The Executive Guide to Marketing Effectiveness

by Philip Kotler

The marketing mindset is not easy to introduce into an organization. It tends to be misunderstood or, once understood, easily forgotten in the wake of success. The corporation, and particularly the CMO, has the responsibility of assessing marketing effectiveness in each division. This assessment can be a useful tool. Using it, executives can work constructively with divisions that have a low score, apprising them of the factors that make up marketing effectiveness. This plan may include attending marketing seminars, reading the marketing literature, hiring inside experts or outside consultants, carrying out fresh research, and improving strategy and planning. In some divisions, top management may need to intervene. They may need to hire a marketing-trained person to work for the sales vice president, a marketing director to work for the general manager, or a marketing vice president to head all sales and marketing activity. The results of trying to improve the division's marketing effectiveness can be evaluated each year.

(Check one answer for each question.)

CUSTOMER PHILOSOPHY

A. Does management recognize the importance of designing the company to serve the needs and wants of chosen markets?

- ☐ Management primarily thinks in terms of selling current and new products to whoever will buy them.
- ☐ Management thinks in terms of serving a wide range of markets and needs with equal effectiveness.
- ☐ Management thinks in terms of serving the needs and wants of well-defined markets chosen for their long-run growth and profit potential for the company.

B. Does management develop different offerings and marketing plans for different segments of the market?

- ☐ No.
- ☐ Somewhat.
- ☐ To a good extent.

C. Does management take a whole marketing system view (suppliers, channels, competitors, customers, environment) in planning its business?

- ☐ No. Management concentrates on selling and servicing its immediate customers.
- ☐ Somewhat. Management takes a long view of its channels although the bulk of its effort goes to selling and servicing the immediate customers.
- ☐ Yes. Management takes a whole marketing systems view recognizing the threats and opportunities created for the company by changes in any part of the system.

INTEGRATED MARKETING ORGANIZATION

D. Is there high-level marketing integration and control of the major marketing functions?

- ☐ No. Sales and other marketing functions are not integrated at the top and there is some unproductive conflict.
- ☐ Somewhat. There is formal integration and control of the major marketing functions but less than satisfactory coordination and cooperation.
- ☐ Yes. The major marketing functions are effectively integrated.

E. Does marketing management work well with management in research, manufacturing, purchasing, physical distribution, and finance?

- ☐ No. There are complaints that marketing is unreasonable in the demands and costs it places on other departments.
- ☐ Somewhat. The relations are amicable although each department pretty much acts to serve its own power interests.
- ☐ Yes. The departments cooperate effectively and resolve issues in the best interest of the company as a whole.

F. How well-organized is the new product/service development process?

- ☐ The system is ill-defined and poorly handled.
- ☐ The system formally exists but lacks sophistication.
- ☐ The system is well-structured and professionally staffed.

ADEQUATE MARKETING INFORMATION

G. When were the latest marketing research studies of customers, buying influences, channels, and competitors conducted?

- ☐ Several years ago.
- ☐ A few years ago.
- ☐ Recently.

H. How well does management know the sales potential and profitability of different market segments, customers, territories, products, channels, and order sizes?

- ☐ Not at all.
- ☐ Somewhat.
- ☐ Very well.

I. What effort is expended to measure the cost-effectiveness of different marketing expenditures?

- ☐ Little or no effort.
- ☐ Some effort.
- ☐ Substantial effort.

STRATEGIC ORIENTATION

J. What is the extent of formal marketing planning?

- ☐ Management does little or no formal marketing planning.
- ☐ Management develops an annual marketing plan.
- ☐ Management develops a detailed annual marketing plan and a careful long-range plan that is updated annually.

K. What is the quality of the current marketing strategy?

- ☐ The current strategy is not clear.
- ☐ The current strategy is clear and represents a continuation of traditional strategy.
- ☐ The current strategy is clear, innovative, data-based, and well-reasoned.

L. What is the extent of contingency thinking and planning?

- ☐ Management does little or no contingency thinking.
- ☐ Management does some contingency thinking although little formal contingency planning.
- ☐ Management formally identifies the most important contingencies and develops contingency plans.

OPERATIONAL EFFICIENCY

M. How well is the marketing thinking at the top communicated and implemented down the line?

- ☐ Poorly.
- ☐ Fairly.
- ☐ Successfully.

N. Is management doing an effective job with the marketing resources?

- ☐ No. The marketing resources are inadequate for the job to be done.
- ☐ Somewhat. The marketing resources are adequate but they are not employed optimally.
- ☐ Yes. The marketing resources are adequate and are deployed efficiently.

O. Does management show a good capacity to react quickly and effectively to on-the-spot developments?

- ☐ No. Sales and market information is not very current and management reaction time is slow.
- ☐ Somewhat. Management receives fairly up-to-date sales and market information; management reaction time varies.
- ☐ Yes. Management has installed systems yielding highly current information and fast reaction time.

SCORING

Rating marketing effectiveness
Collect the information as it bears on the 15 questions. The appropriate answer is checked for each question.

Check answer 1 = 0 points
Check answer 2 = 1 point
Check answer 3 = 2 points

The scores are added with the total somewhere between 0 and 30. The following scale shows the equivalent in marketing effectiveness:

0-5	None
6-10	Poor
11-15	Fair
16-20	Good
21-25	Very Good
26-30	Superior

To illustrate, 15 senior managers in a large building materials company were invited to rate their company using the auditing instrument in this exhibit. The resulting overall marketing effectiveness scores ranged from a low of to a high of 15. The median score was 11, with three-fourths of the scores between 9 and 13. Therefore, most of the managers thought their company was at best "fair" at marketing. Several divisions were also rated. Their media scores ranged from a low of 3 to a high of 19. The higher scoring divisions tended to have higher profitability. However, some of the lower scoring divisions were also profitable. An examination of the latter showed that these divisions were in industries where their competition also operated at a low level of marketing effectiveness. The managers feared that these divisions would be vulnerable as soon as competition began to learn to market more successfully.

An interesting question to speculate on is the distribution of median marketing effectiveness scores for Fortune 500 companies. My suspicion is that very few companies in that roster would score above 20 ("very good" or "superior") in marketing effectiveness. Although marketing theory and practice have received their fullest expression in the United States, the great majority of U.S. companies probably fail to meet the highest standards.

NOTE: This assessment was developed by Professor Philip Kotler in the late1970s. Astonishingly, the assessment works today, despite the onset of Big Data, social media, and digital marketing. The fundamentals of marketing have not changed significantly.