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*Volodymyr Hryhorenko, Aleksandr Teletov***EVALUATING THE ECONOMIC EFFICIENCY OF AN ADVERTISING CAMPAIGN AS AN IMPORTANT PART OF A SMALL BUSINESS MARKETING PROGRAM***Володимир Григоренко, Олександр Телетов***ОЦІНКА ЕКОНОМІЧНОЇ ЕФЕКТИВНОСТІ РЕКЛАМНОЇ КАМПАНІЇ ЯК ВАЖЛИВОЇ СКЛАДОВОЇ МАРКЕТИНГОВОЇ ДІЯЛЬНОСТІ МАЛИХ ТА СЕРЕДНІХ ПІДПРИЄМСТВ***Владимир Григоренко, Александр Телетов***ОЦЕНКА ЭКОНОМИЧЕСКОЙ ЭФФЕКТИВНОСТИ РЕКЛАМНОЙ КАМПАНИИ КАК ВАЖНОЙ СОСТАВЛЯЮЩЕЙ МАРКЕТИНГОВОЙ ДЕЯТЕЛЬНОСТИ МАЛЫХ И СРЕДНИХ ПРЕДПРИЯТИЙ**

The article deals with theoretical and methodological aspects of the methods of evaluating the economic efficiency of an advertising campaign, which are the most optimal for use by small and medium-sized businesses. The principles of the application of methods for assessing the economic efficiency of small and medium enterprises are determined. Considered features of application the cost-effective advertising campaign tools in the context of planning both the marketing budget of the enterprise and its activity in general. The Conceptual Model of Managing the Effectiveness of Advertising Campaigns as an Integral part of Marketing Planning in the Context of Managing Economic Growth is proposed.

Keywords: *small and medium business; advertising campaign of the enterprise; evaluation of the advertising campaign effectiveness; management of the advertising campaign effectiveness.*

Fig.: 1. References: 12.

У статті розглянуто методи оцінювання економічної ефективності рекламної кампанії підприємств малого і середнього бізнесу та визначено принципи їх застосування. Проаналізовано особливості застосування інструментів рекламної кампанії у розрізі планування маркетингового бюджету підприємства та його діяльності загалом. Запропонована концептуальна модель управління ефективністю рекламних кампаній як складової частини маркетингового планування у розрізі функціонування економіки зростання.

Ключові слова: *підприємства малого і середнього бізнесу; рекламна кампанія підприємства; оцінка ефективності рекламної кампанії; управління ефективністю рекламної кампанії.*

Рис.: 1. Бібл.: 12.

В статье рассмотрены методы оценки экономической эффективности рекламной кампании предприятий малого и среднего бизнеса и определены принципы их применения. Проанализированы особенности применения инструментов рекламной кампании в разрезе планирования маркетингового бюджета предприятия и его деятельности в целом. Предложена концептуальная модель управления эффективностью рекламных кампаний как составной части маркетингового планирования в разрезе функционирования экономики роста.

Ключевые слова: *предприятия малого и среднего бизнеса; рекламная кампания предприятия; оценка эффективности рекламной кампании; управление эффективностью рекламной кампании.*

Рис.: 1. Библ.: 12.

JEL Classification: M37; L21

Target setting. Despite the fact that scientific literature offers a lot of methods for assessing the economic efficiency of advertising campaigns, the problem does not cease to be in the plane of scientific and applied interest. Because an effective model of evaluation the marketing activity results in general and results of separate advertising campaign as part of an enterprise marketing program is the important factor determining the trade activities success of small and medium-sized businesses.

In today's conditions of a market economy, it is important for small and medium enterprises to consider both the particular economic effect of an advertising campaign and its complex effect, which certainly affects all further advertising efforts. It should be noted that an important issue when assessing the economic effectiveness of an advertising campaign is to choose the unit of measurement of such efficiency, because in order to bring practical benefits all marketing results should be designed in such a way that allows you to measure and evaluate the results of advertising activities. The importance and urgency of this issue becomes very high, since without clear and concrete means of measuring the results of an advertising campaign it becomes impossible further planning the enterprise marketing budget and all its activities.

