the correct metrics cannot be found from a textbook, but the company has to determine, what the key marketing performance indicators are

in the case of the focal company (Clark et al. 2006). Still, some guidelines have been offered in the literature for the holistic measurement of marketing performance: the marketing performance measurement should balance between short- and long-term results (e.g. Ambler & Roberts 2008; Clark et al. 2006; Seggie et al. 2007) and the measuring should be done against the firm-specific goals (e.g. Ambler et al. 2004; Morgan et al. 2002; O'Sullivan & Abela 2007) as well as against competitors (e.g. Ambler 2000; Dekimpe & Hanssens 1995; McGovern et al. 2004). Finally, all the metrics should be eventually linked with financial outcomes (e.g. Rust et al. 2004; Seggie et al. 2007; Webster et al. 2005). *In sum, determining marketing performance should thus involve multiple firm-specific metrics that capture short- and long-term results (preferably linked with financial outcomes) against the goals and competitors.* Indeed, there is evidence that using comprehensive set of metrics that allow the measurement against goals and competitors leads to greater top-management satisfaction with marketing (O'Sullivan & Abela 2007).



FIGURE 7 Ideal metrics selection process

*Measuring short- and long-term results:* As introduced in chapter 2.1, one of the major problems of marketing measurement has been the overemphasis on short-term financial measures which largely ignore the long-term effects of marketing actions (McDonald 2010). While marketers have been unable to demonstrate the long-term results, the executives have seen marketing as an expense rather than investment (Webster et al. 2005). If marketing wants to be seen as an investment, there is a great demand for the use of actionable long-term metrics along with the short-term metrics; suggesting that marketing expenditures are investments implies that marketing results are assets, and thus, marketing should focus on measuring these assets (Seggie et al. 2007). Measuring marketing assets refers mainly to determining the strength of brand and customer equity (Rust et al. 2004).

In particular, brand equity seems to be an actionable target for determining long-term marketing results. It is suggested that the marketing performance should be measured using short-term net cash flow or profit adjusted by the changes in brand equity (Ambler 2000; Ambler & Roberts 2008). The greatest benefit of this approach is that it reveals if the marketing actions are generating cash flow in the long run, as the brand equity represents a proxy for future changes in cash flows (Ambler & Roberts 2008). Thus, if the marketing actions lead to negative changes in brand equity, the short-term

profits overestimate their effectiveness, because the actions generate negative cash flows in the long run (Ambler 2000). In practice, the changes in brand equity can be measured with any firm-specific metrics that have proven successful in predicting future cash flows. It is noted that if the brand equity could be linked explicitly with the changes in future cash flows, the short- and long-term cash flows could be combined showing the ultimate financial value of specific marketing actions. (Ambler & Roberts 2008.)

*Measuring against firm-specific goals:* marketing performance metrics should be used consistently, so that the new results would be comparable with the earlier ones showing the direction of development. Moreover, the consistent use of marketing metrics allows more meaningful way to set objectives for the future results. (Clark et al. 2006.) According to the control theory, the management first selects the goals and then the measures in order to assess whether the goals are being reached or not (Ambler et al. 2004). However, many firms and their employees do not have a clear understanding of how their performed activities are related to the business goals (Clark et al. 2006). Thus, well-defined metrics may also clarify the goals, and facilitate their achievement (Ambler 2000). Ambler & Roberts (2008) argue that the ultimate and universal goal of marketing is generating cash flows through meeting customer needs, but when it comes to measuring distinct marketing activities, the performance depends on the goals that the specific activities are designed for.

It seems reasonable to assume that the goals should be determined separately for each marketing activity, as the activities are often designed for different purposes. The same holds true when it comes to the IDM-empowered online marketing communications actions; the success of using digital channels for marketing communications purposes means different things for different firms and is defined by the goals (Phippen et al. 2004). Still, as the common prerequisite for reaching ultimate goals through online marketing actions, there is a need to first gain attention and attract visitors to the firm's digital channels (Chiang et al. 2010; Welling & White 2006). After this first step, the goals differ across firms and specific actions. Short-term goals, such as generating direct sales, are usually emphasized among the firms that sell products online, because the web analytics allows firms to investigate the navigation path explicitly from the landing page all the way to the purchase decision (Welling & White 2006). However, it should be noted that many firms are unable to sell products online and prefer using their online marketing communications actions for other purposes, such as branding and providing information about the company and its products.

*Measuring against Competitors:* In order to get truthful picture of how much marketing actions affect the achievement of marketing goals, the measurement results need to be examined in relation to competitor performance and the stability of the industry concerned (Dekimpe & Hanssens 1995). In other words, comparing the firm's results to competitors ensures that the enhanced short-term cash flows and changes in brand equity were gained through marketing actions, and were not resulting from changes in environment, such as an

increase in the overall demand in the industry. Thus, marketing metrics are insufficient when they are not related to competitor performance; although it is positive news when sales are increasing and brand equity is strengthening, the major competitors' sales may be increasing and brand equity strengthening even at a faster rate (Ambler 2000).

The challenges related to measuring competitor performance involve choosing the right competitors to follow, especially in case of multinational company which is functioning in a variety of industries (Aaker 1996). Secondly, information gathering might be problematic as not all the relevant competitor information is necessarily available (Seggie et al. 2007). Therefore, McGovern et al. (2004) suggest that not all, but a part of the key metrics should be measured against competitors. Another option would be using proxies, such as price premium, as indicators of underlying competitive advantages (Seggie et al. 2007). Additionally, digital channels should also be considered as they may provide inexpensive measurement opportunities for determining the firm's brand equity compared to competitors. For instance, measuring the volume and valence of firm- and competitor-related online discussions tell something about awareness and persuasiveness of the brands, as discussed in chapter 2.6. Although some evidence can be found from the linkage to sales and stock prices, more research is needed to investigate how much awareness and persuasiveness correlate with the total brand equity, which would facilitate the measurement of marketing performance compared to competitors.

### **2.7.3 Biased Metrics Selection**

The selected marketing metrics should capture the short- and long-term marketing results, and the measurement should be done against the goals and competitors as concluded. However, this assumption seems to hold true only in the literature, and is not commonly supported by the companies. Most notably, Ambler et al. (2004) investigate the metrics selection across B2C as well as B2B companies and come to the following conclusions: Metrics selection tends to reflect mainly the interests of executives, which leads to the focus on financial metrics, such as profitability, sales and gross margins. Therefore, financial metrics are considered as the most important metrics category, they get measured more regularly, and the measurement is goal-driven. On the contrary, the metrics related to the change in brand equity are measured on an ad hoc basis, and the measurement is largely done by comparing the results to earlier years without well-defined goals. In addition, the brand equity is rarely integrated into a formal measurement system. Since the financial metrics are seen more important and measured more systematically, they are also more often reported to the board. It can be assumed that this further strengthens the position of financial metrics at the expense of brand equity metrics.

In sum, the research results by Ambler et al. (2004) indicate that only 24% of the investigated companies were even collecting the information necessary to measure against the goals and competitors and to capture the changes in brand

equity. This finding clearly states that the selection of marketing metrics is biased and far from ideal. Due to the institutional theory, the reason for the biased metrics selection is that the measurement focus tends to adapt the corporate culture and historic industry practices, which implies that the selected metrics are those that the board is used to see, not the most appropriate ones (Ambler et al. 2004). Thus, marketers choose metrics that the board understands and appreciates. The second reason is that the firms tend to select metrics which are easy to measure, regardless of their relevance. This is particularly evident in the digital channels where the firms measure typically traffic trends and the preferred content on the website through easy metrics such as hits, page views, visits and session durations instead of measuring the achievement of firm-specific goals (Hong 2007; Phippen et al. 2004).

According to Welling and White (2006) few companies have even set well-defined goals for the use of digital marketing actions, and the measurement is seldom done systematically. Interestingly, the companies have reported being somewhat satisfied with their current measurement ability regarding online marketing tactics (Hong 2007; Welling & White 2006), which suggests that the companies are not often even eager to measure the results against strategic business goals. The reasons can be found from the lack of know-how with regard to the measurement of digital marketing activities and from the difficulty to measure strategic business goals by companies who are not aiming at direct sales on a website, as the link between online actions and offline sales is often vague (Hong 2007; Welling and White 2006). Linking enhanced brand equity of online actions and offline market outcomes is considered even more challenging; measuring intangible benefits and linking them with financial value are generally considered complicated, expensive, and thus, not worth the effort among companies (Welling and White 2006)

To summarize, companies have a lot to develop when it comes to the current marketing metrics selection and the measurement systems. Presumably, the ability to find the right balance between the short- and long-term measurement, and measuring against goals and competitors is extremely beneficial in overcoming the traditional challenges in marketing performance measurement. The digitalization does not necessarily facilitate the metrics selection, but offers new metrics that may be useful in designing better marketing performance systems. Moreover, digitalization has enabled the emergence of “dashboards” that facilitate the reporting of marketing results from marketing to top-management (Pauwels et al. 2009). The dashboards may function as the essential link strengthening the marketing’s standing in the eyes of the executives, which is discussed next more comprehensively.

#### **2.7.4 Reporting through Dashboards**

There is a wide variety of studies reporting the weakened stature of marketing function within companies in the last 15 years (e.g. O’Sullivan & Abela 2007; Rust et al. 2004; Srivastava, Shervani & Fahey 1998). Truly, marketing gets less

frequently a seat in the boardroom and is suffering from the lack of attention by the board towards marketing issues (McGovern et al. 2004). Ambler (2000) explains that typically, the boards spend only 10 % of their time on customers. Thus, the focus of the boards seems to be on how the money is spent and not how it is generated. Therefore, customer and brand management issues are often neglected in the board discussions despite their vital role in improving business performance and increasing shareholder value (Ambler 2000; McGovern et al. 2004).

As the boards are paying less attention to their most valuable asset, customers, the marketing is losing a strategic role within firms (Ambler 2000). Interestingly, McGovern et al. (2004) argue that marketing is rarely required to show results or even expected to explain how marketing activities support the business strategy. This implies that the marketing issues are not always taken seriously at the board level. The reason for the diminishing strategic role of marketing issues at the board level can be found from the marketers' inability to demonstrate the financial value of marketing activities (O'Sullivan & Abela 2007).

Clearly, marketers need to start speaking financial language, because the top-management wants to see the marketing results in financial numbers. The financial numbers are easy for the board to understand and they make the investment decisions more convenient to compare (Ambler & Roberts 2008). Due to this financial orientation of the top management, the use of financial measures is vital for marketers in order to justify marketing spending (Clark 1999). According to Webster et al. (2005), marketers have been losing resources to other business functions, because of the difficulties in showing the contribution of marketing activities to business performance. Marketing is thus considered as a soft discipline that gets resources when there is money to share; on the other hand, the marketing expenditure is cut during the times of tight financial situation (Seggie et al. 2007).

As the board requires seeing the marketing impact in financial terms, the use of intermediate metrics without linking them to financial impact is losing significance. As Seggie et al. (2007) explain, the credibility of intermediate marketing metrics has suffered from marketers' manipulation. Due to the breadth of these metrics, marketers have sometimes been able to manipulate them as an attempt to show themselves in a positive light. Therefore, demonstrating the financial relevance of marketing actions is the key to increase the credibility and resources by the board (Rust et al. 2004). Indeed, better ability to measure and report marketing performance improves CEO satisfaction and marketing's stature in the firms (O'Sullivan & Abela 2007; O'Sullivan et al. 2009).

In addition to selecting appropriate metrics to evaluate the marketing performance, there is a need for more comprehensive reporting of marketing results to the board. Barwise and Farley (2004) investigated the reporting of six typical marketing metrics (market share, perceived product/ service quality, customer loyalty/retention, customer/segment profitability, relative price and

customer/segment lifetime value) in five developed markets (the USA, Japan, Germany, UK, and France) across a variety of industries ranging from consumer products to industrial companies. They found out that on average, firms report 3.9 metrics (out of 6 metrics investigated) to the board; market share was identified as the most popular followed by product/service quality while customer life-time value was reported least frequently. Moreover, the reporting of each investigated metric was estimated to increase in the future. Essential differences between the industries were not found, although larger multinational companies were seen as more active reporters of marketing metrics. The findings highlight the fact that the reporting of multiple marketing metrics is becoming more important within the firms of all kinds, and there is need for more comprehensive reporting of marketing results.

Marketing needs to have a comprehensive, but manageable set of meaningful metrics through which the measurement results are reported to the board. Phippen et al. (2004) argue that a comprehensive set of metrics combined with a user-friendly reporting may lead to better understanding of marketing success. Again, better understanding of marketing success might improve the marketing's standing in the firms. The digitalization has facilitated the user-friendly reporting of marketing results through the emergence of dashboards. The marketing dashboard combines and presents the key marketing metrics onto a single display (Clark et al. 2006; Pauwels et al. 2009). As Pauwels et al. (2009) explain, the terminology is copied from a vehicle dashboard which offers all the vital metrics that the driver needs to know. The difference between marketing and vehicle dashboard is that the marketing dashboard is not only used by the individual driver (i.e. marketer), but instead, the main idea is to share performance results between the marketers and the management (Clark et al. 2006).

The role of marketing dashboards is increasing as a part of marketing performance measurement systems, especially in large companies. According to two separate studies conducted in 2001 and 2003, 45 % of respondents from large companies stated that they were already using a dashboard of some kind in order to monitor and communicate strategic marketing performance results (Clark et al. 2006). The increased popularity is not surprising as the dashboards allow a user-friendly and consistent way to monitor marketing performance in relation to key performance metrics, helping companies to compare their performance against the strategic goals (Pauwels et al. 2009).

The benefits of successful dashboard implementation are evident: Firstly, the dashboard helps firms to focus on the most important metrics with regard to strategic business performance (Clark et al. 2006). Secondly, it allows top management to quickly assess how marketing is currently supporting the strategic goals, and whether or not the marketing actions are aligned with the business strategy (McGovern et al. 2004). Thirdly, the dashboard increases the awareness of marketing performance and that way, keeps everyone "on the same page" (Pauwels et al. 2009). All in all, the dashboard is closing the gap between the marketers and the board by enabling a better understanding of



marketing issues among the top executives, which may strongly influence to the standing of marketing within firms (Clark et al. 2006; McGovern et al. 2004; Pauwels et al. 2009).

The benefits listed above are mainly hypothetical assumptions and have not been widely investigated so far. Still, some exceptions exist; Clark et al. (2006) report that the use of dashboards have been found leading to better ability to measure financial performance as well as brand equity. In addition, the dashboard use has been tied to positive changes in revenues and smaller waste in marketing budget. On the other hand, other studies have called into question the significance of marketing dashboards (O'Sullivan & Abela 2007; O'Sullivan et al. 2009). Neither of these studies found the use of dashboards resulting in business benefits or better marketing stature in the eyes of CEO. Thus, O'Sullivan et al. (2009) conclude that the current enthusiasm in marketing dashboards may be overstated. However, the existing research results are not comprehensive enough to make major implications. Still, the idea of marketing dashboards as a tool for communicating the marketing performance results to the board seems promising.

As the earlier findings regarding the dashboard benefits seem contradictory, it may be that the perceived benefits of marketing dashboard depend on how well it is developed and implemented within a specific firm. The fundamental criteria of developing and implementing dashboard have a lot in common with marketing metrics selection. Namely, it is utmost important that the dashboard development begins with identifying key performance drivers of the specific company (McGovern et al. 2004). In other words, the dashboard must be tailored to concern the most important, firm-specific goals. This enables the top management to monitor the marketing performance against the firm's strategic goals (i.e. how marketing is performing in relation to strategic business goals) (Clark et al. 2006).

Miller and Cioffi (2004) offer a good case study example of successful dashboard development: Unisys designed their marketing dashboard by first identifying marketing objectives through considering what marketing can do to support corporate goals, which led to the proper alignment of marketing and corporate goals. After this, the marketing actions were evaluated against marketing goals which were directly linked with corporate goals. As a result, top management was able to see at a glance which strategic corporate goals were being reached by marketing actions and which goals needed more attention.

In addition to the development of marketing dashboard against strategic goals, it is important that the dashboard does not concern too many metrics, but only the most essential key performance indicators. As noted earlier, Clark et al. (2006) suggest that a good number of metrics to get reported to the board is ten. However, an exact number of metrics cannot be determined across companies, and the firms may be better off by just keeping in mind that too many metrics tend to be difficult to monitor, and too few are challenging to interpret, so it is important to find a balance (McGovern et al. 2004).

Moving from development to the implementation of the dashboard, the main considerations concern the top management support and employee commitment. The top management needs to be involved in the implementation by agreeing the set of metrics and encouraging the use of the dashboard (Clark et al. 2006; Miller & Cioffi 2004; Pauwels et al. 2009). Moreover, Pauwels et al. (2009) suggest that the dashboard should be implemented across functions, because not all marketing-related information resides in marketing department. This demands smooth co-operation across functions. Inspired by the idea of implementation across functions, an interesting consideration would be to develop an integrated key performance indicator dashboard that would collect the most important strategic metrics from each company function (e.g. marketing, accounting, finance, HR). This kind of “corporate” dashboard would allow the top management to see on one display how each company function is performing against the strategic corporate goals.

One more interesting conversation piece provokes from the Ambler’s (2000) argument that the responsibility of reporting marketing performance should not be assigned to the marketers themselves. The rationale behind the argument is that first of all, measurement has never been marketers’ top priority, and they have been often accused of manipulating measurement results or selecting favorable metrics in reporting. In addition, as the marketing information is widely dispersed in large companies, marketing does not possess all the relevant information for reporting. Therefore, Ambler (2000) suggests that the responsibility should be passed on to the finance director or chief knowledge officer.

In sum, the most essential part of marketing measurement is to select the appropriate set of relevant metrics against the strategic goals and competitors. The measurement does not help much, however, if the results are not reported to the board that possesses the strategic responsibility in companies. While digitalization does not help essentially to select the right metrics, it offers new possibilities to measure marketing performance and enables more effective reporting through marketing dashboards. Although the dashboard is not required to be digital, and the key performance indicators could be conceptually gathered on a piece of paper (Clark et al. 2006), the digital form (usually a software product) allows a fast and easy way to modify and share the information across functions, business units and the top management. Therefore, digitalization contributes to the successful implementation of the dashboards. More research is needed, however, to examine the successful development and implementation of dashboards in order to achieve the assumed benefits resulting from the use of marketing dashboard.

## 2.8 Theoretical Framework of the Study

The literature review (chapters 2.1-2.7) was guided by the Chain of Marketing Productivity framework (Figure 2; Rust et al. 2004). The framework was used to identify the phases of marketing measurement process and to discuss from marketing communications perspective the modifications in these phases caused by digitalization. As a result, an adapted theoretical framework (Figure 8) is proposed for measuring marketing communications results which highlights the influence of digitalization on the measurement process and supplements some of the perceived deficiencies in the Chain of Marketing Productivity framework.

