

Theoretical Background of Marketing-Controlling

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Summary: In the 21st century the economic environment has been changing fast. To be successful company managements need a system. This system makes marketing costs measurable. If the costs are measurable, spendings will be more reasonable, and in this way marketing costs can be reduced. Of course, to set up a system to increase marketing efficiency several kinds of theoretical and practical methods can be applied. I have chosen the marketing-controlling system. Marketing-controlling makes it possible for marketing to use a measurable component and in this way further develop marketing as a conception. In Germany bigger companies use such a system as a part of the corporate controlling system.

Corporate Controlling

The word controlling means regulation, direction and supervision. In the past decades there have been two approaches of controlling: the Anglo-Saxon and the German one.

According to the *Anglo-Saxon approach* planning and controlling are parts of management. By using the controlling system managers ensure the efficient distribution and utilisation of resources.

According to the *German approach* controlling is an instrument system whose tasks are the following: planning and controlling, providing information to promote the decision-making of the management. Controllers are responsible for elaborating of this system.

Corporate controlling is a system supporting decision-making and the activity of the management. It coordinates economic planning, supervising, and exchange of

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information between the different units of organization. This system enables the manager to control the enterprise focusing on the aims and taking environmental changes into consideration.²

The corporate controlling system combines the purchase-, production-, R&D-, human-, financial-, and marketing-controlling systems.

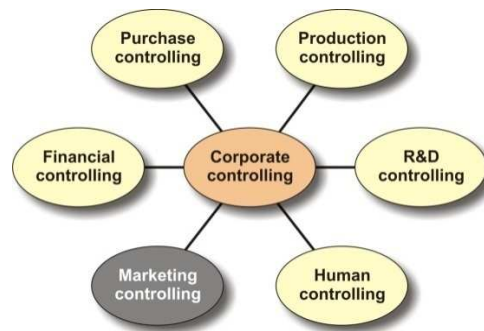


Figure 1. Construction of corporate controlling

(The writers own drawing)

The controlling system is a subsystem of the controlling system of organizations. It compares *planning and fact data*, determines the gaps between them and analyses the reasons for the gaps. By revealing the gaps the proper strategy and the right decision can be chosen.

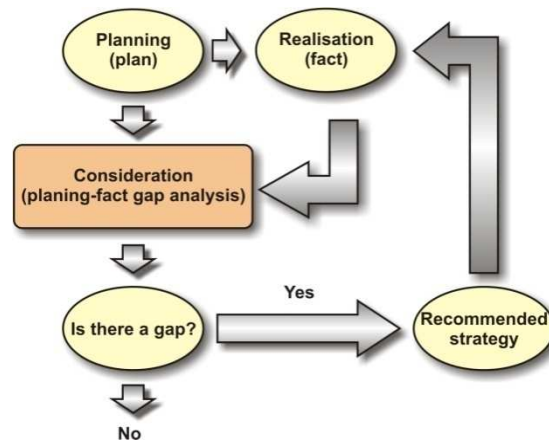


Figure 2. Regulation role of controlling philosophy³

² <http://www.clarmont.hu/portal/content.html?type=products>

1. Theoretical background of marketing-controlling⁴

In recent years business competition has increased and technological development has accelerated. At the same time managerial demand for internal information has grown. For successful enterprise management a system is needed which ensures structured information. By using structured information more efficient decisions can be made. In order to create such a complex efficiency-increasing system several kinds of methods can be used.

To construct a marketing-controlling system determining the *system of objectives* is of primary importance. According to the content of objectives the following groups can be made:

- Economic marketing objectives:
 1. Market objectives: increasing turnover, market share and profits; reducing costs
 2. Efficiency objectives: increasing efficiency, reducing costs.
- Psychographic marketing objectives: increasing reputation, preferences, satisfaction and re-buying; to achieve buying intention.⁵

