CONCEPTUALIZATION OF THE EFFECTIVENESS OF MARKETING TOOLS

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Abstract. The measurement of the effectiveness of marketing tools is the utmost gap in surveys of mosaic of marketing effectiveness. Research in this field proposes a wide range of possibilities to measure the effectiveness of marketing tools, nevertheless, measurement of its elements (return and cost of marketing) remains an unexplored field in scientific literature. Hence the authors of this research elaborate on the conceptual essence of marketing tools effectiveness and measurement of its elements. Firstly, different approaches to marketing effectiveness are reviewed. Readers are also introduced to dimensions, components, as well as with a chain of causes and outcomes of marketing effectiveness. Therefore, we attempt a critical evaluation of measurement of marketing tools effectiveness. Finally, estimation of core problems of measurement of return on marketing and marketing cost are generalized.

JEL classification: M 21, M 31.
Keywords: effectiveness, marketing effectiveness, marketing tools effectiveness, return on marketing, marketing costs.
Reikšminiai žodžiai: efektyvumas, rinkodaros efektyvumas, rinkodaros priemonių efektyvumas, rinkodaros grąža, rinkodaros sąnaudos.

Introduction

Nowadays, marketing activities are becoming an inseparable component in the organizational context. These activities undoubtedly impact current and future outcomes of an organization (O’Sullivan et al. 2008; Solcansky, Simberova 2010). Though, it is not enough to create such activities, they have to be managed, and more importantly—evaluated, as relatively high marketing expenditures can only be justified by the measurement of marketing goal realization (i.e., when marketing tools’ effect on customer behaviour and financial outcomes are quantified). The importance of the ef-
fectiveness of marketing tools evaluation is also supposed by the fact that only a complete evaluation can move organization to further development of marketing activities. Thereby, marketing tool effectiveness becomes a fundamental performance dimension of the marketing organization.

The Lithuanian scientific base can be proud of a variety of effective surveys, however, trials to analyze effectiveness of marketing or marketing tools are comparatively rare (Langvinienė et al., 2007; Kiškis, 2009; Žostautienė, Vaičiulėnaitė, 2010). Foreign scientists are well ahead with such surveys (Norburn et al., 1990; Ambler et al., 2001; Mavondo, 2004; Nwokah, Ahiauzu, 2008; Nwokah, Ahiauzu, 2009; Gao, 2010; Halim, 2010; Solcansky, Simberova, 2010). However, the concept of marketing or marketing tool effectiveness is not enough and comprehensively disclosed in marketing science.

The scientific problem of this research is: how the essence of marketing or marketing tools effectiveness is conceptualized and which aspects should be considered while measuring it?

The object of the research is the concept of marketing or the effectiveness of marketing tools. The main aim of this article is to reveal the concept of marketing tools effectiveness, highlight core problems and form guidelines for its measurement.

The research methods applied: scientific literature analysis, synthesis and generalization, comparative analysis.

1. Concept of marketing effectiveness

Marketing effectiveness has attracted a great deal of attention in academic and managerial circles (Norburn et al., 1990; Ambler et al., 2001; Mavondo, 2004; Nwokah, Ahiauzu, 2008; Nwokah, Ahiauzu, 2009; Gao, 2010; Halim, 2010; Solcansky, Simberova, 2010; Žostautienė, Vaičiulėnaitė, 2010). Marketing literature is full of miscellaneous concepts of marketing effectiveness (Table 1).

Table 1. Definitions of marketing effectiveness

<table>
<thead>
<tr>
<th>Authors</th>
<th>Definitions</th>
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<tbody>
<tr>
<td>T. Ambler et al. (2001)</td>
<td>The extent to which marketing actions have helped the company to achieve its business goals.</td>
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<tr>
<td>F. T. Mavondo (2004)</td>
<td>The ability of the organisation to meet short-term goals that might positively impact financial performance such as increasing market share, increasing sales, improving gross margin, successful new product introduction.</td>
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<tr>
<td>N. G. Nwokah, A. I. Ahiauzu (2008)</td>
<td>The extent to which an organization acquires market share over competitors, advertising and promotional share of the market.</td>
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<tr>
<td>N. G. Nwokah, A. I. Ahiauzu (2009)</td>
<td>Function of improving how marketers go to market with the goal of optimizing their marketing spend to achieve even better results for both the short- and long-term objectives.</td>
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The analysis of definitions of marketing effectiveness allow foreground approaches based on the following factors: achieving business goals, market share, ration among difference between consumers price and producers price, and marketing cost, optimization of spending, process of value creation. According to the definitions set in table 1, it can be assumed that no consensus of definition on marketing effectiveness has been achieved. Besides, none of them are able to explain the essence of marketing effectiveness concept. Considering effectiveness as a concept of return on marketing and cost (Muchiri, Pintelon, 2006; Navickas, Sujeta 2006; Salehirad, Sowlati 2006), marketing effectiveness should be defined as a ratio of return on marketing and marketing cost.

