

# ORGANIZING, IMPLEMENTING , EVALUATING, AND CONTROLLING MARKETING ACTIVITIES



*Activities of marketing are carried out by people in organization. Marketing management, therefore, cannot take place except within a specific organizational setting. The organizational setting is termed as 'marketing's home'. Thus understanding of organizational issues will help all marketing staff members better coordinate their efforts with others in their firm. A company's success results from effective implementation and control of its marketing activities. Without good control and evaluation procedures, implementation of even the best marketing effort could produce unexpected and often undesirable results. In this unit we shall focus initially on organizing the marketing unit. Then we shall examine several issues regarding implementation, evaluation, and control of marketing activities. The whole discussion has made in three different lessons.*

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## Lesson-1&2: Organizing and Implementing the Marketing Activities

### Objectives of these lessons

After reading these lessons, you will be able to:

- Define marketing organization
- Know the purposes served by the marketing organization
- Identify marketing's place in an organization
- Understand the relations that should exist between marketing and other departments
- List and explain major alternatives in organizing the marketing unit
- Define marketing implementation
- Examine different aspects of implementing marketing activities.

### Introduction

The structure and relationships of marketing personnel, including lines of authority and responsibility that connect and coordinate individuals, strongly affect marketing activities. Activities of marketing are carried out by people in organization. Marketing management, therefore, cannot take place except within a specific organizational setting. The organizational setting is termed as 'marketing's home'. Thus understanding of organizational issues will help all marketing staff members better coordinate their efforts with others in their firm.



### Marketing Organization - Definition

“A company's marketing organization includes any position within that company where marketing activities occur”<sup>1</sup>. The boundaries of a marketing organization cannot always be clearly identified for two reasons. **First**, all marketing activities do not always occur in the same organizational location in the organization. A large firm with many product lines, for example, may have a separate salesforce under each product manager, where you may find centralized shipping operation that is supervised by the manager in charge of procurement.

**Second**, different firms may categorize their activities differently. For example, one firm may consider pricing as a part of marketing, where in the other firm it may be considered as a finance activity. It means that marketing activities differ among firms. Even if a company has a formally identified marketing department on its organogram, all the marketing activities performed in that firm may not be confined within the marketing department.

*Marketing activities differ among firms.*

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<sup>1</sup> *Marketing Management, Hass R.W. and Wotruba T.R, Business Publications, Inc., Texas, USA, 1983, p., 31*

You can also view the marketing organization in a slightly different way. You may consider it as a collection of persons in various positions of the marketing department. You may fail to distinguish between the people and the activities identified on the organogram. To be effective, therefore, the marketing organization should be precisely defined mentioning the specific responsibility of each of the marketing personnel.

### **Purposes Served by the Marketing Organization**

Marketing organization is definitely created to serve certain purposes for the company. It helps the firm serving quite a few purpose. Among the purposes served by the marketing organization of a company three are note worthy. Let us now look at them in brief:

- ***It Facilitates Effective Response to Market Needs:*** It is important for a firm to identify the changes taking place in the market as well as in competitive environment and to respond accordingly. There are many ways of identifying changes and responding to them at a firm's disposal. The firm should decide which of the available alternatives of identifying and responding to changes should be followed. A firm, for example, may identify changes using its marketing intelligence system, or by conducting marketing research or so. With regards to response, it may respond to changes in competitors' strategies by developing and launching a new product or by modifying its existing product. The option that a firm will select by the type of its marketing organization and people in it.
- ***It Helps to Carry Out Activities with Optimum Efficiency:*** Specialization along with coordination and control helps the firm achieve internal efficiency. There are many specialization options available to a firm such as customer, geographic, and product specialization. We shall discuss them in detail later this lesson. Coordination becomes more important as a firm becomes more flexible in its organization structure. Control here is related to authority and responsibility structures. If it is found that progress does not conform to the standards set, the responsible executive must be made aware of this, and he must have the authority to take necessary action. It is also his responsibility to monitor closely the progress of his subordinates.
- ***It Helps Represent Customers' Interests within the Company:*** The importance of customers take new meaning in the firm if the management takes a marketing approach. The marketing concept suggests that the existence of a firm depends on sensing and satisfying customers needs in a way better than the competitors do. For ensuring customer needs and problems receiving proper representation inside the corporate domain, some part of the organization must take this as one of the fundamental responsibilities. Customer orientation is

*Coordination and control helps the firm achieve internal efficiency.*

provided in some firms by charging every employee from the president down to the very junior staff to maintain a customer perspective in all functions and responsibilities. On the contrary, other firms respond to customer interests more tangibly, but somewhat passively, via complaint departments or attitude surveys carried out by marketing research personnel. But when carried to its fullest, this responsibility goes beyond research or complaints departments and includes an in-house customer advocate with the authority and independence of a top management position.

The overall purpose of a marketing organization is to help attain marketing objectives. The organization is not an end in itself, but rather a means to coordinate and direct the varied work of many people to achieve a unified and successful result.

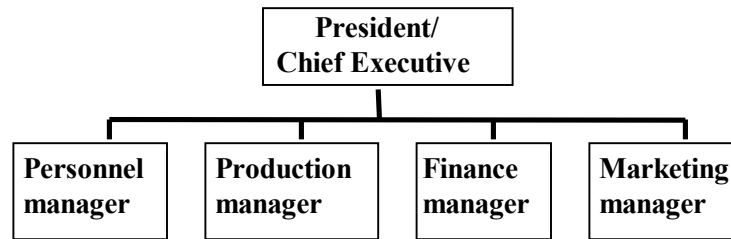
### **Marketing's Place in an Organization**

This section looks at the place of marketing within an organization. Marketing's place within a company is largely determined by whether the firm is production, sales, or marketing oriented. A production oriented company concentrates either on improving production efficiency or on producing high-quality, technically improved products. Here, objectives and planning are determined by the executives in the production and engineering departments. Company emphasizes on simplified and mass production, and tries to keep the unit cost low. Marketing plays no role in the true sense in such a situation. Price is dictated by production and finance departments, and the function of sales department is to sell the output produced by the organization. Thus there is a notable absence of consumer consciousness. With the expansion of market, manufacturers recognized the importance of other marketing functions and started changing their company structures.

In a sales oriented organization, there is a general belief that personal selling and advertising are the primary tools used to generate profits and that most products - regardless of consumers' needs - can be sold if the right quantity and quality of personal selling and advertising are employed. Thus, the sales and advertising managers are at the same level in the company's hierarchy as are the production, personnel, and, finance managers, and all participate in top level management. Higher-level sales and advertising executives, along with other executives at the same level, are involved with setting the company's overall policies and objectives.

