DOES MARKETING RELATE TO FINANCE? – “MARKETING IS FINANCE?” THEORETICAL PERCEPTION

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ABSTRACT

As market develops and grows continuously and internationalizes, the confusion among companies increases regarding their orientation of the business. They find it each day more difficult to grab new shares in the market, to capture and gain new customers, to hold their clientele, to increase continuously their customers' satisfaction, to position properly in the market and to face competition, as well as to answer to the spontaneity of the market evolution. This tells for an increasing role of marketing in the companies' organization, and of course in their performance and profitability. Even this necessity, the top management and other departments, but especially the finance ones are often debating on the marketing role and its contribution in the overall profit of the company, as marketing is very much oriented and familiar with performance indicators rather than financial results and profit in itself. There are views recently which emphasize that marketing is finance too, as it completes the value chain and realizes indirectly all the company's targets. To this logic it has become necessary to measure its performance not only using marketing KPI (Key Performance Indicator) but financial metrics too. The study aims to show the reasons why marketing and finance are closely related and why “marketing is finance”. This is a deduction-induction-deduction theoretical review and treatment of the question, based on some facts and arguments both, from the world wide experience, as well as from Albanian reality of business and marketing.

JEL CLASSIFICATION & KEYWORDS

■ M31 ■ MARKETING ■ KPI ■ METRICS ■ PERFORMANCE ■ PROFIT

INTRODUCTION

Most of the companies and businesses in Albania, nevertheless big companies or SMEs, do not have a clear view on marketing (nine out of 117 business people had adverse views and concepts on marketing, but not complete view, the rest identify it mostly with advertising or selling) Almost all of them are not clear on the role of the customer and its importance for the business. The businesses do not measure their performance and do not define and use standards and indicators on this regard. Still, marketing is forgotten or even not considered as a main and last step to the final result for the company. They suffer lack of cash, networks, sales' force, skills related to negotiation and integrated marketing communication, as well as do not control and manage efficiently and effectively their inventories and logistics, due to the lack of knowledge on marketing and its mix.

There are sectors where we find abundance of products, services, ideas, other forms of offer and brands. The people, even in a status of matured demand, find it difficult to choose

how to fulfil profitably their needs and wants. This increases their confusion and diminishes their bargaining power in a transaction, and in the same time increases their fear on being imposed and defrauded. We find that they generally are apparently inert to the promotion and they do not go willingly to chose and buy. That is mainly why, we need to divide and segment them in order to conjure them and fulfil their needs efficiently and effectively.

There are points of views stating that marketing is nonsense. They state that everything counts is technology and finance. There are views stating that management is the one to find out the solutions and others just have to work hard. There are other views stating that what counts are costs and prices. Other economists state that logistics often can make more customers than money spent for product modification and high management salaries for brighten minded managers. Image also counts and gives to the enterprise what money saved and other tools can give. At the end, everybody talks for enterprise, products, prices, logistics, image, costs, technology, but none of them considers customers and their important role in our value creation. Who else but marketing can do better to understand their needs and wants, can gather their opinions, understand their state of spirit in a transaction and increase sublime perception on company and its products? Isn't it, all the others in an enterprise here above do, marketing mix? Then comes the other question, “Should we still think of our business without doing marketing?” Of course not! It is in the essence of the concept itself, “mark-eting”, to target the mark, to target customers and capture them. The essence stands for the results mark-eting can provide for the company, and which way to measure those.

Marketing research on customer behaviour, as well as other data and information gathered from different sources, giving a better view of the market and its stakeholders are needed to judge and reason on customer profitability for every market segment.

At this point I think companies must search and fight to win and hold their customers taking care of their needs and wants, as well as building strong ties and familiarity with them, with the target finding and having our main partner in them.

We need to measure customer profitability, in order to project and design the marketing mix targeting for profits and benefits. And further more we need to measure marketing impact on the overall result of the company.

