Decision makers’ use of Return on Marketing Investment metrics in the decision-making process

Mikaela Zahn, Joanna Jönsson

Independent Project in Business Administration, 15 credits

Halmstad 2018-05-21
Decision makers’ use of Return on Marketing Investment metrics in the decision-making process

INTERNATIONELLA MARKNADSFÖRINSPROGRAMMET

MIKAELA ZAHN
JOANNA JÖNSSON
Abstract

There is extensive literature written about how to calculate Return on Marketing Investment (ROMI) and its importance for marketing managers. However, there are not many studies made on how and when Return on Marketing Investment metrics are used in real life and if and how it is used to argue the value of a marketing activity. We have in this study with comparative cases investigated if and how ROMI metrics are used by managers outside the marketing department in their decision-making process. We based our case selection on how well they represented "Mad men to Math men" presented in Gilan and Hammarberg (2016)'s book "Get Digital or Die Trying." Mad men refers to old school "gut feeling" marketing decision making and "Math men" refers to modern digital marketers with decision making based on numbers and statistics. This study is made from the decision makers point of view with the purpose to gain a better understanding of if and how ROMI calculations are used in the decision-making process of senior management outside of the marketing department. This comparative case study consists of eight in-depth interviews, four in each company. The interviewees are all senior management outside of the marketing department. Our findings include that these two companies work very differently in how they make decisions in marketing investments. In Company 1 the marketing budget is decided by senior management outside of the marketing department, and this management may also cut the marketing budget if they see it necessary. In Company 2 the Segment Managers are responsible for the amount of the budget they would like to invest in marketing activities, and therefore they have more incentive to calculate the return of each investment and compare it with the return on other investments available to them. One of the reasons for the different ways of working can be a result of the different responsibility structure over the marketing budget. There is also a difference in how the two companies measure the success of the investment; Company 1 measure success in pure financial return and Company 2 measure success in increased market shares as well as financial return. Company 2 are using ROMI metrics to a greater extent than Company 1, who does not use any ROMI metrics. Marketers in this study get an idea of how using ROMI metrics can help argue their case for further investments in marketing or cutting the budget for the marketing department. With the use of ROMI metrics, marketers can also evaluate which marketing activities are more efficient and thereby decide if they should continue with these activities or not. This study also shows that there is still, in some companies, a divide and conflict between the finance department and the marketing department. By shifting the responsibility of the marketing budget like in the case of Company 2, the adverse effect of this division on the marketing investments can be reduced. It can also be beneficial for the company to focus more on market shares than on sales and numbers. As digital marketing is growing stronger, the calculations of ROMI will become easier.
Keywords: Return on Marketing Investment (ROMI), decision-making process, senior management, marketing department, finance department, ROMI metrics, real-life ROMI, comparative case study, Mad men, Math men
Table of contents

Abstract

1. Introduction 1
   1.1 Background 1
   1.2 Problem 4
   1.3 Purpose 5
   1.4 Research Questions 5
   1.5 Delimitations 5
      1.5.1 Balanced Scorecard 5
      1.5.2 The company’s approach to the marketing mix 6

2. Frame of reference 6
   2.1 Different metrics used to calculate ROMI 6
   2.2 Decision maker 7
   2.3 Decision-making process 8
      2.3.1 Risk 9
      2.3.2 Limited Rationality 9
      2.3.3 Decision-making process in Marketing 9
   2.3.4 The analytical hierarchy process 11
   2.3.5 Key Performance Indicators 12

3. Methodology 14
   3.1 Research design 14
      3.1.1 Why case study research? 14
      3.1.2 Comparative Study 15
      3.1.3 Case selection 15
   3.2 Data Collection 16
      3.2.1 Primary Data 16
      3.2.2 Secondary Data 18
   3.4 Method of analysis 18
   3.5 Quality criteria for research 19
   3.6 Summary 21

4. Empirical findings 22
   4.1 Company 1 22
Table 1:1- Use of ROMI Metrics 23
Table 1:2- Decision-making process in marketing investments 24
4.2 Company 2 25
Table 1:3 - Use of ROMI Metrics 26
Table 1:4 - Decision-making process in marketing investments 27

5. Analysis 29
5.1 Usage of ROMI metrics 29
5.2 The decision-making process 31
5.3 Summary 31
Table 1:5 31

6. Conclusion 34
6.1 Contribution and implications 36
6.2 Suggestions for Further research 37
6.3 Recommendations to the companies 38
  6.3.1 Company 1 38
  6.3.2 Company 2 39

List of References 40

Appendix 1 43
The hierarchy for Choosing a Marketing Strategy 43

Appendix 2 44
Interview guide 44
1. Introduction

There is much literature written about how to calculate Return on Marketing Investment (ROMI) and its importance for marketing managers. However, there are not many studies made on how and when Return on Marketing Investment metrics are used in real life and if and how it is used to argue the value of a marketing activity. This study aims to start understanding the gap between what information regarding the return on the investment the decision makers who are not part of the marketing department, find useful in their decision-making process. It also investigates the marketing department's ability to translate the benefits of their marketing activities into a language that the decision makers understand and can compare with other investments they make in the company.

1.1 Background

“A man who stops advertising to save money is like a man who stops a clock to save time.”
-Henry Ford
(Gilan & Hammarberg, 2016, Page 102)

“From Mad Men to Math Men” (Gilan & Hammarberg, 2016, Page 32)
Gilan and Hammarberg state in their book "Get digital or die trying" that marketers are more and more leaving the traditional way of looking at marketing and entering the new way of data-driven digital marketing. Digital marketing consists more of numbers and math, which is why Gilan and Hammarberg have chosen to call modern marketers for "Math men." Traditionally the marketing department was seen as a separate entity that differed from all the other departments. Thanks to digitalization these borders are being erased, and all the departments in a company are more seen as activities, part of a full process from production to customer. All departments must work together as one integrated unit to attract and create business opportunities, convert leads to sales, drive the business forward and make sure the customer stays for a long time, thus increasing Customer Lifetime Value (Gilan & Hammarberg, 2016).

The award-winning series "Mad Men" represents the old-fashioned way of looking at marketing as decisions made on feelings and creative ideas. There are still elements of this in modern marketing, but decisions are now made based on data, statistics, and results (Gilan & Hammarberg, 2016). Previously marketing was viewed as something that a company would put money into when they could afford it and one of the first things to be cut in bad financial times. This view forces marketers to find a way to prove that the proposed marketing activities will give the company something back in terms of value. In short, it is necessary to be able to measure the value of intangible profits (Seggie, Cavusgil & Phelan 2007). Even so, there are still many marketing investments made with no expected return, often made to "get the word out" but not to increase sales. As a company would never invest...
money in a machine unless it would lead to higher profits or reduced costs, it should not be any different when it comes to marketing investments (Powell, 2002).

As investment decisions in a company are driven by financial results, the challenge can lie in getting top decision makers, for example, a board of directors, to agree to a customer marketing investment, unless it can be proven that the investment will lead to some tangible short-term gain for the company. This leads to companies investing more and more into short-term marketing activities and less into long-term, and more difficult to measure, marketing activities (Greenyer 2006).

Shareholders are significant influencers in the decision-making process for companies and usually want to see financial growth. Companies that have a large number of shareholders, therefore, need to be able to communicate with their shareholders effectively, as these often also are customers to the company. This means that financial reports are an essential part of marketing communication in these types of companies. Financial reports are often, and in many ways used to measure the productivity and success of the company, important marketing messages should, therefore, be included in these reports (Greenyer 2006). It can be challenging to include marketing activities in financial reports. One of the reasons for that is that marketing investments often differ from other types of investments as they are not always tied up in inventories, fixed assets or receivables. Moreover, marketing investments often come from what would otherwise be liquid funds. Thus it is very tricky to compare marketing return on investment to other types of return on investment. The return on marketing investments can also take many years to be evident as they are many times long-term investments (Farris, Hanssen, Lenskold & Reibstein, 2015).

Despite this, most people see a marketing investment as a short-term cost rather than a long-term investment for the company. Marketers are often being accused of not showing how marketing expenses add value to shareholders as a result of the difficulty to show financial accountability in marketing expenses. This has led to weakening the credibility of marketing as a function and makes it difficult for the marketing department to justify why their budget should not be cut. Measuring return on marketing investment and translating this return into a language that a board of directors and shareholders can understand and compare to return on other types of investments is difficult, but it has shown that being able to do so has a significant effect on profitability, company performance and stock returns. Executives often rely on the percentage of revenues to guide their decision making when it comes to marketing investments (Sungil & Shijin, 2012). The need to quantify the value of a marketing activity has its roots in finance and the role they play in budgeting for marketing activities. To justify certain spending on marketing a proven financial return on that investment is often necessary as it is with any other investment the company makes. As the return on marketing investment is often difficult to quantify in financial terms, there is a motivation to find a common language which makes this kind of investments comparable with other types of investments (Farris et al. 2015).
Many different metrics can be used when calculating the return of a specific marketing activity would get. Return on Marketing Investments aka ROMI measures the ratio between the financial resources invested in a specific marketing activity and the result of the investment in financial return (Stewart 2009). When it comes to calculating ROMI for the long-term perspective, Customer Lifetime Value (CLV) is another focus, and also one of the most common metrics used in marketing. (Powell, 2002). The short-term perspective on ROMI focuses on a specific time period instead of focusing on a specific marketing activity (Powell, 2002). Stewart (2009) also talks about Real Options as the third and last kind of Return on Marketing Investment. This focuses on the future opportunities the company can or cannot take advantage of (Stewart, 2009). As mentioned before, return on marketing should be evaluated on a long-term basis rather than a short-term since a marketing activity can take time to provide resonance and effect. Nevertheless, there needs to be a connection between the two in order to properly measure the profit of investment in marketing (Seggie et al. 2007). Economic Value Added (EVA) is still an accounting metric, but its advocates argue that it is more evolved, that it measures performance and leads to improved stock performance. Economic Value Added Marketing (EVAM) is also financially based and objective which helps give credibility to the marketing department (Seggie et al. 2007).

The concept of ROMI has been known since the end of last century, but marketers have only recently started applying it to everyday business practices. Marketing measurements are also moving towards financial analyses as opposed to more traditional measurements such as customer equity. The reasons for this are the increase in competitiveness amongst companies as well as the economic uncertainty. This has generated a sense of justifying every financial decision made to make sure it is worth it (Yanez, Portilla & Claw, 2015).

Return On Marketing Investment metrics can be used in the decision-making process as any other type of return on investment, for example, to decide when to invest or not to invest in planned activities and to prove the suggested activity’s value to top management. When used correctly it is a tool that helps with the budgeting process and to solidify the marketing departments contribute to the overall success of the company. In tough times it is a useful tool to use to argue the need for investment in certain marketing activities (Powell 2002).

