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The Relationship between Added-Value of Organization and QMA

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ABSTRACT

This paper describes the relationship between the added-value of the organization and the Quality of Marketing Accountability (QMA) by measuring the impact of the six value levers of Marketing Accountability (MA) and describing the positive and negative side effects of these value levers on QMA.

The researchers used the Fuzzy Logic (FL) to analyze the collected data of questionnaires; they used MatLab 6.5 to calculate the FL equations in addition to Excel.

The researchers concluded that there are many differences among the six value levers in terms of the impact on QMA, and there is a good relationship between the added-value of the organization and QMA, in addition to sort the value lever according to their impact.

Key Words— Marketing Accountability, Fuzzy logic, Quality, Added-value.

I. INTRODUCTION

Companies are beginning to realize that it's important for their marketing strategies to be aligned with their business strategies. For that MA is the one issue above all others that has been rising to the top of the agenda and the Deloitte report (2007) which focused on the views of CEOs and CFOs, is merely the culmination of the growing calls for greater accountability from the marketing community.

Marketers are in the spotlight like never before, with CEOs and CFOs and even other directors demanding more accountability – an uneasy discipline for many (if not most) marketers. In the absence of such accountability, no wonder the marketing budget is the first to get cut when 'the going gets tough'.

As numbers represent the language of business, marketers need to adopt a more quantitative approach to the development and implementation of marketing plans and associated activities. They need to be able to explain, justify and where appropriate, support with numbers, their plans and their progress – what's been, is being or is going to be done and why, how, when, by whom and with what results.

II. MARKETING AND ACCOUNTABILITY

Marketing is defined by the American Marketing Association as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."[1]. Successful marketing programs are derived from insights into essential elements of marketing: customers, channels, brands, and processes as shown in fig.1. These elements constitute a marketing framework, defining the core policies and providing the foundation for successful marketing execution [2].

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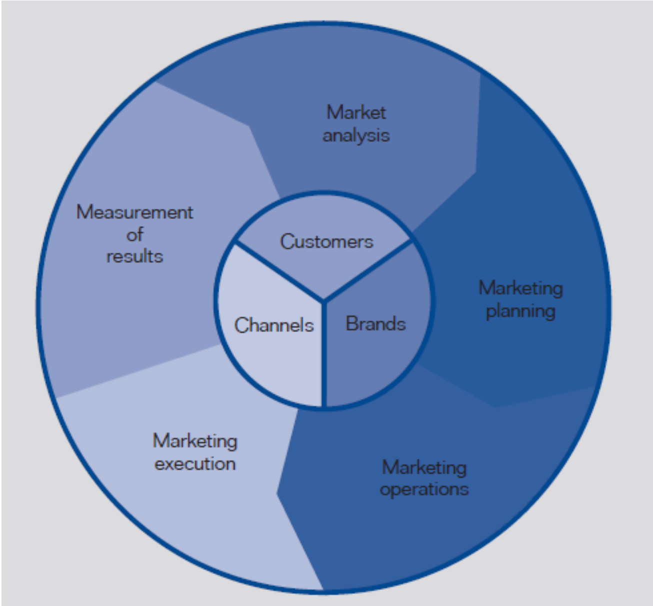

Fig. 1: The Marketing Framework

In another hand, the notion of accountability is an amorphous concept that is difficult to define in precise terms. However, broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions. Therefore, the concept of accountability involves two distinct stages: answerability and enforcement [3].

- Answerability refers to the obligation of the government, its agencies and public officials to provide information about their decisions and actions and to justify them to the public and those institutions of accountability tasked with providing oversight.
- Enforcement suggests that the public or the institution responsible for accountability can sanction the offending party or remedy the contravening behavior.
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III. THE CONCEPT OF MA

Many Researchers defined MA as " a business process or a marketing decision support making system that assesses the outcomes of the marketing activities and their impact on business performance " [4] , others defined as " strategically designed set of marketing measurement and evaluation methods " [5] , and also it was defined by (Dunn & Halsall) as " a term that signifies management with data that is understandable to the management of the enterprise , or it is an approach based on responsibility for marketing actions and budgets" [6] .
However , MA the practice of managing efficiency and value in marketing by aligning people, processes and systems towards a common set of goals , or the practice of simultaneously optimizing company growth and the return on customer facing spending, through disciplined planning, rigorous tracking and evaluation, and continuous performance improvement. The result of being an effective steward of marketing investments, able to link marketing spending cause and effect, diagnose the root cause of spending performance issues, and make timely fact - based decisions to improve spending returns.