Seeking to understand the nature of marketing effectiveness, its dimensions should be reviewed. According to N. G. Nwokah and A. I. Ahiauzu (2009) four basic dimensions of marketing effectiveness prevail (Fig 1).

**Fig. 1. Dimensions of marketing effectiveness (with reference to Nwokah, Ahiazu, 2009)**

Understanding the impact these factors have on the company’s consumers can help to design programs that can even take advantage of these factors or mitigate the risk of these factors in case they take place in the middle of marketing campaigns (Nwokah,
Ahiauzu, 2009). In perfect occasion the above mentioned dimensions should become integral parts of measurement of marketing effectiveness.

The rationale of marketing effectiveness causes the requirement to identify its elements which are summarized in table 2.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Components</th>
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<tbody>
<tr>
<td>P. Kotler (1977)</td>
<td>Customer philosophy, integrated marketing organization, adequate marketing information, strategic orientation, operational efficiency.</td>
</tr>
<tr>
<td>M. O. Azabagaoglu et al. (2006)</td>
<td>Customer philosophy, integrated marketing organization, adequate marketing information, strategic orientation, operational efficiency.</td>
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</table>

Three out of five papers noted the amalgam of marketing effectiveness with reference to P. Kotler (1977). K. Appiah-Adu et al. (2001) and M. O. Azabagaoglu et al. (2006) agree with P. Kotler's (1977) position, whereas N. G. Nwokah, A. I. Ahiauzu (2009) referred with a slight modification—“integrated marketing organization” is named as “integrated marketing efforts” and “adequate marketing information” is simply entitled as “marketing information.” Therefore, P. Kotler’s (1977) conceptualisation was the foundation for the construct of marketing effectiveness. However as C. Webster (1995) states—“the validity and reliability characteristics of this measure, the details of its development, and whether or not it was developed for production of goods or service firms have not been reported.” This, probably, reduces the value of work done by P. Kotler (1977). P. Connor and C. Tynan (1999) were those who identified the lack of the sixth element—organizational sensitivity. Subsequently, these six elements were transformed into four.

K. Appiah-Adu and colleagues (2001), M. O. Azabagaoglu together with co-authors (2006), as well as P. Connor in cooperation with C. Tynan (1999) dealing with elements of marketing effectiveness as dimensions create confusion about the differences among elements and dimensions. Though, factors driving the level of marketing effectiveness do not feature such a tangle. In reference to N. G. Nwokah and A. I. Ahiauzu (2009), these factors are:

1. **marketing strategy** (correct positioning of the product or brand assures a higher level of success if compared to competitors);
2. **creativity** (the introduction of a new creative concept in an organization can increase growth rate);
3. **execution** (at the marketing mix level, marketers can improve their execution by making small changes in any or all of elements of marketing complex with-
out making changes to the strategic position or the creative execution marketers can improve their effectiveness and deliver increased revenue; at the program level, marketers can improve their effectiveness by managing and executing each of their marketing campaigns better;

4. **infrastructure** (management of agencies, budgeting, motivation, and coordination of marketing activities can lead to improved competitiveness as well as results);

5. **exogenous factors** (taking advantage of seasonality, interests or the regulatory environment can help marketers improve their marketing effectiveness).

Taking into account the above mentioned causes and outcomes of marketing effectiveness identified by D. Norburn *et al.* (1990) and C. Webster (1995), a chain of causes and outcomes of marketing effectiveness is framed (Fig 2).

![Fig 2. A chain of causes and outcomes of marketing effectiveness (with reference to Norburn et al., 1990; Webster, 1995; Nwokah, Ahiazu, 2009)](image_url)

From the outcomes perspective, a business is considered to demonstrate external orientation to its markets, stable, long-term growth, enhanced customer satisfaction, competitive advantage and strong market orientation in case the goal of marketing effectiveness is achieved.

2. **The issues of marketing tools effectiveness and evaluation possibilities**

It is important to mention that no specific definition for marketing tools effectiveness is given in scientific literature. Marketing effectiveness by default covers marketing tools effectiveness definition, this is hypothetically due to the marketing essence which is realized when using marketing tools. Consequently, the research authors do not offer a definition of marketing tools effectiveness, therefore at least in terms of the research object it equals to marketing effectiveness.

