

## MARKETING PERFORMANCE MANAGEMENT

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### **—Abstract —**

In recent years, it has become essential for business managers to have new ways of thinking in order to sustain performance and growth. There is an increased intensification of market competition. This tough “fight” to win customers resulted that marketing has an ever increasing place in businesses’ strategic and operational activities. Marketing is not quite understood at many companies which often rest upon the fact that it has been one of the least measurable function in a business. Therefore, planning the marketing expenses may be a determining factor to develop a quantitative monitoring system. Marketing decisions are often made without the information, expertise and measurable feedback needed. As a result of the above mentioned it is evident why controlling of marketing sub-processes alias Marketing-Controlling was created. Controlling basically means "results-oriented management". This means that the data gathered, evaluated and a decision is made on that basis. In contrast, the marketing expresses a "market-oriented management". Regarding sales decisions, market values are at the center. Thus, we see that the marketing activities should include not only the transmission of new information but also has to be future oriented in-particular focus on customers and competitors.

**Key words:** *marketing performance, controlling, Balanced Scorecard*

**JEL classification:** M31

## **1. MARKETING MEASUREMENT**

More than ever, marketing executives are being asked to quantify the impact that their organization's marketing efforts are satisfying or not. Generally speaking, most of the marketing performance tools we use today are only tactical issues. Measuring performance has been a central issue in marketing and remains an important question for a large majority of organizations (Morgan, Clark & Gooner 2002). The assessment of marketing productivity and marketing metrics have been among the research priorities of several institutions since 2002 including The Marketing Science Institute as well.

Clark (1999) attributed this interest in measuring performance to the convergence of four trends: Firstly, after a decade of "downsizing", major corporations were reaching the point of diminishing returns which had led to a refocusing on marketing, as a driver of future profit and growth (Sheth & Sisodia 1995). Secondly, there has been increasing demand for information related to marketing, which traditionally has been poorly reported in firm financial statements. Thirdly, measures of business performance such as the Balanced Scorecard (Kaplan & Norton 1992) have attracted attention to the issue of which marketing measures should be included in the overall assessment of business performance. Finally, marketing managers have become frustrated with traditional performance measures that they believe undervalue what they do.

Famous thoughts such as " , " or " if you don't measure results, you can't tell success from failure and thus you can't claim or reward success or avoid unintentionally rewarding failure," but what eludes many of us is the easy path to identifying truly strategic measurements without falling back on things that are easier to measure such as input, project or operational process measurements.

### **1.1. The Notion of a Performance Measure**

Clark (1999, p. 712) stated that "performance history suggests that marketing performance measures have moved in three consistent directions over the years: first, from financial to non-financial output measures; second, from output to input measures; and third, from uni-dimensional to multidimensional measures." Nevertheless, the assessment of performance remains an important but elusive concept. It is important because consensual measures of performance would promote scholarly investigation, and clarify managerial decisions (Bonoma & Clark 1988). It is elusive because marketers have continually looked

unsuccessfully for clear, present, and reliable signals of performance by which marketing merit could be judged (Bonoma & Clark 1988). While much work has gone into researching the performance marketing equation (Bonoma & Clark 1988; Clark 1999), achieving a coherent view of the performance measures of marketing has remained a difficult and generally unrewarding business. "Indeed, perhaps no other concept in marketing's short history has proven as stubbornly resistant to conceptualization, definition, or application" (Bonama & Clark 1988, p. 1).

## **2. FINANCIAL OR NON-FINANCIAL MEASURES?**

Businesses are tending to rely less on financial measures (which are based on Accounting Standards) such as, profit, return on investment, and return on assets, alone to assess overall corporate performance (Wheelen & Hunger 2002). Measures that focus solely on financial performance are seen as less appropriate to deal with the issues which confront organizations now (Ahn 2001; Ambler 2000; Ittner & Larcker 1998; Kaplan & Norton 1996). "Sole reliance on financial measures of performance does not arguably reflect the importance of current resource decisions for future financial performance. Though some firms recognized the importance of non-financial performance measures many years ago (e.g., General Electric in the 1950s), growing international competition and the rise of the TQM movement have widened the appeal of non-financial performance measures" (Malina & Selto 2001, p. 48). Without doubt, the strongest measurement trend in the 1990s was a move by a variety of industries from just measuring the narrow success of products to the additional use of complementary non-financial measures oriented around customer value (Clark 2001). Survey data gathered from a variety of sources, and covering both the US and Europe, suggest major changes, with 40-60 per cent of firms having recently re-engineered their performance measurement systems (Neely, Adams & Kennerley 2002).

it has been asserted that the use of non-financial measures may improve managers' performance ratings by providing a more precise evaluation of their actions, as many non-financial measures are less susceptible to external effects than financial ones (Spremann & Gantenbein 2002).

