

Click to verify



number and contains a perforated receipt stub and guarantee of satisfaction • The inclusion of a postage free envelope will dramatically increase the response rate. Testing Elements • One of the advantages of direct marketing is the ability to test, under real marketplace conditions, the efficacy of different elements of an offer strategy • Responses are typically used to create a campaign's long-term impact • To derive a more comprehensive estimate of the promotion's impact, companies should measure its impact on awareness, intention to buy and word of mouth. Campaign Success: Lifetime Value • By adding up the planned campaign costs, the direct marketer can figure out in advance the needed break-even response rate 215. • This rate must be not of returned merchandise and bad debts. Returned merchandise can kill an otherwise effective campaign • By analyzing past campaigns, direct marketers can steadily improve their performance • After assessing customer's lifetime value (expected profit made all future purchases net of customer acquisition and maintenance costs), company can focus its efforts on the more attractive customers. Catalog Marketing • This occurs when companies mail one or more product catalogs to selected addresses. They may send full merchandise catalogs, specialty consumer catalogs and business catalogs usually in print form or even CDs video, online. • The number of catalogs streaming into the consumers mailboxes not the only measure of growth in this business • Huge boost from the internet- about ¼ of catalog companies present merchandise and take orders over the internet • Success depends on a company's ability to manage its customer lists so carefully that there is little duplication or bad debts, to control its inventory carefully, to offer quality merchandise so that returns are low and to project a distinctive image. • American companies flourish in Japan because they offer high quality merchandise aimed at specific groups • By putting their entire catalogs on-line and on the Internet, catalog companies have better access to global consumers than ever before. Telemarketing • Describes the use of telephone operators to attract new customers, to contact existing customers, to ascertain satisfaction levels or to take orders. • Routinely taking orders is called telesales. • Systems are totally automated - Automated dialing and recorded message players (ADRMPS) can dial numbers, play voice-activated advertising messages and take orders from interested customers. • Increasingly used for business as well as consumer marketing. • As telemarketing improves with the help of videophones, it will increasingly replace, expensive sales calls • Effective telemarketing depends on choosing the right telemarketers, training them well and providing performance incentives • Given privacy issues and higher cost of contact, precise list selection is critical. OTHER MEDIA FOR DIRECT RESPONSE MARKETING Direct marketers use all of the major media to make direct offers to potential clients 216. Direct marketers in three ways to promote direct sales use TV 1. Direct-response advertising- e.g. Infomercials i.e. ads like documentaries (quit smoking etc).these are very profitable and are used to good effect to sell high ticket items. They share the products story and benefits with other benefits at cost per lead that usually matches that of direct mail or print ads 2. At home shopping channels- E.g. tele shopping network (TSN) 3. Videotext and interactive TV -Consumers TV is linked to the sellers catalog by cable and consumer can place order through special lines and special KeyShark Marketing: - Some companies have designed a "customer order placing machine " called kiosks and place them in airports etc where they can place orders Marketing in the 21st century - E commerce It's a wide variety of electronic platform such as the sending of purchase orders to suppliers via electronic data interchange EDI, eg ATMs Smart cards, internet shopping All these involving doing business in market space as compare to a physical marketplace. Underlying two basic phenomena: Digitalization and connectivity Digitalization consists of converting text, data sound image into a stream of 'bits' that can be dispatched at a high speed Connectivity is through Extranet and Intranet creating an information highway Most regular sales on the net are airline tickets, software and hardware. Business transaction over the Internet is at higher volume and covers a greater variety of goods and services The e commerce channels are of two types - Commercial channels - Online information and marketing services that can be accessed by those who have signed up at a monthly fee. These provide information, entertainment and shopping opportunities (AMERICA ONLINE) The Internet - It's a global web of computer network and has made a decentralized and instantaneous global communications i.e. the www worldwide web. Internet is free and easily accessible Internet search engines like yahoo give consumers access to varied information sources, making them better informed and more discerning shoppers. Buyers gain the following: Objective information for multiple brands including costs, prices, features, and quality 217. Initial requests for advertising and information from manufacturers Design the offerings they want Use software agents to search for an invite offers from multiple sellers Thus exchange process in the age of information has become customer initiated and customer