Actual scientific researches and issues analysis. Problems of developing different approaches in methods of assessing the economic effectiveness of advertising campaigns were considered in publications and studies of many scientists. G. R. Powell [1; 2], J. D. Lanscold [3], R. Briggs, and G. Stewart [4] dedicated their books to the cost-effectiveness evaluation of the advertising campaigns. This issue was touched on in the writings by Yu. B. Mironov [5], O. S. Teletov [6], T. I. Lukianets [7], V. V. Bozhkova and Yu. M. Melnyk [8], F. F. Raikheld [9], J. Slutsky and D. S. Kennedy [10]. Also, at the angle of their own applied areas of business, the issue of marketing efficiency was considered by A. P. Durovich [11] and I. O. Spitsyn and Ya. O. Spitsin [12]. So, for the purpose of that assessment, both foreign and domestic authors take many different criteria, which in general can be reduced to the economic effectiveness of the advertising campaign and the psychological effectiveness of the advertising campaign. Some authors attempt to derive economic efficiency as a result of psychological efficiency, which consists in the knowledge of the advertised brand or product, recognition of the brand, the degree of memorization of the advertised message elements, the current image of the enterprise, etc., which must necessarily lead to economic efficiency, expressed in gross cash equivalents.

Uninvestigated parts of general matters defining. However, considering this issue only in the context of evaluating the economic effectiveness of an advertising campaign for small and medium-sized enterprises, there is a need to justify certain methodological provisions for such definition and its further use by the enterprise in order to ensure its sustainable economic growth.

The research objective. This article purpose is to develop a conceptual framework for evaluating the economic efficiency of an advertising campaign as part of an entire marketing program for small and medium businesses.

The statement of basic materials. Advertising campaign is a single complex event of advertising management, which includes a combination of different advertising tools. The process of developing and executing an advertising campaign is a consistent system of actions related to the creation of an advertising image (advertising concept of the product, the concept of the communicative process, the concept of advertising message, etc.). There are two components of advertising effectiveness concept. The first is the economic efficiency and the second is psychological impact on the potential buyer, which is the addressee of advertising. An economic efficiency assessment of the ad in general and advertising campaign in particular is that important tool which allows the company to determine the overall success of both the marketing program and marketing activities of the enterprise, company and business as a whole. The main criterion for evaluating the effectiveness is the sales volume of the advertised product [6].

If compare, there are a number of peculiarities in a small and medium-sized enterprise advertising campaign, relatively to the advertising campaigns of large enterprises, companies, brands, etc. Mostly, it is an ad on the sale place, external ad, newspaper ad and online advertising. Exposure activity, advertising on TV, printed advertising is less common in use because of cost, although its simpler and cheaper elements could be used. So, as the printed ad, it's usually used flyers, sometimes brochures, and almost never full colored brochures and catalogs. For example, almost every day in cities, we can face with the fact of flyers distribution on the lively pedestrian traffic ways (some small papers, on which noted the type of performing work, address and telephone) about the plastic doors, windows, etc installation.

Since most of the company's marketing programs are aimed at attracting new customers or increasing sales, so, the purpose of an advertising campaign can be both the sale of goods, and the promotion of the name, the formation of the image or prestige of the company in order to further position strengthen on the target marketplace. In such situation, the question of measuring and evaluating the effectiveness of the implemented campaign arises. And in that is the complexity of the question. Therefore, it should be noted that measuring the advertising campaign results should refer to significant economic benefits such as income or clients activity.

But using only these parameters get insufficient when it comes to further planning of the entire marketing campaign as a whole, the determination of the economic efficiency of each particular media as an advertising message carrier and the planning of further economic growth of small and medium-sized businesses.

Therefore, the first step in advertising campaign planning, as part of an enterprise marketing program, should be to determine what should be the desired outcome for this particular advertising campaign and for overall marketing program. To determine this, all enterprise marketing initiatives should include clear tracking tools. Also, the company must clearly identify amount of funds it is willing to invest in a marketing program to generate new customers and increase sales to existing customers.

The plan of an advertising campaign for small and medium-sized businesses develops on the basis of the results of marketing and advertising research as a component of the marketing program. After defining the goal, the clearly description of the main target audience (the secondary one practically does not exist for these kinds of enterprises) and specification of its geographical, demographic, psychographic or behavioral aspects should be done. Then should be defined specific subjects of advertising activity, developed a set of advertising messages, selected the suitable media and the strategy and tactics of its distribution. After that the running of the advertising campaign should be controlled and its effectiveness can be evaluated hypothetically. All these components are required to determine and evaluate the economic efficiency of an advertising campaign the enterprise budget is spent on which.

