

Nagy, Szabolcs

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## Criteria of Effective Marketing: Analysis of Corporate Marketing Activities in Hungary

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## CRITERIA OF EFFECTIVE MARKETING – ANALYSIS OF CORPORATE MARKETING ACTIVITIES IN HUNGARY

**Szabolcs Nagy**

Assistant Professor, Faculty of Economics, University of Miskolc, Hungary, 3510 Miskolc-Egyetemváros, +3646 565197, [marvel@uni-miskolc.hu](mailto:marvel@uni-miskolc.hu)

### SUMMARY

The practice of marketing has significantly changed among companies operating in Hungary since the economic transition with new emphasis, marketing activities and expectations have been emerged. This paper analyzes the role and significance of marketing in corporate practices; uncover the most important activities of marketing managers in current business processes; the size and tendencies of change in marketing budgets as well as the features and components of the dominant marketing orientation. Moreover, the reader shall gain insight into the analysis of cooperation activities of firms and their interpretation of the meaning of CSR. Besides this paper give an overview of the current trends influencing daily marketing practices and analyzes the correlation between the size of revenue and marketing activities. It is found that the strongest positive correlation is between brand building and higher revenue, e. g. building strong brands can be considered as the most effective marketing activity.

### 1. INTRODUCTION

Marketing, both in theory and practice, has been changed drastically both globally and locally in the past decades. Rapid technological development ignited a paradigm shift in marketing. LeeFlang, Verhoef, Dahlström, Freundt (2014) found that digital became an increasingly important source of competitive advantage in both B2C and B2B marketing due to continuously exploding internet access and usage across the world. Effectiveness is a buzzword in today's marketing. More and more efforts have been made to quantify business processes including marketing activities in order that companies can measure and compare costs of actions to their financial and other impacts. Marketing metrics have been in the forefront of marketing renewal since the Millennium (Paul W. Farris, Neil T. Bendle, Phillip E. Pfeifer, David J. Reibstein, 2006). The transforming marketing from traditional to digital facilitates measuring the impact of online marketing actions, but create a lot of new challenges, too. Some of them the effect of user-generated content on shareholder value (Tirunillai & Tellis, 2012) or how companies can analyze big data (Feit, Wang, Bradlow, & Fader, 2013).

While the theory of marketing is widely researched, scientific papers on marketing in practice can rarely be found in the literature. This is especially true in the case of the practice of marketing in Hungary. Although a conference dealing with new tendencies in marketing in Hungary was organized in 2012, and the conference proceedings was also published, but it contained analyses from the academic point of view (Józsa, 2012). That is why a strong need for an empirical investigation on corporate marketing activities in Hungary to define the criteria of effective marketing has been formulated by the Hungarian Marketing Association (HMA).

## 2. METHODOLOGY

The design and the implementation of the survey research was done by my host organization, Marketing Institute, University of Miskolc, a member of the HMA. Beesatisfaction provided online technical and organizational assistance during the project. In total, more than a thousand executives were approached in our survey conducted between 1 and 29 October, 2014. Respondents who did reply “don’t know” to at least half of the questions in the questionnaire have been excluded from further investigations. This resulted in 112 usable responses. This means that the response rate was rather low.

As far as the sample concerned, 62,3% of the total companies are small enterprises, 19,8% are medium sized enterprises and 17,9% are big companies.

The distribution of firms by NUTS region is uneven with companies operating in Central Hungary (69,7%) overrepresented in the sample. The distribution of the rest of the companies in the sample is as follows: Northern Hungary (10,1%), Western Transdanubia (9,2%), Southern Great Plain (3,7%), Southern Transdanubia and Central Transdanubia (2,8%-2,8%) and Northern Great Plain (1,8%).

79,4% of the firms have Hungarian owners, 20,6% of the companies is owned by foreigners. Distribution of the sample by group membership status shows that 68,9% of the companies are independent, and 31,1% of the firms are part of a group.

29,4% of the firms have more than 1000 million HUF revenues, and at the other extreme, 28,4% of the companies reported revenues less than 50 million HUF. The revenue of 9,8% of the companies in the sample is between 50 and 100 million HUF. 15,7% of the responding firms have revenues between 100 and 251 million HUF, 5,9% reported revenues between 250 and 500 million HUF. 10,8 % of the firms fell into the revenue category between 500 and 1000 million HUF.

Although the sample is not representative in any respect, but it can be used to explain tendencies.