controlled. Marketers and their representatives held at bay till the customers invite them to participate in the exchange. Examples to show how people can use internet to buy automobiles or get home mortgage loans: Edmunds (www.edmunds.com): This site provides unbiased, third party information and advice on buying autos. Homeowner (www.homeowner.com): Prospective home buyers can research home mortgage rates and interest trends, use financial tools to analyze loans, and sign up for an e-mail service that keeps them informed of trends in loan rates. ONLINE MARKETING ADVANTAGES & DISADVANTAGES 3 major benefits to potential buyers: Convenience Information Fewer hassles Benefits to marketers: Quick adjustments to market conditions Lower costs Relationship building; dialog with consumers Audience sizing; how many visited their site Marketers are adding on-line channels to find, reach, communicate and sell. 5 advantages of online marketing: Small & large firms can afford it No limit on ad space Fast Information Access & retrieval Site can be visited by anyone anywhere Shopping can be done privately and swiftly The internet is less useful for products that must be touched or examined in advance. But an exception to this is buying and selling computers from Dell or Gateway. Another example is Calyx & Corolla (C&C) a direct floral retailer where orders can be placed on phone or on web site. Conducting on-line marketing Marketers can do on-line marketing by creating an electronic presence on the inter-net; placing ads on-line; participating in forums, newsgroups, bulletin boards, and Web communities; and using e-mail and Webcasting. 218. Electronic presence Thousands of businesses have established a presence on the Internet. Many of these Web sites offer users a wide variety of services. A company can establish an electronic presence on the Web in two ways: It can buy space on a commercial on-line service or it can open its own Web site. Buying a location on a commercial service involves renting storage space on the on-line service's computer or establish a link from the company's own computer to the on-line service's shopping mall. The on-line services typically design the storefront for which the company pays the on-line service an annual fee plus a small percentage of the company's on-line sales. Alternatively, tens of thousands of companies have created their won Web sites, typically aided by a professional Web design agency. These sites take two basic forms: Corporate Web site: A company offers basic information about its history, mission and philosophy, products and services, and locations. It might also offer current events, financial performance data, and job opportunities. These sites are set up to answer customer questions by e-mail, build closer customer relationships and generate excitement about the company. They are designed to handle interactive communication initiated by the consumer. Ironically, a recent study has revealed that the fast-moving Silicon Valley firms, which pushed the Internet revolution, fall down in providing basic corporate information. The lesson for marketers: Pay attention to the basics, such as providing names, phone numbers and dates and making it easy for customers to purchase products on-line. Marketing Web site: This kind o Web site is designed to bring prospects and customers closer to a purchase or other marketing outcome. The site might include a catalog, shopping tips, and promotional features such as coupons, sales events, or contests. In order to attract visitors, the company promotes its Web site in print and broadcast advertising and through banner ads that pop up on other Web sites. A key challenge is designing a Web site that is attractive on first view and interesting enough to encourage repeat visits. Early Websites were mainly text based. They have increasingly been replaced by graphically sophisticated Web sites that provide text, sound, and animation. To encourage revisits, companies run fresh news and feature stories, contests, and special offers. Not only must companies make sure their Web sites are well designed and informative, they must also be certain they are not unwittingly stranding surfers - and potential customers - in cyberspace. Most marketers plaster the same URL on all their promotional literature. Yet if someone is drawn to the site in search of specific product information, he usually has to wade through several irrelevant pages (e.g. company mission, CEO's address etc). This problem has led many companies to develop "microsites" - small specialized Web sites for specific occasions or products. Big motion studios create separate Web sites for different movies. Others too are considering something similar: new product launches, promotional Webcasting services. For a monthly subscription fee, customers can sit back while the Webcaster automatically delivers information of interest to their screens. Called "push" programming, on-line marketers see this as an opportunity to deliver information and ads to subscribers without the subscriber having to make a request. Webcaster must be careful however not to overload subscribers with "junk e-mail". A company can encourage prospects and customers to send questions, suggestions and even complaints to the company via e-mail. Customer service reps can quickly respond 220. to these messages. The company may also develop Internet-based electronic mailing lists. Using the lists, on-line marketers can send out customer newsletters, special product or promotion