Marketing concept suggests that, marketing starts with the customers and works back to the production of desired products in the right amounts and with the right specifications. In a marketing oriented organization, as the figure below shows, the marketing manager is in a position equal to that of the personnel, production, and finance managers.

**Figure-12.1: Organogram of a Marketing Oriented Company.**



This structure allows the marketing manager to participate in top level decision making. Note, too, that the marketing manager is responsible for a variety of activities (not shown in this figure), several of which are under the jurisdiction of other functional managers in production or sales oriented firms. Relationships between marketing and other functional areas such as personnel, production and finance, and marketing's importance to management heavily depends on the firm's basic orientation. In a marketing oriented firm, marketing encompasses the greatest number of business functions and it occupies an important position in the organization.

***Relations That Exist Between Marketing and Other Departments When a Firm is Marketing Led:***

You should know that the marketing concept advocates synergism. In a marketing oriented company, marketing department coordinates intra department activities as well as coordinates with the activities of other departments to get a synergistic result. Becoming marketing oriented means carrying out both internal and external marketing. By internal marketing, we mean, successfully hiring, training, and motivating employees so that they can serve the customers well and satisfy them. Internal marketing is to be carried out first, because unless a company is not ready itself to provide customer satisfaction, it cannot go for external marketing. In a marketing oriented firm, the focus is on customers' need rather than selling, and the executive responsible for marketing is named as marketing manager, marketing director, or marketing vice president. His job is to coordinate all marketing activities and liaison with other departments in the organization for effective and efficient performance of marketing activities and attain a profitable sales volume through satisfying customers. The domain of marketing also changes. The activities which were previously under other departments, come under the jurisdiction of marketing department. The status of marketing people also changes with the adoption of marketing concept. Marketing comes at the foreground of company operation, and the entire company works to develop, manufacture, and sell a product from the marketing point of view. The importance of different levels of management also changes with the adoption of marketing concept. Customers come at the top of the organization, and then comes front line people who meet, serve, and satisfy customers. Middle management is

*Becoming marketing oriented means carrying out both internal and external marketing.*

there to support front line people so that they can better serve customers, and top management stays at the base to support middle management so that they can effectively and efficiently provide support to the front line people.

In a marketing led company, the marketing manager has to perform two important tasks. *First*, he needs to coordinate the internal marketing activities. *Second*, To serve customers well, he needs to coordinate marketing with other company departments as finance, production and so on. Regarding the second task, there is little agreement on how much authority and influence marketing should have over other departments. The normal practice that we see in different organizations is that the marketing manager works through persuasion rather than authority. It is seen that other departments usually are reluctant to bend their efforts to meet the customers' interests. They are rather interested in their departmental works, where marketing is interested in meeting customers' need reasonably well. It leads to a conflict of interests between marketing and other departments. By studying the following table (Table-12.1) you will understand the differences in orientation between marketing and other departments of a company. In order to attain its goal, marketing department should minimize the differences by taking a persuasive approach, and making other departments adopt a marketing perspective. They should be convinced that without the joint efforts, it is impossible to win customers' heart and sustain in the face of competition. Understanding this philosophy by all is a prerequisite for the firm to become truly marketing led.

**Table-12.1: Organizational Conflicts Between Marketing and Other Departments Within the Company.**

Department	Department Emphasis	Marketing Emphasis
R & D	Basic research, Intrinsic quality, Functional features	Applied research, Perceived quality, Sales features
Engineering	Long design lead time, Few models, Standard components	Short design lead time, Many models, Custom components
Purchasing	Narrow product line, Standard parts, Price of material, Economical lot size Purchasing at infrequent intervals	Broad product line, Nonstandard parts, Quality of material Large lot sizes to avoid stockouts Immediate purchasing for customer needs
Manufacturing	Long production lead-time, Long runs with few models	Short production leadtime, Short runs with many models
	No model changes, Standard orders, Ease of fabrication Average quality control	Frequent model changes, Custom orders, Aesthetic appearance, Tight quality control

*Continued*

<b>Department</b>	<b>Department Emphasis</b>	<b>Marketing Emphasis</b>
Operations	Staff convenience, Normal disposition, Ordinary service	Customer convenience, Pleasant disposition, Extraordinary service
Finance	Strict rationale for spending, Pricing to cover costs,  Hard and fast budgets,	Intuitive arguments for spending, Pricing to further market development, Flexible budgets to meet changing needs
Accounting	Standard transactions Few reports,	Special terms & discounts, Many reports
Credit	Full financial disclosures by customers, No credit risk, Tough credit terms, Tough collection procedures	Minimum credit examination of customers Some credit risk, Easy credit terms, Easy collection procedures

*Source: Philip Kotler, Marketing Management: Analysis, Planning, Implementation and Control, Prentice-Hall of India Private Limited, 1997, p., 758.*

### **Major Alternatives in Organizing the Marketing Unit**

How effectively a company's marketing management can plan and implement marketing activities depends on how the marketing unit is organized. The organizational structure of a marketing department establishes the authority relationships among marketing personnel and specifies who is responsible for making certain decisions and performing particular activities. In organizing a marketing unit, managers divide the work into specific activities and delegate responsibility and authority for those activities to persons in different positions within the marketing department. They include, for example, research manager, sales manager, and the creative manager. This internal structure provides the vehicle for channeling marketing activities.

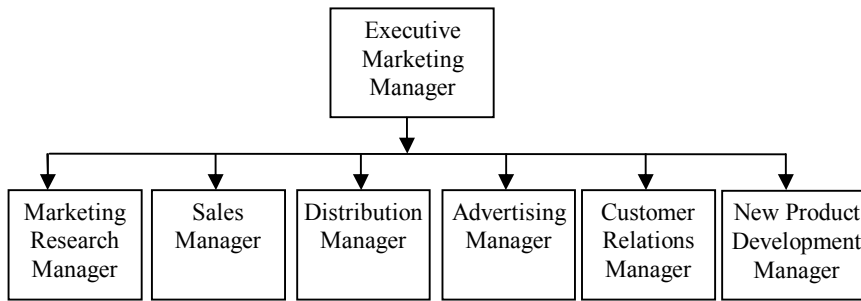
You should note that no single approach to organizing the marketing department works equally well in all organizations. A marketing department can be organized according to functions, products, regions, or types of customers. The specific approach(es) that is (are) best depends on number and variety of the company's products, the characteristics and needs of people in the target market, and other factors. We shall now consider each organizational approach at some length :

*A marketing department can be organized according to functions, products, regions, or types of customers.*

