Marketing in B2B organisations: as it is; as it should be – a commentary for change

Malcolm McDonald
School of Management, Cranfield University, Shrivenham, UK

Abstract

Purpose – There are many challenges facing senior marketing people, and this commentary paper, based on the author's consultancy experience, teaching expertise and observations of the business-to-business (B2B) environment, aims to address the causal relationship between marketing expenditure and results, which is holding back marketers from inclusion in the boardroom.

Design/methodology/approach – This paper includes a contextual analysis with questions and answers, giving supporting examples and facts.

Findings – B2B marketers have work extensively to earn a place in the boardroom. The author remains optimistic that given the increasing number of chartered marketers (marketing executives qualified to practice via the Chartered Institute of Marketing) and marketing MSc programmes, B2B marketers will eventually earn the right become the main drivers of corporate strategy, as is the case in the best companies in the world.

Originality/value – The paper brings valuable insight into enhancing marketing accountability and to provide a better position to marketers in the boardroom.

Keywords Marketing, Accountability, Budgeting, B2B organisations

Paper type Research paper

Introductory comment 1 – Lack of real accountability must end

This is the title for a presentation given to the author by the organisers of a business-to-business (B2B) conference planned at the University of Bournemouth in April 2012. Although this conference was subsequently postponed to the following year, the author was asked to write a commentary for this special issue of the *Journal of Business and Industrial Marketing*.

The presentation would have begun by providing some context for ten questions that chief executive officers (CEOs) and chief marketing officers (CMOs) ask of the senior marketing people about the effectiveness of the often substantial budgets they are responsible for following the Deloitte report of (2007) (Christensen *et al.*, 2008). Some of these criticisms are as follow:

> The historic rift between marketers and the finance department, caused by marketing's reluctance to be accountable for what they do, is as marked as ever.
>
> Tense relations between Chief Financial Officers (CFOs) and Marketers are dividing boardrooms over the value of marketing. One in three FOs said they did not believe marketing to be crucial in determining strategy.
>
> Marketers have constantly hidden behind a fog of measures that are based purely on tactical marketing activity, rather than solid financial metrics that are relevant to the City.

The most recent estimate of promotional expenditure alone by the 176,000 B2B marketers in the UK is £9.8bn (Court, 2002). Notoriously, marketing expenditure has tended to escape rigorous performance appraisal for a number of reasons. Firstly, there has been real confusion as to the true scope and nature of marketing investments. Marketing expenditure has been assumed to be only the budgets put together by the marketing function. Secondly, the causal relationship between expenditure and results has been regarded as too difficult to pin down for any useful level of precision (Deloitte Report, 2007). Following the Deloitte report, however, those days have gone. This paper addresses this issue in some detail in the section on the ten questions being asked by CEOs and CFOs.

For the purpose of this paper, the author explains his understanding of what constitutes a marketing budget.

The marketing budget is not, alas, an unambiguous concept. It is not just a statement of marketing costs, as it should include all direct and indirect costs such as: staff costs; office and equipment expenses; marketing mix costs (packaging, new product launches, modification launches, etc.); pricing discounts, price lists, commission, etc.; communications (advertising, media and production costs, sales promotion, PR, sales force and field costs, etc.); distribution (transport of finished goods, storage, warehousing, etc.).

However, this is not normal practice. It falls into the trap of combining controllable and uncontrollable costs. For example, if distributor commission rates are set by the senior management, this is an "uncontrollable" factor. Another

The current issue and full text archive of this journal is available on Emerald Insight at: **www.emeraldinsight.com/0885-8624.htm**

Journal of Business & Industrial Marketing
31/8 (2016) 961–970

[DOI 10.1108/JBIM-10-2016-269]

Received 12 August 2014
Revised 15 August 2015
Accepted 13 December 2015

danger is confusing overheads with direct or incremental costs. Marketing may decide on a sales promotion plan, but it has no control over the costs of administering them in the order processing system. Then there is the valid concept that it is the INDIVIDUAL customer that is the ultimate profit centre.

Empirical studies have shown that the real responsibilities of the marketing manager are exaggerated and that the components of a marketing budget vary greatly between companies. Indeed, a management accountant said to me recently, "Many accountants have resigned themselves to the fact that marketing cost is an impossible area to analyse and control". However, an American survey found that large industrial companies budgeted around: order-filling activities (mainly concentrated on physical distribution costs); order-getting activities (mainly centred on advertising, sales promotion and merchandising). In most companies, however, the marketing budget is, in effect, the budget for advertising and promotion.

Above all, a marketing budget should be a managerial tool, not just a financial device. So, it is advisable to identify the costs and revenue for which you are responsible and accountable and care must be taken to assess the relevance of including fixed costs, variable costs, controllable costs and uncontrollable costs and not to get sucked into taking responsibility for costs over which you have no control.

One final possibility is to separate budgets into an operating budget and an opportunities budget, which deals with new things.

Introductory Comment 2 – The uselessness of profit and loss statements without meaningful market-based information

Although this must, out of necessity, be anecdotal, the majority of the operating boards of directors the author has worked with during the past 20 years – 150 in total – (most of them B2B) cannot even answer the simplest questions posed to them, such as:

- "What are your key target markets in order of priority?" This nearly always results in a list of their products.
- "What are your sources of differential advantage against each of these key target markets?" They frequently do not know.