Alternatively, the time and cost involved to track numerous non-financial measures can be substantial. Furthermore, the fact that many popular non-financial indicators (e.g., customer satisfaction) can be measured in varying ways makes comparisons and evaluations difficult (Spremann & Gantenbein 2002;

Ittner & Larcker 1998). Another important question is whether companies should be using an integrated framework to report non-financial and financial measures.

Unfortunately, resistance remains, as managers tend to avoid using multiple indicators, having a strong preference for single indicators which produce unambiguous results (Shaw 1999).

### **3. MARKETING-CONTROLLING**

This result-oriented aspect focuses on market values unlike in other controlling sub-systems and uses different toolbar from the regular controlling practice. Marketing-controlling is carried out by a marketing-controller who assist marketing management in the decision making and strategy formulation process. It is essential to clarify in which organizational apparatus (marketing or controlling) marketing controllers are placed. In case of an organization's controlling system operates sub-systems (eg. human-, innovation- marketing controlling) then specialization in the central controlling apparatus ensures effective operation the best (Kandikó, 2006).

Marketing-controllers together with the marketing department plan the marketing partial process activities, costs and plan-fact analysis. They are also inform then both marketing management and corporate governance about any deviation thus an effective decision can be made. Marketing-controlling provides a feedback function for the organization. It in charge of coordinating the operation of the Marketing Information System with Marketing Planning and Control. Its purpose is to recognize the differences in time and detect casual correlation. Marketing-controlling is a sub-system of both corporate controlling and marketing management. As a sub-system of the organization's controlling system carries out cost-planning, plan-fact analysis in order to ensure the necessary integrity towards organizational controlling (Józsa, 2006).

Regarding the measurement of marketing performance there are two main approaches in the literature. Anglo-Saxon approach focuses strongly on financial metrics, using financial indicators to measure marketing performance; often called Marketing Performance Measurement or Marketing Metrics. German approach on the other hand relies more on psychographic factors (see Figure 1.).

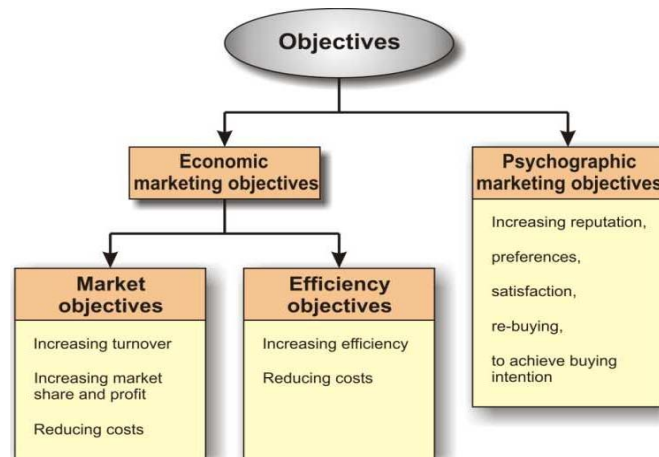


Figure 1. System of objectives  
Source: Gaál, 2008

### 3.1. Strategic and operative marketing-controlling

The operative marketing-controlling focuses more on existing results primarily gap analysis and various financial calculations. Its aim is to determine short-term returns, results and liquidity using accounting data. In contrast, strategic marketing-controlling is more future oriented and applies different analytical techniques such as portfolio analysis, benchmarking in order to achieve the desired results. Marketing controllers are also responsible for monitoring deviations based on plan-fact analysis and providing information to strategic management. In some cases they perform only as moderators or support coordinators mainly at the early stage of the strategy compilation, when the assessment of current marketing status or benchmarking is carried out. However, controllers have a significant role in the phase of strategic planning, contingency plans, annual tactical plans and the integration of these into the main strategic plan (Reinecke,2010).



