
Marketing Management and Marketing Controlling of SMEs

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Abstract:

The article gives information about the marketing management conception based on the M-C model resulting from a marketing research and marketing plan as key activities that are necessary for setting company goals, and from strategic and operative marketing controlling that is based on comparison and evaluation of deviations from the set goals and on proposal of measures in the form of risk management.

Key Words: *Marketing Management, Marketing Controlling, Marketing Research, Marketing Plan, M-C Model*

JEL Classification: *M31, M21*

1. Introduction

Marketing management is an overview company activity that is immediately bound to all other company departments and that creates basis for other strategic and operative activities of the company. Marketing management in the CRM (Customers Relationship Management) regime is defined as a continuous process of analysis, planning, implementation, and check of all activities in the company (Kotler and Armstrong, 2004). In the hypercompetitive environment, which is characterized by supply that is ten-fold larger than demand, marketing management has become the primary activity of most small and middle-sized companies and it influences development of sales, financial and innovative company plans. Full process marketing management based on the M-C model² is created by marketing management and marketing controlling.

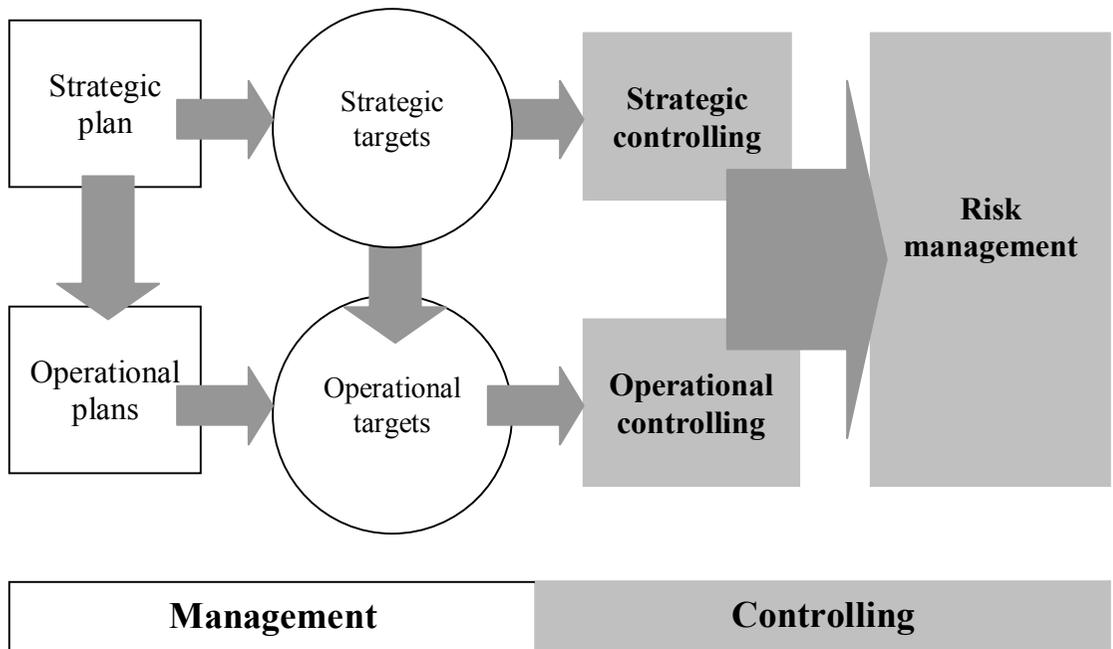
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² *The author of the article has been interested in process management for several years. The term "M-C process management" was first used in the publication by Havlíček, K., 2009, „Role of Managers in Company Management“, Eupress, Prague.*

Process management based on the M-C model³ can be defined as the Management Control System that includes a comprehensive view of management on the basis of management accounting, management theory and personnel management. It is an interdisciplinary management system where the most important thing is not the interface of the process but the understanding of business management as a whole, mastering planning tools based on research, objectives, visions and missions (management) and control tools based on evaluation of deviations and proposal of risk management measures (controlling). The M-C model shows that a successful business can work only if you manage to grasp all of its processes and understand their interdependence.

