

# Balanced Scorecard as a Tool to Evaluate Digital Marketing Activities

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## INTRODUCTION

Most of the recognized businesses, and renowned non-profit, government, and non-government organizations all around the world have started digital marketing by using digital media in addition to or instead of their traditional marketing practices during the last three decades or so. Electronic media available via the internet, computers, cell phones, smartphones, and many other devices constitute the digital media in general. Companies or organizations try to reach out to new segment or group of customers by using digital marketing techniques. Use of digital media helps them make faster and cost effective communications with the customers to understand their needs, wants, preferences, and concerns of the customers at a much deeper level in a much better manner. These processes result into having increased market share with satisfied customers. “Digital marketing refers to the strategic process of distributing, promoting, pricing products, and discovering the desires of customers in the virtual environment of the Internet” (Ferrell et al, 2019).

It is important to measure whether a company is able to take advantage of digital media, and digital marketing (DM) techniques. Business organizations are more conscious of performance management than ever before. With the global working environment adapting to a performance-based culture, many business organizations are using methods such as a balanced scorecard (BSC) to appraise and manage performance (Chaffey & Ellis-Chadwick, 2016). This approach is often used to measure both financial and non-financial aspects of an organization. A balanced scorecard is often used by the top management to improve and identify performance factors within the internal and external environment of the organization. The purpose of this paper is to identify certain issues regarding the usage of a balanced scorecard approach in the context of digital marketing performance management.

The balanced scorecard was originally intended as a measurement tool for stakeholders and executives to understand how an organization is performing in context to the organizational goals and objectives (Kaplan and Norton, 1992). This paper focuses on existing literature to bring clarity on the development of efficiency and performance in context to a balanced scorecard approach. A balanced scorecard has been put into application on various business areas to bring forth a measurable performance on business and technology associated with it.

Even though balanced scorecard has been applicable for many financial and non-financial factors in a business, the question still remains about how it is going to be effective in terms of digital marketing. The main theme through which this research paper is going to be addressed is based on certain questions which are: How effective is a balanced scorecard approach in terms of its usability in evaluating digital marketing activities? Is a balanced scorecard the most appropriate method for evaluating digital marketing activities? Is there a better methodology for managing digital Marketing activities other than a balanced scorecard approach?

This paper aims to provide a thorough analysis of a balanced scorecard approach towards measuring digital marketing activities to evaluate the digital marketing performance as effectively and efficiently as possible. Even though a balanced scorecard approach has been adopted by many organizations to effectively measure performance, the question remains as to whether or not it is the most efficient method to measure digital marketing performance (Killeen, 2018). This paper aims to answer this question by providing insights on whether the balanced scorecard is a perfect methodology on performance appraisal of digital marketing, and if there are better methods out there which are more effective than this (Alexander, 2019).

## BACKGROUND AND LITERATURE REVIEW

With the advent of the internet followed by the inception of social media, marketing campaigns have taken a new shape. Now social media such as Facebook, Twitter, LinkedIn, YouTube, Instagram, Google+ and many other tools and technologies are being used to run marketing campaigns. Prior to the internet era, companies had been involved in only traditional marketing in terms of print advertisements on newspapers, magazines, billboards, commercials on TV and radio for decades. Switching to digital marketing has resulted in a huge shift in marketing campaigns to reach customers (Akhter & Rahman, 2019). The question is, how do we know if digital marketing is working and who should companies trust with their marketing (Cave, 2016).

Kaplan and Norton (1992) devise balanced scorecard in terms of “a set of measures that gives top managers a fast but comprehensive view of the business.” They assert that senior executives need to measure the performance of their firms based on a few key areas simultaneously and not just financial measures. They suggest that innovation and learning aspects, internal business processes improvement and customer satisfaction should also be taken into account. They also suggest that no single measure can provide a clear performance target, but all four perspectives need to be taken into consideration.

Their suggested key measures have received wide acceptance by senior executives in the industry. In their 2010 paper, Kaplan, Norton, & Rugelsjoen (2010) suggest that through a balanced scorecard, a company can create a shift of focus from alliance management derived from operations and contributions to commitment and strategy (e.g., reducing total cycle time in clinical studies by 40% by a pharmaceutical company). (e.g., reducing total cycle time in clinical studies by 40% by a pharmaceutical company). In their other paper (Kaplan & Norton, 2010) they reported that since the introduction of balanced scorecard in 1992 it was adopted by thousands of private, public, and nonprofit organizations across the globe. In the same paper, they also reported that incorporating the management of intangible assets as measurement criteria for the balanced scorecard would help them to improve the management of intangible assets efficiently and thereby play a central role in value creation.

Balanced scorecard approach was used in a data warehouse project implementation to make sure the data warehouse environment was efficient, stable, provided users with a reasonable query runtime, added

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