offers based on purchasing histories, reminders of service requirements or warranty renewals, or announcements of special events. However, one must guard against developing the reputation of a "Spammer" - Spam is the term for unsolicited e-mail. Web communities are commercially sponsored web sites where members congregate online and exchange views on issues of common interest. Webcasting - a service that automatically downloads customized information to the recipient's PC. For a monthly fee, subscribers can get information on their topics of interest automatically downloaded. A form of "push programming" Challenges of online marketing Consumers ability to order direct will hurt groups like travel agents, stock brokers, insurance salespeople, car dealers, book store owners. Infomediaries-online intermediaries who help consumers shop more easily and obtain lower prices. Other challenges are: • Limited consumer exposure and buying • Skewed demographics and psychographics • Chaos and clutter • Security • Ethical concerns • Consumer backlash - consumers have more power through a means of expressing their discontent. Email marketing model is centered on permission-based marketing. For successful email marketing: • Give the customer a reason to respond • Personalize the content of your emails • Offer something the customer could not get via direct mail Ethical issues in direct marketing Irritation - people find it bothersome. Unfairness Deception and fraud Invasion of privacy 221. CHAPTER 22 Managing the Total Marketing Effort The marketing organization will have to redefine its role from managing customer interactions to integrating all the company's customer-facing processes. The main responses of business firms to a rapidly changing environment have been: Reengineering: Appointing teams to manage customer-value building processes and trying to break down department walls between functions. Outsourcing: A greater willingness to buy more goods and services from outside vendors when they can be obtained cheaper and better this way. Benchmarking: Studying 'best practice companies' to improve the company's performance. Supplier partnering: Increased partnering with fewer but larger value-adding suppliers Customer partnering: working more closely with customers to add value to their operations. Merging: Acquiring or merging with firms in the same industry to gain economies of scale and scope. Globalizing: Increased effort to both 'think global' and 'act local'. Flattening: Reducing the number of organizational levels to get closer to the customer. Focusing: Determining the most profitable businesses and customers and focusing on them. Empowering: Encouraging and empowering personnel to produce more ideas and take more initiative. 222. The role of marketing in a networked enterprise is to integrate all customer-facing processes so that customers see a single face and hear a single voice when they interact with the firm. Evolution of the marketing department Stage 1: Simple Sales Department Small companies typically have a Sales Vice President who manages a sales force and also does some selling. For marketing research or advertising, the VP hires help from outside. President Sales VP Sales force Other marketing functions (hired from outside) Stage 2: Sales Department With Ancillary Marketing Functions As the company expands, it adds certain marketing functions. When the company needs to enter new markets, it requires market research to learn about customer needs and market potential. It will have to advertise its name and produce in the area. The Sales VP will hire a marketing research manager and an advertising manager to handle these activities. He may hire a Marketing Director to manage these and other marketing functions. President Sales VP Sales force Marketing Director Other marketing functions (internal staff and external support) Stage 3: Separate Marketing Department The continued growth of the company will warrant additional investment in marketing research, new-product development, advertising and sales promotion and customer service. But the Sales VP normally focuses time and resources on sales force. Eventually the CEO sees the advantage of establishing a separate marketing department headed by a 223. Marketing VP. At this stage, sales and marketing are separate functions that are expected to work closely together. President Sales VP Marketing VP Sales force Other marketing functions Stage 4: Modern Marketing Department Although the sales and marketing VPs should work together, their relationship is often strained and marked by distrust. Modern Marketing Department is headed by a marketing and sales executive VP with managers reporting from every marketing function, including sales. President Executive VP of marketing and sales Sales VP Marketing VP Sales force Other marketing functions Stage 5: Effective Marketing Company Only when all the employees realize that their jobs are created by customers does the company become an effective marketer. Stage 6: Process And Outcome Based Company Many companies are now refocusing their structure on key processes rather than departments. In the interest of achieving customer-related process outcomes, companies are now appointing process leaders who manage cross-disciplinary teams. As a result, marketing personnel may have a solid-line responsibility to their teams and a dotted-line responsibility to the marketing department. Cross-disciplinary team with process leader 224. Marketing Department Marketing