The scientific literature proposes a huge variety of marketing metrics ([Seggie *et al.*, 2006; Davis, 2007; Ginevičius, 2007; Gao, 2010; Sampaio *et al.*, 2010; Solcansky, Simberova, 2010 etc). According to M. Solcansky and I. Simberova (2010), metric is defined as the ability to evaluate economic performance using a comprehensive set of...
indicators, both financial and non-financial. However, the way elements of marketing effectiveness should be calculated still remains a gap of marketing research.

Marketing effectiveness is defined as the ratio of return on marketing and marketing cost, it is crucial to approach its elements, i.e. return and cost separately, this will reveal the problems that may appear in measurement of these elements.

2.1. Evaluation of the effectiveness of marketing tools: estimation of marketing cost

Diverse factors to reduce marketing cost are considered in scientific literature: J. Bivainis and N. Vilkaitė (2010) highlighted that loyal consumers increase the organization’s profits due to lower marketing cost; R. Korsakienė (2009) marked that customer relationship management reduces marketing cost, etc. Still knowing these factors does not solve fundamental problem of marketing effectiveness—how to calculate marketing cost.

The relevance of measuring marketing cost is approved by many authors: S. Farris and colleagues (2010) state that many corporate boards lack the understanding for evaluation of marketing expenditures; Y. Gao (2010) claims that marketing professionals are under ever-increasing pressure to justify their firms’ expenditure on marketing; M. Solcansky and I. Simberova (2010) predict that each manager feels responsible for the investment, finance, manufacturing and information technology, but does not know how to identify marketing spending, etc.

Analysis of marketing literature as well as logical sense brings to the forefront the main points that should be taken into consideration while estimating marketing cost. Usually the cost of marketing tools is easy to identify (e.g. the price of call is set by telecommunications service provider, which is $x$, leaflet production costs are $y$, the cost of advertising is $z$, business gifts price is $k$, the cost of the event is $t$, etc.). It is rather difficult to determine the cost of labour. In fact, the cost of employment consists of two core elements which are relatively easily estimated: wage and workplace costs (IT, utilities, etc.). As marketing specialists are simultaneously running different tasks, the particular time specialists allocate to the development of specific measures is obscured. Thus, authors of this research believe either the use of expert analysis methodology or specific measurement of time would be the most rational way to figure out the marketing cost.

Although, difficulties to measure marketing cost may appear, still significant problems emerge when trying to measure the return on marketing.

2.2. Evaluation of marketing tools effectiveness: estimation of return on marketing

Originally, it is important to emphasize that frequently managers even do not know the precise financial and non-financial return from their marketing investments (Sampaio et al., 2010). With reference to M. Solcansky and I. Simberova (2010), it is important to understand that short-term improvements are measured in terms of profit and long-term improvements are focused on improvement of the brand equity in the
minds of company customers and improvement of the image, market share. Authors also point out that the cost of the marketing does not only reflect higher revenue but also improvements of other parameters, which are not easily measured, for example: company’s image or loyalty of customers, but due to the marketing activities these values also increase. It means that marketing activities increase not only the short-term parameters, but also other parameters that remain stable in short-term period. Therefore, return on marketing is penetrated to be financial what is usually named as return on marketing (ROMI) or marketing result and non-financial ones.

Body of literature comprises different measures for return on marketing, however, guidelines to measure its elements are ignored. For instance, E. Doval (2010) demonstrates the way that return on marketing could be measured. According to the author, the return on investments’ effects could be estimated basing on the present and future cash flows. Thereafter author establishes steps for calculation of incremental returns. In order to calculate the return some extra variables are needed, one of such required by author is “net income, profit or cash flow obtained from the investments in marketing communication.” Let us emphasize the part of the phrase—“obtained from the investments in marketing.” This is one of the examples which gives the formula to calculate the return on marketing, however the question how to measure particular return, in fact, obtained from marketing investments is rather unsolved. Basically, a lot of problems may occur while measuring the return from marketing. Complex problem of how to measure the effectiveness of the separate marketing means is also highlighted by A. V. Rutkauskas and colleagues (2007).

Critical evaluation of marketing literature (Ngobo, 1999; Ginevičius, 2007; Ewing, 2009; Doval, 2010; Gao, 2010; Sampaio et al., 2010; Solcansky, Simberova, 2010, etc.) enables authors of this research to identify core points that should be considered when measuring return on marketing (Table 3).

