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ACCOUNTABILITY AND RESPONSIBILITY IN THE MANAGEMENT OF MARKETING IN THE NEW (EUROPEAN) ECONOMIES

1. INTRODUCTION

One of my intellectual mentors, John Kenneth Galbraith, whose ancestry is good Scottish Calvinist, in a newly published essay (Galbraith 2004), argues that major corporations are run by their managements largely for their own benefit, and without public control or oversight. If he is right, sooner or later, the public, the consumer, or those that represent them, like the New York Attorney General, currently in vigorous pursuit of the senior management of Enron Corporation, may demand an accounting, and some system of oversight (*Research priorities...* 2000).

In an increasingly competitive environment, new members of the European Community will be aware of the need to adapt their management skills not only to the standard set by best practitioners, but to the need for public accountability.

In the field of marketing, the best global players are providing very tough competition. They invest large sums of money in marketing and brand building, in distribution and in distributor support. Smaller and newer players in this global game must learn fast. Marketing management in all companies must know how to measure the "success" or "failure" of marketing management initiatives, and to demonstrate their own "marketing productivity" (Thomas 2000, p. 70–91). I define "marketing productivity" as an input-output analysis focussing on efficiency measurement-the relationship between inputs and outputs, and effectiveness measurement-relating outputs to outcomes, the achieving of ends and objectives of marketing management actions (Davidson 1999, p. 757–777).

The diagram below illustrates the input-output matrix.

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Effectiveness impact

Dynamic Pricing
Activity-based costing
Zero-based budgeting
Adjusting compensation of Marketing personnel
Continuous assessment of Marketing practices

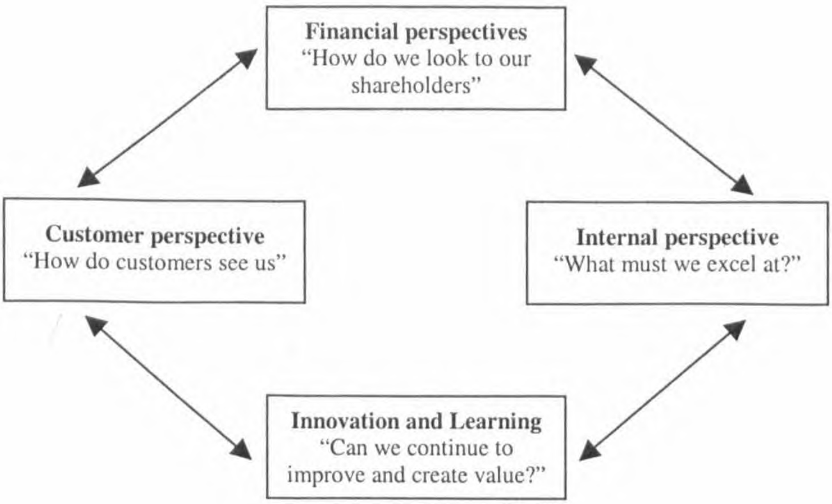
Partnering
Relationship marketing
In sourcing vs. outsourcing
Customers in the value chain
Market response modelling
Data-base marketing
Front-line information systems
Net-based marketing
Re-engineering marketing

Marketing alliances
Reducing product and atribute proliferation
Umbrella marketing
Rethinking advertising
Focusing promotions
Unbundling and rebundling services

Efficiency Impact

In recent years, the problems of measurement in marketing have been addressed, and new tools are already available. The balanced scorecard, customer satisfaction measures, activity based costing are now reasonably well understood, and ways to measure the quintessential marketing asset – brand equity – have made considerable progress. The Balanced Scorecard (Kaplan, Norton 1996, p. 75–85) is well known and widely used:

The Balanced Score Card



In the time available to me I can only highlight some of the challenges we face.

It is important to differentiate three different levels of marketing activity measurement.

1. Marketing at the company wide level.

2. The functional activities conducted by professional marketing managers.

3. The budgetary and control function in the costs charged to marketing.

Why is measurement in Marketing important? Management is about creating value and controlling the resources applied to the process of creating value. Control theory focuses on the efficient implementation of marketing strategies, output based controls focus on bottom line results (Ambler, Puntoni 2003).

