

MARKETING-FINANCE INTERFACE STRATEGIES FOR CASH FLOWS MANAGEMENT

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ABSTRACT

This paper examines the marketing/finance interface (MFI) strategies in particular as they relate to short term cash flow management that especially turnaround businesses primarily seek to stabilize. We derive thirty three useful MFI performance metrics in the short-term cash flow management areas of inventory management, accounts receivable and accounts payable management, operating and cash flow cycles. As an illustration, we apply these metrics to Sears & Roebuck Company (SRC) during its years of decline in 1992-1993, prosperity years of turnaround in 1995-1996, and post-turnaround years of distress in 1998-1999, and assess SRC's performance metrics against those benchmarked by industry captain, Wal-Mart. Managerial implications of these metrics and areas for further research are discussed. [112 words]

Several academics have focused on the importance of interface between marketing and finance ((Hoffmann et al 2011, Peterson 2010, Motameni et al 2010, Anderson, Fornell and Mazvancheryl 2004; Lehman 2004; Zinkham and Zinkham 1997; Zinkham and Verbrugge 2000). This is because marketing deals with a key source of cash flow, the end-users of the products and services. From this viewpoint, marketing is the business of creating and regenerating cash flow. Companies are successful largely because they increase the value of their brands to generate cash flows. Increasing shareholder value and increasing brand value are the same. Both are the discounted value of future cash flows, even though not all cash flows are directly attributable to brands (Ambler 2001; Sudarsanam 2003). High market share and high ratings of consumer satisfaction, the metrics that CEOs mostly covet, are only a part of the corporate performance reality, but both must contribute to shareholder value (Anderson, Fornell and Mazvancheryl 2004). These metrics, therefore, must translate into steady and increasing cash flows and profits, making marketing strategies and marketers accountable (Ambler 2001; Lehman 2004; Rust, Lemon and Zeithaml 2003).

The MFI has to do with value. When a company delivers value to the consumers, consumers return that value to the company in profits and brand loyalty that translate into shareholder wealth (Anderson, Fornell and Mazvancheryl 2004). The latter, then, generates returns to the company through retained earnings, new equity and capital markets, all of which fund innovations, new products and services. The latter factors enable a company to deliver better value to consumers. Improved R&D enables the adoption of new processes. Augmented product-demand enables scale economies. Better products and services attract more customers, increase market share or create new and profitable markets. New raw materials used and the new process technology that transform them result in new products and benefits, create new customer values and markets that generate new customer equity. Customer equity is the total of the discounted lifetime values summed over all of the firm's current and potential customers (Rust, Lemon and Zeithaml 2003). Thus, the MFI is a value-chain of activities (De Vriend, der Heide and Stegistra 2000). The start to this value chain begins when the firm thoroughly understands its customers' needs, wants and desires, and seeks to fulfill them with the best MFI strategies. The company that performs best in this interface garners a larger share of loyal customers than its competition and thus, reaps greater financial rewards for the company. Customer, employee and supplier equities, in turn, generate higher profits, cash flows and shareholder returns (Sawhney and Zabin 2002). Thus, MFI strategies define, constitute and complete the business value chain.

The Current Business Turnaround Phenomenon

Recently, we have been facing turbulent times. Bigger companies are failing more frequently. Of the 20 largest U. S. bankruptcies in the last two decades, ten occurred in 2001-2002. Corporate earnings are more erratic. Even perennially successful companies are finding it more difficult to deliver consistently superior returns. Companies like Disney, Motorola, Ford, Nordstrom, Sony, and Hewlett-Packard – one time “built to last” companies – are just about performing around the Dow Jones Industrial Average (Hamel and Välikangas 2003:52-3). Business reversals are becoming more and more a business norm (Gilson 2001). In 1998, 120 public companies went bankrupt with a loss of \$28.94 billion in assets; in 1999, 145 public companies (20.83 percent over 1998) sought Chapter 11 protection with a total loss of \$58.76 billion (103 percent over 1998) in assets. In 2000, 176 public companies (21.38 percent over 1999) declared bankruptcy with a total loss of \$94.79 billions (61.3 percent over 1999) in assets. That number rose by 46.02 percent to 257 public companies in 2001 with a total loss of \$258 billions assets (172 percent over 2000). Several of these companies were among the Fortune 500 enterprises for which failure had been a rarity.

A failing business poses two main problems: how to resolve the day-to-day operational problems of cash flow management and how to restructure the debt and equity of the business till the corporation is back on its feet again. Turnaround is the word that is often used to mean the process of solving the operational problems of a business. It involves improving the position of the business as a low-cost provider of increasingly differentiated products and services in a highly competitive world. Restructuring is the term used to describe the process of developing a financial structure that will provide a basis for turnaround (Gilson 2001).

This paper focuses on the role of MFI strategies in short-term cash flows management that leads to business turnarounds. Our argument is as follows: 1) We first characterize the general domain of marketing/finance interface. 2) We next derive several MFI performance metrics in relation to the management of inventory, accounts receivables, accounts payable, operating and cash cycles, and bottom line profits, and at the same time, as an illustration, apply these metrics to Sears & Roebuck Company (SRC), an under-performer and benchmark them against a comparable competitor and industry leader, Wal-Mart. 3) We discuss the business turnaround implications of these MFI performance metrics.

The General Domain of Marketing-Finance Interface

The domain and scope of MFI strategies is virtually an unknown. *Table 1* provides a general canvas of MFI strategies in terms of business inputs, processes and outputs. Most of the entries are self-explanatory. The columns are *interdependent*: that is, inputs, processes and outputs of marketing (column 2 in *Table 1*) feed those of finance (column 4) via those of marketing-finance interface (column 3), and vice versa. Part of column 2 that describes the inputs and processes of marketing are “marketing investments” (Srivastava, Shervani and Fahey 1998); those of column 3 are MFI investments and those of column 4 are finance investments. The last row in *Table 1* represents outputs of marketing investments (column 2), MFI investments (column 3) and finance investments (column 4).

Thus, the basic MFI strategy question is: Are the expenditures incurred in the inputs and process domains of marketing, MFI, and finance producing adequate returns (outputs) in their respective domains? Modern financial thinking (e.g., Value-based management of Copeland, Koller and Murrin 1996) considers most of the expenditures involved in the second and third rows of *Table 1* as cost of capital or capital investments. Thus, the basic MFI question translates to: Does the return on capital (represented in the last row of *Table 1*) significantly exceed the cost of capital incurred by the expenditures listed in the second and third rows of *Table 1*?

When the sales of a given product are assessed against time we have the traditional *product life cycle*. When profits (losses) on sales revenues are measured against time periods we have the traditional *corporate business cycle*. Both cycles involve the marketing/finance interface decisions. A business cycle, however, is not merely the flow of sales and profits. We also need to know what happens within the company. How is cash generated, how is it spent, what the cash flow is and what the cash inflow and outflow variables or activities are. These questions are marketing-finance interface questions that must be addressed.