Definition of marketing metrics

There are many elements and variables influencing and measuring marketing efforts' and expenses' pay-offs. We call those metrics of marketing. To understand better these metrics, we need first to define the results to be measured. Generally, marketing can produce three categories of results:

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- Awareness - the rate of notarization of our brands, products and the company itself among customers. They can have different knowledge on the company which together compound their awareness on the existence of the company and its offer.
- Perception - the position the company and its offers occupy in the customers' mind. It is very important to know customer reaction toward the company and its offer and their estimation on those. It can be estimation expressed in different ways, to which the most important ones are the customer relation estimation and the competitive position compared to other companies in the market.
- Behaviour - The reaction the customers have on the company and its offer due to their awareness, perception, as well as the market conditions in the moment they are induced to react on.

And these three categories are translated in concrete terms like increase in sales volume; reduce of the payback for the investments done; speeding up the return time increasing the internal rate of return; increase in ROI, ROMI and ROIMI. These are some of the main indicators used to measure the marketing pay-offs.

But, what are marketing metrics?

Marketing metrics are signposts on a firm's route towards meeting its strategic goals (Uncles, 2005). Uncles comes up with a multidimensional definition of what marketing metrics are. He states that on one level metrics are used to gauge the effectiveness of specific programmes and activities, on the next level there are product and service metrics. These are concerned with brand health and customer satisfaction. Finally, there are metrics that link general investments in marketing and market related activities to overall measures of success for the corporation. Ambler states that these metrics “should be tailored to the company's strategy”.

It is important to understand what we measure and what it represents integrated to the strategic goals of the company. We find that, even mostly operative and entrepreneurial, the activities of marketing have great impact on the final results of the company. Being at the outside door or window in the company and often “holding” customers side in the value chain, they are precariously perceived for their importance in the company. This is one of the main reasons why they are often not given the proper place and importance in the company, even though almost all the company people unanimously state that “... we are doing well, but, ... we need marketing to increase our results”. This and other statements and perceptions on the necessity of marketing in the company, emphasize the need to measure the marketing performance in order to increase accountability of the last in front of the rest of the company.

So, marketing metrics could be defined as measurements that help with the quantification of marketing performance through figures, indexes or else in order to prove and display the pay-offs of marketing in an enterprise.

They provide evidence on customer experience, on service delivery, on customer loyalty, on increments on sales, image, customer perception on the company, audience coverage, profit and return on investments.

So far marketing metrics has been challenging researchers and scientists of marketing. On 1979 Churchill stated that “Marketers, indeed seem to be choking on their measures.” Clark in its study on marketing metrics gives a view

on the how we came into this KPI on time, showing also the increased importance of marketing in terms of investments and pay-offs. This process passed through four stages.

The first stage belongs to studies on the measurement of marketing results as functions rather than departments focussing on single and divided financial output measures such as profits, sales revenue and cash flow, which measured the productivity of marketing efforts in producing positive financial results generically. This is due to still not clearly classified functions of marketing as a main and important link in the value chain of the business.

The second stage belongs to the development of other KPI, this time non-financial measures, such as market share, quality of services, customer satisfaction, customer loyalty and brand equity. Diversely from the earlier stage, these KPI/metrics move in another direction than financial ones, and regard more to the behaviour and loyalty of the customers. The measurement of these indicators was merely easy to be perceived by the marketing people as they were oriented to the customer and the relations with him. They counted to measure efforts to capture new customers, efforts to build customer satisfaction, efforts on retention of the customers, image building and brand equity etc, arguing that if a firm has loyal and satisfied customers, it can increase its revenues and profits, as well as reduce costs of retention and transaction costs too.

The third stage evolves on other metrics such as marketing assets, marketing audit, marketing implementation and market orientation. These measure the relations and the integration of the company with the marketing environment. We find here the first efforts on CBA (Cost and Benefit Analysis) to evaluate marketing programs and their appropriateness with the market segments the company operates. It becomes important at this stage the establishment of MIS (Marketing Information Systems) in the companies and the emphasis of the market orientation of the company.

The fourth stage belongs to our modern era where multiple measures are necessary such as efficiency, effectiveness and multivariate analysis. This calls for an integral process of combination of all the metrics of marketing in order to measure and control the marketing activities as they tend to run faster and farer than the company often perceives toward new markets, targets and results of performance.