## 3. RESULTS

When analyzing the importance of marketing among companies, firstly I investigated how marketing activities are organized in a firm. I found that one of four companies has no formalized marketing activities in house, which means they really do not care about marketing (see Figure 1). At the other extreme, approximately 1/3 of the companies have an independent marketing function or unit. They have both formalized marketing activities and a well-defined unit managing marketing in their organization. It is also usual that marketing is integrated into another corporate function such as sales, communication or trade (17.9%) or only one or a bit more persons are doing marketing but not in an organized manner (22.3%). In the latter case marketing related tasks are irregularly delegated to employees who are mainly responsible for other company functions. There is no a single company unit or department in charge of marketing activities.



Figure 1 The formalization of marketing activities  
Source: Own compilation

Companies were also asked explicitly to rate the importance of marketing in their organization (see Figure 2). Nearly one half of the companies considered marketing as an important organizational function, 23% of which stated that marketing is extremely important. However, 12 % of the firms regard marketing as an unnecessary or unimportant company function, whereas one of ten companies thought marketing to be a company unit with low importance. 29% of the firms replied that the marketing department in their organization has got average importance.

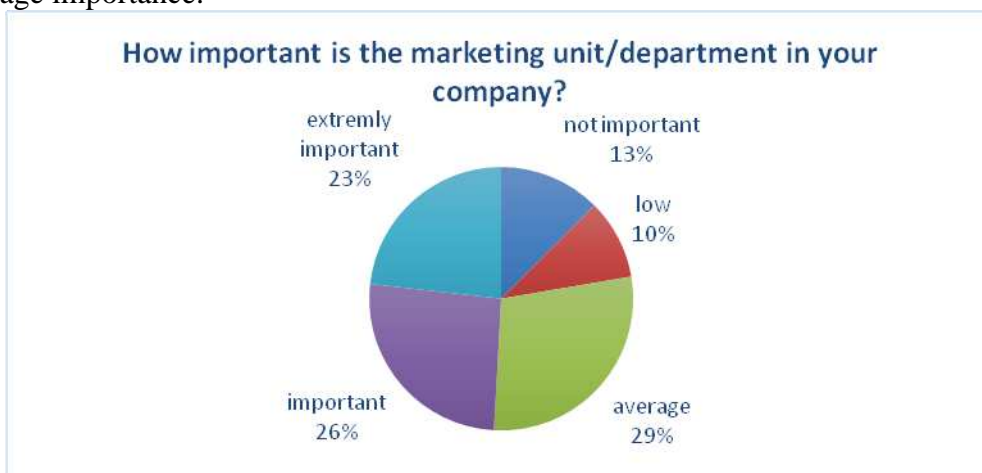


Figure 2 The importance of marketing unit/department  
Source: Own compilation

Another indirect factor showing the importance of marketing is the size of the marketing budget (Figure 3). 25% of the companies spend no money or a very low amount of money on marketing. One of four companies have got lower than average marketing budget, and 34% of the firms reported to have an average spending on marketing. It was also found that 7-7% of the companies have more than average or significant marketing budget.

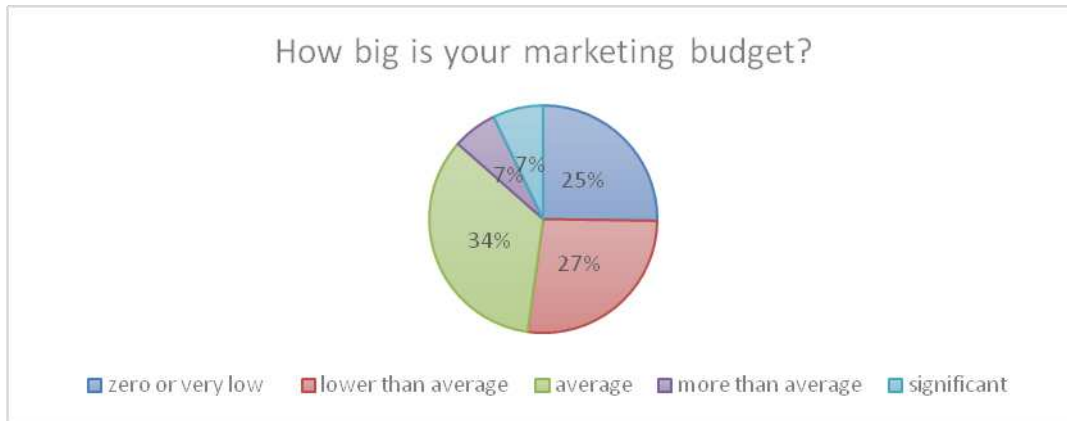


Figure 3 The size of the marketing budget

Source: Own compilation

Dominantly (typical of 18.2% of the firms) only one percent of the total revenues was spent on marketing (Figure 4). The second most frequent spending ratio is 5% (16.2% of the firms), the third is zero percent (13.1% of the firms), followed by 2% (11.1% of the firms) and 10% (10.1% of the firms.) The highest spending on marketing is 60 % of the total revenues, which was reported by only 1% of the companies. The average spending ratio is 6,8%.