Cash flow represents the available cash to pay current expenses. The management of working capital deals mainly with cash, receivables, payables, and inventories. Accordingly, the domain of MFI strategies involves inventory, receivables and payables management. A *positive cash flow* meets all current expenses. Positive cash flows are not profits, just cash after costs (but not after depreciation). A *negative cash flow* is like bleeding; it forces short-term borrowing to meet one's current expenses.

Cash flow management relates primarily to short-term financial decisions rather than to long-term ones (such as long term cash flows, capital budgeting, dividend policy, and capital

structure). Short-term finance is an analysis of decisions that affect current assets and current liabilities, and their impact on the firm is normally felt within the year. The term net working capital (current assets – current liabilities) is often associated with short-term financial decision-making. Short-term finance involves cash inflows and cash outflows within a year or less (e.g., ordering raw materials, paying in cash, goods are cost-allocated and priced, goods are produced and sold, and sales-revenues are received in cash within a year). That is, cash flows management relates to *short-term liquidity*. It is an organization's ability to meet current payments as they become due. Cash flow management is very much dependent upon marketing variables and strategies.

Marketing/Finance Interface Performance Metrics

In accounting practice, the inventory period, days in inventory, days in receivables and days in payables measure the accounts receivable period, and the accounts payable period, respectively. We illustrate these concepts using financial data from Sears Roebuck & Company (SRC), an actual business example of a turnaround. We select data from the annual reported income statement and balance sheets of SRC for 3 sets of years: a) 1992-1993 before Martinez took over; b) 1995-1996 when the reforms of Martinez kicked in and Sears began to show profits, and c) 1998-1999 when SRC began to show signs of weakness again because of some earlier failures in turnaround strategies. In order to compare the MFI performance of SRC we use corresponding annual data for Wal-Mart from the latter Annual Reports.

While SRC is a specialized department store and the third largest retailer in the U. S., Wal-Mart is a discounter and the largest retailer in the world. Both, however, are featured each year as “general merchandizing stores” by *Fortune 500* in its listings of the 500 largest companies in the U. S. Hence, we benchmark SRC performance by that of Wal-Mart, the latter being a very solid growing and profitable company. The top five retailers – Wal-Mart, Target, Costco, Sears and K-Mart account for 60 percent of the general merchandise sales. Assessing retail performance by benchmarking against Wal-Mart is becoming industry practice today (Dobbs and Koller 1998) - it is also called the *Wal-Mart effect* (Johnson 2002). A variety of Wal-Mart's innovations (e.g., EDLP, electronic data interchange (EDI) with suppliers, centralized distribution) are now industry standards.

MFI Performance Metrics regarding Inventory Management

We use the following three conventional accounting measures that deal with inventory management (**Horn gren, Sundem and Elliott 2002**):

Average inventory is the average of year-end inventories of any two consecutive years. Based on its Annual Reports, for SRC it is:

Average inventory of 1992-1993 = $(4.048 + 3.518)/2 = \$ 3.783$ billion
(1).

Some useful inventory related performance metrics are the speed with which inventory turns over and its related measures such as the inventory cycle or the average days in inventory. For SRC they are:

$$\text{Inventory turnover ratio} = (\text{cost of goods sold})/(\text{average inventory}) = 52.478/3.783 = 13.872 \quad (2).$$

That is, the *Inventory cycle* occurs 13.872 times a year or the

$$\text{Average days in inventory (ADI) are } 365/13.782 = 26.31 \text{ days} \quad (3).$$

Given inventory performance metrics (1) to (3), we define a useful MFI performance metric as dollars of sales or total revenues (TR) that may be attributable to a dollar of average inventory (AI) in a given year. For SRC in 1993 it is:

$$\text{Total revenues (TR)/Average inventory (AI) = TR for 1993/AI for 1992-93} = 50.838/3.783 = \$13.439 \text{ billions} \quad (4).$$

Equation (4) indicates the efficiency of average finished goods inventory holdings in stimulating sales. That is, other things being equal, a billion dollar worth of average inventory holdings has generated \$13.439 billion in sales. When inventories are sufficiently high, there are no shortages, and the stores are well shelved with products, both in *breadth* (number of stores, number of national and store brands in each store) and *depth* (various brand extensions and category extensions within the brand). For a general merchandise store such as SRC or Wal-Mart, it is critical that they display as many brands with various sub-brands, sizes and other brand specifications (e.g., color, texture, styles and body-fits under each apparel category) and that these brands are in as many stores throughout the targeted countries. Too much inventory, however, and no proportionate sales to justify it, may be counterproductive, if not destructive.

We also know from equation (2) that the inventory turnover ratio (ITR) is 13.782 times a year. That is, \$3.783 billion of inventory has turned over 13.782 times before generating \$13.439 billion in sales. Hence, we adjust equation (4) to factor this in: ITR adjusted total revenues per average inventory dollar is:

$$(\text{TR/AI})/\text{ITR} = (\text{TR/AI})/(\text{CGS/AI}) = \text{TR/CGS} = 50.838/52.478 = \$ 0.969 \text{ billion} \quad (4a).$$

Equation (4a) simplifies to total revenues per total CGS dollar – that is, CGS dollar-efficiency in generating sales. Thus, the ultimate efficiency of the MFI performance metric in equation (4) must be judged by the metric in equation (4a).

Correspondingly, a useful measure is dollar sales per average days in inventory (ADI) given by (see equation (3)):

$$(5) \quad (TR / ADI) = (50.838/26.31) = \$ 1.932 \text{ billions}$$

Equation (5) implies that, other things being equal, SRC's customers who are exposed to and are benefiting from the inventory of finished products displayed in the SRC stores for a day in a year can generate \$1.932 billion in sales. Alternately, the efficiency of inventory management relative to a day of average inventory holdings is \$1.932 billion in sales. Following the same reasoning as in equation (4a), if we factor into equation (5) the inventory turnover ratio, we have:

$$(5a) \quad (TR/ADI)/ITR = TR/(365 \times CGS/AI)/(CGS/AI) = TR/365 = 50.838/365 = \$ 0.139 \text{ billion}$$

Equation (5a) simplifies to daily sales and is the final arbiter of the efficiency of MFI metric in equation (5). Equations (4) and (5) are intermediate performance metrics in relation to inventory management. These are tracked yearly if only based on annual balance sheet and income statement reports. But, if such reports are available every quarter, month, week or by the end of each business day, we can also track the efficiency of MFI performance metrics of equations (4) and (5) every quarter, month, week or day. Their true value for any period, however, must also be judged by equations (4a) and (5a), the former is sales per CGS dollar and the latter is daily sales.

