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Marketing Effectiveness and Accountability in SMEs

A Multimethodological Approach

Trevor A. Smith

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Palgrave Studies in Marketing, Organizations and Society

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This book series will focus on the broader contributions of marketing to the firm and to society at large. It takes a focus more consistent with the original reasons the marketing discipline was founded, the creation of efficient systems through which societies provision themselves and match supply with the needs of a diverse market. First, it looks at the contribution of marketing to the firm, or more broadly, to the organization (recognizing that marketing plays a role in not-for-profit organizations, governments, and other organizations, in addition to for-profit commercial businesses). Marketing plays a pivotal and unique role in the creation and management of intangible assets such as brands, customer lists and customer loyalty, trademarks, copyrights, patents, and specialized knowledge. Second, the series explores the broader contributions of marketing to the larger society of which it is a part. The societal effect of the modern firm, largely through the development of markets, can be seen in the per capita growth of GDP in Western Europe between 1350 and 1950. During this period, per capita GDP increased by almost 600%, while remaining virtually unchanged in China and India during the same. Marketing has played an important role in the improvement of the quality of life through increasing the number, nature and variety of products and services, the improvement of the quality and convenience of these products and services, and by making these products and services more readily accessible to larger numbers of persons. The series will examine ways in which marketing has been employed in the service of social welfare—to promote healthy behaviors, family planning, environmentally friendly behavior, responsible behavior, and economic development.

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ISSN 2661-8613 ISSN 2661-8621 (electronic)
Palgrave Studies in Marketing, Organizations and Society
ISBN 978-3-031-09860-4 ISBN 978-3-031-09861-1 (eBook)
<https://doi.org/10.1007/978-3-031-09861-1>

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This Palgrave Macmillan imprint is published by the registered company Springer Nature Switzerland AG

The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

To mama, music, marketing, methodology and mathematics—5Ms

For mama, it's unconditional love

For the music, it's the songs that soothe my soul & keep me going

For marketing, it's the inspiration to fix the problems of the SMEs

*For methodology, it's the approach afforded to address the questions and
solve the problem*

*For mathematics, it's the ability to analyze and pull disparate parts into a
coherent whole*

PREFACE

This book was driven by my innate passion for wanting to be my best self. I just completed my fifteenth year at the University of the West Indies teaching courses across the spectrum of bachelor's, master's, and doctorate degrees in marketing and research methods and wanted to express all that was left inside of me in another book. You see, my first book was on compulsive buying which I dedicated to the consumer. On balance, therefore, I decided to write this book on marketing with the dedication to the firm.

Having a love affair with both marketing and methodology, I gave in to my impulse for marrying the two. Here comes marketing and methodology. In my research in marketing, I studied Phil Kotler who did a *Harvard Business Review* piece on marketing effectiveness. Kotler believed marketing effectiveness was the answer to the problem of the firm, yet, according to him in a follow-up study, so few firms are effective at marketing.

I then learnt about the stream of work done by Dave Stewart and his colleagues in marketing accountability where it was argued that many marketers were unaccountable for their marketing activities and their firms were ineffective in marketing as they were not able to link the marketing activities to the financial outcomes. That said, this was not surprising to me as many marketing practitioners I know would tell of the large sales volume that they moved in a given period but were not able to make the

connection between the marketing spend on the activities and the Return On Marketing Investment (ROMI).

I have recognized, from my interaction with marketing practitioners, that very few have formal training in marketing, yet many claim to be experts in the principles and practices. And, while I will not take on this controversy, I'd say the discipline of marketing needs to be looked into on this very important issue.

I then found a bit of balance in the work of Rossiter who said that the knowledge in marketing is still fledgling and borrowed from economics, psychology and other disciplines and needed the meeting of the minds of the academics and practitioners if marketing is to deliver as it should for the firm.

The SME side of the work came to me later as in all my reviews of the literature on everything related to this stream, little or nothing was mentioned about the SME business form. While marketing in large firms is not expected to be fundamentally different from small firms, I'd say somebody needs to do the research and say something about marketing effectiveness and accountability in SMEs. This group is expected to deliver on economic growth and job creation. Yet so little is known about marketing among SMEs—a key ingredient for driving firm performance and concomitant performance of the economy.