The adapted framework is a simplified version of the Chain of Marketing Productivity in a way that it does not primarily concern the measurement of firm's financial assets. Instead, it is aimed at showing how marketing communications actions affect the firm performance in multiple levels (impact on customers, markets, financial value and firm value). For this reason, some of the phases in the Chain of Marketing Productivity have been excluded, and the focus is on demonstrating the linkages between marketing communications actions and resulting impacts.

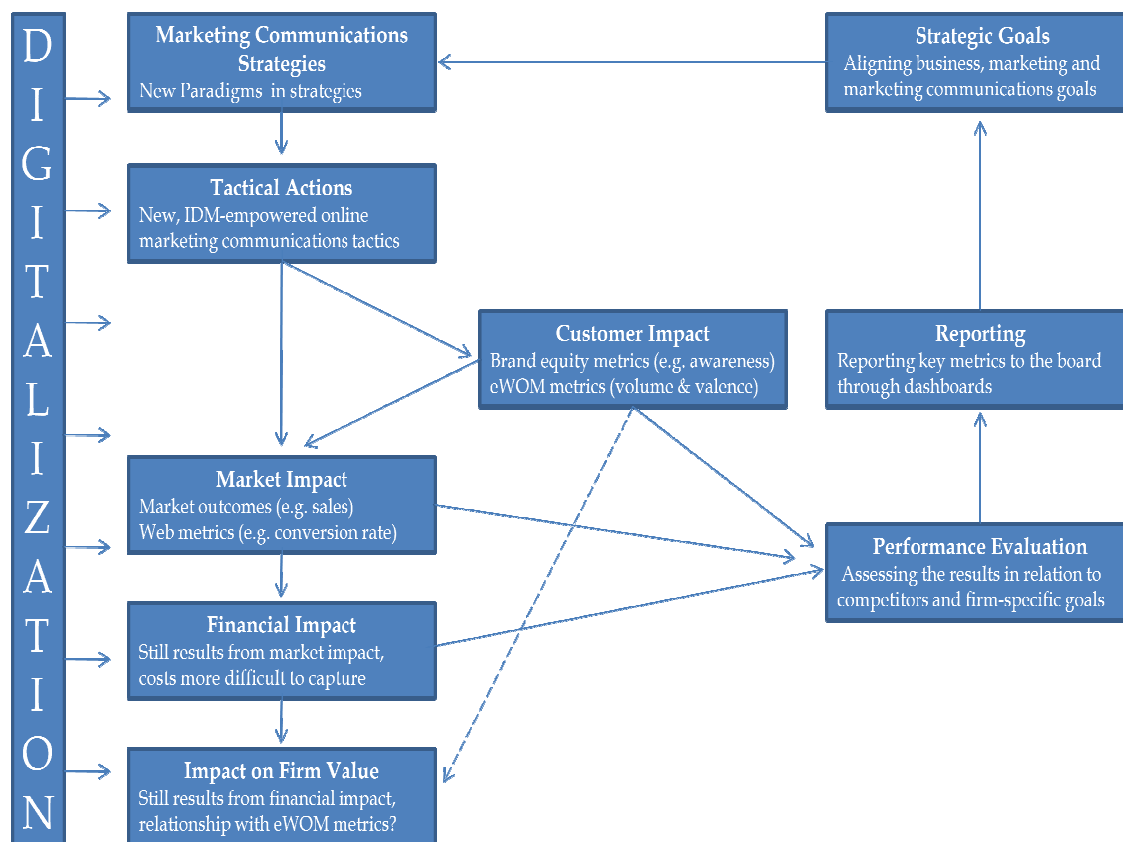


FIGURE 8 Theoretical framework of the study

Despite these limitations, the adapted framework makes several contributions compared to the Chain of Marketing Productivity: First of all, the aim of the framework is not only to determine the productivity of marketing communications but also to evaluate its effectiveness and adaptiveness. As explained earlier, the productivity measurement tends to focus on the efficiency of marketing at the expense of effectiveness and adaptiveness dimensions (Morgan et al. 2002). The adapted framework addresses the effectiveness and adaptiveness perspectives of marketing communications in a sense that it includes goal setting and performance evaluation against these firm-specific goals (effectiveness) as well as measurement against competitors (adaptiveness). In addition, reporting to the board is added to the framework because it can be considered as a vital phase with regard to showing the contribution of marketing communications to the top management. This section presents the adapted framework by simultaneously summarizing the literature review.

The marketing communications measurement process should start by setting strategic goals for performance (Ambler et al. 2004). The strategies are then designed for the achievement of these goals (Varadarajan & Yadav 2002). The different strategy levels (business, overall marketing and marketing communications) are interconnected and should be therefore aligned in order to function effectively (e.g. McDaniel & Kolari 1987). Digitalization and in particular IDM have affected strategies of all levels, but most evidently marketing communications strategies. In particular, the IDM have changed the communications model from one-to-many towards many-to-many communications where customers' power to affect firm's marketing communications has increased (e.g. Hennig-Thurau et al. 2010).

Consequently, the new paradigms in marketing communications strategies concern personalization of marketing communications (e.g. Pavlou & Stewart 2000), dialogue and collaboration with customers (e.g. Deighton & Kornfeld 2009) and engaging customers in co-creating marketing communications (van Doorn et al. 2010). Along with affecting marketing communications strategies, these paradigms have led to an array of new online marketing communications tactics empowered by IDM. Characteristic for these new tactics is that they are increasingly based on individual customers' willingness to receive marketing messages (e.g. Tezinde et al. 2002). In addition, companies might be better off by aiming at participating in the conversation with customers rather than just pushing intrusive marketing messages (Bughin et al. 2009).

Moving from the goals, strategies and tactics to measurement issues, the main argument of the framework is that digitalization has made the marketing communications measurement easier. This is due to the fact that digitalization has made the customer actions traceable, which indicates that linking marketing communications actions directly to sales (market impact) has become possible in online environment (Wilson 2010). For example, the banner or search engine advertisement can be linked with market impact through click-through and

conversion rate, which makes it possible to determine how much a specific advertisement in online environment increases direct sales. Therefore, the tactical actions and market impact are directly linked in the adapted framework. In most cases, however, the tactical actions are still linked with market impact via customer impact, as suggested in the Chain of Marketing Productivity. This is always the case when the firm's marketing communications actions and sales do not occur during the same online session. In addition, the existing research results suggest that even in the case of online advertisements, their total impact cannot be captured by simply calculating the direct sales (market impact), because they also influence brand equity (customer impact) (e.g. Drèze & Hussherr 2003).

Typically, marketing communications actions affect first customers' cognitive and affective mindset (customer impact) before the effect is transformed into behavior (market impact). It is noteworthy that according to the new paradigms in marketing communications strategies, customers have more power to select what kind of marketing messages they are willing to perceive. This implies that at least to some extent, the customers control how much they are exposed to the marketing tactics that drive the customer impact. Moreover, what is peculiar to the IDM, customers are not only influenced by tactical marketing actions but also by their peer customers (Hoffman & Novak 1996). More specifically, the IDM offer great possibilities to create, share and consume content (e.g. through eWOM), which affects peer customer opinions (Hennig-Thurau et al. 2004). For this reason, the customer impact box in the adapted framework holds inside the effects driven by marketers' tactical actions as well as customer actions.

In the literature review, it was suggested that the customer impact measurement has become more effective through eWOM monitoring. The new technological advancements enable the measurement of eWOM awareness and persuasiveness (e.g. Duan et al. 2008a), which has great potential to become a modern way to measure brand awareness and image in an effortless way. In addition, the existing knowledge was presented with regard to how eWOM awareness and persuasiveness metrics (mainly volume and valence) correlate with sales (market impact) and stock price (impact on firm value). Evidently, eWOM volume and valence do have market impact, although there are some contradictory research results. On the other hand, the relationship between eWOM metrics and the impact on firm value is still unclear, although it has been discovered that negative eWOM has negative impact on shareholder value (Luo 2007; 2009). This weak but potential relationship is illustrated with broken line in the adapted framework.

As in the Chain of Marketing Productivity, financial impact derives largely from market impact also in the adapted framework. The financial measurement of marketing is increasingly demanded by the top management (Ambler & Roberts 2008), and there is a huge buzz around the approaches for determining ROI for digital marketing actions. This boom is evidenced by a growing number of recently published social media books that emphasize the

measurement of ROI (e.g. Blanchard 2011; Turner & Shah 2011). However, financial measurement was not widely discussed in the literature review. This is due to the fact that the digitalization has not arguably changed the financial measurement in itself, and the financial metrics (e.g. ROI and cash flow metrics) have all remained exactly the same. For example, ROI is still largely determined as the ratio of generated income and the costs of investment.

Still, the financial measurement has been affected indirectly. As the financial impact derives mainly from market impact, the financial impact has become easier to capture, because the market impact of actions can be determined more accurately with web metrics. It is noteworthy, however, that digitalization has complicated financial measurement in a sense that the costs of some IDM applications are harder to quantify. For instance, social networks and communities can be joined and blogs established without any kind of direct monetary investment, but maintaining the presence in these channels requires notable employee resources, which complicates the calculation of costs and thus, the measurement of financial impact.

The impact on firm value is a natural consequence from the financial impact; the firm value is enhanced when the financial impact of marketing communications actions is positive. When it comes to measuring the impact on firm value, the digitalization has strengthened the long-lasting discussion about the relationship between marketing assets, such as brand equity and firm value (e.g. Aaker & Jacobson 2001). In particular, the relationship between customer actions (e.g. eWOM) and firm value has been widely discussed in the light of existing knowledge. However, more research is needed to justify that link.

In contrast to the Chain of Marketing Productivity framework, the adapted framework highlights the continuous nature of marketing communications measurement process and suggests that an essential part of that process should be performance evaluation against the goals and competitors (Ambler 2000). More specifically, the marketing communications results should be evaluated in relation to goals and competitors against a comprehensive, but manageable set of firm-specific key metrics regarding customer, market and financial impact. These key metrics should be reported then to the board, which is facilitated by digital dashboards that offer a fast and convenient way to share marketing communications measurement results across company functions and top management (Pauwels et al. 2009). Finally, top management can take action according to the measurement results and modify the strategic goals, starting a new round in the marketing measurement process.

## **3 METHODOLOGY**

All the methodological considerations were aimed at supporting the three research questions presented earlier (Figure 1, p. 8). As a result of these considerations, a variety of methodological decisions were made, most essential of which concerned the research strategy formulation, case selections, data gathering method and analytical techniques. This chapter presents, discusses and justifies these methodological decisions which are thereafter outlined in Figure 9 at the end of this chapter.

### **3.1 Research Strategy**

Research strategy provides a general direction for the study. It is an overall master plan which justifies the decisions that are made in the research process and integrates them into a coherent framework (Patton 2002, p. 39). According to Yin (1981), there are four different research strategies: case study, experiment, history and simulation. Out of these four alternatives, case study was regarded as the most suitable strategy for reaching the goals of this study, because it best enables a context-sensitive investigation and in-depth learning from contemporary phenomenon. In the following, the general characteristics of case research strategy are discussed, after which its appropriateness as a methodological approach is assessed in the context of this study.

#### **3.1.1 Case research strategy**

In one of the most known studies concerning case study research, Eisenhardt (1989, p. 534) defines the concept of case study as “a research strategy which focuses on understanding the dynamics present within single settings.” Arising from the definition, case research deals typically with an intensive investigation of a single case in which the case refers to a single organization, location, person or event (Bryman & Bell 2007, p. 62). However, this is not to say that there should be only one single case or subject in a case study; multiple cases are widely used e.g. when the purpose of the study is to generate theories through

cross-case analysis (Yin 1981). However, although the present study investigates two cases, the focus is not on cross case analysis, but on describing how the research questions appear in two target organizations functioning in similar industries.

The case research strategy has not always been considered as a proper scientific method (Dubois & Gadde 2002). The sources of critique are multifarious as the case research is often blamed for: the lack of systematic procedures for conducting case studies, the researchers' possibilities for biased investigation and the fact that the results are not usually representative to allow any kind of generalization (Yin 2003, pp. 10-11). However, the criticism of case research due to the inability for generalization is questionable in a sense that the case research results are not typically even meant to be generalized (Bryman & Bell 2007, pp. 63-64). As Stake (1995, pp. 4-8) explains, the case research is not a sampling research and the chosen case is not studied in order to generalize results. On the contrary, the main duty of a case researcher is to understand the selected case(s) in its specific context. In other words, the case research strategy is aimed at particularization, and not at generalization, which implies that each case is unique offering distinctive results.

Indeed, the problem with generalization is often considered as a strength rather than a weakness. As Dubois and Gadde (2002) point out, the relationship between a phenomenon and its context is best understood through insightful case study which is becoming more common an approach in various research fields. As a result, case study is suitable research strategy when the research problems are context sensitive and the boundaries between a phenomenon and a context are not obvious (Bonoma 1985; Yin 1981). According to Yin (2003, pp. 5-11), the other situations where case research strategy is regarded as an appropriate approach is when the researcher does not have much control over events, the research questions concern "why and how" questions and the study is investigating a contemporary phenomenon. To sum up, the case research strategy is most appropriately used when the focus of the study is on complex and context-sensitive phenomenon where the existing knowledge is limited and thereby, proposing causal questions is not feasible (Benbasat, Goldstein & Mead 1987; Bonoma 1985).

The benefits of case studies for marketing research are obvious as presented by Bonoma (1985): Case research allows examining marketing-related problems that have been neglected in previous marketing theories. In particular, it widens the scope of research problems that can be considered in the field of marketing as "how and why" questions come into play. Accordingly, case research facilitates understanding of new phenomena and generation of new theories. In addition, it is argued that case research brings marketing scholars closer to marketing managers (Bonoma 1985), and that findings from case research may be more beneficial to marketing managers than survey results (Johnston, Leach & Liu 1999). These views are justified in a sense that company-specific research problems are well addressed through case research strategy which focuses on intensive investigation of a unique setting.



The argument that case research assists the learning and understanding of new phenomena is often misinterpreted; the common misconception is that case studies are only used for preliminary studies aiming at gaining knowledge for conducting further research. For this reason, the case research is often undervalued and the results of case studies may be neglected. (Yin 2003, pp. 3-5.) However, even though the design of a case study is often explorative, it is not the only viable alternative. Namely, case research may also be used for providing explanations (i.e. descriptive research) and even for testing hypothesis (i.e. causal research) (Benbasat et al. 1987).

According to Churchill (1999, pp. 98-133) the exploratory, descriptive and causal research designs differ from each other in the following way: Explorative research is aiming at clarifying concepts and discovering ideas and insights for hypothesis development of future research. Descriptive research is used for describing special characteristics of the research object(s) and making predictions of future trends. Finally, causal research is used for confirming cause-and-effect relationships. Case research can be implemented through each of these research designs, although in practice, the causal design is rarely used, because it requires a big sample.

Another misconception is that case research tends to be only associated with qualitative research, although it may also be quantitative (Yin 1981). However, it must be noted that the nature of intensive investigation in case studies clearly favors qualitative approaches (Bryman & Bell 2007, pp. 62-63). Consequently, the emphasis of case research on qualitative inquiries may be another reason why case studies have been undervalued in the field of social science; while qualitative studies are typically based on induction, the research in marketing has appreciated and highlighted deductive reasoning with quantitative approaches (Bonoma 1985). The general difference between induction and deduction is that the deduction is focused on testing theories whereas induction is aiming at generating new theories. As a result, the findings made in deductive research are less vulnerable for critique, because they are typically based on great amounts of research data. (Bryman & Bell 2007, pp. 11-15.)

Despite the wider acceptance of quantitative/deductive research in social science, it is not always the preferable research approach. According to Bonoma (1985), there is actually a growing dissatisfaction towards quantitative research in many social science fields. The reason for dissatisfaction is that many phenomena cannot be understood when removed from the social context. In particular, it is argued that the marketing phenomena that are highly complex and linked with little theoretical knowledge should be studied with qualitative/inductive research approach. This argument seems to be reasonable, as it is difficult to confirm a theory with deductive research before the theory is completed with inductive studies.

In practice, however, few studies are purely inductive or deductive, but somewhere in between of these two extremes. In fact, neither of the extremes is usually the best approach, because the pure induction might prevent the

researcher from taking advantage of the existing theory while pure deduction might prevent the generation of new theories (Perry 1998). The tendency of combining inductive and deductive approaches is probably most evident in case research where existing theories and empirical findings are often interrelated (Eisenhardt 1989). In other words, case research tends to involve matching the theoretical framework and empirical findings in a way that the theoretical framework is modified by the findings during the research process.

Typically, the case research consists of some deduction based on prior theory, but the inductive approach aiming at theory generation tends to have a prominent role (Perry 1998). The present study is not an exception. More specifically, it is based on a concept known as systematic combining or abduction which is described by Dubois and Gadde (2002) as follows: Abduction concerns combining deductive and inductive approaches in a way that the theoretical framework and empirical fieldwork evolve during the research process. Practically this means that the researcher creates a preliminary theoretical framework in the light of which the empirical findings are examined. However, the goal of systematic combining is to discover new phenomena, suggesting that the empirical findings are allowed to inspire modifications to the original framework when unexpected empirical findings and theoretical insights are encountered during the research process. Similarly, the gained insights are allowed to inspire changes for the empirical fieldwork, and thus, the whole research process is continuously evolving.

### **3.1.2 Applying Case Research Strategy to the Present Study**

On the basis of methodological considerations concerning case studies, the use of case research strategy is well-justified in the present study for multiple reasons. Firstly, the goal of this study suits the definition of case study, because it focuses on intensive investigation of target organizations. The research questions concern context-sensitive “how” questions where the existing knowledge is limited. Truly, not much is known this far about the impact of digitalization on marketing communications measurement process in the context of B2B industrial companies. Moreover, the results of this study are not meant to be generalized, but the purpose is to understand the marketing communications measurement process in the context of the selected cases.

As the study objective is to describe the marketing communications measurement process of B2B industrial companies and to gain insight into the effects of digitalization in that process, the study design is descriptive with some explorative features. In other words, the main goal is to describe how the research problems occur in target organizations, but simultaneously, it aims at discovering new ideas for further research. Due to the complexity of the research phenomenon and the lack of prior knowledge, qualitative approach can be considered favorable in the context of this study. Even though qualitative studies are largely based on induction, this study takes the form of abduction.

The abduction implies that the goal is not simply testing a theory nor it is generating one, but rather, the study pursues for refinement of existing theories. Furthermore, abductive reasoning holds inside that the theoretical framework and empirical fieldwork evolve during the research process which was clearly evidenced in the present study. Namely, the study was originally inspired by the Chain of Marketing Productivity (Rust et al. 2004), but the theoretical framework was modified during the research process in order to highlight the impact of digitalization on measurement process as a result of gaining theoretical insights from other studies. In addition, the empirical fieldwork was evolving, as the interview questions were slightly modified after the first interview to better serve the characteristics of target organizations.

