

METHODS AND TOOLS FOR MEASURING MARKETING PERFORMANCE

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Abstract

In a dynamic and competitive business environment, measuring the performance of marketing activities is no longer just an option, but a strategic necessity. Organizations that implement performance measurement systems benefit from significant competitive advantages and can maximize the return on marketing investments. Systematic measurement of marketing performance allows companies to evaluate the effectiveness of campaigns, identify the channels that generate the best return on investment (ROI) and optimize budget allocation. Without accurate measurement, marketing decisions risk being based on intuition and assumptions, not on concrete data, which can lead to wasted resources and missed opportunities. The article aims to provide a clear and concise picture of the importance of monitoring, evaluating and controlling marketing activities for organizational performance. The article emphasizes the need for a continuous process, clear definition of objectives, the use of relevant key performance indicators (KPIs) and the integration of marketing control into the organization's overall control system.

Keywords: *marketing audit, marketing performance, key performance indicators.*

JEL Classification: M31, Z33.

Introduction

The implementation of marketing strategies must be monitored and evaluated continuously to measure the performance of marketing activities. The analysis of marketing activity performance involves the analysis of effectiveness (the correct development and implementation of marketing plans) and its efficiency (the productivity of marketing activities) (Rădulescu, 2019).

Kotler and Keller (2009) believe that the approach to marketing control in many business organizations is still vague and unclear for them, which makes it viewed as an instantaneous process, rather than a continuous process of monitoring marketing performance. The need to control resources within each organization is based

on performing this type of audit, most often applied as a result of business failures, or with the aim of increasing performance.

Zyma et al. (2019) argue that by conducting a marketing audit, financial, human and time resources are significantly saved by adjusting the marketing strategy and identifying problems with the functioning of the marketing system, which lead to low efficiency. Although marketing plays a key role in supporting and increasing the competitiveness of a company, it is relevant to apply and develop performance control and evaluation mechanisms, supported by conducting a marketing audit (Gornostaeva et al., 2018)

If in the case of strategic control, we focus on risk and potential success indicators, in the case of operational marketing control we talk about costs and revenues.

Gao (2010) believes that marketing performance is directly related to the effectiveness and efficiency of the organization's marketing activities, targeting market-related objectives, such as revenues, growth and market share. For Morgan et al. (2002) marketing performance is related to market knowledge and responses to perceived positional benefits.

Marketing performance encompasses several dimensions (Morgan et al., 2002), including strategy, resources, and capabilities. The most frequently studied variable in relation to its impact on organizational outcomes has been found to be market orientation, followed by organizational strategy and market capabilities.

Literature review

Marketing audit is an essential tool for management to identify and mitigate risks inherent in the company's activities (Cecco et al., 2010) and measure the marketing performance of the organization (Rădulescu, 2019). It is often perceived as a tool through which the organization's management gains a comprehensive understanding of marketing challenges and opportunities. Synthesizing the perspectives of several authors, it can be stated that the role of a marketing audit is to examine the organization's marketing environment, objectives, strategies and activities to identify marketing problems and opportunities, thus establishing future courses of action and increasing the efficiency of organizational activities (Kotler and Keller, 2009). The positive results of a marketing audit provide models for strategic decisions and future sales and marketing plans.

The marketing audit identifies deficiencies and less effective activities, evaluating their productivity and proposing directions for improvement (Rădulescu, 2019). As Porter (1985) suggests, competitive strategy should consider the business environment and competitors' actions. Marketing audit helps to identify areas for optimization, identify gaps and activate corrective actions.

According to Kotler and Keller (2009), marketing audit activities should be systematic, periodic, objective and independent.

The audit evaluates marketing processes, strategies, tactics, resources and performance to ensure alignment with objectives. By analyzing the marketing environment, customer behavior, marketing mix and effectiveness, marketing audit provides insights into strategic decisions.

A marketing audit examines marketing processes and recommends ways to improve their efficiency (Parmerlee, 2000). It can be seen as a tool that uses all available information and combines it with specific analysis procedures to obtain a comprehensive picture, including recommendations and anticipated results. Its effectiveness lies in the systematic execution of diagnostic steps.