A detailed business process management model is provided in Figure 1. The M-C model is the basis for all business activities and thus serves as a basis for understanding marketing management and controlling.

Figure 1. M-C Model: Management-Controlling



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2. Marketing Research

For big companies as well as medium-size and small companies ongoing market research is the basis for all other activities. It should not, however, apply only to a specific project or investment plan, but should be implemented and monitored continuously. At a time of growing competition the natural product lifecycle is shortened. A constant flow of information associated with new trends, competitors, customers and suppliers is a key to the functioning of the company.

The target of marketing research is the systematic collection, analysis and evaluation of information necessary for the effective implementation of specific marketing activities. It is therefore necessary to proceed systematically and divide the research into evaluation of macro environment factors (generally we use the so-called STEEP analysis, including sociological, technological, economic, environmental and political factors) and micro environment factors (mostly we use the so-called Porter competitive forces analysis, including research related to current and potential competitors, suppliers, customers and substitutes).

The research form depends on its purpose, type of business (manufacturing, trade and services), product, size of the competitive environment, market share, financial strength, etc. The research consists of collecting, processing and analyzing information, followed by elaboration of a report and presentation of results. The research may require gathering of secondary data, primary data, or both. Secondary data includes information already collected for other purposes. On the contrary, primary data is collected for a particular purpose. In the first case, the company uses data both from their databases and available external sources (public electronic databases, business associations, chambers of commerce, media, etc.). In the latter case the sources are economic and financial data and databases of customers, including minutes of meetings.

3. Marketing Plans

The marketing plan is one of the pillars and documents necessary for the successful management of the company. In small and medium-size companies with simplified business and marketing management the marketing plan is sometimes a part of the business plan. However, both the business and marketing part of the plan are separate, interrelated documents whose use may be (Havlíček,2009):

A. **Continuous** (usually annual) as an original document for the management of marketing and sales department.

B. **Individual**, as one of the basic documents for various activities and areas, such as:

- business and investment projects;
- opening of new foreign markets;

- initiation of new activities in regional territories;
- introduction of new products;
- restructuring of companies.

The marketing plan usually precedes other operational business plans, including the financial plan (the market decides, not the actual financial condition of the company). It must be based on the strategy of the company and, of course, on the market research. It is the first plan from the individual activity plans and it is followed by the marketing research whose quality influences the success of the marketing and business plan.

The marketing plan includes:

- SWOT analysis,
- department targets (or objectives of the whole company);
- strategy to achieve the given targets;
- control mechanism (evaluation) of fulfilment of the given targets.

3.1 Sources of the Study

The SWOT analysis describes the strong and weak points of the company or product, its opportunities and threats. It is among the most widely used analyses of internal environment for small and medium-size companies.

When creating a SWOT analysis it is necessary to take into account the purpose of the marketing plan. In order to serve as a continuous document (ad A), intended annually for managing the entire company, it is in this case description of the status, opportunities and risks of sales and marketing department, or the company (in case of smaller companies). If a plan is prepared for certain actions (ad B), then the SWOT analysis refers only to the activity, i.e. a partial or departmental SWOT analysis that helps us to decide how and whether to implement actions.

3.2 Marketing targets

In defining our targets we distinguish whether it is an annual management plan (ad A) or a plan to implement certain actions (ad B). Both versions should achieve several parameters according to which initials the methodology is named SMART goal setting. They should be:

- specific (clearly defined, remember, repeatability, short);
- measurable (turnover, margin, number of customers);
- acceptable (in accordance with business objectives and expectations of the internal staff);
- realistic (business opportunities, market capacity);
- term (real deadlines, possibility of control).