Guy R. Powell defines economic efficiency as the revenue (margin) by the marketing program divided by the cost of the program, at given risk level [2]. Powell also factors another element, that he calls the “hurdle rate”, which defines the minimum acceptable expected return on the marketing program at a given risk level [3]. These definitions are suitable for big industrial companies and nationwide network corporations with large advertising budgets. But since the focus of this article is on small and medium businesses, there is a need to determine the results of an advertising campaign in specific amounts of funds, rather than in percentage terms, since the percentage at such level can not provide a overall picture of the effectiveness of marketing investments.

In the case of small businesses the intuition of its developer and the using of some empirical methods are important, in contradistinction to advertising campaigns of big corporations, where the advertising costs are determined on the basis of a thorough systematic analysis.

In the 1990s in Ukraine, when took place the transition from the planned economy (where advertising campaigns did not actually exist) to the transformational economy, entry into the advertising market was not a complicated matter (the commodity market was not saturated yet, and consumers did not learn how to choose this or that advertised product). Since the advertising cost in the media was unstable, the deadlines were clarified, and the advertising channels themselves were much smaller than now, the company was able to provide itself virtually by any conditions for advertising, except completely free.

The situation in Ukraine has changed today. The advertising campaign for small and medium-sized businesses is carefully planned, using the first two of the five so-called communications effects of the enterprise: the necessity of a product category, awareness, attitude towards the brand, the intention to buy the goods of the brand, the promotion of the purchase by the seller [7].

As is known, small and medium-sized businesses act at the marketplaces of pure, less monopolistic or oligopolistic competition, where the demand is mostly elastic, therefore communication events are stable and sustainable. In that case, to create an effective advertising campaign, for the most part, the presentation of various discounts and sales conditions is used within the price-based advertising, as well as advertising on the sale place: signs, posters, packaging, complex decor of showcases, etc. [6].

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Therefore, for a general method of assessing economic efficiency, it is proposed to take an efficiency indicator, which can be mathematically expressed as follows:

$$I_{eff} = Y - X, \quad (1)$$

where X – amount of money invested in advertising campaign, UAH;

Y – Profit generated by investment X , UAH.

Using an efficiency indicator becomes a convenient tool for determining the profitability of any marketing investment for small and medium-sized businesses, since it gives a clear view of what amount X should be spent to reach the Y , which can be expressed in gross sales, net profit, in the number of new customers, or any other criterion that are used to assess the effectiveness of the advertising campaign.

To specify this formula for assessing the economic efficiency of an advertising campaign for small and medium-sized enterprises, can be proposed to count additional trade turnover obtained as the results of it and calculate additional profit from that additional trade turnover amount. Then the economic effect of advertising would be expressed by the difference between the additional profits amount and the cost of the advertising campaign, and the economic efficiency should be calculated according to the formula:

$$E_{eff} = (T - T1) D H / 100 - I, \quad (2)$$

where T – average daily turnover in the pre-promotional period, UAH;

$T1$ – average daily turnover in the advertising and post-advertising period;

D – quantity of days of trade turnover's control;

H – goods trade margin, percentage;

I – amount of money invested in advertising campaign, UAH.

For long-term advertising campaigns, there are not only costs for an advertising campaign, but also outgoings for salary increase, transport expenses, losses of goods within the limits of natural decline rates should be taken into account. And besides, the costs of maintenance of premises, repairs, inventory, etc. are constant and make up about 50 % of all costs.

Consider the components of the performance indicator.

Indicator of macro efficiency is a general, aggregate definition for assessing the entire marketing activity of an enterprise. In order to obtain a general picture of the company's macro efficiency indicator, it is necessary to make all marketing and advertising costs, including all the costs of traditional advertising and sponsorship, and compare this amount with total gross and net profit from sales over a specific period of time.

It should also be noted that in order to calculate and evaluate the effectiveness of a separate advertising campaign, three types of performance indicators should be taken into account:

1. *Instant efficiency.* Instant efficiency is the profit immediately received by an enterprise through a specific advertising campaign. The instant efficiency indicator determines the specific amount of funds received from sales to customers, which made purchase in the result of the enterprise advertising activity. It needs to be clarified that not always the instant efficiency can be expressed by a positive number. And given this circumstance, many enterprises tolerate a strategic mistake, measuring only the instant efficiency indicator.

