SELECTED ASPECTS OF MARKETING OUTCOMES MEASUREMENT

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1. Introduction

Until the early 1960's, there is dominated the opinion that measurement of marketing outcomes was impossible because marketing does not produce measurable and tangible outcomes as explained among others by Buzzel. Only the breakthrough works by Sevin on marketing productivity analysis as well as by Kotler, Gregor and Rogers concerning marketing audit [1, p.12] became the inspiration for wide interest in the issue of marketing. Since then, measurement of marketing expanded beyond not only in the field of interest of financiers and accountants but also the scope of its application expanded from assessment of selected aspects of marketing activities to comprehensive evaluation of marketing outcomes. The popularity and importance of measuring the outcomes of marketing also increased. That measurement involves selection and interpretation of appropriate measures. Creating exhaustive and universal set of measures, however, is impossible. In addition, specific conditions and methodological problems involved in the measurement make absolute accuracy of marketing outcomes evaluation impossible.

2. Levels of marketing outcomes measurement

During marketing outcomes evaluation are applied such notions as marketing productivity, marketing efficiency, marketing results, marketing efficacy and marketing effectiveness measures. As those notions are not equivalent and in practice they are frequently used as equivalents causing numerous cases of misunderstanding, it is justified to make clear interpretational differentiation of those terms. At the same time, one should realise the lack of consensus as concerns the definition of each of those notions. Sevin was one of the first authors to introduce the notion of "marketing productivity" to the subject literature. He defined it in the category of effectiveness stating that it is the "ratio of sales and net profits to marketing costs for a defined business segment". Currently marketing productiveness is considered according to two extremely different approaches. First as "efficient effectiveness" interpreted as achievement of marketing activities effectiveness at low costs. Second, it is interpreted as the "chain of marketing productiveness" that represents the holistic approach explaining how marketing activities increase the value of the company for its shareholders [2, p.26–27]. Marketing efficiency is the notion encompassing two notional and analytic sub-categories, i.e. efficiency and effectiveness. According to the general approach, it is a business process or marketing decision supporting the system that evaluates the results of marketing activities and their influence on the enterprise results. In that process, the measurement and evaluation of marketing outcomes is linked to use of appropriate indicators. They represent the tools that help quantification, comparison and interpretation of the marketing activities' outcomes. Within the wide spectrum of them, a specific group of indicators referred to in the Anglo-Saxon literature as „marketing metrics". They are defined as the measures of achievements that the highest-level management staff uses or should use regularly to trace and evaluate business development [3, p.76].

Considering lack of clarity in interpretation of the category of efficacy in the works on organisation and management as well as marketing, appears the reflexion of general. Efficacy is the function of reciprocal relation between the assumed goal of activities and the result achieved that is the actual outcomes. Consequently, it is the ex-post category as efficacy evaluation is possible only when the

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measurable goal of the activities is defined earlier, which is then confronted with the results achieved through taking those actions. As different from efficacy, effectiveness is an economic category and it concerns evaluation of the outcome of activities by business entities from the perspective of outlays used (costs incurred) in the economic process [4, p.70–73]. Effectiveness should be treated as the priority economic criterion for both the choice and evaluation of marketing strategy or individual actions undertaken within the frameworks, linking the results achieved with the outlays causes.

3. Importance of marketing outcomes measurement

Clark [5, p.711] indicates four phenomena motivating managers to evaluate marketing outcomes. First, it is the observed change in marketing perception towards treating it as the source of creating sales and consequently the profitability and growth of the business. Second, the increasing demand of investors for information concerning the quality of marketing efforts that traditionally used to be poorly presented and underestimated in the financial reports is the source for increased interest in measuring marketing. Third, establishment and popularity of such concepts for comprehensive methods of measuring the results of businesses as the "strategic results scorecard" by Norton and Kaplan of "rate of return on marketing investment" by Lenskold, gave the impulse for searching for the answer to the question "what marketing measures should be included in the system of comprehensive evaluation of business outcomes?" Finally, the increase in the interest of marketing evaluation results from the disappointment and frustration of managers responsible for marketing concerning the traditional measures of outcomes that undervalued the contribution of marketing to the financial results of the organisation.

