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Marketing Productivity Analysis

by
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Abstract. In terms of competitive pressures, managers must find solutions to increase organizational performance. Marketing activities involve evaluation of each market segment. From this perspective, marketing productivity analysis is a useful tool for evaluating the effectiveness of the marketing actions. Achieving marketing objectives, strategies and tactics for marketing and other elements of their marketing productivity chain will be evaluated periodically to increase marketing performance. Managers need to learn how to allocate marketing resources and how to develop marketing skills to consider activities and expenses incurred as a long term investment. This article presents a framework for measuring marketing productivity and assessment methods for efficiency of marketing activities.

Key words: marketing productivity, marketing performance, marketing audit, strategic marketing planning
JEL classification: M31

1 Introduction

In conditions of high competition in all fields, managers face challenges in adopting marketing strategies that lead to achieving the organization's performance. But this performance depends primarily on marketing performance, marketing managers' ability to find and implement the best solutions to develop basic skills and to streamline the overall marketing activity. A dynamic competitive environment strongly influences the organization's objectives, results in the resources involved, so the productivity of the organization's marketing activities. So, marketing activities should must focus on delivering effective efficiency, what means delivering greater value to customers and the corporation at the lower cost. Sheth and Sisodia (1998, p.5) believes that productivity should be seen as *effective efficiency suggesting*"...that a firm should first strive for effectiveness, then seek efficiency in the achievement of that effectiveness".

- Several authors have been interested in the topic of marketing productivity and identified three main issues to be considered when making a detailed analysis on measuring marketing productivity: The long term effects of marketing activities;
- The separation of individual marketing activities from the other action;
- The use of Financial and nonfinancial methods for measuremet of Marketing Investments. (Dekimpe and Hanssens, 1995; Bonomi and Clark, 1988, Clark, 1999).

In practice, marketing managers seek to implement marketing strategies through strategic marketing planning, which confirms the need for careful analysis of each step involved in the process.

Adaptation to the environment and realizing opportunities requires a strategic approach to actions that will be undertaken in order to gain a favorable position in the market. As a result, strategic marketing planning becomes the main tool used for this purpose and, in essence, to identify the sources of competitive advantage.

2 Measuring marketing productivity

Implementation marketing strategies and budget allocation for each activity requires tracking the effectiveness of each activity. Measuring productivity of marketing involves evaluating marketing activities in terms of performance versus cost involved, which can be measured by the percentage of costs in all sales.

It also depends on the stage of the lifecycle in which the product as a product found in the launch phase or growth phase costs are much higher.

Measuring efficiency, however, is quite difficult, especially if quality targets, because the change in the consumer attitude is done in a long time, and their impact on quantitative targets will see in time. Measuring productivity of marketing can be done through two complementary approaches (Kotler and Keller, 2009):

- Metric measurement;
- Marketing mix modeling.

The metric system is a set of measures that are assessed the effects of marketing activities, and help to quantify, compare and interpret marketing performance and to measure this performance.

To use this system, companies must meet the following requirements:

- conduct regular research on consumer behavior (retention, acquisition, use) and the reasons for such behavior (awareness, satisfaction, perceived quality);
- regular reporting of results of research to management in an integrated form with the measurement of financial results as a result of marketing activity.

Metric systems of measurement of productivity of marketing permit:

- Comparing these results with those projected business plans;
- Comparing the results with those of competitors for the same indicators;
- Adjust the level of short-term performance consistent with changes in expected profits.

The measurement should be divided into two parts, meaning that primarily aim at short-term results that reflect profits and losses and long-term follow changes in brand equity - methods can measure awareness, attitudes, behavior market share, number of complaints, perceived quality, brand loyalty, etc.

- Another method that can measure the effectiveness of marketing is marketing mix modeling. This method has the following advantages: measure the effects of marketing investments activities;
- analyze data from different sources: from retailers, shipping companies, internal data on prices, promotion etc.. to understand the effects of different marketing activities;
- are used a variety of methods of regression analysis to sort each marketing element influencing income;
- are useful for resource reallocation;
  - This method has however a series of disadvantages: Focus on profit growth instead of sales growth and long-term effects;
  - limited inclusion of metric methods that can be measured consumer satisfaction, awareness, brand equity;
  - may not be taken into account competition issues, sales force, distribution etc..