I decided to be the SMEs' advocate by bringing this work to mainstream with the hope that the SME owner/managers and researchers will find a path to effective marketing through this book. Through the models developed for driving marketing efficiency and SME performance and the metrics designed to account for marketing performance, it is my hope that this modest contribution will shed light on this very important area of marketing performance management.

Again, I must underscore that this book is the union of my two loves—marketing and methodology. Not to be outdone, though, are the other 3Ms of my life that have given me the inspiration to write this book—mama, music, and mathematics. Yes, mathematics as I am first a math major which afforded me the scholarly prowess to write on complex matters in simple and analytic terms. On this count, I decided to write this book, which has occupied my mind for some time now. Hopefully it

has filled an important gap in marketing research and will pave the way for marketing effectiveness among SMEs.

Kingston, Jamaica

Trevor A. Smith

ACKNOWLEDGEMENTS

A book is never complete without a support system of people who helped along the journey and this is the place for the author to give thanks to these people. However, there is a divine intervention that I must acknowledge for making things happen. And, I'd also say that prayers have been the spiritual force that kept me steadfast throughout this journey.

To the people, I would first like to express my sincere gratitude to Javette Nixon for making his company available for the case study and for the selfless act of sharing the story of Point Global Marketing Limited. To Henry Lewis, my friend and colleague, who read all the chapters despite his busy schedule, and was always forthright in critique of the work. I know Henry would say *that's what friends are for* but I'd like to publicly express my thanks for this support. To Tricia-Anne Morris, my doctoral student, now Dr. Morris, for helping with data collection, running the models, and for being my right hand on the journey of writing this book. To Maxine McDonnough, my editor, who provided me with a quality eye and quick turnaround on my last minute efforts. To Suzette Houghton, Prof. Sue, for insightful comments and thoughts of encouragement during periods of doubt. I'd like also like to acknowledge the editors and reviewers at Palgrave Macmillan for their inputs to the work which have certainly helped to improve my scholarship in marketing effectiveness and accountability. Not to be outdone is my family which I've kept for last to give my special thanks and love. To my wife Sheila Smith for putting up with my laziness around the house while encouraging me

to write and providing me with kind words of motivation. To Trevaughn Smith, my son, an electrical engineer, who engineered every figure in this book and did all graphic art in all my work for over five years now. To my other son, Travis Smith, a computer scientist, who helped with the technical glitches in preparing the manuscript and has been my wingman for everything computer and software related for some time now. And to my readers, thank you for taking the time out to read this book. I hope you will find it useful for bringing marketing to life in the SME business form.

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Introduction

INTRODUCTION

The main objective of the firm is to make money. Marketing is the engine that drives the sale of products and services towards this end. Peter Drucker, who is popularly known for his contribution to management, underscores the pre-eminence of marketing in the firm by declaring that the business enterprise has two basic functions—marketing and innovation (Drucker, 1995).

Marketing is the business function that strategizes the firm's marketing mix of product, price, distribution, and promotion to satisfy the needs and wants of the consumer. This business of marketing is grounded in human psychology as the marketer seeks to understand, learn more about, and satisfy customers. Innovation represents the business function that fosters the development of novel ideas, methods, products, and services to outdo the competition thus gaining competitive advantage. The act of innovation has been advanced by Michael Porter as the driving force for the development of strategy.

The concept of marketing is seen as both a philosophical approach in delivering value and is the name of a functional area within the firm. According to da Gama:

On the one hand, [marketing] is considered as a management philosophy that seeks to express the why and how a company should adapt to and influence its market. On the other hand, [marketing] embodies the corporate subsystems, often the name of the department, which develops a set of tasks regarding marketing implementation. (da Gama, 2011, p. 643)

Blick (2011), after 26 years of practising marketing, stated that the best definition of marketing that she had encountered came from Peter Doyle's book on *Marketing Management & Strategy* which states that "Marketing is a philosophy of business that places the customer at the center of the universe". She explained further:

Most small business owners are in business because they have seen the potential in striking out on their own with a winning product or service. However, once their initial excitement has subsided, they will only be successful in growing their fledgling idea into a sustainable and profitable business if they are fully customer-focused...By inference therefore each element of a small business should have the needs of the customer at its core and all decisions should be taken with the customer firmly in mind. (Blick, 2011, p. 19)

Simpson and Taylor (2002, p. 374) provided a checklist of marketing activities that small and medium enterprises (SMEs) should pursue.

