RESEARCH: SUMMARY SERIES

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Differences in decision-making criteria towards the return on marketing investment: A project business perspective

Hedley Smyth, Laurence Lecoeuvre, International Journal of Project Management 33.1 (2015) p.29-40

KEYWORDS

- Decision-making
- Finance
- Marketing
- ROMI

Article Highlight:

This article encourages the use of return on marketing-specific investment (ROMI), paired with client lifetime value (CLV) and programme data sets, as a tool to facilitate dialogue between finance and marketing departments.

What does the paper cover?

Marketing and finance are often treated in isolation, and decision-making at the interface between the two has been under-researched.

The article addresses this research gap by examining ROMI and return on investment (ROI) qualitatively and quantitatively. This is done with a view to establishing whether they can improve dialogue between finance and marketing.

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Three aspects of the finance–marketing interface are considered:

- the market and shareholder value;
- the level of the firm;
- the interface dynamics.

The article's literature review finds evidence backing a qualitative approach with a long-term focus for encouraging dialogue between marketing and finance, especially when combined with quantitative data on CLV and programme data sets.

Methodology:

The authors conducted qualitative research via interviews and observation. Project business units as part of large market-leading companies (e.g. Disneyland, Renault) were selected for the analysis.

Interviews with key members of these units were conducted over six months, with each interview lasting around 45–90 minutes and a total of 87 interviews completed. The authors allowed the agenda to be set inductively by those they spoke to so that their own priorities could be drawn out.

Analysis of documents and direct observation in situ were also employed. Interview information was interpreted by coding significant issues that repeatedly arose to the point of saturation.

Research findings:

There was no consistent approach to managing the finance–marketing interface and the application of ROMI. CLV was also absent. Interview comments reflected a preference for short-term drivers to maximise returns over long-term considerations. Respondents also preferred multi-data models to ROMI, despite their statistical limitations.

Finance departments drove business decisions around efficiency measures, rather than looking at overall and future effective performance. There was a lack of shared dialogue between finance and marketing, and evidence of marketing departments coming under pressure to prove investment plans will have short-term profitability.

Qualitative use of ROMI among the respondents was limited, with many decisions instead being based on quantitative data.

Conclusions:

The dominant power of finance tends to overrule dialogue and balanced decision-making. Marketing will thus continue responding to the demands of finance until it is challenged by applied criteria for such dialogue. Finance, in turn, will need to temper its demands.

ROMI offers a long-term solution that will facilitate dialogue, but it needs to be used in conjunction with CLV and programme data sets.

The authors recommend that future research look more extensively into ROMI application and dialogue generation. They suggest that senior management will also need to play a broader role in encouraging dialogue between marketing and finance.

Significance of the research:

The interface between marketing and finance is a relatively neglected topic. This article seeks to explore this under-researched area, and suggests further potential research directions that will help fill this knowledge gap. By doing so, better dialogue and decision-making between finance and marketing may be achieved. It also examines the applicability of ROMI to project businesses at a deeper level than has been attempted previously.

Complete article

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Glossary:

Return On Marketing Investment (ROMI): contribution to profit attributable to marketing (net of marketing spending), divided by the marketing 'invested' or risked.