personnel Organizing the Marketing Department Functional Organization It consists of functional specialists reporting to a Marketing VP, who coordinates their activities. Cerespedas has urged companies to improve the critical interfaces among field sales, customer service and product management groups because they collectively have a major impact on customer satisfaction. Advantages: Administrative simplicity Disadvantages: A functional organization often leads to inadequate planning for specific products and markets. Products that are not favored by anyone are neglected. Each functional group competes with the other functions for budget and status. Marketing VP Marketing Advertising & Sales Manager Marketing New Products Administration sales-promotion Research Manager Manager Manager Geographic Organization A company selling in the national market often organizes its sales force along geographic lines. The national sales manager may supervise four regional sales managers, who each supervise six zone managers, who in turn supervise eight district sales managers, who supervise ten sales people. Companies also have area market specialists to support sales efforts in high-volume distinctive markets. Improved information and marketing research technologies have also spurred regionalization. Data from retail-store scanners allow 225. instant tracking of product sales, helping companies to pinpoint local problems and opportunities. McDonald's spends about 50% of its total advertising budget regionally. American Airlines realized that the travel needs of Chicagoans and Southwesterners are very different during the winter months. Anheuser-Busch has subdivided its regional markets into ethnic and demographic segments, with different ad campaigns for each. Regionalization may be accompanied by a move toward franchising. Branching means empowering the company's districts or local offices to operate more like franchises. The branches resemble profit centers and local managers have more strategy latitude and incentive. Product- or Brand-Management Organization Companies producing a variety of products and brands establish a product or brand management organization. It makes sense only if the company's products are quite different, or if the sheer number of products is beyond the ability of a functional marketing organization to handle. The product management organization does not replace the functional management organization but serves as another layer of management. Kraft uses product management for its Post Division. Separate product category managers are in charge of cereals, pet food and beverages. Within the cereal group, there are separate sub-category managers for nutritional cereals and children's presweetened cereals. Product and brand managers have these tasks: Developing a long-range and competitive strategy for the product Preparing an annual marketing plan and sales forecast Working with advertising and merchandising agencies to develop copy, programs, and campaigns. Stimulating support of the product among the sales force and distributors. Gathering continuous intelligence on the product's performance, customer and dealer attitudes, and new problems and opportunities. Initiating product improvements to meet changing market needs. Advantages: The product manager can concentrate on developing a cost-effective marketing mix for the product. He can react more quickly to problems in the market place than a committee of functional specialists can. The company's smaller brands are less neglected because they have a product advocate. Disadvantages: Typically product managers are not given enough authority to carry out their responsibilities effectively. They have to rely on persuasion to get the cooperation of advertising, sales, manufacturing and other departments. They are burdened with a great amount of paperwork. 226. Product managers become experts in their product but rarely achieve functional expertise. Product management system often turns out to be costly. Product managers are appointed for even minor products; each overworked product manager pleads for an associate brand manager. Meanwhile the company continues to increase its functional specialists in copy, packaging, media, sales promotion etc. Soon, payroll costs climb and the company is saddled with a large and costly structure. Pearson & Wilson have suggested 5 steps to make product management work better: Clearly delineate the limits of the product manager's role and responsibility. Build a strategy-development and review process to provide a framework for the product manager's operations. Take into account areas of potential conflict between product managers and functional specialists when defining their respective roles. Set up a formal process that forces to the top all conflict of interest situations between product management and functional line managers. Establish a system for measuring results consistent with the product manager's responsibilities. A second alternative is to switch from product managers to product teams. There are 3 types of product-team structures in product management. Vertical Product team: The product manager is the leader and deals with other managers to gain their cooperation. The associate product manager assists in these tasks and also does some paperwork. The product assistant carries out most of the paperwork and routine analysis. Product Manager (PM) Associate PM Product Assistant Triangular Product team: Product manager and 2 specialized product assistants one who takes care of marketing research and other marketing communications. Eg. Hallmark Company PM R C PM - Product Manager R - Market Researcher C - Communication Specialist 227. Horizontal Product team: Product manager and several specialists from marketing and other functions. 