Instead, they spend their board meeting time examining profit and loss statements, on which there is usually only one line for revenue, followed by many on costs. The disguised – but real – accounts of (anonymised) Company X can be seen in Table I.

On the face of it, this looks like a spectacularly good performance over a five-year period. But as is clearly shown in Table II, when set against market-based information, Company X's performance is slowly but surely deteriorating and of course it only takes a downturn such as that experienced in 2008 for companies like this and many others to go bankrupt.

B2B marketers must ask themselves whether they are reporting timely, relevant information to the Board.

This view is supported by the following excerpt from a PricewaterhouseCoopers's (2003) report:

> The information appearing in the majority of boardrooms remains predominantly financial in nature. Without (additional) information on value-creating activities management are typically flying blind – when financials tell them there is a problem management have already missed the optimal point for taking appropriate corrective action.

Introductory comment 3 – The effect of short termism

> Improvements in short term financial measures such as economic profit can be achieved through postponing capital investments, reducing marketing and training expenditures, or by divesting assets, each of which may have a positive effect on near-term performance, but adversely affect long term value creation performance (McDonald, 1991).

The point to be stressed here is that marketing is not like, for example, factory productivity, which can be measured accurately. The effects of marketing expenditure are often only manifested some considerable time after they have "left the factory".

The institute for practitioners in advertising (IPA) has hundreds of case histories with data attesting to the fact that once lost, it takes many years to recover a market position lost because of short-term cuts in marketing spend to boost short-term financial results.

Introductory comment 4 – Marketers do not measure the right things

The customer portfolio shown in Figure 1 (reproduced with kind permission from Nigel Piercy) illustrates very clearly an array of customers in B2B according to size and the need for deeper supplier service relationships.

The problem relating to this array is that B2B companies today (in the experience of the author only) still use product profitability as the main accounting method to determine profitability, even though it has always been the cost of dealing with customers after the product has left the "factory" that matters. Activity-based costing (ABC) has been around for many years.

Figure 2 illustrates the profitability of a major European company's customer database broken down into deciles by size and profitability today compared with 15 years ago.

The "today" picture is counterintuitive, but the truth is realised only after ABC accounting is used to measure profitability. The stark truth is that such companies are often found to be overserving both the small customers and the large customers. But when ABC is explained to companies and when they carry out an ABC analysis on their major customers, they are frequently surprised to discover that what they thought were profitable relationships are in fact unprofitable. At Cranfield University School of Management, the author set up the longstanding Key Account Management Best Practice Research club and over a five-year period, using an audience response system to ensure both confidentiality and honest answers; the results of which are shown in Figure 3. It shows that, of a total population of 500 B2B companies (approximately 100 per year) and their responses to the question – "How well do you know the real profitability of your top ten accounts?" – the majority indicated that they did not.

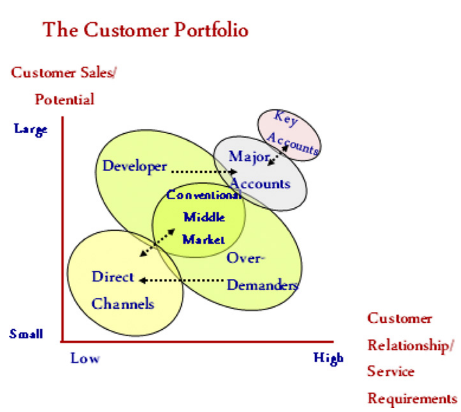
Table I Company X's five-year profit performance

Performance (£m)	Base year	1	2	3	4	5
Sales revenue (£)	254	293	318	387	431	454
Cost of goods sold	135	152	167	201	224	236
Gross contribution (£)	119	141	151	186	207	218
Manufacturing overhead	48	58	63	82	90	95
Marketing and sales	18	23	24	26	27	28
Research and development	22	23	23	25	24	24
Net profit (£)	16	22	26	37	50	55
Return on sales (%)	6.3	7.5	8.2	9.6	11.6	12.1
Assets (£)	141	162	167	194	205	206
Assets (% of sales)	56	55	53	50	48	45
Return on assets (%)	11.3	13.5	15.6	19.1	24.4	26.7

Table II Company X's five-year market-based performance

Performance (£m)	Base year (%)	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)
Market growth	18.3	23.4	17.6	34.4	24.0	17.9
Company X's sales growth (%)	12.8	17.4	11.2	27.1	16.5	10.9
Market share (%)	20.3	19.1	18.4	17.1	16.3	14.9
Customer retention (%)	88.2	87.1	85.0	82.2	80.9	80.0
New customers (%)	11.7	12.9	14.9	24.1	22.5	29.2
% Dissatisfied customers	13.6	14.3	16.1	17.3	18.9	19.6
Relative product quality	+10	+8	+5	+3	+1	0
Relative service quality	+0	+0	−20	−3	−5	−8
Relative new product sales	+8	+8	+7	+5	+1	−4

Figure 1 The customer portfolio



Introductory comment 5 – Are B2B marketers actually doing real marketing?