2. *Long-term effectiveness.* Long-term effectiveness is the total revenue from a new client, which was generated by a specific advertising campaign over that client's entire life cycle. To determine long-term effectiveness, you need to determine the value of a regular customer. Exactly the long-term effectiveness provides the opportunity for economic growth of the company, so enterprise is necessary to orientate the marketing budget and advertising efforts to achieve this indicator.

3. *Synergetic efficiency.* The indicator of synergistic efficiency takes into account the aggregate effectiveness of all ad campaigns that were constantly conducted using a specific means of distributing an advertisement. As an example should be the monthly placement of

an ad insert in the form of a newspaper publication. It is empirically proven that the synergistic effectiveness of such advertising message will increase with each month of this promotional article publication. Therefore, if for the first two publications immediate efficiency indicator was negative, and in all subsequent publications the ad began to show increasing profits, then precisely the synergetic efficiency should be calculated for the entire period of publication of that advertising insert.

It should be noted that when calculating the economic efficiency of a particular advertising campaign, an enterprise has another aspect that needs to be considered, but which is difficult to appreciate correctly in terms of efficiency. Namely, how many regular customers or clients responded to an advertisement and bought a promotional product or service. For example, if an advertising campaign generated 100 customers, of which 25 are those who bought for the first time, then there is a question of assessing the economic efficiency of those remaining 75. One of the points of view is that they would come in any case, and made the purchase at full price. In this case, these 75 customers have a negative economic efficiency, and, in fact, the company loses their profits on them. But if they have come up one time more with the advertising campaign, then they actually have economic efficiency and bring additional profit to the company. Without a well-organized system of accounting for customers and work with customers, it becomes very difficult to determine and evaluate the economic efficiency of an advertising campaign.

Also, the economic efficiency definition of a particular advertising campaign becomes a much more complicated task when simultaneously applying several channels of advertising message distribution. The customers, with a high degree of probability, could see billboards of the company, read an advertising article in the newspaper, see a company vehicle with a logo on the road, talk with friends who advised the company. When such a customer is asked when buying from where he learned about the business, there is a great risk that the client can only report the last channel from which he received an advertising message. But this sale could not be without the cumulative impression received from all of the above, advertising channels. This example raises the question of the appropriateness and credibility of using such a marketing tool, as conducting customer surveys to determine the effectiveness of different advertising channels.

Due to a limited resource constraint, any action to identify and evaluate the cost-effectiveness of small and medium-sized enterprise advertising campaigns should be seen in the context of managing economic growth. For effective planning of their activities, enterprises need to clearly identify such parameters as the conversion rate of advertising campaign, long-term economic efficiency of the regular customer, the average value of profit received from one sale.

An important factor in determining the economic effectiveness of an advertising campaign, which directly affects the growth rate of an enterprise, is the conversion rate. Conversion rate lets you determine how many first-time buyers an ad campaign needs to generate to get a number of regular customers out of their number. A clearly defined conversion rate for each advertising channel, allows the company to plan its growth and the required marketing budget for the next year. In order to determine how many per year in the gross profits a new regular customer will bring to the company, it is necessary for the enterprise to clearly determine the numerical expression of that “constancy” for such a client. “Constancy” can range from a few purchases per week to several purchases a year. Therefore, when determining this indicator it is necessary to consider the type of operations that the company conducts with its customers or clients.

Another component that an enterprise needs to know for determining the cumulative profit that a regular customer will bring is the average value of profit earned from one sale. The long-term economic efficiency of the regular customer could be determined by multiplying the average value of profit earned from one sale to a regular customer on the regular customer's average number of transactions over a specific period of time.

Having defined the main parameters of an economically efficient advertising campaign, the company receives a highly managed tool for planning its economic growth. On the basis of the above, we propose a conceptual model for managing the effectiveness of advertising campaigns as part of marketing planning in the context of managing economic growth (Fig.).