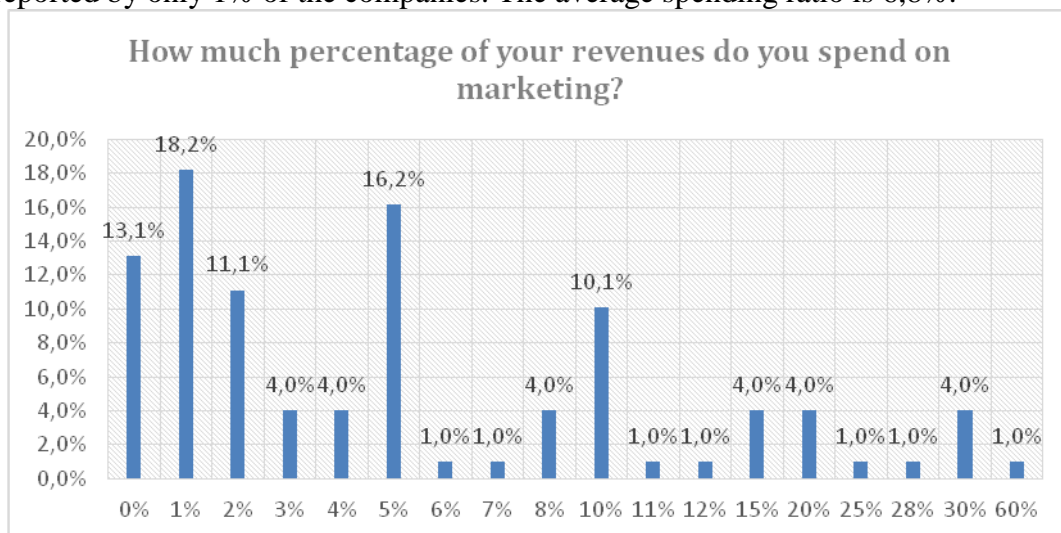


Figure 4 The size of the marketing budget as a percentage of the revenues

Source: Own compilation

Online marketing including managing the company website is reported to be the most typical marketing activity (Figure 5). Brand building, advertising, image building and content marketing are also in the top 5 marketing activities, with being considered to be very important fields of marketing practice. Managing events, fairs and trade shows as well as collecting market data, data analysis and database building as even with launching new products and services are also strongly related to marketing (4,0-4,5). Segmentation and positioning, sales promotion (SP), relationship marketing (RM), marketing research, developing marketing strategies and sponsorship also belong to marketing though with less importance, but still significantly (3,5-4,0). There are confronting opinions among firms if developing annual marketing plans, sales, trading, determining the product mix elements, CSR are marketing tasks yet. However, building CRM, supporting R&D and price management are thought to be related to fields that are rather other than marketing. Production planning is regarded as the least marketing related activity.