Let me illustrate the focus of my remarks by suggesting a set of measures that every company should desire to have:

Measures of effectiveness in market selection. Is my company in the right markets? Do these markets show evidence of sustaining profitable growth?

Measures of profitable growth. Do I have evidence that we can secure top line sales growth (revenue building) and manage costs effectively.

Market Share trend. Can I demonstrate cost cutting and growth market share?

Measures of Product and/or service quality (did I get what I wanted?).

Measures of delivery/timeliness quality (did I get it when I wanted it?).

Measures of cost effectiveness (did I get it at a price that, when combined with the previous two, created a perception of high value?).

Measures of employee morale (is my organisation stable and growing in capability?).

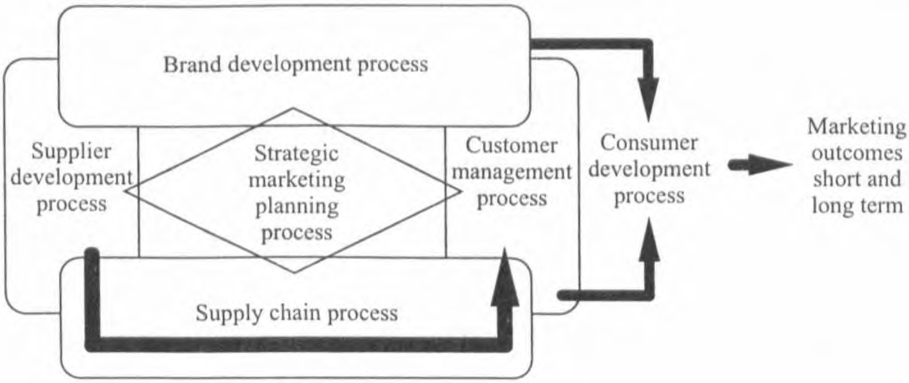
Are my people engaged in improving customer satisfaction and value in a systematic way?

Measures of employee safety and health (am I demonstrating commitment and concern to my people about their importance to the organisation?).

These questions reflect both the viewpoint of the manager defining his own tasks, and at the same time try to address the questions that any intelligent stockholder or would be investor would want answered. I cannot address all of the questions posed in the previous paragraph, what I propose relates to the marketing oriented questions – the market drivers.

2. HOW DO WE MEASURE THESE MARKET DRIVERS

The challenge we face is to measure the value added drivers created by the processes for which marketing management has responsibility (T h o m a s 2000, p. 70–91).



I will only comment on one component of the model, though it is probably the crucial component, namely the Brand Development Process.

2.1. The Brand Development Process and Brand Strength Performance

That brand development holds the prospect for creating brand equity is uncontested (*Measuring marketing* 2001). The challenge is to develop measures that capture these values. In the world of global competition, I would argue that brand value, its nurturing and management, is a key to competitive success. We must attempt to measure the process.

The following measures are relevant:
- Brand market share,
- Distribution/price index,
- Brand awareness index,
- Perceived quality,
- Perceived value,
- Brand personality,
- Price premium (relative price vs. market average),
- Satisfaction/loyalty measures,
- Brand value.

These measures should illuminate the brand development process, define precisely the corporate brand position (either solus or as the sum of individual brand performances) and **measure the level of customer satisfaction** associated directly with the brand.

The issue of Brand Valuation is currently a very lively issue. There is still concern that the debate is too narrowly focused, too concerned to develop a system compatible with the current accounting practices. The purpose of this paper is not to address this particular issue in detail. We need to develop a set of performance measures that illustrate the complexity and multi-faceted nature of brand performance, that illustrate the web of dependency effects.

The important of the brand valuation debate cannot be over-emphasised since the appearance on the balance sheet of a brand value will be the first step toward recognition of the validation of the asset value created by marketing management, even though in the eyes of traditional accountants, brand value is an intangible asset.

I will not enter into a detailed discussion of where the debate is taking us. I have provided some useful references.

What I intend to do is to provide information about current practice. Research by the Marketing Leadership Council (USA) in 2001 (*Measuring marketing...* 2001) reported on current practice in the USA. The following data may provide a snapshot of current practice.