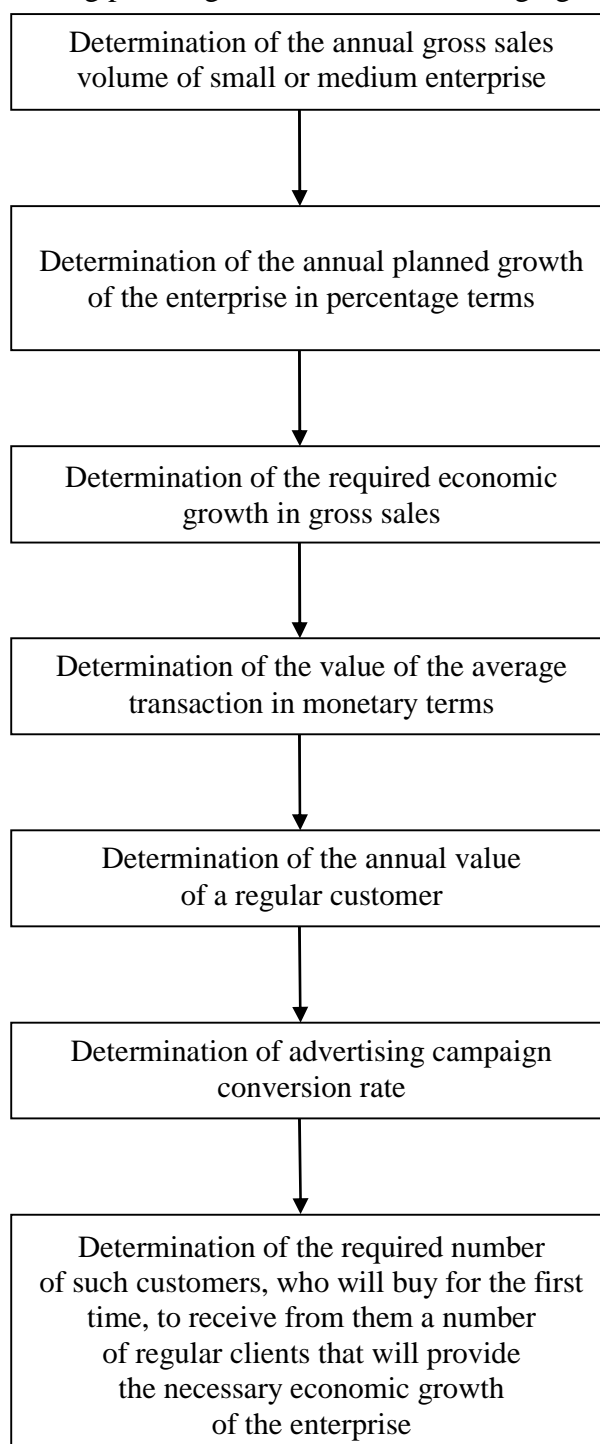


Fig. Conceptual model for managing the effectiveness of advertising campaigns as part of marketing planning in context of economic growth management concept

Conclusions. Thus, a general advertising campaign for small and medium-sized businesses has certain features related to its planning, organization, execution and traditional assessment of economic efficiency. In perspective, based on the proposed conceptual model for managing the effectiveness of advertising campaigns as part of marketing planning in the context of sustainable economic growth, it can be stated that the definition and management of the main parameters of the effectiveness of advertising campaigns, opens the possibility of sustainable and predictable economic growth for small and medium-sized enterprises.

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Григоренко Володимир Юрійович – здобувач кафедри маркетингу та управління інноваційною діяльністю, Сумський державний університет (вул. Римського-Корсакова, 2, м. Суми, 40007, Україна).

Григоренко Владимир Юрьевич – соискатель кафедры маркетинга и управления инновационной деятельностью, Сумской государственной университет (ул. Римского-Корсакова, 2, г. Сумы, 40007, Украина).

Hryhorenko Volodymyr – candidate, Department of Marketing and Management of Innovation Activities, Sumy State University (2 Rymaskogo-Korsakova Str., 40007 Sumy, Ukraine).

E-mail: grigorenkopf@gmail.com

Телетов Александр Сергійович – доктор економічних наук, професор, професор кафедри маркетингу та управління інноваційною діяльністю, Сумський державний університет (вул. Римського-Корсакова, 2, м. Суми, 40007, Україна).

Телетов Александр Сергеевич – доктор экономических наук, профессор, профессор кафедры маркетинга и управления инновационной деятельностью, Сумской государственной университет (ул. Римского-Корсакова, 2, г. Сумы, 40007, Украина).

Teletov Aleksandr – Doctor of Economic Sciences, Professor, Professor of Department of Marketing and Management of Innovation Activities, Sumy State University (2 Rymaskogo-Korsakova Str., 40007 Sumy, Ukraine).

E-mail: teletovas@gmail.com