The use of the term "marketing management" in the context of B2B organisations has to be interpreted very liberally, for two reasons:

1. If "marketing" is intended to mean all those activities related to demand creation and satisfaction and the associated intelligence, then it is clear that most rudimentary marketing takes place during the technical service delivery process or during informal customer contacts. Thus, in such situations, the term "marketing" reflects this duality and acts as a term for both marketing and technical service delivery.
2. Second, the term "management" suggests a series of coordinated, proactive and reactive acts within a planned strategy implicit in the management ethic. The reality, of course, is that the evidence for such behaviour is minimal in many B2B organisations.

Also, the title "chief marketing officer" suggests a powerful figure in charge of customer needs and wants, and the product development required to meet those needs, as well as evaluating whether the whole company is delivering what is required to keep those customers happy – for the sake of this year's earnings, and those in the future (McDonald, 2007).

It is certainly not the experience of the author that B2B marketers are at the epicentre of strategy setting in boardrooms.

Introductory comment 6 – What B2B marketers SHOULD be doing

Over 40 years of research into the link between long-run financial success and excellent marketing strategies reveals the following:

1. Excellent strategies:
   - target needs-based segments;
   - make a specific offer to each segment;
   - leverage their strengths and minimise their weaknesses; and
   - anticipate the future.
2. Weak strategies:
   - target product categories;
   - make similar offers to all segments;

Figure 2 The widening rift between profitable and unprofitable customers

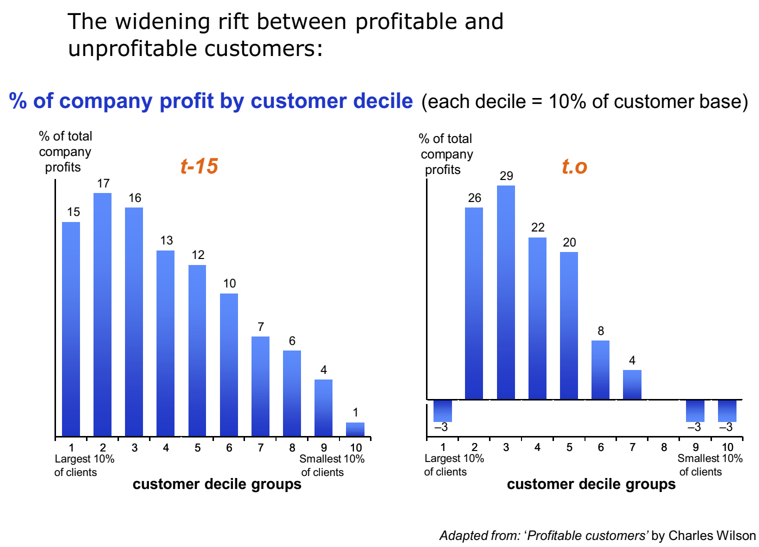
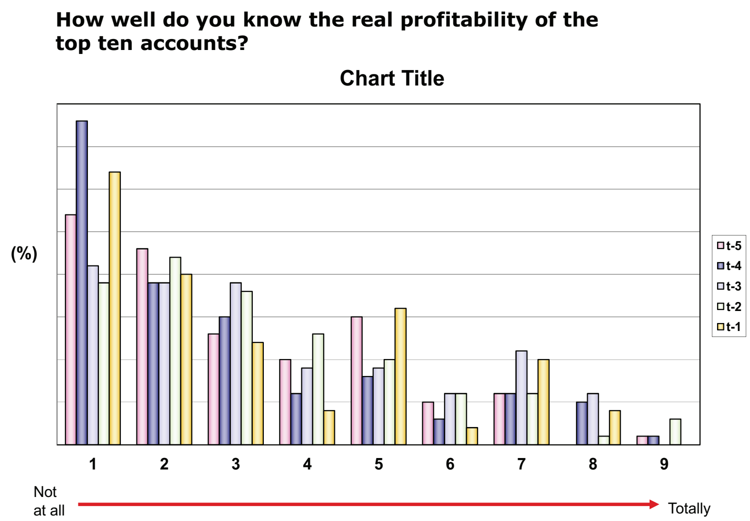


Figure 3 How well do you know the real profitability of the top ten account?



- have little understanding of their strengths and weaknesses; and
- plan using historical data.

There are 173 scholarly references supporting the aforementioned marketing strategies (Rappaport, 1998).

The remainder of this paper expands on these points by setting out the ten questions the author has established from his work with CEOs and CFOs that are being asked of their senior marketing colleagues and the answers B2B marketers should be giving.

Introduction

As was made clear by the Deloitte Report (2007) (op cit.), directors will no longer tolerate sloppy, unprofessional marketing departments who fail to justify the often substantial sums of money they spend. The following are ten crucial questions they are increasingly demanding answers for.

Question 1

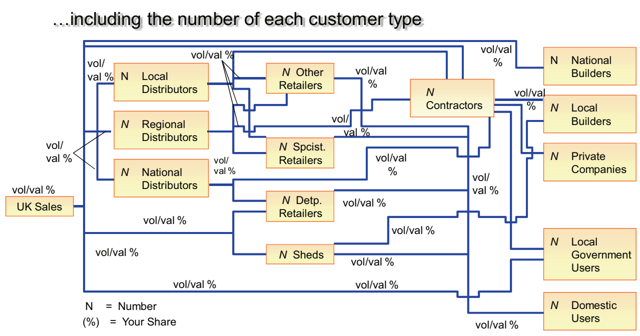
Do we know and understand our key markets?