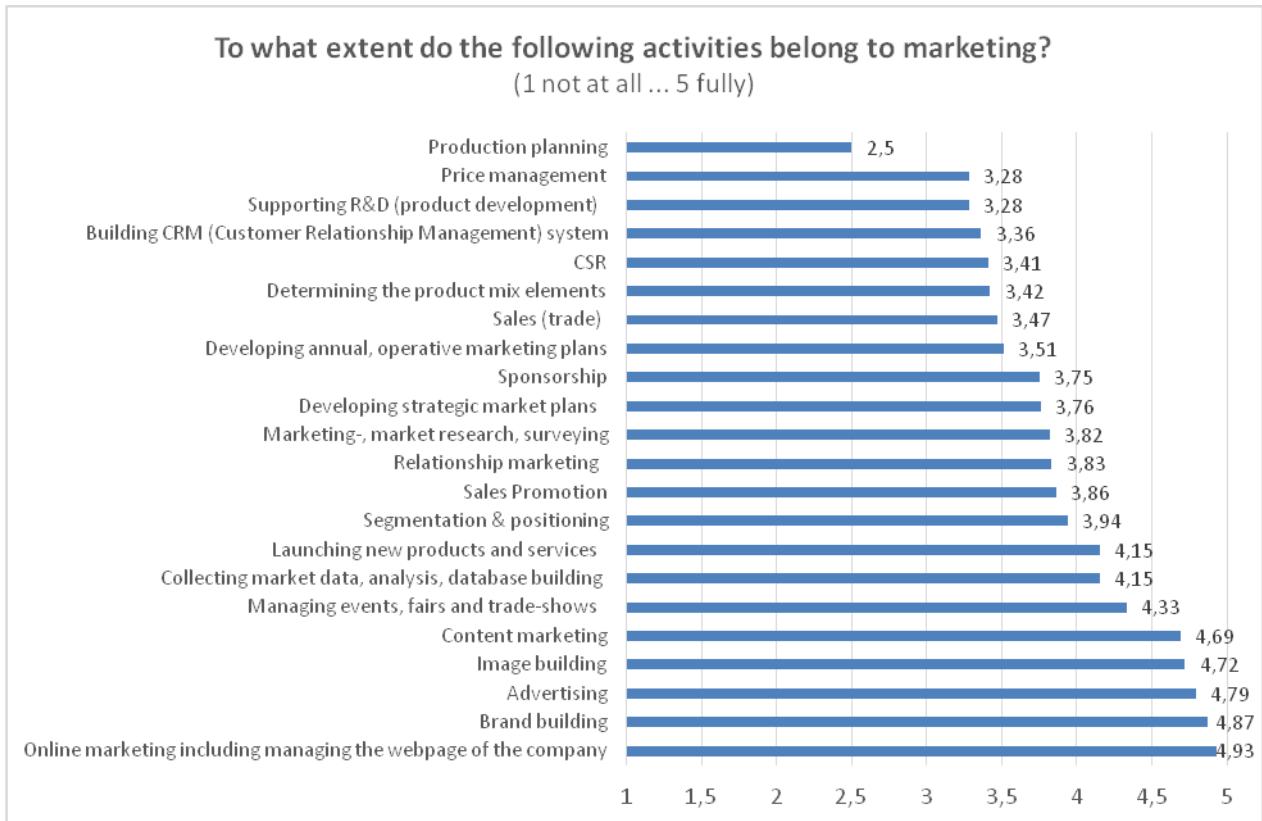


Figure 5 Typical marketing activities in theory

Source: Own compilation

Providing the best possible products and services to customers is the most typical marketing task in practice (Figure 6). Knowing and understanding customer expectations and providing high quality products/services are ranked as the Top 3 priorities in business practice. Companies reported that maintaining good customer relationships, high level of customer complaint management and keeping deadlines are everyday tasks with high importance. Prompt reactions to customer demand and having a flexible service system characterizes many firms. In practice, it is typical to more than the half of the companies that they measure customer satisfaction, have got products with significant competitive advantage and/or being able to predict changes in the relevant market(s). Having significantly more customers than the competitors, analyzing market demand and using information system to support marketing decisions are statements with which firms less frequently agree with. The least typical marketing activity in practice is launching many new products and services, however working content-marketing strategy and program; taking steps in the market to which the competitors are usually react, concentrating on the marketing of current products to avoid high R&D costs, and measuring the value of each customer are also ranked as the top 5 least typical marketing tasks.

