

The three strategic priorities of marketing excellence

August 5 2020, by Matt Weingarden



Credit: CC0 Public Domain

Researchers from University of Mannheim and University of Texas—Austin published a new paper in the *Journal of Marketing* that examines the nature and effectiveness of marketing excellence as a

business strategy. The study addresses two fundamental questions: How do managers understand and exercise marketing excellence? and How do investors evaluate marketing excellence?

The study, forthcoming in the *Journal of Marketing*, is titled "Marketing Excellence: Nature, Measurement, and Investor Valuations" and is authored by Christian Homburg, Marcus Theel, and Sebastian Hohenberg.

In one study, the research team conducted 39 in-depth interviews with senior managers of global companies and augmented the data with secondary data on 150 firm strategies, applying the theories-in-use methodology. Findings reveal that marketing excellence is a strategy focused on achieving organic growth by executing three priorities: marketing ecosystem, end-user, and marketing agility. The marketing ecosystem priority is a firm's strategic means of growing the business by developing mutually beneficial networks in the proximal and distal firm environment. The end-user priority promotes engaging with the final customers who apply or consume the firm's offering and leveraging the final customer insights for growing the business. Finally, the marketing agility priority facilitates the execution of growth activities by the marketing organization and its members through simplified structures and processes, fast decision making, and trial and error learning. "What we have done," explains Homburg, "is expose the components of marketing excellence and advance the understanding of what marketing excellence is. This insight can guide managers about where they can invest in marketing excellence and how to communicate marketing excellence to internal and external stakeholders."

The second study quantifies the impact of marketing excellence on firm value (i.e., investors' expectations of future cash flows) and compares that effect with the effects of other marketing strategy concepts such as market orientation and marketing capabilities. Using 8,317 letters to

shareholders from 1,727 annual reports between 1998 and 2016, the researchers measured marketing excellence with two methods, a machine learning algorithm and an original dictionary, and then assessed the impact of marketing excellence on firm value. The machine learning algorithm (4.80%) and the original dictionary (8.58%) had one-year abnormal returns significantly higher than benchmark portfolios. These performance metrics are even higher in the period from 2014 to 2017 where the marketing excellence portfolio achieved average annual returns of 16.82%, significantly outstripping market orientation and marketing capabilities portfolios (1.95% and 8.53% respectively). These results show that investors value marketing excellence more highly than they value strategies based on [market](#) orientation and marketing capabilities.

In addition to contributing to marketing academia, study results have important implications for managers and educators. Theel and Hohenberg elaborate, "First, we recommend that managers use the results to coordinate and communicate marketing excellence. For instance, the findings offer guidance for developing marketing excellence checklists and key performance indicators. Second, we recommend that educators use the findings to explain to future managers the strategic role of marketing in driving firms' organic growth." The researchers also recommend that educators develop new courses that align firms' decision fields for growth in terms of the marketing ecosystem, end user, and marketing agility. The research provides educators with direction on the content and scope of such courses.

More information: Christian Homburg et al, Marketing Excellence: Nature, Measurement, and Investor Valuations, *Journal of Marketing* (2020). [DOI: 10.1177/0022242920925517](https://doi.org/10.1177/0022242920925517)

Provided by American Marketing Association

Citation: The three strategic priorities of marketing excellence (2020, August 5) retrieved 26 April 2024 from <https://phys.org/news/2020-08-strategic-priorities-excellence.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.