It is important to note that marketing audit is an ongoing process that should be carried out regularly to keep up with changing market dynamics and ensure continuous improvement.

Measuring efficiency is a challenge, especially with regard to qualitative objectives, because changes in consumer attitudes take time to affect quantitative objectives (Cruceu, Rădulescu, 2014). Productivity analysis includes long-term effects, segregation of activities, and financial and non-financial methods of evaluating marketing investments (ROI, PIMS, marketing mix modeling, metric systems).

Essentially, evaluating the effectiveness and efficiency of an organization involves evaluating its overall performance. Accordingly, organizations need to track effectiveness in their marketing efforts and, subsequently, track efficiency (Sheth & Sisodia, 2002).

Methods and tools

The applied control methods generally highlight the lack of sustainability of marketing control systems, without linking marketing control to the general control system in the organization (Brownlie, 1993).

Effective measurement of marketing performance begins with the establishment of clear and well-defined objectives (Rădulescu, 2019). The SMART methodology (specific, measurable, achievable, relevant, time-bound) represents a structured framework for formulating objectives that facilitates the subsequent evaluation of results. It is essential that objectives are established in collaboration with all relevant stakeholders and that there is a consensus on the definition of success (Reyes-Menendez et al, 2020). Objectives must reflect the current state of the business and be adapted to the specific market context, available resources and strategic priorities of the organization.

SMART objectives must also be reviewed periodically to ensure their continued relevance in the face of changes in the business environment. A flexible approach allows for adjustment of objectives when circumstances change significantly, while maintaining focus on long-term strategic direction.

Key performance indicators (KPIs) are quantifiable measures that allow the evaluation of the effectiveness of marketing activities in relation to the established objectives. The selection of relevant KPIs varies depending on the specifics of the business, the strategic objectives and the marketing channels used (Mc Donald, 2007). It is essential to establish a balance between indicators from different categories and to avoid focusing exclusively on vanity metrics (such as the number of likes) that do not necessarily reflect the real impact on the business. KPIs should also be evaluated in context, considering the specifics of the industry, seasonality and market trends. Furthermore, it is recommended to establish an evaluation framework that connects marketing KPIs with the overall objectives of the business (Reyes-Menendez et al, 2020). This ensures the alignment of marketing efforts with the strategic priorities of the organization and facilitates communication of the value of marketing activities to the company's management.

Specialists summarize four control procedures (Kotler and Keller, 2009) applied within organizations:

1. Strategic control, used to follow the strategic approach of the organization.

Morgan et al. (2002) suggested that marketing performance is a dynamic and multidimensional process of evaluating the positional advantage of an organization as a result of its strategic marketing activities. In other words, by applying strategic marketing, strategic decisions are developed effectively at the functional level, considering the different perceived and efficiently allocated resources that can be used to generate competitive advantage. In the specialized literature, certain organizational skills related to the effective implementation of everything that marketing plans represent (Baker, 2008)

a. Diagnostic skills - help specialists discover the causes that generated an unfavorable situation. Currently, given the heightened economic and social dynamism, marketing objectives, policies, strategies and programs must be audited periodically, to identify problem areas. Diagnosing problems and opportunities for

strategic marketing planning and management activities, determining methods for countering threats is a form that any organization adopts to effectively implement marketing plans.

b. Implementation and evaluation skills, help allocate, track, organize and interact with marketing activities.