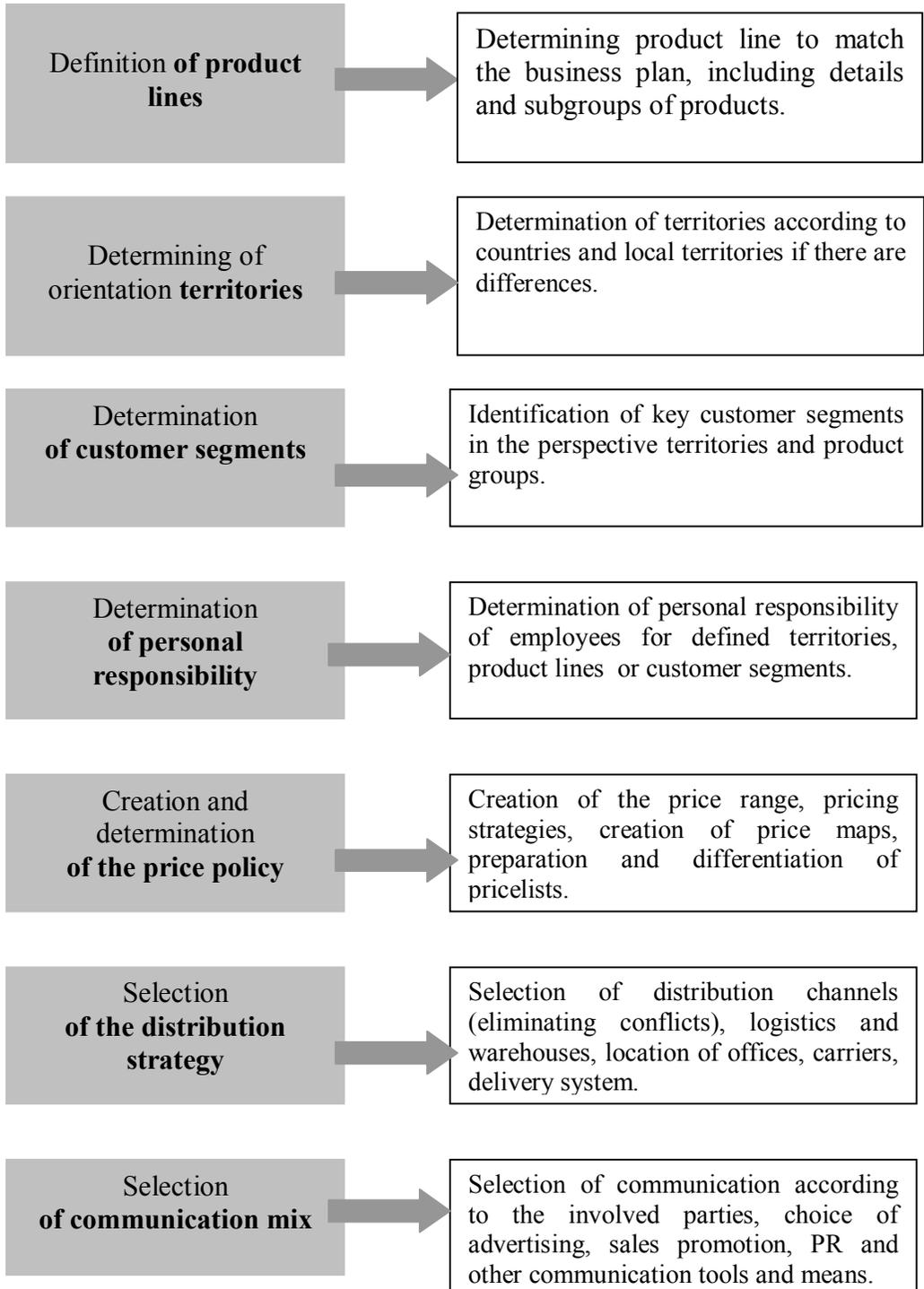
In the first case (ad A) we set out objectives usually one year in advance; a maximum of ten memorable and measurable objectives are recommended. If we consider a joint business marketing plan, the first target should be to fulfill the business plan (the plan meets specific sales or margins). Other goals may be different marketing activities, depending on the focus of business, financial options and real ambition for the coming year. In the second case (ad B) we recommend a smaller number of targets (maximum five). In this case, they are logically related to the implemented action. It is also recommended to set fulfilment of the business plan for the given action or the given territory as the first target. Other objectives may be aimed for example to obtain a certain number of subscribers, penetration in certain territories, implementation of foreign trade fairs, realization of some implementations, introduction of a new product, etc.

