

Cost benefits analysis for marketing activity marketing essay



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In the beginning of our activity we decide to evaluate our cost not the least one put the efficient one so comparing our cost benefits analysis versus baseline past year with the last year activity by two three methods mainly operational cost which is more predictable and controllable plus partially capital cost which is organizational strategy and less controllable by marketing department:

Cost benefits compared by past year .

Cost benefits actual versus planned.

Contribution of cost towards marketing and strategic company benefits

finally cost benefits analysis provide us information necessary to evaluate cost opportunities and alternative cost and benefits derived from each.

Benefits can derive from elements such as greater productivity, reduced training costs, less overtime, and reduced staffing not planned and approved at the time of the cost/benefit analysis.

Cost management analysis:

Cost type (million LE)

Past year

Last year planned

Actual

fixed

1 3/4

2

2

Semi fixed

1/2

1/2

1/2

Variable

3 1/2

4

4 1/2

Semi variable

1/4

1/2

1/2

total

6

7

71/2

Our cost increase compared with past year due to cost of additional resources either human 4 medical reps and one marketer increase fixed cost by 100, 000 LE and cost of training as variable cost by 20, 000 LE

Physical resources: personal computers for first line managers and marketing department 8 computers cost 50 , 000 LE.

Matching with strategic objective to maximize profit and increase Earning per share ESP

Fixed cost: 2 million LE for overheads salaries & wages, rent , vehicle, assets

Semi fixed cost: $\frac{1}{2}$ million LE Warehousing cost for stock storage , transportation shipment goods from France to Egypt one container for 110, 000 units cost 500, 000 LE any increase in sales over our forecast increase our cost directly, storage,

Variable cost: 4 million LE Marketing expenditure 1 million LE. Import price 3 million LE(taxation and exchange rate).

Semi variable cost: $\frac{1}{2}$ million LE incentives for higher performance team member.

Total Cost : 7 million LE compared by the past year total cost 6 million LE

Sales volume critical mass 110, 000 units any increase above leads to increase total cost due to increase shipment cost as semi fixed and incentives as semi variable , store rent for goods increase.

Integrated marketing plan for ISOVALE Re- Launch through personal selling and PR and Direct marketing cost 1100, 000 LE contribution of personal selling 300, 000 LE PR 450, 000 LE and direct marketing 160, 000 LE and training and development 90, 000 LE to achieve marketing activity objectives and company objectives when comparing Cost benefits of the last year by the previous year show us increase in the productivity per heads by 10% and increase ROI% by 10% with solid figures our total cost increase by 16% with related benefits either qualitative as increase sales volume by 40% , our income by 70% increase our profit 200% and pay back improvement from 6 years to 3 years and increase Earning Per Share ESP by 20% compared by past year.

Or quantitative as: improved brand image and loyalty through increase customer satisfaction to 90% and increase SKU of our brand which increase barriers to competitors.

Benefits of marketing activity evaluated related to customers to measure the effectiveness from customers prospection increase customer satisfaction to 90% comparable by the previous year 75% and increase, customer retention and loyalty and increase cost of change , increase SOV to 30% previous year 20% and increase market share 22%, increase percentage of new leads from 5 % to 10% comparable by previous year.

Benefits of marketing activity process both in effective and efficient we achieve our market share 22% through increase our SOV to 30% by increase activity of field force to 24000 visit annually and 7 PR activities and 14400 mail shoot starting internal marketing activity increase customer response to 40% to our mailing campaign and decrease customer complain either online or by marketing mystery visits. Improve efficiency of our field force by training induction which reflected on increase productivity per head (450, 000 LE) comparable by past year(300, 000 LE) referred to number of activities done in proper time and with in high profit.

Benefits of learning and development team performance increase productivity per head by 15% above past year .

Benefits achieved compared by past year:

Quantitative

Benefits

Past year

12 months activity

Sales volume

60, 000 units

85, 000 units

Income

6 million LE

11 million LE

profit

1 million LE

3, 5 million LE

Money pay back

6 years

3 years

ESP

2 LE

2, 5 LE

ROI

15%

25%

Productivity per head

300, 000 LE

450, 000 LE

Market share

15%

22%

Total cost

6 million

7, 5 million

Qualitative

Brand loyalty

70%

90%

Customer satisfaction

70%

90%

Field force performance

75% average performance

85% performance.