3M has teams consisting of a team leader and representatives from sales, marketing, laboratory, engineering etc. Product Manager R C S D F E S - Sales Manager D - Distribution Specialist F - Finance/Accounting Specialist E - Engineer A third alternative is to eliminate product manager positions for minor products and assign 2 or more products to each remaining manger. This is feasible where 2 or more products appeal to a similar set of needs. A fourth alternative!! Is to introduce category management, in which a company focuses on product categories to manage its brands. Eg. General Motors (Cadillacs, Buicks, Pontiacs, Chevrolets, Oldsmobiles). Kraft Market-Management Organization When customers fall into different user groups with distinct buying preferences and practices, a market management organization is desirable. E.g. Cannon selling its fax machines to consumer, business, and government markets. A markets manager supervises several market managers (also called market-development managers, market specialists, or industry specialists). Market managers develop long-range and annual plans for their markets. They analyze where there market is going and what new products their companies should offer to this market. Performance is judged by their market's growth and profitability. Advantage: 1. Marketing activity is focused to meet the needs of distinct customer groups rather than a focused marketing functions, region or products per se. Many companies are reorganizing along market lines and becoming market-centered organizations. E.g. Xerox has moved from geographic selling to selling by industry. IBM has organized its 23,600 employees into 14 customer-focused divisions. Product Management/Market-Management Organization Companies that produce many products flowing into many markets tend to adopt a matrix organization. E.g. DuPont was a pioneer in developing the matrix structure. The product managers plan the sales and profits of their respective fields. The market managers estimate how much of each fiber can be sold in each market at a proposed price. 228. Market Managers Men's wear Women's wear Home furnishings Industrial Markets Rayon* Acetate* *Product managers Figure: Product/Market-Management Matrix System A matrix organization desirable in a multiproduct, multimarket company. The problem is in the cost and that it often creates conflicts. Two dilemmas of these organizations: 1.How should the sales force be organized? 2.Who should set the prices for a particular product or market? Corporate-Divisional Organization As multiproduct, multimarket companies grow; they often convert their larger product or market groups into separate divisions. The divisions set up their own department and services. This raises the question what marketing services and activities to be retained at corporate headquarters. • No corporate marketing • Moderate corporate marketing: A few tasks such as assisting top management with overall opportunity evaluation, providing divisions with consulting assistance on request etc. • Strong corporate marketing: In addition to above activities also provide various marketing services to the divisions Marketing Relations with other Departments Relationship often characterized by deep rivalry and distrust. Interdepartmental conflict a result of differences of opinion on the company's best interests, based on real trade-offs between departmental well-being and company well being. Marketing vice-president has two tasks 1.co-ordinate the company's internal marketing activities 2.co-ordinate marketing with finance, operations and other company functions to see the customers R&D: Marketing and R&D have different cultures. R&D technically brilliant people, low challenges, not much concerned about immediate sales payoffs. R&D-marketing co-ordination can be facilitated in several ways: • Sponsor joint seminars • Assign each new product to functional teams including an R&D person, marketing person • Encourage R&D participation into the selling period • Work out conflicts by going to higher management, following a clear procedure 229. E.g. Merck recognizes a strong connection between the two engineering Engineers interested in technical quality, cost economy and manufacturing simplicity. Com in conflict with marketing over new models requiring customization as opposed to standard components. The problem less evident in companies where marketing executives has engineering backgrounds. Purchasing Responsible for purchase of right quantities and quality of components and materials at the lowest possible cost. At loggerheads with marketing because of: Inaccuracy in forecast leading to inventory, purchasing small quantities of several components for different models Manufacturing Manufacturing responsible for smooth running of factory. In Manufacturing- driven companies, everything is done to ensure smooth production and low costs. The company prefers simple products, narrow product lines and high volume production. In marketing-driven companies, the company goes out of its way to satisfy customers Need is a balanced approach. Call for joint seminars, joint committees and liaison personnel exchange programs. Operations Term operations used for industries that create and