When discussing decision making the focus often lies on the decision itself and not in the process of reaching the right or the best decision. Harrison (1996) defines decision making as making a judgment how to act in a certain situation after comparing and discussing the alternatives. He also includes three different phases of decision making: finding an occasion, a possible course of action and to make a choice on how to act (Harrison 1996). The theories state a couple of different ways of processing a decision, for example, rational choice and limited or bounded rationality. March (1994) describes rational choice as built on the idea that the decision maker has got perfect knowledge of all the alternatives and their consequences including all preferences relevant to the choice. Researchers that have observed the behavior of decision makers have concluded that in practice rational choice is very difficult to obtain. In real-world decision making, the rules and guidelines for making a good decision with the desired outcome differ from the theory of decision making. This, combined
with the idea that individuals have an intention of being rational but are limited by their cognitive capabilities and incomplete information, builds the theory of limited rationality (March 1994). The difference between a classic management decision making and marketing management decision making according to Wierenga (2011) is that the marketing decision is a combination of soft judgment and hard data. To be able to make a good decision in this area requires specific expertise since it has certain features and is applied in a specific context (Wierenga 2011).

The analytical hierarchy process can be used in the marketing management decision-making process. Different objectives that should be reached are put into different levels in the model. Prioritizing the factors in one level with respect to each factor in the previous level and finding the overall priorities, the relative influence, feasibility, importance or contribution in regards to the overall objective can be found (see appendix fig 1) (Saaty 2010).

1.2 Problem

There is a common confusion on whether ROMI differs from ROI used in other areas of the company. The marketing departments have also had a lack of incentives to calculate and use ROMI as an actual tool to improve their profitability and efficiency (Farris et al. 2015).

Farris et al. (2015) define Return on Marketing Investment as: "the financial value attributable to a specific set of marketing initiatives (net of marketing spending), divided by the marketing 'invested' or risked for that set of initiatives" (Farris et al. 2015, p. 270).

There does not exist a "best practice" theory on how to measure marketing productivity. The classification system is defined by some scholars as measuring marketing expenses for marketing performance. Other people have moved forward presenting a ROMI-model using customer equity (Sungil & Shijin, 2012).

Smyth and Lecoeuvre's (2014) study consisting of a total of 87 interviews in different business units of large companies found that the finance department in many companies was trying to transfer the responsibility of limiting the investments on to the marketing department. The marketing department was constantly forced to justify their recommendations of an investment with accuracy by the finance department who had greater power. The two departments had different ideas of what to focus on with the finance department controlling inputs and efficiency of cost, while the marketing department had output and performance outcomes as the focus (Smyth & Lecoeuvre, 2014). The demands on marketers having to prove the profitability of an investment to maintain their influence were great. While finance was demanding more justifications of investments from the marketing department, they failed to take responsibility for the context and to collect appropriate data to support marketing (Smyth & Lecoeuvre, 2014).

There are many ways to calculate the return on a marketing investment and many problems with how to use it and which is the best way to compare it to other investments. In this study,
we would like to research which ROMI calculations are used in real-world business situations in companies and if they are used as tools to further highlight the importance of marketing activities. In comparing what information regarding the return on marketing investment the decision maker/s consider useful and what information the marketing departments use to argue the worth of the investment, this study can assist marketers to further understand how to use ROMI calculations in marketing investment situations. If the marketing department can prove the worth of the investment and translate this worth into a language that decision-makers can understand, and compare to other investments in the company, marketing investments will be taken more seriously and not seen as luxuries for the company only to be done when finances are good. To be able to understand and compare the ROMI with other types of ROI, will be a useful tool for decision-makers to make good decisions on marketing activities which are important parts of increasing the financial gain for the company and overall well-being of the business.

1.3 Purpose

The purpose of this study is to gain a better understanding of if and how ROMI calculations are used by top decision makers in their decision-making process.

1.4 Research Questions

1. How can the ROMI process in companies be described?
2. How does top decision makers use ROMI metrics in their decision-making process?

1.5 Delimitations

1.5.1 Balanced Scorecard

A more detailed way of measuring ROMI is using the balanced scorecard which gives a broader look at the whole organization through four differing perspectives; the customer perspective, the innovation and learning perspective, the internal business perspective and the financial perspective (Seggie et al., 2007). Financial and non-financial indicators are then parts of the scorecard under each pillar. The balanced scorecard takes into account external factors as the market as well as internal processes and human resources (Ritter, 2003). It is partially forward looking, and although being financial, it gives a wider range of components that contribute to gains for the company. However, it does not provide any connection between marketing and long-term financial growth of the company and no way of analyzing the impact on an individual customer level. There is no way of comparing with competitors either, and the balanced scorecard gives only an absolute measure (Seggie et al., 2007). The metrics described in this study could be used as a part of the balanced scorecard in an organization rather than using the balanced scorecard model as a way of measuring ROMI.
We consider the human resources perspective to be an important part of the decision-making process, however, for this particular study, we have chosen not to include the full view of this perspective. It should, however, be explored further in future studies. This study concentrates on the decision makers' use of ROMI in the process.

1.5.2 The company’s approach to the marketing mix

Mintz's (2011) study on; "what drives managerial use of marketing and financial metrics and does metric use impact performance on marketing mix activities," explore the link between the usage of financial metrics, marketing metrics and the marketing mix invested in. The study looks at the influence the company's overall strategy, choice of marketing mix and stage of the product lifecycle have on the use of financial and marketing metrics. The findings include that the use of metrics by a manager is not based on who the manager is but more on motivation, facilitation, and resources to use these type of metrics (Mintz, 2011). We will not look at the type of the marketing mix the companies are using or the type of marketing activities the companies are investing in. This study is focusing on the general use of Return on Marketing Investment metrics used by senior managers outside of the marketing department and what type of metrics they find useful in their decision-making process.

2. Frame of reference

2.1 Different metrics used to calculate ROMI

Stewart (2009) talks about three kinds of ROMI; Long-term ROMI, Short-term ROMI, and Real Options. The long-term ROMI is related to brand and customer equity in terms of the expected effect the marketing investment have on the company's brand equity (Stewart 2009). Assuming the specific marketing activity leads to a higher perceived value on the company's products and services resulting in higher perceived value for future sold products, which means the company expects their future sells to increase from a specific marketing activity (Phillips & Phillips, 2005).

Customer Lifetime Value (CLV) is a metric with a long-term approach. One way of determining the return of a marketing investment is understanding how each customer adds value to the company and their products. Measuring return on marketing investment through CLV is dependent on the ability to connect customers characteristics with their actual buying patterns. According to Greenyer (2006), the availability of data from the customers has dropped significantly with the "opt out option" on email marketing and the decrease of B2B customer information lists that are available to buy. On the other hand, the advances in technology have made this type of communication with the customers much less expensive (Greenyer 2006).
The short-term approach to ROMI is focusing on a specific time period instead of the effects of a specific marketing activity. Looking at the after effects, the outcome of a company's investments in marketing and the results in sales revenues. Measuring the financial resources invested in marketing and the results of a company's profitability for a specific time-period. By measuring the increase in sales due to a marketing action and adjusting it for increased production costs, shows the short-term effect of marketing (Powell, 2002).

The third and last kind of Return on Marketing Investment that Stewart (2009) talk about is Real Options. The Return on the Marketing Investment is measured by how it influences new potential future valuable opportunities, focusing on the future opportunities the company can or cannot take advantage of (Stewart, 2009).

As mentioned in the introduction EVAM is a financially based and objective metric; however, the con arguments are that it is past and short-term looking and offers no solutions to the problems it might show. It does not connect the marketing investment made with the value of the company that it might bring (Seggie et al. 2007).

When it comes to calculating risk, which is a major challenge in marketing, most marketers look at each program as having the same levels of risk in their projections, when most programs have different levels of risk although they might have the same expected return. For example marketing actions that build customer loyalty reduce the risk levels as the loyalty increases. This should be taken into consideration when evaluating the return of such programs either assessing them on their short-term ROMI or the reduction of risk long-term (Pauwels & Reibstein 2010).

2.2 Decision maker

In this study, the top decision maker is defined as the person outside of the marketing department that will be involved in the decision regarding the financial funding of a specific marketing investment and the marketing activities that the company should invest in. This responsibility is appointed to senior management as opposed to junior management.

Two personality characteristics have been used to identify a decision maker. The first personality trait is the need for achievement. Having a need for achievement means achieving better results from their actions and feeling responsible for those actions. Some researchers mean that this type of decision maker has a tendency to being more attracted to rational decisions. The other personality trait that is identified is risk attitude. Risk attitude has been defined as a psychological personality of an individual who shows different degrees of risk-taking or risk avoidance behavior. It has been shown that a Chief Executive Officer (CEO) who has a risk attitude generally makes faster and less rational decisions (Francioni, Musso & Cioppi, 2015).
2.3 Decision-making process

Traditionally with most companies being top-down organizations, leaders made the decisions, and the workers would implement the tasks. Today, however, more and more companies have flattened their organisations, and it is important for the leaders to involve the workers in the decision making process. It is the leader's job to decide who should be involved in the discussion. The leader will also have to decide what information is needed to make a successful decision (Schwarber 2005).

Schwarber (2005) states that decision makers look at the following three things in this sequence:

1. Objectives
2. Alternatives
3. Risks

(Schwarber 2005, p. 1087)

When discussing decision making the focus often lies on the decision itself and not in the process of reaching the right or the best decision. Harrison (1996) defines decision making as making a judgment how to act in a certain situation after comparing and discussing the alternatives. He also includes three different phases of decision making: finding an occasion, a possible course of action and to make a choice on how to act (Harrison 1996).

The theories state a couple of different ways of processing a decision, for example, rational choice and limited or bounded rationality. March (1994) describes rational choice as built on the idea that the decision maker has got perfect knowledge of all the alternatives and their consequences including all preferences relevant to the choice. They are often made on very general assumptions which are not always applicable or true, such as that a higher price will lead to lower demand in general. Researchers that have observed the behavior of decision makers have concluded that in practice rational choice is very difficult to obtain as the available alternatives can be combined in too many ways to reach a decision that would maximize the expected return (March 1994).

Following a decision, the decision maker can experience both pleasant and unpleasant post-decision surprise. According to March (1994), this is one of the characteristics of decision making as due to unforeseen environmental factors that most likely makes the outcome of a certain decision unpredictable. Another of the characteristics that March (1994) talks about is post-decision regret, which is when after a decision is made, the decision maker realizes that other alternatives would have been better had all the factors been known. In more elaborate rational theories of choice, the degree of risk or uncertainty is a factor that is assessed when
deciding the value of an alternative. Yet another factor assessed is the average expected return (March 1994).