### 3.2 Case Selection

An important part in case study research is to select appropriate cases for the purposes of a given study. As often in qualitative inquiry, the selection of case organizations in this study was based on purposeful sampling, indicating that the sample was intentionally selected to serve the study needs (Coyne 1997). There are numerous ways to accomplish the “intentional selection”, which is evidenced in Patton’s (2002, pp. 230-242) list of 15 purposeful sampling strategies. The detailed investigation of these strategies is dismissed, because sticking blindly to one specific sampling strategy should be usually avoided; there is no perfect strategy for sampling in qualitative research, and the researcher should focus on considering, what kind of information is most needed and useful in a given situation (Coyne 1997).

However, the common characteristic of Patton’s (2002, pp. 230-242) purposeful sampling strategies is that the cases are selected strategically on the basis of their information richness and usefulness with regard to the research phenomenon. In other words, those cases are selected which best contribute to the in-depth understanding of the research objects. Following these guidelines, the basic rationale behind the case selection was to find companies that represent large, B2B industrial companies that are functioning in global markets. Presumably, the large-sized companies would be more likely to have resources for utilizing a wide selection of online marketing communications tactics and to measure the results in a more strategic way. In addition, it was believed that the companies operating in global markets would be more heavily affected by interactive digital media which facilitate customers to consume, create and share their opinions and experiences to the whole world (e.g. Hennig-Thurau et al. 2010). In addition, global companies are presumably more interested in leveraging marketing communications tactics in a digital form, as the efficiency advantages with digital communications become more obvious in a global range of distribution.

Finally, the sample size is another decision in case selection. According to Perry (1998), the number of selected cases may vary from 2 to as many as 15 cases. This estimation implies that it is very difficult to offer explicit guidelines with regard to how many cases should be selected. Moreover, the definitions of case study refer to “single settings” (Eisenhardt 1989) and to intensive investigation of a single case (Bryman & Bell 2007, p. 62), which imply that only one case might be sufficient. Consequently, Patton (2002, pp. 242-247) states that there are no rules for exact sample size in qualitative inquiry. Instead, he argues that the meaningful sample size depends on the purpose of the study, credibility issues and available time and resources; the validity and reliability of insights gained from qualitative data are much more related to the information richness of the selected cases and the analytical skills of the researcher than to sample size. This argument can be considered well justified, because the goal of this case research is not to make generalizations, but to understand the research phenomenon in the context of particular cases.

### **3.2.1 Description of Case Organizations**

Finally, two individual cases were selected for in-depth investigation. Although the sample size can be considered small, it was regarded sufficient as the goal of this study is to describe the marketing communications measurement process in the context of these two industrial companies. No generalizations are meant to be made on the basis of research results, although the results do hopefully offer some broader preliminary insights for further research. Moreover, despite the small sample size, both selected cases are extremely information-rich and useful with regard to the needs of this study.

As concluded earlier, the goal in case selection was to find large-sized B2B industrial companies operating in global markets. Fortunately, both of the selected companies fit the description perfectly: Firstly, they represent long-established industrial companies. Secondly, they are large-sized with the annual turnover of billions of Euros and with the personnel of thousands of employees. Moreover, both companies are quoted in OMX Helsinki 25, indicating that the company stocks are among the 25 most traded ones in the Finnish stock market. Thirdly, their biggest customers are other businesses from different parts of the world implying that both companies operate in global B2B markets. In addition to fitting the case selection criteria, both companies seemed to be enthusiastic about exploring new opportunities for utilizing online marketing communications tactics facilitated by interactive media and about developing marketing communications measurement processes in the digital age.

### **3.2.2 Special Characteristics of B2B Industrial Companies**

It is noteworthy that the literature review was not investigated particularly from the B2B marketing point of view, although the focus of this case study is on investigating B2B industrial companies. The main reason for looking at the

marketing communications measurement process without special emphasis on industrial B2B firms is that no evidence was found indicating major differences between the measurement processes of B2C and B2B companies. In this regard, even though there might be differences in the emphases of measurement objects and communications tactics in use, the measurement process in itself is likely to remain similar across B2B and B2C companies. Consequently, just like B2C companies, B2B companies are assumed to set goals for their marketing communications efforts, select the most appropriate strategies and tactics in order to achieve the goals, measure how well the goals are being met and finally, report the key metrics to the top management.

Despite the notion that marketing communications measurement process is likely to be similar across B2B and B2C companies, there are some major differences between these two company types that can be identified. According to De Pelsmacker et al. (2007, pp. 533-543), the very basic characteristic that differentiates B2B company from B2C company is that the latter is offering goods and services for consumers, whereas the customers of B2B company consist of other organizations. As a result, the B2B market structure is usually different from B2C markets as there tends to be fewer sellers and fewer buyers. Another major difference originates from the higher complexity of buying decisions (consisting of several members) within the customer firms in B2B markets which is generally believed to result in more rational decision making.

These special characteristics of B2B markets lead to several differences in marketing communications efforts in comparison to B2C companies. Most notably, fewer potential customers mean that each customer relationship is vital and customer satisfaction and loyalty play a major role. Moreover, fewer customers make it possible to actually have meetings with the customers face-to-face. However, face-to-face meetings are arguably not only a possibility, but rather a requirement from the customer's side; the buying processes in B2B are often complex negotiations that are seldom possible without face-to-face meetings. Truly, the purchase decisions of businesses tend to be rational including high-involvement from the customer's side which is best captured with personal selling. (De Pelsmacker et al. 2007, pp. 543-549.)

Nevertheless, the conception of more complex and rational decision making with regard to buying decisions within B2B markets is occasionally challenged. For instance, Wind (2006) argues that similarly to the organizational buying centers that make complex buying decisions, also households tend to negotiate the important investments that concern the whole family. Therefore, buying processes in organizations and households alike vary by the specific situation. Moreover, Wind (2006) criticizes classifying organizational buying decisions stereotypically as rational and consumer buying decisions as more emotional, because the buying decision of both consumers and organizations involve emotional and relational characteristics. Similarly, De Pelsmacker (2007, pp. 543-549) points out that even though organizational buying decisions tend to be rational, there is no reason to assume that the persuasion tactics would not

play a part in B2B environment as well. After all, the organizational buying centers consist of human beings.

When it comes to marketing communications tactics, personal selling is considered by far as the most important marketing communications tactic in B2B companies followed by trade shows, whereas traditional advertising and sales promotions have minor roles as opposed to the situation in B2C companies. In addition, the role of digital marketing communications has been increasing in B2B communications, because B2B companies know their customers, and digital tools enable the firms to communicate with their customers in individualized and interactive ways. (De Pelsmacker et al. 2007, pp. 543-549.) Considering that the interactive digital media offer great opportunities for B2B companies to achieve individualized and interactive communications with customers, it is interesting that the B2B companies have been slower and less enthusiastic about taking advantage of new online marketing communications tactics compared to B2C companies. Indeed, according to the McKinsey Global Survey Results (2009), B2C companies are utilizing interactive digital media tools more actively, although B2B companies perceive more benefits through the use of these tools (Bughin et al. 2009).

The reason for lack of interest in online marketing communications tools may stem from the B2B companies' focus on offline selling as the customer companies tend to require thorough negotiations. Consequently, the goals of using online marketing communications tools often differ from B2C companies. According to the study conducted by Welling and White (2006), the most important goals of B2B corporate website are providing information for website visitors and raising brand awareness, whereas gaining leads and sales were considered as less significant objectives. This finding highlights the fact that B2B companies do not usually pursue for online sales, which is more common a strategy in B2C companies.

Since the selling does not typically occur online and gaining sales leads is not a major focus of B2B companies' online activities, there is no easy way to measure the value of online marketing communications actions. However, the measurement difficulties do not only apply to online marketing communications, but to all marketing communications efforts. In industrial markets, the link between marketing actions and sales tends to be very difficult to track, due to the long-lasting purchase-decision process (Webster et al. 2005). Clearly, because the purchase decision takes a long time, it is very challenging to separate the effect of marketing communications actions from other effects, such as price and product quality.

To sum up, there are some special characteristics associated with B2B industrial companies that might become relevant when analyzing the research results. Most notably, the case companies are very likely to highlight the importance of their customer relationships as each of them might be considered vital in relation to the business performance. The customers may represent partnerships, and the marketing communications measurement process is likely to highlight the impact of marketing communications on customer satisfaction

and loyalty, instead of market outcomes. When it comes to the marketing communications tactics, personal selling is likely to dominate while digital marketing communications may play a supportive role as long as they are appreciated by the customers.

### **3.3 Data Collection and Analysis**

After the selection of appropriate cases, the next phases were data gathering and the analysis of the collected material. In this study, the data was gathered through eight semi-structured interviews. These interviews were taped, transcribed to a written form and finally, coded under specific themes in order to facilitate the analysis and interpretation of the results. This section explains and describes the decisions that were made with regard to the data gathering and analysis phases in more detail.

#### **3.3.1 Conducting Semi-structured Interviews**

Before the actual data collection and analysis phase, it is vital to make a systematic plan to guide the data gathering phase in terms of what information is needed to examine the predetermined research questions, and what is the best method(s) to obtain this information (Johnston et al. 1999). Indeed, there are several methods for data gathering which can be utilized in qualitative research. These methods can be divided to ethnography/participant observation, interviewing, focus groups, language-based approaches (e.g. discourse analysis) and text or document analysis. Common characteristic for all of these qualitative data gathering methods is that they emphasize words rather than numeric data. (Bryman & Bell 2007, pp. 402-404.) What is typical to case studies, however, is that they often combine multiple data sources which may consist of qualitative as well as quantitative approaches (Bonoma 1985; Eisenhardt 1989). Still, quantitative approaches are seldom used as the main data source, and their role tends to be supportive in relation to qualitative methods, because the latter enable more detailed investigation (Johnston et al. 1999). Consequently, case research relies typically on personal interviews and observation methods (Bonoma 1985).

This study does not make an exception, and personal interviews were selected as the data gathering method. The interviews were considered as the most suitable method for several reasons: Firstly, it is difficult to perceive feelings, thoughts and intentions without asking questions (Patton 2002, pp. 340-341). Therefore, interviews are not only a good way to investigate the research phenomenon in-depth, but in some cases, it may be the only way to discover the deeper and situational meanings as well as the motives of the respondents (Hopf 2004, pp. 203-204). Moreover, the interviews allow better targeting as the interview questions may be accurately aimed at the specific

research questions (Yin 2003, p. 86). Altogether, it was believed that the interviews would be undisputedly the most beneficial method to provide answers to the research questions of this study, because they would enable an in-depth investigation of the research phenomenon in its context and provide insights into the specific themes that are under examination.

The interviews are widely used in social sciences, and especially, in the context of business-to-business research. The types of interviews are numerous ranging from structured to more open forms of interviews, such as semi-structured open-ended enquiries and unstructured dialogues. (Johnston et al. 1999.) The semi-structured interviews were selected as the most suitable option as they are relatively flexible, but guided by pre-formulated interview questions. According to Hopf (2004, p. 204), the advantage of this kind of an approach is that it enables an effective way for gathering information of predetermined themes, but at the same time, it allows flexibility in the formulation of questions and gives freedom for asking further questions about emerging issues.

While the advantages of personal interviewing method are clearly identifiable, there are some major weaknesses that require attention from the researcher. As Patton (2002, pp. 340-341) states, the quality of interviews are largely dependent on the interviewer, which suggests that careful planning and preparing of interviews may essentially improve the quality of interviews. Accordingly, the biggest pitfalls of interviews concern poorly constructed questions and response bias (i.e. the interviewees answer according to what they think is right or what they assume that the interviewer wants to hear) (Yin 2003, p. 86). This implies that the interview questions must be systematically developed (Johnston et al. 1999). In addition, the interviewer needs to be well-prepared and skillful enough to make sure that the interviewees answer honestly in order to avoid the response bias.

It can be argued that the systematic approach is best achieved when the interview questions are closely linked with the literature review. Accordingly, Perry (1998) suggests that also in case studies the data gathering is advisable to be based on prior theory which can be attained by formulating initial theoretical models with boxes and arrows that do not represent closed hypothesis, but guide the research issues. Consequently, before the semi-structured interviews were conducted, a great attention was paid on planning the interview questions systematically. As a result of this planning phase, 32 questions were formulated that were categorized under seven more narrowly defined themes (Appendix 1). The selection of these seven themes were based on the theoretical model presented in chapter 2.8 (Figure 8, p. 59), and reflected the distinctive phases of that model. Accordingly, the seven sub-themes were aimed at investigating the impact of digitalization on:

- 1) *marketing communications goals and strategies (questions 1-7),*
- 2) *marketing communications tactics and actions (questions 8-11),*
- 3) *performance evaluation of marketing communications (questions 12-17),*
- 4) *measuring the customer impact of marketing communications (quest. 18-21),*



- 5) *measuring the market impact of marketing communications (questions 22-25),*
- 6) *measuring the financial impact and firm value of marketing communications (questions 26-28), and*
- 7) *reporting and feedback processes of marketing communications results (questions 29-32)*

It is noteworthy that the themes follow the presented theoretical model phase by phase with the exception that the overall performance evaluation of marketing communications (theme 3) is discussed before the distinct measurement stages (themes 4-6). The rationale behind this decision is that discussing performance evaluation on a general level offers an overview of marketing communications measurement process as a whole to guide the discussion with regard to the specific measurement stages. Altogether, the main purpose of the interviews was to investigate the impact of digitalization on marketing communications measurement process through the theoretical model, in the context of the selected case companies. Consequently, the information gained through the interviews would provide answers for the research questions of the present study.

However, it is also remarkable that despite the benefits of the applied systematic approach, it is not advisable to slavishly follow the preliminary interview protocol if it does not seem to work in the research field. As Stake (1995, pp. 8-13) notes, a good case study is ready to make adaptations to the research process when unexpected issues are confronted; even the research questions can be modified or replaced in the middle of the case research process. Similarly, although this study emphasized the systematic approach, some minor modifications were made to the interview questions after the first interview to better serve the characteristics of target organizations. Still, the modifications did not change the meaning of the questions, but rather, the questions were adapted to make them more understandable and suitable for the interview situation. In addition to these minor adaptations, the interview questions were not presented every time in their exact form, but they guided the discussion of the interview themes. This is justified as the case study interviews tend to be guided discussions instead of formal queries, and the questions “flow” during the interview (Yin 2003, pp. 89-92).

After finishing the initial interview protocol, the next phase was to select the interviewees from the case companies. The sampling of interviewees followed the same principles of purposeful sampling as the selection of case companies. Therefore, the sample size was not a major consideration, and instead, those organization members were asked to participate that the managers of the case companies considered possessing particularly rich information with regard to the research objects. Consequently, 16 organization members (from managerial employees to the top management) were approached with an interview request through e-mail (Appendix 2). As a result, 11 of the receivers replied to the e-mail and eight of them (5 and 3 from companies A and B respectively) agreed to the request. The good response rate (50%) was achieved partly, because this study was conducted as a part of a

larger digital marketing communications research project in which the case companies were already involved, and because the requested organization members had been recommended and informed about the study by the managers of the case companies. On the other hand, the timing for the interviews lowered the response rate, as the interviews were conducted during the summer holiday season.

TABLE 3 Background information of the interviewees

Name	Department	Organization Level	Date	Duration	Place
<b>Company A</b>					
James	Corporate Communications	Senior Manager	26.5.2011	40 min	Company Facilities
Mary	Corporate Communications	Managerial Employee	10.6.2011	1h 5min	Company Facilities
Patricia	Marketing Communications	Managerial Employee	14.6.2011	43 min	Company Facilities
Linda	Marketing Communications	Senior Manager	14.6.2011	41 min	Company Facilities
Barbara	Business Unit Marketing	Managerial Employee	14.6.2011	48 min	Company Facilities
<b>Company B</b>					
John	Business Unit Marketing	Managerial Employee	15.6.2011	50 min	Company Facilities
Elizabeth	Business Unit Communications	Managerial Employee	1.8.2011	47 min	Company Facilities
Jennifer	Corporate Communications	Senior Manager	15.6.2011	56 min	Company Facilities

The background information of the interviewees is presented in table 3. In short, five of the interviewees were working in corporate or marketing communications departments at the corporate level, while three of them were working in marketing departments at the business unit level. The standing of the interviewees varied from managerial employees to senior managers, although most of them perceived themselves as specialists or experts rather than managers due to the nature of their work. It is important to note that for privacy reasons the names used in this study are not real names of the interviewees, but random pseudonyms instead. Using pseudonyms was considered preferable choice in comparison to replacing the names with letters and numbers (e.g. person A1).

The main language used in the interviews was Finnish with the exception that one interview was conducted in English. The interviews took place in the facilities of the case companies with the average duration of ca 49 minutes. Despite the predetermined interview protocol, the interviews were discussion-oriented and the questions were used to guide the discussion revolving around the interview themes. It was assumed that the discussion-oriented approach would help in avoiding the response bias by making the interviewees feel more relaxed. Indeed, the respondents were allowed to take their time to think and thereafter answer according to what they really knew, thought and felt, and not according to what they regarded as a best or right answer. A lot of preparations were made to keep the discussion flowing with further questions to get in-depth insights into the research issues. For analyzing purposes, the interviews were audio-recorded, which also decreased the probability for recall biases.

### **3.3.2 Analysis of the Semi-structured Interviews**

Analyzing the collected data started by listening and transcribing the audio-recorded interviews verbatim. Transcription refers to the activity in which the characteristics of a specific discussion are transformed into a visible form as accurately as possible, and the aim is to make the interview or conversation permanently available for scientific analysis (Kowal & O'Connell 2004, pp. 248-249). Transcription can be considered as a common starting point for the analysis process of interviews. Thereafter, the analytical techniques applied for semi-structured interviews may vary greatly, as the selection depends on the study goals, interview questions, methodological approach and resources. For this reason, the researcher is advised to formulate an analytical strategy which brings together the selected analytical techniques that suit the study needs. (Schmidt 2004, p. 253.)

According to Schmidt (2004, pp. 253-257), the analytical strategy begins with intensive reading and note-taking of the transcribed interview material in which the main attention is paid to the issues related to the researcher's theoretical knowledge and to the research questions of the study. Thereafter, the researcher determines "analytical categories guide" according to which the collected interview material is coded. In the coding phase the text passages are classified into the analytical categories that were earlier created. Finally, the analytical categories are investigated thoroughly, after which the interpretation of the analysis can be presented in the form of results reporting.

In the context of this study, the exploited analytical approach was similar to the analytical strategy described above by Schmidt (2004, pp. 253-257). However, the process was not just as straightforward in a sense that the preliminary analysis began already after the first couple of interviews. This kind of an approach can be considered peculiar to case research in which the data collection tends to modify the prior theoretical insights as well as facilitate the subsequent interviews (Flint, Woodruff & Gardial 2002). Indeed, the preliminary analysis was regarded helpful in identifying issues that required

further investigation in the subsequent interviews. Thus, the following interviews were also to some extent guided by the prior knowledge.