**A. Functional Organization:** Some marketing departments are organized by general marketing functions such as marketing research, product development, distribution, sales, advertising, and customer relations. As shown in the following figure (Fig : 12.2), the personnel who direct these functions report directly to the top level marketing executive. This structure is fairly common because it works well for small businesses with centralized marketing operations. In large firms,



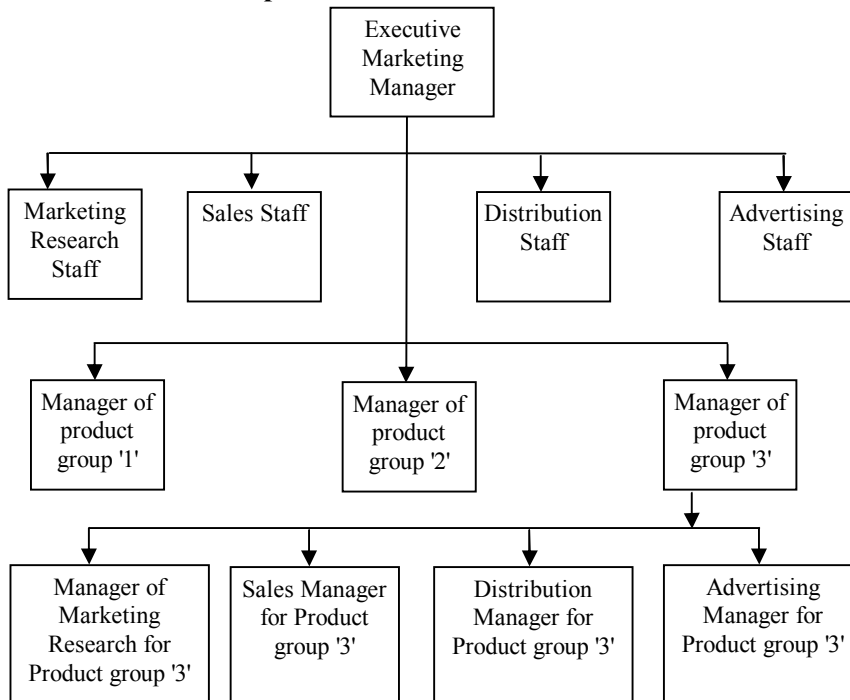
**Figure-12.2: Organization of Marketing Unit by Functions.**



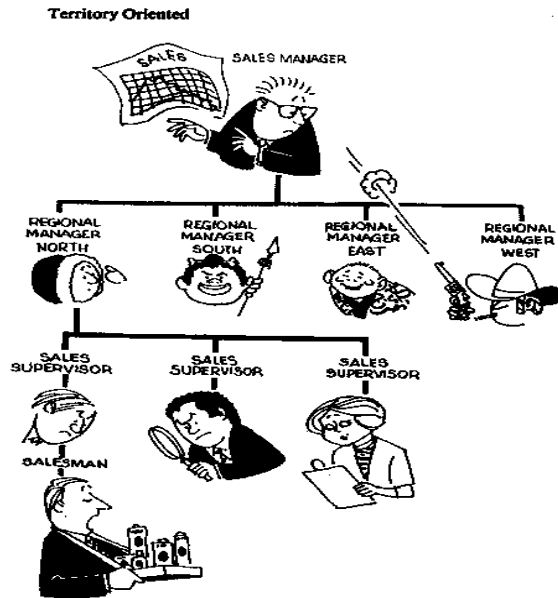
with decentralized marketing operations, functional organization can raise severe coordination problems. The functional approach may, however, be useful in a larger centralized company in which the products and types of customers are neither numerous nor diverse.

**B. Product Organization:** For an organization that produces and markets diverse products, the functional approach may be inadequate. The decisions and problems related to a single marketing function for one product may be quite different from those related to the same marketing function for another product. For this reason, organizations that produce diverse products sometimes organize their marketing department according to product groups. In this type of organization, a product manager takes full responsibility for the marketing of a product or product group. As shown in the following figure (Fig. 12.3), the product manager for product group '3' has authority over the functional managers who are lower in the hierarchy of the organization. The product manager may also draw upon the resources of specialized staff in the company.

**Figure-12.3 : Organization of a Marketing Department by Product Group.**

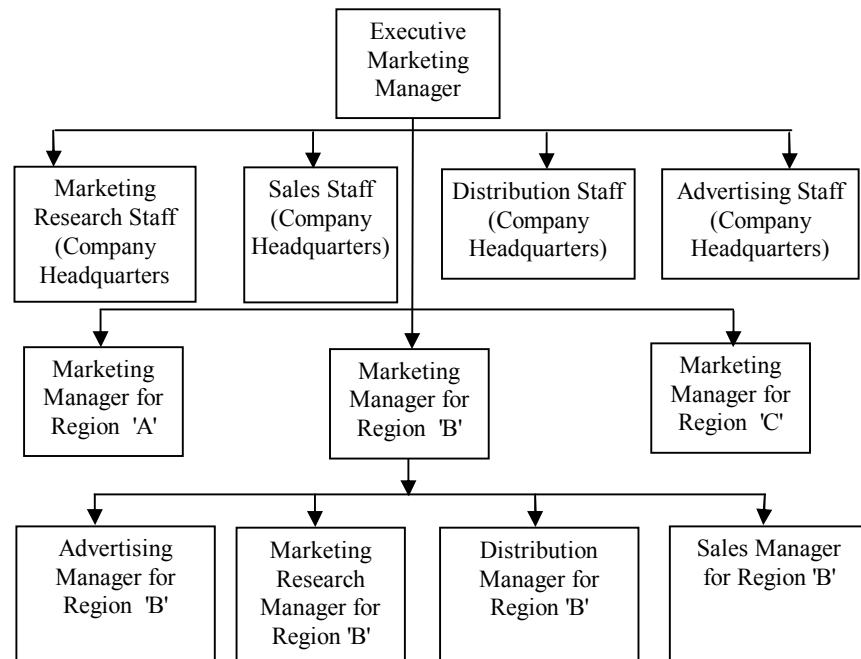


Organizing by product groups gives a firm the flexibility to develop special marketing mixes for different products. The firm can hire specialists to market specific types of products. One disadvantage of organizing by products is that some marketing activities may be duplicated by different product groups. For example, salespersons from three product groups may call on the same customer in a single day.