provide services. Need to ensure that people delivering the service maintain the service level. Finance At loggerheads over control of funds and need to invest in long term marketing development plans by the marketing. Requirement is to give marketing people more financial training and finance people more marketing training. Accounting Accountants feel that marketing people are lax in providing sales report in time, dislike the special deals made by marketers since it calls for special accounting procedures Credit Decide creditworthiness of a potential customer; that marketers will sell it doubtful ones too. Marketers feel that credit standards are too high and "zero bad debts" is equivalent to lost sales and profits. Strategies For Building A Company-wide Marketing Orientation 230. Companies are attempting to become market driven from being product or sales driven. Steps that a CEO takes to create a market and a customer-focused company. 1. Convince the senior management team of the need to become customer focused. 2. Appoint a senior marketing officer and a marketing task force. 3. Get outside help and guidance 4. Change the company's reward measurement and system. The four steps involved are: 1. Management sets monthly or quarterly goals. 2. Management monitors its performance in the marketplace. 3. Management determines the causes of serious performance deviations. 4. Management takes corrective action to close the gaps between the goals and performance. What do we want to achieve? Goal Setting What is Performance Measurement happening? Why is it Performance Diagnosis happening? What should we do about it? Corrective Action Managers use five tools to check on plan performance: sales analysis, market share analysis, marketing expense to sales analysis, financial analysis, and market based scorecard analysis. 232. 1. Sales Analysis: consists of measuring and evaluating actual sales in relation to sales goals. Two specific tools are used in sales analysis: • Sales Variance Analysis: measures the relative contribution of different factors to a gap in sales performance. • Microsales Analysis: looks are specific products, territories, and so on and so forth that failed to produce expected sales. 2. Market Share Analysis: Company sales do not reveal how well the company is performing relative to the competitors. For this purpose, management needs to track its market share. Market share can be measured in three ways: • Overall market share is the company's sales expressed as a percentage of total market sales. Served market share is its sales expressed as a percentage of the total sales to its served markets. Its served market is all the buyers who are willing and able to buy its products. Served market share is always larger than overall market share. • Relative market share can be expressed as a market share in relation to its largest competitor. A rise in relative market share means that the company is gaining on its competitor. Conclusions from Market Share Analysis: • The assumption that outside forces affect all companies in the same way is often not true. • The assumption that a company's performance should be judged against the average performance of all companies is not always valid. • If a new firm enters the industry, then every existing firms market share might fall. Share loss depends on the degree to which the new firm hits the company's specific markets. • Sometimes a market share decline is deliberately engineered to improve profits. E.g. management may drop unprofitable customers or products to improve its profits. • Market share can fluctuate for many minor reasons. • Overall Market Share = Customer penetration * Customer loyalty * Customer Selectivity * Price Selectivity * Customer penetration is the % of all the customers who buy from the company • Customer loyalty is the purchases from the company by its customers expressed as a percentage of the size of the average customer purchase from an average company. • Price Selectivity is the average price charged by the company expresses as a % of the average price charged by all the companies. 3. Marketing Expense - To Sales Analysis: Annual-plan control requires making sure that the company is not overspending to achieve sales goals. The joy ratio to watch is marketing expense-to-sales. This ratio consists of five components: • Advertising to sales • Sales-promotion to sales • Marketing research to sales • Sales administration to sales 233. The period to period fluctuations in each ratio can be tracked on a control chart. The behaviour of successive observations even within the upper and lower control limits should be watched. This section describes the methods of evaluation and control in marketing efforts. 1. Market Based Scorecard Analysis: Only financial performance scorecards have been used till now. Qualitative score cards reflect performance and provide possible early warning signals 1. Customer-Performance scorecard-customer based measures are recorded • New Customers • Dissatisfied customers • Lost customers • Target market awareness • Target market preference • Relative product quality • Relative service quality 2. Stakeholder performance Scorecard- Du Pont Chart method - to find out return on Net Worth Norms should be set for each group and management should take action when one or more groups register increased levels of dissatisfaction. 