After all the interviews were conducted and transcribed, the collected material was carefully assessed and coded to the analytical categories. The coding was somewhat easy to perform, because the categories were created according to the predefined themes which simultaneously represented distinct phases in the theoretical model. However, it was noted that the suitable text passages were not always discovered under the related questions. Instead, it was common that the responses of interviewees were linked with some other themes that the question was originally designed for. In addition, the same text passage reflected sometimes multiple themes. As a result of the comprehensive analysis of distinct analytical categories, the study results are reported in chapter 4.

### **3.4 Summary of Methodological Decisions**

This chapter has discussed the methodological considerations related to this study. On the basis of the discussion, various decisions were made with regard to the research strategy, case selection, data gathering and analytical techniques (Figure 9). To sum up, qualitative case study was selected as a guiding research strategy, because the goal of this study was to investigate the phenomenon in the context of selected companies. The study design is descriptive with explorative features as the study aims at describing how the research phenomena appear in case companies, as well as gaining ideas for further research. The research strategy was implemented with abductive approach because the study pursued for the development of existing theories instead of testing or generating one.

The case selection was based on purposeful sampling indicating that the case companies were selected on the basis of their information richness, whereas the sample size did not play a major role. Consequently, two cases were selected that represented large-sized industrial companies operating in global B2B markets. When it comes to the data collection, semi-structured interviews were conducted, because they enable certain amount of flexibility for in-depth investigation, but simultaneously keep the discussion on the rails. The total of eight participants were interviewed all of whom possessed special knowledge with regard to the seven predetermined interview themes that had been planned in accordance with the theoretical model of this study. Finally, the audio-recorded interview material was transcribed, classified into distinctive analytical categories and analyzed diligently before reporting the results.

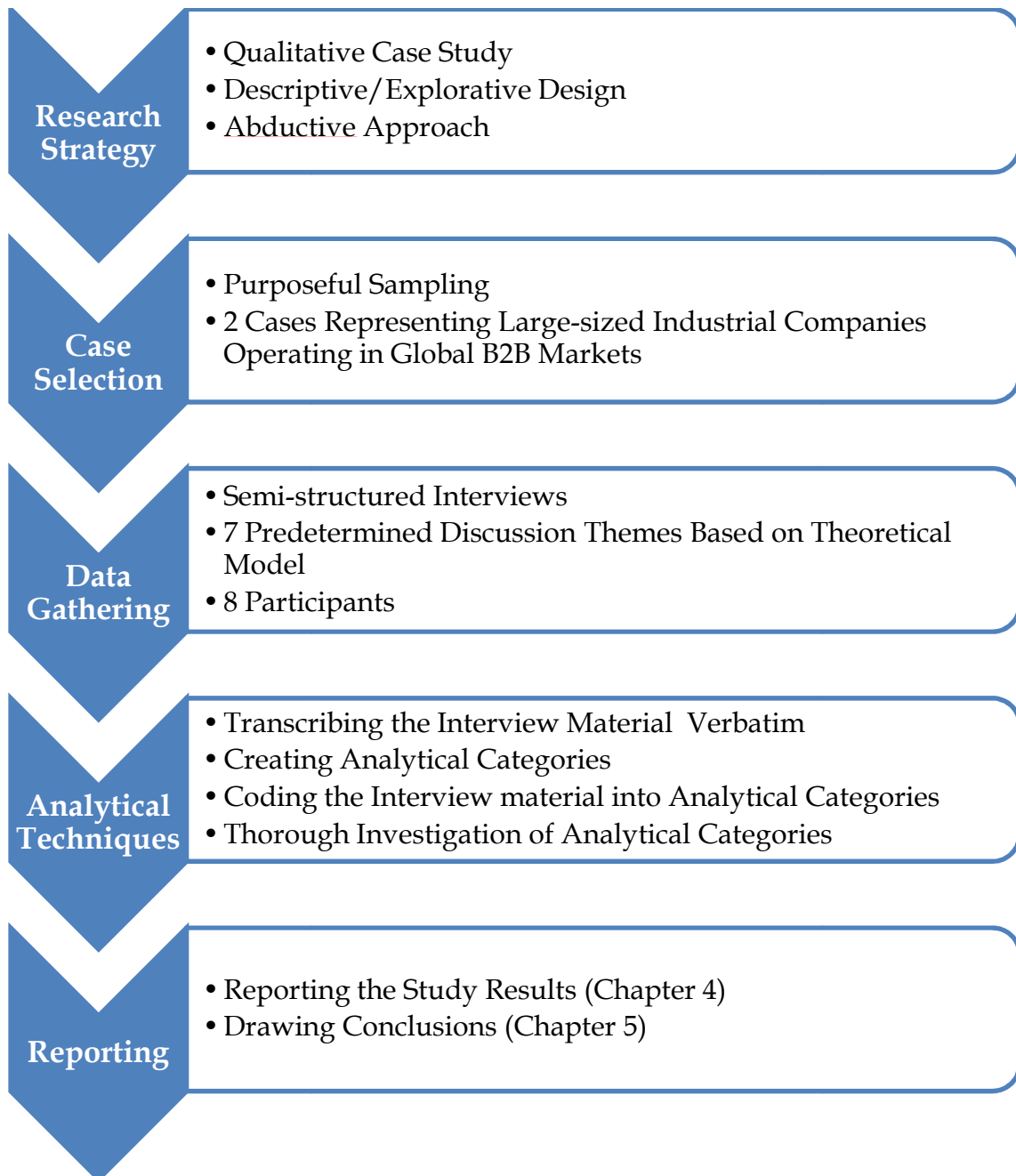


FIGURE 9 Methodological decisions of the study

## 4 STUDY RESULTS

According to Yin (1981), the typical case study report tends to suffer from unsystematic structure, which makes it difficult for the reader to follow. Yin suggests that in order to avoid this pitfall, the case study report should be based on a clear conceptual framework. Inspired by this idea, reporting the results of this study follows tightly the theoretical framework of the study (Figure 8).

The main idea is to present the results in a logical manner starting from the impact of digitalization on marketing communications goals, strategies and tactics. Thereafter, the focus is shifted on marketing communications measurement phases, performance evaluation, and to reporting and feedback mechanisms. As an attempt to make the reading as convenient as possible, the reporting is divided in subchapters that follow the measurement phases of the theoretical model. Moreover, even within the subchapters, the main points of interest are highlighted, which allows the reader to skim through the report and discover those results that are of interest to the reader in question.

### 4.1 Marketing Communications Goals and Strategies

The theoretical framework of this study is based on the premise that marketing communications should be planned in accordance with marketing communications goals. Consequently, marketing communications should guide the formulation of marketing communications strategies in a way that the strategies would foster the achievement of the goals. This section reveals that the case companies emphasize heavily the importance of brand image and customer relationships in their strategic marketing communications goals. The strategies fit to the predetermined goals at least to some extent, although the interviewees have only vague ideas of the formulation and content of the firm's marketing communications strategy.

#### *Marketing communications goals*

As the most important marketing communications goals, the interviewees stress the role of strengthening the brand visibility and awareness as well as brand

image. Brand visibility and awareness are seen as prerequisites for the effectiveness of all marketing activities, and therefore, their role is considered particularly important in new market areas:

Mary: *"If we stay inside of a barrel and nobody knows anything about us, surely we won't be doing very well in the long run."*

John: *"In Finland we are very well known which helps us in sales and marketing efforts in our home country, but in many other countries our corporation brand, let alone our business unit and products may not say anything... In international markets the competition is extremely tight, and gaining visibility and awareness is not that easy."*

However, as both case companies represent long-established corporations, the main focus in brand building concerns clearly the improvement of brand image. More specifically, interviewees referred to the aspiration of creating positive and coherent brand image to all stakeholders. By improving the brand image, both companies strive for creating an innovative and forerunner image:

Patricia: *"The main marketing communications goal is to deliver world-class and forerunner image."*

Linda: *"We want to be innovative and leaders in our field."*

Elizabeth: *"I think showing innovativeness is becoming more and more important."*

Along with brand building, maintaining strong relationships with customers and other stakeholders is seen as one of the most important marketing communications goal. In particular, gaining favorable reputation and building trust with customers through honesty and open dialogue are considered vital goals. The dialogue with customers is also seen important, because it enables collecting information from customers for product development purposes:

Mary: *"The goal is to convey truthful picture of things... We tell openly what we do, discuss it with our customer groups and listen to them... In my opinion, the trust is all in all, along with reputation."*

James: *"We can collect information from customers in terms of what products we should develop."*

Remarkably, generating sales was mentioned only by one interviewee as a primary goal for marketing communications. However, strong brand and customer relationships are believed to lead in better market outcomes in the long run. Thus, generating sales is considered as an indirect goal of marketing communications in the case companies, which results from patient and sensible product, brand and customer relationship management:

Mary: *"If we manage things right, our products will be sold and used. We don't want to create a deceitful image on basis of which customers buy from us, because I don't think it is sustainable business."*

Although the perceptions of the main marketing communications goals between the interviewees are very much alike, one notable difference can be found in corporate and business unit levels. While both interviewees from business unit level mentioned concrete goals for performance, such as “number one brand in Europe”, the interviewees from corporate level presented goals that were abstract in nature e.g. showing innovativeness and improving brand image. There were no comments regarding what these abstract goals mean in practice, or how the achievement of these goals is evaluated.

### *Digital marketing communications*

The interviewees think unanimously that digital marketing communications aim at the same or similar goals compared to traditional marketing communications. Indeed, digital marketing communications are perceived as new channels that support the overall marketing communications goals. Even though the marketing communications messages are delivered in different forms across the channels, the key message and its purpose is to remain consistent:

*Elizabeth: “Yes, digital marketing is aiming at the same goals. I personally believe in multichannel story telling in which, when you see our company in different channels, your picture of us is clarified all the time. You sort of encounter the same faces in different channels.”*

However, there are some goals designed specifically for digital channels, such as increasing net presence and improving interactivity. It was thought that increasing interactivity was best achieved through digital marketing communications which facilitate genuine dialogue between the company and its customers:

*Jennifer: “It is especially aimed at increasing interactivity, we would really like to get our customers more involved... at the same time we are aiming at creating more dynamic and modern image, and that’s where the digital solutions serve us very well.”*

As pointed out in the previous citation, the digital channels are regarded consistent with the aspired brand image of the case companies in a sense that being present in the newest digital channels communicates innovativeness and contributes to the forerunner image. What was considered particularly peculiar to the social media applications, brand building was perceived as the main purpose instead of generating direct sales:

*Mary: “Especially, as we are currently thinking about social media, we do not try to sell anything to anybody, but it is specifically aiming at building the foundation and trust and openness in a sense that we want to be technology experts and we want to be present in the places where the future of our industry is discussed.”*



### ***Marketing communications strategies***

The awareness and understanding of marketing communications strategy among interviewees is weak. In the matter of fact, none of the interviewees was able to tell exactly what the marketing communications strategy means and holds inside in the company in question:

Patricia: *"Well, I'm not quite sure if we even have a marketing communications strategy as such."*

Elizabeth: *"I don't really know, because in a way, even though I'm supporting marketing communications, I don't know about their strategies that much, but I guess I could say that, hmmm, what do you mean by the strategy exactly?"*

Mary: *"The marketing officials from business units were presenting their strategies so that everyone should be aware of them, but it is another thing how top of mind they are in everyone's daily work. I wouldn't dare to claim that, but they are available and everyone has been made aware of the fact that they should be understood."*

Despite the lack of knowledge regarding the exact nature of marketing communications strategy, each interviewee was able to name some strategic lines that guide the planning of marketing communications actions. However, many of these "strategic lines" represent goals rather than plans of action that would indicate how the goals are to be reached. All in all, the leading idea of marketing communications strategy that came across in the interviews is that both companies are aiming at a preferred brand positioning which is meant to be created by delivering consistent message in different channels:

Elizabeth: *"Our corporate brand positioning guides our strategic lines, but then we also have our business unit brand, specific image style, specific style to talk, it comes from there. But in general we have the leading idea that we believe in print and we believe in the symbiosis of print and digital channels."*

Mary: *"Whatever we do, we try to create similar picture so that the messages do not collide with one other... The message may look different across channels, but the things we have said in Twitter cannot contradict with what we say on our website."*

### ***Strategy formulation process***

Not surprisingly, as the interviewees seemed to have only vague ideas of what the marketing communications strategy consists, most of them are not familiar with how the marketing communications strategy is formulated either:

James: *"I have a very dim idea. Yes, I have seen some slide shows, but how the process goes in the background, I can't really tell."*

Elizabeth: *"I worked earlier in the marketing communications department, but I was sort of a specialist and my supervisor always told me what to do, so I don't know exactly how the process goes, but I believe it comes more or less as given from sales and product management."*

The interviewees are quite unanimous that the responsibility of strategy formulation belongs to marketing communications management and to the marketing management of different business units. In addition, a couple of them were even able to articulate the big picture of the strategy process. It seems to be that the marketing communications strategy is done as part of the wider communications strategy:

Jennifer: *"We have a so called communications management team, CMT, which consists of our Vice President Communications and the communications people from businesses... there the business people present their own communications plans and then they are assessed and compared to the communicative image of the whole corporation, to see if they fit in."*

Mary: *"How I remember it, there are different goals in each business in terms of what they want to communicate, then we have the whole company's strategy what we want to communicate, then we have global, area and local levels where we want to stress different things... from these it is kind of woven together."*

All in all, the marketing communications strategy formulation is supposed to be based on integrating the communications interests from different parts of the organization. In addition, all the interviewees thought that marketing communications strategy is to be aligned with overall marketing and business strategy. However, some of them had doubts in terms of how well these objectives are fulfilled in practice:

Barbara: *"Each of our selling businesses have own strategic business strategy. Marketing strategy and the communications are supporting all businesses so they need to look at all business strategies again and then have an overall view of what solutions and how can we in a same way support businesses similarly, so to say."*

Jennifer: *"Here at the corporate level, there is relatively loose relationship. Frankly speaking, it happens easily that we have our own images and businesses, businesses carry out their own communications perspectives. But as I said, this CMT, communications management team pursues for pulling the views together."*

### ***Role of digital marketing communications***

As long-established industrial companies, traditional offline marketing communications have been stressed in comparison to online alternatives. However, the role of digital communications as part of overall marketing communications has been steadily increasing. Despite the growing interest in digital channels, several interviewees wanted to highlight that traditional marketing communications are not to forget, and the main idea is to find the right balance between online and offline communications. The right balance was suggested to depend on the particular markets and industry:

Patricia: *"I would say that we strive for digital marketing communications all the time and it is growing... It is always noted that we cannot forget the print world, because it just happens to be needed a lot in different corners of the world, but yes we do want to invest in digital channels and to highlight them, but we should find a balance."*

James: *"It is important to note that we are in business-to-business domain... What is important and what is not depends completely on which markets the company is operating. Inside our company we have three business units, and one can say with gut-feeling that the sales of one of these units are completely generated through offline communications... When the number of customers is decreasing, the role of offline communications is growing. The same applies to the other direction – in our services business we have a great amount of customers, so we have to aim at online visibility as these customers are doing their things online."*

All the interviewees saw that there is no separate digital marketing communications strategy, and the whole idea of dealing with online and offline channels as separate concepts is not considered sensible. On the contrary, the idea is to integrate online and offline marketing communications into coherent combination. Thus, instead of separate digital marketing communications strategy, the influence of digitalization is clearly evident in overall marketing communications strategy, albeit not all respondents thought that digitalization had reformed the strategy in any ways:

Mary: *"Digital communications is not supposed to be a separate domain, but it should be present everywhere. For example, when we go to an exposition, we inform it in digital channels as Twitter tweets for instance that we are here and talk about this and do this and here are videos from our exposition presentation, go and see. So it's like one channel to gather interested people to the source of the same information... Digital channels should be always involved when it's sensible, so they are not meant to be separated, but does it currently work like that in a natural way? That's a good question."*

Barbara: *"No, the digital age did not reform our strategy, but the digital age is supporting us to be able to support the overall business strategy, so we need new ways of support and that's where the digital aid comes in for us."*

Jennifer: *"As part of the strategy, there is a distinct point determined which is increasing interactivity, and I think it can actually only be increased through digital part, or it is easier to put into action digitally. Because it is determined as one strategic element, it raises the significance of digitalization."*

In practice the increasing role of digitalization is manifested by transforming the marketing materials into digital form, getting involved in social media and changing the marketing mentality from push marketing to more co-operative forms. The change in mentality reflects evidently the modern marketing communications paradigms that aim at personalization, dialogue and collaboration with customers. Indeed, the case companies constantly articulated their purpose for transparency, interactivity, dialogue and trust building with customers:

Barbara: *"The traditional marketing will get less, since it will become digital. And our customers will receive these materials more in a digital way, it's not handing over, it's more giving as a record, sending them in the meeting memo where those are incorporated on e-mail for example."*

Mary: *"We have a dedicated team which is responsible for social media along with this new organization, so I think it's quite a big statement to show that we are interested... If we think about the "mad men age" kind of traditional marketing that we brainwash a consumer to buy something that he/she doesn't need, so at least I hope it's not like that anymore. I would like to see it in a bit more human way that we tell openly what we do and discuss with our customer groups and listen to them."*

### ***Limited strategic role of marketing communications***

One interesting finding of the study is that the role of marketing communications in the case companies can be considered very limited, especially on the corporate level. In company B, there is not even a dedicated marketing communications team on the corporate level, and instead, the responsibility is incorporated partly into the corporate communications department and partly into the distinct business units. In practice, the business units are very independent in terms of implementing their marketing communications needs. Moreover, corporate level has problems to stay updated with the current marketing communications needs of different business units, which reveals that the co-operation between the corporate level and business units is not sufficient:

Jennifer: *"The information exchange could be more active, I have to admit... The business units have their own budgets, so they perceive themselves as pretty independent, so we don't always have a very solid or clear picture, what is happening in the field... In our small group of corporate communications, we cannot really follow what the marketing communications needs are in the business units so in that sense we are sort of separated."*

On the other hand, company A has a separate marketing communications department on a corporate level which is largely responsible for the company brand. However, the strategic role of marketing communications was minor as the customer relationships are managed within the business units. Indeed, the interviewees from the marketing communications department highlighted several times that marketing communications department operates as a service function for the businesses. Moreover, even the key marketing messages are formulated in the business units according to the interviewees:

Patricia: *"How I see the effectiveness of our actions, I would say that we do pretty much what the businesses want us to do. We challenge their views quite a lot, but it is difficult to change their ideas, and we just kind of have to trust in them and do what they want us to do and what they consider important... We don't really manage customer relationships, it is done by sales and marketing in business units. We are mainly planning and delivering marketing material to the sales and marketing."*

Linda: *"We work actually a service function for business units as well, so they define the key messages and key market areas and so forth."*

## 4.2 Marketing Communications Tactics and Actions

While the previous section ended with the discussion concerning how the impact of digitalization can be perceived in the strategic marketing communications of the case companies, this section continues to analyze this impact on tactical level. According to the theoretical framework of this study, the marketing communications tactics should be selected in accordance with the strategies, so that they would foster the achievement of the marketing communications goals of the specific company.

