Marketing Accounting Metrics
Content Directory for Students

Description of Modules and Relationship to Spreadsheets

Changing supply changes demand, that in turn further changes supply, that further changes demand. When markets are described in this way it helps us understand that what we have to measure is how demand and supply are changing. What are the changes in customer preferences, and in customer satisfaction with products and services? Demand metrics is the trendy name for such measures. How are measures of supply costs changing? Cost measures are a crucial supply side metric because they are more controllable than price, which is also set by market forces. A reduction in costs results in an increase in profitability which satisfies owners, and/or a reduction in price which satisfies customers.

In **Module 1** of MAmetrics the Balanced Scorecard is a way of understanding and managing an enterprise by tracking cause and effect performance metrics. Customer satisfaction and profitability are key demand and supply metrics a business must track; and they are related to key operational metrics such as quality control measures and cost control measures. These measures of the performance of operational processes are in turn driven by organization learning and by employee skill and experience measures (for example hours spent by employees and managers on skill training, numbers of process improvement experiments, spending on research and development, employee turnover measures and employee morale measures). The purpose of the first module is to provide an overall big picture or mental model of what determines the various measures - accounting and financial metrics - used in the MAmetrics tutorial spreadsheets.

Module 2 focuses on measuring customer satisfaction and measuring customer profitability, two crucial demand side metrics. **Spreadsheet 7** relates to this module.

Module 3 explains how to measure changing costs and it relates to **Spreadsheets 1, 2, 3, 4 and 5**.

Module 4 discusses in detail two cost problems in marketing. The first is that in many companies marketing executives do not manage processes (such as distribution or customer service processes) that are often a major contributor to marketing costs. The second is that marketing performance is often measured by changing sales rather than changing profitability (sales minus costs). As economic agents, marketers are employed to serve the owners (they are the paid agents of owners) by increasing the profitability of the company and thereby creating owner capital. Increasing sales may or may not increase profitability so it is a very weak performance measure. Increasing profitability is a much better performance metric; this relates to **Spreadsheets 1-7**, that address the calculation and estimation of costs as well as price.

Module 5 discusses budgeting and concludes that, however difficult, the best type of budgeting is marginal budgeting based on estimated capital creation (see **Spreadsheet 5**). This is because all managers are agents of owners, employed to create capital. If capital creation is not estimated and measured in budgeting, planning and implementation it can only be weakly managed and consequently managers are weak owner agents!