The analysis should also focus on past and current efficiency of control procedures because they have to allow adjustments due to changes in the market. No matter how well planned marketing activities, market level variables, new information and technologies, new regulations may force the organization to review strategic and tactical approach. (Parmerlee, 2000)

Among the tools that an auditor has to monitor the performance of your marketing plan include: sales reports, reports on the activities of communication, distribution, launch new products, and the results of previous audit plans.

3 The Chain of Marketing Productivity

Organizational performance should reflect, ultimately, the effectiveness of each marketing activity undertaken by it. Therefore, knowledge of all activities involved, a chain-of-effects model that relates a specific action taken by the firm to the overall condition and standing of the firm is necessary. The chain of marketing productivity was described by Rust at al. (2004), focusing on business strategies and specific tactical actions.

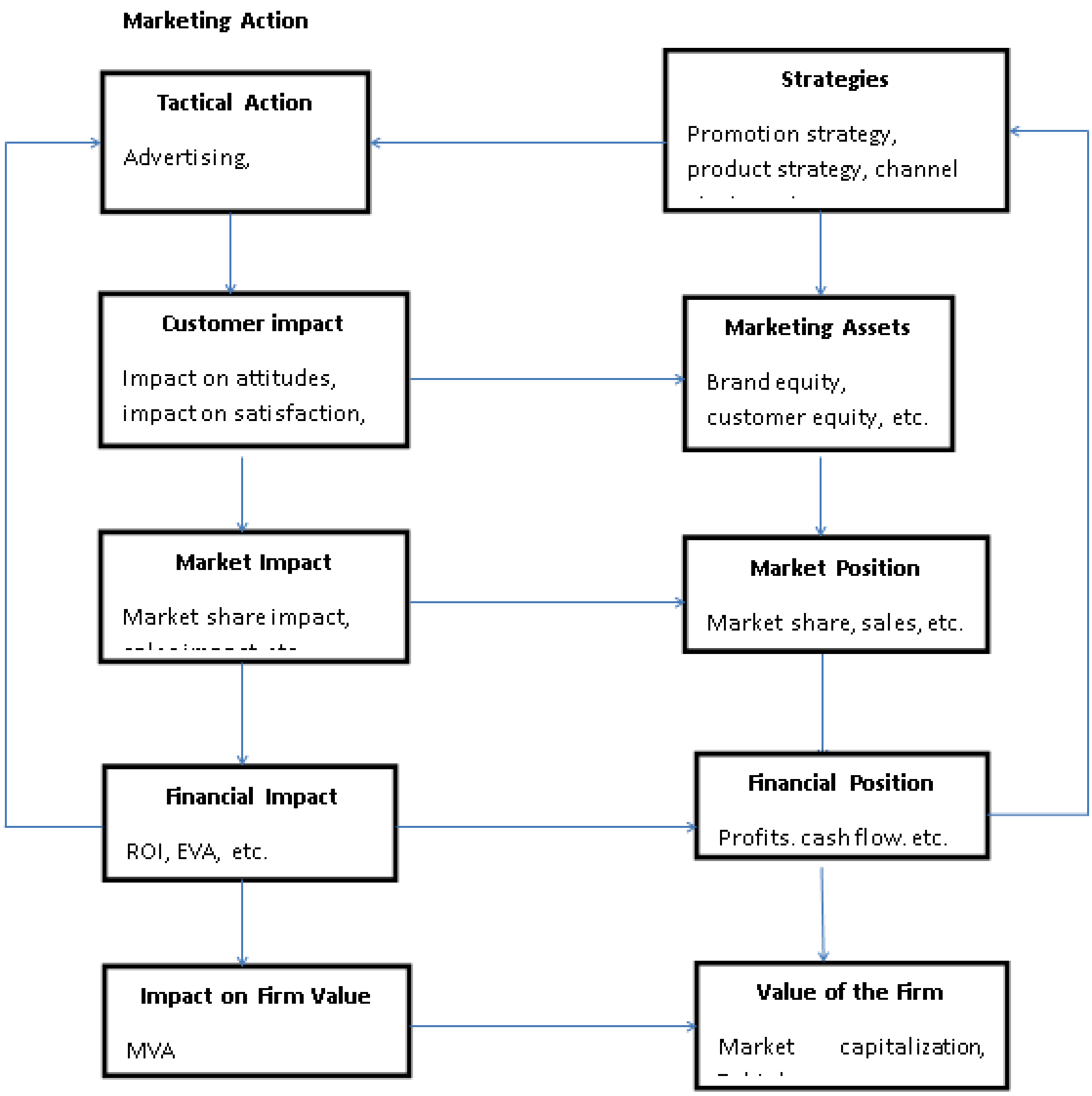

Figure 1. The Chain of Marketing Productivity
Source: Neil A. Morgan; Bruce H. Clark; Rich Gooner, Marketing productivity, marketing audits and systems for marketing performance assessment. Integrative perspective, Journal of Business Research 55 (2002) 363-375

Marketing strategies have a fundamental role in achieving organizational performance. However, the success of the strategy depends heavily on the ability of specialist operational, its transposition into practice. Identifying the most appropriate marketing tactics help to attract consumers and influence their satisfaction and attitude towards brand loyalty. Al Ries and Jack Trout (1986) argues that a strategy does not help to achieve tactical results are considered to be wrong. The result of tactical actions corresponding marketing strategies must be measured and aggregated into what is called marketing assets. Rust and al. (2004, p. 78) believes that "marketing assets are customer-focused measures of the value of the firm that may enhance the firm's long-term value".

Therefore, these marketing actions need to increase short-term profitability of the organization. Positive attitude of consumers towards the organization, increase sales and market share are important responses generated by the tactics implemented. But the financial impact, which involves obtaining an increase mentioned, is that better measure the success of marketing efforts undertaken by the organization. Marketing managers are responsible for marketing performance from these efforts.

Dimensions of marketing performance considering three components (Morgan, Clark and Gooner, 2000):

- adaptiveness – the ability of the organization to respond to environmental changes;
- effectiveness – the extent to which organizational goals and objectives are achieved;
- efficiency – the relationship between performance outcomes and the inputs required to achieve them.