Equations (2) and (3) can be meaningfully redefined in relation to selling and administrative expenses (SAE) (see the Annual Reports for SRC's SAE in 1993):

$$(6) \quad \text{SAE related inventory turnover ratio} = (SAE/\text{average inventory}) = (4.620/3.783) = 1.221$$

That is, the SAE related inventory cycle occurs 1.221 times a year. Accordingly, the

$$(7) \quad \text{SAE related days in inventory are: } 365/1.221 = 298.87 \text{ days}$$

Also, we redefine equation (5) in relation to SAE as follows:

$$(8) \quad TR/ADI \text{ with respect to SAE} = 50.838/298.97 = \$ 0.170 \text{ billion}$$

As in equation (5a), we adjust equation (8) by SAE related ITR [ITR(SAE)] as follows:

$$(8a) \quad (TR/ADI \text{ wrt SAE})/ITR(SAE) = (TR/(365 \times SAE/AI))/(SAE/AI) \\ = TR/365 = 50.838/365 = \$ 0.139 \text{ billion}$$

Equation (8a) simplifies to daily sales as in equation (5a). As equation (5a), equation (8a) is an intermediate MFI performance metric of inventory management in relation to sales and

administrative expenses. But its true value when adjusted to inventory turnover ratio relative to SAE is the result of equation (8a), which is daily sales.

If profitability or shareholder value creation is the final goal of all businesses, then we need to define equations (4), (5) and (8) also in relation to net income thus:

$$\text{Net Income/Average inventory} = - 3.932/3.783 = \$ - 1.039 \text{ billion} \quad (9),$$

$$\text{Net Income/Average days in inventory} = - 3.932/26.31 = \$ - 0.149 \text{ billion} \quad (10),$$

$$\text{Net Income/Average days in inventory wrt SAE} = - 3.932/298.87 = \$ - 0.013 \text{ billion} \quad (11).$$

Equations (9) to (11) help us to evaluate all the MFI metrics implied in equations (1) to (8). The bottom line ratios of equations (9) to (11) indicate that SRC's final performance in relation to inventory management has been very poor resulting in heavy losses. In fact, 1993 was one of the worst years in the history of SRC (Johnson 1994).

Measuring Efficiency of Sales and Administrative Expenses

The efficiency of Sales and Administrative Expenses (SAE) is important in the MFI context. Every SAE dollar needs to be accountable in generating adequate sales, market share, profits and shareholder value (Rust, Lemon and Zeithaml 2003). Metrics under equations (6), (7), (8) and (11) gauge a part of the SAE efficiency in terms of total revenues and net income.

Furthermore, the MFI related inventory-sales performance metrics of equations (1) to (11), by themselves, could not be fully evaluated unless benchmarked against the same company during more prosperous years, or compared with the same pairs of years in a competitive retail "channel captain" company such as Wal-Mart. *Table 2* provides all these ratios of inventory management for SRC and Wal-Mart and for all the relevant years.

Thus, in 1993, Wal-Mart's average inventory was \$ 8.819 billion, $(8.819/3.783 =) 2.331$ times higher than that of SRC. That is, other things being equal, Wal-Mart more than doubled its product/brands presence in its stores in 1993 as compared to SRC. In fact, Wal-Mart has been consistently increasing its average inventory. It grew to \$15.357 billion in 1996 (an annual compound growth rate (g) of 20.3 percent during 1993-1996) to \$18.860 billion in 1999 (g = 7.09 during 1996-1999). Comparatively, SRC's average inventory grew at a much lesser rate: to \$4.34 billion in 1996 (g = 4.7 percent during 1993-1996) and \$ 4.943 billion in 1999 (g = 4.43 percent during 1996-1999). [See row #1 in *Table 2*]. Other things being equal, we assume that higher average inventory implies higher exposure to the customers, and hence, we considered it better, as long as it is cost effective judged by the total revenues per average inventory dollar (see row # 4 in *Table 2*), total revenue per dollar of cost of good sold since carrying inventory is part of CGS (see row # 9 in *Table 2*) and net income per average inventory dollar (row # 12 in *Table 2*). Of these three performance metrics, the latter two are more important than the first. Wal-Mart does better in this sense in 1993, but not in 1996 or 1999. Thus, we do consider that Wal-Mart did better than SRC for 1993 even though the former carried a higher level of average

inventory. *Table 2* highlights figures with bold for the company that does better on that metric than its rival.

In general, higher inventory turnover ratios are better than lower ones (see row #2 in *Table 2*) as they imply fewer days in inventory (see row #3 in *Table 2*) and hence, lower carrying costs. Under both metrics, SRC does better than Wal-Mart in 1993 and 1996, the years that SRC's performance peaked, but Wal-Mart surpasses SRC in 1999 when the latter experienced real decline.

The MFI metric of total revenues/average inventory (see row #4 in *Table 2*) of SRC is better than that of Wal-Mart for 1993 and 1996. But as discussed under equation (4a), when these values are adjusted by inventory turnover ratios, the former simplify to TR/CGS under which Wal-Mart does better in 1993 but not in 1996 or 1999 (see *Table 2*, Row #9). Similarly, the metric total revenues/average days in inventory is \$1.932 billions for SRC in 1993 compared to Wal-Mart's \$0.768 billion (see Row # 9 in *Table 2*). But as per equation (5a), this value when adjusted to ITR simplifies to daily sales in which Wal-Mart does better than SRC in 1993, 1996 and 1999 (see Row # 11 in *Table 2*). Accordingly, Wal-Mart is deemed to have done better than SRC on this metric for the three reference years.

SRC's average days in inventory in relation to SAE in 1993, 1996 and 1999 are significantly lower than those of Wal-Mart (see row # 7 in *Table 2*). But as argued under equation (6a), these figures translate to TR/SAE when Wal-Mart does better than SRC in 1996 and 1999 (see row # 10 in *Table 2*). Lastly, SRC's total revenue/average days in inventory relative to SAE is \$0.170 billion compared to \$ 0.145 billion for Wal-Mart for 1993(see row # 8 in *Table 2*). But as per equation (8a), this metric simplifies to daily sales when Wal-Mart outperforms SRC during 1993, 1996 and 1999 (see row # 11 in *Table 2*).

The aggregate performance of SRC and Wal-Mart is indicated by the total number of metrics that each one does better than the other as indicated in *Table 2*. In 1993 and 1999 Wal-Mart did significantly better than SRC, years of decline for SRC, while in 1996, the best year for SRC, they breakeven. There may be many reasons for Wal-Mart's better performance in general. Chief among them is that Wal-Mart sells all its goods on consignment, that is, it pays its traders only after their goods are sold in its stores, thus reducing its inventory holding costs to very low levels. Its inventory in all the stores is adjusted to weekly sales forecasts for each of its products such that inventories are not unnecessarily overstocked. These facts explain why Wal-Mart is fairly liberal in its inventory holdings. In other words, Wal-Mart reports consistently better MFI strategies in the inventory management than SRC.