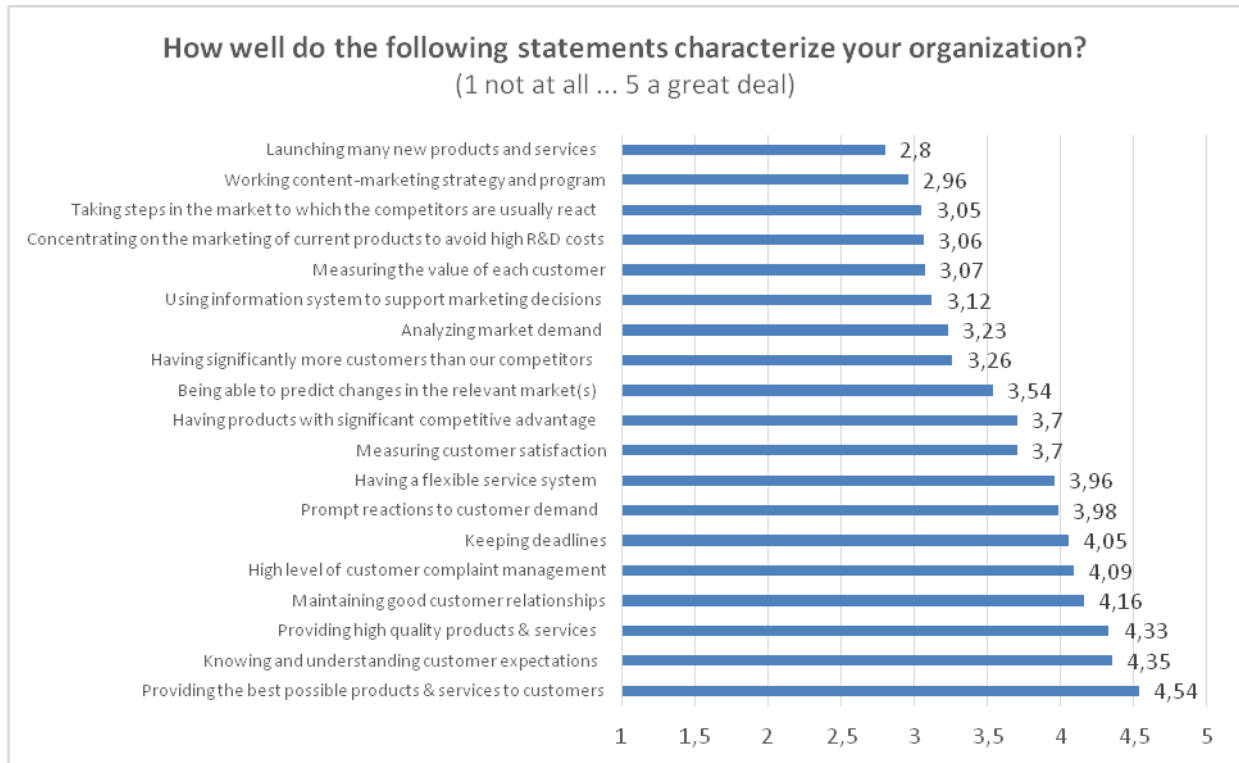


Figure 6 Typical marketing activities in practice  
Source: Own compilation

The cooperation intensity of firm is found to be rather low (Figure 7). Companies responded that they have the most intense cooperation with customers. The intensity of working together with suppliers is higher than average. Cooperation intensities with consulting service providers, professional bodies, associations, advisers and other companies in the same group are only moderate. It is not typical that firms cooperate with competitors, economic development organizations, universities and high schools as well as central government entities. The least intense form of cooperation can be seen between firms and research institutes in the first place, then organizations supporting innovation and territorial development organizations.