### *Digital marketing communications tactics*

The growing importance of digitalization in the case companies is evidenced as an increasing array of digital marketing communications tactics in use. The listing below (Table 3) summarizes those marketing communications tactics that the interviewees mentioned during the interviews.

At a glance it seems that the case companies are using a wide variety of digital marketing communications tools, and truly, it can be said that both companies have at least a huge interest in the digital tools. However, the listing might give a slightly biased perception of the reality in a sense that it counts all the tactics that the case companies have experimented at least in one department. In practice, not all of these experimented tactics are in active use in any parts of the company.

Starting from the websites, the companies believe in the significance of corporate websites. Many interviewees consider them as the core of all the other digital activities that the company is using. Accordingly, the companies have invested a lot of resources in creating and maintaining their websites. In fact, there are dozens of different language-versions of corporate websites, and the business units have often websites of their own. In addition, campaign websites are used occasionally as part a larger marketing communications campaign:

*James: "Most importantly, the corporate website is a must-have. I mean, would you buy from a firm that has a bad website or don't have one, so it is sort of a place where you can check that do they really know what they are doing. So, it is definitely important."*

*Jennifer: "We have very decentralized web pages, so we have around 70 different sites including different language versions, but 40 completely independent sites. Besides corporate web sites, I could add that we use campaign web sites when we want separately promote a distinct product."*

Online advertising in the form of banner and search engine advertising have not been utilized very actively, and most of the interviewees are unsure about the benefits that can be achieved by using them. In particular, banner advertising has been used only in a few occasions, and it is not considered important by any of the interviewees:

*Jennifer: "As an attempt to create brand image, we have used banners to some extent, but they just don't seem to work. This is my personal opinion, but they just don't fit to this B2B"*

*thing very well and all in all, the click-through rates have collapsed. Nobody seems to click on banners anymore, and in addition, you don't get anything very concrete by clicking on our banner."*

TABLE 4 Online marketing communications tactics in case companies

ONLINE MARKETING COMMUNICATIONS TACTIC	COMPANY A		COMPANY B	
	IN USE	IN CONSIDERATION	IN USE	IN CONSIDERATION
<b>Websites</b>				
Corporate website	X		X	
Campaign website	X		X	
<b>Online advertising</b>				
Banner advertising	X		X	
Search engine advertising	X		X	
Search engine optimization	X			X
<b>E-mail Marketing</b>				
Contacting customers	X		X	
Digital newsletter	X		X	
<b>Content communities</b>				
Youtube	X		X	
Wikipedia	X			
Flickr	X			
<b>Blogging and microblogging</b>				
Corporate blogging		X		
Twitter	X		X	
<b>Social Networking</b>				
Facebook	X		X	
LinkedIn	X		X	
<b>Digital sales tools</b>	X		X	
<b>Webinars</b>		X		

Compared to banner advertising, search engine advertising is seen more positively, although the perceptions varied among the interviewees. The major problem seems to concern the lack of results assessment. However, one

interviewee considered search engine advertising as one of the most effective tools. On the other hand, search engine optimization was mentioned only a couple of times, but some interviewees showed a lot of interest in it. Company A has already optimized their corporate websites while Company B had not conducted a proper optimization project yet. However, Company B is planning to do so in the near future:

*Elizabeth: "We used to utilize search engine marketing on a corporate level so that we bought some words, but the problem was that nobody was really following the results and nobody really got into it, so I think we are still in the beginning and we should put more effort in it... The time was not right then, but now I believe the time is more favourable."*

*John: "During the spring this year, we launched a broad, massive Google Adwords campaign with the help of our consultant in 13 different countries, so it has increased the visitors even in these smaller websites significantly... The optimization is an issue of next autumn. We have done it to some extent, but so far, it has remained limited."*

The most recent online marketing communications tactics facilitated by the IDM are also increasingly in use. It seems that the companies do not want to rush into all the possible social media applications, but the idea is to take small steps and choose those applications that suit the company needs. Thus, the companies are still largely acting as followers in many social media applications, such as social networks (Facebook & LinkedIn) and Twitter. The last-mentioned seems to be used most actively in both companies, and it is generally regarded as an effective and fast information channel:

*Elizabeth: "Through Twitter, our followers get the information of everything that is going on with us, as long as we communicate there, so in my opinion it has been pretty effective channel."*

When it comes to the social networks, LinkedIn is considered a lot more important than Facebook, because it is particularly designed for professional use. In Company A, LinkedIn is thought outstandingly beneficial because of its groups with special interests; the firms are able to follow industry discussions and interact with customers and other professionals from the same industry. More specifically, one interviewee mentioned that being active in LinkedIn discussion groups is an excellent way to acquire new customer leads. On the other hand, Facebook is only used as an informal communications channel which is mainly targeted to the own employees. As a remark, Facebook and Twitter are not officially used in Company B, but their profiles have been established by individual organization members:

*Mary: "From the very beginning, LinkedIn has been clearly defined for business use and it is an easy forum to attract also the more conservative and careful people... There is a vast amount of those groups under a specific profession or theme, so it networks very well the professionals of the industry... There are discussions like "do you have experiences of this and this?" As I discussed with our business people, there really is money around these discussions."*

Jennifer: *"In Facebook, we don't really have a profile. There is sort of a group which has been established by our own employees, but there is no official content. It is an internal forum for exchanging ideas, and it is not meant to be guided in any ways. Well, we might follow a bit what is being discussed there."*

From content aggregators, updating information on Wikipedia and uploading pictures to Flickr were mentioned by one interviewee in Company A. More importantly, uploading videos to Youtube was mentioned several times by interviewees from both companies. More generally, it became clear that videos and animations are seen as a growing domain in the marketing communications:

Mary: *"In Youtube we have around 70 videos at the moment and the number is constantly increasing. In general, video is something that I personally believe in strongly in internal as well as external communications. I think it is where everything is going; it's almost like "you might disagree, but you are wrong" -kind of thing."*

Patricia: *"We have already started to use these kinds of animations and interactive animations and I think that they are truly effective and the visitor gets a lot through them."*

Many of the videos and animations are simply uploaded online, but in addition, they are used as digital sales tools to support product exhibitions and customer dialogue. Altogether, it seems that the digital sales tools have emerged as effective tools especially in terms of illustrating the specifics of complicated solutions to customers. In addition, customer dialogue is also actively facilitated with e-mail and digital newsletters to customers in both companies, but especially in company A, where they have also created interactive iPad versions of digital newsletters:

John: *"We have this kind of product planning tool which enables anybody to plan one's own products."*

Linda: *"Our objective is to find more innovative ways to support our sales personnel in customer communications."*

One interesting notion is that the perceived importance of the different online marketing communications tactics was found fluctuating a lot among the interviewees; corporate website, Twitter, LinkedIn, digital sales tools, search engine advertising and e-mail were all mentioned as the most important digital marketing communications tactics by at least one interviewee. Corporate website jumped out from these as it was mentioned by four interviewees, but besides that, the opinions were very fragmented even within the same company. This was particularly evident in company A as one interviewee considered LinkedIn as the most important tactic, while another was not sure if it was even in use anywhere in the company.



### ***Lack of co-operation in the use of digital tools***

As mentioned above, the opinions regarding the importance of digital tools was found very fragmented within both case organizations. The reasons for the fragmentation may be multifarious, but one important issue was brought up by the interviewees. Namely, there is a lack of co-operation between the organization functions. The same phenomenon is perceived in the co-operation between different business functions, between marketing communications and business units and between marketing communications and corporate communications (Company A). It is not that the functions would not perceive co-operation important, but nevertheless, the relationships have remained formal. These formal relationships hinder the active and effective use of new marketing communications in a sense that the new ideas and best practices are not widely shared:

*Patricia: "We don't co-operate that much between different communications functions, so it is one of those things that we should really develop."*

*Jennifer: "I think some business units are more closely in contact with one another, but how much do they actually share information, I don't really know. Nevertheless, we do have an online forum where people share information to some extent quite honestly."*

*Mary: "In practice, communications and marketing communications belong to the same organization, but they are largely divided in a way that they are situated in two different cities, so for sure there is kind of a gap. Since I have not worked that long here, I feel like our marketing side is a bit more unfamiliar to me. We are on the same time zone and we have pretty good tools to communicate, but of course, the more unofficial discussions remain scarce. Especially, in this kind of things where we try to create something new and change the mindset, the unofficial "coffee table" conversations would be very important. I sort of feel that I don't know them that well that I could bravely provide ideas to them, so the relationship is kind of formal."*

Despite the lack of co-operation, its importance is recognized, and there seem to be a lot of efforts to condense the information exchange across the corporate functions. Probably the best example of this is the "web expert network" in company B which is highly appreciated among the interviewees. In practice, it has led to the more effective use of digital marketing communications tools:

*John: "Last year, our corporation launched the web expert network where I've been a member. In this network, our web communications experts have exchanged information and it has been truly outstanding forum to share ideas and best practices to one another... We have adopted concrete practices from other business units. For example we launched an electronic newsletter by taking advantage of the tips we received in this network and then, we have been discussing about Google Adwords campaigns with one another and so on."*

### ***Increasing use of online marketing communications tactics***

The role of online marketing communications tactics in the case companies is to be growing as part of marketing communications in the future. According to the interviewees, websites will remain as the home-base of all digital activities. In addition to the websites, discovering interactive tools, such as animations to

the support of sales personnel is considered increasingly important, because they provide the sales representatives with more interactive ways to exhibit the products. Along with animations, the number of online videos is expected to keep on growing.

There are plenty of digital tools that the companies would like to use more effectively in the future. Mobile marketing, search engine advertising, and especially, search engine optimization is on the development list in Company B, while Company A is taking new steps to develop a new CRM-system and to improve the existing extranet. Company A is also looking into the possibility of launching public blogs and webinars. Currently, the blogs are used as an internal communications channel in Company A, while webinars were shared in intranet in Company B:

Mary: *"We have internal blogs, and we are currently kind of practicing the art of writing a blog, because it is a bit different journalistic style. We are also thinking about launching a public blog and we have discussed about the theme that we really want to speak about, and then we have pondered whether it should be written only by us, or should it be the kind of "powered by us" blog where we gather experts of a specific industry."*

In general, both companies are planning to strengthen their positions in social media little by little. All in all, the interviewees are clearly willing to increase the use of online marketing communications tools, but the choices are always restricted by the limited resources. Therefore, companies need to consider carefully which tactics they eventually prioritize to reach the best possible result:

John: *"We have not yet finished the plans how to improve our digital communications, but we surely will get more strongly involved with the social media"*

Linda: *"We are constantly considering what we should develop within the digital communications, but it is the matter of resource planning, so we have to think what is sensible and what is not."*

### ***Pros and cons of digital marketing communications***

The case companies have experienced several advantages that favor the use of digital marketing communications compared to the traditional marketing communications. On top of these, many interviewees highlighted affordability and fast distribution, as the online tactics can be easily shared to reach a wide audience with low costs. In addition, the digital form is appreciated, because it allows editing and updating of content which is not possible in the offline world:

James: *"The most important advantage is probably the price. After all, digital communications is pretty cheap."*

Jennifer: *"I would say the speed in a way that if we want to communicate something fast, the content is quickly transformed into a digital form which makes it really fast to disperse."*

Patricia: *"I think it is easier to distribute online... And when compared to the printed material, the digital content is easy to edit."*

While in offline world, measuring the results is often problematic, digital communications is making the results more measurable at least in certain occasions:

James: *"Digital communications is also more measurable. Where the results of offline communications are very hard to measure, in online environment it is possible and even easy in some cases."*

Altogether, it seems that the case companies find digital marketing communications more efficient. Besides that, the biggest advantages concern enhanced interactivity, dialogue and engagement. One interviewee pointed out that even though face-to-face meetings allow the best opportunity for dialogue, the digital tools offer new opportunities for customers to interact with the company at all times:

Mary: *"It is this famous engagement, which enables two-directional discussion... I don't believe that virtual and digital communications will ever replace face-to-face, but the point is that we cannot sit on the lap of our customers 24/7, so these digital tools provide us a better chance to be present and to listen to our customers."*

Despite all the advantages of digital marketing communications it is not the right solution for every situation. As one interviewee noted, the perceived benefits are market-specific, and some benefits e.g. reaching a wide audience is not important when there are only a few customers that need to be reached:

James: *"The pros and cons are so industry-specific that discovering the common benefits does not always hold true. I mean you might say that with a small amount of money you can reach a wide audience, but however, this common benefit is worthless in certain businesses where the large audience does not matter."*

Consequently, it is important to consider thoroughly when to use online tactics. In addition, there are also disadvantages and challenges associated with the use of online tactics. First of all, internet can be regarded less personal among customers compared to offline interaction:

Elizabeth: *"Well, I think that the personal selling is most important... And internet is cold, I feel that if you tell someone to go and do the things online, it means that we have outsourced our customer service to internet, or at least it can be experienced that way."*

Secondly, since there are a wide variety of digital tools many of which are not well known among firms, it becomes difficult to choose the best tools for the needs of a specific company:

Linda: *"I think one of the problems is to make the right decision and choose the right tools, because there are so many options... I feel that it is easier to make decisions between the traditional tools, because people are more familiar with them."*

Finally, the interviewees think that the social media applications demand different kind of approach from the company side to become effective. The traditional push marketing is not considered appropriate, and there is a need for collaborative and interactive tactics. Additionally, whereas traditional marketing communications may cost a lot compared to online marketing and especially social media applications, the real costs incur from the maintenance of these applications which requires a lot of human resources:

Mary: *"The traditional marketing messages that highlight our excellence or promote our products do not really fit to the world of social media. We should rather discuss with other people about what we think about certain important themes... Using social media may be perceived cheap, but it is more demanding. Traditional marketing campaigns are easy to implement and the money invested is easily counted. It is a lot more difficult to tell someone to go to LinkedIn and be active - what, do I really need to do this by myself?"*

### **4.3 Measuring Customer Impact**

Gaining insight into how customers perceive the company and its marketing communications actions is identified as the first measurement phase in the theoretical framework of this study. When measuring the customer impact, the case companies highlight the role of offline measuring in the forms of customer surveys and feedback. However, the digital measurement is growing in importance, and the companies are already taking advantage of web analytics to measure the effectiveness of digital marketing communications actions. Additionally, both companies have experimented different kinds of monitoring software in order to identify online news and discussions related to the company and its industry.

#### ***Customer surveys and feedback***

The customer surveys have not lost their position in the case companies, when it comes to measuring the customer impact of marketing communications actions. In both companies, customer satisfaction survey is playing a major role along with some sort of brand or company image survey. According to the interviewees, these surveys provide approximate information of how the customers perceive their relationship with the company. On the other hand, the contribution of these surveys does not seem to be sufficient for brand measurement purposes. Indeed, some of the interviewees think that they had not invented any good solutions for measuring the brand strength, even though Company A was planning to execute a brand audit in the near future:

James: *"We do measure customer satisfaction, and it is like an ongoing track, where we follow the trends, and if something does not seem to work, we try to identify the reasons for that. When it comes to the brand awareness, I would say yes, we are supposed to measure that. It is one of those things that we would like to do, but we haven't figured out really efficient ways to do that. Of course we could ask our customers, but on the other hand, we really don't want to bother them with those kinds of idle questions."*

John: *"We cannot measure our brand strength or long-term outcomes very accurately at the moment; it's based on scattered information... Currently, all the information we get is from those that we ask about it, but we don't have any broader knowledge of it."*

All in all, the interviewees doubt the benefits of these surveys as they do not tell much about how the customers perceive the specific marketing communications actions and tactics. In addition, they think that it is questionable how well these surveys suit the needs of today's hectic world as they are usually conducted only once a year. Nevertheless, more regular measurement is not considered sensible either, because many interviewees consider it troublesome from the customers' point of view:

Patricia: *"I was just in one meeting where we discussed about a questionnaire, and it included a question: are you satisfied with our web sites? And another one was, are you satisfied with our sales/marketing material? Then we just started to think what customers understand when we say sales/marketing material, so it's like, you cannot really define what you should think about that. This is currently the only thing that we do."*

Mary: *"I don't think these surveys really tell much about the hectic world around us, if we do some sort of questionnaire once a year and then we have x respondents, so I'm not sure."*

Another important channel to evaluate the customer impact of marketing communications actions is the direct feedback from customers; the sales personnel is continuously in contact with the customers, which allows the companies to collect information of how the customers perceive the relationship with the company as a whole, and what they think about distinct marketing communications actions:

Linda: *"Especially when it comes to the marketing communications activities, we get direct feedback regularly from our sales personnel concerning specific things, like what we think about the quality of our marketing material compared to what the customers think about it."*

In addition to the continuous feedback, one interviewee mentioned that they invite their customers once a year to the factory where they organize a "showroom" of marketing communications actions to the invited customers. After the showroom session, the customers are asked to provide feedback of how they perceive the presented actions. The same interviewee also mentioned that they tend to interview their key customers over the phone to discuss how satisfied they are with the company as a whole:

John: *"We organize every year the so called "customer days" in which we invite key customers to visit our factory for a few days. There we present our marketing*

*communications tools, channels and actions, and after this kind of showroom session, we ask written feedback from the customers. In addition, our sales and marketing has conducted phone interviews for selected customers at least once a year to investigate how satisfied or unsatisfied they are."*

### **Web analytics**

While offline measurement options such as customer feedback and surveys rarely provide relevant data of how customers have been influenced by individual marketing communications actions and tactics, the digital world has offered new possibilities to this issue in the form of web analytics. In particular, the interviewees mentioned that web analytics enable an evaluation of how much a specific marketing action has gained visibility and interest among web users. The focus of this evaluation is on the corporate website, as both companies are following traffic metrics:

*John: "We are following the number of unique web site visitors per month, unique page views per month, average time of a page view and so on."*

When the web users have landed on the website, the interviewees mentioned that they follow the navigation path of the visitors in order to identify the main points of interest on the site:

*James: "We are able to follow our website visitors to recognize which areas have had most interest among the visitors."*

Along with corporate website statistics, the interviewees find it easy to examine how much interest the specific digital marketing communications actions have attracted, e.g. how many times an online video or a microblog text has been perceived, commented or shared. Additionally, the companies are capable of estimating how much traffic the specific digital actions have generated traffic to the website:

*Mary: "In digital channels it is possible to measure how much the actions have generated interaction which is more or less impossible in the traditional media. For example, if we have a LinkedIn Group related to a campaign, we are able to see if it has intrigued discussions, so the quantity and quality of discussions is a one pretty good indicator."*

*Elizabeth: "You get quantitative data of how many people have visited, and I'm able to see the sources of traffic. I can evaluate whether or not my Twitter tweets are beneficial, does anybody end up to our page from there, how many people have seen our video and so forth."*

The information generated by traffic metrics and other quantitative measures provide evidence of whether or not the digital marketing communications actions attracted interest in customers, and in particular, they enable the firms to evaluate which actions did not work. However, this quantitative data does not tell if the marketing message reached the people it was targeted to or if these targeted people understood the message in a way it was meant to:

James: *"The digitalization really helps us is that we can very quickly discover which actions do not work. If we sent a thousand e-mails, we could very quickly see if it doesn't work. So, we wouldn't do the same campaign again, but something else next time."*

Mary: *"I would honestly say that in my opinion we are still on a trivial volume stage. We have information concerning how many people we have in a specific group, and how much they discuss there, and how many people like something and how much something is retweeted and so on. It tells if anybody has even seen the message or heard about it, but it doesn't tell anything about how well they understood it. It is nice to have a lot of followers, but when you think about it, if you try to reach a small niche of people who should follow, it doesn't matter how many people follow you, but if they are the right people. That is something very difficult to confirm. I have only problems, too few solutions for this dilemma."*

### **News and social media monitoring**

Since the quantitative data has proven inadequate to provide information of what customers think and feel about the marketing communications actions, both case companies have tried to find new ways for listening to the customers in digital channels. Besides feedback through e-mail and other direct communications channels, the interviewees from both companies explained that they are trying to monitor the online news and discussions revolving around the company. The monitoring is performed either with the tools that are available to all the users of a particular social media application or with special monitoring software solutions:

James: *"Social media applications offer pretty good monitoring tools in themselves which are available for everyone. In addition, we use Google Alert and a special news monitoring software which also shows retroactively what has been discussed about us. So, these tools help, and the monitoring has become easier, even though these tools are far from being perfect."*

Monitoring the online news and discussions related to the company is considered important among the interviewees, because they allow gathering relevant information for the company use. In addition to pure information gathering, the monitoring enables the company to react and participate in the discussions, which is considered particularly important in case of potential crises:

Barbara: *"You need to participate in these discussions when they are ongoing and also give input into these discussions, so that the discussion does not go wrongly or that they haven't misinterpreted something."*

Mary: *"We have discussed with my colleague that at some point we will most likely encounter some sort of a crisis, because it happens to all the firms. We just hope that we are ready when that happens."*

Monitoring the news and discussions that involve the company brand name(s) is not considered as a huge burden. In the matter of fact, the interviewees from both companies thought that there are not that many discussions that involve the name of the company. In addition, most of these discussions are news-like neutral comments or stock price speculations that do not require taking any

action. However, it is another question that who should monitor and participate in those discussions that require participation; the corporate communications felt unqualified to understand the discussions related to e.g. the technology of the products:

James: *"Practically, we read every mention of our company. It is completely possible in this industry as the volume of the mentions is not that big."*

Elizabeth: *"This is my personal opinion, but I don't think that our product is the kind of a social object that has buzz around it. The discussion is a lot more about what happens from the investors' point of view or in the personnel if there are dismissals, but I don't think the discussions are necessary related to our products."*

Mary: *"The communications in digital channels is not something that you can outsource to the communications organization. Instead, we need the firm employees and the product development experts there, we need those people who are actually doing the work... We simply just cannot monitor it up here from the communications department, because we don't understand those things and we don't understand the discussions to determine which ones are relevant and which ones are meaningless."*

As opposed to the discussions with the company brand name, both companies felt that there are a vast amount of discussions revolving around the industry. Indeed, these discussions might be actually more helpful than the ones with the company brand name, especially when it comes to acquiring new customer leads. Unfortunately, tracking these discussions is difficult due to the information overload:

Mary: *"Well, we can at least to some extent monitor the discussions where we are being talked by our name, but I think the interesting ones are those which concern a specific theme that is related to our business, but where our name is not mentioned, because that is where the potential customers are. That is what is difficult."*

James: *"We do try to monitor the industry discussions, but that is again, that is a really difficult issue. If you think about the themes that concern our industry, the volume of the discussions becomes so large that it cannot be interfered except in the most important cases."*

Truly, one of the biggest pitfalls of the monitoring software derives from the fact that it is difficult to find the relevant news and discussions that do not mention the name of the company. Additionally, even with the brand name the monitoring software does not find those discussions that require some sort of log-in:

James: *One more notion is that none of the monitoring tools has access for example to LinkedIn groups that require an access to be able to read the content. The same applies to Facebook, so you cannot monitor everything."*

In sum, there are various problems regarding the use of these monitoring software in terms of identifying relevant news and discussions. In addition to identifying discussions, the interviewees mentioned that they have some



experience with measuring the brand strength through the volume and valence of eWOM by the monitoring software. However, the experiences have been very negative this far as the information generated has been untrustworthy and sometimes even misleading:

Mary: *"We have tested some of these measurement tools suggested by communications consultants that measure online presence, like what is our share of the discussions related to a certain theme, and what are the competitors' shares. These tools are quite nice, but you can never be sure that the data is correct. Everybody has complained that you still have to go and double-check everything manually; the software tells that you have this many hits, but then it is not like that because the robot thought it in a different way or something like that. There is always something weird in it. There are a lot of firms that develop these tools, but I feel like they are in the product development phase and if you buy these now, you are pretty much paying for the product development costs of these firms."*

#### **4.4 Measuring Market Impact**

In the case of a B2B industrial company, measuring the impact of marketing communications actions on market outcomes is problematic. The theoretical framework of this study suggests a direct link between the marketing communications actions and market impact, but there is no evidence of that direct relationship in the case companies. This does not come as a big surprise, because the direct link would have practically required an online shopping site managed by the firm which does not exist in either of the companies. Even the indirect link between marketing communications actions and market impact remains vague as it is difficult to demonstrate, how much the customers' final purchase decision is influenced by the marketing communications along with other variables. As one of the interviewees commented:

Mary: *"Well of course when we think about it, they are human beings who make the purchase decisions, so it is a difficult to determine, what human beings' decision making is based on. We can take ten cognition scientists and psychologies and whatever game theorists to discover that it is a really complex issue, so that is the first problem. In addition, when we are talking about the reputation and trust, we deal with long-term issues. We are not in the kind of business in which, if we made an offer, the customers would be like yeah, now get it cheaply."*

Nevertheless, the digitalization has shed a bit light on the issue of measuring the market impact of specific actions, because both companies are able to generate sales leads through digital channels.

##### ***Following sales trends***

Measuring the market impact of marketing communications actions is a huge challenge in the B2B industrial companies. The purchase decision in B2B sales process is hardly ever based on marketing communications solely, but the decision is rather influenced by how well the company is able to communicate the product benefits for the customer. Therefore, it is very difficult or even

impossible to demonstrate how much exactly do the marketing communications affect the final purchase decision. However, some of the interviewees thought that this dilemma is also an easy excuse for marketers, and in reality, marketers have not been very active in making an effort to gather data of sales impact:

Mary: *"I don't think that we are ever able to say that this purchase was only due to one specific activity. We cannot go inside the heads of the decision makers to point out that this decision was based on this, this and this, out of which the digital part was this big, so it is truly challenging."*

James: *"I think we have collected way too little information of what really increases sales and what does not."*

In general, the market impact is largely measured with sales trends in the case companies. When the sales trends are positive, the management is satisfied with the marketing and vice versa. During the specific campaigns, it can be tracked how many new customers or sales leads the companies get, but even in those situations the relationship is not that self-evident. Truly, everything affects everything and it seems that the relationship between the marketing communications actions and sales is a matter of belief, rather than fact; it is believed that well-performed marketing communications actions together eventually lead to an increase in sales:

James: *"When the sales go downwards, we can also watch towards marketing..."*

John: *"We want to believe that all those investments which we have made in the marketing communications, have had an impact on our sales as our factories are fully booked until the autumn... I believe the sales are generated as a joint effect of brand awareness as well as all the other actions."*

### ***Tracking the generation of sales leads through the digital channels***

Once again, the digital channels have brought new opportunities for measuring the market impact. Even though the link between the marketing communications actions and sales have remained fuzzy in the case companies, they are now better able to track the purchase intentions and customer leads generated through digital channels even though some of the interviewees were a bit unsure how actively the leads are tracked:

John: *"On our website we get at least some figures here. What is the benefit or conversion to sales may be difficult to confirm, but on the other hand, I think it tells something that the visitor has clicked "where to buy" link. I believe it means that they have at least some intentions to buy."*

Mary: *"In principle, we could track the leads in a way that if a certain customer relationship has started from a LinkedIn discussion, we can confirm that the lead came from there. Anyway, I don't think we have actively tracked those leads yet. It's more on the stage where we try to tell here in the organization that you are able to get customer leads from there as well. But I don't think we are tracking those leads yet."*

Interestingly, one of the interviewee commented that even though it is a good thing to gain customer leads through digital channels, they have not been that valuable due to the bad quality of an average lead. Additionally, another interviewee pointed out that although the sales lead is generated via digital channels, it does not prove that the lead was generated solely due to the digital marketing communications actions:

*Elizabeth: "The customer contacts are sometimes crappy and we get loads of them. It is nice that people contact us, but we are only looking for big customers. So the challenge is to find the true pearls among the leads."*

*James: "We do get customer leads through digital channels. But the question is if the lead is more beneficial, because it happened to be received through that channel and not through that channel, if we had received it anyway. I mean, the thing that a person does it in a way that is most convenient for him/her, does not increase the amount of leads, but only transfers the leads to another place."*

In spite of all the problems related to measuring the market impact of marketing communications actions, the future seems brighter. The hope is in the developed CRM-systems that are more and more capable of tracking the customer response of marketing communications actions. While the CRM-systems the case companies are currently using are insufficient, the Company A is already planning to launch a new, more developed CRM-system that is believed to revolutionize the measurement of market impact in the near future:

*Barbara: "With the customer relationship management system, we will get a totally new idea of the total sales process as such... For example, the system in itself will be able to track and follow to whom we sent an e-mail, how many opened the e-mail and what happened, did it come back as a lead."*

## **4.5 Measuring the Impact on Financial and Firm Value**

According to the theoretical framework of this study, the financial value can be determined by deducting costs from the generated sales. Consequently, the case companies cannot measure the financial value and firm value accurately as long as they are unable to determine the market impact of marketing communications actions. Thus, neither of the case companies is satisfied with their current ability to show the financial value of the marketing communications actions. However, measuring the financial value is considered very important among the interviewees and there is a clear desire to develop the financial measurement ability in order to determine the value of marketing activities.

### *Importance of measuring financial value*

All the interviewees thought that measuring the impact of marketing actions on financial value is a difficult task, and therefore, it is not widely done. Nevertheless, a few interviewees stated that the company can at least make rough estimates of how much money is invested and what was the monetary outcome:

Linda: *"It is always a challenging task in marketing and marketing communications themes that how we should measure to see the ROI immediately. We have different systems, but nothing concrete, it is always difficult."*

John: *"To some extent we can measure it, like what is our input in digital marketing and what seems to be the output in sales or revenue. So on a rough level, but not more accurately."*

In addition to the rough estimates, a couple of interviewees mentioned that one option for demonstrating the financial value of digital marketing communications is assessing how much the digital form has saved money compared to its offline alternative. The problem with this kind of assessment is that the costs incurred are sometimes harder to estimate in the digital channels. Especially in the case of social media applications where the direct costs might be minor, but the human resources required to maintain the presence successfully may be essential:

Jennifer: *"One possible way to determine the financial value of digital activities that comes to mind is that when we transfer some services to online environment, the financial value is that we save resources from the basic face-to-face customer service. So, that is in a way a financial benefit."*

Mary: *"In traditional media it was easier to calculate how much money is invested in it compared to the new media, like now we have to think how much these activities are out of an employee's working hours, so that is one thing that makes it more complicated. Still, I could imagine that in digital environment the costs are clearly lower. But all in all, the input/output -ratio may be differently determined."*

Despite these difficulties, most of the interviewees considered the measurement of financial value very important for two different reasons. Some of the interviewees think it is important, because they want to convince the management to provide more resources for the marketing communications activities. The others want to stop wasting money and finally become aware of the monetary impact of specific marketing communications actions. However, one interviewee commented that she was a bit frustrated and tired of talking about the monetary impact, because there were simply no effective ways to measure the financial value:

Patricia: *"Determining financial value is important when we try to convince the top management to give us money. It would be beneficial so that we wouldn't have to make excuses and explain the usage of money every time."*

James: *"I really don't want to think that marketing is a well into which the money is poured, and thereafter, the company is just hoping to see some results, although in some industries it might just go that way."*

Mary: *"It sometimes feels a bit like fighting against the windmills. In my job it is sometimes irritating when I'm being asked to show the monetary gains. It feels stupid to make a lot of effort in measuring financial value if there are no sensible and clear ways to do it. So, it often feels dumb and frustrating, but I understand that it is the easiest way to show the benefit of an activity in a company."*

### ***Relationship between marketing communications and firm value***

The interviewees share a wide belief in the relationship between marketing communications and firm value. Clearly, it is difficult to show the magnitude of this relationship, but none of the interviewees doubted its existence. In addition, one interviewee pointed out that the correlation is more evident to the negative direction:

Barbara: *"Yes, for sure there is an impact, but when you try to tell how much it is, then you are kind of in a big trouble."*

Jennifer: *"Yes, I think that marketing communications have influence on brand image, and I see quite a straight link between brand image and investors' interest and trust. So, I believe there is a direct impact."*

Mary: *"Well, if you think about case Nokia, they have managed to wreck their stock price quite effectively only because of communications... So in that direction it works and can be confirmed, but to the positive direction it is certainly more difficult."*

## **4.6 Performance Evaluation**

The theoretical framework of this study suggests that after the measurement phases (customer, market and financial impact), companies should assess the results against the goals and competitors. This could be done by selecting key performance indicators on the basis of the strategic marketing communications goals. The KPI metrics would also facilitate the reporting of the marketing communications results to the top management. In the context of the case companies, the performance evaluation phase turned out to be the weakest point in the marketing communications measurement process, as the whole phase is largely ignored at the corporation level.

### ***The responsibility of measurement and performance evaluation***

In principle, there is no question of to whom the responsibility of measuring marketing communications results belongs; to the person/group who has the operative responsibility of a specific tool or action. In practice, however, the measurement responsibilities are far from being clear, which was evidenced by the interviewees' uncertain answers. One of the problems originates from the

fact that it is sometimes unclear who is in charge of a particular tool or action, as many of the responsibilities are shared across the organization:

Barbara: *"The measurement responsibility depends on where the responsibility of the tool is lying in the organization I would say."*

Patricia: *"Well, at least I expect that the actions are measured, so I would say that we are kind of responsible here in the marketing communications or in a way it belongs to the one who owns the particular applications. So the "application owner" is kind of supposed to see how effective the application is and to act accordingly."*

Mary: *"It is one of those things that it is sometimes unclear who is in charge of these tools. It feels like it is not that clear which part of the responsibility belongs to the IT and which part to the communications and which part to the business unit, so it happens sometimes that there are some gaps in there."*

### ***Measuring against goals***

There are major differences between the business unit and the corporate level in terms of how much the measurement is based on strategic goals. In the business units, the measurement seems to be largely done on the basis of at least some sort of predetermined goals:

Barbara: *"Well, for example now this digital sales tool, so we have actually made real KPIs in order to be able to measure if we are really supporting the strategy that we have been set out to support."*

John: *"Last year we defined the goals for our web communication and the metrics or key performance indicators that we follow monthly to see how well we fulfill the goals. Then we also track how well we succeed in Google's organic search... In the last campaign, the ranking of our advert in Google was around third, but this time we wanted to be number one and we actually made it."*

On corporate level, the systematic approach towards the measurement against strategic marketing communications goals seems to be missing. More specifically, there are no clearly defined goals that guide the results evaluation as comments below clearly point out:

James: *"Statistics is something that is happily presented upwards when it is positive, but that we would really set goals for something that we are planning to do, no it is not taken that far. Let's say, if we had a project and we wanted some results from it, we could set goals, measurable goals in the beginning of the project to determine whether it is successful or not. But I don't think they talk about this kind of things in marketing, it doesn't really belong to their line of work, I guess it might kill the creativity."*

### ***Measuring against competitors***

The case companies have not figured out efficient ways to compare marketing communications results to competitors, and consequently, it is not widely done. The interviewees state that it is particularly difficult to identify suitable metrics for the competitor measurement. Moreover, measuring the competitors'

marketing communications results is challenging, because the competitors differ in distinct business sectors. Similarly, many competitors are large corporations, and only a minor part of those corporations is competing with the case company making the measurement troublesome:

James: *"We haven't figured out any way to measure that. It is very difficult, especially because we have the kind of situation where we have this competitor on this business segment and then, on this other segment the competitor is somebody else. So you cannot follow them as a group, but it should be done individually, and there are so many of them, so what's the benefit? I mean it is difficult to follow a certain supplier who does loads and loads of different things and in the end, only small slice of their operations belongs to our industry. So, it is tremendously difficult and the benefits are questionable."*

Jennifer: *"I don't really know how we could measure marketing communications against the competitors. I do follow our competitors online and benchmark them actually a lot, but what is their successfulness compared to ours? I really cannot think of any metrics to discover that."*

As the previous citation points out, the main emphasis on following the customers is to benchmark best practices and "steal" ideas for developing own marketing communications activities. However, benchmarking best practices is not based on the measured effectiveness of the competitors' tools and actions, but rather on intuition. As one interviewee commented, it is difficult to evaluate which practices are truly valuable. All in all, the interviewees from both case companies thought that their position is not at the cutting edge in terms of the digital channel usage, but still, they are ahead of most of the competitors:

James: *"With regard to social media, we have followed our competitors' actions so that we can discover their good ideas and steal them. That is clear."*

Elizabeth: *"One thing that I have personally been thinking is that what eventually matters. You can do so many things online, you may have this and that, but you still have to remember in which business we are in, who are the people we want to influence and how is that done most effectively. I know some of our competitors have done magnificent videos and advertisements with very captivating music, and yes, I do think they are cool, but I'm not sure how much they affect the business. That is always challenging."*

Mary: *"Well, the benchmarking is mainly based on intuition, what looks and sounds good, and what has intrigued active discussion... In digital channels, I think we cannot compete against this one particular competitor. But when we take a look at our other competitors, it is comforting to see that even though we might not be very advanced, nor are them."*

Interestingly, none of the interviewees brought up the evaluation of market share or share of voice in online discussions as an attempt to measure marketing communications results against competitors. However, a couple of interviewees mentioned that the sales figures are estimated in the light of market trends and that some external research parties are comparing the results to the average figures in the industry:

James: *"When it comes to sales, we certainly watch the trends around the globe to see if our sales are going in the same direction."*

Elizabeth: *"In these studies that we have bought from third parties they compare our results to the average figures in the industry. So, I don't think we know exactly how well we are doing against a particular firm, but they are comparing us on a general level to our competitors, so we have some kind of an idea how we are doing."*

### ***Determining key performance indicators (KPI)***

As previously noted, the business units in the case companies are measuring against the goals and they are using at least some sort of KPI metrics; the only question remains whether or not these KPI metrics are based on strategic goals. In general, however, the companies have not set company-wide KPI metrics for measuring the strategic marketing communications goals. This is somewhat expected as the companies are hardly measuring against any goals on the corporate level. In the matter of fact, the corporate communications department of Company B had tried to set KPI metrics for the digital communications, but the whole process had ended up with a complete farce. In company A, the marketing communications department has not yet defined any KPI metrics, but it is planning to implement brand auditing on the basis of which the KPI metrics will be determined:

Jennifer: *"As an attempt to develop our measurement practices of our corporate web sites, we invited an external partner to help us who had experience of determining KPIs for different companies. They first came to present their research for us, and after our board of management had given feedback for them, they began defining KPIs for us. As a result, nobody understood anything about them. It was a total waste."*

Patricia: *"We are striving to intensify our measurement process, right now we are planning to implement brand auditing and thereafter, we will define KPI metrics for our brand."*

## **4.7 Reporting and Feedback**

After the results have been evaluated against the competitors and goals, the KPI metrics should be reported to the top management according to the theoretical framework of the present study. When the executives get relevant information of the measurement results facilitated by a comprehensive and easily understandable reporting system or dashboard, they are better able to make justified decisions to reform the marketing communications goals and strategies starting a new cycle in the marketing communications measurement process. In the case companies, reporting to the top management can be considered somewhat limited and unsystematic implying that there is a lot of opportunities for development.