3.3 Strategy of fulfilment of targets

This strategy is a guide how to fulfill the given objectives. In the figurative sense, it is a small business plan, or "schedule" of HOW we want to achieve the selected targets (Havlíček, 2009). It is the most important part of marketing activities in the enterprise where it is necessary to use both creative and analytical and theoretical skills, as fulfilment of targets has its own system and order.

When planning a strategy for meeting the objectives it is necessary to choose the procedure that corresponds to the characteristics of not only business, but that also covers the whole scope of marketing. It is appropriate to use the marketing mix 4C - customer value – cost to the customers – convenience – communication (Frame, Barnes, Edards, 2001). Every step that we intend to implement must be compared with the company's possibilities from the financial, innovation, human resources, production point of view or examined for whether it complies with the quality policy.

This means that the competence of sales and marketing employees should not be limited to professional and general knowledge, but they should also know how to negotiate within the framework of internal discussions. Figure 2. shows the possible procedure for determining strategic targets. It can of course be different depending on the orientation, size and target of the business plan.

Figure 2. Strategy of fulfilment of marketing plan targets

4. Marketing controlling

Controlling activities in the marketing departments are quite challenging, often underestimated and in smaller companies practically unrealized. However, it is a great mistake, because discovery of unrealistic or endangered marketing targets tends to have an impact on the company's long-term existence. Marketing failure has an immediate impact on business plans, planning of production capacity and in the medium term can lead to budget failures and loss of business reputation.

4.1 Strategic marketing controlling

Strategic controlling and subsequent market risk management is focused on the determination of long-term marketing that has a decisive influence on the entire company. Most of these factors are reflected in modified forms in all business units.

Macro environment monitoring

Controlling should be able to continuously monitor and evaluate sociological, macroeconomic, technological, environmental and political factors. This is the key influence of the external environment, which if underestimated or incorrectly estimated, can have fatal consequences on the long-term functioning of companies. The importance of controlling of the macro environment increases according to the distance of the export territories or their number. Companies that export to dozens of international destinations must continually assess individual macro environment factors, because in some markets (typically in developing countries) macro environment changes occur within a few days, which usually leads not only to reduction in sales, but also to a fatal threat to our claims and in exceptional cases also to people in these countries.

Micro environment monitoring

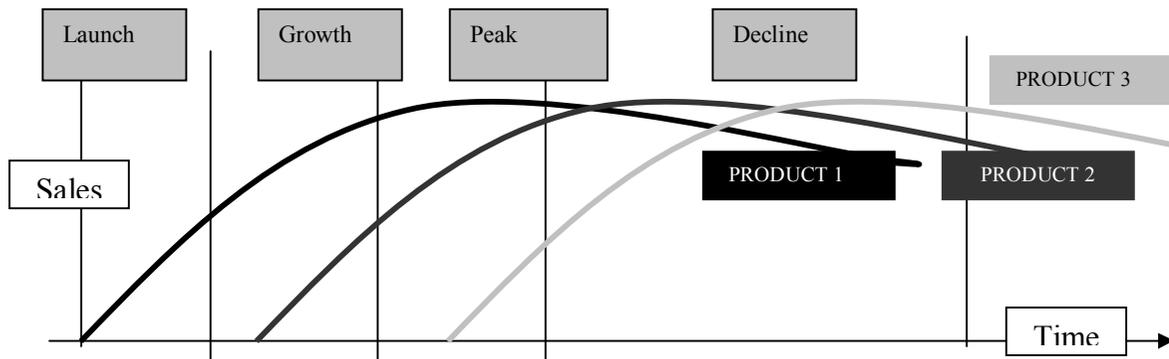
SWOT analysis of the products, position of the company or sales and marketing department also have an irreplaceable role in strategic planning. While the strong points are the basis for ambitious management of companies and products, the weak points are the main indicator for creation of risk management. Controlling must continually assess the strong and weak points and monitor continuous changes. We are in an extremely dynamic environment and yesterday's success may become a threat due to external circumstances and internal conditions of business.