Clark argues that efficiency examines how best to allocate marketing assets and activities to produce the most output.

Reviewing the literature we can note that once the marketing increases its role in an enterprise, it takes more sense to measure its performance and compare its results with the other departments in a company. Referring to Rust, companies should place a greater emphasis on models that link marketing tactics to financial impact of a firm (O'Sullivan, 2007). This tells us for more attention on the integration of marketing with the other functions in a company and forces us into adoption and understanding of methods to measure marketing at the same levels we do with the other functions and departments in the company. O'Sullivan and Abela identify three main branches of measuring marketing performance research. These are measurement of market productivity, identification of metrics in use and measurement of brand equity. The selection of marketing metrics to use is a starting point to evidence the role that marketing plays in the overall performance of a company. While, to measure brand equity we can usefully combine KPI and the house of quality, using Quality Function Deployment in order to deploy the set of product mixes

whose performance and equity should be measured under various market conditions and segments.

Marketing metrics

Gronholdt and Martensen (2006), in their study on “Key Marketing Performance Measures.”, arrived at a short list of marketing metrics which is shown below:

Table 1: Short list of marketing performance measures based on literature review	
Mental consumer results	Market results
Brand awareness ¹	Sales (volume and value) ¹
Relevance to consumer	Sales to new customers
Perceived differentiation	Sales trends ²
Perceived quality/esteem ¹	Market share (volume and value) ^{1 2}
Relative perceived quality	Market trend ^{1 2}
Image/reputation	Number of customers ¹
Perceived value	Number of new customers
Preference	Number of new prospects (leads generated/inquiries)
Customer satisfaction ¹	Conversations (leads to sales)
Customer loyalty/retention (intention) ^{1 2}	Penetration
Likelihood to recommend	Distribution/availability ^{1 2}
	Price
	Relative Price (SOM value/volume) ¹
	Price premium
	Price elasticity
Behavioural Customer Results	Financial Results
Customer loyalty/retention ¹	Profit/profitability ¹
Churn rate	Gross margin ¹
Number of customer complaints ¹	Customer profitability
Number of transactions per customer	Customer gross margin
Share of wallet	Cash flow
	Shareholder value/EVA/ROI
	Customer lifetime value
Note: “The signed metrics (1) according to Ambler and Puntoni (2003) are the 15 most commonly used metrics, and the signed (2) according to Davidson (1999) are the 10 most commonly used metrics by the businesses.”	
Source: Author	

This table has been reviewed and developed by other researcher too like Farley, Hoenig, Ambler, Kokkinaki and Puntoni, whose metrics have been quoted widely in the marketing metrics literature.

The categories of marketing metrics in the table represent a broad range of marketing activities as identified in the literature. The measurement of these metrics can give wide information to a company on the performance of their marketing efforts that eventually lead to increased business performance.

Companies fight continuously with all the competing forces in the market and they face different problems as fall of the sales volume, increase in the costs of services they offer, diminishing of the profit because of different discounts on price they are obliged to do, unstable positive cash flow, problems with the return on investments, especially on the

assets where some times the loans are too high, problems due to the moral depreciation of the solid active and technology etc. Ambler says that companies can't survive without marketing as the money they need come from customers which make possible positive cash flow. While O'Sullivan and Abela state that reason why companies should use marketing metrics is that their use will lead to improved firm performance, placing marketing in conditions of accountability and synchronizing it with the rest of the company especially with finance management.

Ambler, Kokkinaki and Puntoni identified a series of metrics, to be considered as primary general metrics to measure marketing performance of the company. They classified these metrics in six categories:

1. Consumer attitudes - measuring awareness, perceived quality of the offer by consumers, relevance of the products and services to the consumer, brand image and product knowledge as perceived from the customers etc.
2. Consumer behavior - measuring the total number of consumers, number of new consumers, loyalty of consumers, and the number of consumer complaints.
3. Trade customer - measuring customer satisfaction of trade customers and the number of complaints.
4. Metrics relative to competitor - measuring the relative satisfaction of consumers and the perceived quality of the products compared to the competitors' offer. These measure the consumer consensus on our products comparing those with the competitors.
5. Innovation degree and position of the company - measuring the number, revenue and margins of new products, as well as the advantage in the use of the new technologies.
6. Last but still the most accurate one is Accounting and Financial KPI - which are traditional metrics concerned with sales, gross margins and profitability.