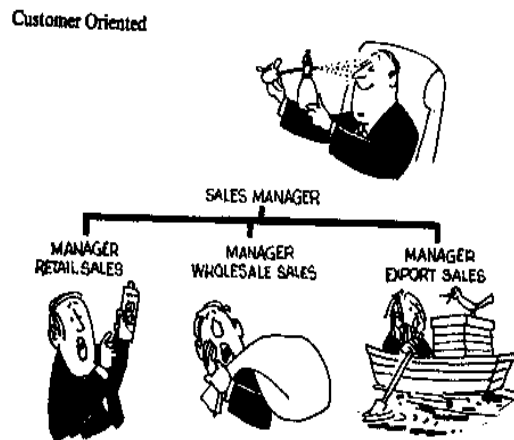
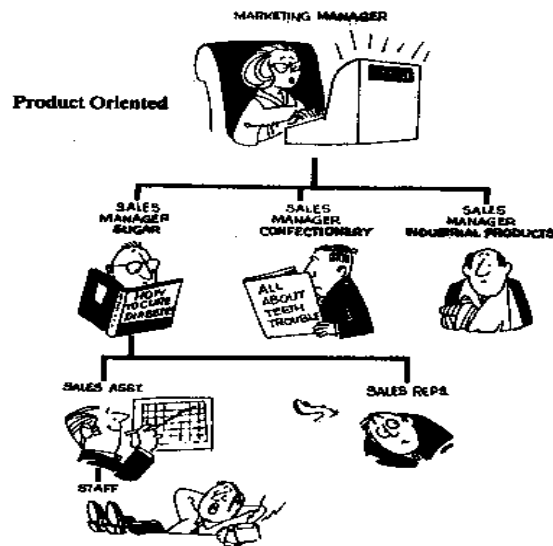


**C. Regional Organization:** A large firm that markets products nationally and possibly in foreign countries may organize its marketing activities by geographic regions (see the figure-12.4).

**Figure 12.4 : Organization of a Marketing Department by Regions.**

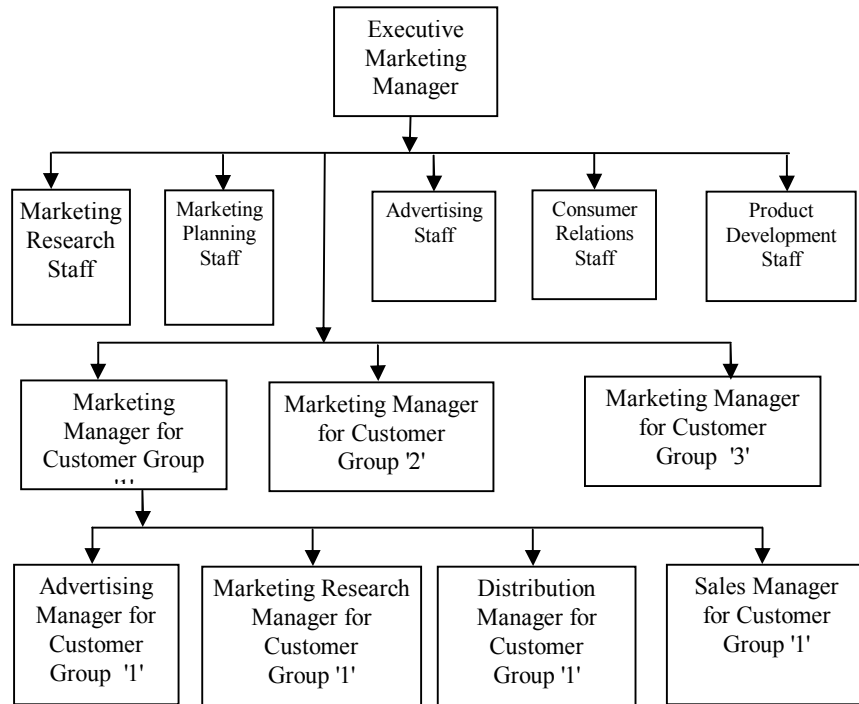


All the regional marketing managers report directly to the executive marketing manager. Managers of marketing functions for each region report to their regional marketing manager as shown for region 'B'. This form of organization is especially effective for a company whose customers' characteristics and needs vary greatly from one geographic area to another. The company has a complete marketing staff at its headquarters to provide assistance and guidance to regional marketing managers. However, not all firms that organize their marketing department by regions have a complete top-level unit. Companies that try to penetrate the national market intensively sometimes divide regions into sub-regions.



**D. Customer Type Organization:** Sometimes the marketing department is organized according to types of customers as shown in the following figure (figure 12.5) :

**Figure-11.5: Showing Organization of a Marketing Department by Types of Customers.**



This form of internal organization works well for a firm that has several groups of customers whose needs and problems are different. For example, an appliance manufacturer may sell appliances to large retail stores, wholesalers, and organizations. Because the marketing decisions and activities required for these three groups of customers differ considerably, the firm may find it more efficient to organize its marketing department by types of customers. Retailers may want more rapid delivery of small shipments and more personal selling by the producer than do either wholesalers or organizational buyers. Marketing manager for each customer group reports to the top-level marketing executive and directs most marketing activities for that group. Usually, the managers of various marketing functions handle the activities needed to market products to a specific customer group.

**Using Several Bases for Organizing:** You may have noticed that the above three figures (product, region, and customer) show more than one type of organization. In the product type organization the marketing department is organized by products, but each product manager has authority over functional managers within the product groups. A similar condition exists for marketing department organized by regions and types of customers. It is common for a company to use some combination of organization by products, functions, customer types, or regions. Product features may dictate that the marketing department be structured by products, customers' characteristics require that it be organized by types

of customers or by geographic region. By using more than one type of organization, a flexible marketing department can develop and implement marketing plans to match customers' needs specifically.

### **Marketing Implementation Defined**

Kotler defines marketing implementation as the process that turns marketing plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives. No marketing program will succeed if it is not implemented properly. To implement, the marketing executive must : (a) obtain the support of all the people and institutions who will be involved, (b) time all aspects of the program so that they are synchronized to precision, and (c) retain some flexibility in the program to adjust to changes in the market environment.