This table shows the wide variety of measures in use, with each sector averaging 21 measures in use. The report states that there is continuing pressure for improved marketing metrics to demonstrate the financial impact of marketing.

Marketing Managers in the New Europe face a stiff learning curve in these matters. I would suggest that the new environment requires mastery of at least these measures:

- Market trend,
- Market share,
- Major brand trends,
- Customer retention success,
- New products/services in last few years,
- Unit volume trend (per cent) as a percentage of sales,
- R and D as a percentage of sales,
- Capital expenditure as a percentage of sales,
- Marketing expenditure as a percentage of sales,
- Distribution trend (percent).

I provide in an Appendix (*Manufakturing...* 1995) my view of the topography of marketing excellence.

Metric	B2B	B2B high techno-logy	B2C direct	B2C telecoms	B2C indirect	Packaged goods	Pharma	Total (%)
Market share	100.0	100.0	77.0	100.0	100.0	92.0	100.0	93.3
Sales revenue	81.0	100.0	81.0	100.0	95.0	100.0	100.0	89.5
Market growth	85.0	70.0	65.0	100.0	90.0	92.0	80.0	80.8
Satisfaction	85.0	80.0	85.0	80.0	55.0	67.0	40.0	74.3
Price level	77.0	90.0	69.0	100.0	60.0	75.0	80.0	74.0
Market size	77.0	60.0	58.0	80.0	80.0	92.0	80.0	73.2
Aided awareness	62.0	60.0	69.0	100.0	90.0	75.0	80.0	73.1
Overall awareness	65.0	60.0	69.0	100.0	85.0	67.0	80.0	72.0
Unit volume	65.0	70.0	73.0	100.0	70.0	83.0	60.0	72.0
Sales by channel	69.0	70.0	65.0	100.0	75.0	83.0	60.0	71.9
Unaided awareness	62.0	60.0	65.0	80.0	90.0	75.0	80.0	71.2
Market share by segment	65.0	70.0	58.0	60.0	80.0	75.0	80.0	68.3
Customer complaints	50.0	50.0	73.0	60.0	55.0	75.0	20.0	58.6
Customer preference	58.0	50.0	62.0	60.0	65.0	58.0	20.0	57.8
Perceived quality	62.0	60.0	65.0	60.0	50.0	67.0	–	57.8
Customer service levels	50.0	50.0	58.0	40.0	60.0	83.0	40.0	56.8
Number of customers	50.0	40.0	81.0	80.0	40.0	42.0	40.0	54.9
Number of new customers	50.0	30.0	73.0	80.0	50.0	50.0	40.0	54.8
Perceived value	42.0	60.0	46.0	40.0	60.0	58.0	40.0	49.8
Attitude	46.0	60.0	39.0	20.0	60.0	58.0	60.0	49.1
Purchase intent	46.0	60.0	42.0	40.0	55.0	67.0	20.0	49.0
Brand equity	39.0	40.0	42.0	40.0	65.0	67.0	40.0	48.2
Likelihood to recommend	50.0	60.0	54.0	40.0	40.0	33.0	20.0	46.2
Recall of brand attributes	35.0	40.0	42.0	60.0	60.0	42.0	60.0	45.3
Churn rate	39.0	40.0	73.0	100.0	20.0	33.0	–	44.3
Customer profitability	35.0	30.0	46.0	60.0	45.0	50.0	40.0	42.4
Brand value	31.0	40.0	42.0	40.0	60.0	42.0	40.0	42.3
No. products per customer	19.0	10.0	62.0	60.0	45.0	50.0	20.0	39.5
Customer gross margin	35.0	30.0	46.0	40.0	40.0	42.0	20.0	38.6
Percentage of sales at discount	35.0	30.0	19.0	40.0	50.0	50.0	80.0	37.5
Price premium/discount	27.0	20.0	27.0	20.0	50.0	58.0	40.0	34.6
No. transactions per customer	12.0	10.0	46.0	20.0	45.0	42.0	40.0	31.8
Inclusion in consideration set	19.0	30.0	31.0	20.0	40.0	42.0	20.0	29.8
Customer acquisition cost	23.0	20.0	50.0	60.0	20.0	17.0	20.0	29.8
Average discount provided	27.0	30.0	15.0	20.0	35.0	42.0	60.0	28.8
Share of wallet	27.0	20.0	39.0	20.0	20.0	33.0	–	27.0
Cost to serve per customer	19.0	10.0	39.0	40.0	25.0	25.0	20.0	26.0
Price elasticity	15.0	–	27.0	40.0	30.0	50.0	–	24.0
Weight ratio (heavy/light users)	4.0	–	27.0	20.0	30.0	50.0	40.0	22.2
Customer lifetime value	12.0	10.0	35.0	40.0	10.0	8.0	–	17.5
n =	26.0	10.0	26.0	5.0	20.0	12.0	5.0	104.0
Mean	45.8	46.9	52.7	57.7	54.0	56.6	49.0	52.7
Av. measures per company	18.3	17.8	21.1	23.1	21.6	22.7	17.2	21.1