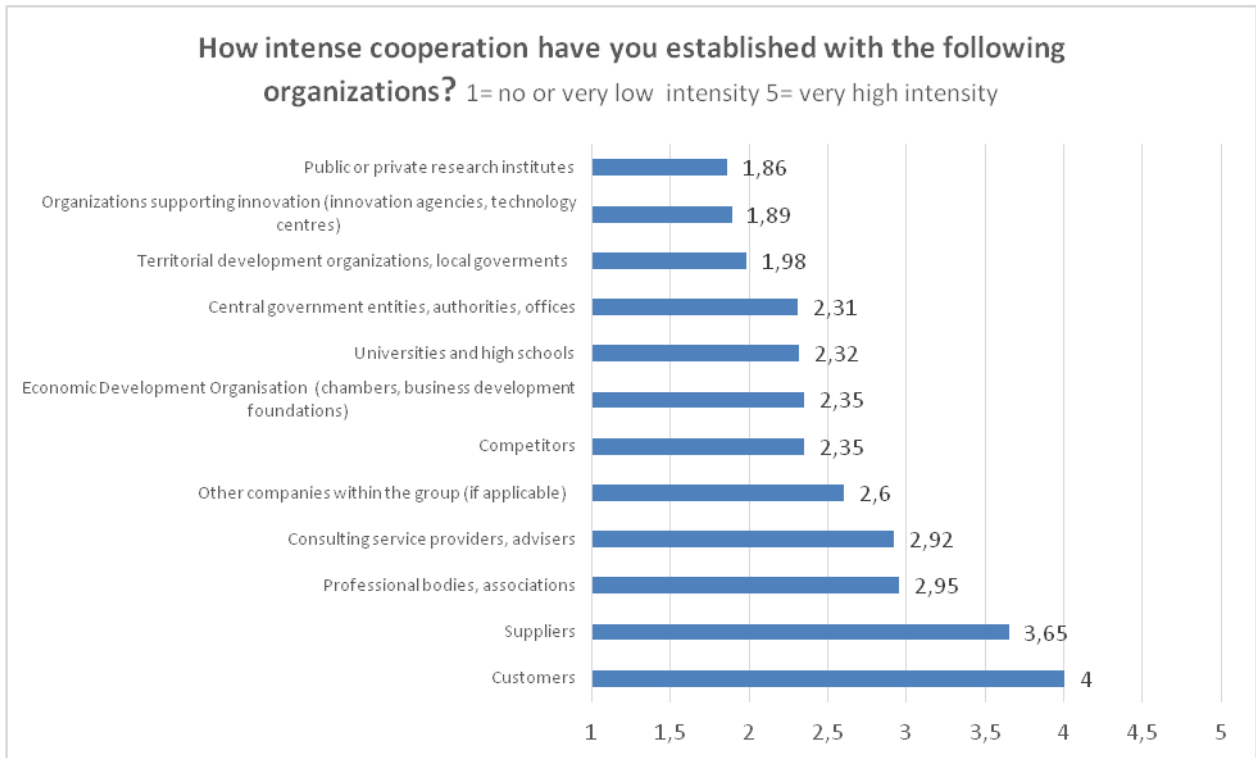
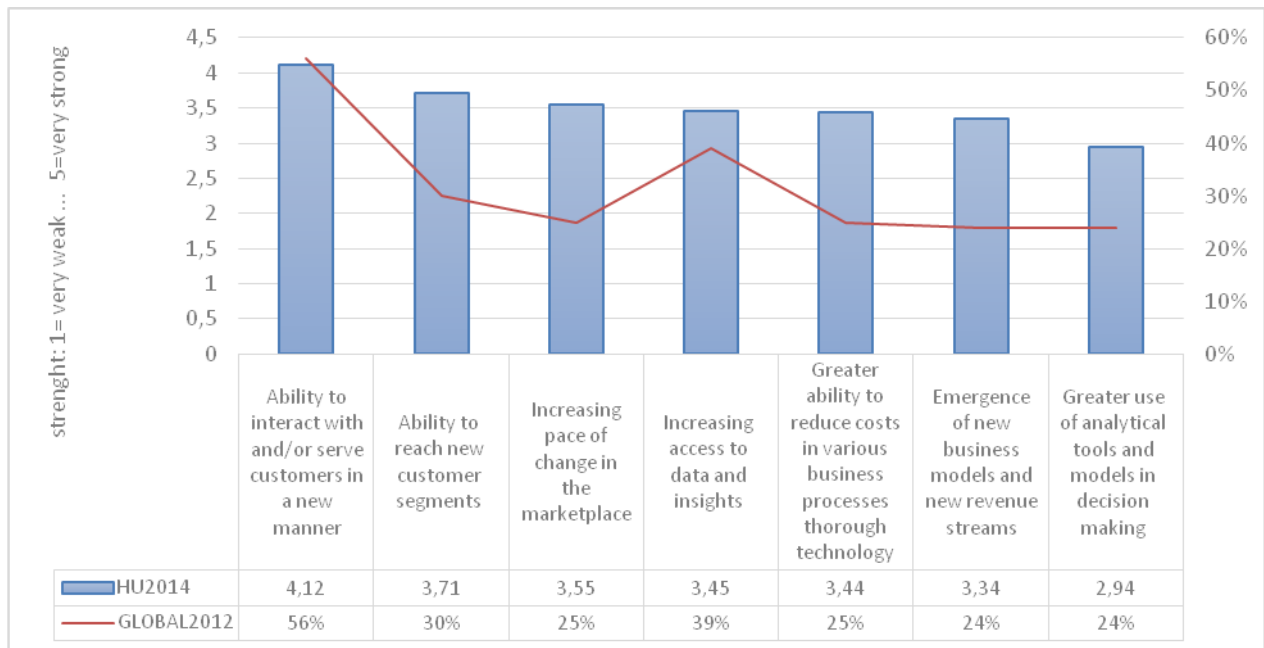