MFI Performance Metrics regarding Accounts Receivables Management

We employ three metrics from standard accounting practice in relation to accounts receivable management (**Hornigren, Sundem, and Elliott 2002**). Using its Annual Reports, we define and measure the following metrics for SRC:

Average accounts receivable during 1992-1993

$$\begin{aligned}
 &= (\text{Net total accounts receivables (AR) in 1992} + \text{net total AR in 1993})/2 \\
 (12), \\
 &= (13.722 + 15.005)/2 = \$ 14.364 \text{ billion.}
 \end{aligned}$$

$$\begin{aligned}
 \text{Average receivables turnover} &= (\text{Net credit sales})/(\text{Average accounts receivable}) \\
 (13), \\
 &= 50.838/14.364 = 3.539.
 \end{aligned}$$

That is, the

$$\begin{aligned}
 \text{Average AR cycle occurs } &3.539 \text{ times a year or the } \textit{days in receivables} \text{ is} \\
 = &365/3.539 = 103.13 \text{ days} \\
 (14).
 \end{aligned}$$

The lack of comparable data on “net credit sales” for Wal-Mart for the reference years forces us to substitute it with “total revenues” for both SRC and Wal-Mart for evaluating equation (13). Analogous to the discussions under inventory management, we define three additional MFI performance metrics for 1993 as follows:

$$\begin{aligned}
 \text{Total revenues/ Average days in Accounts Receivables} &= 50.838/103.13 = \$ 0.493 \text{ billion} \\
 (15),
 \end{aligned}$$

$$\begin{aligned}
 \text{Net Income/ Average Accounts Receivables} &= - 3.932/14.364 = - \$ 0.274 \text{ billion} \\
 (16),
 \end{aligned}$$

$$\begin{aligned}
 \text{Net Income/ Average days in Accounts Receivables} &= - 3.932/103.13 = - \$ 0.038 \text{ billion} \\
 (17).
 \end{aligned}$$

Table 2 provides all these values for both SRC and Wal-Mart for 1993, 1996 and 1999. Other things being equal, holding AR to low levels increases short-term cash flows. Wal-Mart has remarkably low holdings in its AR as compared to SRC for all the three years of reckoning. Consequently, the AR turnover ratios for Wal-Mart are significantly higher than SRC while its average days in AR are significantly low. Thus, Wal-Mart outperforms SRC on the three MFI metrics regarding AR: total revenues by average days in AR, net income by average AR, and net income by average days in AR. That is, as far as accounts receivable management is concerned, Wal-Mart is more effective than SRC during the years of reference.

MFI Performance Metrics regarding Accounts Payables Management

From standard accounting practice relative to accounts payables (AP) management we deploy three metrics (Horngren, Sundem, and Elliott 2002). Based on Annual Reports, we define and measure the following for SRC:

$$\begin{aligned}
 \text{Average accounts payable} &= (\text{AP for 1992} + \text{AP for 1993})/2 \\
 (18), \\
 &= (8.373 + 7.909)/2 = \$8.141 \text{ billions}
 \end{aligned}$$

$$\begin{aligned} \text{Average payables turnover} &= (\text{Cost of goods sold})/(\text{Average accounts payable}) \\ (19), & \\ &= 52.478/ 8.141 = 6.446. \end{aligned}$$

$$\begin{aligned} \text{Average AP cycle occurs 6.446 times a year or the days in payables is} & \\ = & \quad 365/6.446 \quad = \quad 56.62 \quad \text{days} \\ (20). & \end{aligned}$$

Following earlier methods, we define four additional MFI performance metrics on AP management for 1993 as follows:

$$\begin{aligned} \text{Total Revenues/ Average AP} &= 50.838/8.141 = \$6.245 \text{ billions} \\ (21), & \end{aligned}$$

$$\begin{aligned} \text{Total revenues/ Average days in AP} &= 50.838/56.62 = \$ 0.898 \text{ billion} \\ (22), & \end{aligned}$$

$$\begin{aligned} \text{Net Income/ Average AP} &= - 3.932/8.141= - \$ 0.483 \text{ billion} \\ (23), & \end{aligned}$$

$$\begin{aligned} \text{Net Income/ Average days in AP} &= - 3.932/56.62 = - \$ 0.069 \text{ billion} \\ (24). & \end{aligned}$$

While accounts payables (AP) are finance decisions they also have serious marketing implications. For instance, delayed and large accounts payable to suppliers and traders imply low cash for them, that in turn can affect the quantity, quality and delivery of their supplies which can cause shortages to the procuring company (in manufacturing, this could cause production delays, cost overruns and price increases). All these consequences can compromise product quality, warranty and guarantee, dissatisfy customers and increase product complaints and store-brand switches.

Hence, the vital importance of MFI strategies for accounts payable management. Increasing accounts payables may improve cash position. Consistently delayed payments of bills can anger the media, promoters, brokers, suppliers, employees, salespersons and customers and as a result the company may lose their patronage. This is the basic rationale for the metrics under equations (18) to (24). While increasing accounts payable is a good short-term cash flow increasing finance policy, one must remember that all payables are “quasi debts” to various stakeholders that eventually affect the quality of market offerings.

Compared to Wal-Mart, SRC has higher payables in absolute numbers for 1993 and 1996 (see row # 21 in *Table 2*). Wal-Mart’s higher figure of \$11.681 billion of AP for 1999 is relatively smaller to that of SRC when assessed as a percentage of sales for 1999. This is clear if we look at the reciprocal values of total revenues/average AP (see row 24 in *Table 2*). That is, the percentage AP/total revenues of SRC for 1993, 1996 and 1999 is 16.01, 17.47 and 16.71, respectively, and the corresponding figures for Wal-Mart are 6.54, 6.52 and 6.76 percent, respectively. That is, SRC held AP two-and-a-half times higher than Wal-Mart, and accordingly, the latter reports higher AP turnover rates and lower average days in AP for all three years of reference. Even though generating short-term cash flows from larger accounts payable is desirable, in the long run they impact negatively on the bottom line metrics underlining

equations (21) to (24). The low AP policy of Wal-Mart paid off as judged by its superior financial performance (see rows 24-27, *Table 2* for all these years of interest). Wal-Mart outdoes SRC on all the seven MFI metrics that deal with accounts payable management.

MFI Performance Metrics regarding Operating and Cash Cycles Management

Short-term financing deals with the firm's short-run operating activities during the operating and cash cycles. The *cash flow time line* consists of an operating cycle and a cash cycle. The *operating cycle* is the time period from the arrival of stock of raw materials until the receipt of cash revenues from market offerings converted from the raw materials. That is, it begins when an order (for raw materials or finished goods) is received (in the inventory) and ends when cash is collected from the sale of the goods produced or inventory. The length of the operating cycle is equal to the sum of the lengths of the inventory and accounts receivable periods. The inventory period is the length of the time required to order, produce and sell a product. The accounts receivable period is the length of the time required to collect cash receipts. The *cash cycle* begins when cash is paid for the raw materials and ends when cash is collected from receivables – that is, it is the time between cash disbursement and cash collection, from accounts payables to accounts receivables. Technically, the cash cycle is operating cycle minus the accounts payable period. The accounts payable period is the length of the time the firm is able to negotiate to delay payment on the purchase of various resources such as raw materials, wages and taxes.

