

Development of a model of an effective marketing managing system at industrial enterprises

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Abstract. Creation of an effective system of marketing management at industrial enterprises is an urgent need nowadays due to a number of key problems, requiring immediate solving. The article presents a model of a system of an industrial enterprise's marketing management, considering marketing management levels and marketing processes, strategic units of an industrial enterprise's business. The authors reasoned the investment approach to financing of marketing system development at an industrial enterprise and develop the algorithm of calculation of commercial effectiveness of marketing investments considering interests of the top management, demands of marketing system and an enterprise's resources. They allocated parameters for assessment of marketing managing system effectiveness at an industrial enterprise.

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Introduction

Nowadays in the context of market economy development leading role belongs to recovery of the industrial capacity of the country, which condition in a number of industries can be characterizes as critical. According to modern concepts the marketing concept is very important as a compound of whole enterprise management. However, implementation of a marketing department is not enough, because this organizational activity cannot be considered as an aspect of marketing concept realization adequate to challenges of time. A market-oriented enterprise should implement marketing as a business philosophy and a managed system. Therefore, the problem of marketing system implementation and its effective management is extremely urgent, and it predetermined the choice of the research subject.

The research goal is development of a model of an effective marketing managing system at an industrial enterprise.

Material and research methodology

Works of following authors were used as a theoretical base for the research: N. H. Borden [1], F. Wilkinson [2]. Significant contribution to marketing and marketing system management study was made by such scientists as B. H. Rho, Y. S. Hahm, & Y. M. Yu. [3], F. E. Webster [4], D. J. Flint, R. B. Woodruff, & S. F. Gardial [5], D. Kim, S.T. Cavusgil, & E. Cavusgil [6], S. D. Hunt [7], I. F. Wilkinson & L. C. Young [8], etc. Works of Russian scientists A. V. Plotnikov [9, 10] & E.V. Ponosova [11] are also worth noting. Existing research papers usually concern the assessment methodology of economic effectiveness of marketing activity, development of an information system of marketing, etc. However, despite of many

works in the sphere of industrial enterprise marketing, key problems of industrial marketing have been studied insufficiently. It predetermined the choice of the research subject.

Methodological basis of the research is the modern marketing concept, the system research methodology and the methodology of scientific simulation of economic phenomena.

The research object is a set of industrial business entities in Perm. Methods of system, statistic, logical, retrospective factor analysis and simulation were used in the research process.

Results and discussion

Most industrial enterprises in Perm have implemented marketing departments in their activity. Analysis of market department's activity allowed uncovering a number of problems which characterize ineffectiveness or low effectiveness of their work. Based on the data, received after studying of problematic fields in marketing services' activity of analysed enterprises, we have built the tree of key problems according to their hierarchy:

- factors, identifying the problems;
- problems themselves;
- key problems.

The tree of problems is presented on Fig. 1.

As shown in the figure, one of the main problems is market system financing at industrial enterprises. Usually, financing of the enterprise's marketing activity is carried out for certain marketing events and on a wasteful principle [12].