### **Different Aspects of Implementing Marketing Activities**

The planning and organizing functions provide purpose, direction, and structure of marketing activities. However, until marketing managers implement the marketing activities (plan), exchanges cannot occur. Proper implementation of marketing activities depends on the coordination of marketing activities, the motivation of personnel who perform those activities, and the effective communication within the marketing department. We shall now examine these three aspects of implementation in the following sections :

- ***Coordinating Marketing Activities:*** Because of job specialization and differences in approaches, interests, and timing related to marketing activities, marketing managers must synchronize individuals' actions to achieve marketing objectives. They must work closely with managers in research and development, production, finance, accounting, and personnel to see that marketing activities mesh with other functions of the firm. Marketing managers must not only coordinate the activities of marketing staff within the firm but also integrate those activities with the marketing efforts of external organizations advertising agencies, researchers, shippers, and resellers, among others. Marketing managers can improve coordination by making each employee aware of how one job relates to others and how each person's actions contribute to the achievement of marketing plans.
- ***Motivating Marketing Personnel:*** One important element in implementation is motivating marketing personnel to perform effectively. People work to satisfy physical, social, and psychological needs. Since individuals try to achieve personal goals through the work environment, marketing managers must show each individual how personal goals can be attained within the organization. To

*People work to satisfy physical, social, and psychological needs.*

motivate marketing personnel, managers must discover their employees' needs and then base their motivation methods on those needs. The degree to which a marketing manager can motivate personnel has a major impact on the success of all marketing efforts.



Putting this other way, managers must base their motivational efforts on the value systems of individuals within a specific organization. Various studies have shown that income, power, and the prestige that accompanies a high position in the organization are often motivators. Marketing managers can motivate marketing personnel to perform at a high level if they identify employees' goals and provide rewards and some means of goal attainment. It is most important that the plan to motivate personnel be fair, that it provides incentives, and that it be understood by employees. Also keep in mind that what is a minor reward or accomplishment for one employee may be ultimate fulfillment for someone else.

- ***Communicating Within the Marketing Department:*** Without good communication, marketing managers can neither motivate personnel nor coordinate their efforts. Marketing managers must be able to communicate with the firm's top-level management to ensure that marketing activities are consistent with the overall goals of the company. Communication with top-level executives keeps marketing managers aware of the company's overall plans and achievements. It also guides what the marketing unit is to do and how its activities are to be integrated with those of other departments - such as personnel, production, or finance - with whose management the marketing manager must also communicate to coordinate marketing efforts. Marketing personnel must work with the production staff, for example, to help design products that customer groups want. To direct marketing activities, marketing managers must communicate with marketing personnel at the operations level, such as researchers, package designers, advertising and sales personnel, wholesalers, and

retailers.

To facilitate communication within the marketing department, marketing managers should establish an information system within the marketing department. This system should allow for easy communication among marketing managers, sales managers, and sales personnel. The information system should aid marketers in preparing internal and external reports. Marketers need an information system to support a variety of activities such as planning, budgeting, sales analyses, and performance evaluations. A useful information system should be designed to expedite communications with other departments in the organization and to minimize destructive competition among departments for organizational resources.

**Questions for Review**

1. The organizational setting is termed as –
  - a. 'Marketing's tool for control'
  - b. 'Marketing's superstructure'
  - c. 'Marketing's home'
  - d. None of the above.
  
2. You may view the marketing organization –
  - a. As a collection of persons in various positions of the marketing department
  - b. As consists of various selling and creative jobs
  - c. As formed of marketing planners
  - d. None of the above.
  
3. Which of the following is a Purpose served by the Marketing Organization?
  - a. To facilitates effective response to market needs
  - b. To help carrying out activities with optimum efficiency
  - c. To help represent customers' interests within the company
  - d. All of the above.
  
4. The overall purpose of a marketing organization is –
  - a. To help attain efficiency in marketing activities
  - b. To help attain marketing objectives
  - c. To help attain customers' confidence
  - d. None of the above.
  
5. Marketing's place within a company is largely determined –
  - a. By whether the firm is production, sales, or marketing oriented
  - b. By philosophy that guides its operation
  - c. Both a & b
  - d. None of the above.
  
6. A production oriented company concentrates on –
  - a. Improving production efficiency
  - b. Producing high-quality products
  - c. Producing technically improved products
  - d. All of the above.
  
7. In a marketing oriented organization, the marketing manager is in a Position equal to that of the –
  - a. Personnel manager
  - b. Production manager
  - c. Finance manager
  - d. All of the above.



8. Which of the following is an important task performed by a marketing manager when the company is marketing led?
  - a. Coordinating the internal marketing activities
  - b. Coordinating marketing with other company departments as finance, production and so on
  - c. Both a & b
  - d. None of the above.
  
9. In organizing a marketing unit –
  - a. Managers divide the work into specific activities
  - b. Delegate responsibility and authority for those activities to persons in different positions within the marketing department
  - c. Both a & b
  - d. None of the above.
  
10. The functional approach may be useful in a larger centralized company in which –
  - a. The products and types of customers are neither numerous nor diverse
  - b. The products and types of customers are numerous and diverse.
  - c. Both a & b
  - d. None of the above.
  
11. The regional form of organization is especially effective for a company –
  - a. Whose customers' characteristics and needs vary greatly from one geographic area to another
  - b. Whose products have markets in different areas
  - c. Both a & b
  - d. None of the above.
  
12. To implement the marketing activities executive must –
  - a. Obtain the support of all the people and institutions who will be involved
  - b. Time all aspects of the program so that they are synchronized to precision
  - c. Retain some flexibility in the program to adjust to changes in the market environment
  - d. All of the above.
  
13. Which of the following is an aspect of implementing marketing activities?
  - a. Communicating within the marketing department
  - b. Coordinating marketing activities
  - c. Motivating marketing personnel

- d. All of the above.
14. Define marketing organization. Explain the purposes served by the marketing organization. What should be the marketing's place in an organization?
  15. Examine the relations that exist between marketing and other departments when a company is marketing led.
  16. Mention and explain the alternatives available to a marketing manager in organizing the marketing unit. Discuss different aspects of implementing marketing activities.
  17. What determines marketing's place within an organization? Which type of organization is best suited to the marketing concept? Why?



**Answers**

1. c, 2. a, 3. d, 4. b, 5. c, 6. d, 7. d, 8. c, 9. c, 10. a, 11. a, 12. d, 13. d.

## Lesson-3: Evaluating and Controlling Marketing Activities

### Objectives of this lesson

After reading this lesson, you will be able to:

- Understand the concepts of evaluation and control
- Know the purposes of control and evaluation
- Identify the steps taken in establishing an evaluation program
- Determine what performance to evaluate
- Explain the tools that help a company evaluate, control, and improve its marketing activities

### Introduction

Marketing is a complex activity. It involves many options, it requires coordination among many functions and tasks, and it must respond to changes in customers and competitors. These factors make planning difficult, and often make the achievement of a marketing strategy or program even more problematic. Without good control and evaluation procedures, implementation of even best marketing effort could produce unexpected and often undesirable results.



### Meanings and Purposes of Control and Evaluation

The terms control and evaluation are often used with the same meaning, but they can be distinguished as follows. Control is “the feedback process that helps the manager learn (1) how ongoing plans are working and (2) how to plan for the future”<sup>2</sup>. Control means keeping on target. Control takes place while an activity or project is in progress, and managers are informed immediately when any significant deviation from objectives is detected or even suspected so that corrective action can be taken.