Standard accounting/finance practice defines the *operating cycle* as the sum of days in inventory and days in receivables, and the *cash cycle* as operating cycle minus days in payables. Thus:

$$\text{Operating cycle} = \text{days in inventory} + \text{days in receivables} \quad (25),$$

For SRC in 1993, it is (see equations (3) and (14)) $26.31 + 103.13 = 129.44$ days.

$$\text{Cash cycle} = \text{operating cycle} - \text{days in payables}, \quad (26),$$

For SRC in 1993, it is (see equations (20) and (25)) $129.44 - 56.62 = 72.82$ days.

Following earlier procedures, four useful additional metrics are:

$$\text{Total Revenues/ Operating cycle days} = 50.838/129.44 = \$ 0.393 \text{ billion} \quad (27),$$

$$\text{Total revenues/ Cash cycle days} = 50.838/72.82 = \$ 0.698 \text{ billion} \quad (28),$$

$$\text{Net Income/ Operating cycle days} = - 3.932/129.44 = - \$ 0.030 \text{ billion} \quad (29),$$

$$\text{Net Income/ Cash cycle days} = - 3.932/72.82 = - \$ 0.054 \text{ billion} \quad (30).$$

Table 2 records all these metrics for SRC and Wal-Mart during 1993, 1996 and 1999.

Business Turnaround Implications of MFI Strategies

Cash flows result from three types of activities: operating, investing and financing (Ross, Westerfield and Jaffe 2002). Most short-term cash flow problems, especially operating cash flows, are related to marketing. Understanding and nurturing the sources of cash flow should be a key priority for every CEO and should be reexamined every six months (Ambler 2001). For instance, short-term cash flow problems occur when big (industrial) customers postpone payment or pay in notes payable or by signing mortgages payable. Waiting for their payments often anticipates or causes cash crises. Payments from big customers may come just a few hours before the biweekly or monthly payroll causing much anxiety, and that could seriously impair one's abilities to function or channel energies in much needed areas of the firm's business. Accordingly, our focus has been the effect of MFI strategies on cash and short-term cash flows. Many corporate departments, especially marketing, take cash for granted and yet, once crisis strikes, cash becomes *the* priority (Slatter and Lovett 1999). Thus, our contention is that short-term cash flow management should also be the concern of the marketing department, just as it is today of finance and accounting.

The business cycle is composed of at least three sets of variables:

- **Marketing** (e.g., sales revenues, changes in sales revenues, market share, return on sales (ROS), returns on promotions (ROP)).
- **Finance** (e.g., gross margins, operating margins, net earnings, return on investment (ROI), returns on assets (ROA), return on equity, earnings per share, price earnings (P/E) ratio, and market valuation (MVA)).
- **Marketing-finance** variables such as returns on quality (ROQ), returns on salespersons, returns on retail outlets, economic value added (EVA), cash value added (CVA), and in general, return on marketing (ROM).

Proven return on investments (ROI) is now a main concern for companies because such investments take funding priority over those made on faith (Lehmann 2002; Narayanan, Desiraju and Chintagunta 2004). Returns on quality (ROQ) explicitly project financial returns from prospective product or service improvements (Rust, Zahorik and Keiningham 1995). EVA and CVA are measures of economic profit that are influenced both by marketing and finance variables. ROM chooses the marketing strategy options based on the basis of projected financial returns, operationalized as the change in the firm's customer equity related to the incremental marketing expenditure necessary to produce that change (Rust, Lemon and Zeithaml 2003). The value of a company is the net present value of its future cash flows (Sudarsanam 2003). Managers concerned about delivering value to shareholders have been focusing for a long time on earnings per share (EPS). But overwhelming evidence makes it clear now that what the market really pays attention to are long-term cash flows; naïve attention to EPS will lead to value-destruction and hostile takeover attacks (Copeland, Koller and Murrin 1990; Dobbs and Koller 1998).

Cash Flow Management and Business Turnarounds

Cash is the lifeblood of any business. Cash is king (Copeland, Koller and Murrin 1990). One property of liquidity is divisibility, that is, how easily an asset can be divided into parts (Ross,

Westerfield and Jaffe 2002). Cash is determined by liquidity: currency, checking accounts at commercial banks and un-deposited checks are highly divisible into small units and usable to pay bills as and when they are due. Having cash and cash equivalents in sufficient supply to pay all one's short-term bills wards off crisis and insolvency situations. Hence, the vital role of cash flows in turnaround management.

Among the various cash-flow and sales and administrative expenses (SAE) strategies deployed by SRC we list eight that were instrumental to its successful turnaround in 1995. Each strategy reveals a MFI. All eight strategies combined demonstrate the power of the MFI for turnarounds. [For details on SRC strategies, please refer to Johnson (1994) and Rucci, Kirn and Quinn (1998)].

1. Martinez, appointed head of the SRC Merchandize Group in September 1992 and CEO in August 1995, terminated the 101-year old Sears *catalog* that was losing more than \$100 million a year.
2. He also expanded and accelerated existing plans to move SRC into off-mall specialty stores, such as Sears's hardware stores and HomeLife furniture stores.
3. He reengineered store operations with a heavy emphasis on training, incentives, and the elimination of administrative and other non-selling tasks for SRC sales personnel.
4. He diligently worked at lowering the expense ratio (cost of selling goods and administration (SG&A) to Sales) to 27 percent in 1992 and then to 23 percent by 1997. (Self-service stores have lower ratios: Wal-Mart has 15% and Best Buy has 12 percent).
5. He adjusted staffing to place more of the best frontline employees in the stores during evening hours and weekends when the best customers were shopping. SRC began offering Sunday deliveries and a long list of new services such as repairs on brand appliances.
6. He planned on increasing softgoods business (e.g. apparel) featuring national brand names from 40 percent to about 50 percent of sales, focusing on various lifestyle collections that speak of a certain attitude and value to the customer (similar to JC Penney's use of Arizona Jean Company, Stafford, and the Hunt Club). SRC, however, did not further patronize boutiques (it has a Dockers Shop, a Lee Shop, and a Levi Shop) but rather strengthened its classification merchandizing so that a customer could see several brands in a small amount of space.
7. For decades, SRC was positioned and perceived as a man's store, but market data showed that women made a great percentage of the buying decisions. Martinez refocused marketing SRC to women: he introduced new private-label lines of apparel and cosmetics. SRC's entire service strategy was revamped to make it more responsive to busy women and their families.
8. By the middle of 1993, he slated 113 stores for closing and reduced the number of mall-based SRC stores to 800. In 1993, he remodeled 122 stores and scheduled another 400 stores for thorough renovation by 1997 costing \$4 billion.