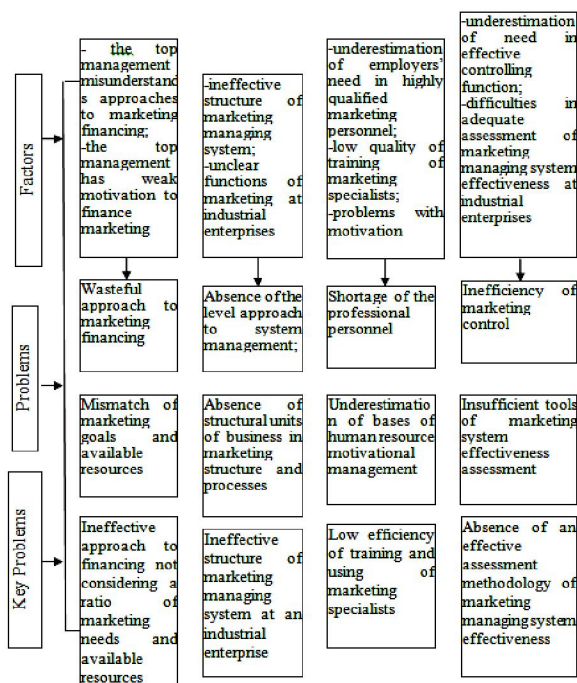


Fig. 1. The tree of key problems of industrial enterprises marketing

From our point of view, marketing system financing should be carried out according to the investment approach, assuming keeping means, received by the enterprise in the current period as a result of effective marketing. Next key problem is ineffective structure of marketing managing system at an enterprise. It often happens that the structure is too simple, not achieving the system’s goals and objectives or, on the contrary, too complex and slow and not responsive to the challenges of external marketing environment. Marketing managing system is seldom built on the level principle and often does not include strategic business units (SBU) [13]. A common problem for many industrial enterprises is low efficiency of training and using of marketing specialists at an enterprise. The tendency of involving of non-qualified specialists in marketing activity is clearly seen. Partly it results from the fact that marketing is one of the youngest specialties, appeared in educational institutions of our country, and usually it is taught at a management or economy department. Other problem is weak motivation of marketing personnel. Partly it results from the weak structure of marketing system at an enterprise, assortment and commodity organization complexity of marketing department at an industrial enterprise. And the main problem is absence of the effective methodology of marketing system assessment at an industrial enterprise.

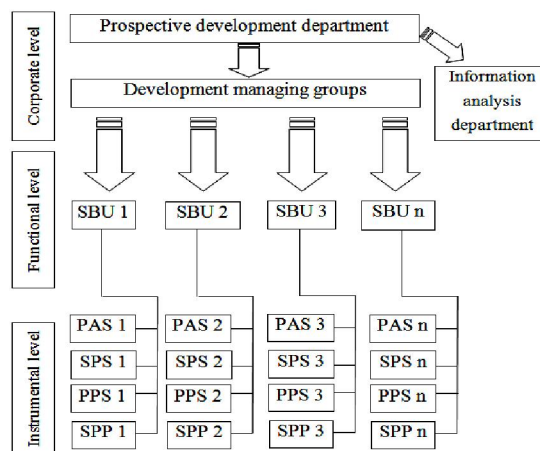


Fig. 2. The model of the marketing managing system at an industrial enterprise

For the solution of the above-named problems the authors offer a model of a marketing managing system, shown on fig. 2. In this model marketing management is carried out at three levels: corporate, functional and instrumental. At the corporate level in the marketing managing system the authors outline prospective development department and development managing group. At the functional level the authors outline SBU according to the number of business areas. At the instrumental level we determined marketing sectors for every SBU. They include:

- products assortment forming sector (PAS);
- sector of products sales (SPS);
- products pricing sector (PPS);
- sector of products promotion (SPP).

Table 1. Analysis of position of the enterprise in economic environment

Stages	Stage description	Required information
Identifying of a stage of enterprise lifecycle	- formative stage; - expansion stages; - stabilization stage; - involution stage	- business competitiveness level; - sales volume
Description of position of the enterprise in macroeconomic infrastructure	- development of competitive strategy; - risk managing system development	- business competitiveness level; - sales volume; - level of the income
Forecast for development prospects of the enterprise	- situation analysis; - short-term and long-term forecasting	- business competitiveness level; - sales volume; - level of the income; - intensity of innovations implementation

Marketing management at the corporate level implies management of position of the enterprise in economic environment. Analysis of position of the enterprise in economic environment has three main stages (tab. 1)

Marketing management at the functional level is carried out within separate marketing functions such as analytical, production, sales, planning (forecasting), organizational and control. In practice the imbalance of analytical function often appears regarding considerable marketing specialists’ labour costs on analytical actions and their documentation. As such within the analytical function we offer to hold limited

range of actions, connected with study of external and internal marketing environment. Particularly, we recommend that analytical function includes following subfunctions (Fig. 3)

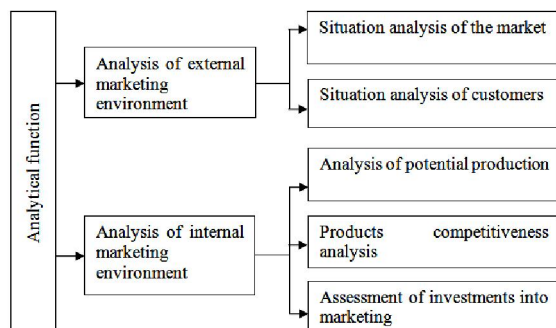


Fig. 3. The block is the scheme of subfunctions of marketing's analytical functions at an industrial enterprise

Production function of marketing management includes following subfunctions:

- initiation of new products and new technologies development;
- products quality and competitiveness monitoring.