2.3.1 Risk

Risk and uncertainty are issues in investment decisions that cannot be avoided, but they can be managed. Alao and Adebawojo (2012) argue that some sort of risk in investment is what makes the investment worthwhile, but managers need to use an analysis method to prevent and understand the risks and their consequences. One way of doing this is to look at the expected value or return on the investment (Alao & Adebawojo 2012).

2.3.2 Limited Rationality

In real-world decision making, the rules and guidelines for making a good decision with the desired outcome differ from the theory of decision making. This, combined with the idea that individuals have an intention of being rational but are limited by their cognitive capabilities and incomplete information, builds the theory of limited rationality. One way of dealing with the complications in decision making is creating and monitoring numerical representations of reality which is intended to represent phenomena in organizations or their environment, such as ROMI. As the phenomena are difficult to measure, the numbers are often seen as inventions and in some cases even magical. Numbers that move from being an abstract hypothetical figure to being a tangible reality include representations of outcomes, such as outcomes of sales and profit. These numbers are only partly problem-solving as they presuppose a concept of what should be measured and a way of translating that concept into things that can be measured. As decision makers often try to find an answer that serves their own interests, these numbers can also be seen as partly political (March 1994).

In the theory of rational decision making, an assumption is made that the decision maker looks at all the alternatives and chooses the one with the highest expected outcome, also known as maximizing the outcome. However, students of behavioral theory and decision rules have observed that decision makers tend to satisfy instead of maximizing. This means that the decision maker chooses the alternative that exceeds only some criteria or targets and not all of the objectives. In marketing that would be a manager choosing the alternative that satisfies some sales, market share or profit target instead of choosing the one that has the best combination of the marketing mix. Maximizing the outcome does require that the decision maker has all the information available and all the alternatives and their outcomes clear and as we have seen previously, in real life this is very difficult and time-consuming (March 1994).

2.3.3 Decision-making process in Marketing

During the years 2000 -2010 a lot of research was done in the field of marketing especially in areas such as consumer behavior and consumer decision making. It is a fact though that not much research is available when it comes to the marketing management decision-making
process (Wierenga 2011). There is a lot of special knowledge required when it comes to marketing and consumer behavior. This knowledge can be used as tools when it comes to the decision-making process, but in the end, it is up to the marketing management themselves to decide which information to analyze when making the final decision. The difference between a classic management decision making and marketing management decision making according to Wierenga (2011) is that the marketing decision is a combination of soft judgment and hard data. To be able to make a good decision in this area requires specific expertise since it has certain features and is applied in a specific context (Wierenga 2011).

In order to evaluate the quality of the decision, an objective is needed. How good the made decision is will show in whether the chosen objective is reached or not. This is an example of the sales-response function which is the relationship between the marketing activity and how this activity has responded to sales (Tzioti, Osselaer & Wierenga, 2010).

When it comes to making a decision, managers can base their decisions on arguments, and there is a difference on whether the arguments are intuitive or analytical. The intuitive are arguments based on a gut feeling or what feels best for the decision maker. The rational arguments, however, are based on marketing research. It has been proven that the latter type of arguments works best with structured problems and advice from junior management. When it comes to more unstructured problems, and advice from senior management the intuitive arguments work better (Tzioti, et al. 2010).

Pauwels and Reibstein (2010) talk about the difficulties in building a bridge over the gap between marketing and finance and making Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs) seeing the potential and the return of the investment they make in the marketing department. There are a couple of issues with using ROMI that Pauwels and Reibstein (2010) mention including whether the focus should be on impact versus efficiency (meaning should the focus be on the percentage of the return or should the focus be on the actual financial return calculated in money), and realized versus potential return on marketing investment. In other words, should the focus be on the backward-looking realized return or on the forward-looking potential return? The forward-looking calculation takes the correct point of decision perspective and can be a guide in which course of action to take. However, retrospective ROMI calculations are necessary to track the precision of revenue forecasts and addressing specific shortcomings in this regard (Pauwels & Reibstein 2010).

It also needs to be clarified which objective that should be considered the most important and if a high return on marketing investment necessarily means that the activity should get more investment in the future as more investment often lowers the Return on Investment (ROI) percentage. It is also difficult to predict the return in the form of Brand and Customer Equity which Pauwels and Reibstein see as the two biggest assets marketing brings to the company (Pauwels & Reibstein 2010).

There are several intervening variables that can get in the way of getting the expected return on a marketing investment such as competitors reactions to the marketing activity, firm and
employees standards and policies, supply disruptions and macroeconomic changes. These are all variables that the marketing department cannot control, and they are difficult to predict but should be taken into consideration when deciding on a specific marketing activity. The conclusion that Pauwels and Reibstein (2010) make is that measuring the return on marketing investments is critical and that it is necessary to argue the expenditure in marketing relative to other expenditures in the organization. One of the biggest challenges in calculating the return on the marketing investment is the time delay between the investment and the actual and measurable return on that investment (Pauwels & Reibstein 2010).

Experience in the field makes a difference in the quality of the decisions when it comes to marketing investment decisions according to Perkins (1987). Experienced managers can process more new information faster than inexperienced managers but also sort out which information is useful in the decision making and which information can be overlooked. In Perkin’s (1987) study the more experienced managers listed more sources as interesting but less information as useful to make a good decision, compared to the less experienced managers. The more difficult the task and the more there is to learn about the task, such as a new product launch for example, the more the marketing manager’s expertise and experience matter. There is also a greater disagreement between different marketing managers in these more demanding tasks (Perkins 1987).

2.3.4 The analytical hierarchy process

To reach a successful decision the decision maker should take into consideration the various interests of the different actors even though they might be in conflict with each other. It can be difficult for decision makers to agree on which objective is the most important to meet. A lot of diverse information is often provided, and managers may be confused and overwhelmed by this. Good decisions will survive the difficulties and risks of the environment. One of the most significant tests of a successful decision is how well it predicts the outcomes correctly. In order to do this, a decision is separated into structures such as benefits, risks, opportunities and costs, the outcome of these separate structures are then combined into the best possible outcome of the decision (Saaty 2010).

Decisions are more based on the persistence of an individual and his or her skill in persuading others of the importance of their arguments on which objective is the most important to meet, as opposed to the clarity of the ideas and information provided. The analytical hierarchy process provides a framework for the decision making process in complex situations. This framework identifies the major factors that influence the outcome of a decision and helps with the process of priority setting. The elements in each level need to be comparable among themselves in relation to the next level in the hierarchy (Saaty 2010).

The analytical hierarchy process can be used in marketing strategy decision making. As we have seen previously, marketing decisions depend on a number of external factors. By following different alternatives of product and market the company's objective of economic
growth and risk will be achieved in varying degrees. The priority of each course of action is a relative measure of how far that action would achieve the desired overall well-being of the company. Different objectives that should be reached are put into different levels in the model. Prioritizing the factors in one level with respect to each factor in the previous level and finding the overall priorities the relative influence, feasibility, importance or contribution in regards to the overall objective can be found (see appendix 1, fig 3) (Saaty 2010).

2.3.5 Key Performance Indicators

Key Performance Indicators (KPIs) are used in measuring the success of a project, including marketing activities. Mladenovic, Vajdic, Wundsch, and Temeljotov-Salaj (2013) speak about two layers in the measurement of a specific project's success or failure. The first layer being each stakeholder's main objective and the second layer being the weighted and adjusted combination of all these objectives. A combination, weighted and adjusted, of the fulfillment of each stakeholder's main objective in a project, leads to an overall indication of the outcome of that project, positive or negative. Each stakeholder maps out the Key Performance Indicators based on their specific objective (Mladenovic, Vajdic, Wundsch & Temeljotov-Salaj, 2013).

Carlucci (2010) states that a performance measurement system should include a limited number of Key Performance Indicators to avoid information overload and confusion. The KPIs should also be able to provide an integrated full overview of the whole company's performance. KPIs are intended to aid management decision making in choosing between activities and programs. It is therefore important to choose meaningful metrics that are measurable. When selecting which KPIs should be used for a certain activity there are a few things that should be considered, including (but not limited to); Relevance, comparability, reliability, and understandability (Carlucci 2010).

There are arguments against using KPIs as a financial measurement for a return on investment. Parmenter (2010) argues that Key Performance Indicators are measurements that indicate the aspects of performance that are crucial for current and future success of the company or project. Included in the seven characteristics of KPIs that Parmenter (2010) describes are that KPIs are non-financial, measured frequently and that a KPI is used to clearly indicate and encourage the appropriate action for a positive outcome of the performance. Parmenter (2010) argues that once you put a financial number on a KPI, it has been converted into a result indicator, meaning that the financial profit of daily sales indicates the result of the actions that have been taken that day. KPI is a current or future measurement and should be measured continuously, not only once a week or once a month. Parmenter (2010) mentions Key Result Indicators (KRIs), not to be confused with Key Performance Indicators (KPIs). Key Result Indicators can be financial or non-financial and are measured less frequently than KPIs. KRIs summarises the progress of a company's critical success factor. However, it does not tell the employees what to correct when the objective is not met, and most likely there is only one person responsible for monitoring and presenting KRIs, and
that is often the CEO. It is also a backward-looking metric in that it can measure what has happened and not what is happening or what will happen in the future. Parmenter (2010) also talks about KRIs being included in project dashboards that are presented to the board (Parmenter 2010).
3. Methodology

3.1 Research design

As mentioned previously in this study, there is much literature written about the different metrics used when calculating return on marketing investment and how important it is for marketing managers to be able to calculate and keep track of their marketing investments. However, the literature stops there. There are very few studies on how these calculations are used in real life, if at all. Therefore, the purpose of this study is to gain a better understanding of if and how ROMI calculations are used in the senior management decision-making process.

We have used an overall deductive - hermeneutic approach. A deductive approach means that the starting point is in the theoretical world, studying the existing literature of a certain subject to identify a gap in the literature. In this thesis case studies were used to collect data which have been analyzed to gain a better understanding of real-life events, in this case, use of ROMI metrics in corporations. The focus of a qualitative approach is the internal validation with a smaller number, but lengthy and in-depth set, of interviews (David & Sutton, 2011). A hermeneutic approach is a subjective approach where reality is created when people interact with each other, and it is a deductive approach to qualitative data that is interpreted to understand the reality (Eriksson & Wiedersheim-Paul 2014). The reason behind our choice of a hermeneutic approach is to get the possibility to interpret the information collected from our participants to gain a deeper understanding. To fulfill the purpose of our thesis, and thereafter analyze the collected empirical data, a qualitative starting point was considered appropriate.