They state that accounting and financial metrics are the most dominant metrics' categories relative to consumer behavior, trade customer, competitor and innovativeness even those count for one sixth of all the indicators.

Recently, we see too many efforts by the marketing managers to develop and use different marketing metrics to measure their performance, with a strong focus on two principal indicators, increase in sales and market share, very close related to the financial overall goals of the company.

As we can denote here, most of the researchers on marketing metrics partially ignore, that there are some financial metrics absents like ROI, ROMI, ROIMI and other financial ones which help measuring better and directly the pay-off of the marketing investments, to which we shall talk hereunder latter.

What we can discover by this literature review and the suggested use of marketing metrics is that marketing should be a data-driven one at least in its simplest form, “keeping score”, in order to enable justification of marketing investments per each program or action. It can improve marketing performance by evidencing what and which marketing part is working in terms of efficiency and effectiveness, ensuring that the money are invested where it is measured to have high results and pay-offs. So, it can serve also as a preemptive step to new investment in different marketing campaigns and programs. Once completed this stage, the use of data-driven marketing and its analytic marketing metrics or KPI can importantly improve

marketing performance, nevertheless our business is large or small.

Referring to Porter, at his “Competitive Advantage of the Nations” on the famous Five Forces of Competitive Position model he defines “sustainable competitive advantage as the coordination of activities that are not easily duplicated. At the highest level, strategic advantage from marketing is created by the coordination of activities that are not easily duplicated, and data-driven marketing and measurement are significant components of those activities.” (Porter, 1998). This certifies once again the importance of the marketing metrics in the measurement of the marketing performance and in its accountability to demonstrate the importance of marketing along with other departments in the enterprise.

Generally, the marketing metrics are distributed and used according to the relevance of the activity; strategic, tactical or operational.

There is a group of marketing metrics, the financial ones, which are basically four; profit, NPV (Net Present Value), IRR (Internal Rate of Return) and payback. While, ROI and ROMI are applicable to more than 50% of marketing activities. According to Jeffery more than 55% of the marketing officers are not familiar, nor have knowledge on these metrics and their importance to measure and evidence their work. These metrics together with other financial metrics combined give a clear view on marketing results in terms of profit and efficiency on investments done. While, the situation with our sample in Albania is even more tragic, when more than 97% of the interviewed business people do not use the here above mentioned metrics or KPI to measure marketing efficiency and effectiveness. They perform marketing by case and very random. They try to use those only in case of loan application in the banking system.

Financial marketing metrics

Does Marketing relate to Finance? This seems to be a very generic question. To understand the right meaning we need to realize what marketing per se means and why finance and in what relations we consider? We are given mostly to think about marketing as an externally oriented function of the company, based more than in anything on the performance towards market and its stakeholders. In fact, considering the role it plays in the company, finalizing the value chain, it stands true that marketing is the window linking the enterprise with the external environment in all its meaning. As such a function, it is often seen not very much integrated with the other functions and departments of a company.

Even these views, it is already known now the importance of the functions of marketing and of marketing people in an enterprise. They are not just the last step toward market and customers, they are part of all the company and present in every step, since the start of the business and later on to follow with their functions on providing convenience related to time, space, quantity, quality and price, building image and market standards in every link of the value chain, speeding the locomotive to higher acceleration and creating partnership in all directions and dimensions in and out of the company's environment.

Most of the companies do not measure the performance of marketing in financial terms. They use integral indicators to calculate for the results of marketing in a generic way, such as ROI or EVA (Economic Value Added). But this is not enough. These indicators and other generic ones does not

give a correct answer to the questions; “How much marketing? Do we need more services? How much inventories? Do we have the right product? What is the right price to be set? Which marketing mix should we choose? And by top management company view the question stands for “What is the marketing result in financial terms?”