- Budget distribution by functions, sectors and programs. First, given the high pressure on marketers, marketing accountability is no longer optional (O'Sullivan and Abela, 2007), and it is necessary to present results that justify the additional budget allocation (and their role within the company as essential value creators). Second, marketers constantly face difficulties in identifying the appropriate system of values, to accurately measure the financial performance of their activities. The presentation of the marketing plan should be viewed as a capital expenditure in building revenues from marketing assets, rather than in the use of overhead Morgan et al. (2002). Regardless of economic conditions, the success of an organization is based on a planned and strategic approach to marketing, considering the costs allocated to each activity.
- The organization targets the entire marketing activity, the roles and responsibilities of marketing personnel. Improving employee effectiveness involves expanding the general understanding of interpersonal factors that influence interactions and impressions in the work environment. Although the reasons behind the failure, or success, of a sales effort are not always clear, one influential variable of transaction effectiveness is the personal interactions that take place between employees and customers (Sheth and Sisodia, 2002)
- Interactivity emphasizes the ability of management to motivate employees, but also external partners. Management is responsible for how programs, services and operations are created and carried out, for the use of the performance measurement system, but especially for supporting employees. Therefore, it is essential to determine what the company does to motivate employees and also to identify what factors, or causes, within the organization, are used to motivate employees with certain objectives.

2. Annual plan control, used in the analysis of sales, profit, or other established objectives.

- Sales variation analysis is found among the control methods related to the annual plan and consists of measuring and evaluating actual sales in relation to the proposed sales objectives, overall, but also by products, territories, and sales units. Although there are studies that show that marketing in the sales function has worked efficiently and the performance of the marketing audit is good, the two are not directly linked. Thus, the relationship shows that marketing efficiency cannot be determined strictly only according to sales, but there are also other input and output factors (da Gama, 2012), sustainable marketing (Serbanica et al., 2015) or social responsibility of the company (Chen and Yang, 2019)
- The evolution of market share for each product/product line is another criterion found in the annual control plan, which relates to the product range, customer type and geographical area. Taghian and Shaw (2008) found a positive association between the use of market audit and an increase in market share and found a more substantial increase in market share than in overall financial performance.
- The ratio between marketing and sales expenses is recommended to be constantly analyzed, to identify fluctuations by activities, products, areas, so as to determine the cause of the gap (Parmerlee, 2000). Therefore, in order to gather information about the efficiency of resource expenditure, the results

obtained, their quality and the effectiveness of operations, it is necessary to apply the performance measurement process, which shows us how close we are to the respective goals.

By comparing marketing results with marketing expenses, the inputs are maximized in relation to the results (Sheth and Sisodia, 2002)

3. Profitability control, used to measure profitable products, areas, customers, distribution channels, promotion.

1. There are numerous methods that help identify functional expenses for research, distribution, sales, packaging and promotion of the product are identified.
2. Other methods are used to determine the marketing activities generating direct and indirect costs.
3. Another method is to prepare a profit and loss account for each activity.

Data collection and processing is essential and can be done based on accounting indicators, but also through various marketing research methods. It is important that data is collected periodically, with a rhythm dictated by the organization's needs, and converted into performance indicators. Successful implementation of production flexibility affects the profitability of organizations, by modifying sales revenues, costs and assets (Olhager, 1993) and reduces costs and production cycle time.

The performance measurement system includes several analysis directions (Lamberti and Noci, 2010):

- Checks whether the proposed strategy is implemented
- Communicates to employees what objectives they are expected to achieve.
- Validates whether the proposed strategy is still valid.
- Facilitates individual and organizational learning and improvement

According to specialists, there are two different approaches, but both related to the evaluation of marketing performance, the concept of marketing audit, as previously detailed, and the analysis of marketing productivity. In other words, in addition to the control methods presented previously, the auditor must follow certain elements in the evaluation and use the most effective tools in carrying out the mission.

The analysis of marketing activity performance focuses on the development and adequate implementation of marketing plans and on the productivity of marketing activity. Thus, the organization must make sufficient efforts for effectiveness, and then seek efficiency in carrying out marketing activities (Sheth and Sisodia, 2002)

Marketing productivity analysis according to Morgan et al. (2002) is an inherent measure of partial productivity that is based on the processes of input, output and organizational transformation. Because the inputs and outputs of marketing performance are different, productivity analysis considers standard units of measurement. However, although there is some agreement, there are productivity measures that have significant deficiencies, such as the need for units on the same scale, and many marketing inputs that are not found in the results (da Gama, 2012). Also, the time lags between marketing inputs and their effects on results and cumulative effects are ignored (Ambler, Roberts, 2008), being captured only the performance dimension of efficiency.