The answer includes the following:

- We define our markets in terms of needs satisfied, not the products we sell. Remember IBM ("we are in the mainframe market") and Gestetner ("we're in the duplicator market") and Kodak ("we're in the film market").
- We map our markets, showing product/service flows, volumes/values in total, our shares and draw critical conclusions for our company.
- We know what the key decision points are. In particular, we understand the 20/80 rule, as this is where segmentation is done.

To expand on this, Figure 4 is a generic version of a market map, illustrating how value should be tracked from supplier through to end-user, with percentages illustrating where the main decision points are and where segmentation needs to take place.

Figure 4 Generic market map



Note: NB. Sketch out complex junctions separately. Alternatively, build an outline map, applying details at the junctions to be segmented

Question 2

Do we address real segments in our markets?

The answer includes the following:

- We do proper needs-based segmentation, not that a priori nonsense such as socioeconomics (not all A's behave the same), demographics (not all 18- to 24-year-old women behave the same), geodemographics (not everyone in the same street behaves the same), etc.
- We also understand the needs of members of each segment.

Figure 5 shows the results of a market segmentation study into buyers of IS/IT. This shows that it is PEOPLE not companies who buy goods and services. These people do not become any more rational than when they are buying consumer goods and services.

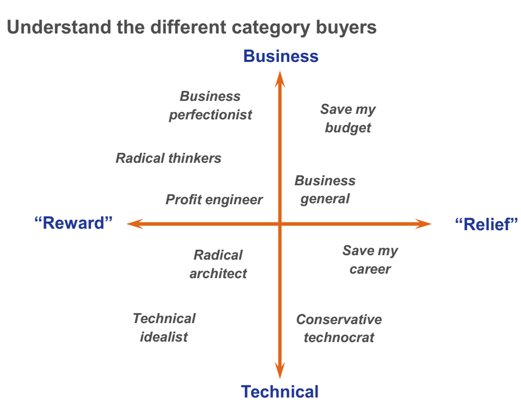
Question 3

Do we know what our sources of differentiation are in each of the principal market segments in our key target markets?

The answer includes the following:

- We regularly check on the buying motives of segments and compare how well our company performs compared with main competitors.

Figure 5 Example of market segmentation of information system buyers



- We act on the resulting strengths and weaknesses. We check that our strengths create value for us and the customer and that they are difficult to copy. We work hard at tackling our weaknesses that are meaningful to the customer.
- We regularly monitor the opportunities and threats by segment and work hard to take advantage of the opportunities and ameliorate the threats.

Figure 6 shows the kind of strengths, weaknesses, opportunities and threats (SWOT) analysis taught in some business schools, written about in books and carried out by marketers all over the world. It is plain WRONG and assumes all customers in a market behave the same way.

Figure 7 shows the correct way to do a SWOT analysis, comparing our own performance in each segment against those of competitors using those factors important to customers in deciding from whom to buy. These consist usually of a detailed analysis of the 4Ps.

Question 4

Do we all agree where we should target our limited resources?

The answer includes the following:

- We prioritise the segments in each market, having classified them all according to relative potential for growth in our profits in each over the next three years and according to our company's relative competitive position in each.

Figure 8 shows segments arranged according to the potential of each for growth in the supplier's profits over at least a three-year period and according to their relative competitive strengths (taken from the SWOT analysis).

Typical criteria for the vertical axis are shown in Table III, although the factors and weightings will vary according to a supplier's commercial circumstances.

Question 5

Are our objectives for revenue growth and market share realistic?

The answer includes the following:

Refer again to Figure 8.

- For attractive markets (attractive means there is potential growth in sales and profits in the next three years), our objectives are to improve net present value (NPV), whilst investing in growing/retaining our competitive position.
- For attractive markets in which we have few strengths, having chosen the better ones, our objectives are to

Figure 6 An incorrect format of SWOT analysis

Figure 7 SWOT analysis exercise

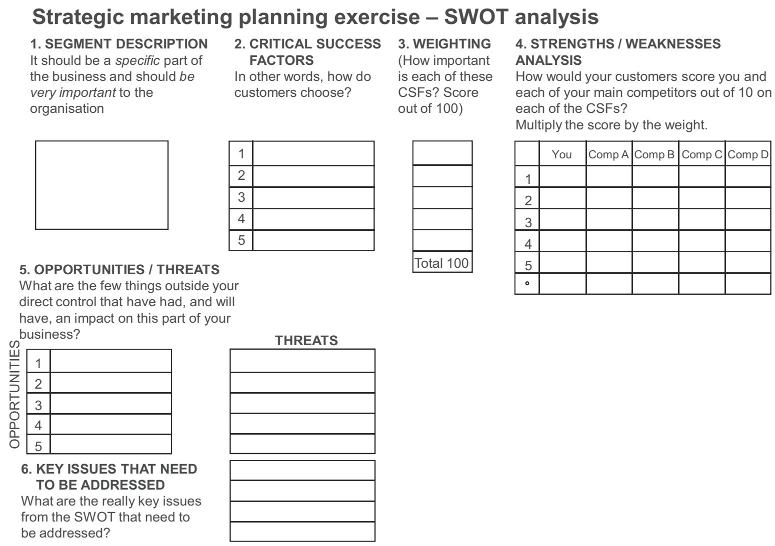
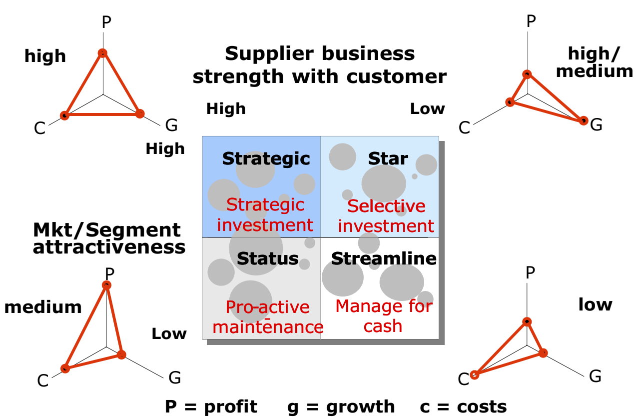


