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Making Better Marketing Decisions Faster with Accounting Data

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Marketers can make better decisions faster if they know how to use accounting data. Dolan [1] has suggested that "Marketing Research's function is to provide managers with information that assists in making decision. Manager must be aware of the costs and benefits of alternative methods in order to select the best research program and analyze the results. When an issue arises, the first question should be: can it be resolved with data that have already been collected and are in the company's possession?"

Marketers can use accounting data to help them make decisions on the 4Ps of marketing, namely, product, price, place, and promotion [2]. For examples, marketers can use accounting data to help them make decisions on product upgrade, price increase or decrease, place of distribution, and promotion on advertising.

If marketers have to decide whether to upgrade a product or not, marketers can calculate the percentage increase in volume to achieve breakdown to cover the increase in variable cost, and the increase in fixed cost as a result of the product upgrade.

If marketers want to decide whether to increase the volume of a bottle of beverage from 500ml to 600ml and keep the price the same, marketers can derive the breakeven percentage increase in number of bottles to be sold from accounting data. In effect, marketers decrease the price on per ml basis by upsizing.

If marketers want to determine whether to add distribution for a product in a certain outlet, marketers can perform calculations as follow. First, obtain the market share in outlets with product distribution. Second, project sales income and profit from multiplying such market share by the total retail sales value of the product's category in the new outlet currently does not carry the product. Third, compare the additional profit as result of listing the product with the payment to the new outlet to obtain distribution.

If marketers want to decide whether to increase advertising for a product, marketers can treat advertising as a fixed cost, and calculate the additional volume to achieve breakeven. Subsequently, marketers can also convert the volume increase required into market share increase in the outlets with distribution. They should then ask themselves whether the resulting market share increase is achievable or not.

In summary, both marketers and accountants can jointly make better decisions for a company if they communicate more. If marketers do not know how or are not interested in performing breakeven calculations, accountants can conduct different analysis and give advice to marketers.

References

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