Stewart [6, p.636] highlights that the increasing marketing costs and their significant share in total expenditures are the source of pressure faced by the managers in the area of providing more evidence that marketing strategies accepted would really lead to higher profits, business value and the value for its shareholders. Rust, Ambler, Carpenter, Kumar and Srivasta [7, p.77–79] in turn justify measurement of the financial outcomes of marketing by the statement that in that way the position of marketing itself in the enterprise would be strengthened. Halachmi [8, p.506] believes that if something cannot be measured then it cannot be understood, and if something cannot be understood then it cannot be controlled. And then, if something cannot be controlled, it cannot be improved. Solcansky, Suchrova and Milchowsky [9, p.1323] motivate that measurement of marketing outcome measurement is justified by the necessity of increasing competitiveness of the organisation and its effective functioning in the market in relation to competitors. Clark, Abela and Abler [10, p.191–193] highlight the informative function of the measures, which helps the organisation in taking better decisions based on the information. From that perspective, referring to the core of the organisation marketing orientation in the cultural and governance dimensions, we should agree with the opinion expressed by Kozielski [11, p.454]. He believes that "measurement of effectiveness permits transformation of the marketing philosophy into actions, concepts into decisions and organisation culture into the sphere of governance". Consequently, by means of measurement, the marketing culture in the organisation can be built and it becomes the link between the marketing cultural dimension and the marketing governance dimension, which are coexisting components of the organisation marketing orientation.

In its nature, measurement and evaluation of marketing strategy outcomes and marketing instruments cause numerous problems making measurement of marketing continually imperfect. The existing controversies in the world of science and the world of practice in the area of perception of marketing and its role in management are the primary source of those problems. Although in the subject literature, the opinion is presented concerning the key role of marketing in enterprise management, which would motivate its evaluation [12, p.863–865] opinions still appear concerning marginalisation of it. As pointed out by, among others, Verhoef and Leeflang [13, p.17] as long as there is no evidence for marketing contribution to the organisation financial result the role of marketing will be marginalised. That situation will represent a significant barrier decreasing the motivation and scope of marketing outcomes measurement. This is additionally highlighted by the fact of functional perception of marketing limited to its responsibility for promotion and sales only in the competitive combat. In that situation, the contribution of marketing to long-term organisation development and currently exceptionally important role of marketing in creating value through building lasting relations with the marketing chain participants, i.e. clients, suppliers and distributors is disregarded [14, p.97].

4. Dilemmas of measurement – the problem of marketing outcomes identification and choice of indicators

Appropriate measurement of marketing effectiveness requires precise identification of outcomes, which is exceptionally difficult or even impossible. Determination of outcomes resulting from marketing investments is troublesome as not all the final outcomes should be linked only and exclusively to marketing activities. Consequently, the results may be dependent or independent of marketing. This is highlighted additionally by the fact that the outcomes are also influenced by the external environment in which the organisation functions, i.e. many factors that are beyond the organisation control and in particular, actions and reactions by the competitors. In that light, Brooks and Simikin [15, p.3–4], referring to Ambler, expose two difficulties related to marketing outcomes measurement. First, marketing activities result in both tangible and intangible outcomes. If marketing activities generate tangible outcomes (e.g. the sales level or market share), the measurement of those outcomes is relatively simple. On the other hand, evaluation of intangible outcomes such as the brand value or customer satisfaction is difficult. Although measurement of such outcomes is not impossible still, in the best case, it is just the estimation. Second, marketing activities result in outcomes observed in both short and long time perspective where we deal with time lapse in obtaining the outcomes in relation to the outlays incurred. In the first case, measurement of the outcomes is relatively simple. Measurement of the long-term outcomes, however, is more difficult as it requires relying on numerous assumptions that are open for manipulation. Additionally, in that case the problem appears of determining the long-term outcomes of actions taken and of applying the appropriate measures.