IV. THE GOALS OF MA

Marketing is more and more often being held accountable for contributing to the profitable growth of the enterprise, particularly since marketing budgets have traditionally consumed a large share of a company's discretionary spending.
In fact, two of the most critical challenges for CMOs are how to optimize the allocation of marketing spend for maximum business impact and how to prove contribution to business success to the rest of the organization. For CMOs, accountability, not creativity, needs to become the topmost focus. While the marketing organization must

not lose the passion surrounding development of its brands and advertising campaigns, it must steer its efforts on the basis of facts and data, as well as be able to explain its investments and activities in ways that the CFO can understand, as follows [7]:

A. Establish sound measurements

While measuring return on marketing spend has become crucial, it is often a difficult task. It's not easy to identify the right actions and metrics that matter to determine the ROI of marketing spending.

A study by the value engineering organization at SAP, for example, found in consumer products companies that 86% of trade spending (for example, spending on in-store promotions) was not profitable. However, the companies didn't have a deep, quantitative understanding of their trade-spending inputs and outcomes, and they thus struggled with determining where to divest and where to increase trade spending.

A study by the Marketing Leadership Council found that marketing groups were able to calculate an ROI for only 28% of their marketing budget, on average.

B. Ensure organizational alignment

In complex organizations operating in changing business environments, organizational alignment is crucial for addressing the accountability challenge. It's essential to focus on the planning process, set up metrics that support corporate goals, align business plans with related organizations, and measure results on an ongoing basis in order to continuously improve marketing impact. While many marketing organizations

have made progress in top-down planning – that is, cascading marketing objectives from corporate business goals – they still struggle in aligning this with bottom-up planning by the sales force and the regional field-marketing organizations.

An aligned plan helps define the right key performance indicators to measure marketing results. Align metrics across the enterprise, focusing on fact-based measures that relate to profitability and growth. For example, you might choose the rate of revenues growth as a metric to monitor the success of a marketing initiative. When you conduct a marketing campaign for a product, you may conclude that a boost in revenue resulted from a successful campaign.

While there are many factors influencing these metrics (some controllable and some not), it may still be reasonable to hold marketing accountable for outcomes achieved in this measure. Also, focusing on activities where cause and effect are more clearly identifiable is quite valuable. For example, measuring outcomes of online marketing activities (such as e-mails and online ad campaigns) provides much greater insights relative to measuring the success of more traditional advertising. This is one of the reasons that, in many marketing departments that focus on accountability, online marketing is on the rise.

C. Support strategic goals and drive desired behaviors

There are many other possible metrics that are highly relevant for understanding the impact of marketing, including advertising spending and return on marketing investments, and other indirect measurements, such as lead-to-sales cycle times, brand recognition rates, and customer satisfaction. It is the task of marketing and a company's leadership to select the measures that support strategic goals and are likely to drive the desired behaviors.

In short, it's important to approach metrics selection holistically, to ensure alignment across the organization for the selected set of metrics, to be mindful of the role that the measures play in contributing to your organization's profitable growth, and ultimately to stay focused on the customer. By proceeding in this way, marketing and management can sharpen the organization's ability to execute programs that truly support profitable growth. Marketing can increasingly gain the organization's trust and can earn the ability to invest in new programs.