Sales function in the marketing managing system includes following subfunctions:

- development and implementation of purposeful commodity and price policy of the enterprise;
- organization of the demand-forming and sales-promotion system in products distribution channels;
- service organization.

Planning (forecasting) functions consists of subfunctions of strategic and operational planning (forecasting), organizational function includes information and communicative subfunctions. Marketing control includes feedback-forming subfunction and subfunction of situation analysis, which results are used for assessment of marketing managing system effectiveness at an industrial enterprise.

Presented model shows that the corporate level has three development managing groups with following competences:

- marketing management in separate SBU;
- information and analytical functions;
- promotional functions.

On the next level management by marketing function is carried out. Marketing functions are separate business units serving certain market sectors demands. The market segmentation concept lies at the heart of the enterprise's SBU allocation. Every SBU corresponds to specifically allocated market segment

with corresponding activity directions, clients with identical demands, sales channels, competitors, intermediaries, etc. Depending on types of activity of an industrial enterprise a market segment can be allocated on geographical basis or according to the size of the industry, etc. Every SBU is reliable for realization of the industrial enterprise's strategy in one or several market segments.

Instrumental level includes assortment forming, sales, price and promotion sectors that are subdivisions of SBU. They interact with a certain circle of consumers, intermediaries, competitors and other contact audiences.

All level of marketing management at an industrial enterprise are interconnected and coordinated. Main advantage of this managing system is its client focus. Besides, accurate structure of the three level managing system with certain functions, distributed among responsible departments and officials promotes accurate distribution of duties and competence growth.

It also follows from the model that the financing approach to the marketing system should be investment. Proceeding from aforesaid we offer to use following criteria as signs for assessment of marketing managing system effectiveness:

- public effectiveness;
- commercial effectiveness.

Public effectiveness is expressed by qualitative parameters relating to external and (or) internal marketing environment [12]. In particular, they could be:

- increasing in number of corporate loyal consumer;
- enterprise's positive image making;
- marketing personnel satisfaction with their work;
- distribution of marketing best practices by an enterprise, etc.

Commercial effectiveness means financial consequences for an investor (owner) as a result of effective marketing managing system development at an industrial enterprise. [14]. As far as we offer to use the investment approach, commercial effectiveness of marketing managing system can be assessed according to traditional parameters of effectiveness of investment projects, after modification of their content:

$$NPV = I - \sum_{k=1}^n \frac{FCFF_k}{(1+d)^k} \quad (1)$$

where

NPV- net present value of an investment project;

FCFFk - free cash flow to the firm, generated by effectively functioning marketing managing system;

d- discounting rate;
n- quantity of periods (investment planning horizon)[15].

The discounting rate should be equal required profitability of the owner taking into account a risk premium:

$$d = e + f \quad (2)$$

where

d - discounting rate;
e - required profitability;
f – risk premium.

We offer to use 3-5 years period as planning horizon during which it is possible to assess the result of investments in marketing managing system development, because this term allows to get rather accurate forecasts.

We offer to build the structure cash flow on marketing activity by the direct method, based on inflows and outflows in each type of activity:

$$FCFF_k = CFO_m + CFI_m + CFF_m, \quad (3)$$

where

CFO_m – cash flow from marketing operations;

CFI_m – cash flow from marketing investments;

CFF_m - cash flow from marketing financing.

If NPV > 0 marketing investments are well-taken and marketing managing system is effective at an industrial enterprise

This approach allows showing the main sources of cash inflow and outflow as a result of effective marketing managing system realization at an industrial enterprise. It will stimulate the owner to finance marketing not by the residual principle, but forecasting that marketing will bring in an additional income to the owner. Besides, one more advantage is that cash inflow directly attached to the marketing budget, it allows to forecast prospective results more accurately and to monitor current results of effective marketing management taking into account available resources of the enterprise.

Conclusion

Therefore, in the context of market economy development, marketing becomes one of the main compounds in the managing system of an enterprise. However, the problems in marketing departments often do not allow achieving competitiveness among other enterprises on corresponding industrial and territorial markets. Due to this fact we offered a model of effective marketing system management at an industrial enterprise, which includes three levels of management and is based on strategic business units'

allocation, which allow realizing the client focused approach in marketing activity. We offer to assess marketing management system effectiveness by criteria of public and commercial effectiveness, that allows to identify both social and financial worthwhileness of marketing activity at an industrial enterprise.

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