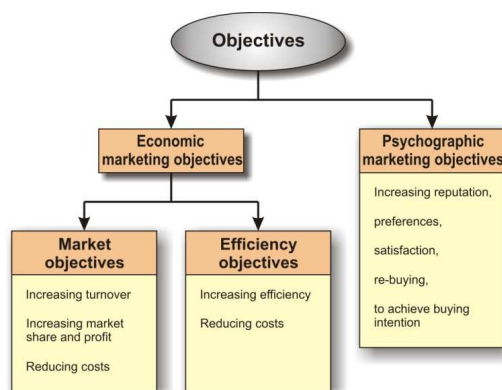


Figure 3. System of objectives

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[http://www.honvedelem.hu/hirek/kiadvanyok/human_szemle/a_hummerforrs_kontrolli ngja](http://www.honvedelem.hu/hirek/kiadvanyok/human_szemle/a_hummerforrs_kontrolli_ngja)

⁴ According to Zerres C., és Zerres M.P. Handbuch Marketing-Controlling (Springer, 2006)

⁵ Piskóti, I.: Measurement of marketing campaigns (Manuscript) (2006)

In the system of marketing-controlling psychographical objectives are more significant than in other controlling systems. So as to be able to measure it several criteria needed –by using weight and scales systems.

Marketing-controlling is a part of corporate controlling. It supports objective-oriented planning and increases corporate marketing functions and supervises them. Relevant marketing information is needed for planning, decision-making and supervision. Within its information-collecting function it analyses and takes internal (eg.: bookkeeping) and external data (results of market research) into consideration.

The information demand of the marketing-controlling system is determined subordinated to the system of objectives. However the information needed for the achieving psychographic objectives can not be determined by mere financial data, marketing research is also needed.

By the word *controlling* we mean result oriented management. It means that the collected data are evaluated and on this basis the decision will be made. Marketing, on the other hand, means market-oriented management. Sales decisions are determined by the market value. Marketing-controlling has to resolve the contradiction between the two concepts.

1.1. Tasks of marketing-controlling⁶

There's no generally accepted form of marketing-controlling, as it influenced by different factors with the enterprises (eg.: market dynamism, branch of business, corporate objectives).

- **Providing information**

The task of the information-providing system is the continuous monitoring of the technological and market changes. Marketing-controlling has to consider the problems of each organizational unit and coordinate their activities.

- **Strategic and operative planning**

Information has to be processed according to planning. Further, it's important to find out the decision alternatives and evaluate them in a critical way. Finally the elements of the marketing-mix have to be harmonized and the marketing functions have to be connected within the organization.

⁶ According to www.controllingportal.de

- **Supervision**

Supervision is the „plan and fact data comparison”, which is connected to the process of intention-making and enforcement. Audit is the comprehensive systematic examination of strategic business units, marketing objectives and strategies, and the marketing process.

- **Coordination**

The tasks of the coordination are to support and promote comprehensive projects by counselling, to controll specific marketing and sales projects, and to controll the marketing cooperation with other enterprises.

1.2. Strategic and operative marketing-controlling

Marketing-controlling system has *two subsystems*: operative and strategic marketing-controlling. The *operative marketing-controlling* system refers to the existing results, while the *strategic marketing-controlling* system to be achieved in the future.