3.1.1 Why case study research?

Case studies are deep-going studies of specific units which can be individuals, organizations, events or societies. When conducting a case study, the internal validity is of greater importance as it goes into depth of one case. Having said that it is also possible to study two cases and compare them to each other (David & Sutton, 2011). Case studies are the preferred method when the research questions are how or why, behavioral events cannot be controlled by the researcher and the subject studied is a contemporary phenomenon, not a historical one (Yin 2014). Our research questions include a "how" question, and we are studying how ROMI is measured today and not how it has been used traditionally, which is why we considered case studies to be the appropriate choice for our thesis.

Since our purpose of this study is to gain a better understanding on how ROMI calculations are used in the decision-making process, the research study will allow senior managers to describe how they work and to describe the process of making a decision when it comes to
marketing investments. Together with the collected data through interviews, some observations have also been done, and we have reviewed documents such as year-end reports. In Company 1 we have also had access to their internal website.

3.1.2 Comparative Study

A comparative approach can be taken when choosing two or more very different samples, one at each end of the spectrum for example and comparing them with each other (Walliman, 2010). The focus of a comparative study is to identify similarities and differences between different groups or cases (David & Sutton, 2011). When we started doing the literature review for our thesis, we came across the book "Get digital or die trying" by Gilan and Hammarberg (2016) in which the authors state that marketers are more and more leaving the traditional way of looking at marketing and entering the new way of data-driven digital marketing. The authors call the traditional marketers "Mad Men" and the new generation of marketers "Math Men" (Gilan & Hammarberg, 2016). This is something we found interesting and wanted to take a closer look at. Therefore, we decided to base our thesis on two companies, one who works according to "Mad Men," which is a more traditional way of looking at marketing, to take risks and go with your gut feeling. And the other one who works according to "Math Men" which is a more modern way of marketing, and it consists more of numbers, statistics and results. We thought it would be interesting to use a comparative study to identify the differences and possible similarities in the way these two companies work with Return on Marketing Investment. A researcher can deliberately choose two contrasting cases, not aiming for a direct replication of the two cases. This way findings that support the theorized contrast will represent a beginning towards theoretical replication. Using two cases like this will also produce stronger findings than the findings of a one-case study (Yin 2014).

3.1.3 Case selection

We chose to study two large companies that could be described as multinational corporations as they do business in several countries around the world. As they are large companies and have a considerable budget for marketing activities, they should be more likely to have a process for calculating the return on marketing investments than smaller companies with less marketing budgets. The two companies do differ in size as Company 1 have a considerably larger revenue and resources than Company 2.

When choosing our companies for this study, we would have to find one company who works in a more traditional way ("Mad Men") and one company who works in a more modern way ("Math Men"). When doing this, we found Company 1, which is a strictly Business-to-Business (B2B) company, and Company 2, which is both B2B and Business-to-Consumer (B2C) oriented. Even though Company 2 also do B2B, most of their marketing efforts are
directed to the end consumer. When it comes to marketing strategies, we believe it can differ depending on whether it is on the B2B or the B2C market. The size of markets being one, the B2C market tends to be larger than the B2B market. Brand value, selling- and buying process along with plenty other factors are why we believe the marketing strategy differs between the two. With this information, we assumed being a B2C oriented company you would tend to be more of a modern marketer, therefore fall under the category "Math Men." This because we think it is of greater importance to have an online presence, to begin with nowadays, since it is where the majority of consumers exist, and therefore a B2C company tends to work more with digital marketing. Digital marketing campaigns are relatively easy to follow up leads and potential return in the form of revenue as the software and platforms can provide automated reports. We have in different ways connections at the companies we choose for this study. Getting in-depth interviews with participants that have a position of senior management can be somewhat difficult. Therefore, we have chosen two multinational corporations in which we have good connections to make sure the interviews are as of good quality as possible as they could give us the time we needed to ask our questions.

3.2 Data Collection

3.2.1 Primary Data

In this study, in-depth interviews have been chosen as a method since the purpose of this study is to understand the usage of Return on Marketing Investments in large companies. The selection of participants to our interviews was made with a criteria selection method approach. This is when the researcher chooses the participants based on certain criteria which are defined at the beginning of the research process (Dalen, 2015).

Eight different managers were interviewed in total. Each respondent is in some way involved in the decision-making process of marketing activities, but not working in the marketing department in their current position. An important criterion we had was that they were part of a senior team within the company and had a position of senior management. This to ensure that they were in fact decision makers and not on the level of providing information to decision makers. The participants of Company 1 were the President, the Vice President (VP) of finance, one Finance Manager, and one Segment Manager. In Company 2 the participants were the CEO of the company. One Finance Manager and two Segment Managers responsible for two different segments of the company. These managers were chosen because we also wanted to see if there are any differences in their approach and attitude towards ROMI calculations depending on what position they have in the company and what department they work in. To get in contact with our participants, we received help from the Human Resources (HR) department. We looked at the organizational structure of the chosen companies and expressed our requirements on criteria of our participants to the HR department of each company and they, based on this information, provided us with the contact information to suitable participants. We then contacted the participants in person as
well as via email. At Company 1 we were able to do ten weeks of observations while doing an internship in the marketing department. The relevant observations were noted down during the course of these ten weeks and had been incorporated in the empirical study chapter below.

The conduct of the interviews varied. Some of the interviews took place in a conference room at the company, and some interviews were done via Skype and phone calls. Skype calls were the preferred way of interviewing the participants that were based in a different geographical area. Skype calls enable the researcher to have a visual of the respondent at the interview and is the next best thing to a face to face interview. The interviews ran from 30 minutes to an hour. Before the interviews, we made sure the participants were informed of the interview being recorded which was done with the recording feature on our phones. All of the participants agreed to be recorded. We informed the participants before the interview by email or by phone on the day of the interview what the subject and purpose of this thesis are. This way they were prepared for questions of subjects that can be sensitive for a manager to give information about, such as the budgeting process for example. The interviews can be designated as semi-structured. A semi-structured interview is based on, by the researcher, predetermined subjects and questions which the researcher elaborates with follow up questions depending on the interviewees' answers (Dalen, 2015). There was an elaborated interview-guide where we had carefully planned the questions to be asked and follow up questions were asked to go deeper and to clarify some standpoints. We used the "region principle" which means that the interview starts with questions around the subject and gradually narrows down to the main subject (Dalen, 2015). This to make sure that we covered the relevant background to the interviewees use or non-use of return on marketing investment metrics. The interview started off with questions about the marketing budget to later ask more about specific marketing activities and their connection to Return on Marketing Investment.

Before the interviews took place, we made sure to inform the participants that the information they gave us during the interview would be handled with confidentiality. This was of importance to us because we wanted the interviewees to feel as comfortable as possible during the interview and feel like they could share the information we needed. Also because we know that budget process etc. can be a sensitive subject and most likely not anything the corporation would want to share openly. Therefore we have chosen to make the two corporations anonymous and will throughout this thesis be referred to as Company 1 and Company 2. The interviewees were informed that we would keep them anonymous with only their position within the company revealed in this study. We felt that it was necessary to reveal the position they have in the company in order for the reader to gain a deeper understanding of the participant's role in budgeting for marketing activities.
3.2.2 Secondary Data

Research, in general, is done to provide new knowledge and understanding and making it available to the public. It is important at the start of a research project to define what is known about the subject and what items have been researched previously. Once this is established then, the researcher can find the gaps and controversy in the existing literature. The gaps will provide an indication of where further research is necessary (Walliman, 2010). We have used the databases provided by Halmstad University in order to find the previous research in our area of Return on Marketing Investments and Decision-making process. ABI and Emerald are the two databases we mainly used in order to find this information. The search words we used frequently include: "Return on marketing investment," "decision making," "decision-making process," "management decision making," "return on investment" and "marketing management decision making." The university library was also used to find hardback literature especially in the field of psychology behind decision making and the decision-making process. With the research that has previously been done in the relevant areas, we have managed to find the gap in the information available on our research area and built a frame of reference around this in order to be able to conduct our study. We also used the Year End Reports and websites of the two companies in our study and in the case of Company 1 the internal website was also studied.

3.4 Method of analysis

After we had collected all the data from the interviews, these were to be reduced to empirical findings. The first step is to transcribe all the collected information. Since the interviews had been recorded this was an easy step, but time-consuming since all the data was transcribed word for word. Pauses and any possible emotional expressions or change in voice were noted. Dalen (2015) points out the importance of that the interviewer transcribes the interview him- or herself as this is an opportunity to deeper get to know the data collected. It also gives the interviewer a close relationship to the data which can help strengthen the analyzing process later (Dalen, 2015). After this step, the information was reduced by coding to get a clear overview of the data as presented in the chapter Empirical Findings in this study. We started with open coding, followed by axial coding and finally selective coding. Open coding is to go through the material and find relevant, sometimes obvious data that is similar between interviews or can be connected to a theory presented in the frame of reference. Axial coding is looking at the steps that led to a certain act or opinion, in this case, the thoughts of why ROMI is used or not used. The third step is to start analyzing and interpreting the information (Dalen, 2015).

Once the researcher has found the relevant data and the connections and/or reasons for the interviewees' answers he or she has to lift this information to the next step and narrow it down to the central subject or subjects researched (Dalen, 2015). In our case, this step was done in two ways. First, the empirical data was analyzed by the companies being compared to
each other. Were there any similarities or differences between the companies or between the positions within the company? The other way we chose to analyze our empirical data was to compare it to our frame of reference. We wanted to get a picture of how the companies work with Return on Marketing Investments, if at all. Some may work with it more in certain areas of the company and some more in others. Why does it differ? Is there some type of connection between how the companies work or are they completely different in their way of working and how does this show in their usage of Return on Marketing Investment? Going further we wanted to identify which factors affect the criteria when it comes to choosing a marketing activity or the size of a budget. Comparisons of the results with the frame of reference were also made to see if there are any connections and similarities between the empirical data and our chosen theories in our frame of reference. Conclusions were made and presented the factors behind the making of a decision when it comes to marketing activities and Returns on Marketing Investments.

3.5 Quality criteria for research

Reliability in this study is difficult to review. Since both of us were not able to be present during all the interviews, we have to factor in the possibility of the risks that the questions were not being asked the same way and that we interpreted the questions and the answers differently. Some follow-up questions might got asked to some participants and not to others. Another issue worth mentioning is that seven out of eight interviews were done in Swedish and some things may have been translated incorrectly when writing this thesis. A downside with our study and the collection of the data is that no sample interview was done. Therefore, the interviews evolved in line with our experience with doing interviews. The last interviews held more of a conversation, and we found it easier to come up with relevant follow-up questions. Had we been more experienced interviewers it might have resulted in a deeper conversation and more valuable information would be collected.