Figure 2. Functional flow chart of marketing-controlling  
 Source: Own construction based on RAABE

### 3.2. Functions of marketing-controlling

Marketing-controlling can contribute to the organization's success regarding its functions and efficiency. Several factors are responsible for the development of such a system, at first it has to adjust to the company's profile and its market segment. Secondly comes the control function which concentrates on past plan-fact analysis in contrast to the audit function's future oriented characteristics focusing on the future success of the company and their influencing factors (Töpfer, 1995). The management and matching function helps to highlight and implement necessary changes. In the planning support function the controlling system assists organizations in developing marketing and management activities at the same time taking into account the market, competition and other conditions (Becker, 1998). Reinecke emphasizes the importance of the information service function where the necessary information is retrieved from the financial areas in order to provide the required data and mostly from accounting, finance and

marketing departments. Last but not least is the forecasting function: Marketing-controlling is able to detect trends influencing the organization.

#### 4. BALANCED SCORECARD

Accounting measures that may have worked in the industrial age are no longer uniquely capable of measuring performance in the post-industrial epoch (Kaplan-Norton, 1992). In order to manage and deploy organizational resources in such a way as to deliver and fulfill organizational objectives is a vital role of senior finance and management professionals. Many tools, techniques and frameworks have evolved to assist managers in this: value-based management, total quality management, the performance prism, and more.

The performance assessment of future organizations was a major aim Kaplan and Norton, proving that companies strictly relying on financial indicators are outdated. According to their research the result was a new indicator system called "Balanced Scorecard" named and organized around four distinct perspectives.

The balanced scorecard is a management framework which, since its inception by Kaplan and Norton in the early 1990s, has been adopted, modified and applied by hundreds of organizations worldwide. If understood thoroughly and implemented appropriately, its potential contribution to organizational success – however measured – is fundamental.

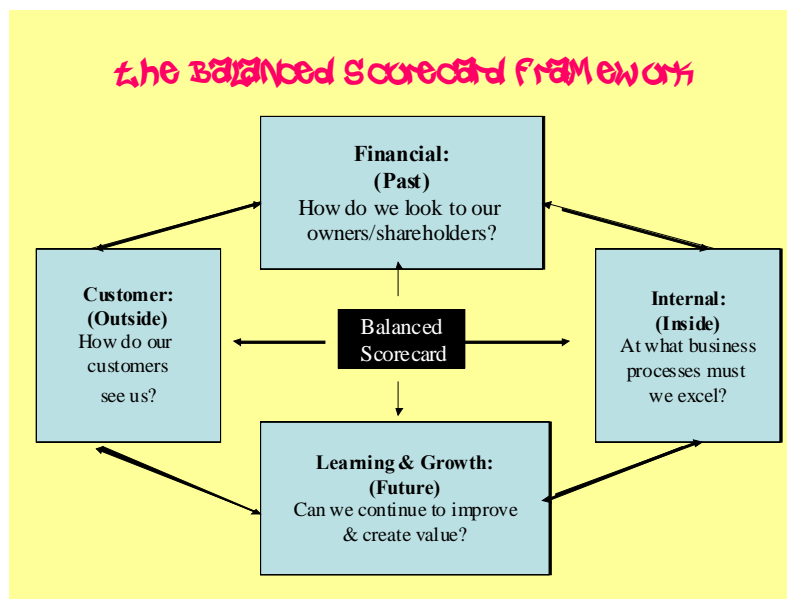


Figure 3.:The BSC framework

Source: Adapted from Kaplan & Norton, 1992, p. 72

One of the reasons behind the enormous popularity of the Balanced Scorecard is how it simplifies measurement into four or more perspectives. The "Scorecard" includes: financial performance, customer, operational processes, innovation and learning perspective. The "Balanced" indicates that result indicators and indicators for future performance elements should be balanced so do the financial and non-financial indicators. In the following figure we would like to demonstrate a possible marketing BSC

## 5. CONCLUSION

Marketing-controlling is suitable for organizations that have a well-defined , fine-scale marketing operation in the process structure (Reinecke, 2004). Statements, that say Marketing-controlling is nothing more than cost-controlling is not the case anymore. This work also shows that marketing controllers responsibility goes beyond simple cost management, in addition to all they are great help to marketing professionals in several fields such as strategy, operational marketing, planning marketing activities and analysing their impacts. Also provides a way to see if our strategy is working, focuses employees' attention on what matters most to success, allows measurement of accomplishments not just of the work that is performed, provides a common language for communication,

Today, marketing-controlling does not only include plan-fact comparisons but there is an increasing role in action proposals and forecasts. Measurement is critical to the health of any business, and Marketing-controlling highlights key tools and techniques across many measurement landscapes.



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