V. THE SIX VALUE LEVERS

The keyword is MA can mean the investing in the right tools and content (effectiveness) and optimizing the ratio of investment and output (efficiency). As a matter of fact, more and more companies are investing in Marketing Accountability initiatives. However, in many cases the focus of these initiatives has been too narrow, which diminishes the impact. In order to achieve a sustainable and effective effort, all value levers need to be activated, and these value levers are the following [8]:

A. Value Lever No. 1: Strategy

A solid strategic foundation is critical, as it sets up a series of choices that informs all downstream value levers. These include, for example, overarching marketing objectives that are derived from the corporate and business strategy, definition of critical segments and targets, and brand positioning and opportunities for differentiation. Erroneous assumptions around any one of these issues can fatally undermine the effectiveness of all subsequent marketing investments.

Yet in most companies this pitfall is avoidable with a disciplined and transparent approach. This includes informing all stakeholders about the facts, data, beliefs, and assumptions on which the individual decisions are based in order to develop a shared view of the brand and communication strategy. This transparent approach is based on a set of well understood analytical and conceptual techniques involving customer segmentation, target group definition, customer driver analysis, pathway modeling, brand equity modeling, positioning, value propositions, etc.

All of these tools can help a company focus on the most promising solutions. When these analytical approaches are combined with creative and innovative ideas, a company typically ends up with a strategic value proposition that is worth its weight in gold. The medium to long-term strategy needs to be translated into short-term marketing and communication objectives.

When defining these objectives for the next planning period, current barriers to communication with the consumer must be taken into consideration. Do we need to focus on increasing our awareness, or should we focus instead on retaining existing customers? These types of questions, together with long-term brand and communication objectives, should indicate which path to pursue.

B. Value Lever No. 2: Content

The strategic foundation needs to be translated into compelling and engaging messaging that is appropriate for the medium. In this context, “messaging” refers the entire creative package of taglines, copy, visuals, colors, sound, and iconography that is usually part of a broader communication/content platform.

The best content platforms come from a magic combination of strategic insight and creative expression and find a way to connect in authentic, emotionally compelling ways.

Here it is crucial for the creative ideas to draw on the themes and guidelines provided by the strategy. To fuel creativity, a company needs to pursue somewhat independent and competitive paths. It is important to remember that great content ideas can come from anywhere.

One method is to provide internal teams as well as external agency partners with a similar briefing. Ideas can also originate from individuals who have creative intuition. Or even from participants whose contributions are collected through crowd sourcing. Irrespective of how the potential messaging platforms are sourced, clever companies make certain to validate their messaging ideas through testing before implementing a full-scale creative campaign.

Moreover, the latest academic research also suggests that testing multiple communication ideas is the right way to go.

C. Value Lever No. 3: Marketing Vehicles

Next, a company needs to make a series of decisions about which kinds of marketing vehicles are the most compelling and effective in delivering against the strategy, messaging objectives, and desired return on investment/objective (ROI/ROO).

This implies the set of instruments must be derived directly from the marketing and communication objectives (see value lever no. 1) and not simply based on the mix of vehicles from the previous year, which unfortunately is often the case. Vehicle choices, when made effectively, should enable your messages to reach and connect with your strategic target audience in a timely, relevant, cost-effective and increasingly, multi-platform way.

To do this effectively, you must understand how your target customers interact with media. Additionally, the costs and benefits of the vehicles must be considered.

Making the wrong choices here can torpedo your entire effort to achieve more accountable marketing. It is no small challenge. There is a risk of failure when the vehicles are mismatched with marketing goals or target groups. Another pitfall is not having the necessary resources to effectively execute the right mix of vehicles, which can be summarized by the keyword “under-spending,”

Finally, you must ensure that all vehicles are well integrated, so they appear as a seamless and integrated campaign to your customers.

The most important factor here is customer perception — ongoing and consistent communication of the messages massively increases the impact of your advertising and is a critical element of efficient and effective communication.

D. Value Lever No. 4: Investment Levels

This lever operates in two dimensions—the appropriate investment in marketing activities relative to the overall income statement, and the appropriate level of investment in any given marketing vehicle relative to its intended ROI/ROO and relative to other investment alternatives.

With this value lever we are trying to diagnose whether the overall marketing investment is too high or too low relative to the ROI/ROO of the proposed marketing activities and the strategic objectives.