Internal validity is how well the data collected represents the reality of the case (Walliman, 2010). Does the organization really work the way that the interviewees are describing it? Qualitative interviews and observation during a long time can create a better base for internal validity (David & Sutton, 2011). To strengthen the internal validity of this study all interviews were recorded. The interviews were later transcripted and since we both couldn't attend all the interviews, we have both reviewed each other's transcriptions and in some cases also listened to the recordings. In addition to this, we have been using triangulation, which is when the researcher uses different methods to validate the data collected through one method. For example, the researcher can start with qualitative interviews and follow up with a survey or literature study or both. The use of triangulation is done to get advantages from different types of research methods (David & Sutton, 2011). In this study, we have combined our interviews with observations and also reviewed documents such as Year End Reports to gain a deeper understanding of the companies structure and use of ROI and ROMI. We have been able to interview several people from each company with different positions and from
different departments. This has given us different perspectives on the usage of Return on Marketing Investment calculations, which strengthens the internal validity of the thesis.

The external validity or generalization is a measurement of how well this study represents the world outside the cases studied (Walliman, 2010). Can the results of this study be applied to all similar companies around the world? As the internal validity increases with fewer more in-depth cases and interviews, the external validity decreases (David & Sutton, 2011). Case studies can according to Yin (2014) be used to expand and generalize theories and not to deduct probabilities as a case does not represent a sample (Yin 2014). Can these two companies represent all multinational corporations and can we from these interviews assume companies like the ones in this study have the same processes for ROMI? Of course not. However, it may lead to a bigger understanding when it comes to how Return on Marketing Investment calculations can be used. Companies which will read this study and does not use these metrics today can gain a greater understanding of the value of ROMI. Therefore, the generalization is affected since this study only consists of two multinational corporations and is a deductive in-depth comparative case study.
3.6 Summary

A summary of our methodology can be visualized in figure 1 below.
4. Empirical findings

4.1 Company 1

Company 1 is a multinational corporation in a business with small markets. They sell exclusively to other businesses and governments. Their marketing budget for 2018 is 1% of their net revenue for 2017. The marketing budget for 2018 is more than double of what they invested in 2017. Their budget process for marketing looks as follows: The Segment Manager makes an analysis of the market and the activities he/she would like to do for the coming year, this is done together with the business development manager and the head of marketing. The input from the marketing department includes what is possible for them to do considering the resources they have and the estimated cost of the activities. Once this plan is made they present it to the budget decision-making group which includes the President of the Business Area and the Finance department. They are the final decision makers when it comes to the marketing budget, and they are also the ones who decide where to make budget cuts should this become necessary during the year.

From observations, we have seen that the company is encouraging all departments to work with KPI's in all projects they are involved with. These KPIs (according to the article on the internal website) can be both financial and non-financial and should be decided in the planning process of the project and evaluated on a weekly or monthly basis. When observing the marketing departments planning process, KPIs were set; however, they were not followed up on and not discussed beyond the planning of each project. From the interview with the President of the business area and the finance department (VP of finance and finance manager), we also discovered that they are not informed of the KPIs set and not informed of the progress or the follow up on these KPIs.

This company is not using any of the ROMI metrics mentioned in this study. When the interviewees were presented with the idea of using ROMI metrics to be able to compare these investments to other investments in the company the reactions were varied. The President was very interested and positive to the idea, both interviewees from the finance department were very sceptical and negative in their answers and the Segment Manager informed us that he had been involved once in a project where they compared the cost/lead of a digital campaign with the cost/lead on a tradeshow (see table 1:1 below).
In the decision-making process of other investments, the company have a well-developed method for calculating the ROI and the risk of the investment. In marketing investments, the interviewees all answered that they think it is more of a "gut feeling" and that they trust the subject matter experts, in this case, the marketing team, the business development team and the segment managers (see table 1:2 below). The Finance Manager, however, stated that in the end when it comes to all decision making, he believes that it all comes down to a gut feeling. "If you want to (make the investment), you can and will" was his take on the matter. He also said that all Return on Investment (ROI) calculations are only a guess, and no one can really predict what will happen since the competitors are making moves at the same time. Both of the interviewees from the Finance department and the President mentioned that the marketing activities are the first to be cut should they have to tighten the budget. The reason for this they said is that the marketing activities are by nature they easiest to cut compared to cutting other expenses the company has. The overall growth of the business and the different segments is calculated in increased sales and revenue, not in increased market shares.
Table 1:2- Decision-making process in marketing investments

<table>
<thead>
<tr>
<th>Position</th>
<th>Answer</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Driven by a gut feeling</td>
<td>&quot;these kind of decisions are more driven by a gut feeling&quot;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&quot;it is relatively easy to cut down on the marketing budget&quot;</td>
</tr>
<tr>
<td>VP Finance</td>
<td>Looking at the objective of the investment,</td>
<td>&quot;it is very important to prioritise accordingly to the list of key</td>
</tr>
<tr>
<td></td>
<td>with limited means the prioritization is</td>
<td>objectives which have been defined in the long term period or the</td>
</tr>
<tr>
<td></td>
<td>done with looking at the key objectives</td>
<td>short term period that we are working for&quot;. &quot;it is relatively</td>
</tr>
<tr>
<td></td>
<td></td>
<td>easy to cut down on marketing expenses compared to other</td>
</tr>
<tr>
<td></td>
<td></td>
<td>expenses in the company&quot;</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>Gut feeling, trust the &quot;experts&quot; i.e. the</td>
<td>&quot;In this company I really would like to see someone making a</td>
</tr>
<tr>
<td></td>
<td>marketing department</td>
<td>proper marketing plan, with Kotler’s 4Ps&quot; &quot;we are a company very</td>
</tr>
<tr>
<td></td>
<td></td>
<td>driven by finance and the marketing department would very much</td>
</tr>
<tr>
<td></td>
<td></td>
<td>benefit from presenting a marketing plan&quot;</td>
</tr>
<tr>
<td>Segment Manager</td>
<td>Makes a marketing plan on what should be</td>
<td>&quot;most interesting for me is awareness within my segment&quot;</td>
</tr>
<tr>
<td></td>
<td>communicated on which markets, through which</td>
<td>&quot;most bang for the buck&quot; &quot;difficult to see how we can calculate ROI</td>
</tr>
<tr>
<td></td>
<td>channels and for which products</td>
<td>on awareness campaigns&quot;</td>
</tr>
</tbody>
</table>

Other observations worth mentioning are that in the interview we did with the President he expressed the view that the future, as he sees it, lies in digital marketing. He believes that in the near future the sales organization will more and more be replaced by marketers. This was one of the reasons he thought that this study was fascinating and that the company should start looking at ways to calculating the return on marketing investments. This company has in the past invested a lot of money in attendance at different trade shows, something they have been cutting down on due to the fact that they have not been able to prove any return on the money invested. The trade show department is, however, the only marketing department that records the number of leads from each tradeshow and puts together a summary of each tradeshow with a presentation of the leads captured. This presentation is sent to the Head of the trade show, but it is not known if this information is passed on to the President or the finance department. There is no follow up on if these marketing qualified leads are turned into sales qualified leads or if they have led to any sales for the company. They do not use their Customer Relationship Management (CRM) system as much as the system is designed to be used. The sales organization of the company is not following up on the activities in the CRM, and there is no follow up on the conversion of marketing qualified leads to sales qualified leads or revenue created by these leads.
4.2 Company 2

Company 2 is a multinational corporation which works with sustainable energy. They sell solutions in sustainable energy to households all over the world, and they have three different groups of customers to whom they sell their products; wholesalers, installers, and the end consumer, the latter to whom they focus their marketing. The company is divided into different areas, and each area have their own assigned marketing budget, and each area have their own Segment Manager who is in charge of deciding over the budget for their area. The budget for marketing is set to 1-2% of the total revenue. These 1-2% is divided into the different areas, the size of the budget assigned depends on the size of the area. The more significant area, the bigger the assigned marketing budget. This way, each area is responsible for their own marketing budget, and therefore it is more difficult for the marketing budget to be cut in bad financial times. When it comes to decision making regarding marketing activities, the Segment Manager sits down with the rest of the management team for respective segment. They come together to discuss what marketing activities should be done the following year. The decisions are based on previous results on marketing activities and what objectives they have for the next year. Once the discussion is over the Segment Managers are the final decision makers when it comes to the marketing budget. The success or failure of the previous year is calculated in increased market shares as well as sales and revenue.

The company works with KPIs, in this case, they are both financial and non-financial KPIs which are followed up on both daily, weekly and monthly depending on the marketing activity. To give some examples, the company follow up to see the changes in sales related to the marketing activities, this is done monthly. They also measure their views, shares, and likes on their social media channels, this to spread brand awareness, and KPIs have been set related to this. One of the segment managers we interviewed mentioned a campaign they are currently running in which twenty different KPIs had been set which are followed up each month. He gave some examples of sales being one of them, market share, online activities, etc. They also find it essential to follow up on leads. They have a close contact with the installers whom they send leads to make sure they contacted the lead to try to close a deal. Related to the leads, they have CRM-processes in which they can keep track. They follow up on the KPIs each year to see the results in order to help them improve and get better. To see which marketing activities had the best outcomes, and which activities did not do as good.
Both Segment Managers also mentioned how they currently are making a rather big transition from traditional media to a more online presence. Digital marketing is now bigger than ever, and they mention the importance of keeping up with the trends and how important it is to have an online presence since there is where their potential customers exist. In both areas, they use tools like Google Analytics to keep track of the results of their online campaigns. They also do some trade shows, and events where they are sending a lot of leads to their installers, and they make sure the installers have contacted the customers, and they note if the lead turned into business. This information is also tracked in a CRM program which processes all this information so they automatically can keep track of what is going on.