Figure 7 Cooperation intensity of firms

Source: Own compilation

To analyze current trends influencing daily marketing practices of firms operating in Hungary and to compare them to global trends I used the trend variables identified in a paper by Leeflang, Verhoef, Dahlström, Freundt (2014). They found seven trends, i.e. dominant changes that affected companies when analyzing the responses from 777 companies worldwide in their survey. They found that the increasing prevalence of digital media and tools in marketing most affected companies. I found that the ability to interact with and/or serve customers in a new manner is by far the most dominant change in Hungary, too. The second dominant change influencing firms operating in Hungary is the ability to reach new customer segments, the third one is the increasing pace of change in the marketplace. Increasing access to data and insights, which is the second most dominant global trend, is less important in Hungary, with being ranked fourth. Greater ability to reduce costs in various business processes through technology and emergence of new business models and new revenue streams also affect business processes including marketing, but in a moderate way. The least dominant trend globally and also in Hungary is the greater use of analytical tools and models in decision making.





\* Methodology and GLOBAL2012 data were adapted from Leeflang, Verhoef, Dahlström, Freundt (2014)

Figure 8 Most important changes that may affect companies

Source: Own compilation

Companies agreed with the statement to the highest extent that the main objective of CSR is to be responsible for customers (Figure 9). The second top priority of CSR is employees, the third one is the environment. It is also found that companies pay the least attention to suppliers and local communities/settlements when it comes to formulating and implementing CSR strategies.

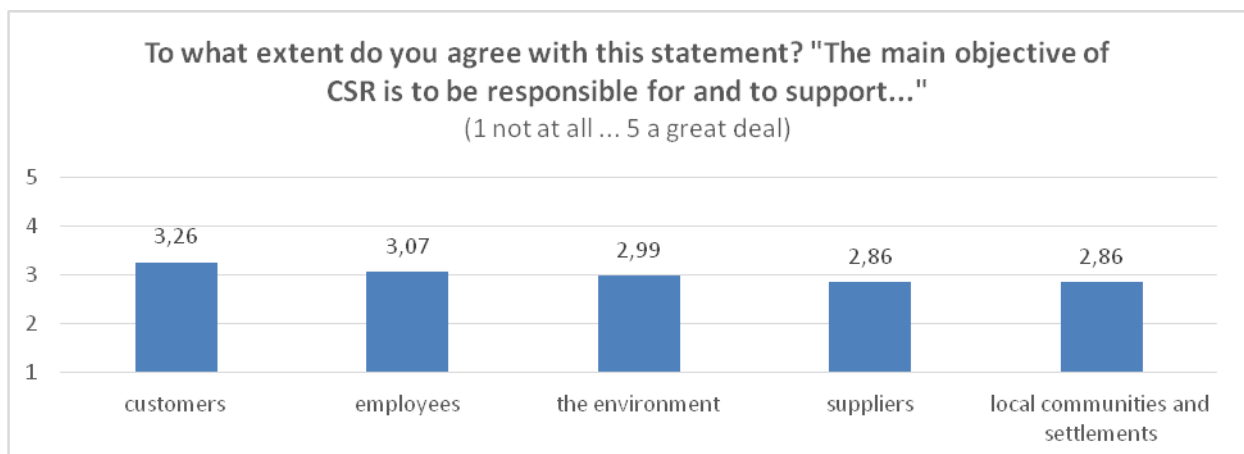


Figure 9 Interpretation of CSR

Source: Own compilation

In order to determine the elements of effective marketing, where effectiveness is expressed as a function of financial results, I analyzed the relationship between the size of revenues and different marketing activities (Figure 10). I found that the most significant correlation is between brand building and revenues. Managing and participating in events, fairs and trade show has also a significant positive impact on the revenues. Strong, significant correlations can be seen between the revenues generated and online marketing, advertising, sponsorship and image building respectively. Content marketing, marketing research, sales promotion and CSR also have weak correlation with the revenues.