At this point, the choice to be done is whether to use one or the other set of indicators, one both of those combined together resulting with another kind of yield, volumes upon costs, which increases once the costs are managed to be reduced or the volumes increase under the same cost regime. The model is a matrix with two set of variables KPI and financial metrics.

To this end, we need to adopt specific indicators, in order to give answer to our questions. We need to measure efficiency of the investment done on marketing - Promotion, distribution, sales, customer relations etc. As the marketing officers are too much given to entrepreneurial skills, as well as very operative in their decision making, focussing more on performance rather than in financial results, or pay-offs in financial terms, it would be very useful and important to measure the effect of their actions and the profitability of the investments done in marketing.

Methodology

There was conducted a field research interviewing 126 business people, 26 women and 100 men through administrators, sales' persons, owners, finance and accounting people, managers and marketing people in the regions of Elbasani, Tirana and Durres. The interviewed persons answered to questions related to the necessity of marketing as a function, marketing performance and its indicators, questions on marketing metrics and their use, on relations of marketing with other functions and positions in the enterprise, questions on the relations with the consumers, on the financial quantification of their performance, questions on the budget the companies must plan to foster marketing activities and the ways to return back these investments etc.

The interviewees have been selected from the regions of Elbasani, Tirana and Durres. The selection of the businesses and their representatives was done by size of annual revenues and number of employees. The interviews were done by direct contact and conversation. All the data were processed with SPSS to which several tables and relations have been detracted.

123 of the interviewed people state that “they are doing well, but they still need some more marketing to do better”.

67% of the interviewees claim for distortion of competition, 83% claim for informality in business and dirty competition, 89% state that they increase each year diminishing profits and cash flows, and the market seems deeply paralyzed due to low level of cash transactions in front of barter ones

All the interviewed of our sample consider the price as the only important mean to competition and customer attractiveness.

ROMI metrics

We shall now analyse some of the main and mostly used metrics and more related to marketing performance and ROMI.

The first essential marketing metric is “net profit”. It is a simple one which can easily be used by businesses at any level of classification according to sales volume, investments done, and position in the market. But still there are few points to consider based on what we touched here above.

First, we must understand that marketing as a function rather than just an activity exists divided apart in a considerable number of companies because some of those have decided to invest more or distinctively in demand generation marketing, running more on sales and promotion, effort which drive sales to increase but still reduces the profits, as they do not consider the marginalization of the profit due to marginalization of the needs and wants in the market. This last phenomenon pushes marketing divisions toward more services and benefits, as well as other discounts offered to the customers killing profit of the enterprise. The large and leading companies invest more in image building through prestige branding and customer equity and are able to charge premium prices, gathering higher prices and covering marginalization of profit for a longer time in the product life cycle. While small and medium enterprises suffer this phenomenon and face more difficulties in supporting marketing initiatives all along the life cycle of the product. This is why not just the sales revenue is essential in measuring marketing performance and researchers do not consider it as an essential metrics. This does not mean that we could ignore the importance of the sales revenue in our analyses and often targeting marketing with this indicator. But, we must keep our attention both on sales revenues and the net profit realized through these revenues and the marketing expenses done.

There are a few companies which can decide to compete on price since it distinctively reduces profitability and make it difficult to build loyalty among customers, which of course is not an Albanian case. The companies which can do this have highly representative market channels and a high control and performance in their supply chain allowing driving costs down to minimum. It is related to the main strategy chosen by the firm between three ones:

1. Product leader.
2. Operational excellence.
3. Intimate customer orientation.

Only companies positioning as leader in the market as the operational excellent one and holding competitive adequate position in the two other dimensions can consider competing on price. In this case the main target for marketing and an important metrics to be used in order to measure its performance could be the sales revenue. But, to the remaining firms, using marketing to drive profit is a better strategy, this of course asks for the use of net profit as a metrics to measure marketing performance, rather than sales revenue and market share. Most of the large firms target to grab market shares considering it as sustainably important. But, if you start losing profit grabbing market shares and this does not promises for future incremented profits, it can result a losing strategy.