There is no agreement in the subject literature concerning the outcomes that should be measured and consequently the indicators that should be employed. Traditional approach to market activities measurement and evaluation is based on the use of financial indicators. That approach dominated until the early 1980's where the outcomes were assessed mainly from the level of sales perspective. Because of the critique of the financial approach to measuring marketing resulting from short-time focus, static presentation of metrics, registration of outcomes of actions taken in the past, management accounting perspective and negligence of intangible effects the interest in non-financial measures increased [16, p.49]. Within that approach that historically started during the early 1980's it is assumed that the measurement of marketing outcomes should be conducted using non-financial measures only. Those measures reflect various areas of marketing activities and because of linking them to the strategic goals, they represent long-term perspective of marketing activities. Within that trend, the market share as well as customer satisfaction and loyalty are exposed specially as the outcomes of marketing activities. The currently visible practice of establishing measurement systems that contain both financial and non-financial indicators is the consequence of those two different approaches. Currently, the increasing importance of the financial measures (return on investment, client value) is observed.

Marketing generates diversified outcomes. A wealth of potential indicators for evaluation of those outcomes can be used at different levels of management. This in itself does not make measurement of marketing effectiveness easier because the issue of selecting the indicators that are the most valuable from the perspective of the organisation has not been solved fully yet. In that area of dilemmas, Clark [5, p.712] points at the evolution of the measurement system. To quote that author, "measurement of marketing outcomes has been shifting over the years in three directions: from financial to non-financial measures, from output to input measures and from single-dimensional to multidimensional measures". Seggie, Cavusgila and Phelan [17, p.837] point out additionally that the evolution is also taking place in the direction from looking into the past towards looking into the future, from measuring short-term to measuring long-term outcomes, from using macro data in the measurement to using micro data, from independent indicators towards the cause and effect chain, from absolute to relative measures and from objective to subjective measures. Gao [2, p.31] complements those evolution directions with a relatively new trend (from single-dimensional to multidimensional financial measures) based on the increasing demand for the "financially responsible marketing" that combines the marketing efficiency with the value of the organisation and value for the shareholders. Measurement of marketing outcomes is a complex and difficult process. It requires productivity evaluation of numerous market instruments and actions, which forces the necessity of using not only financial, but also non-financial measures in the measurement. The decision on whether productivity of all activities should be evaluated. Measuring the effectiveness of the strategy or maybe just choosing the main components should be assessed, remaining a still unsolved dilemma. In the circumstances when, on the one hand, linking a specific activity with its specific outcome and outlay becomes difficult, and on the other marketing should be treated as the integrated set of marketing instruments and activities, it is difficult to evaluate efficacy and effectiveness of a single activity because only a combination of activities gives the required outcome. Hence, it is justified to measure effectiveness of marketing at the aggregated level, i.e. in case of the whole set of activities or the entire marketing campaign

5. Dilemmas of measurement – problem of marketing costs identification and measurement

Not only precise identification of the outcomes, but also appropriate recording of the costs and linking them to appropriate marketing activities and outcomes represent the necessary conditions of marketing effectiveness measurement. However, in that area also we deal with numerous problems. As indicated by the studies under the leadership of Garbarski [18, p.459], there is no comprehensive approach to identification of marketing activities costs, which has its source in the unclear interpretation and, consequently, categorisation of "marketing costs" and the difficulty in separating them from the total costs incurred by the enterprise. During the last couple of decades formulation of different opinions on what should be treated as marketing costs was observed. In the light of the above, the undertaken attempts at definition and categorisation of marketing costs by type are characterised to a significant extent by discretional allocation of individual outlays to individual types and fragmentary nature. The above causes their limited potential for making practical use of them for accounting and consequently in effectiveness measurement.