Evaluation involves reviewing the results from a program or activity to determine how well intended objectives were achieved. Evaluation is sometimes considered more diagnostic than control, because evaluation attempts to explain reasons for results. But in a practical sense, control and evaluation are closely related and often hard to separate since they have the same aim of bettering performance.

The essence of evaluation is obtaining relevant information for gauging performance. Marketing executives are continually monitoring performance and often they must revise their strategies to cope with changing conditions.

*The essence of evaluation is obtaining relevant information for gauging performance.*

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<sup>2</sup> *Basic Marketing -A Managerial Approach, McCarthy E. J., Richard D. Irwin, Inc., Homewood, Illinois, USA, Seventh edition, p., 613*

To ensure the effective operation of marketing program, some form of program evaluation needs to be conducted periodically. Marketers cannot afford to leave its performance to chance since the company's vary survival may depend on the program's success or failure.

To achieve marketing objectives, as well as general organizational objectives, it is imperative for marketing managers to effectively control marketing activities. The marketing control process consists of establishing performance standards, evaluating actual performance by comparing it with established standards, and reducing the differences between desired and actual performance. The success of marketing plans frequently depends on the level of execution that is achieved by the salespeople, dealers, and advertising agencies who implement programs in the real world. Business firms must have a system of control that quickly points out execution errors and helps managers take corrective action.

The purposes and areas of evaluation are shown in the following table:

**Table 12.2: Purposes and Areas of Evaluation and Control**

Areas	Purposes		
	Finding new opportunities /avoiding threats	Keeping performance on track	Problem solving
Environmental scanning	×		
Product-market analysis	×	×	
Marketing program performance analysis	×	×	
Effectiveness of mix components	×	×	

This classification represents the major strategic evaluation activities that occur in any firm. As indicated, there are three reasons for evaluation. The types of evaluation listed in the exhibit are accomplished in the areas of evaluation where Xs have been placed.

**Steps Taken in Establishing an Evaluation Program**

The major steps that must be taken in establishing an evaluation program are discussed below:

To compare actual performance with performance standards, marketing managers must both know what marketers within the company are doing and have information about the activities of external organizations that provide the firm with marketing assistance. Information is required about the activities of marketing personnel at the operations level and at various marketing management levels. Most businesses obtain marketing assistance from one or more external individuals or organizations, such as

advertising agencies, middlemen, marketing research firms, and consultants. To acquire the most benefit from external sources, a marketing control process must monitor their activities. Although it may be difficult to obtain the necessary information, it is impossible to measure actual performance without it. Records of actual performance are compared with performance standards to determine whether and how much of a discrepancy exists. For example, a salesperson's actual sales are compared with his or her sales quota to determine how much difference exists. If a significant negative discrepancy exists, the marketing manager takes corrective action. In some organizations, electronic data processing equipment enhances a marketing manager's ability to evaluate actual performance.

*To acquire the most benefit from external sources, a marketing control process must monitor their activities.*

### **Determining What Performance to Evaluate**

Despite the importance of evaluations, they are often done on a very informal and haphazard basis. Though time and money may be saved, these approaches to evaluate rarely are useful. They tend to be inaccurate, overly superficial, or too late to help the marketer determine whether corrective actions are required. To properly evaluate the marketing activities, the executive should conduct a marketing audit, a formal and systematic performance analysis of some or all of the elements of the marketing mix. It can also be defined as a systematic examination of the objectives, strategies, organization, and performance of a firm's marketing unit. The differences between an audit and haphazard evaluations are the preplanning and formality the audit brings to the evaluative process. Though the magnitude and frequency of a marketing audit will depend on the executive's particular needs, the thoroughness and overall quality will not. Thus, the marketing executive is likely to obtain more accurate and complete information, and in time to better ensure the success of the marketing program. Basically, marketing audits are conducted for the following two purposes. They are: (a) to analyze an on-going marketing program to ensure that the product objectives are achieved; and (b) to review a completed marketing program in order to assess its overall effectiveness.

*Marketing audits are conducted for two purposes.*

Control audits are those conducted to monitor the progress of a marketing program. They are designed to help the marketing executive identify and correct any deviations from the planned activities. Review audits are used to appraise the past performance of a marketing program such audits are used to obtain historical data that may prove beneficial in future planning.

A marketer should monitor every activity on a continuous basis. To ensure that the elements of the mix are working properly. But, however, the costs of making a comprehensive analysis can be very high. Therefore, a marketer usually does not evaluate all facets every time an audit is made, except when a review audit is conducted. While conducting a review, an analysis of all areas is made, although it may not be as detailed an examination. On the other hand, in case of control audits, only a select

*A marketer should monitor every activity on a continuous basis.*

few elements will be examined at any one time.

In the evaluation of marketing program, a marketer includes such areas as the marketing mix demands and the target market. Other issues, like the marketing organization and the research activities, are also occasionally the subject of evaluation. Subject to the time, budgetary constraints, and the executive's needs, an entire area or some of its components will be the focal point of the evaluation program. For reducing the scope of the evaluation, the marketing executive must include those aspects that are most important for his business and have significant impacts on future growth.

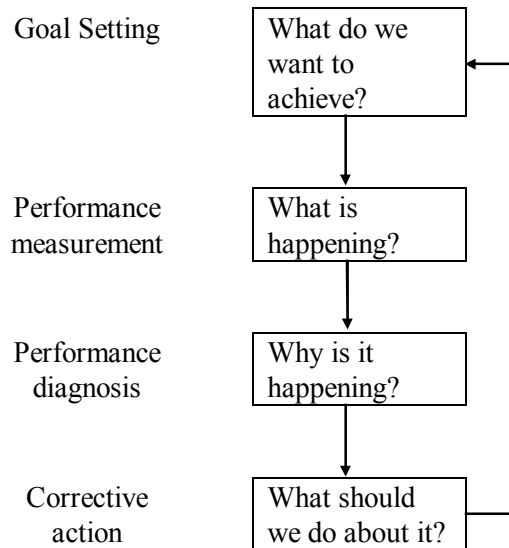
### **Controlling Marketing Activities**

To achieve marketing objectives, as well as general organizational objectives, it is imperative for marketing managers to effectively control marketing activities. The marketing control process consists of establishing performance standards, evaluating actual performance by comparing it with established standards, and reducing the differences between desired and actual performance. No management process can be completed without control. Marketing control, you know, is the process of evaluating achieved results against established standards and of taking corrective action to exploit opportunities or solve problems.