<table>
<thead>
<tr>
<th>Points</th>
<th>Specification</th>
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<tbody>
<tr>
<td>Differences in forms of marketing tools</td>
<td>Marketing tools may take the forms of instance (used fully as once) or decomposition (used in separate parts). It might aggravate calculations of marketing effectiveness</td>
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<td>Unknown antecedents of customer behaviour</td>
<td>Antecedents of customer behaviour are not always visibly clear, e.g. reason why the customer uses the bank service such as telemarketing is not cognized—either it is because of email received, friend recommendation or it is a consequence of other marketing tools</td>
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<tr>
<td>Marketing tools specificity in aspect of time</td>
<td>Separate marketing tools generate different income; the return on some marketing tools is immediate, while return on others appears only after a certain period of time. Another important aspect is that one measure gives benefit to x period of time, other measures give benefit to y period of time. Therefore the following factors for each marketing instrument should be evaluated: when the calculation of return on marketing begins and what is its length</td>
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Natural existence of threshold points in a curve of customer loyalty

Points | Specification
---|---
P. V. Ngobo (1999) identifies that firstly the curve of customer loyalty increases slightly, then there is a period of significant increase, afterwards—customer loyalty increase rate moderates. M. Solcansky and I. Simberova (2010) presented a dependence analysis of sales on marketing spending. According to the authors, from a certain point customer gets saturated, i.e. the curve is no longer increasing significantly, it moderates; for each manager this point is important in order to know whether more investment is needed. The complexity is related to difficulties in identifying threshold points.

Inability to quantify marketing tools

While measuring the return on marketing, difficulties in quantifying marketing tools might be faced (i.e. in quantifying the time of advertisement allocated per customer; leaflet number per customer, etc.).

Complexity in measuring synergy of marketing tools

N. G. Ewing (2009), in terms of measurement of marketing tools, points dictum when explaining the concept of synergy—one measure for advertising, another for publicity, still another for sales promotion and so on, even though we know that “one plus one (can potentially) equal three.” As a result the effect of synergy appears in simultaneous usage of separate marketing tools, however it is difficult to measure synergy of marketing tools due the lack of comprehensive methodology in a field of marketing.

The points given in table 3 can not be treated as a complete or consistent list, however, these are the most problematic ones. In order to precisely evaluate the return or result of marketing tools quantitative methods have to be considered (e.g. functional dependence analysis).

2.3. Generalization of marketing tools effectiveness evaluation

Consideration of the essence of marketing cost and return enables authors of this research to propose a construct of marketing effectiveness (Fig 3). This construct also emphasizes the gap of measurement of marketing effectiveness. This gap raises the problem when scientists try to deal with various formulas of marketing effectiveness completely disregarding essence of measurement marketing effectiveness, i.e. how to measure the return and cost on marketing. With reference to the practice, we presume that it is not difficult and in some cases even effortless to calculate cost of marketing. However, as it was mentioned above, a number of problems appear when measuring return on marketing effectiveness.

The purpose of evaluating marketing tools effectiveness supposes a demand to accomplish a dependence analysis intended to measure return on marketing (based quantitative methodologies such as regression analysis or other). Given that conceptual analysis of marketing tools effectiveness is only initial step in such kind of surveys, ac-
complished by authors of this research, preparation of specific analytical expression, i.e. dependence analysis becomes a goal for further surveys.

Fig. 3. Construct of marketing tools effectiveness

Conclusions

The evaluation of marketing tools is no longer an opinion, but a necessity, in many marketing organizations. Though the phenomenon of marketing tools effectiveness is undoubtedly seen as the ratio of return on marketing and marketing cost, guidelines for its measurement are insufficient and lag behind the exigencies of modern organization. It has objective reasons, such as inability to express marketing cost and return on marketing precisely due to difficulties in determining the cost of labour, the differences in forms of marketing tools, unknown antecedents of customer behaviour, marketing tools specificity in the aspect of time, natural existence of threshold points in a curve of customer loyalty, and undoubtedly inability to quantify separate tools or the synergistic effect of their set. These topical problems are reflected in the construct of marketing effectiveness measurement, which was created basing on the theoretical approach. Limitations of the accomplished survey suppose that results regarding core points of measurement of return on marketing should be interpreted with caution according to particular situation or specific case. Seeking to minimize this insularity, future research
should focus on methodological base of calculation of return on marketing and marketing cost, as well as specific empirical investigation of marketing tools effectiveness.

References

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