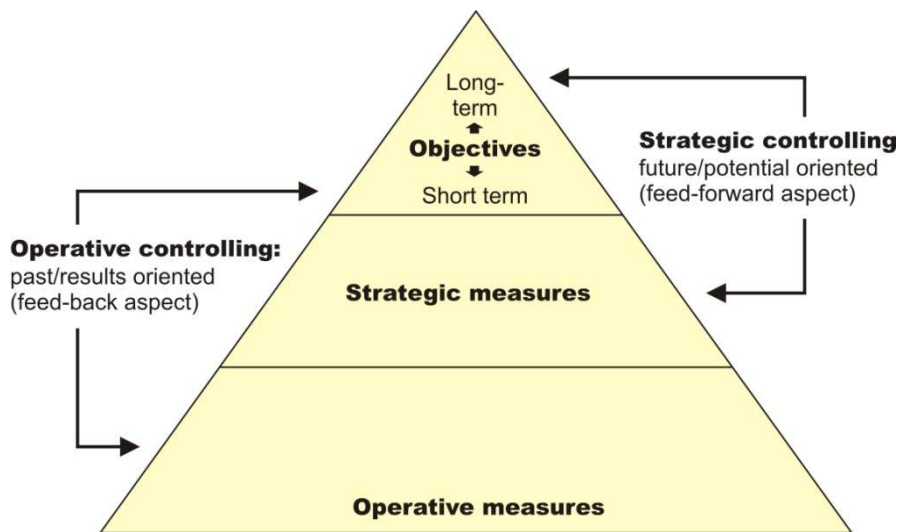


Figure 4. Strategic and operative marketing-controlling (Becker, 2001)⁷

⁷ Becker (2001):

<http://www2.uni-siegen.de/dept/fb05/market/start/team/baumgarth/literatur.php>
(2006.12.27.)

	Operative marketing-controlling	Strategic marketing-controlling
Aim of management	<ul style="list-style-type: none"> • Gain • Profitability • Marketing profitability 	<ul style="list-style-type: none"> • Increase • To ensure existence • Competitive advantage
Managerial aspects	Efficiency	Profitability
What the management considers	Costs and returns	<ul style="list-style-type: none"> • Market share • Market positioning • Market/program portfolio
Management system	Primary internal accounting	Comprehensive environment and enterprise analysis

Table 1. The difference between operative and strategic marketing-controlling(Becker, 2001)

1.2.1. Strategic marketing-controlling

The task of *strategic marketing-controlling* is to ensure the long-term existence of an enterprise. Its aim is to produce and keep up result potentials in the future.

Some *examples for the instruments of strategic marketing-controlling*:

- SWOT analysis,
- portfolio analysis (BCG-and McKinsey-portfolio),
- GAP analysis,
- positioning analysis.

Strategic marketing-controlling helps the enterprise to adjust to the ever-changing market environment (eg.: trends, technological innovations). Its important tasks are the following: determining, fulfilling and supervising market objectives. This is called *planning function*.

The most important functions within strategic marketing-controlling are: the *information-collecting and supervising function*. Like an „alarming” system, marketing-controlling should immediately take the changes in the marketing environment of the enterprise affecting marketing into consideration. For this permanent precedents and terms determined in the marketing plan are needed.

Within strategic marketing-controlling, the *functions of coordination* adjustment regarding form and content to the different parts of marketing plans on the one hand, and that to the current activities on the other.

1.2.2. Operative marketing-controlling

The *operative marketing-controlling* emphasises the profitability of the current marketing activities of an enterprise. To determine short-term returns, results and liquidity accounting data are used.

Some *examples for the instruments of operative marketing-controlling*:

- cover analysis,
- process-cost calculation,
- objective-cost calculation,
- turnover-result calculation.

Operative marketing-controlling ensures and supervises the usefulness of the strategically realised success potential in an economical way to find out whether the turnover has brought the expected results or not.

Its aims are the following: supervising marketing activities, analysing and deriving the reasons of the gaps, and developing suitable commercial options.

Supervision refers to the whole marketing-mix (product-, price-, place-, and promotion) and to the individual marketing units. Supervision referring to the whole mix can provide global information. Besides supervising marketing-mix – as a whole– it also supervises the individual units.

1.3. Model of marketing-controlling

The current economic environment with so many competitors has increased the marketing costs of the enterprises, since it is not enough to develop new products they also has to be widely known.

Managers –as a saying Ogilvy goes– have always wanted to know in what proportion the money spend on advertising returns, and what no money should be spent on. So far there has not been a system at the marketing manager's disposal to help him with his decision-making. The marketing-controlling system, which takes the specifacitions of enterprises into consideration, will solve this problem.

„The aim of the model and its operation is to form a documented procedure which evaluates marketing efficiency from the points of view of its costs, and the

achieved differentiated effects, and makes the comparison and the direct feed-back to the future action possible.”⁸

The basic methodological model can be divided three different parts:

1. planning, preparation,
2. arrangement, realisation,
3. evaluation, controlling.

The first step is to determine the terms of the environment, where distinction can be made between internal, market, and wider environment. The second step is to determine strategic and operative aims.