### *Irregularity of reporting practices*

In principle, the marketing communications results are reported to the top management in the case companies, or at least, this is how it is supposed to be. However, the reporting practices seem to vary a lot in the organizations and in general, the reporting process seems to be highly unsystematic and irregular. Nevertheless, within some business units reporting processes are tightly structured:

Jennifer: *"Some business units may send the results of a specific campaign to us. Well, some do send, but it can be counted with fingers of one hand who actually send them... If it has been a significant campaign, the results are forwarded to the communications management team (CMT) and the executives of separate business units. I think the CMT is monitoring the results of different business units yearly, but all in all, I don't the reporting is very regular."*

Barbara: *"Well, these marketing KPIs are reported back to the upper Services Management team, so to the upper level... It is a process that we perform every month, we gather these KPIs and then they are shared by our boss when they have these management team meetings."*

The reasons for unsystematic reporting are multiple. Firstly, the fact that the KPI metrics are largely missing makes the reporting difficult. Secondly, besides the absence of KPIs, the management has not articulated clear criteria for measurement practices. In other words, most interviewees are unaware of what the management wants them to measure:

Patricia: *"Well, I don't think we have a systematic metrics system for measuring an individual marketing communications action. We can clearly perceive some benefits what the marketing communications action has brought about in the long run, but we don't have systematic ways to measure the impacts. We lack this kind of metrics system. So, we only put together yearly some sort of reports... I haven't heard of any guidelines with regard to what kind of information the top management would like to see from marketing communications activities."*

Elizabeth: *"No, there haven't been any requirements from the top concerning the measurement practices. I'm sure they find it important, but I the focus has been on some other things at the moment."*

The third reason for the poor reporting practices originates from the unsatisfactory measurement and reporting tools in use. For example, the web analytics software does not seem to serve the reporting process in company B, because the data is difficult to refine into an easily understandable form that can be communicated to the top management. Consequently, refining the data takes too much extra time and effort which the employees do not have to waste:

Jennifer: *"To be honest, we kind of appeal to the fact that the tool does not really serve the reporting, and it definitely is very laborious in a sense that you need to watch the graphs by yourself and think what it might mean... The problem is that you don't always understand or at least you have to think for a long time and the data still might not open up easily. It is like an art to interpret it, and if we think about the top management meetings, you should get the*

*message through in five minutes. They certainly won't sit there a couple of hours thinking about what they can conclude from that. The simplicity of data analysis and presenting it in simple language would be the key."*

### ***Consequences of irregular reporting***

All these problems have led to the situation where the reporting is not based on systematic guidelines and thus, the reporting can be considered irregular. Moreover, some of the interviewees were afraid that the lack of systematic reporting guidelines has led to a situation where only positive results are reported to the management:

James: *"Statistics is something that is happily presented upwards when it is positive."*

Jennifer: *"I think that they are mainly the successful campaigns that are reported, so it really depends case by case. It is not systematic."*

The top management has not widely articulated any feedback of the current measurement practices either. The interviewees believe that the management is mainly interested in quantitative metrics and financial figures, but they have not heard much feedback or requirements (if any) for measurement. Since the interviewees have not heard any feedback, they at least assume that the management is quite satisfied with the current measurement practices:

Mary: *"In general, I think money is the only thing that the top management understands. Whatever the matter, if you cannot present it moneywise, it is difficult to get accepted. Well, social media is one exception; even though we haven't been able to show any financial value, the management stands behind us and they seem to be very enthusiastic about it. But it would be always the easiest way to talk them in figures."*

Barbara: *"My boss hasn't shared any kind of, any specific feedback, and let's say if we had received any negative feedback or if we had been asked to do some corrective actions or corrective KPIs I would know, so probably they are quite satisfied."*

## 5 CONCLUSIONS

The results enlightened the current marketing communications measurement practices in B2B industrial companies, which was indeed identified as the main goal of this study. The conclusions that can be made on the basis of the results are divided to theoretical contributions and managerial implications in this chapter. The theoretical contributions part discusses the research results in the light of the research questions and the theoretical framework of this study. On the other hand, the purpose of managerial implications part is to provide actionable ideas for the case companies to develop the current marketing communications measurement process. Thereafter, the trustworthiness of the study results and conclusions are assessed and finally, the study limitations and ideas for further research are discussed.

### 5.1 Theoretical Conclusions

Out of the three major marketing communications challenges that were identified in the beginning of this study (Figure 3, p. 11), B2B industrial companies tend to especially struggle with separating marketing actions from other effects and with measuring long-term effects. In practice, B2B industrial companies seem to be powerless to demonstrate how much the marketing communications influence the particular purchase decision, as the purchase decisions tend to be long-lasting, complicated processes that are practically never made solely due to marketing communications. Consequently, marketing communications affect the purchase process by e.g. communicating product benefits and value to the customer, but it seems to be impossible to determine how important role it has in the final purchase decision.

The previous dilemma illustrates the major challenge that the B2B industrial companies are having. Altogether, the study results show alarming signs of B2B industrial companies' ability to measure their marketing communications results. Besides the external challenges that originate from the nature of industrial business, there are several internal challenges related to the measurement inability that could be fixed. Namely, the measurement is largely

unsystematic, irregular and not based on strategic marketing communications goals. In the following, the study results are discussed in the light of the theoretical framework of this study, while simultaneously, the research questions of this study are to be answered.

Starting from the marketing communications goals, the primary goals in the case companies are those related to building brand and customer equity. As expected, there are no signs that the digitalization would have changed these goals somehow. On the contrary, just like the offline tactics, the digital tools are seen as new channels that are exploited to achieve the same brand and customer related goals. This finding supports the earlier research in which it has been found that B2B companies emphasize long-term goals, such as brand awareness, when they use online tactics, while gaining sales leads is considered as a secondary purpose (Welling & White 2006). In addition, as the modern marketing activities are more often aimed at building stronger brands and customer relationships (Leone et al. 2006), it can be argued that B2B industrial companies have probably more modern approach for conducting marketing communications.

Nevertheless, it seems that there are two more important reasons why sales are only considered as a secondary goal for marketing communications. First reason is that B2B industrial companies are not capable of showing the link between marketing communications actions and market outcomes. Secondly, sales activities seem to be separated from the marketing communications function, which implies that marketing communications is not largely responsible for generating sales or even managing customer relationships; it is rather focused on creating favourable brand image. Consequently, there is a difference between the marketing practice in B2B industrial companies and marketing literature where sales function is suggested to be integrated in marketing communications and thus being only a part of it. Therefore, it is likely that this distinction is one of the major reasons for the finding according to which generating sales is only a secondary goal for marketing communications. Truly, if the interviews had been conducted in sales department, the interviewees would have most likely mentioned sales as a primary goal.

The theory suggested that marketing communications strategies should be designed for the achievement of predetermined goals (Varadarajan & Yadav 2002). On the basis of the study findings, it is actually difficult to evaluate how well the marketing communications strategies serve the achievement of marketing communications goals in the case companies, because the marketing communications strategies were not widely known among the interviewees. On the other hand, there is strong evidence that the digitalization has affected marketing communications strategies also in B2B industrial companies. Considering the new strategic marketing communications paradigms (Figure 6, p. 27) that have been identified in the academic literature, the paradigm of fostering dialogue and collaboration with customers (e.g. Deighton & Kornfeld 2009) seems to dominate the new marketing thinking in B2B industrial

companies. More specifically, the case companies highlight the role of honesty, openness and interactivity as the core of all the marketing communications activities; instead of pushing sales efforts towards customers, the focus is on building trust with them.

In addition to the paradigm for dialogue and collaboration, B2B industrial companies clearly aim at personalized marketing communications with distinct customers, which was identified as another strategic paradigm (e.g. Pavlou & Stewart 2000). Interestingly, nothing in the study results suggests the existence of the third major paradigm, engaging customers in co-creating marketing communications (van Doorn et al. 2010). Indeed, the change in communications model from one-to-many towards many-to-many communications (Hoffman & Novak 1996) could not be identified, as the many-to-many model assumes the customers as active contributors of marketing messages. On the contrary, the results of this study show that the case companies perceive their customers as very passive in terms of their online activities. In the matter of fact, the case companies find that their customers or even potential customers are not participating in online conversations to discuss or share eWOM about the company. This finding has interesting implications to the existing theory; perhaps the communications model of B2B industrial companies is still based on one-to-one (private discussions between the firm and the customer), rather than many-to-many communications.

The marketing communications strategies of B2B industrial companies stress the role of multichannel communications to build the desired brand positioning, and in this regard, the decision to exploit various digital channels and online marketing communications tactics can be considered supporting the chosen strategy in the case companies. Clearly, the digitalization has offered multifarious new marketing communications tactics and tools that the B2B industrial companies are able to make use of. Many of these tactics support the strategic trends such as fostering dialogue and collaboration with customers. It was found that even though personal selling dominates the marketing communications tactics, the online tactics provide new ways to increase interactivity as the companies are able to stay in touch with the customers at all times.

When it comes to measuring and reporting the results of marketing communications, B2B industrial companies seem to be in major difficulties, and the opportunities that the digitalization offers are not widely exploited. The customer impact is largely measured with offline surveys and direct customer feedback that mainly offer information of general satisfaction towards the company. In addition, the web analytics software is used to measure the visibility of online marketing communications actions and to identify the major points of interest on the website. Interestingly, brand or customer equity are not even tried to be estimated, even though they are considered essential competitive assets in B2B industries. Altogether, measuring the brand strength is considered challenging which is not facilitated by the social media monitoring software. This is due to the customers' passiveness to discuss about

the case companies online. Even if the monitoring software finds some discussions regarding the company, the tone tends to be neutral which does not facilitate the measurement of brand persuasiveness.

Measuring market impact is regarded as even more difficult a task. Since the purchase decisions are never solely based on marketing communications, it remains extremely difficult to demonstrate the market outcomes in terms of sales. The theoretical framework suggested that linking marketing communications actions directly to market outcomes has become possible in online environment (Wilson 2010). However, the study findings do not provide any evidence of the direct link between the tactical actions and market impact, because neither of the company is selling their products online. Consequently, the only vague route from tactical actions to market impact goes via customer impact. However, since the customer impact in terms of customer or brand equity is not measured, the link between the customer impact and market impact remains also weak in the context of B2B industrial companies. Still, there is some evidence that the online marketing communications tactics generate customer leads which might be one way to determine the market outcomes of these tactics. However, this opportunity has not been utilized, as the sources of customer leads are not tracked in the case companies.

The financial impact of marketing communications actions is not possible to determine as long as demonstrating the market impact is not possible. Moreover, the study does not offer much evidence to show that B2B industrial companies would even make a lot of effort to determine the financial value of marketing communications actions; the companies seem to content themselves with assuming that the marketing communications actions would eventually bring financial value. Accordingly, the link between the market impact and financial impact remains almost non-existent in the light of this study. Not surprisingly, there are no efforts to determine the impact of marketing communications actions on firm value either, even though the marketing communications are believed to strongly influence the firm value. Consequently, this study does not offer any evidence to suggest that B2B industrial companies would measure the firm value of marketing communications actions.

By now, the main research question of this study concerning *how B2B industrial companies measure the impacts of marketing communications in the digital age* has been indirectly answered. In sum, the study results suggest that B2B industrial companies do not measure widely the impacts of marketing communications actions as a whole. Indeed, only customer impact is measured in the forms of marketing communications visibility, customer satisfaction and to some extent, brand strength. Digitalization has not yet greatly reformed the measurement practices, although web analytics software is increasingly in use and generating customer leads is possible through digital channels.

The second research question, *how well the measurement approaches are in accordance with marketing communications goals in the B2B industrial companies*, is discussed next. To put it simply, the answer is not very well. Altogether, the

performance evaluation of marketing communications results seems to be largely ignored in the case companies, particularly on the corporate level. On the basis of theory, it was concluded that determining marketing performance should involve multiple firm-specific metrics that capture short- and long-term results against goals and competitors (Ambler 2000). However, measuring marketing communications results against goals or competitors is not done firm-wide in the case companies. More specifically, measuring against competitors is considered extremely difficult, and the companies have not identified any actionable metrics to compare the effectiveness of marketing communications to key competitors.

When it comes to the measurement against the strategic marketing communications goals, the major problem seems to originate from the goals that are abstract in nature. Consequently, since the goals are abstract, it is extremely difficult to find appropriate metrics to measure how well they are achieved. Besides the abstract goals, another reason for the lack of measurement against the goals is that the companies are not making much effort. In particular, no KPI metrics have been set to monitor the marketing communications performance, except in some individual business units. In sum, the study results indicate that the B2B industrial companies are not widely measuring against the strategic marketing communications goals.

Finally, the third research question aimed at investigating *how marketing communications results are reported to the top management*. Several studies in marketing literature have suggested that top management stresses the role of short-term financial metrics and demands marketers to show the financial value of marketing activities (e.g. Ambler & Roberts 2008). As opposed to this view, McGovern et al. (2004) argue that marketing is actually seldom required to show any results or even expected to explain how marketing activities support the business strategy. In the light of this study, the latter argument seems to hold true in B2B industrial companies. Remarkably, the top management has not given any requirements or even guidelines of what kind of results it would like the marketers to measure.

In addition to the lack of guidelines from the top management, the companies have not a KPI metrics system in use that would foster the reporting process. Consequently, the current reporting cycle is irregular, and it seems that mainly the positive results are reported to the top management. In other words, since there are no clear instructions of which results should be measured and when they are to be reported, the marketers can manipulate their output by showing the results in positive light as suggested by Seggie et al. (2007). This finding has also broader implications. Namely, as the existing marketing literature has suggested that marketers suffer from top management's desire to see short-term financial results in a sense that marketers cannot adequately focus on creating strategic marketing assets (Webster et al. 2005), it seems that the lack of interest from top management results in neglecting measurement and reporting practices.

To conclude, this study contributes to the existing knowledge of marketing communications measurement process of B2B industrial companies in online environment. In particular, as there are a lot of studies declaring the revolution in the marketing communications measurement process due to the digital measurement options, this study questions these revolutionary ideas in terms of how widely across the industries they can be applied. Truly, it seems that the argument “everything can be tracked” is far from being reality in at least some of the B2B industries. Presumably, B2B industrial companies will keep on struggling to show the financial value of their marketing communications activities, but the future looks a bit brighter. Namely, there are a plenty of things that the companies could do better in order to show the impacts and value of their actions. These issues are discussed in detail in the following section.

## 5.2 Managerial Conclusions

Besides the theoretical contributions, the study provided plenty of managerial implications from the case companies’ point of view. Consequently, the purpose of this section is purely to focus on the ideas of how the case companies might be able to develop their practices with regard to the whole marketing communications measurement process in the digital age.

Starting from the strategic marketing communications goals, it was found that they need to be clarified for actionable objectives. Currently, the major goals are very abstractive in nature, such as demonstrating innovativeness or building forerunner-image which make the measurement against these goals more or less impossible. More specifically, since it is difficult to define these kinds of abstract goals, it becomes very challenging to evaluate how well e.g. the forerunner-image is managed to be communicated to the world-wide audience.

For this reason, the marketing communications goals should be either reformed to measurable concepts or the companies should set criteria to determine when the goals are being reached and when not. In practice, these criteria could be sub-goals which in combination would explicate if the main marketing communications goals are achieved. As an example, if the innovativeness or forerunner image is the main goal, the sub-goals could be something like: media visibility compared to competitors in new product launches or the percentage of customers that perceives the company as forerunner in surveys.

Marketing communications strategy needs to be put into practice. At the moment, even the marketing communications experts do not know what the strategy includes and how it is formulated. It actually remained a bit unclear if the case companies even have a specific marketing communications strategy, or is it only somehow embedded in the broader corporate communications



strategy. Undoubtedly, the marketing communications strategy needs to be imprinted on everyone's mind that is responsible for marketing communications activities. The marketing communications strategy is the long-term plan of action on basis of which the marketing communications experts are to justify the decisions and choices made in their daily work, so it needs to be understood by each and every one of them.

The role of marketing communications department should be transformed from tactical service function into a strategic player within the company. Although the business units feel independent as they are in charge of customer relationships, marketing communications should be given more power for managing the branding strategy. Currently, the business units decide the key messages while the marketing communications function is helping the business units in the marketing message execution and delivery. However, this needs to be turned upside-down. The corporate level marketing communications function should have the determining role in planning the brand positioning and key messages, whereas the marketing communications of the business units should support this chosen brand positioning. In other words, the marketing communications function needs to set a marketing communications framework under which the business units have to plan their own actions.

Offline tactics are still playing the major role in the overall marketing communications practices of the case companies. In particular, the importance of personal selling as a marketing communications tactic was constantly highlighted by the interviewees, and nothing points in the direction that its role would be diminishing. Consequently, digital tactics won't play the major role in the near future (if ever) in the overall marketing communications of the case companies. However, digital tactics and applications have potential to improve the effectiveness of personal selling and customer relationship management for at least two reasons. Firstly, the digital channels increase the interactivity between the company and the customer by e.g. offering possibilities for the customer to contact the firm 24/7 through the particular channel that the customer prefers. Secondly, the digital solutions, such as digital sales tools provide added value to the actual sales process as the sales representative may exhibit a complicated product to the customer with animations or 3D videos.