Strategies (1) to (8) are directly and aggressively SAE-related. Ultimately all eight strategies are inventory-related as each strategy in its own way either increases or decreases the promotional exposure of the finished goods inventory to customers. Strategy (8) involves capital development whose long-term effects are spilled over years after 1993. Strategies (2) to (8)

indirectly link SAE to inventories. That is, the level of inventories in stores and the cost of inventory management in stores are a function of the number, location and type of stores that strategies (2) to (8) imply and the target markets that SRC chooses (strategy 7). This explains the rationale for the metrics described under equations (4) to (11).

Further, within 100 days of his arrival as CEO, Martinez initiated a comprehensive turnaround plan leveraging it with credit sales.

1. He boosted the SearsCharge card to include 32.5 million accounts, making the 84-year-old Sears card to be the 4th largest credit card operation in the country by 1995.
2. He targeted the SearsCharge card-driven credit sales to a third of Sears' sales. They reached \$20.932 billion in 1995 (60 percent of total sales) and \$22.371 billion in 1996 (58.5 percent of total sales). Martinez, however, soon realized that uncollectible accounts were also increasing, and hence, after 1998, net credit sales as a proportion of total sales revenues began to decrease (see Table 2).
3. He tried lowering prices, being more competitive, driving sales by offering full credit, and thus creating superior financial return that would be reflected in the price of the stock.
4. As early as May 1994, SRC offered stock options to every salaried associate in the company, so that their contribution will benefit them directly. SRC had about 18,000 salaried associates out of a total 300,000 employees (including part-timers). Martinez also introduced cash-based incentives to every salaried associate. The greater the sales revenues they brought in, the greater were their incentives and commissions and the greater was their discount rate when buying from SRC stores.
5. He also decreed that SRC would accept all major credit cards instead of limiting itself to the Discover and the Sears cards.

The above five decisions are MFI-related strategies that deal with accounts receivable management. One should evaluate to what extent each one boosts total sales revenues and net income as suggested in equations (15) to (17). SRC's average AR increased from \$14.364 in 1992-3 to \$ 21.224 in 1995-6 but dipped to \$18.403 in 1998-9. This strategy worked as the financial performance metrics of 1996 and 1999 in *Table 2* indicate, but Wal-Mart did better. Despite Wal-Mart's easy credit policy, its AR averages are dramatically low to 0.472, 0.777 and 1.23 billion dollars for 1993, 1996 and 1999, respectively. Presumably, the fact that Wal-Mart pays its traders on consignment or only after it realizes cash from its customer credit cards accounts for this performance. Moreover, while Wal-Mart had no uncollectible accounts, SRC had uncollectibles of 3.0 and 2.1 percent of its total revenue for 1993 and 1999 respectively, the only years we have such data for SRC, (see row # 18 in *Table 2*). This is a typical case when easy credit policy backfires not only in reducing one's cash flows but also in impairing one's revenue and profit performance. Wal-Mart outperforms SRC on all the seven MFI metrics that deal with accounts receivable management.

If, as per equation (26), cash and cash flows are defined and conditioned by average inventory, average accounts receivables and average accounts payable, then because all these three financing components affect marketing, it is to be expected that cash and the cash cycle can affect marketing. This can be formally demonstrated as follows:

Redefining equations (25) and (26) by their components in equations (3), (14) and (20) we have:

The operating cycle = $365 [(CGS/Avg. Inv) + (NCS/Avg. AR)]$ and (31),

the Cash Cycle = $365 [(CGS/Avg. Inv) + (NCS/Avg. AR)] - 365[CGS/Avg AP]$,
 = $365 \{CGS [(1/Avg. Inv) - (1/Avg. AP)] + (NCS/Avg. AR)\}$ (32).

Equation (32) implies that a firm's cash cycle can be *shortened* by the following strategies: (1) Decreasing net credit sales (NCS); (2) Reducing cost of goods sold (CGS); (3) Increasing average inventory (avg. Inv); (4) Decreasing average AP, and (5) Increasing average AR. While strategy one is predominantly a marketing function for controlling a firm's cash cycle, strategies two to five are MFI strategies. Marketers must decrease net credit sales (strategy one) but at the same time they could increase invoice periods thereby increasing accounts receivable (strategy five). Further, marketers could hold larger finished products inventories (strategy three) so that shortage costs are low, and they need not worry about accurately forecasting demand in order to meet with the requirement of reduced inventories.

On the other hand, Equation (32) also implies that a firm's cash cycle can be *lengthened* by opposite strategies: (1) Increase net credit sales (NCS). (2) Increase cost of goods sold (CGS). (3) Decrease average inventory (avg. Inv). (4) Increase average AP, and (5) decrease average AR. That is, in order to boost sales marketers could increase net credit sales (strategy 1) but at the same time reduce invoice periods by expediting accounts receivable (strategy 5). Marketers could now employ an easy customer credit policy of increasing net credit sales (strategy 1) as long as it is coupled by accurately forecasting credit sales and producing goods as and when demanded such that the average inventory is reduced (strategy 3). A proper balance between accounts payable, accounts receivable, inventory holdings, and net credit sales are MFI strategies that must be seriously considered. If trade-off costs of all the variables that enter into equation (32) are built into it, then optimizing (32) would provide appropriate values for cash cycles (dependent variable) using net credits sales, accounts payable, accounts receivable and average inventory as independent variables.

The cash cycle is the gap between cash outflows (for raw materials and/or finished goods purchased) and cash inflows (cash received from accounts receivable). The greater the gap, the more one is forced to borrow to pay trade payables, or alternatively one must hold a large liquidity reserve of marketable securities. Both are costly. The gap can be narrowed by reducing days in inventory; that is, by ordering materials just in time (JIT) for production. Ideally, one could shorten the cash cycle by increasing the days in accounts payable and by shortening days in accounts receivable. The former may dissatisfy the suppliers while the latter may displease the customers, especially the larger accounts on both counts.

Additionally, if you sell all your products through retailers like department or discount stores, then it is customary to sell to these distributors on credit, and in which case, sales do not generate cash immediately. A 90-day collection period is normal and implies that you collect sales

revenues every quarter. That is, accounts receivables at the end of each quarter are last quarter's sales. If sales to distributors are made on consignment, then sales revenues are collected only after the products are sold and revenues are realized. This may further delay collection from sales. It should be the concern of marketing and financial managers that at no time cash outflows significantly exceed cash inflows so as to cause a cash crisis. Good *cash budgeting* by periods can forestall a cash crisis.