Lifecycle management

There is a substantial change in comparison with the past. While previously controlling focused mainly on the quantity of products and total sales volume (expressed by a vertical axis of Figure 3.), because of hypercompetition it is more important to estimate the time within which to introduce, offer and sell the product

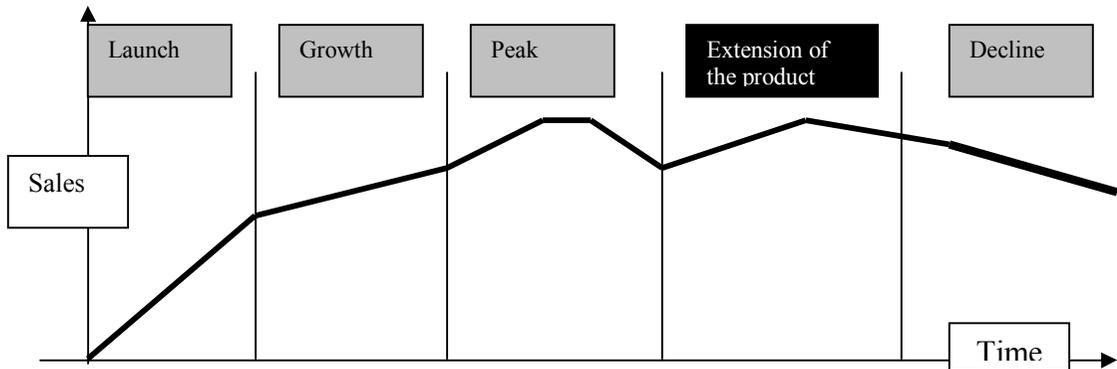
(the horizontal axis of Figure 3.). Pressure from competitors reduces lifecycle and therefore estimated product life in all its life stages is crucial for the company. Companies that constantly innovate and offer hundreds of new products (typically in electronics, the food industry, pharmaceuticals, cosmetics, etc.) know that management and controlling of lifecycles is not just theory. Correctly estimating the lifetime of the product in its various stages is crucial for timing the introduction of new products. However, it is necessary to constantly monitor demand, existing and potential competitors.

Figure 3. Creation of lifecycles of new or innovative products (Havlíček and Kašík, 2008)



It is also important to recognize what form and in particular when we will extend the life of the product if we do not terminate the sale. We can choose to reduce the prices globally, by special communication campaigns or by simple improvements of features or design (so-called basic innovations). Although this rather involves operational controlling, as we usually do not prolong life for several years it is worth recalling that we should consider very carefully the tools and related lifecycle costs and compare them with the costs of introducing a completely new product. Extension of product life is indicated in Figure 4.