Defining the exact boundaries of investment is difficult, as there are few solid empirical foundations which would back those boundaries up. An incremental approach is promising: Starting with the current investment level (overall and for a specific vehicle) you can investigate whether an additional investment unit would over-proportionally increase the benefit or whether a reduction of one investment unit would have an under proportional impact on the ROI/ROO.

As a result, you will have a better understanding of how much lift significant increases or decreases in your overall investment levels might provide to the business. Investment planning and ROI/ROO calculations are always based on assumptions. These assumptions can change quickly. Everything—from target group behavior to competitive activity—can have short-term effects on the ROI.

A solid, assumption-based plan is essential, as it makes objective evaluation of results possible over time. It helps to consistently build a pool of KPIs that help plan and evaluate future investments even more accurately.

E. Value Lever No. 5: In-Market Execution

Even if your company excels with the first four value levers, your overall marketing investment performance can still be adversely impacted by poor implementation.

Great content only achieves maximum impact in the market if it is successfully implemented. Planning of this value lever requires key decisions to be made in terms of creative implementation as well as media mix.

In both cases, crystal clear briefing is the critical success factor—too often errors are made at this stage. Both the creative and media agencies must have a deep understanding of the strategy, target group, messages, and the vehicle mix and align the implementation strategy accordingly.

Including a performance bonus in the contract is a very effective instrument to ensure the agency partners make this alignment a top priority. This bonus-malus (Latin for good-bad) system should be based on how well the campaign meets the marketing objectives (for example, increase of specific image attributes, advertising recall). It is most important to ensure that these objectives are highly dependent upon the implementation in order for the agency to have a real influence on outcomes.

F. Value Lever No. 6: Fixed Cost Management

To fully realize the benefits of marketing a MA program, a company needs to focus on continuously improving cost efficiency.

Better management of fixed cost is crucial. A company needs to focus on all of the costs that go into producing the various marketing programs that your company may employ, such as external agency costs and production costs. The types of fixed costs depend upon the mix of marketing programs. These costs are estimated to amount 20 to 60 percent and are therefore a considerable lever for cost optimization. The value lever “Fixed Cost Management” demands pragmatic thinking from purchasing or procurement managers.

The first step is to develop an understanding of the ratio of "working" and "non-working" spend and to consistently implement strategic sourcing principles. These include, for example, streamlining suppliers and agencies, continuous negotiations of prices, and reengineering overall processes.

VI. RESEARCH AIMS AND METHODS

In order to fulfill the main aim of the paper we decided to establish main research question which is:

- Which value lever is the most important to enhance the quality of MA?

According to the type of answer – linguistic variables - the Fuzzy Logic (FL) can be used to summarize opinions or judgments obtained through the sent questionnaires, FL is a form of many-valued logic; it deals with reasoning that is approximate rather than fixed and exact.

Compared to traditional binary sets (where variables may take true or false values). FL variables may have a truth value that ranges in degree between 0 and 1[9].

FL has been extended to handle the concept of partial truth, where the truth value may range between completely true and completely false[10] . Furthermore, when linguistic variables are used, these degrees may be managed by specific functions. Irrationality can be described in terms of what is known as the fuzzjective[11] .

The term FL was introduced in the 1965 proposal of fuzzy set theory by Lotfi A. Zadeh. It has been applied to many fields, from control theory to artificial intelligence[12] .

In fact, Zadeh made the following statement in his seminar paper of 1965: The notion of a fuzzy set provides a convenient point of departure for the construction of a conceptual framework which parallels in many respects the framework used in the case of ordinary sets, but is more general than the latter and, potentially, may prove to have a much wider scope of applicability, particularly in the fields of pattern classification and information processing.

Essentially, such a framework provides a natural way of dealing with problems in which the source of imprecision is the absence of sharply defined criteria of class membership rather than the presence of random variables[13].

VII. FUZZY LOGIC METHODOLOGY

In this section, the results of conducted FL method are highlighted. In the research, we focused mainly on value levers which may have an influence on the implementation and the results of the quality of MA.