Given this discussion, shorter operating and cash cycles indicate better production, marketing and financing efficiency which normally should generate better performance metrics, as it happened in the case of Wal-Mart. As indicated in *Table 2*, Wal-Mart outperforms SRC on all the six MFI metrics dealing with operating and cash cycles.

If financial managers and marketing executives cooperate and arrive at optimal levels of average inventory, average accounts receivable and average accounts payable, and thus at optimal levels of operating and cash cycles, then, other things being equal, the production, product, market and profit performance of the company should also be optimal. Correspondingly, corporate decline, distress and insolvency can be effectively preempted. This is demonstrated by the excellent performance metrics of Wal-Mart compared to SRC for 1993 measured as percentage of total costs (CGS + SAE) to total revenues, earnings before interest and taxes (EBIT) to total revenues, and net income to total revenues (see Rows #s 35-39 in *Table 2*). For 1996 and 1999, SRC did marginally better than Wal-Mart on all these metrics. During 1994-1999, however, SRC sold most of its businesses other than general merchandizing, and this may account for the marginally better performance on these bottom line metrics of SRC over Wal-Mart for 1996 and 1999. We may conclude that Wal-Mart's remarkable performance on the 34 MFI metrics would have partly been brought about by its better MFI coordination. SRC may need to explore this MFI cooperation dimension to avert future declines.

If we reckon all the 33 performance metrics on inventory, accounts receivables, accounts payable, operating and cash cycles management, Wal-Mart decidedly performed better than SRC during each of the three years of reference - on 33 metrics in 1993, 28 in 1996 and 32 in 1999 (see the last row of *Table 2*). SRC's best performance year of SRC was 1996 when it outperformed Wal-Mart on 10 metrics. Such overwhelming performance differences between Wal-Mart and SRC indicate the vital importance of the MFI metrics in assessing cash-flow management on a period-by-period basis in business turnarounds.

Real turnaround management is on a daily basis and primarily deals with short-term cash flow management. The MFI metrics that we have proposed are based on short-term cash flow management and can be applied on a short-term basis to all business turnarounds. Each metric individually and collectively helps to gauge short-term cash-flow performance on a daily basis, as long as all the inputs that feed these metrics can be provided on a daily basis.

All 34 metrics can be applied to a company as a whole and at any time, but especially during its underperformance, decline, distress or insolvency phases. They can also be more meaningfully applied to trade regions, countries, sales-districts or even to individual stores the company operates in. Within each of these market segments, the 33 metrics can also be applied to monitor

the short-cash management efficiency of major product lines, flagship brands or category extensions. In the latter cases, they become micromanagement MFI strategies.

The MFI metrics can even be applied to large individual accounts or lifetime loyals among customers, suppliers or retail channel partners alike – all these are “customers” at large (Parasuraman and Zinkhan 2002). The question then is: to what extent should marketing and financial managers grant credit to such “customers” so that they can be trusted, developed and retained as lifetime customers. This is not a marketing decision, but a MFI strategy. Obviously, such a strategy would depend upon their “customer” lifetime value (Rust, Lemon and Keiningham 2003). If the net present value of cash flows of such lifetime “customers” is significantly greater than the cost of credit (i.e., costs of lost interest and cash-shortage costs, or cost of capital), then liberal credit granting to such customers is defensible from a MFI viewpoint.

Scope for Future Research

With due changes, the 34 metrics that we have proposed can be applied to assess the efficiency of customer relations management (CRM), supply chain management (SCM) and partners relationship management (PRM) of any firm, a subject that is beyond the scope of this paper but certainly a good domain for future research. In fact, the MFI analysis can also be extended to other off-balance sheet intangible assets such as core competencies, core processes and routines, core products, core brands, core customers, lifetime loyal customers, just in time (JIT) inventory management routines and JIT warehousing logistics. There are interesting leads in this direction (e.g., De Ruyter and Wetzels (2000); Pennings 2004; **Prahalad and Hamel 1990**; Sawhney and Zabin (2002).

A more rigorous approach to metrics 1-33 is to define them by the number of retail stores a company owns or franchises, by retail square footage in each store, by type of retail store (upscale versus department, discount or deep-discount), by retail square footage in each store type, by the number of employees per retail square footage, by the number of product lines and brands within each product line in each store, and the like. Future research should include such useful details.

Conventional accounting procedures measure inventory only in terms of raw materials, semi-processed goods and finished goods. This procedure is myopic. For instance, the most promising inventory (in terms of bottom line profits) is the number of new and old customers gained, developed and retained (Venkatesan and Kumar 2004), built up inventory of core processes, core products, core competencies, core brands and flagship brands (Lee and Grewal 2004; Prahalad 1995). Such inventories do not figure in the balance sheet in relation to inventory. Hence, equations (1) to (11) underestimate MFI performance as related to inventory management. Future MFI efficiency ratios and research should include these cash-flow generating market intangibles.

Concluding Remarks

The 34 MFI performance metrics that we have derived and illustrated in the cases of SRC and Wal-Mart can be used often during a year depending upon how frequently a company can generate its balance sheets, income and loss statements and cash flow statements. All 34 metrics relate to short-term cash flow management that involves cash, inventory, accounts receivables and accounts payables, and thus, operating and cash cycles. Such reports should be generated more frequently than the current practice of annual reports. All 34 metrics require both marketing and financial executives to work together to monitor, predict and explain the performance of short-term cash flow management of companies in a turnaround situation. This short-term cash flow management marketing/financing interface zone has been vastly neglected. The MFI domain that we have described (see *Tables 1*) and the 34 metrics that we have derived and illustrated (see *Table 2*) offer a useful canvas and model for such interdepartmental cooperation that underlies turnaround business management.

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Table 1: The Marketing-Finance Interface: Business Inputs, Process and Outputs

MFI Domain	Primarily Marketing Strategies	Marketing-Finance Interface Strategies	Primarily Financing Strategies
Business Inputs	Marketing Research Customer feedback Old products re-launch Product updates Product expansions Innovation management New Product Development Developing core products Identifying core target markets Market augmentation Identifying new markets.	Investments in market research and new product development Investments in developing core competencies, core products and core standards Investments in company image (e.g., location of headquarters corporate advertising) Flagship branding (e.g., patents, logo, trademarks) Planning product line updates and expansions via acquisitions or mergers.	Short-term financing Long-term financing Equity building Credit building Debt financing Debt services Debt restructuring Corporate restructuring via mergers, acquisitions or buyouts. Selling fixed assets Buying fixed assets.
Business Process	New product timing, launching & announcements Cannibalizing existing brands Target marketing Penetration strategies Segmentation strategies Promotion strategies Advertising strategies Direct marketing strategies Internet marketing strategies Branding strategies Pricing strategies Retailing strategies Aggressive selling Predatory pricing Customer Relationship Management (CRM) Retail Partners Relationship Management (PRM).	Finished goods inventory management Warehousing, transportation and delivery logistics Pricing management Variable pricing by segments Online dynamic pricing (e.g., name your price priceline.com) Reverse e-auctions pricing. Providing billing information Answering billing questions Rebates management Accounts receivables management Customer credit policies Customer financing systems Customer collection efforts Salespeople commissions/bonuses mgmt Deep discounting Clearance strategies Liquidation pricing Phasing products and brands. Phasing customers: customer	Working capital management Cash flow management Operating cycle management Cash cycle management Raw materials and in-process goods inventory management Costing management Accounts payables management Payroll management 401K pensions plans Health benefits management Stock options Outsourcing