Figure 4. Extension of the product lifecycle (Havlíček and Kašík, 2008)



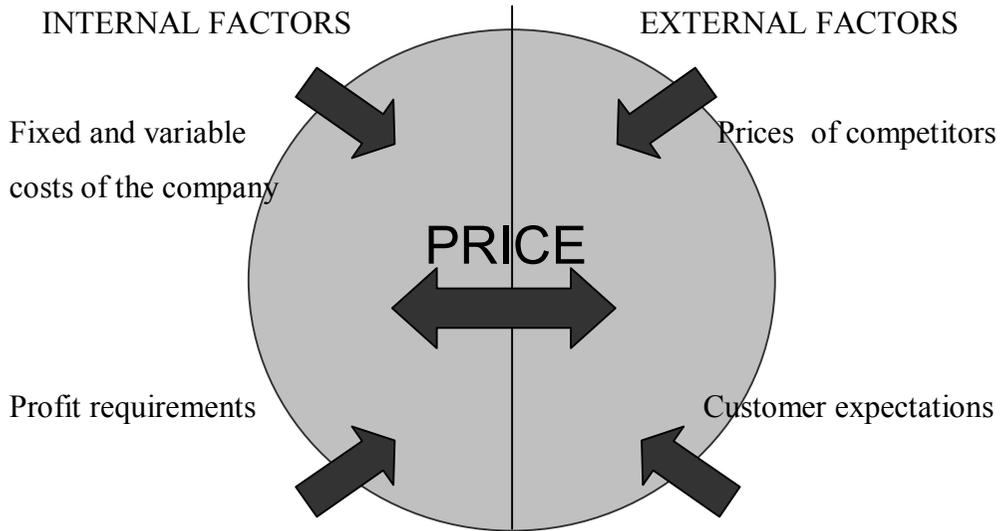
Interface of image and brand

It is important to know from the beginning that if we invest in promoting a specific product or brand to enhance the image of the company. In small and medium-sized companies a common mistake is to invest considerable resources in communication campaigns for brand building, even though it is support of the company as a whole. This may not be entirely a bad thing, unless there are different target customers. By supporting the brand we understand the communication with customers (B2C: consumer markets, B2B: industrial markets, B2A: markets of the government/authority, B2E: internal markets/employees), and we usually communicate the product offer. We understand image support as communication with the wider customer portfolio that does not buy our products directly, but the so-called stakeholders zone consisting of contractors, owners (shareholders), bankers, government agencies, employees, etc. In this case we emphasize goodwill and the cultural or social significance of the company. We strive to maintain or improve our reputation, not the immediate sales effect. Controlling must rigorously evaluate how the funds are spent to promote the brand and image, and if activity in this direction is beneficial for the company or not. Evaluation is done in a certain interval of either business performance (support of the brand) or public opinion research (support of the image).

Optimizing of pricing

For price controlling an understanding of pricing based on market position and business impacts of so-called internal and external factors is essential. The long-term concept of pricing must be based both on real costs (fixed and variable), the expectations of customers (and the willingness to pay) and the prices of competitors. The bigger the market share, the more decisive the internal factors. Small companies are forced to set prices based on external factors and they must adapt the internal factors to market requirements. Pricing is described in Figure 5.

Figure 5. Factors influencing pricing (Havlíček, 2009)



4.2 Operational marketing controlling

Operational marketing is aimed at controlling immediate or short-term marketing initiatives and objectives. Failure of these activities does not result in long-term consequences but short-term interruptions in revenues. Unlike strategic controlling, in which we work with qualitative factors, the real financial impact can be assessed relatively quickly using quantitative indicators of the financial analysis.

Near environment monitoring

A qualified analysis of customers, suppliers, competitors, substitutes and potential competitors is the basis for any business activity. Controlling should strongly require a regular updating service from marketing research. Usually it happens with our customers, partly during monitoring of competitors, while underestimating the continued pursuit of supplier options, comparing conditions of purchase and searching for new possibilities. It is also necessary to monitor and evaluate the impact of potential competitors who, though not yet operating in our area, will probably enter the market very soon. Controlling should be able to determine the threat of decreased performance and liquidity and consistently point out the risks in cooperation with the person in charge of marketing or business.