The researchers distributed 60 e-questionnaires with 25 questions to 60 scholars and academic researchers in accounting, Marketing and Management. 15 questions are about the advantages of value levers on the quality of MA, and the other 10 questions are about the disadvantages of them on the quality of MA. All the answers were linguistic variables, so that the FL is the best method to analyze the results.

To analyze the results of the questionnaires by FL. The results are processed by fuzzy logic function, built in Matlab ver. 6.5 according to the following steps:

1. Determining the required ratios of the results.
2. determining the weights of ratios and **questions**
3. Calculating all the ratios, based on the data of the questionnaires.
4. Calculating all the ratios according to their weights which resulted from step 3.
5. Calculating the rate of the linguistic variables by assuming a rated value to each linguistic variable by dividing the weight of each ratio into the number of linguistic variables.
6. Calculating the rate of triangular fuzzy numbers by using the function of fuzzy logic in MatLab ver.6.5.
7. Computing the weighted rates of triangular fuzzy numbers.
8. Determining the fuzzy Distance of each ratio by using the equation (1) and (2) [14].

$$D^2(\tilde{X}, M) = (b-M)^2 + {}^1/_3 (b-M)[(c+a)-2b] + {}^1/_{18}[(c-b)^2 + (b-a)^2] - {}^1/_{18}[(c-b)(b-a)]\ f(\alpha) \approx \alpha \ldots.(1)$$

$$D^2(\tilde{X}, M) = (b-M)^2 + {}^1/_2 (b-M)[(c+a)-2b] + {}^1/_9[(c-b)^2 + (b-a)^2] - {}^1/_9[(c-b)(b-a)]\ f(\alpha) \approx 1 \ldots.(2)$$

Table 1 shows the results of analysis:

TABLE I. FUZZY LOGIC ANALYSIS RESULTS

Value Lever	Adv.	Disadv.	Impact
VL1	19%	14%	5%
VL2	15%	18%	-3%
VL3	21%	13%	8%
VL4	17%	22%	-5%
VL5	12%	16%	-4%
VL6	16%	17%	-1%

Fig. 1 illustrates the results of analysis by bar chart to show the clear effect of six value levers on the Quality of Marketing Accountability

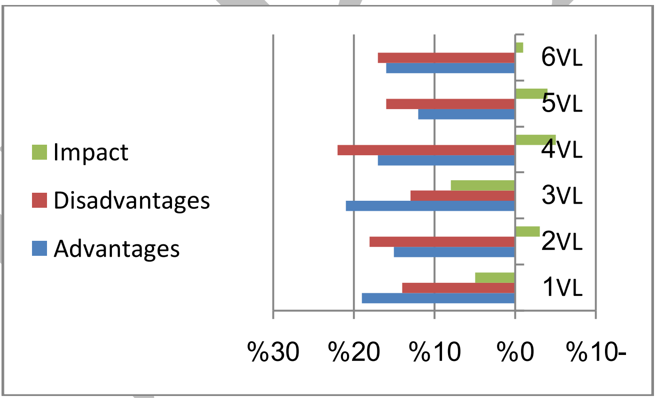

Fig. 2: Fuzzy Logic analysis bar chart

VIII. CONCLOSION

In this paper the results of Fuzzy Logic analysis of the questionnaires indicate the following:

- The highest positive impact of value levers on the quality of MA is Marketing Vehicles (LV3), while the lowest one is In-Market Execution (LV5).
- The value levers; Content (LV2), Investment Levels (LV4), Fixed Cost Management (LV6) have approximately the same rate of positive impact on QMA.
- The highest negative impact of value levers on the quality of MA is Investment Levels (LV4), while the lowest one is Marketing Vehicles (LV3).
- The value levers; Content (LV2), In-Market Execution (LV5), Fixed Cost Management (LV6) have approximately the same rate of negative impact on QMA.

- Generally, Marketing Vehicles (LV3) is the most influential positively and Investment Levels (LV4) is the most influential negatively.

Finally, the proposed algorithm has the capability to deal with similar types of the same situations such as: ranking the best decisions to be dealt with, the best financial ratio in the bank, choosing the best applications in environmental sustainability, etc. therefore, the proposed method provides accurate selection and can be used easily in many sectors.

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