It is when it comes to the answers of the CEO that things get interesting. The CEO of Company 2 says it is difficult, or not possible, to measure marketing since it has an effect over an extended period of time. He is referring to brand awareness and how it is difficult to measure this part of the results. As the CEO, with this view on marketing, he is taking a risk with every marketing activity since he does not know if they are going to get anything in return. However, he does mention that every area reports the result of each marketing activity back to him since each of the areas does use ROMI metrics to measure the return on investments. When talking about what he uses this information for, he says it is to see what activities work best and what activities are not doing so well. They cut back on the marketing activities that did not do so well and chooses to focus on other types of activities. It is not really about cutting the marketing budget when activities are not performing well; instead, the

<table>
<thead>
<tr>
<th>Position</th>
<th>Answer</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>It’s difficult to measure marketing</td>
<td>“We can’t really measure marketing, since it’s affecting the business over a longer period of time”</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>Doesn’t look at the provided information about the return of the investment. Setting the marketing budget according to business cycles and realistic sales</td>
<td>“When setting the marketing budget we look at business cycles and realistic sales”</td>
</tr>
<tr>
<td>Segment Manager</td>
<td>Uses ROMI Metrics</td>
<td>“We receive reports regularly from our hired media agency how many clicks we’ve received, how many people clicked on our ad and landed on our website. We also use Google Analytics to track page views, likes etc.” “Our media agency also has metrics they use when measuring the reach from magazines we send out to households.”</td>
</tr>
<tr>
<td>Segment Manager</td>
<td>Uses ROMI Metrics</td>
<td>“We follow up on sales every month versus the marketing activities we do. We follow up on campaigns and see if we’ve increased in sales.” “We measure views and likes on our social channels, knowing this is increasing brand awareness.” “We set up KPI’s which we measure and follow up monthly.”</td>
</tr>
</tbody>
</table>
money goes into other activities that they believe will perform better. The CEO also, just as one of the Segment Managers, mentions the transition from more traditional ways of marketing to more digital marketing.

One of the Segment Managers also mentioned it is difficult to measure their activities made to increase brand awareness, but it’s something she finds extremely important and an essential part of their marketing. Worth mentioning is that Company 2 has done TV commercials in the past, and is something they really believe in, since it reaches many potential customers, and they find it valuable even though they can not measure the results. As mentioned before, they have now gone more into digital marketing, and according to one of the segment managers, they measure this by looking at likes and amount of followers and interest captured.

Table 1:4 - Decision-making process in marketing investments

<table>
<thead>
<tr>
<th>Position</th>
<th>Answer</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Segment Manager</td>
<td>Set objectives for the following year by looking on the results on previous marketing activities</td>
<td>“We take in to consideration what has been done previous years when it comes to marketing activities when we set our goals for the following year.”</td>
</tr>
<tr>
<td>Segment Manager</td>
<td>Marketing strategies extending over five years where they’ve set up goals they want to reach</td>
<td>“We have marketing strategies set over five years in which we will achieve our goals. The goals ranging from familiarity to preference.”</td>
</tr>
</tbody>
</table>

Company 2 is built out of three different business areas, which means they have a manager for each area. Some business areas are more prominent than others, and therefore the manager for these areas have more responsibility on their shoulders. The Segment Managers interviewed had both big influences when it comes to choosing between different marketing activities and one of them also had the final say when it comes to decision making regarding which marketing activities to choose. Something they both had in common was their decision making process and how they choose what to spend their money on. They take into consideration what has been done in the past and what worked well and what did not. With
this information, they set new goals for the following year, whether that is gaining more followers on social media, which also means increased brand awareness or an increase in sales.

Neither the CEO nor the Finance Manager of Company 2 is involved in the decision-making process regarding which marketing activities to invest in; therefore these questions could not be answered by them.
5. Analysis

5.1 Usage of ROMI metrics

The senior managers at Company 1 are not using any ROMI metrics in their decision-making process even though they use ROI calculations in their decision making of other types of investments. All the departments are using KPIs as a way of measuring the progress in different projects. These KPIs can be used as a help for management to decide between different activities and programs (Carlucci, 2010). This company is not doing any follow-ups on the KPIs, and from the interviews, we have gathered that the process of KPIs for a particular project is not recorded or presented to the senior management. Parmenter (2010) argues that KPIs should be non-financial, measured frequently and used to encourage the appropriate action for a positive outcome of the project (Parmenter, 2010). Even though they are encouraged to use KPIs in all projects our observations show that the marketing department state KPIs at the start of a project but do not follow up on these KPIs. This can be due to lack of time, lack of knowledge on how to use KPIs efficiently or lack of understanding of the value of using KPIs. It is clear however from the post on the internal website that the senior management is working on developing a knowledge and understanding within all departments on how to use these measurements.

They have made efforts to use cost/lead as a way of comparing the cost of leads in a digital marketing campaign with the cost of leads in a trade show. However, there were no follow up on the conversion of marketing qualified leads into sales qualified leads. This means that there is no record of how much revenue the campaign contributed with which makes it impossible to calculate the financial return on the investment. The company is keeping a record of the marketing approved leads for all trade shows; however, this does not seem to be communicated to the senior management outside of the marketing department. This is an example of when the sales-response function is overlooked. The sales-response function is the relationship between the marketing activity and how this activity has responded to sales. It is an objective used to evaluate the quality of a decision. How right the made decision is will show whether the chosen objective is reached or not (Tzioti, Osselaer & Wierenga, 2010).

The VP of finance talked about measuring customer satisfaction which is a way of measuring the success of the business; however, it is not directly linked to marketing activities in this company and can therefore not be considered a ROMI. Customer satisfaction can depend on many things and is a measurement of how well the company is working as a whole. It is a way of measuring how well the company objective of delivering customer satisfaction is met.

The skepticism towards ROMI we noticed in both the VP of finance and the Finance Manager’s answers indicated that there is a gap between the marketing and finance department much like the one Pauwels and Reibstein (2010) talk about. They also mention
the difficulties in building a bridge over the gap between marketing and finance and making CEOs and CFOs seeing the potential and the return of the investment they make in the marketing department (Pauwels & Reibstein 2010).

The nature of the business that Company 1 is in could also have a significant impact on the difficulties of calculating the return on marketing investment. In this business area, there is a long lead time, and it can go years between first interaction with a potential customer, and the actual sale is taking place. One of the most significant challenges in calculating the return on the marketing investment is the time delay between the investment and the actual and measurable return on that investment (Pauwels & Reibstein 2010). However, the conclusion that Pauwels and Reibstein (2010) make is that measuring the return on marketing investments is critical and that it is necessary to argue the expenditure in marketing relative to other expenditures in the organization (Pauwels & Reibstein 2010).

In Company 2 we see a different picture when it comes to using ROMI metrics. Although they also use KPIs like Company 1, Company 2 uses KPIs in a very different way. They follow up on their KPIs every week, every month and also evaluates on a yearly basis how well the KPIs have been met, as Carlucci (2010) argues, it is the most effective way of using KPIs.

One of the segment managers in Company 2 talks about the difficulties in measuring Brand Awareness and Brand Equity. Pauwels and Reibstein (2010) mention that it is difficult to predict the return in the form of brand and customer equity which they see as the two most significant assets marketing brings to the company (Pauwels & Reibstein 2010). This is also something that the CEO of Company 2 mentions. He finds it difficult to measure marketing activities related to brand awareness and brand equity, saying the when it comes to these types of activities it has an effect over a longer period of time and therefore difficult to connect it to a specific marketing activity. As March (1994) mentioned: numbers that move from being an abstract hypothetical figure to being a tangible reality include representations of outcomes, such as outcomes of sales and profit. These numbers are only partly problem-solving as they presuppose a concept of what should be measured and a way of translating that concept into things that can be measured. As decision makers often try to find an answer that serves their own interests, these numbers can also be seen as partly political (March 1994).

Company 2 also connects the likes, shares and leads they get from online campaigns with sales for that time period and compares it with other periods when online campaigns have not been done. This is a clear indication that they are using ROMI calculations of different kinds including financial ROMI and brand awareness. They are using short-term calculations where they focus on a time period instead of a specific marketing activity and comparing the sales at this time period to the same period last year when they did not do the marketing activity. Looking at the after effects, the outcome of a company's investments in marketing and the results in sales revenues (Powell 2002). Measuring the financial resources invested in marketing and the results of a company's profitability for a specific time-period. This is an
example of when the sales-response function is used, the relationship between the marketing activity and how this activity has responded to sales (Tzioti, Osselaer & Wierenga, 2010). By measuring the increase in sales due to a marketing action and adjusting it for increased production costs, shows the short-term effect of marketing (Powell, 2002). Company 2 is also as opposed to Company 1, very good at using their CRM system to follow up on the conversion of marketing approved leads to sales approved leads.

Even though Company 2 is good at using ROMI metrics, the CEO and Finance Manager are not trusting these metrics. This is a sign of a gap between the financial department and the marketing department in Company 2 as well as in Company 1.

5.2 The decision-making process

In Company 1 the senior management is using limited rationality when it comes to decisions about other investments than marketing activities. They use long excel sheets to calculate the return on the investment together with input from the Segment Manager and the Business Development team. For marketing activities, in general, the senior management interviewed stated that they go with a "gut feeling" and that they listen to the marketing department's recommendations. This confirms Perkin's (1987) study, where the more experienced managers listed more sources as interesting but less information as useful to make a right decision, compared to the less experienced managers. The more difficult the task and the more there is to learn about the task, such as a new product launch for example, the more the marketing manager's expertise and experience matter (Perkin, 1987). When it comes to making a decision, managers can base their decisions on arguments, and there is a difference on whether the arguments are intuitive or analytical. The intuitive are arguments based on a gut feeling or what feels best for the decision maker. With more unstructured problems and advice from senior management, the intuitive arguments work better (Tzioti, et al. 2010). The VP of finance talked more about looking at the overall objectives of the company in such a way that shows that he is knowingly or unknowingly using the analytical hierarchy process. As described by Saaty (2010): By following different alternatives of product and market the company's objective of economic growth and risk will be achieved in varying degrees. The priority of each course of action is a relative measure of how far that action would achieve the desired overall well-being of the company (Saaty, 2010). The VP of finance, the Finance Manager, and the President also stated that the marketing budget often is the first to be cut when they have to tighten the budget somewhere. This they said is due to the fact that it is the easiest to cut compared to other areas of the company such as reducing staff. This indicates that the same decision maker is using the two different decision-making traits when it comes to different decisions. In Company 1 the managers are showing the personality trait of a need for achievement. According to Francioni, Musso and Cioppi (2015) having a need for achievement means achieving better results from their actions and feeling responsible for those actions. Some researchers mean that this type of decision maker has a tendency to being more attracted to rational decisions (Francioni, Musso and Cioppi 2015). When it comes to
marketing decisions however the managers are showing more of the other type of personality trait described by Francioni, Musso, and Cioppi (2015). The other personality trait that is identified is risk attitude. Risk attitude has been defined as a psychological personality of an individual who shows different degrees of risk-taking or risk avoidance behavior. It has been shown that a top decision maker who has a risk attitude generally makes faster and less rational decisions (Francioni, Musso and Cioppi 2015).