Figure 8 A portfolio approach to prioritising markets and segments



improve our competitive position by investing in them. For those markets not selected for investment, our objectives are to maximise net free cash flows.

- For unattractive markets in which we have few strengths, our objectives are to maximise net free cash flows.
- For unattractive markets where we have strengths, our objectives are to minimise costs consistent with retaining our competitive position and to maximise net free cash flows.

Question 6

Are our strategies for product development, pricing, customer service, channel management and promotion consistent with our objectives?

The answer includes the following:

- Our strategies match the objectives referred to above. For example, the majority of the available budget goes into attractive markets where we have strengths followed by unattractive markets where we have strengths, followed by attractive markets where we have few strengths – in that order.

Strategies for marketing refer principally to the 4Ps. What needs to be done or improved comes from the critical success factor (CSF) scores in the SWOT analyses referred to in Question 3 above.

Question 7

Have we dispassionately assessed the risks associated with our strategic marketing plan?

To answer this question, we use the standard tools of marketing to make a probabilistic assessment of whether the forecasts are likely to happen. These are shown in Tables IV-VI.

The answer includes the following:

- We assess the risks associated with our MARKET forecasts by using the long-established tools of marketing,

Table III Market attractiveness evaluation

	Scoring criteria					
Factor	10-7	6-4	3-0	Score	Weighting	Ranking
1. Market size (£m)	>€250	€51-250	<€50	5	15	0.75
2. Volume growth (Units)	>10%	5-9%	<5%	10	40	4.0
3. Industry profitability	>15%	10-15%	<10%	8	35	2.8
4. Competitive intensity	Low	Medium	High	6	10	0.6
					Total	8.15

Note: This form illustrates a quantitative approach to evaluating market attractiveness. Each factor is scored, then multiplied by the percentage weighting and totalled for the overall score. In this example, an overall score of 8.5 out of 10 places this market in the highly attractive category

Journal of Business & Industrial Marketing
Volume 31 · Number 8 · 2016 · 961–970

Table IV Market risk assessment

Product category existence	The marketing strategy has a higher probability of success if the product category is well-established
Segment existence	If the target segment is well-established
Sales volumes	If the sales volumes are well supported by evidence
Forecast growth	If the forecast growth is in line with historical trends
Pricing assumptions	If the pricing levels are conservative relative to current pricing levels

Table V Marketing strategy risk assessment

Target market definition	The marketing strategy has a higher probability of success if the target is defined in terms of homogeneous segments and is characterised by utilisable data
Proposition specification	If the proposition delivered to each segment is different from that delivered to other segments and addresses the needs which characterised the target segment
SWOT alignment	If the strengths and weaknesses of the organisation are independently assessed and the choice of target and proposition leverages strengths and minimises weaknesses
Strategy uniqueness	If choice of target and proposition is different from that of major competitors
Anticipation of market change	If changes in the external microenvironment and macroenvironment are identified and their implications allowed for

Table VI Profit pool risk assessment

Profit pool	The marketing strategy has a higher probability of success if the targeted profit pool is high and growing
Profit sources	If the source of new business is growth in the existing profit pool
Competitor impact	If the profit impact on competitors is small and distributed
Internal gross margin assumptions	If the internal gross margin assumptions are conservative relative to current products
Assumptions of other costs	If assumptions regarding other costs, including marketing support, are higher than existing costs

such as product life-cycle analysis. We assess the risks associated with our plans for new products and markets by using tools such as the Ansoff matrix.

- We assess the risks associated with our declared STRATEGIES by testing whether we are addressing proper needs-based segments with specific offers and whether we are leveraging our strengths, minimising our weaknesses, taking advantage of opportunities and ameliorating threats.
- We assess the risks associated with our declared BUDGETS by checking our forecast margins against historical margins and by checking that we are not setting unrealistic objectives such as rapid growth in static or declining markets.

Having done this, we agree with or reduce the free cash flows for each of the years forecast for each year in the planning cycle.

Question 8

Have we calculated whether our strategic marketing plan creates or destroys shareholder value?