Segmentation monitoring

Small and medium-sized companies often have a problem with specific, precise and effective targeting, especially in those segments that bring them real

effects, expressed in expected income. Small companies do not have the ability to operate across all customer segments, as long as it is not possible to work with segments or customers who bring only reputation, rather than a real financial effect⁴. Business is conducted in order to achieve certain financial results and activities must be directed to their fulfillment. Big companies can afford to drive long-term relationships with loss-makers, for example to preserve the market share or reputation. Smaller companies cannot afford it. The task of controlling is to continuously evaluate the effectiveness of delivery to specific groups of customers and highlight inefficiencies of some segments.

Optimizing of product lines

A properly prepared product mix that meets the demands of customers, capacity and technological possibilities of the manufacturer, financial opportunities associated with managing logistics warehouse and finally the parameters associated with timely delivery to worldwide destinations and shopping capabilities, is one of the biggest challenges and management skills of manufacturers. The controlling role is irreplaceable. Controlling has to constantly assess the effectiveness of the offered product lines with regard to pricing strategies, quantity, quality-price ratio and costs associated with securing of a comprehensive offer of product lines. In small and medium-sized companies there are permanent discussions about the offered range of products, the offer of competitors, efficiency, sales of specific products to distant destinations and quality of the individual products and thus the immediate impact on efficiency of the whole company. It is essential that all impacts associated with product lines including the options of reduction or extension of the number of products, are properly evaluated, both at the level of performance and at the level of liquidity and, ultimately, financial balance sheets (with respect to inventory and their coverage). Controlling is also a segment connecting marketing, sales, manufacturing, logistics and quality, because all these activities are directly concerned. Controlling also plays an important role in financial calculations of specific products.

Optimizing of distribution channels

Optimal adjustment of the method of servicing the market with links to direct and indirect distribution and management of specific segments is also one of the basic business activities that determines not only customer satisfaction, but should also be perceived in relation to the effectiveness of internal distribution and total costs of the company. As in previous cases, there may be a conflict between a purely financial view monitoring the financial health of business and marketing

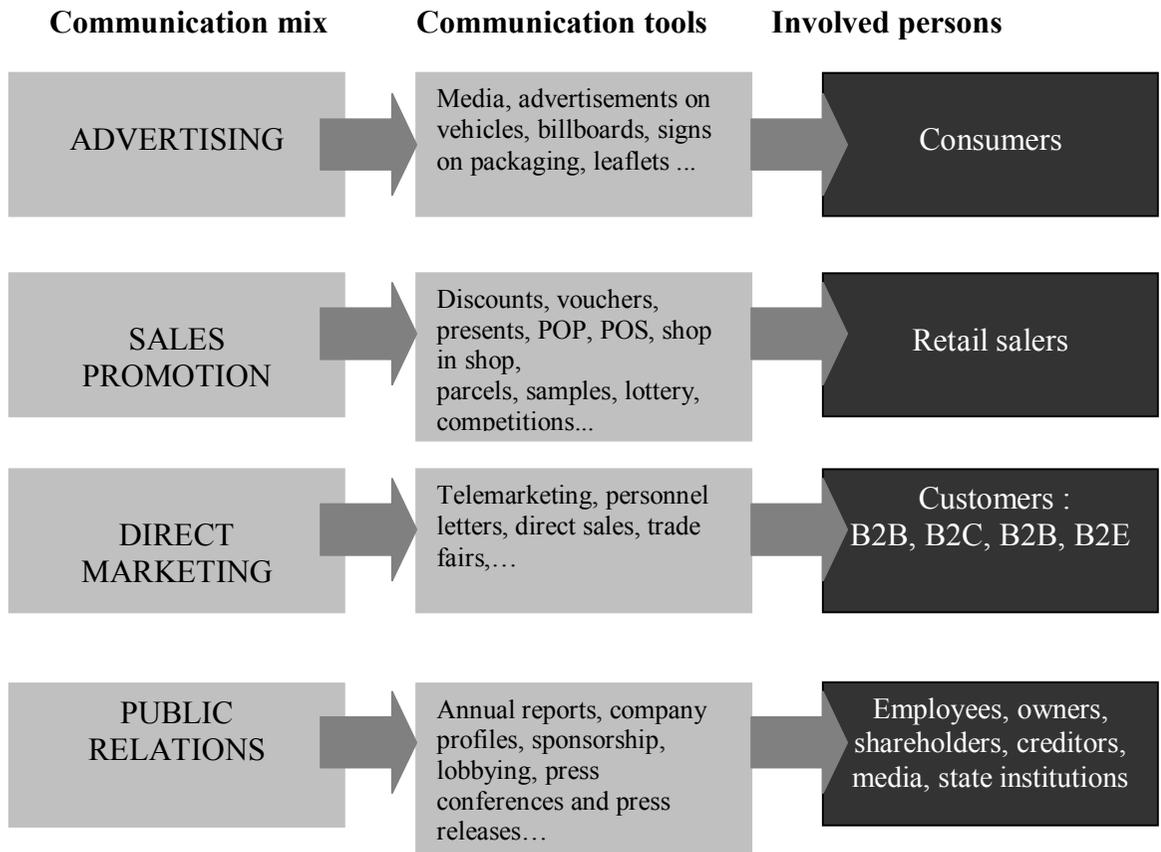
⁴ Socio-demographic segmentation in details in Roubal,O., 2010, „Hédonism as a life style from the perspective of sociology and marketing communication“, The Issue of Media Communication. University st. Cyril and Methodius– Faculty of Mass Media Communication, 373-385.