It is noteworthy that the marketing communications goals give the biggest weight to building the brand image, while generating sales is only seen as a secondary goal. This is interesting, because personal selling is considered as the most important marketing communications tactic. This contradicts with the idea that tactics and actions are to be chosen according to the marketing communications goals and strategies; presumably, showing innovativeness and building forerunner image are hardly best achieved by personal selling. In this regard, if the most important marketing communications goals really concern brand image, it might be wise to give more importance to the digital marketing communications tactics and actions. As several interviewees articulated, the digital tools suit very well the desired brand image.

When it comes to selecting digital tools and actions, the companies seem to have difficulties in choosing the most appropriate ones. In principle, the selection is supposed to be easy – the firms should select those tools that best serve the realization of overall marketing communications strategy and the achievement of goals. However, it is understandable that it may be difficult to evaluate the benefits that can be gained with the new digital tools. Whatever the selection might be, the firms should make sure that the chosen tools and tactics suit the desired brand positioning and support the customer relationship management.

In general, it seems justified to increase inputs in digital tools, but this must be done carefully. For example, it might feel appealing to get involved with various social media tools, but it is not recommendable if there are not enough resources to maintain them successfully. It is always good to remember that increasing the amount of tools and channels does not bring results by itself, but only if they are utilized effectively. All in all, the firms might be better off by selecting reasonable amount of digital tools that best fit the marketing communications goals and strategies and by devoting enough resources for their effective use.

In order to make the most of digital marketing communications tools, the companies should figure out ways to tighten the co-operation between the separate corporate functions and business units. The best practices do not always need to be found from outside of the company, but it is sometimes wiser to share know-how within the company. This is especially the case in large and scattered corporations that rarely lack know-how, but often have problems in dispersing it.

The co-operation across the organization functions is particularly important in fostering the use of new digital tools where everyone's knowledge is limited. The web expert network in Company B had already generated positive experiences and many new ideas regarding the use of digital tools, but clearly, the co-operation could still be increased. One of the options is to create an open online forum where the organization members would be able to discuss and share ideas. The company could then reward the best contributors in a way or another (e.g. "the contributor of the month"). The main idea would be creating an atmosphere that encourages co-operation and knowledge sharing.

The major focus of the empirical research concerned the marketing communications measurement practices in the case companies, and consequently, this study generated many ideas of how to overcome at least some of the current measurement problems. Nevertheless, it needs to be admitted that the roots of the measurement problems originate from the genuine difficulties to demonstrate the value of marketing communications actions in B2B industries. In addition, it is understandable that since the digital marketing communications tools and tactics are somewhat new, the companies do not have very advanced measurement processes in place yet. However, there are various problems that are internal and could be fixed.

Beginning from the attitudinal challenges, one interviewee brought up the marketers' traditional tendency of using personal intuition instead of data to justify the decision making. This interviewee considered this attitude as the biggest barrier to measure marketing communications results, and it must be granted that this old tendency became very clear in various comments during the interviews. Truly, the marketing communications experts tend to be lulled into the idea that it is impossible to measure the impact of marketing actions. This kind of attitude does not foster the development of marketing communications measurement process, and therefore, abandoning this idea is a prerequisite for progress.

When it comes to the actual measurement practices, the key for development would be systematic measurement approach in which the management plays the most important role. Currently, there is no thread in the marketing measurement practices: the measurement responsibilities are somewhat unclear and the guidelines are missing in terms of what should be measured and when the measurement results are to be reported. This has led to the situation where the measuring is done on ad hoc basis, and what is worse, mainly the positive campaigns are reported to the management.

The systematic measurement should be based on marketing communications goals. This can be done by creating a key performance indicator system where the KPI metrics provide measurement results that tell if the strategic marketing communications goals are being reached or not. The management should be in charge of the whole process in co-operation with the marketing communications experts. After the KPI metrics system is created, the management needs to set clear requirements for reporting in terms of when the KPI results are to be reported to the executives (e.g. monthly), in what kind of a form, and who are responsible for this reporting. In addition to the regular measuring and reporting, the KPI metrics can be defined for individual campaigns in which case the metrics should be based on the goals of the particular campaign.

In the best scenario, at least some of the KPI metrics could be standardized across the organization functions and different business units. The partial metrics standardization would allow the results comparison between distinct functions and units. However, this should not be regarded as an initiative to increase internal competition, but instead, comparing the results could foster the co-operation and discussion within the organization. In practice, the personnel from the less successful units and functions could ask advice from the more successful units of what they have done differently.

Defining the KPI metrics needs to be guided by the company itself. The company might use expertise from third parties that may help in finding the right metrics, but essentially, the KPI metrics should not be defined by any external actor. The company itself is best aware of what it wants to achieve and the KPIs need to be defined accordingly. Without making any specific suggestions, it can be argued that at least some of the KPI metrics in the case companies should provide information with regard to brand building and

customer relationship management, because they were considered as the most important strategic marketing communications goals.

In order to facilitate the systematic measurement and reporting of marketing communications results, the case companies need investments in better measurement tools. In particular, it was discovered that the current measurement tools do not serve the reporting process in a way that the data analysis and its transformation into understandable form takes too much time and effort, which hinders the reporting motivation. Some of the tools that might facilitate the measurement and reporting practices are web analytics software for enhanced web site visitor tracking, social media monitoring software for measuring brand awareness and image, and advanced CRM-system to demonstrate the link between marketing communications actions and market outcomes.

In particular, social media monitoring software might facilitate measuring the brand strength which is seen highly important in the case companies. Indeed, the case companies have not figured out any good ways to measure brand strength this far, although brand image is considered as the most important marketing communications goal. Theoretically, the social media monitoring could provide ways to determine what the customers really think about the company and its brands. In reality, however, the customers do not seem to participate in online discussions, and moreover, many software services seem to provide biased information. However, the case companies should at least watch closely the changes in customer online behaviour and the development of the monitoring software as they might become more effective in the future. It would be highly beneficial to track the customer opinions about the company as the feedback given in online discussions is likely to be far more honest and helpful than the feedback gathered with customer surveys. As a result, the companies might be able to get less biased information of how their brands are perceived by the customers compared to competitors.

Finally, the dilemma of showing the financial value of marketing communications actions is to remain strong in the case companies. However, the advanced CRM-systems are bringing some hope to this conundrum. Namely, it seems that with the help of these systems the companies are better able to track, what kind of marketing communications content is sent to existing or potential customers, who got interested, who became a customer or sales lead, and how many percentages of these leads resulted in a new customer relationship or purchase decision. When this information is combined with an average customer lifetime value, the company can make well justified estimates of the financial value of marketing communications activities.

To sum up, there are a lot of things that the case companies can develop with regard to the marketing communications measurement process. By clarifying the marketing communications goals and strategies, the companies can make wiser decisions in selecting suitable marketing communications tools and measurement practices. By setting clearly-defined KPI metrics against the strategic marketing communications goals and by determining explicit

reporting criteria, the companies will stay informed if the current marketing communications practices are bringing the firm closer to its long-term goals. Finally, for the practical measurement and reporting purposes, there are several digital tools that may become vital in achieving the ultimate goal of demonstrating the value of marketing communications activities.

### 5.3 Trustworthiness of the Study Results

The aim of this chapter is to assess the trustworthiness of the study results. According to Lincoln and Guba (1985, pp. 290-301), the trustworthiness of research results has been typically assessed through internal and external validity, reliability and objectivity in positivist science. However, as these criteria tend to understate the value of qualitative case study, the authors suggest an analogous set of criteria to be applied in qualitative research. This set of criteria consists of four elements: credibility, transferability, dependability and confirmability. In the following, this set of criteria is applied to assess the trustworthiness of the study results.

Credibility refers to the “truth value” of the findings and determines how truthful the gathered data from the respondents is (Lincoln & Guba 1985, pp. 294-296). To enhance the credibility in this study, multiple marketing communications professionals from both case companies were selected to participate in the interviews. The similarity of the participants’ responses across the interviews increased essentially the data validity. In addition, a lot of efforts were made to create an open and confidential atmosphere; the names of the firm and the interviewees were promised to remain unpublished, and the interviews were conducted as open-form discussions that fostered honest dialogue. Indeed, there is a reason to believe that the gathered data is credible, as in the result reporting meeting with Company B the top management gave special thanks for getting honest answers from the interviewees.

Transferability concerns the extent to which the study results are applicable beyond the particular context of the study (Lincoln & Guba 1985, pp. 296-298). The fact that the results did not differ remarkably between the case companies suggests that the results might be to some extent transferable to the companies that operate in similar industries. However, this assumption requires more comprehensive research to be validated. All in all, it is noteworthy that the goal of this study was not to provide generalization, but instead, to understand the selected cases in their specific context. In sum, the study results are not transferable beyond the context of this study without further investigation.

Dependability indicates the consistency and reliability of the research findings in a sense that it determines the extent to which the study results could be repeated if the same study was conducted in the same or a similar context (Lincoln & Guba 1985, pp. 298-299). Despite the discussion-based approach in

conducting the interviews, the interview themes and questions were pre-determined. In addition, the collected data was carefully categorized into specific themes, after which the categorized themes were investigated thoroughly to justify the findings. Consequently, due to this systematic data gathering and analysis approach, there is a reason to assume that the study could be repeated and the results would not vary in the same or similar context.

Finally, confirmability measures the objectivity of the findings to determine the extent to which the results are supported by the actual data and not by the motivations of the researcher (Lincoln & Guba 1985, pp. 299-301). To address the confirmability the results were reported in a face-to-face meeting to the Company B which enabled the interviewees to present their opinions with regard to the study results. In the meeting, the participants strongly agreed with the study results which strengthened the perception of objectiveness in the data interpretation.

In sum, the study findings address the trustworthiness criteria relatively well in terms of credibility, dependability and confirmability. However, the results are not transferable beyond the context of this study. Since the study was aiming at particularization instead of generalization, the study investigated only two B2B industrial companies, which does not allow any evidence that could be generalized to a broader context. Nevertheless, there were no major differences between the results of the case companies suggesting that the findings of this study might be applicable for the basis of broader quantitative investigation.

#### **5.4 Study Limitations and Ideas for Further Research**

Even though this study made several contributions to the existing theoretical knowledge and provided some practical insights for managerial use, its limitations must be acknowledged. This section presents the study limitations, but in addition, it discusses some of the interesting phenomena implied by the study findings which require further investigation.

As already discussed in the previous section, it is clear that the biggest limitation of this study stems from its small sample size. Even though the results are considered trustworthy in the context of the case companies, they are not applicable beyond the investigated firms. However, the findings provide a good basis for implementing a broader quantitative study in which the findings of this study could be tested. Most importantly, as this study found that the case companies do not measure and report the marketing communications results systematically, it would be interesting to examine how commonly this main finding is discovered among B2B industrial companies. Indeed, it is likely that B2B industrial companies have more challenges to show the value of marketing communications actions compared to B2C companies, but do they all feel powerless to justify the link between the actions and results?

Besides the small sample size, another remarkable limitation concerned the theoretical framework of this study. The framework was adapted from existing marketing productivity model (Rust et al. 2004), and the changes to the prior model were based on prior knowledge with regard to how marketing communications should be measured in the digital age. However, the adapted framework is purely conceptual, and indeed, this study did not support the hypothetical linkages that the framework proposed. Nevertheless, the findings of this study do not render the framework invalid, but demonstrate that at least some companies do not measure the marketing communications results in a way that the framework suggests. Consequently, more research is needed to evaluate its usefulness for investigating marketing communications measurement process. All in all, the framework is meant to show how marketing communications are measured ideally in the digital age, and it makes common sense that not all companies measure their activities ideally. Besides, nothing during the interviews suggested that the companies would not aim at measuring according to the framework; instead, the companies felt incapable of doing so.

When speaking of B2B industrial companies, it is vital to note that there are plenty of different companies that suit the description. For this reason, it is likely that even among the B2B industrial companies there are differences in terms of how difficult a specific company perceives demonstrating the link between marketing communications actions and their impacts. For example, some companies might be able to sell their products online making the measurement practises remarkably easier. Consequently, even studies with larger sample might yield contradictory results, and therefore, it might be preferable to further limit the segment of companies under investigation in the future research.

In addition to themes that require further investigation to validate the results, the study findings raised a lot of questions that offer fruitful areas for further research. One of the most interesting study finding concerns the lack of strategic role of marketing communications function in the case companies. It would be intriguing to know how often this is the case in B2B industrial companies, and what is the underlying reason for that? Does the separation of sales and marketing communications functions lead to the decreasing stature of marketing communications, and how commonly these two functions are actually separated in B2B industrial firms? How weak is the stature of marketing communications within the companies in reality?

The top management had not given criteria or feedback to the marketing communications function to guide the measurement practices, which raises the question why. The marketing literature is full of studies indicating that the marketing practitioners are increasingly required to show the value of their activities, so what might be the reason for the lack of demands in the case companies? Does this finding further imply that the executives do not regard marketing communications as a strategic function, or is the top management

lulled into the idea that measuring marketing communications results is simply impossible and not worth the effort?

The interviewees argued that their customers do not actively discuss about their experiences and opinions with regard to industrial companies in social media applications, but is this the perception of the interviewees or an all-embracing fact? Is it simply so that the B2B industrial companies are not discussed in social media applications, and is it a doomed idea to use the online discussions to measure the brand awareness and image in the context of B2B industrial companies? Moreover, this finding implies that the many-to-many communications model suggested in the marketing literature is not applicable to B2B industries. Since the customers are not sharing information about the B2B industrial companies online, it seems that the communications model is still based on one-to-one communications.

Since there is only limited amount of prior knowledge, the list of issues worth further investigation could be continued almost indefinitely. However, the ideas presented in this section were regarded as the most important phenomena that the findings of this study implied. Truly, although this study gave plenty of insights into the marketing communications measurement process of B2B industrial companies in the digital age, a lot of questions remain that need to be answered.



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# APPENDIX 1 - INTERVIEW QUESTIONS

## BACKGROUND INFORMATION

**Name:**

**Year of Birth:**

**Organization level:** (official, middle management, management, top management)

**Job description/major duties:** (What is your job description and what are the major duties and responsibilities in your work? What kind of a role does digital marketing communication play in your daily activities?)

## THEME 1 - MARKETING COMMUNICATIONS GOALS AND STRATEGIES

1. Can you tell me something about your marketing communications strategy?
2. How is the marketing communications strategy formulated in your company? Who are responsible for the strategy work?
3. How is marketing communications strategy linked with the overall business and marketing strategies?
4. How would you describe the role of digital marketing communications in relation to other forms of marketing communications and sales efforts?
5. Has the digital age somehow reformed the marketing communications strategy?
6. What are the major goals and objectives of your marketing communications efforts?
7. Do digital marketing communications have the same goals or are they utilized for some other purposes?

## THEME 2 - DIGITAL MARKETING COMMUNICATIONS TACTICS AND ACTIONS

8. Which digital marketing communications tactics are you using?
9. Which ones do you consider as the most important tools?
10. Have you thought of introducing some other tools?
11. What do you consider as the most essential benefits of digital marketing communication tactics in relation to traditional marketing communications tactics?

**THEME 3 - PERFORMANCE EVALUATION OF DIGITAL MARKETING COMMUNICATIONS**

12. Who are responsible for measuring and reporting the results of digital marketing communications?
13. How do you measure against the goals of your digital marketing communication?
14. What are the key performance metrics that you are following when it comes to the digital marketing communications?
15. Do you measure the results of individual digital marketing communications actions/campaigns or is the measurement done in a more general level (e.g. measuring the overall impacts of digital marketing communications)? How?
16. Are the results of digital marketing communications actions comparable with traditional marketing communications actions?
17. How does the measurement of digital marketing communications results differ from the measurement of traditional marketing communications results? (i.e. how has the digital age changed the way of measuring results?)

**THEME 4 - MEASURING THE CUSTOMER IMPACT**

18. How do you measure the impacts of digital marketing communications actions on customers? (e.g. visibility, reach, attitudes, satisfaction)
19. Are you able to link the customer impacts on short-term market effects such as sales? How? What about the long-term effects of customer impacts? (e.g. do you measure brand or customer equity?)
20. Do you listen to your customers in the digital channels? How?
21. How actively and about what is your company being discussed in social media applications (e.g. blogs, microblogs, social networks, content communities and discussion forums?)

**THEME 5 - MEASURING THE MARKET IMPACT**

22. Can you measure the impact of digital marketing communications on market indicators, such as sales leads, sales or market share? How?
23. How do you measure the effectiveness of your digital marketing communications in relation to competitors?
24. How actively and about what is your industry being discussed in social media applications (e.g. blogs, microblogs, social networks, content communities and discussion forums?)
25. What is your perception of how well you are performing in the digital channels compared to competitors? Why do you think that?

**THEME 6 - MEASURING THE FINANCIAL IMPACT AND FIRM VALUE**

26. Are you trying to determine the financial impact of your digital marketing communications? (ROI, EVA, DCF, CLV, Conversion rate, Sales)
27. Are you satisfied with your current ability to measure the financial value of your marketing communications efforts? Do you think it's important to determine the financial value of marketing communications?
28. Do you think that it is possible to link the impact of marketing communication with the value of the firm (e.g. market share)?

**THEME 7 - REPORTING AND FEEDBACK**

29. To whom are the marketing communications results reported? What kind of a process is it? (e.g. are there some tools, such as dashboards, in use to illustrate the results?)
30. How important does the top-management consider the measurement of marketing results in general? What kind of information would they like to receive from marketing communications department?
31. What kind of feedback have you received from your marketing measurement efforts or results? What are the things that should be developed or changed?
32. What do you see as the biggest obstacles for effective measurement of marketing communications? What kind of information would you like to receive more or what kind of information would be particularly useful in order to develop marketing communications efforts?

## APPENDIX 2 - INTERVIEW REQUEST LETTER

Hey,

I'm working for a digital marketing communications research project which concerns the marketing communications of Finnish industrial companies in digital channels. Company A/B is involved in the project and co-operating as a target company, and now I'm looking for suitable interviewees for a study concerning the effectiveness measurement of digital marketing communications. The goal of the interviews is to gather information about the present state of digital marketing communications measurement process and to find new ideas of how industrial companies could develop their measurement processes to better meet the needs of the companies concerned. The interview meeting takes max. 1 hour and will be recorded for analyzing purposes. The interview can be conducted either in Finnish or English according to the preferences of the interviewee.

Manager X is considering you as a suitable interviewee and has recommended contacting you personally. Now, I'm asking you to propose a suitable date and time for an interview that fits in your schedule.

Best Regards,

Joel Järvinen

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