Some examples for the strategic aims:

- infrastructural aims,
- aims affecting human resources,
- aims affecting the development of products and services,
- aims affecting improvements of image of the enterprise and the publicity of its presence.

By specifying the marketing aims a comprehensive marketing strategy can be created.

Some examples for operative aims:

- profitability of the enterprise,
- profitability of the marketing department.

After determining the strategic and operative aims the marketing instruments to ensure a successful campaign can be elaborated. For the marketing campaign the following should be involved:

- determining the target audience,
- planning costs,
- determining the time available,
- determining combination of the marketing instruments.

According to the model tasks of the strategic- and operative-controlling system can be specified. The results are made measurable by the operative marketing-controlling system, on the basis of which internal and other measurable indexes, and researchable results can be defined.

⁸ Piskóti, I.: Manuscript: Measurement of marketing campaigns ((University of Miskolc, Faculty of Economics, Marketing Institute, 2006)

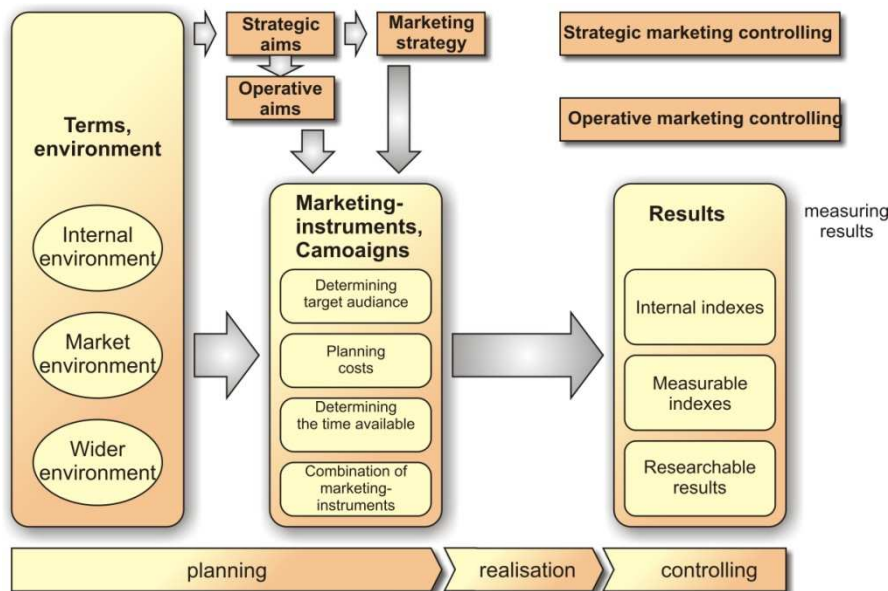


Figure 5. Basic methodological model⁹

Conclusion and Summary

Controlling is a system which supports management and decision-making which is essential for most enterprises in the 21st century. With the coordination of planning, supervising and information flow the system makes a more efficient market-oriented management in an ever-changing economic environment possible.

There are several ways of setting up a system to increase marketing efficiency. Marketing-controlling makes marketing costs measurable, ensures a more efficient spending, and thus makes the reduction of costs possible.

The advantages of using the system:

- further information can be gained by collecting data necessary for the system,
- widening the range of information necessary for decision-making,
- more efficient marketing communication,
- marketing costs will be measurable,
- marketing costs will decrease.

⁹ Piskóti, I.: Measurement of marketing campaigns (Manuscript) ((University of Miskolc, Faculty of Economics, Marketing Institute, 2006)

There are two kinds of marketing-controlling: strategic and operative marketing-controlling.

The task of strategic marketing-controlling is to ensure the long-term existence and the profitability of an enterprise by the producing and maintenance of the result potential. Its instruments are for example: SWOT analysis, portfolio analysis (BCG- and McKinsey portfolio).

The operative marketing-controlling examines the profitability of the current marketing activities of an enterprise. To determine the short-term turnover, results and liquidity basically accounting data are used. Its instruments are eg.: cover analysis, turnover-result calculation.

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