whose task is obviously to create an optimal service for customers. We should carefully assess so-called direct distribution (sales through corporate stores, the internet, etc.) and so-called indirect distribution (through a network of business partners - wholesalers, retail salers, brokers, agents, etc.). Controlling should include an overview of potential conflicts and their treatment within the individual distribution channels or specific customers. Its task is to assess continually the impact of market changes on specific customers and to compare these threats and opportunities with business, financial and production plans.

Communication risks

One of the most sensitive situations in internal business discussions. Controlling must constantly answer the question of whether the company's communication activities are effective. The first step is to set the budget of the so-called communication mix, whereas the key to identifying the right mix of options is to look at the recipient, i.e. a target group of those who receive the message. One of the biggest mistakes of communication campaigns in small and medium companies is lack of understanding of the target group of customers and therefore incorrect targeting. From this point of view it is more efficient to work with a professional communications or advertising agency. Figure 6. describes a complex communication mix with a link to the target group of recipients.

Figure 6. Involved parties and communication tools (Kašik and Havlíček, 2009)



The controlling manager must know the purpose of the communication, if it is a product or image campaign and, consequently, he or she must together with the marketing staff evaluate its success over time. Campaigns to promote products and sales can be interpreted relatively well using increase turnover, added value and comparing the total input cost of the campaign. On the contrary, image activities are very difficult to evaluate because it must be objectively demonstrated how awareness of the brand or company increased, how communication affected stakeholders or shareholders and what the ultimate effect is or was. However, the role of controlling is not only to evaluate the success of communication activities, but also in the feedback of selection of partners, advertising agencies and other

inputs that make up the individual communication mix costs.⁵ For the above reasons it is appropriate to distinguish the communication costs at least according to the mix items (i.e. costs for advertising, sales promotion, PR, etc.) and compare these costs with the effect on the target group of recipients.

5. Summary

Theory and practice sometimes incorrectly perceive marketing only as a strategic, tactical or operational activity associated with marketing research, analysis and the marketing plan. Although marketing should be seen as a key business process to ensure long-term competitiveness, in small and medium-sized companies it is also necessary to apply marketing controlling. Permanently it is necessary to evaluate deviations resulting from non-fulfillment of long-term marketing objectives and to estimate the impact on the enterprise using qualitative parameters. It is also important to continuously monitor the operational, short-term marketing objectives and express their immediate quantitative impact on profit, cash flow, assets or company debts. The full usage of the M-C model also means that controlling bodies together with the top management or marketing staff will propose measures intended to eliminate risks.

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