Marketing Management is a profession and one requirement for the future of the profession is that members are financially literate and able to debate on equal terms with the accounting profession. If you believe as I do, that the marketing function in a business is the only real creator of value, and that the value added created by marketing is the source both of customer satisfaction and company profit, then we must be as good at measuring the efficiency and efficacy of what we do and manage as the best in the business. If we can achieve this, then we may be able to face our critics, and reply to the accusation that we run our companies only to enrich ourselves, with no concern for customer satisfaction and consumer welfare.

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Michael Thomas

ODPOWIEDZIALNOŚĆ MARKETINGU W WARUNKACH NOWEJ GOSPODARKI

W konkurencyjnym otoczeniu biznesu nowi członkowie Unii Europejskiej są świadomi potrzeby adaptacji ich umiejętności zarządzania nie tylko do przyjętych standardów, ale także publicznej odpowiedzialności. W tym świetle na szczególne podkreślenie zasługuje potrzeba oceny wydajności i efektywności działań marketingowych, w które inwestowane są coraz to większe środki finansowe. Autor w artykule podejmuje próbę oceny możliwości pomiaru czynników wpływających na wartość dodawaną przez marketing. Podkreśla także znaczenie wskaźników marketingowych i ich rolę w ocenie produktywności działań marketingowych.

APPENDIX

COMPONENTS OF THE MARKETING EXCELLENCE FRAMEWORK

Marketing strategy

There is an extensive awareness of the need for external analysis and review of the company's competitive and market position.

There is a systematic process for the collection and use of marketing information.

Staff at all levels are actively involved in the collection of market information.

There is a well defined strategic marketing planning process.

There are explicit strategies for developing and managing strategic alliances.

Resources are explicitly developed by reference to competitive information.

Organisational structures reflect the marketing strategy.

The company culture is marketing orientated.

Quality strategy

Top management is committed to quality.

The company has a long term commitment to improving quality.

The company has a culture which underpins quality.

The company used systems, tools and techniques to monitor and control quality.

Innovation

New product development is seen as a critical business process.

Systematic approaches are used in new product development.

External stakeholders are consciously and deliberately involved in new product development.

Product and process development are simultaneous considerations.

Cross functional teams are consciously and deliberately involved in new product development.

New product development is time driven.

Quantified goals are established to manage and control new product development performance.

Customer development

There is a conscious and explicit approach to segmentation, targeting and positioning.

The company explicitly manages through relationship marketing.

The marketing programme is regularly adjusted to reflect and anticipate customers' needs.

The company has an explicit programme to develop strategic partnerships with distributors, agents and other intermediaries.

Branding

There is a clear understanding of the role of brands throughout the business.

Branding is seen as a source of strategic competitive advantage.

Supply chain management.

Supply chain management has a strategic role.

There are explicit systems in place for managing suppliers.

The company and its suppliers share the same strategic vision.

Manufacturing strategy

Manufacturing's strategic role is explicitly recognise.

Manufacturing investment is determined by explicit reference to market needs and competitive strategy.

Source: *Manufacturing – the Marketing Solution*, The Chartered Institute of Marketing, Cookham (U. K.) 1995.