The decision-making process over the marketing budget in Company 2 is quite different from Company 1. As the Segment Managers are solely responsible for their marketing budget, they get to make the final decision over what activities they would like to invest in. Since Company 2 is divided into different areas, each segment gets their marketing budget, and the size of the budget depend on the size of the segment. They get to decide over the assigned budget, how much money to spend on respective marketing activity. Technically they could decide to put all of their marketing budgets into one marketing activity. Since they are entirely and solely responsible for this budget and what marketing activities to invest in, the company can better and easier follow up on their investments and the return from these activities. Company 2 has made a big transition from more traditional ways of marketing to more digital marketing which means they can monitor their investments closer with the help of a marketing agency. When it comes to the decision-making process, the Segment Managers are using the analytical hierarchy process to a great extent. As explained by Saaty (2010); Different objectives that should be reached are put into different levels in the model. Prioritizing the factors in one level with respect to each factor in the previous level and finding the overall priorities the relative influence, feasibility, importance or contribution in regards to the overall objective can be found. The priority of each course of action is a relative measure of how far that action would achieve the desired overall well-being of the company (Saaty 2010). Each year they sit down and discuss which objectives they need and want to reach the following year. The KPIs are used to measure the different objectives that should be reached at each level. At the end of the time period defined they use ROMI metrics to measure how well the overall objective has been reached.

Considering the CEO in most cases find it difficult to measure the return on marketing investments, ROMI metrics are not that important to him. However, each area of the company use these metrics and find them useful in their decision-making process. As the Segment Managers are responsible for their marketing investments, the CEO is not involved in this decision making over the marketing budget which means he does not need the information in his decision-making process. The Segment Managers choose to use the metrics they find useful and a way to help them improve their decision-making process when it comes to marketing investments.

The two companies in this study also have different approaches when it comes to measuring success. Company 1 measures success in financial terms only while Company 2 measures success in an increase of market shares as well as financial terms.
## 5.3 Summary

### Table 1:5

<table>
<thead>
<tr>
<th>Position</th>
<th>Usage of ROMI metrics</th>
<th>Decision Making Process in Marketing Investments</th>
<th>Frame of Reference ROMI</th>
<th>Frame of Reference Decision Making Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Not using any ROMI metrics</td>
<td>Driven by a gut feeling</td>
<td>Decision making/Risk</td>
<td>Risk</td>
</tr>
<tr>
<td>CEO</td>
<td>It’s difficult to measure marketing</td>
<td>N/A</td>
<td>Risk</td>
<td>N/A</td>
</tr>
<tr>
<td>VP Finance</td>
<td>Not using any ROMI metrics</td>
<td>Looking at the objective of the investment, with limited means the prioritization is done with looking at the key objectives</td>
<td>Decision making/Risk</td>
<td>Analytical hierarchy process</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>Doesn’t look at the provided information about the return of the investment. Setting the marketing budget according to business cycles and realistic sales</td>
<td>N/A</td>
<td>Risk</td>
<td>N/A</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>Not using any ROMI metrics</td>
<td>Gut feeling, trust the “experts” i.e the marketing department</td>
<td>Decision making/Risk</td>
<td>Risk</td>
</tr>
<tr>
<td>Segment Manager</td>
<td>Uses ROMI Metrics</td>
<td>Set objectives for the following year by looking on the results on previous marketing activities</td>
<td>Limited rationality, looking at all the options and calculations available</td>
<td>Analytical hierarchy process</td>
</tr>
<tr>
<td>Segment Manager</td>
<td>Have used cost/lead once in a SoMe campaign</td>
<td>Makes a marketing plan on what should be communicated, on which markets, through which channels and for which products</td>
<td>Limited rationality</td>
<td>Limited rationality - looking at all the options</td>
</tr>
<tr>
<td>Segment Manager</td>
<td>Uses ROMI Metrics</td>
<td>Marketing strategies extending over five years where they’ve set up goals they want to reach</td>
<td>Limited rationality, looking at all the options and calculations available</td>
<td>Analytical hierarchy process</td>
</tr>
</tbody>
</table>
6. Conclusion

The purpose of this study is to gain a better understanding of if and how ROMI calculations are used by top decision makers in their decision-making process. Below follows the answers to our research questions and a discussion of our findings.

1. How can the ROMI process in companies be described?

In Company 1 there is no set ROMI process to describe. Even though they are starting to show interest in calculating some kind of return on their marketing investments by starting with KPIs - the process is slow, and they have a lot of work to do before they can change the perception of marketing as a cost center to an investment.

Company 2 have a set ROMI process. The Segment Manager together with the digital marketing agency provides reports on the number of leads, likes, and shares. They also follow up in the CRM system how many of these leads turn in to sales and the revenue generated by these leads. For the return on the marketing investments that are more difficult to measure they have set KPIs that they follow up on each week, month and at the end of the project to make sure the objectives have been met.

2. How does top decision makers use ROMI metrics in their decision-making process?

In Company 1 the answer is simply that they do not use ROMI metrics at all in their decision-making process. The process is built on "gut feeling" and listening to the experts' (in this case the marketing department) advice.

In Company 2, however, the top decision-makers are using limited rationality and the analytical hierarchy model together with monitoring KPIs closely and looking at both long-term and short-term ROMIs which makes a good basis for solid rational decisions in different marketing investments.

We choose these two companies based on the inclination that they would very well represent the "Mad men to Math men" theories by Gilan and Hammarberg (2016) as described at the beginning of this study. Company 1 with it is financially driven approach to the business and old school "gut feeling" decision making in marketing represents the Mad Men. While Company 2 with its more marketing driven approach to the business and extended use of digital marketing represents the Math Men. In Company 1 we found evidence that speaks for a big gap between the marketing and finance department. The President together with the finance department decides where to cut if a cut in the budget is necessary. They will do this without consulting the marketing department. Company 2 have Segment Managers who seem more driven by marketing activities than sales activities as opposed to the Segment Manager of Company 1. Company 2 is also more advanced than Company 1 when it comes to digital marketing which makes it easier to follow up on ROMI through likes, shares, and leads. The
reason for Company 1 being more traditional in their approach to marketing and measuring success can be due to that they are in a business with long lead times (from the first contact to actual sale). This means that personal relationships with the customer are more important than in the faster business that Company 2 is in. The markets in Company 1's business area are smaller than in Company 2's business area. Sometimes a market in the business of Company 1 consists of only 70 customers as they are B2B in a specific market with limited market growth. This enables Company 1 to have personal contact with their existing and potential customers. Company 2 work more intensely with their CRM system than Company 1 to follow up on the conversion of marketing approved leads to sales approved leads and, in the end, actual revenue created from these leads. The reason why Company 2 are using a CRM-system in a more efficient way may be due to the size of the company. It is easier for a company in a smaller size to implement a system and use it in an efficient way than it would be for a company in the size of Company 1. This could also be due to that for Company 1 it is more important with personal contact with the customers. As the sales organization of Company 1 often already have contacts with many if not all of their potential customers in their region they are not as dependent on new leads. Even so, the business of Company 1 is becoming more digital, and the competitors are using digital marketing more and more as the customers are becoming more digital. Company 2, on the other hand, have many more potential customers in their markets and cannot keep a personal relationship with all of them. Therefore they can reach more potential customers through digital marketing, which is an incentive for them to develop their digitalization faster than Company 1.

There are signs of a gap between the marketing and finance department in Company 2 as well as in Company 1. Due to the organizational structure of Company 2, this gap does not affect the marketing budget in the same way as it does in Company 1. The fact that the senior management of Company 1 states that the marketing budget is the first to be cut in hard times should be an incentive for the marketing department to start measuring ROMI. Looking at the arguments for and against using KPIs presented in the frame of reference, the way that Company 1 is working with KPI's today is not a valid process to be able to use the KPIs as a measurement of return on marketing investments. As they have started using KPIs, they could use these as a foundation to start measuring ROMI. They would, however, have to make changes in the way they are using KPIs today to be able to use them as a base for ROMI calculations. The President of Company 1 is also well aware that digital marketing is the future and as they implement more digital marketing it will also be easier to follow up on the return of these investments. They do need to increase their usage of the CRM system to make sure they trace the conversion of marketing approved leads to sales approved leads and revenue, especially in new markets, much like Company 2 is already doing. The challenge here could be to convince the sales organization that the CRM system is a useful tool.

There is also a significant difference in how the two companies work with the responsibility for the marketing budget and the marketing investments. In Company 1 the marketing department is given a specific budget for marketing activities, which is decided by the President together with the finance department. The Segment Manager and the marketing
department only provides input on the estimated costs of the planned activities. However, in Company 2 the Segment Managers are given a budget to grow their segment which means that they are more interested in the return on the investments they are making in marketing as it is their decision on how much they would like to spend from their overall budget. The bigger the area they have, the more budget they get, which gives an incentive to grow the area as much as possible. To be able to take market shares it is necessary to do marketing activities. From this, we can draw the conclusion that in a company the view of the importance of marketing activities does not only depend on how well the company uses ROMI metrics. It also depends on the organizational structure of the company and objectives of the different decision makers. The difference in the organizational structure of the two companies can be due to that they are different in size. The Segment Managers of Company 1 can have responsibilities over larger segments than the Segment Managers of Company 2, and therefore it is more difficult to be close to the market and have time to measure and follow up on return on investments. There could also be a difference in the way the two companies view the job description of a Segment Manager. In Company 2 it seems as though the Segment Managers have more marketing responsibility with the help of agencies than the Segment Managers of Company 1. Company 1 have a specified marketing department, but Company 2 does not.

The decision makers of Company 1 are showing different personality traits when it comes to making different decisions. The risk-taking trait towards marketing decisions can be a result of that they simply prioritize other decisions to be made. Perhaps because the marketing budget is a relatively small percentage of the total revenue they do not find it as important as other budget areas. They may be of the opinion that the effects of a decision made in this area will not significantly affect the business as a whole.

6.1 Contribution and implications

In this study, we have seen how two companies work with ROMI metrics, an important feature in convincing management of the necessity and value of marketing investments. Marketers can in this study see how using ROMI metrics can help argue their case for further investments in marketing or not cutting the budget for the marketing department. With the use of ROMI metrics, marketers can also see which marketing activities are more efficient and thereby decide if they should continue with these activities or not. This study also shows that there is still, in some companies, a divide and conflict between the finance department and the marketing department. By shifting the responsibility of the marketing budget like in the case of Company 2, the negative effect of this division on the marketing investments can be reduced. It can also be beneficial for the company to focus more on the growth of market shares than on sales and numbers. As digital marketing is growing stronger, the calculations of ROMI will become easier.
This study contributes to implications for marketers to further get an insight into the importance of proving the worth of marketing activities to senior management. This study implies that attitudes towards marketing as a pure cost center can be changed. Marketing departments that are seen as cost centers as in Company 1 can be seen as investments as in Company 2 with the help of ROMI calculations. Furthermore, this study shows evidence of that responsibility structure of the marketing budget may have an impact on how the value of marketing activities are looked upon.