To this arguing exists a conflict between sales and marketing, since the first are often driven on volume rather than profit realized from those. And continuing with the analysis on the sales force performance and effectiveness having sales revenues as main target and metrics, those sales force who are considered the highest performing ones result often to be the least profitable, and may sometimes be even negative in profitability.

Considering this arguing companies need to design and establish incentive systems of marketing metrics to measure marketing people performance based on the profit for brand and product sold, not on sales revenue. This can induce marketing people to cost attention and to revenues/cost consideration in their activity naturally pushing for two main

goals, market share and profit being rewarded as profit centres too.

The question in our case is not to decide on which price to charge, even to measure per se the operational costs, however we want to discuss and create a clear view on the importance of marketing metrics and consult the businesses on how to use those in order to prevent damages and to improve their marketing pay-offs.

The insight of the problems for marketing, though, is that facing difficult times and competitive pressures, the inclination is to compete by cutting price, to the detriment of profitability. At this point of discussion, marketing has too much to do in order to increase company's profitability through increase of the performance and the net profit metrics is very useful.

The second essential financial marketing metrics is NPV on which we have largely spoken in basics of finance and financial investments. In terms of marketing performance evaluation it gives us a view on what will be our investment in terms of return on time. We take the money spent on marketing to the future discounting those with the cost of depreciation due to time inflation and increase in costs of capital use, understanding what their value is today. NPV enables us to compare marketing campaigns or programs that have different costs; hence, the cost of the campaign is subtracted from the present value. More specifically, the cost of the marketing is spread over time, so this metric can be written (Jeffery, Wiley and Sons, 2010):

$$NPV = -C_0 + \frac{(B_1 - C_1)}{(1+r)} + \frac{(B_2 - C_2)}{(1+r)^2} + \frac{(B_3 - C_3)}{(1+r)^3} + \dots + \frac{(B_n - C_n)}{(1+r)^n}$$

C_0 are starts up marketing costs, B_n are the cash benefits for each period and deriving from marketing activities and C_n is the cost of marketing per period. The difference $(B_n - C_n)$ is the increment on profit due to marketing investments per period. So we calculate the benefit minus cost in each time period related to marketing investments, which is just the profit metric of the net profit and discounting by the $(1 + r)$ market factors for the time value of money. This tells us that the profit worth less in the future and the longer the time on return on investments the smaller the profit measured for the marketing investments. At this point it becomes important the calculation of " r ", which is the rate of return we expect to get by investing money in the same conditions with the average and representing companies in that industry. Marketing managers have to decide to invest if NPV is greater than zero and to not invest if NPV is less than zero. NPV positive means the average benefit is larger than the cost of marketing in each time period, considering the inflation and the depreciation of the money in the future periods, as well as the startup marketing costs/investments.

This essential marketing metrics can be applied too in the estimation of the net cash flow of the company in the future periods and discounting those back to today. Dividing this figure with the total assets we can calculate the yield per unit of money spent in marketing, and in case the company has no debts embedded in its assets, divided by the number of shares outstanding tells us how to calculate the price per share. The CMO (Chief Marketing Officer) could easily say what could be the share price increment for unit of investments done in marketing. In this case the reason to invest in positive NPV marketing programs and campaigns is that the share price will increase, and vice versa. All this discussion on NPV is more worthy in normal development economic times. This is not very useful in times of economic recession for it contains

several uncertainties and risk in the assumptions, the benefits, costs, and discount rate 'r' in its calculation. In order to reduce the error it contains in during hard economic times (economic and financial crisis on 2009) as well as in irrational and inefficient trading markets (Albanian market due to its high level of informality and competition distortion), we can always get use of the other basic and important financial marketing metrics, ROI. It is measured dividing the net profit metrics resulting from marketing functions and activities with the total of marketing investments, talking this way for ROMI. It seems easy by a generic point of view, but it becomes rather difficult when we must first calculate the net profit due to marketing investments. We shall talk on this here later.