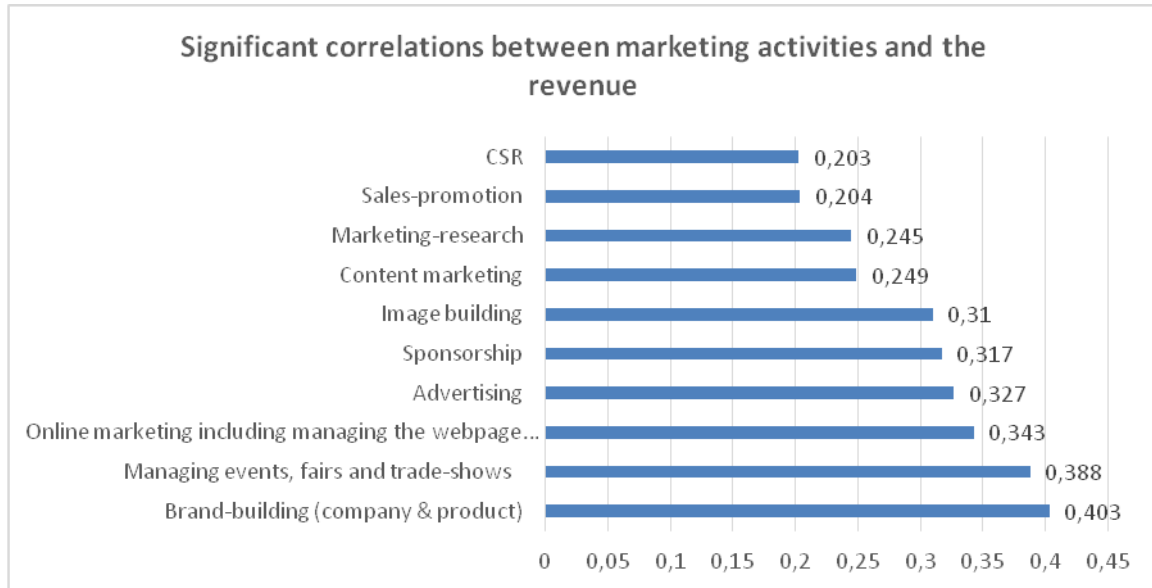


Figure 10 Correlations between revenues and marketing activities  
Source: Own compilation

As Table 1 shows there are significant correlations between revenues and other marketing and demographics variables. As for demographics variables, the type of the company (size of the firm) has the highest impact on revenues.

Variable	Correlation strength
Flexible reaction to customer needs	0,317
Flexible services system	0,272
Good relationship with customers	0,242
Ability to forecast changes in the market	0,213
Type of the company	0,731
Ownership	-0,507
Group membership status	-0,432
Sales orientation	0,283

Table 1 Significant correlations between revenue and other marketing variables  
Source: Own compilation

The bigger the company in terms of number of employees the more revenues will generate. Ownership (foreign owner) and group membership status (part of a group) also strongly correlated with the revenues. Sales orientation of the company slightly correlates with revenues. The more global markets serve a company, the more revenues can generate. As far as other marketing variables concerned, moderately strong correlation can be seen between flexible reaction of customer needs and revenue, and weak correlation between flexible services system, good relationship with customers, ability to forecast market changes and revenues.

#### 4. CONCLUSIONS

The results of my investigations on the importance of marketing show that a great number (25,9%) of companies in Hungary simply do not have formalized marketing activities in the organization, even there is no a single employee who is in charge of marketing, which means that marketing is unimportant for these firms. In today's turbulent business environment is absolutely unbelievable and against my previous expectations. It is also surprising that for

22% of firms marketing is a company function having no or low importance. Results of the analysis of the size of the marketing budget also support the idea that a quarter of the firms not only consider marketing unimportant but also spend nothing or very low amount of money on marketing. In practice, 13% of companies have zero marketing spendings, more than one third of the firms have spent only 1-4% of their revenues on marketing. The average 6,8% spending ratio is considered to be rather low. Consequently, it would be advisable for organizations such as the Chambers to organize a campaign to inform uninterested firms about the importance of marketing. However, it would be rather difficult to implement such an action as the cooperation intensity of firms with similar organizations is very low. That campaign should be preceded by an information/educational campaign to increase the willingness of cooperation of firms. Additional information campaign would be required to clear up misunderstandings regarding CSR as several firms are convinced that the main objective of CSR is to be responsible for our customers.

When investigated the perception of typical marketing tasks in theory and practice, I found that companies considered online and content marketing, brand and image building and advertising as ultimate marketing activities in order to provide the best possible products and services to their customers after having understood customer expectations. Customer centricity proved to be the key to success. I also found that the same trends in marketing, especially the emergence of digital marketing, affect companies globally and locally, in Hungary, too.

If marketing effectiveness is defined as a function of financial results, effective companies in Hungary are building strong brands, frequent participants of fairs, commercial events and trade shows as well as are good at online marketing, advertising and sponsorship. Image building, content marketing, extensive marketing research, sales promotion and CSR are also typical marketing activities of the best performers.

All things considered, marketing practice in Hungary shows a diverse picture and there is still room for improvement for several companies that are currently uninterested in marketing.

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