- Production of business plans for the future
- Creation of marketing strategies and plans
- Development of new products or services
- Design of advertising campaigns
- Maintenance of the marketing information database
- Production of publicity and press releases
- Analysis of competitors' offerings.
- Evaluation of the performance of marketing strategies and plans
- Tracking the performance of the various promotional and advertising activities.

The marketer, therefore, has an awesome responsibility to deliver performance on these activities. That said, many marketing practitioners have promised to convert these activities into high sales volumes, large market share, and greater customer loyalty without having any real way of quantifying these outputs (Blair et al., 2016). More often, the marketer is not

able to tell if monies are efficiently spent and how the benefits accrued to the firm are matched to the marketing spend. In this regard, marketing as a discipline does itself a disservice when its contribution cannot be effectively linked to financial outcomes (Stewart, 2009). Moreover, operational efficiencies in other areas of the firm are usually much better than in the marketing arm (Stewart & Winsor, 2016). According to Blair:

A central problem is that marketing lacks the kind of accountability and metrics that are common along the value chain of the rest of the corporation... [and] remains a corporate dark science, where its practitioners can generate desirable results but cannot tell how they achieve them. (Blair et al., 2016, p. 3)

Marketing effectiveness is a management control mechanism for measuring and verifying that the delivery of value to the customer is translated to an improvement in the bottom-line of the firm. This effectiveness is a desired end state of the marketing function and can be broadly characterized as a firm-level outcome that is realized when the firm attains its marketing goals and objectives. These goals and objectives are often related to sales and revenue targets (financial) and customer satisfaction and loyalty (non-financial). Indeed, marketing is that organizational function that drives sales and revenues through the delivery of customer value.

Effective marketing means conducting the marketing activities required to satisfy the needs of the customer while making a profit and a return on marketing spend. For effective marketing to take place, the firm must ensure that its strategies and activities are executed in an accountable manner. However, the extent to which a firm is effective is dependent on its governance (board and management), as this is the place where strategy is crafted and deployed—good strategies that are properly executed are expected to drive corporate effectiveness. Corporate effectiveness is motivated by the board's ability to monitor top management in the formulation and implementation of strategies for serving customers and other stakeholders (Conheady et al., 2015).

Marketing accountability or accountability marketing, is akin to marketing effectiveness, and is defined by the American Marketing Association (AMA) as:

The responsibility for the systematic management of marketing resources and processes to achieve measurable gains in return on marketing investment and increased marketing efficiency, while maintaining quality and increasing the value of the corporation. (AMA, 2005, p. 1).

In simple terms, this is “the measuring and monitoring of the commitment a person, group, or organization makes to deliver specific, defined results” (VisionEdge Marketing).

Marketing effectiveness and accountability marketing are, therefore, related concepts and can be viewed as two sides of the same coin. To be marketing effective is to ensure that marketing activities are aligned with the performance of the firm; while to be marketing accountable is to measure the marketing activities to make sure that they translate into firm performance, while being responsible, liable, and answerable for the outcomes of the marketing action. For example, the marketer sets a goal of 20% return on marketing spend and attaining this goal within an acceptable range would be considered an act of marketing effectiveness. Similarly, to attain efficiencies in the marketing activities is an act of marketing effectiveness. On the other hand, to establish metrics and measures to demonstrate the contribution of the marketing activities to the revenues generated by the firm, and to be responsible for the outcome, would describe the act of marketing accountability. In essence, marketing effectiveness is seen as a broader management approach while marketing accountability is often viewed as a measurement approach using scales such as marketing return on investment (MROI) and profit.

There may be nuanced differences between marketing effectiveness and marketing accountability. However, these concepts are sometimes used interchangeably (or used to mean the same thing) in a practical sense. In this book, the concept of marketing effectiveness and marketing accountability will be used interchangeably for the most part, and the nuanced differences will be pointed out as necessary.