		foreclosure.	Downsizing Plants relocations Employee layoffs Severance pay Union negotiations.
Business Outputs	Customer satisfaction/delight Customer retention ratios Customer acquisitions via switching Sales revenues Change in sales in units and dollars Sales by preferred and lifetime customers Benchmarking by competition Change in number of customers Change in preferred customers Change in lifetime loyals Market share, domestic/global Returns on promotions and advertising Change in customer equity Returns on sales (ROS).	Returns on new customer acquisitions Returns on CRM Returns on Quality (ROQ) Returns on innovations Returns on new products Returns on products updates/expansions Returns on cannibalizing Returns on brand investments Returns on services improvements Returns on market share Returns on rebates (ROB) Returns on discounting (ROD) Returns on order-to-shipment time Returns per salesperson Returns per retail site; returns on PRM Returns by country or trade region Returns by preferred customer Customer lifetime value (CLV) returns Returns on marketing (ROM) Bad customer-debt recovery	Gross and operating margins Returns on investments (ROI) Returns on assets (ROA) Returns on downsizing Returns on outsourcing Returns on plant relocations Returns on customer equity Returns on brand equity Change in market valuation Change in net worth Earnings per share (EPS) Earnings per market share Price/earnings ratio (P/E) Change in shareholder value Total returns to shareholders (TRS) Market value Market value added (MVA) Market value/invested capital.

Table 2: Marketing/Finance Interface (MFI) Performance Metrics of SRC and Wal-Mart
 (* Apart from these, all other figures are in \$ billions; figures in bold indicate the company's superior performance over its rival and are totaled by each major category).

Performance Metrics	Sears & Roebuck			Wal-Mart		
	1993	1996	1999	1993	1996	1999
<i>MFI Performance of Inventory Management</i>						
1. Average inventory in \$ billions	3.783	4.340	4.943	8.819	15.357	18.860
2. Inventory Turnover Ratio (ITR) = CGS/Avg Inv	13.872	5.743	5.505	5.009	4.855	6.875
3. Average days in inventory (365/ITR)*	26.31	63.55	66.30	72.86	75.17	53.09
4. Total Revenues/Average inventory	13.439	8.810	8.309	6.348	6.170	8.845
5. Total Revenues/Average days in inventory	1.932	0.610	0.619	0.768	1.260	3.142
6. ITR wrt Selling & Admin Exp = SAE/Avg Inv	1.221	1.850	1.703	0.943	0.974	1.434
7. Avg days in Inventory wrt to SAE*	298.87	197.27	214.33	386.84	374.91	254.58
8. Total Revenues/Avg days in Inv. wrt to SAE	0.170	0.194	0.192	0.145	0.253	0.655
9. Total revenues/Cost of goods sold (CGS)	0.969	1.534	1.509	1.267	1.271	1.286
10. Total Revenues/SAE	11.004	4.762	4.879	6.728	6.337	6.169
11. Daily sales or Total Revenues/365	0.139	0.105	0.113	0.153	0.260	0.457
12. Net Income/Average inventory	-1.039	0.415	0.294	0.226	0.178	0.285
13. Net Income/Average days in inventory	-0.149	0.028	0.022	0.027	0.036	0.101
14. Net Income/Avg days in Inventory wrt to SAE	-0.013	0.009	0.007	0.005	0.007	0.021
<i>MFI Performance of the Accounts Receivables (AR) Management</i>						
15. Average AR in \$ billions	14.364	21.224	18.403	0.472	0.777	1.230
16. AR Turnover (Net Credit Sales/Avg AR)	3.539	1.802	2.232	118.612	121.942	135.617
17. Average days in AR (365/AR Turnover)*	103.13	202.60	163.55	3.077	2.993	2.691
18. Un-collectible Accounts/Total Revenues		0.030	0.021	0.000	0.000	0.000
19. Total Revenues/Average days in AR	0.492	0.189	0.251	18.195	3.852	61.988
20. Net Income/Average AR	-0.274	0.085	0.079	4.227	3.526	4.372
21. Net Income/Average days in AR	-0.038	0.009	0.009	0.648	0.916	1.998

<i>MFI Performance of the Accounts Payables (AP) Management</i>	0	0	0	7	7	7
22. Average AP in \$ billions	8.141	6.679	6.862	3.664	6.175	11.681
23. AP Turnover (CGS/Avg AP)	6.446	3.732	3.966	12.056	12.075	11.100
24. Average days in AP*	56.62	97.81	92.04	30.27	30.23	32.88
25. Total Revenues/ Average AP	6.245	5.725	5.985	15.280	15.344	14.280
26. Total Revenues/ Average days in AP	0.898	0.390	0.446	1.850	3.134	5.073
27. Net Income/Average AP	-0.483	0.270	0.212	0.544	0.444	0.460
28. Net Income/Average days in AP	-0.069	0.018	0.016	0.066	0.091	0.164
<i>MFI Performance of the Operating and Cash Cycles Management</i>	0	0	0	7	7	7
29. Operating cycle (days in inv. + days in AR)*	129.44	266.15	229.85	75.94	78.16	55.78
30. Cash cycle (Operating cycle – days in AP)*	72.82	168.34	137.81	45.67	47.93	22.90
31. Total Revenues/ Operating cycle	0.392	0.144	0.179	0.737	1.212	2.990
32. Total Revenues/ Cash cycle	0.698	0.227	0.298	1.226	1.977	8.284
33. Net Income/ Operating cycle	-0.030	0.005	0.006	0.026	0.035	0.096
34. Net Income / Cash cycle	-0.053	0.008	0.011	0.044	0.057	0.235
<i>MFI Bottom Line Performance Metrics</i>	0	0	0	6	6	6
35. Total Costs & Expenses/Total Revenues	1.123	0.946	0.941	0.943	0.954	0.946
36. EBIT/Total Revenues	-0.092	0.055	0.059	0.057	0.045	0.054
37. Net Income/Total Revenues	-0.773	0.033	0.035	0.036	0.029	0.032
38. Total Revenues per Employee*		\$131,848	\$125,985		\$140,369	\$146,324
Bottom line metrics of better performance	0	3	3	3	1	1
<i>Total Number of Metrics the firm did better than its rival</i>	4	10	6	33	28	32