Another approach to assessing the company's marketing performance is that of Kotler, Keller (2009, p.698) who believes that in spite of the need to monitor and control marketing activities, many companies have inadequate control procedures, and identifies four types of activities that evaluates and controls the marketing: annual-plan control, profitability control, efficiency control and strategic control.

- Annual-plan control ensure the company achieves the sales, profits and other goals establish in its annual plan and used as the main method: sales analysis, market share analysis, sales-to-expense ratios, financial analysis, market-based scorecard analysis;
- Profitability control involves the use of various methods by which the company can measure the profitability of their products, territories, customer groups, trade channels, promotion;
- Efficiency control, focuses on finding ways to increase the efficiency of the channels, sales force, advertising, sales promotion;
- Company's strategic approach can be assessed through marketing audit. Considered as a systematic and critical review of the total marketing operation, Kotler et al. (1977) defines the marketing audit the first systematic attempt to assess marketing effectiveness and proposed six components of the marketing audit. This components included: marketing environment audit, marketing strategy audit, marketing organization audit, marketing systems audit, productivity audit and marketing function audit.

4 Managerial implications

Organizational performance is achieved through sustained efforts towards the implementation of marketing actions and tactics that reflect market orientation of the organization. Kohli and Jaworski (1990) considers that a market orientation provides a unifying focus for the efforts and projects of individuals, thereby leading to superior performance.

Marketers must build their product, brands, channel, through performance, more than through promotion.(Kotler, Keller, 2009, p.697)

Measuring organizational performance is such an important stage of any strategic planning process. Implementation of the strategy must be monitored and evaluated to identify the extent to which the organization's efforts have led objectives, or clear the extent that said costs involved can be found in the sales made.

Productivity analysis of marketing activities can help management determine whether to expand, reduce or eliminate any product or marketing activities in order to achieve goals and increase its competitiveness.

In terms of the economic environment changing under the impact of the economic crisis, in terms of emphasis of competition, increasing consumer demands, managers need to realize productivity of marketing analysis systematically and regularly, not just when the company encounters difficulties.

Productivity analysis of marketing allows the company to remain competitive by reducing the excessive costs and develop the plans to reduce them in time, make changes to become a truly outstanding player in the marketplace.

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