Marketing activity contribution: for marketing department and for the organization.

Organizational Social costs and benefits. Balanced score card (Kaplan & Norton)

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Benefits achieved from our marketing activity matched with strategic organizational objectives profit 3 ½ million LE , income 11 million LE, market share 23 % with growth 8 % above the last year and evolution index 105% above total market, increase SKU .

Branding , customer retention and satisfaction improvement to reach 90%

Increase SKU branding increase visibility of brand by increase shelf stock space

Customer loyalty , growth, net profit market share, learning and improvement increase productivity , facilitate internal process which measure by task implemented , website and internal marketing .

Cost benefits actual versus planned plus opportunities and alternatives:

Cost type (million LE)

Planned cost

actual

variance

description

Alternative & opportunities

fixed

2

2

zero

Semi fixed

1/2

1/2

zero

Local manufacturing (Import the raw material and repackage local in EGYPT to decrease variable cost of product which give us more profit and competitive advantage above competitor if we decide to decrease product price.)

Variable

4

41/2

1/2

Adverse(exchange rate and import tariff)

Local Manufacturing.

Outsourcing of PR activities.

Outsourcing recruitment.

Semi variable

1/2

1/2

zero

Incentive linked to profit not to sales volume

total

7

71/2

1/2

adverse

From above analysis and Feasibility Study and market feed back we found some cost variances mainly in variable cost which reflect directly in total cost plus other zero cost variance we found another opportunities to make it by different ways with low cost and more efficient and saving budget for marketing expenditure which need more investment concluded as follow :

For example we suffering mainly from cost of goods either cost of shipment (1/2 million/ 110, 000 units), exchange rate and import tariff(12 LE per unit) unit price (3 euro = 24 LE) we can replace it by local manufacturing for our

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product either by joint venture with pharmaceutical industrial company or capital investment (buy manufacturing line) which cost nearly 15 million LE and cost of manufacturing per unit = 15 LE compared by imported units price 35 LE we save 15 LE / unit in yearly turn over $20 \times 100,000 = 2$ million LE per year .

Benefits from above we can minimize our cost by 2 million and increase our profit and money pay back of manufacturing with in 6 years and return of investment of 15 million above bank interest 10%.

Another opportunities we had adverse cost variance in variable cost representing in increase marketing expenditure specifically in PR activity (450,000 LE) explanation we increase number of PR activity from 6 to 7 events put another factor is increase cost (buy PR material ex, LCD, booths, panels) due to we need more expert agent which save money (rent the PR material instead of purchase) and save time for marketing department to do another tasks for example we save the cost of hiring new marketer for direct marketing activity which cost us nearly 60,000 LE annual salary plus training cost 5,000 LE .

Finally by outsourcing PR activity we save 65,000 LE (new marketer) plus nearly 7,000 LE per PR event by rent the Equipment from agent. Result to reduce our cost by nearly 120,000 LE and increase marketing department productivity nearly by 10% and increase efficiency of different marketing.

Cost of recruitment : we found that we spend more money and more time in recruitment of new hiring field force for example newspaper advertisement cost us 20,000 LE for hiring 4 medical Reps and another one cost 10,000 LE
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for hiring one Marketer, total cost 30, 000 LE for hiring 5 guys cost per head 6, 000 LE while agent for recruitment cost me 3 , 000 per head plus saving time and a lot of alternatives to select the highest performance from different industries.

Finally we found that outsourcing of recruitment is one of our opportunities to do that better in future saving 50% of recruitment cost , saving time and efficiency through expert agent.

Cost control and cost improvement:

Continual awareness and appraisal of marketing activity on quarter predictions.

CVP & Break even analysis

Cost-volume -profit :

Volume increase, to limit and increase cost which reflect on profit.

4 kind of cost detailing

Fixed cost 4 million

Variable cost 42 LE per unit

Contribution per unit 42 LE

Selling price 100 LE

Profit and loss analysis.

We achieve 3. 5 million LE Net profit matching with organization strategy referred to wide margin of safety between break even quantity 70, 000units

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and actual target 100, 000 units which help us to overcome any variation in actual volume 85000 units or cost variation due to increase cost due to increase exchange rate and import taxation.

Regarding this issue we done sensitivity analysis for price to plan for the next coming years and put in our consideration in future when decide to price readjustment.

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