The third metrics very much related to NPV and its components is IRR, rate that money is compounding internally to the campaign or program (Jeffery, Wiley and Sons, 2010). Actually it can be calculated by setting NPV to '0' and solving the equation for 'r' equal to IRR. The 'r' rate is also called the hurdle rate as it represents the main reasons out of the marketing competences and possibilities to be controlled, discounting the future value of the investments done in marketing to the present days. If IRR is greater than 'r' the firm can invest and generate profits, otherwise it should retire or not invest other money in marketing. As we can distinguish from the other metrics, it is an operative ongoing metrics showing coherently the marketing pay-offs and the possibilities of EVA positive on the marketing investments. It makes possible for the marketing in the company to intervene and improve the performance.

The fourth essential marketing metrics to ROMI is Payback. The payback is the time period when campaign or program of marketing has paid back the cost, investments, as well as loses diverse to profits.

At the end of this reasoning on these four essential financial marketing metrics, the return on marketing investment is a compound one comprising NPV, IRR and payback. In order to quantify the value of marketing we use what is called in the literature ROMI - or the result of the abovementioned three essential metrics.

Generally we can easily say that $NPV > 0$ $IRR > r$ is good and $NPV < 0$ $IRR < r$ is bad. Also consider short payback good and long payback bad.

This tells us clearly that ROMI metrics makes possible much more effective and efficient marketing decision making than the static ex post ROI. Classifying all the marketing activities and investments apart and finding out through an analytical algorithm process the impact of marketing in the financial result of the company, ROI, we can calculate ROMI measuring directly the efficiency of the marketing investments. The question stands for finding out the contribution margin of marketing in the gross margin or incremental revenue.

- ROIMI - a very useful metric to measure direct return on incremental marketing investment done in a certain period, or in a specific situation. This gives us a direct result on how the action we undertake influences on sales. We can certainly use this to measure also the pay-offs for each "milestone" in a marketing program, as we can easily distinguish between the stages of the program. It would help do divide too the contribution done by sectors and elements of the marketing mix in an enterprise.
- MEROMI - Media Exposure Return on Marketing Investments, also very important metric, even not directly

measuring financial outcomes from media activity, but measuring the yield of a promotional activity, the cost per contact, or the cost per achieved audience. On this basis we can certainly measure then the rate of achievement of the audience and the internal rate of return on the money spend on this audience expressed in revenues for contact or audience unit. If we have the total amount of the investment done in media or generally in marketing campaign, the total planed audience expressed in contacts or individuals, the planed number of contacts per period (day, week, month, year) and the return rate on incremental marketing campaign investments for each period in the net profit, we can measure the IRR on the marketing campaign investment planed in the marketing program of the company.

Generally speaking these are the financial marketing metrics used to measure performance of marketing, explained conceptually.

How to use ROMI in practice?

The approach of ROMI analysis shown here above is a very useful tool to measure marketing performance and to enable ongoing interventions to improve or modify marketing programs and ensure the target achievement and high performance. We can pass through six steps to the final decision or performance measurement and final decision making.

The first step, comprises a business analysis to discover and understand the existing situation with marketing mix and to evaluate the potential improvement through a new marketing mix.

The next step, is to calculate the revenue and costs expected in the future if the business continues in the same situation and with the same marketing mix.

The third step, is the definition of the new potential marketing program or campaign costs, or the total new marketing investments to be done. This may assume the complete diversification of the marketing program or campaign into a new one, or additional investments respective to the new marketing intervention, counting apart the increment in marketing investments.

In the fourth step, first, calculating and assuming the impact of the new marketing or product launch we come to the fifth step, calculation of ROMI:

$ROMI = \frac{[Revenue\ attributed\ to\ new\ marketing\ investment * Contribution\ margin\ of\ marketing\ in\ the\ overall\ net\ profit - Investments\ in\ marketing]}{Investments\ in\ marketing}$

or

$ROIMI = \frac{[Increment\ in\ revenues\ due\ to\ marketing\ investments * contribution\ margin\ of\ marketing - Increment\ investments\ in\ marketing]}{Increment\ investments\ in\ marketing}$

Sixth step, is the sensitivity analysis testing the new model through various assumptions to define what could be the best, the worst and the results of the new case (marketing program or campaign).