In the specialized literature, certain aspects have been reported that need to be taken into account in the analysis of the marketing activity productivity Parmerlee (2000):

1. Long-term effect of marketing activities - based on the data received, the overall marketing strategy is adjusted, ensuring profitability and long-term survival of the company.
2. Separation of marketing activities from other activities - in order to represent the opinions of those who plan and execute marketing activities, from the rest of the activities, the development of a qualitative and descriptive exploratory research system was designed. This type of research contributes to the establishment of

categories and variables (Yuni and Urbano, 2006) or to the provision of ideas (García, 2012) for the formulation of a relevant model for business needs.

3. Use of financial and non-financial methods, according to the efficiency of marketing investments - performance evaluation systems have moved from financial measures to non-financial measures, such as market share, customer satisfaction, customer loyalty, brand and value, as intermediaries between marketing inputs and financial results. Measuring efficiency is quite difficult to achieve, especially in the case of qualitative objectives, because the change in consumer attitude takes place over a long period of time, and their impact on quantitative objectives will be seen over time (Cruceru and Radulescu, 2014).

Performance measurement can be done at three different levels: organizational, strategic business unit or functional (Kotler, Keller, 2009). There are many models of performance measurement systems, an influential model, in practice, has proven to be the BSC (Balanced Scorecard).

The BSC model includes financial measures that indicate the results of actions already taken and is complemented by operational measures regarding customer satisfaction, internal processes and innovation and improvement activities of the organization.

The PIMS (Profit Impact of Market Strategy) method is among the best-known methods of analyzing the organization's performance, which allows highlighting the influence of relevant internal strategic factors on the organization's activity. The exposition of these factors is done by developing empirically, principles that determine the strategic variables that produce one type or another of result under certain conditions, materialized in the form of sales volume or investment profitability (Rădulescu, 2019)

Regarding the tools that an auditor must monitor the performance of the marketing plan, we find sales reports, reports on communication, distribution, new product launch activity, as well as audit results (Rust et al., 2004). In other words, to cope with radical changes in the environment that can lead to changes in the established objectives, development models, significant adjustments to the adopted plans and programs, every organization, which aims to achieve long-term success in the market, should carry out critical preventive measures, analyze and evaluate the effectiveness of marketing activities. The analysis must also extend to the efficiency of past and current control procedures, as they must allow adjustments as a result of changes at the market level, because no matter how well the marketing activities are planned, market variables, new information and technologies, new regulations can force the organization to review its strategic and tactical approach. The organization must keep up with the changes occurring in the environment, so that it can achieve the targeted performance level, it being important that the design and implementation of performance measurement systems be innovative enough to capture the contribution of intangible factors (information, customer relationships, supplier relationships, etc.)

Conclusion

In conclusion, the topic of marketing audit is currently a hotly debated one. The importance and use of this strategic control tool is growing, and companies are realizing its importance for long-term growth and success. However, an audit will only generate value and be useful if the results are implemented effectively. Therefore, the effectiveness of a marketing audit increases when it incorporates a structured sequence of diagnostic steps.

By periodically reviewing and reassessing marketing activities, organizations can adapt to market trends, seize new opportunities, and address emerging challenges.

Therefore, marketing audit is a critical tool for evaluating and increasing the effectiveness of marketing efforts within an organization. By systematically evaluating marketing strategies, tactics, and performance, it helps identify areas for improvement and supports informed decision-making. Through its comprehensive analysis of the marketing environment, customer behavior, and marketing effectiveness, marketing audit enables organizations to optimize their marketing activities, gain competitive advantages, and achieve long-term success.

Measuring and evaluating marketing performance is not a destination, but a continuous journey of adaptation and improvement. Organizations that invest in developing a robust measurement framework, aligned with business objectives and adaptable to market changes, will have a significant competitive advantage in the markets they operate in. Measurement is not an end, but a means to make better decisions, optimize investments and ultimately deliver superior business results.

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