*Planning and  
controlling are closely  
interrelated*

Planning and controlling are closely interrelated because plans include statements about what to be accomplished. For purposes of control, these statements function as performance standards. A **performance standard** is an expected level of performance against which actual performance can be compared. Examples of performance standards might be the reduction of customers' complaints by 50 percent, a monthly sales quota of Tk.100,000, or a 20 percent increase per month in new customer accounts.

**The Control Process:** The control process involves evaluating results against objectives as shown in the figure-12.7. Although this stage of the process is crucial, it tells us if we have met, exceeded, or fallen short of objectives. Perhaps the most creative aspect of control involves establishing why those results were achieved and what we should do in response - in other words, what, if any, corrective action should we take.

**Figure - 12.6 : Marketing Control Process**

**Source:** Kotler Philip, *Marketing Management: Analysis, Planning, Implementation, and Control*, Prentice Hall of India Private Ltd., 9th edition, p. 766.

Suppose, for example, that Mr. Ali, the marketing manager for a division of a pharmaceutical company, has established a sales objective of Tk.5 million for the year. The goal for the first quarter was Tk.1.5 million, but the results reported by the accounting department show sales of only Tk.1 million. Mr. Ali will therefore have to take a hard look at the assumptions made in the planning process and at how the marketing plan has been implemented. He will look for data on total industry sales compared with those forecast by pharmaceutical industry. He will reevaluate the company's plan to add salespeople and probably a dozen of other aspects of the marketing plan. The results of all this effort may lead Mr. Ali and other executives to the conclusion that environmental factors have depressed the industry and that the original objective of Tk. 5 million is no longer realistic. If that is the case, they may revise the planned objectives accordingly. However, their study may reveal that the industry as a whole is doing well and that the problem is more specific to their firm. Perhaps the sales department has failed to add salespeople as planned and in fact has failed to replace some who have quit or retired. In this case, a mid-course correction might be in order. The firm may wish to hire a new sales manager who will be more successful at replacing personnel. Still a third conclusion may be reached. The original marketing plan may be found to be valid. The Tk.0.5 million shortfall in sales may be simply a technical problem. Clearly, these are very important parts of the control process. Managers must not only measure the results but also decide what to do about them.

## Types of Marketing Control

*Strategic control involves major strategy directions.*

Two major types of marketing control are common. The first is the control of day-to-day operations; thus, **implementation control** involves ongoing activities and uses the organization's regular accounting and reporting procedures to analyze the implementation of marketing plans and actions. Primarily, implementation control seeks to answer the question, 'Are we doing things right?' **Strategic control** involves major strategy directions. This process seeks to answer the question, 'Are we doing the right things?' Rather than relying on regular ongoing reports, in general strategic control involves special studies and procedures. Let us now have a look at both types of control at some length :

### • Implementation Control

Implementation control is the responsibility of functional level managers within a marketing organization. A product manager may be responsible for a sales promotion campaign of a toilet soap; an advertising manager will monitor the execution of programs created by an advertising agency. If one objective is to increase the number of sales calls by 10 percent, the sales manager is accountable for ensuring that sales representatives actually make those additional calls. Each marketing manager is assisted by the work of accountants in their organization.

*Three major methods of controlling marketing activities: sales analysis, cost analysis, and profitability analysis.*

**Major Methods of Implementation Control:** The following sections investigate three major methods of controlling marketing activities: sales analysis, cost analysis, and profitability analysis. Each type of analysis has its own goals up to a point, yet the three methods are cumulative as well. Since sales minus cost equal profits, these factors clearly interrelate. As we discuss each method, their cumulative nature should become clear.

**A. Sales Analysis:** Sales analysis compares actual with estimated sales. Sales are analyzed on both an ongoing (weekly, monthly, quarterly) and cumulative (year-end) basis. Overall corporate or business unit sales are evaluated at strategic levels. By contrast, operational and functional managers analyze sales at a micro level of component factors - for example, by product, by region, or by sales territory. Sales analysis gives experienced managers much more than a simple measurement. If sales of one product are up by 25 percent while another product's performance is 10 percent behind the goals, manager will study the reasons for the first product's success and the second product's less than desirable performance. If sales of the latter product in the Chittagong division, for example, are found to be 15 percent behind target where other regions are within goals, corrective action will be indicated in the Chittagong region.

Market share analysis is an evaluation of the firm's performance in comparison to that of its competitors. Such analysis gives executives a broad view of the company's performance. For example, suppose that



sales are exactly as forecasts: up by 5 percent over the previous year. However, if industry sales are up 10 percent, then the organization is actually losing market share and is falling behind its competitors. This comparative picture will serve as another indicator of the need for corrective action.

Marketers compile information for sales analysis from their internal records; it flows automatically from the Marketing Information System (MKIS). However, market share figures are more difficult to obtain since they are based on sales outside the organization. Overall market share may be calculated with relative ease if a trade association reports industry totals.

- **Sales Component Analysis:** Overall company sales can give only a general idea of marketplace performance, trends, and market share. Both sales analysis and market share analysis are more valuable when data can be broken down into various sales components. Managers are better able to plan and to take corrective action if they can analyze sales by components such as product line, products, region, district, sales territory, and customer type or size.

The sales invoice is the basic source of information. Computer programs easily summarize sales of any component or combination of components that managers think will be important in marketing control. Again, we must emphasize the role of the MKIS in providing disaggregated sales information. Managers with access to the MKIS can get regular reports for the time period considered useful.

**B. Cost Analysis:** Just as sales analysis deals with revenues, cost analysis deals with expenses. With marketing cost analysis, various costs are broken down and classified to determine which costs are associated with specific marketing activities. Cost analysis involves the reallocation of the natural accounts of financial accounting to the functional accounts of managerial accounting so that managers can control marketing costs. This process involves breaking down marketing costs and then assigning them to specific marketing activities or units, such as products, geographic units, channels of distribution, or market segments.

- **Natural accounts and functional accounts:** Natural accounts are the usual financial accounting units found on the official statements of an organization. Our interest here is in the expense accounts, such as rent, salaries, advertising, marketing research, and supplies. Most of these accounts do not show for what purpose - for what product - these expenses were incurred.

The first step in cost analysis typically requires that some of the costs in natural accounts be reclassified into functional accounts, which divides expenditures by their purposes. A certain portion of rent, for

*Just as sales analysis deals with revenues, cost analysis deals with expenses.*

example, would be assigned to marketing research. Some costs, such as supplies, must be reclassified among various functions; supplies are obviously needed by advertising, the sales force, marketing research, among others.

