

Book Reviews

Marketing Accountability: How to Measure Marketing Effectiveness

By *Malcolm McDonald and Peter Mouncey*

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RELEVANCE OF THE BOOK

The recession currently being experienced by all nations has thrown the issue of marketing accountability into greater focus. Experience from three previous recessions in past 50 years shows that one of the first actions of organizations suffering a downturn is to make what appear to be easy cuts in planned expenditure in the domain of marketing. Without a toolkit or in-depth research to provide the evidence that such cuts damage the organizations' chances of survival, this will continue to be the preferred response to crises. There is therefore, a pressing need for the kind of research spelled out in this book.

ABOUT THE BOOK

The responsibility for the systematic management of marketing resources and processes to achieve measurable gains in return on marketing, while maintaining quality and increasing the value of the corporation is one of the major concerns of the CEO's. To fulfil this, one of the biggest issues facing marketers today is accountability for marketing expenditure as, no CEO or CFO wants to hear that their marketing investment was a failed gamble.

CFO believes that marketing does not play a crucial role in determining strategy (Deloitte 2007, Marketing in 3D). Hence, marketers need to develop a much better understanding of how shareholder value is created. Without this knowledge, and more effective communications between marketing and finance, traditional low-level, short-term performance measures will continue to prevail and the strategic impact of marketing will be understated. This book is a major breakthrough for marketing and is a must-read for all marketers who are depressed by the very low regard in which marketing is held.

The authors argue that in many companies marketing is poorly linked to strategy and marketing managers are rarely held accountable for ROI or expected to explain how they support corporate strategy. Based on seven years of research into global best practice in marketing they investigate every aspect of the topic including strategic marketing planning and marketing due diligence before introducing a marketing metrics model that will help marketing directors align marketing activities with corporate strategy. Hence, from the past experience of the great recession, it clearly calls for excellent strategic marketing planning that can form the bedrock of any marketing accountability framework.

The book links between strategy and company performance that has been a subject of detailed statistical analysis by the Strategic Planning Institute. However, authors criticise the Profit Impact of Market Strategy (PIMS) perspective saying it too mechanistic and glossing over the complex managerial problems that beset most businesses. Evidence from many companies has been provided on the failure of such perspective.

The proposed planning exercise in the book calls for the systematic identification of emerging opportunities and threats; preparedness to meet change; reduction of conflicts between individuals and departments; more appropriate allocation of scarce resources; consistency of approach across the organization; and a more market-focused orientation across the organization. Although it can bring many benefits, a strategic marketing plan is mainly concerned with competitive advantage—that is to say, establishing, building, defending and maintaining it.

However, the ultimate test of marketing investment, and indeed any investment, is whether it creates value for shareholders. But few marketing investments are evaluated from this perspective, and many would argue that it is almost impossible to link financial results to any specific marketing activity. The book further talks about marketing investment appraised techniques. It proposes a framework, which shows how marketing systematically contributes to shareholder value, and how its contribution can be measured in an objective and comparable way. The logic of this framework has been underpinned from the work of two Cranfield scholars, H N Wilson (1996), and B D Smith (2003).

Authors firmly propose the Marketing Due Diligence therapeutic process to manage and reduce the risk associated with the strategy. Hence the implication of using Marketing Due Diligence is to improve the marketing strategy in terms of its ability to create shareholder value. The key objective is therefore to develop an appropriate suite of metrics, customized for the specific organization, which can be used to track the impact of marketing on achieving business goals and identify the resources necessary to achieve objectives within a market. This not only creates greater accountability, but it also helps demystify the role of marketing by linking resource allocation to outcomes.

Further, a full chapter has been dedicated to segments as these are the basic building blocks of any marketing accountability model so as to develop the strategies that will enable goals to be achieved and the appropriate measures of performance to be identified. The marketing metric framework also calls for impact factor analysis. A tool helpful in identifying whether the organization is in tune with the needs of the customer, such as can be found within the SERVQUAL gap identification model for measuring customers' perceptions of service quality.

At last, full chapter has been dedicated to these core sets of metrics and their linkage to corporate goals, market segments, impact factors; actions and budgets, brand valuation and multi channel management. Author reiterates that the root reason for established companies' failure to sustain in turbulence is that the marketing managers don't have good tools to help them understand markets, build brands, manage customer relationship, select employees, organize teams, and develop strategy comparing to the financial counterpart. Overall, this book goes some considerable way towards providing a solution to this challenge.

LIMITATIONS RELATED TO THE THEORETICAL FRAMEWORK PROPOSED IN THE BOOK

The hierarchical model introduced in this book remains on a conceptual level and cannot be treated as an established framework. The future research suggestion includes studying these factor connections in deeper detail. Because of the seminal nature of this work, there remained several issues that could be topics for further research. As far as the strategic action plan is concerned, the use of Beneficiary Dependency Network (BDN) is subject to data availability from 16 different sources which checks its generalizability. However, studying the connections between different construct as represented in the proposed conceptual model would lead to interesting results and improvement suggestions for the model.

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