This process is easy to be used even in the cases of our businesses which are mainly micro, small and medium enterprises as they still are not clear on the role of marketing and the pay-offs it can induce in the companies result. at this point this may involve a dummy variable considering the division of labour and functions and the classification of the marketing apart and shared as function and employment, having a unit value in case shared and '0' in case mixed ore embedded in other functions.

Results and Discussion

123 of the interviewed people state that “they are doing well, but they still need some more marketing to do better”.

67% of the interviewees claim for distortion of competition. They say that marketing cannot play such an important role in these conditions. The most important thing is to safeguard the costs.

83% claim for informality in business and dirty competition. The high rate of informality reduces the possibility for marketing people to be estimated based on just performance indicators.

89% state that they increase investments each year diminishing profits and cash flows, and the market seems deeply paralyzed due to low level of cash transactions in front of barter ones.

All the interviewed of our sample consider the price as the only important mean to competition and customer attractiveness.

Marketing is mostly a function rather than a job position in the enterprise. It is melted with other duties carried by the same persons. Even they mostly state their business need more marketing.

While referring to the desk research on the previous studies and research done by other researchers of marketing, as well as by a deep review on the literature related to marketing functions and metrics or KPI to measure marketing performance I have found as follow:

One study, by Marketing Management Analytics (MMA), finds that generally just 7 percent of finance executives are satisfied with their companies' ability to measure marketing ROI. A higher portion of marketing executives, 23 percent, think they are doing a good job of measuring returns. But this is not the case of Albania. Here we don't have figures on these arguments.

“Marketing executives are under a lot of pressure to show exactly how investments in the brand translate into sales,” says Ed See, co-president of MMA.

Arguing on hypothesis

The hypotheses raised here in this study are:

H₀ - Marketing is not necessary to be a shared function and employment in the enterprise.

As we refer to all the arguing and findings in this study, this hypothesis fails.

H₁ - Marketing is a shared function based only in performance and we can measure it by mean of KPI.

As we argued here in the study, this separates and removes out marketing by the rest of the team in the enterprise, as they consider marketing people customer advocates rather than their front office and pioneers toward the marketing jungle, ensuring customers for the company's products and services, as well as profits. This hypothesis does not satisfy the new reality related to the expectations toward marketing, both as function or department. So, it partially fails too.

H₂ - Marketing is finance.

As we argued here, it is neither enough marketing to be a shared function and employment, nor a function based and rewarded only on market performance, rather than and decisively a cost and benefits measured function, organizing and working with a unique goal, increase of the profits of the company through increase in marketing performance, which

is the philosophical line of the discussion in this study. At this light and facing the problem oh “How much does it cost?” we can strongly state that “marketing is finance” and this hypothesis can be considered proved, argued and satisfactory.

For one thing marketing and finance disagree, is how well current programs measuring the ROI of expenses such as advertising and direct mail actually perform. At many companies the two functions do not work together to develop measures; sometimes they battle one-another.

Conclusion

Considering the literature and the results from the interviews we find, that companies that sell through retailers, are almost four times more likely to measure marketing ROI than those that sell through a sales force. This is related to the representing relations they have due to contracts on sales performance, and on fees the usually are charged to pay based on this performance.

Lack of cooperation between marketing and finance also hinders efforts to develop ROI measures, as well as ROMI and ROIMI too.

Marketing metrics and especially financial marketing metrics are very useful to measure marketing performance, as they increase accountability of marketing functions and activities in a company.

Some of the metrics are generic and can be used in the micro and small businesses too; net profit, sales revenue and ROI. Mostly, all the interviewed businesses agree on this.

Other metrics could give a very important incentive to the marketing people and departments where there exists the possibility to measure those, ROMI metrics.

It is also important for the businesses not to measure just their net profit, even EBITDA, but they must measure EVA too. This would give a more accurate perception on the financial results of the investments done in business programs and in the marketing programs and campaigns in particular.

Measuring ROIMI is the final step they must undertake to share and evidence the marketing role in the overall profitability of the company.

But, the most important step Albanian companies and SME must do is to deepen the division of labour and functions in the company and to divide apart the marketing as a highly important function to be fostered and measured on an ongoing basis.

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