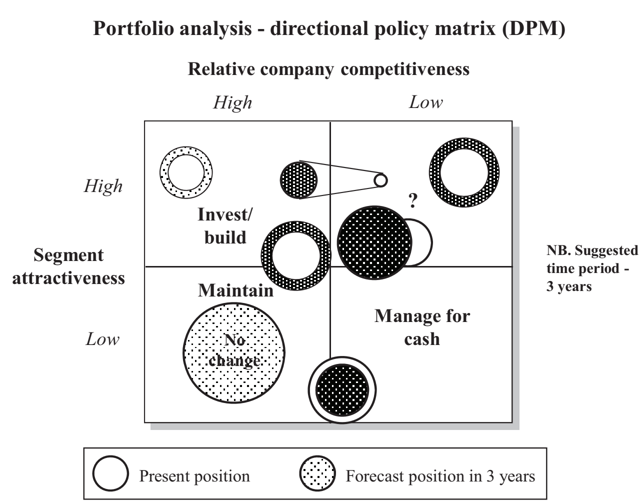
The answer includes the following:

1. We work with our senior accountants having taken account of the risk-adjusted net free cash flows from all products for markets. We then calculate whether these cash flows are greater than the cost of capital. If they are, we are creating shareholder value and can quantify this. Figure 9 spells out a methodology for doing this.
2. Background/Facts:
   - Risk and return are positively correlated, i.e. as risk increases, investors require a higher return.
   - Risk is measured by the volatility in returns, i.e. high risk is the likelihood of either making a very good return or losing all your money. This can be described as the quality of returns.
   - All assets are defined as having future value to the organisation. Hence, assets to be valued include not only tangible assets like plant and machinery, but intangible assets, such as key market segments.
   - The present value of future cash flows is the most acceptable method to value assets including key market segments.
   - The present value is increased by:
     - increasing the future cash flows; and
     - making the future cash flows "happen" earlier; and
     - reducing the risk in these cash flows, i.e. improving the certainty of these cash flows, and, hence, reducing the required rate of return.

Suggested approach

1. Identify your key market segments. It is helpful if they can be classified on a vertical axis (a kind of thermometer) according to their attractiveness to your company. "Attractiveness" usually means the potential of each for growth in your profits over a period of between three and five years. (See the attached matrix)

Figure 9 Portfolio analysis-directional policy matrix (DPM)



2 Based on your current experience and planning horizon that you are confident with, make a projection of future net free cash inflows from your segments. It is normal to select a period such as three or five years.
3 These calculations will consist of three parts:
   - revenue forecasts for each year;
   - cost forecasts for each year; and
   - net free cash flow for each segment for each year.
4 Identify the key factors that are likely to either increase or decrease these future cash flows.
5 These factors are likely to be assessed according to the following factors:
   - the riskiness of the product/market segment relative to its position on the ANSOFF matrix;
   - the riskiness of the marketing strategies to achieve the revenue and market share; and
   - the riskiness of the forecast profitability (e.g. the cost forecast accuracy).
6 Now recalculate the revenues, costs and net free cash flows for each year, having adjusted the figures using the risks (probabilities) from the above.
7 Ask your accountant to provide you with the overall strategic business unit (SBU) cost of capital and capital used in the SBU. This will not consist of only tangible assets. Thus, £1,000,000 capital at a required shareholder rate of return of 10 per cent would give £100,000 as the minimum return necessary.
8 Deduct the proportional cost of capital from the free cash flow for each segment for each year.
9 An aggregate positive net present value indicates that you are creating shareholder value – i.e. achieving overall returns greater than the weighted average cost of capital, having taken into account the risk associated with future cash flows.

A company's share price, the shareholder value it creates and its cost of capital are all heavily influenced by one factor – risk. Investors constantly seek to estimate the likelihood of a business plan delivering its promises, whilst company boards try to demonstrate the strength of their strategy.

An unarguable fact is that today, success is measured in terms of shareholder value-added or economic value-added (Shaw and Mazur, 1997) having taken account of the cost of capital, the time value of money and the risks associated with declared strategies.

The problem is that stock exchanges the world over all work the same way. The whole basis of shareholder value is the direct linking of the level of risk to the level of financial return that is required. Indeed, as shown in Figure 10, the causality relationship shows that the perceived risk profile of the investment drives the level of return required by investors in this particular investment.

In Figure 10, a minimum positive required rate of return is shown where the risk/return line cuts the vertical axis. This minimum required rate of return carries a zero risk perception, which means guaranteed, certain future returns. Logically, therefore, a normal, rational, risk-averse investor requires an increase in the expected future return from any more risk investment to compensate for any future volatility. Shareholder value is created only when the total returns are greater than the risk-adjusted rate of return.

The problem with this is that the investment community uses the capital asset pricing model to assess risk (volatility), which is a backward-looking method, whereas the marketing due diligence (MDD) process described above is a forward-looking, quantitative method for assessing the risks associated with marketing strategies (Smith, 2003).

The author believes that marketers in B2B organisations should subject their strategies to this rigorous, quantitative MDD process to prove to the boards of directors that their plans are creating shareholder value, not destroying it.

Question 9

Have we agreed the metrics for measuring market effectiveness?