Rossiter (2001), two decades ago, opined that marketing is a fledgling discipline with lack of consensus in knowledge and suggested that this problem has contributed to the accountability issues in the practice of marketing. Indeed, much confusion exists in marketing on the issue of accountability (McDonald, 2010). Marketing, therefore, needs a common language (terminology and measures) to advance its accountability agenda (Farris et al., 2016). That said, “marketing is by now a well-established discipline” that has come a far way in spite of these challenges (Stewart,

2016, p. 18). However, the path to marketing effectiveness is still a work-in-progress. As such:

Marketing is at a crossroad. Executives have begun to realize that without scrutiny, they cannot determine if marketing is effective, nor can they figure out how to improve. (Stewart, 2016, p. 18)

With this lack of accountability in marketing, one study found that a mere six per cent of executives felt that their companies were effective at marketing (Kotler & Keller, 2011). For these reasons, the Marketing Accountability Standards Board (MASB), with worldwide reach, was founded in 2007, with a group of marketing academics, financial professionals, and others, with a mandate to improve financial accountability of the corporate marketing function (Gaski, 2021). This body has, predominantly, focused on marketing in larger firms thereby leaving a gap for addressing marketing effectiveness in smaller firms. Moreover, the prior research in marketing effectiveness has generally treated this matter as a large-firm phenomenon, and while some of the research findings may be portable from large to small, research is needed for better insights into marketing accountability in smaller firms.

Some of the work in this stream on marketing performance management have focused frontally on marketing effectiveness (e.g., Bleier et al., 2019; da Gama, 2011; Kayabasi & Mtetwa, 2016; Kotler, 1977), while others have addressed performance from the perspective of accountability marketing (e.g., Blair et al., 2016; Kuse & Stewart, 2021; Stewart, 2019). Notably, the distinction between the concepts is nuanced.

Kotler (1977) conducted a pioneering study on marketing effectiveness and found that firms which were effective in marketing were driven by a customer philosophy, an integrated marketing organization, adequate marketing information, a strategic orientation, and embraced operational efficiencies. Building on Kotler (1977), Kayabasi and Mtetwa (2016) found that marketing effectiveness was at the heart of export performance. In addition, da Gama (2011), by way of a conceptual model, suggested that marketing effectiveness was achieved through the linkage of *people*, *process*, and *output*. *People* embody the marketing culture and capabilities. The marketing culture linked to capabilities are precursory to the marketing *process*; and the process represents the input for driving the marketing *output*. The marketing output, in turn, are drivers of the financial output of the firm. More recently, Bleier et al. (2019) addressed

the digital side of marketing effectiveness in the development of websites and online marketing strategies for improved customer experience.

Blair et al. (2016), in delivering on the marketing accountability mandate, pointed to problems of efficiency and effectiveness in marketing and provided guidelines for addressing problematic issues such as financial accountability, measurement standards and metrics. Stewart (2019), in a response to this mandate, presented the financial dimensions of the marketing decision. He drew on the works of Margaret Henderson Blair, the MASB, and others, and discussed some of the critical issues in this area such as financial imperatives of marketing, how firms make money and linking marketing outcomes to financial performance. In 2021, Kuse, Stewart and contributors, presented a compilation of the multidimensional work of Margaret Henderson Blair on marketing accountability measurement and highlighted her contribution to the measurement of marketing imperatives in areas such as persuasion and advertising.

The next section will provide a brief introduction to SMEs and will set the stage for addressing marketing effectiveness and accountability in SMEs.

SMEs AND EFFECTIVE MARKETING

Small and medium-sized enterprises are considered the engine of growth and job creation in the modern economy with estimates indicating that they account for approximately 95% of global businesses and 40% of GDP (Open Group). As such, the concept of entrepreneurial marketing, which is the marketing of small firms and start-ups, has been lauded by governments, given the significant economic activities that are taking place in these firms (Opute, 2020).

These SMEs are privately owned firms that are classified by national authorities based on thresholds related to number of employees, assets owned, and revenues generated. While different countries and regions may adopt different classifications, the number of employees is often used as a simple measure for comparing small, medium, and large firms. The European Union definition, with an upper limit of 250 employees (small < 50 and medium < 250), is the classification utilized for the primary research in this book, similar to the Simpson et al. (2012) study of SMEs.

All SMEs share common characteristics regardless of country and industry (Carpenter, 2017). In comparison with large firms, these SMEs