

The role of marketing in adding value  
Measuring success in the dairy industry  
IDF Conference

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## The Role of Marketing

- Often seen as a limited set of processes
- Selling at the commodity level
- Advertising and selling at the consumer level

However, the wider role of  
marketing at all stages and  
levels of industrial process is  
recognised if not widely  
acknowledged

## 1985 - American Marketing Association definition

"Marketing is the process of planning  
and executing conception, pricing,  
promotion and distribution of goods,  
ideas and services to create  
exchanges that satisfy individual  
and organisational goals."

## Wider Role of Marketing

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At production

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- Demand forecasting

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At production

- Demand forecasting
- Management of transport and storage –  
logistics/supply chain management

## Wider Role of Marketing

At processing

## Wider Role of Marketing

At processing

- Product specification and mix  
- both industrial and consumer

## Current recognised roles of marketing in the dairy industry

Industrial marketing – International marketing

- Broad involvement in sourcing and securing  
commodity customers

## Current recognised roles of marketing in the dairy industry

Consumer Marketing

- Close involvement in developing, distributing,  
promoting and selling consumer products at  
wholesale – also some involvement at retail

Issue:

- Two distinct sets of marketing activities not necessarily integrated
- Commodity demand forecasting and consumer product development may be mismatched with negative effect

For both organisational and industry effectiveness, more integrated approach will provide superior outcomes – can be achieved through marketing analysis and application across the enterprise or industry

A new approach to understanding the wider role of marketing

Marketing as the source of value creation in a business

A new definition of marketing from the American Marketing Association

"Marketing is an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders."

Key is value  
– to customers, to the organisation  
and to shareholders

The Australian Marketing Institute has embarked on a project to develop and encourage adoption of measures which will demonstrate the value-adding role of marketing and will link that value with shareholder value

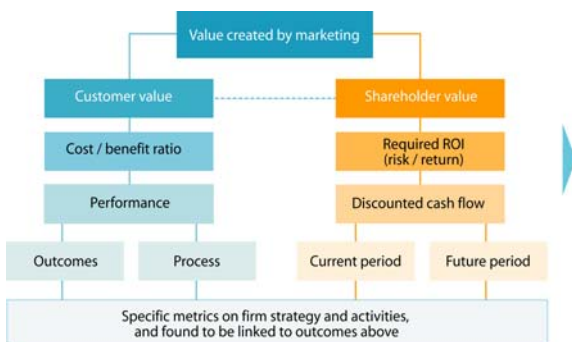
Australian Marketing Metrics project brings together theory and practice on measuring the contribution of marketing in terms of added value

Looks at the value of marketing in terms similar to shareholder value

Shareholder value – the total value of an enterprise expressed in terms of estimated future cash flows discounted at the cost of capital (DCF)

Marketing example: value of a brand defined in terms of future discounted cash flows generated over the potential life of the brand – also a DCF approach

Framework for measuring value created by marketing and linking to shareholder value



A more holistic approach that requires consideration of value creation at each point in the industrial cycle – from initial production to final consumption

To do this requires consideration of measurement at each point in the industrial process/ marketing cycle – which will help overcome problems of marketing mismatch

Australian Marketing Metrics project designed to assist organisations select and implement metrics that will both improve performance and demonstrate link with shareholder value

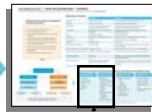
### Key metrics for boards and senior managers

#### Marketing activities

- advertising
- communications
- market research
- pricing
- distribution
- others

#### Marketing-based assets

- brand equity
  - what is in mind of customers, channels, members, etc
- customer relationships
  - current
  - potential
  - future
- partner relationships
  - channels
  - co-branding
  - network
- market knowledge



Ref: Sivastava, R.K / Shervani, T.A / Fabey, L. 1998 Market-Based Assets and Shareholder Value. Journal of Marketing, Vol 62

### Key metrics for boards and senior managers

#### Market performance

- segment penetration
  - trial
  - referrals
  - adoption
- share of wallet
- price premium
- products/customer
  - extensions
- sales/service costs
- loyalty/retention

#### Shareholder value

- accelerate cash flows
- enhance cash flows
- reduce volatility and vulnerability of cash flows
- enhance residual value of cash flows



Ref: Sivastava, R.K / Shervani, T.A / Fabey, L. 1998 Market-Based Assets and Shareholder Value. Journal of Marketing, Vol 62

- Project not about specifying particular measures
- Rather about providing common framework to allow uniform approach across industries and at each stage in the supply chain

About intervention points and processes by which metrics may be selected

- About demonstrating the value of marketing
- But equally about helping organisations and industries becoming more competitive in terms of their capacity to add value

## Outcomes?

More integrated planning, management

- Better linkage of industrial, consumer marketing
- More effective in establishing and building the competitive position of dairy products around the world