The answer includes the following:
- We know the levels of promotional expenditure necessary to maintain our current level of sales (maintenance).
- We subject any promotional expenditure over and above maintenance expenditure (investment/growth expenditure) to net present value calculations.
- We know the difference between lead indicators (actions that cause sales, etc.) and lag indicators (outputs, such as sales growth).
- As a result of this, we know what needs reporting, why, when, how often and to whom it should be reported.

Figure 11 shows the result of a five-year research project at Cranfield University School of Management (Christensen *et al.*, 2008). Reading from right to left, it can be seen that corporate revenue and profit can only accrue from selling something to someone, represented by the Ansoff matrix box. On each product for market in the Ansoff matrix, the SWOT analyses will have spelled out the CSFs in each segment and what needs to be improved ("PF" means "productivity factors" and "HF" means "hygiene factors", neither of which will lead to competitive advantage).

The CSFs become the marketing expenditure budget, but it is now possible to link such expenditure back (indirectly) to corporate revenue and profit, thus avoiding the need to carry out return on investment (ROI) calculations on all expenditure. After all, an aircraft company would not ask for an ROI on the wings of an aircraft!

Figure 12 is based on an article by Christensen *et al.* (2008) in the *Harvard business review*. It spells out the need to do NPV calculations on both "maintenance" marketing expenditure (what we need to spend to stay where we are) and "investment" marketing expenditure. Both produce dramatically different outputs.

Question 10

Are we happy with our marketing planning processes?

In answer, our plans demonstrate the following:
- a deep understanding of our markets;
- a clear understanding of needs-based segments;
- a clear prioritisation of our objectives and strategies;
- quantified proof that they create shareholder value;
- they are clear, creative and interesting; and
- they enable us to allocate our scarce resources differentially.

Figure 10 Perceived risk profile of investment

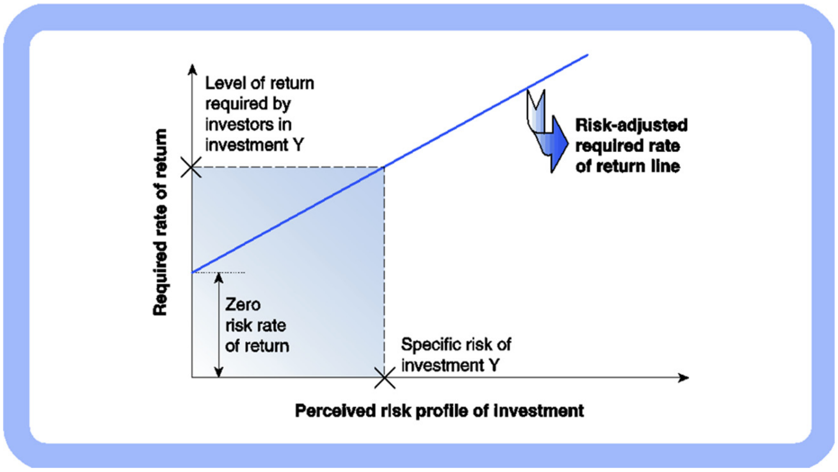
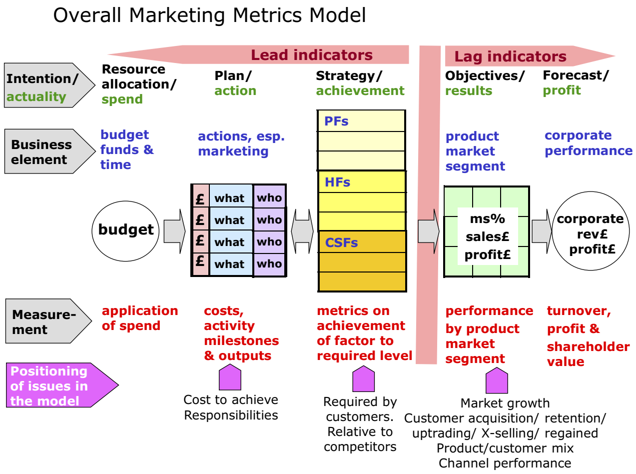


Figure 11 Overall marketing metrics model



The following list enumerates evaluation techniques used to evaluate the quality of the strategic marketing plan. These were constructed by the author for IBM following a series of strategic marketing planning workshops:

1. How good is your strategic marketing plan? (Score out of 10):
   - Market structure and segmentation:
     - Is there a clear and unambiguous definition of the market we are interested in serving?
     - Is it clearly mapped, showing product/service flows, volumes/values in total, our shares and critical conclusions for our organisation?
     - Are the segments clearly described and quantified? These must be groups of customers with the same or similar needs, not sectors.
     - Are the real needs of these segments properly quantified with the relative importance of these needs clearly identified?

