

# The **Canadian** Institute of Marketing

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## The need for greater accountability

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The common complaint against marketers is that they are not accountable for their expenditure and do not pay attention to this aspect. Hence, in this brief article I will endeavour to address the issue and offer advice to both marketers and non-marketers.

### Is it correct that marketing activities require substantial resources?

Largely yes, since marketing encompasses a multitude of activities. It must not be forgotten that marketing is the key revenue generating activity of a business and it is natural that this requires substantial resources. Areas that resources are required include brand building, advertising, promotions, market research, new product development, selling and distribution - to name a few.

### Why are marketers not so accountable for expenditure?

Over the years, there is an increasing trend of accountability due to shareholder pressures. The mind-set of marketers is to get results, sometimes at any cost! The return-on-investment (ROI) factor is forgotten in certain instances. However, this is gradually changing with the new breed of marketers being more financial savvy.

### What needs to be done to make marketers more accountable?

First, marketers need to be educated of the importance of being accountable for their results. Secondly, marketing accountability must be driven from the top, i.e. Board level. Thirdly, the coordination between marketing and finance should be improved, so that marketers can obtain the necessary information and analysis.

### In your opinion, what are the key areas that require greater accountability, on the part of marketers?

Advertising, promotions, and marketing communications are key areas. Whenever an advertising or promotions campaign is conducted, the results should be measured and conclusions drawn in terms of the return-on-the-investment. Marketers must always remember that they are spending shareholder funds!

Sponsorship is another area of growing expenditure. No sponsorship should be undertaken without clear objectives and measurements of results. Of course, not all sponsorship mileage is measurable, but the qualitative benefits should be identified.

Marketing entertainment is another key area of expenditure. In the event of entertaining a client, the objectives should be clear. Is it for relationship building to increase business or to address client dis-satisfactions. Responsible client entertainment is what marketers must strive for. Do not overspend and waste valuable resources.

What are the areas of expenditure in selling and distribution that need to be accounted for?

Margins granted to intermediaries (distributors, agents, wholesalers and retailers) are always a debatable issue. Margins granted must be justified, based on market norms, marketing and sales objectives and return-on-investment. Trade margins are creating problems by destroying margins and shareholder value.

Discounts granted to customers are another area of great concern. Discounts should only be granted for bulk / quantity purchases, and the return should be measured.

Batta's, field allowances, sales commissions / incentives are major areas of expenditure. These items of expenditure should be reviewed on a regular basis against sales revenues generated, industry norms and profits generated.

Are there certain areas in marketing, where the return-on-expenditure cannot be quantified?

Yes, there are some, given the nature of the marketing discipline, which is both a science and an art. For example, the sales impact on POSM (point-of-sale material) is hard to quantify.

However, awareness and impact levels can be measured and should be carried out. The sales impact of sponsorships is another that is difficult to quantify. As in the case of POSM, the awareness levels of the sponsorship, recall levels of the sponsorship etc., should be evaluated.

Any advice that you can offer to practicing marketers, relating to accountability of expenditure?

Always keep in mind that you are utilizing resources of shareholders. Hence, a genuine effort must be made to account for all expenditure, with sound justifications. Quantification is king in the world of business. Quantify the results of all marketing activities, as practically as possible.

In the event of any difficulty to quantify, qualify the results at all times. Be market research savvy and use external resources such as market research agencies when required.

Keep in mind, to relate all marketing expenditure to shareholder value. Strive to deliver bottom line results through carefully planned and executed marketing strategy.

How can the relationship between Marketing and Finance be improved?

A very tricky question! I would encourage marketers to take the lead and build sound relationships with the finance department. By demonstrating accountability for marketing results, a great deal of respect can be earned by marketers. Accurate sales forecasts and marketing budgets and strict discipline in delivering sales forecasts and working within budgets will go a long way. Finance professionals should also make a genuine effort to understand the intricate nature of marketing and sales.

“I do know that 50% of my marketing budget is wasted. Which 50% is my problem.”  
(Anonymous)

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