- **Allocating costs:** Typically, functional costs are allocated to products, to geographic areas, to market segments, and even to specific customers. Allocation of marketing costs usually requires the advice and counsel of the organization's accounting department. Accountants have the specialized training necessary to decide the fairest and most useful method of allocating functional costs.
- **Cost Analysis by Product, Geographic Area, or Customer:** Although marketers ordinarily get a more detailed picture of marketing costs by analyzing functional accounts than by analyzing natural accounts, some firms need an even more precise cost analysis - especially if they sell several types of products, sell in multiple geographic areas, or sell to a wide variety of customers. Activities vary in marketing different products in specific geographic locations to certain customer groups. Therefore, the costs of these activities also vary. By allocating the functional costs to specific product groups, geographic areas, or customer groups, a marketer can find out which of these marketing entities are the most cost effective to serve.

By comparing costs of previous marketing activities with results generated, a marketer can allocate the firm's marketing resources more effectively in the future. Marketing cost analysis allows a firm to evaluate the effectiveness of an ongoing or recent marketing strategy by comparing sales achieved and costs incurred. By pinpointing exactly where a firm is experiencing high costs, a marketing cost analysis can help to isolate profitable or unprofitable customer segments, products, or geographic areas. In some organizations, personnel in other functional areas - such as production or accounting - think that marketers are primarily concerned with generating sales regardless of the costs incurred. By conducting cost analyses, marketers can undercut this criticism and put themselves in a better position to demonstrate how marketing activities contribute in generating profits.

**C. Profitability Analysis:** Sales analysis and cost analysis are both very useful in diagnosing how well a company's marketing plan is being implemented. The third type of analysis used for implementation control uses a combination of sales and costs to determine profits. Profitability analysis provides information on the profit performance of individual units within an organization to determine appropriate corrective action. Profitability analysis also provides vital information which allows marketing managers to more effectively control the future of their marketing units. Profitability analysis starts with identifying the functional expenses, moves to assign the functional expenses to marketing entities, and ends with preparing a profit and loss statement for each marketing

*Profitability analysis provides information on the profit performance of individual units*

entity. This form of implementation control goes beyond sales analysis and beyond cost analysis. It reaches all the way to the ultimate questions, taken together: Did the margins and profits during the specified period show the healthy base of profits to which we have become accustomed?

- **Strategic Control**

The control of marketing implementation is an ongoing process designed to keep the organization on course. While it is obviously essential to regularly ask if we are doing things right, on occasion it is important to ask if we are doing the right things. This requires a broad overview of the entire marketing organization. Hard questions must be asked about the strategy being followed; the fundamental assumptions guiding management of the organization must be reevaluated.

One key problem in trying to control an organization's strategy is that its management team is so involved in setting that strategy that they find it difficult to call the strategy into question. A formal set of procedures is needed to ensure that managers will carry out a genuine control of marketing strategy. This set of procedures is known as the "marketing audit". We have discussed this aspect in the evaluation of marketing activities section.

Once the audit process is complete, the marketing executive can make necessary changes in the existing program or modify future plans. When an audit was designed to control a presently running program, the marketing executive can decide if any strategy changes are needed and begin to plan them accordingly. When the audit was for performance review, the executive will apply lessons learned to new programs as well as determine the competitive position of the product.

A marketer should keep in mind that marketing audit can only identify strengths and weaknesses in a marketing program but it cannot solve any existing problems. Solving the problem is the job of the marketing executive, and it is not always easy to make adjustments in existing programs. Different parties relating to the company have already formed images and expectations about the product and the channel, promotion, and price strategies followed by the company when rapid and radical shifts in the marketing program take place, a marketer risks alienating a sizable portion of the core market. However, if adjustments are not made, the company's profitability will suffer. Thus the marketing executive must be very careful in fully analyzing and planning all possible changes in the program before taking action.

*Marketing audit can only identify strengths and weaknesses in a marketing program but it cannot solve any existing problems.*

Without few exception, a marketer brings changes in his programs step by step, not making changes everywhere at a time. He also notifies his middlemen, suppliers, as well as customers the changes he is about to bring in programs. To make consumers aware about company's program, he develops a well-thought promotional program. Thus, a marketer brings changes in his marketing program once all related plans are set.

### **Questions for Review**

1. Control is the feedback process that helps the manager learn –
  - a. How ongoing plans are working
  - b. How to plan for the future
  - c. Both a & b
  - d. None of the above.
2. The essence of evaluation is obtaining relevant information for –
  - a. Gauging performance
  - b. Taking corrective action
  - c. Bringing change in policy
  - d. None of the above.
3. The marketing control process consists of –
  - a. Establishing performance standards
  - b. Evaluating actual performance
  - c. Reducing the differences between desired and actual performance
  - d. All of the above.
4. The success of marketing plans frequently depends on the level of execution that is achieved by the –
  - a. Salespeople who implement programs in the real world
  - b. Dealers who implement programs in the real world
  - c. Advertising agencies who implement programs in the real world
  - d. All of the above.
5. A marketing audit is a formal and systematic performance analysis of –
  - a. Some of the elements of the marketing mix
  - b. All of the elements of the marketing mix
  - c. Both a & b
  - d. None of the above.
6. Marketing audit can be defined as a systematic examination of the –
  - a. Objectives of a firm's marketing unit
  - b. Strategies of a firm's marketing unit
  - c. Organization and performance of a firm's marketing unit
  - d. All of the above.
7. Which of the following is a purpose of a marketing audit?
  - a. To analyze an on-going marketing program
  - b. To review a completed marketing program
  - c. Both a & b
  - d. None of the above.
8. Audits that are used to appraise the past performance of a

marketing program are known as –

- a. Review audits
- b. Control audits
- c. Both a & b
- d. Functional audits.

9. A performance standard is –

- a. An expected level of performance
- b. An actual performance of an average employee
- c. Both a & b
- d. None of the above.

10. Primarily, implementation control seeks to answer the question –

- a. ‘Are we doing the right things?’
- b. ‘Are we doing things right?’
- c. ‘What we have achieved?’
- d. None of the above is true.

11. Which of the following is a method of implementation control?

- a. Sales analysis
- b. Cost analysis
- c. Profitability analysis
- d. All of the above.

12. Explain the meanings and discuss the purposes of control and evaluation. Identify and explain the steps taken in establishing an evaluation program.

13. How do you determine what performance to evaluate? How would you evaluate marketing activities? Explain.

14. Write an essay on controlling marketing activities including types of control.

### Answers

1. c, 2. a, 3. d, 4. d, 5. c, 6. d, 7. c, 8. a, 9. a, 10. b, 11. d.