Figure 12 Maintenance versus investment marketing expenditure

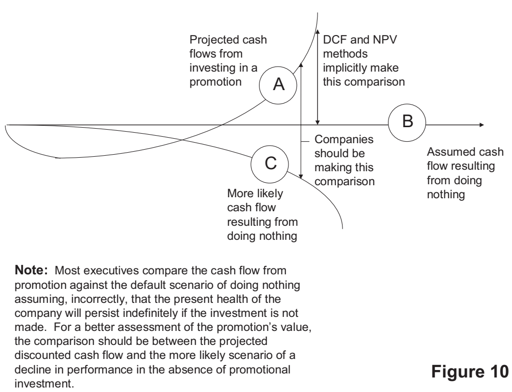


Figure 10

Adapted from Christensen CM et al, (2008)

$$£ - 7 \text{ million} + \frac{2}{(1+r)} + \frac{2}{(1+r)^2} + \frac{2}{(1+r)^3} + \frac{2}{(1+r)^4} = £\text{-}0.6 \text{ million}$$

$$£ - 1 \text{ million} + \frac{2}{(1+r)} + \frac{2}{(1+r)^2} + \frac{2}{(1+r)^3} + \frac{2}{(1+r)^4} = £5.4 \text{ million}$$

Journal of Business & Industrial Marketing
Volume 31 · Number 8 · 2016 · 961–970

- Differentiation:
  - Is there a clear and quantified analysis of how well our company satisfies these needs compared to competitors?
  - Are the opportunities and threats clearly identified by segment? (© Professor Malcolm McDonald)

2 How good is your strategic marketing plan? (Score out of 10)
- Scope:
  - Are all the segments classified according to their relative potential for growth in profits over the next three years and according to our company's relative competitive position in each?
  - Are the objectives consistent with their position in the portfolio? (volume, value, market share, profit)
  - Are the strategies (including products, services and solutions) consistent with the objectives?
  - Are the measurement metrics proposed relevant to the objectives and strategies?
  - Are the key issues for action for all departments clearly spelled out as key issues to be addressed?
- Value capture:
  - Do the objectives and strategies add up to the profit goals required by our company?
  - Does the budget follow on logically and clearly from all the above, or is it merely an add on? (© Professor Malcolm McDonald)

In conclusion, let me say that, whilst all these questions are not relevant to all markets, unless marketers can answer the relevant ones, they should either get their marketing education up to par or question whether they are in the right job.

Conclusion

This philosophical paper emphasises that B2B marketers have to work extensively to earn a place in the boardroom. The author remains optimistic that given the increasing number of chartered marketers (marketing executives qualified to practice via the CIM) and marketing MSc programmes, B2B marketers will eventually earn the right to be the main drivers of corporate strategy, as is the case in the best companies in the world.

References

Christensen, C.M., Kaufman, S.P. and Shih, W.C. (2008), "Innovation killers: how financial tools destroy your capacity to do new things", *Harvard Business Review*, Vol. 86 No. 1, January, special Issue on HBS Centennial, available at: www.hbs.edu/faculty/Pages/item.aspx?num=31559

Court, S. (2002), "Why value-based management goes wrong", *Market Leader*, Tokyo, March.

Deloitte Report (2007), "'Marketing in 3D' marketing in 3D in marketing", *Highlighting Perspectives on Marketing Effectiveness*, Audit. Tax. Consulting. Corporate Finance, available at: www2.deloitte.com/content/dam/Deloitte/pt/Documents/strategy/marketing3d_28062010.pdf (accessed 1 December 2013).

McDonald, M. (1991), "Innovation and the management of marketing in high technology small firms", *Journal of Marketing Management*, Vol. 7, pp. 343-356, adapted from a paper by Oakley, R.

McDonald, M. (2007), *Marketing Due Diligence: Reconnecting Strategy to Share Price*, Butterworth Heinemann, Oxford, (The Capital Asset Pricing Model is explained here) Five years of research in the *Marketing Value Added Research Club at the Cranfield University School of Management*, in collaboration with the School's Finance Faculty with output of five scholarly papers and three books.

PricewaterhouseCoopers (2003), "Transparency in corporate reporting", Value Reporting Review, New York, NY, p. 25.

Rappaport, A. (1998), *Creating Shareholder Value*, Free Press, New York, NY.

Shaw, R. and Mazur, L. (1997), "Marketing accountability", Cranfield School of Management Research Series.

Smith, B. (2003), "The effectiveness of marketing strategy making processes: a critical literature review and a research agenda", *Journal of Targeting, Measurement and Analysis for Marketing*, Vol. 11 No. 3, pp. 273-290.

Young, L. (2012), "What's different about B2B marketing?", Market Leader, Quarter 2, March, pp. 40-43.

About the author

Professor Malcolm McDonald, MA(Oxon), MSc, PhD, DLitt, DSc, was, until recently, Professor of Marketing and Deputy Director, Cranfield University School of Management, with special responsibility for e-business, and is now an Emeritus Professor at the University, as well as an Honorary Professor at Warwick Business School. Prof Malcolm is a graduate in English Language and Literature from Oxford University, in Business Studies from Bradford University Management Centre and has a PhD from Cranfield University. He has written over 40 books, including the best seller "*Marketing Plans: How to Prepare Them, How to Use Them*", and more than 100 articles and papers. Coming from a background in business which included a number of years as Marketing Director of Canada Dry, Prof Malcolm has successfully maintained a close link between academic rigour and commercial application. He has been consultant to many major companies from the UK, Europe, USA, Far East, Southeast Asia, Australasia and Africa, in the areas of strategic marketing and marketing planning, market segmentation, key account management, international marketing and marketing accountability. Prof Malcolm is currently the chairman of six companies and works with the operating boards of a number of the world's leading multinationals in all continents. Malcolm McDonald can be contacted at: m.mcdonald@cranfield.ac.uk