Understanding marketing itself is the key problem in practice limiting measurement of marketing outcomes at the level of costs of attaining them. If the outcomes are understood in a very wide way then costs are frequently taken in an excessively narrow way. As marketing is most frequently treated as equivalent to promotional activities, the identification of costs is narrowed to the costs of advertising and widely understood costs of representation. Resulting from narrow or wide treatment of marketing narrower or wider inclusion of marketing expenditures into the marketing costs has its consequences for marketing effectiveness evaluation reliability. As rightly noticed by Garbarski and Czarnecki [18, p.501], while we will be dealing with either overstating or understating the marketing effectiveness, not only appropriate allocation of marketing costs but also the computation of them is necessary. Therefore, determination which activities in the organisation should be treated as marketing activities becomes the fundamental base for allocating the appropriate cost items to them. Limitation of the measurement results in that context also from the difficulty in identification of costs that can be generated outside the marketing department, incurred by that department and external entities providing marketing services. In this case deciding that specific costs are marketing costs should be decided not by the fact who generates them but whether they are related to the marketing activities undertaken.

In the area of recording the costs of specific marketing undertakings important differences in the approach to and expectations from the system of recording them expressed by financial and marketing managers appear. These results in lack of cooperation and effective communication between the departments of marketing and finance and the enterprise management aimed at establishing such a system of costs recording and consequently the marketing indicators that would show the financial consequences of marketing activities undertaken. As shown by the practice, the legally binding costs classification system developed to meet the needs of financial reporting is the cause for impossibility of complete marketing costs identification. This is a consequence of absence of the precise marketing costs understanding in the binding regulations. The effective accounting system, focused on the tax-legal perspective, contains no notion of marketing costs. It contains the notion of advertising costs only. The costs computation system is of little use for marketing not only because marketing costs are set next to the costs of sales. Its limited use is also a consequence of the absence of the definition of marketing costs. This hinders appropriate separation of marketing costs from the total enterprise costs as well as recording and desegregation of marketing costs. Consequently, it is difficult to link a specific item of costs to a specific marketing activity.

Traditional accounting focuses on accounting for the outlays on products to meet the needs of the pricing policy. According to Karasiewicz [19, p.24], measurement of marketing outcomes at the level of effectiveness would be easier if the marketing outlays could be allocated to products (brands), market segments and buyers, distribution channels, geographic markets, sales methods of salespersons. In case of marketing costs, the method for accounting for the outlays over time is still a problem that has not been solved completely, which applies in particular to long-term outcomes. Marketing outlays, with the exception of sales promotion, which is short-term in its nature, generate outcomes spread over time and contribute to creating assets. Consequently, the time dimension of marketing costs in the aspect of putting the outcomes off in time causes that marketing outlays should be treated as long-term investment.

6. Conclusion

Measurement and evaluation of advertising outcomes is linked to the choice and interpretation of appropriate measures. However, creating a complete and universal set of measures is not just impossible. Specific conditions and methodological problems related to measurement make also absolute accuracy of efficacy and effectiveness evaluation impossible. Although the measurement toolbox has been expanded over the years providing a wide spectrum of potential indicators that can be used, the managers should develop the evaluation format that is individual and specific for their enterprise. Indifferent of what system is developed in every organisation for evaluation of outcomes, it must be useful informatively. This means that before specific measures are applies, it is necessary to identify and record the outcomes and costs by linking the outcomes to activities and, in turn, the activities to the costs and outlays. If such a chain of mutual links is developed then implementation of necessary corrective actions becomes possible in case of inefficient / ineffective activities or activities characterised by low level of efficacy/effectiveness. It will form, at the same time, the baseline for marketing budgeting assuring appropriate allocation of resources to marketing activities and operations taken with the aim of attaining the goals assumed.

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Summary

The article presents the theoretical considerations of marketing results measurement. The main attention is directed towards emerging problems on the ground both identification and choice of marketing outcomes indicators, assessed at the level of efficiency and effectiveness, and marketing cost identification and measurement. The main conclusion is that specific conditions and methodological problems related to measurement make absolute accuracy of marketing productivity evaluation impossible. This is mainly due to difficulties in the area of precise identification marketing results, measurement of the short-term and long term outcomes, selecting the indicators and appropriate recording of the costs and linking them to appropriate marketing activities and outcomes.

Key words: marketing outcomes; efficiency; effectiveness; measurement problems.

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