

Cost optimisation in marketing - indispensable during recessionary phases

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Cost optimisation in marketing creates new opportunities in tough markets. Speed and flexibility are further catchwords in the current economic environment. Market demands are in constant flux. The only businesses which are able to stay competitive are those which meet customer needs with their offers and which make their customers more competitive.

When observing the current economy, it can be seen that maintaining a competitive edge represents the most urgent task for individual businesses.

Keywords: Cost optimisation in marketing, cost cutting, marketing in recessions

The special case of marketing

A wave of cost-cutting programmes has flooded our economy in recent years. Many businesses hoped to contain the avalanche of costs by introducing streamlining programmes in production, overhead-value analyses in administration, and increased employment of informatics. But there was usually one exception:

Marketing and sales often remained a “protected area” during the systematic deliberations on cost-cutting and increasing of efficiency, usually for the following reasons:

- The responsibilities and the organisational structure in marketing and sales continue to be lacking in clarity.
- The composition and the extent of marketing and sales costs are often unknown.
- An effectiveness check with regard to cost-benefit aspects is carried out only rarely in marketing.
- Classic accounting does not provide the necessary support.
- Sources of external support, such as advertising agencies, have no great interest in detecting their cost-saving possibilities.

In particular, the willingness to try out alternatives is very low. Everything seem to be written in stone: the product offer, the range, the markets and the market partners, the organisation of customer support, the advertising. The inertia of habit is stronger here than in other areas of activity.

Yet it is precisely when the ground rules for the “fight” have changed that the choice of means, the “weapon”, must be reconsidered. The requirement of striving for maximum effect in the employment of marketing instruments follows the same economic principles that long ago found acceptance in the engineering and production sectors. It is a fact that marketing and sales costs in many businesses have reached levels which result in an impediment to competitiveness.

Marketing up to 50 % of turnover

When totalled, marketing and sales costs occupy a position which is hard to overlook, and which can amount to, depending on the sector and the underlying marketing concept, between 10 - 50 % of the turnover.

In light of this, the reason that cost-aware businesses are striving for more effective planning and combination of their marketing instruments becomes clear: their goal on the one hand is absolute cost-cutting in marketing and sales, and on the other hand relative cost-cutting through increase in turnover resulting from more efficient marketing.

Markets determine the employment of funds

Meeting the quantitative and qualitative needs of sales partners determines the employment of a business' funds in marketing. The problem of a marketing instrument's effectiveness is thus focused on the question of identifying market demands, and especially who is creating those demands. Therefore, the starting point for cost-cutting in marketing is the systematic analysis of the market partners and their demands.

Cost-cutting in marketing: Systematic and creative

The systematic presentation of possibilities and measures to be taken towards cost-cutting in marketing begins with the determining of the actual status and the reviewing of the current situation. This task can be carried out, for example, in close collaboration between the company management, a member of the marketing department, and external consultants.

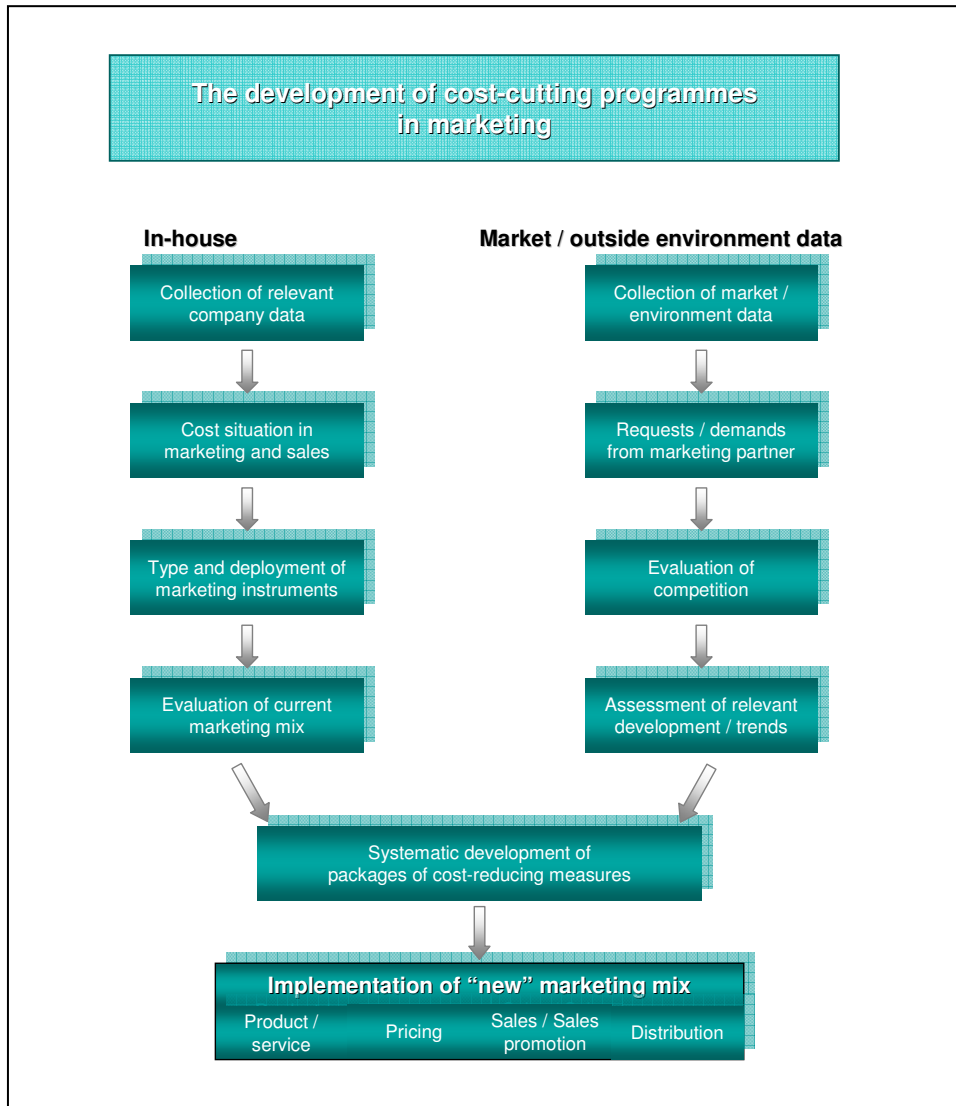
Of particular interest within the company are the current cost situation in marketing and sales as well as the type and employment of the marketing mix. Even at this stage, it is possible to identify effective approaches to solving the problem through, for example, comparisons of current cost structures within the sector.

Often little transparency

Because many marketing and sales activities take place as it were within the "soft" sector of the company, and thus appear neither in the physical nor in the accounting assessment, those responsible must seek additional criteria for evaluation. This is because it is still not clear which part of the advertising franc is being thrown out the window.....!

Only the market delivers a clear judgement

In order to be able to evaluate the employment of funds in marketing and sales, an assessment of the market aspect is necessary. First and foremost, in addition to the collection of relevant market data, is the determination of the market partner and its demands. This has - as previously pointed out - a decisive influence on the planning and employment of marketing instruments. As a mirror image of this, the assessment of the competition's behaviour with regard to their marketing activities provides further important information. Finally, the assessment of market trends, regulations, and new technologies establishes a future reference.



This collating of a business' internal and external data enables the critical evaluation of the employment of funds in marketing and sales. In particular, the comparison of company performance with market demands in regard to the product and its marketing spell out the situation. It is a question of identifying weak points which show that - despite great expense - little utility (marginal utility) can be induced on the market. These weak points lead directly to the development of more efficient cost-saving measures in marketing and sales.

November 2001

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