2. Profitability Control Profitability needs to be judged on • Products • Territories • Customer groups 234. • Segments • Trade channels • Order sizes Marketing Profitability Analysis: Steps: 1. From P&L statement, find out the marketing related expenses \$ 6 0 0 0 9 0 9 0 0 \$ 2 1 0 0 0 Gross margin is 9 3 0 0 R et 3 0 0 2. Identify Functional expenses like sales/advt./packing and delivery and divide the S up p e s 5 0 0 expenditure under these heads 1 5 8 0 0 Natural Net protal T off S elling Advertising Packing and \$5,2Bolling & 0i Accounts Delivery Collecting S alar ies \$ 9 3 0 0 \$ 1 0 0 \$ 1 2 0 0 \$ 1 4 0 0 \$ 1 6 0 0 R et 3 0 0 0 r den S up p l y 65 20 21 21 4. Make a P&L for every channel and find out which channel is most profitable D e p a r t m e n t s t o r e s 10 30 9 9 Hardware 275 G ar den S uppl y 100 Dept. \$80res 10 W hole 80 Company F u n c t i o n a l e x p e n s e S ales \$55000000 , 30, \$3,10,0 00 \$ 10 0 \$ 4 ,8 0 0 0 0 \$ 2 0 ,0 \$2,0,0 0 \$ 6 4 0 0 N o . o f U n i t s 275 100 80 80 C o s t o f g o o d s s o l d 1 9 ,5 0 0 6 ,5 0 0 1 3 ,0 0 0 3 9 ,0 0 0 E quals \$ 20 \$ 31 \$ 60 \$ 30 G r o s s m a r g i n \$ 1 0 ,5 0 0 0 \$ 3 ,5 0 0 \$ 7 ,0 0 0 \$ 2 1 ,0 0 0 E x p e n s e s 235. Packing delivery (\$60/Order) 3000 1260 540 4800 Billing&collecting(\$30/order) 1500 630 270 2400 TOTAL EXPENSES 10050 3810 1940 15800 Net Profit/(Loss) 450 (310) 5060 5200 Determining Corrective Actions: Marketing profitability analysis indicates the relative profitability of the different channels, products, territories or other marketing analysis. It doesn't prove best course of action. It only opens a door to evaluate options. Ask yourself questions. Direct vs. full costing - Choice of basis- Here choice of basis has been taken as Number of sales calls to allocate Selling expenses. A better basis can be chosen -Whether Full costs or only direct and traceable costs be used in evaluating marketing performance? Here only simple costs have been taken, but the above 3 types of costs have to be taken into account DIRECT COSTS: That can be assigned directly to the proper marketing entity eg. Sales Comm. TRACEABLE COMMON COSTS - That can be assigned only indirectly, but on a plausible basis to the marketing entities eg. Rent NON-TRACEABLE COMMON COSTS: Whose allocation to marketing entities is highly arbitrary E.g. Corporate Image Cost,even though all the goods may or may not be benefiting from this. There is a controversy on the non-traceable costs, and a method where this cost is also included is called Full cost method. Weaknesses of Full costing method are: - 1) The relative profitability of the marketing entities can shift radically when an arbitrary way to allocate NON traceable common costs is replaced 2. This arbitrariness demoralizes the managers, as their performance may be judged adversely. 236. 3. The inclusion of non-traceable cost could weaken the control on real cost control. Operating mgmt. Is most effective in controlling the direct and traceable costs. Use of ACTIVITY BASED ACCOUNTING is increasing. Advantages: It gives managers a clear picture of how products, brands generate revenues and consume resources It refocuses the management's attention away from using only labour or material std. Costs towards capturing actual costs of supporting individual products. Efficiency Control Appointing a marketing Controller: He performs financial analysis of expenditures and results. He examines adherence to profit plans, budgets, measures efficiency of promotions, evaluate customer and geographic profitability and educate marketing personnel on the financial implications of marketing decisions Measuring Sales Force Efficiency: • Avg. no. of calls per day • Avg. call time • Avg. revenue per call • %age of orders per 100 sales calls • No. of new customers per period • No. of lost customers per period • Sales force cost as % age of total sales • Entertainment cost per sales call Advertising. Efficiency: • Advertising Cost per 1000 target buyers reached by media vehicles • Percentage of audience who noted, saw or associated, and read most of • Each print ad • Consumer opinions on the ad's content and effectiveness • Before and after measures of attitudes towards product • No. of enquiries stimulated by the ad • Cost per enquiry Sales Promotion efficiency: • Percentage of sales sold on deal • Display costs per sales dollar • Percentage of Coupons redeemed • No. of enquiries resulting from a demo. Distribution efficiency: 237. • Search for economies in • Inventory Control • Warehouse locations • Tpt. Modes Strong sales surge may cause dist. Efficiency to decline. This leads to Bad mouth and sales fall. Strategic Control Marketing effectiveness review: The top management must review the annual business plans. It should identify the strong and weak divisions and find out if the div is practically customer oriented. Ethical issues must be dealt with many aspects in a business, for eg in selling issues (bribery, stealing trade secrets), advertising issues (false / deceptive advertising), channel issues (exclusive dealing, tying agreements), product issues (quality), patent protection, price issues and competitive issues (barriers to entry, predatory competition) To raise level of socially responsible marketing- 1) Society must use law to define illegal, antisocial, or anticompetitive practices 2) Companies must adopt written code of ethics, build a company tradition of ethical behaviour, hold their people fully responsible for observing ethical and legal guidelines. 3) Individual marketers must practice a social conscience in their specific dealings with customers and various stakeholders.