We are of the opinion that Company 1 could benefit from working with ROMI like Company 2 are doing, even though Company 1 is a strict B2B business with long lead times on their sales. We can also see that a change in the responsibility for the marketing budget and the view on success from a pure financial to a market shares approach can have an impact on the overall view on the importance of marketing activities.

6.2 Suggestions for Further research

As there are very few studies done on how and if ROMI metrics are used today in businesses we would like to suggest further research on this matter. This could help other marketers see how it could be used and if it makes a difference to the marketing department and the business as a whole. It would also be beneficial for the marketers to understand why these companies do or do not use ROMI calculations. In this study, we have made a choice not included this question. We have however noticed some possible factors that may affect the use of ROMI metrics in the two companies in this study. Size of the company, organizational structure, company culture, lead time from marketing approved lead to the actual sale and the demand of these types of metrics from management are a couple of examples that we have noted. Researching the reasons why they do or do not use these metrics could also help with the next area that we suggest further research is needed; the functionality of these types of metrics. After having reviewed a lot of literature on different metrics that can be used to calculate the return on investment in marketing activities, we would suggest that further studies are needed in order to develop these metrics. Especially the long-term metrics such as brand value, for example, need to be developed to suit more types of business areas. Businesses, like Company 1 in this study for example, with long lead times, can have difficulties to connect a certain marketing activity to a sale that happens years later. There are many factors that have an impact on the sale at this time between the first contact with the customer to the actual sale. Therefore we would like to see more research on what factors besides the marketing activity have an impact on the activity leading to a sale or not a sale. If this could be clarified a weighted ratio could be developed to understand how much of the actual sale is marketing and how much are other factors involved. Understanding this could also give a way of more accurately being able to calculate the return on the investment in marketing. A comparative case study of the before and after effects of a company that starts using ROMI metrics would also be beneficial for the world of marketing. This study could include the possible change in attitude towards marketing from management if there is any
change. From a study like that other companies could learn how to start using ROMI metrics and how to avoid the pitfalls.

6.3 Recommendations to the companies

6.3.1 Company 1

The nature of the business of Company 1 can make it difficult to connect a lead or sale to a specific marketing activity. We, therefore, recommend Company 1 to start looking at marketing activities over a certain time period and see how this affect their sales over time, similar to what Company 2 is doing. To keep track of these leads can also be difficult, therefore implementing a more efficient way of working with their CRM-system and producing incentives for the sales organization to work with this system, could be beneficial for Company 1. If they did this, they could track the conversion rate of marketing approved leads to sales approved leads.

Return on marketing investments cannot always be measured in sales and numbers; therefore we think that the way Company 1 measure success should be shifted from sales and numbers to focusing more on the growth of market shares. In the markets where they have the majority of the market shares, they could instead measure Customer Lifetime Value (CLV). Starting with calculating the current CLV and measuring it again in a year to see if it has changed. This means however that they would have to direct marketing efforts to existing customers and to shift the focus from generating new leads. As they implement more digital marketing, it will be easier to measure likes/shares/leads which they can then connect to a ROMI metric such as CLV or Brand Value.

A shift in the responsibility of the marketing budget can be a difficult task to do in a large company like Company 1. However, we do think that Company 1 should consider shifting the responsibility of the marketing budget to the marketing department and making this department responsible for profit and loss much like the different business areas. Putting a bit more pressure on the marketing department to report the progress of their activities and giving them incentives to reach their goals (in terms of an increased budget for next year) could result in the marketing department taking responsibility for calculating and reporting the return on the investments they make. These reports could also help to shift the perception of the marketing department as a cost center to be seen as an investment.
6.3.2 Company 2

A difference between the two companies is that Company 1 has their own marketing department while Company 2 is using a marketing agency. We recommend having an own marketing department in the company instead of using a marketing agency to reduce costs and gain control over the marketing activities. Even though Company 2 may think they have a good relationship with their hired agency, you will not be able to build the relationship as close as if you have an in-house department. Not only will you never be a real member of the team when using a marketing agency, but with in-house, you will have much more direct access to those who are able to make the decisions, and this will enable more efficient communication.

The CEO of Company 2 mentioned it being difficult to measure the return on marketing investments, and not being as involved in the decision making the process of marketing investments. To improve the communication between segment managers and the top decision makers such as the CEO, they can take advantage of opportunities in a better way. The Segment managers should make sure that the CEO get to see the return on the marketing investment that they have made even in the smaller areas. This could give them a better chance to argue for an increased budget for next year, even if the area is still one of the smaller ones. An increased budget could help them invest in activities that could grow their market share. It could also draw the CEO's attention to this area and get him/her more involved in the activities.
List of References


Dalen Monica (2015), Intervju som metod, Gleerups Utbildning AB, Malmö, 2: a Upplagan

David Matthew, Sutton D. Carole, (2011), Samhällsvetenskaplig Metod, Lund, Studentlitteratur, 1:2 Upplagan


Perkins, W. S, Ph.D. (1987) *The role of experience in marketing decision making*, The University of Texas at Dallas


Söderbom A., Ulvenblad P. (2016), *Värt att veta om uppsatsskrivande*, Lund, Studentlitteratur AB, Upplaga 1:1,


Appendix 1

The hierarchy for Choosing a Marketing Strategy

Figure 4-10 Hierarchy for Choosing a Marketing Strategy
Appendix 2

Interview guide

Introduction: Give the respondent a short introduction of our study including the purpose of the study. The respondent will be anonymous. Ask them if they are ok with us recording the interview. We only need to know their position and title at the company.

Inledning: Berätta om vår uppsats och syfte med uppsatsen. Dom kommer vara anonyma - intervjuerna spelas in - FRÅGA OM OK. Vi behöver bara veta deras befattning på företaget.

Questions:

Frågor:

1. What percentage of the yearly revenue do you invest in marketing activities?
   *Hur mycket investerar ni i marknadsföringsaktiviteter per år procentuellt av årsomsättningen?*

2. Who decides how much of the total budget should be assigned to marketing activities?
   *Vem bestämmer hur mycket av den totala budgeten som skall läggas på marknadsföringsavdelningen?*

3. Who has the main responsibility for the marketing budget? At the marketing department, the strategic leadership team and at the finance department
   *Vem har huvudansvaret för marknadsföringsbudgeten? På marknadsföringsavdelningen, i ledningsgruppen, i finansavdelningen?*

4. Describe the decision making process in your department. Do you discuss in groups? Will you reach out to other departments for advice?
   *Hur ser beslutsprocessen ut på eran avdelning? Träffas ni i grupp och diskuterar? Rådgör ni med andra avdelningar?*

5. Prior to investing in staff/new machines/new processes etc., do you calculate expected return or savings on this investment? - (Finance)
   *Innan ni investerar i personal/nya maskiner/nya processer etc., räknar ni ut förväntad avkastning el sparande? - (Finans)*

6. In the cases where you do not look at any return on the marketing activities, what do you consider in the decision between two activities?
   *Om ni inte tittar på någon avkastning alls på marknadsföringsaktiviteter, vad tittar ni på i beslutsprocessen mellan två olika aktiviteter?*

7. Company 2: is there any difference in ROMI use on B2C marketing activities vs. B2B marketing activities?
   *Företag 2: Är det någon skillnad i ROMI på aktiviteter mot konsumenter vs mot andra företag?*

8. Company 2: What is your primary target audience; the end consumers or other companies?
Företag 2: Mot vilka riktar ni mest marknadsföring (störst procentuell del av marknadsföringsbudgeten); är det mot slutkonsumenter eller mot andra företag?

9. What marketing activities do you invest in? 
   *Vilka marknadsföringsaktiviteter satsar ni på?*

10. Follow up question on the previous question: What kind of ROMI do you look at for the different activities? 
   *Följfråga: Vad för slags ROMI tittar ni på i de olika aktiviteterna?*

11. How do you compare a marketing investment with other investments in the company? 
   *Hur jämför och väger ni en investering i marknadsföringsaktivitet med investering i andra delar i företaget? (så som investering i mer personal, maskiner, etc.)*

12. How do you calculate the return on marketing activities? (The value of the investment in a specific marketing activity?) 
   *Hur räknar ni ut avkastningen på marknadsföringsaktiviteter? (värdet på en investering i en viss marknadsföringsaktivitet)*

13. Apart from a financial return, do you calculate any other value of the investment (such as increased brand awareness, CLV, etc)? 
   *Bortsett från ren finansiell avkastning tittar ni på något annat slags värde i marknadsföringsaktiviteter (ökad varumärkeskännedom, CLV osv)?*

14. How do you compare the return from a marketing investment with the return from other investments? 
   *Hur jämför ni avkastningen från en marknadsföringsinvestering med avkastningen från andra investeringar?*

15. What information do you consider the most important in the decision making process of which marketing activity you will conduct? 
   *Vad anser ni vara den viktigaste informationen i beslutsprocessen ang vilken marknadsföringsaktivitet som ni ska genomföra?*

16. Do you calculate the potential return on future marketing activities or do you look at the actual return after the activity is done, or both? 
   *Tittar ni på potentiell avkastning på framtida marknadsföringsaktiviteter eller tittar ni på den faktiska avkastningen efter aktiviteten är genomförd eller både och?*

17. What is the most important incentive for marketing activities that you are considering at the moment? (increased sales, increase brand value, increase the number of customers)? 
   *Vilken är den viktigaste anledningen till marknadsföringsaktiviteter som ni överväger för tillfället? (ökad försäljning, stärka varumärket, öka antalet kunder tex)*

18. What, in your opinion, are the pros and cons with calculating expected return of specific activities? 
   *Vilka fördelar eller nackdelar ser ni med beräkningar av förväntad avkastning av specifika aktiviteter?*

**Notes to be kept in mind during the interview:**

ROMI - financial

CLV

Real options
Backward/forward vision
Short/long-term
Finance and marketing departments - who is responsible for the return? How do they “translate” the value of an investment?
*Finans och marknadsföringsavdelningar - vem tar ansvaret för avkastningen? Hur “översätts” värdet av en investering?*
Management/Shareholders/finance department pressuring the marketing department?
Decision making process - How is that structured? One decision maker or is it discussed in groups with different departments?
*Hur är beslutsprocessen strukturerad, en beslutsfattare eller diskuterar dom i grupp?*
Soon to be an international marketing graduate with experience in digital marketing.

Former Marketing Executive and Events manager, currently working as Marketing communication manager.