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HOW DO MARKETING AND FINANCIAL METRICS INTERRELATE AND INFLUENCE EACH OTHER WITHIN A FIRM'S DECISION-MAKING PROCESS?

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ABSTRACT

This study looks at the dynamic interaction between marketing and financial indicators and how that affects a company's decision-making. The study aims to examine the relationships between these two sets of metrics, how they affect one another, and how they work together to aid organizations in making strategic decisions. The article's purpose is to make clear how important it is to mix marketing and financial data in order to boost company performance and achieve long-term success. This research paper examines the intricate relationship between marketing and financial information in business decision-making. By highlighting the importance of ROI, client acquisition costs, and customer lifetime value, it delves into the major impact of marketing initiatives on financial success. The study highlights the synergies between marketing and finance, underlining their shared goal of fostering profitability and business growth.Using case studies and actual data, it demonstrates how these two functions influence strategy development, resource allocation, and investment decisions. This study seeks to increase collaboration, communication, and goal alignment between the marketing and finance departments in order to advance organizational performance.

Keywords: Marketing metrics, Financial metrics, Interrelation, Decision-Making, Sustainable growth

Introduction

An overview of the importance of marketing and financial metrics in business operations and decision-making is given in the introduction section. It establishes the framework for research investigations and draws attention to the growing understanding of their interconnectedness.

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1. **The Interrelationship Between Marketing and Financial Metrics**

This section examines the relationship between marketing and financial metrics, focusing on how diverse marketing initiatives and techniques affect financial performance. It examines ROI (return on investment) on marketing initiatives, customer acquisition costs, and customer lifetime value as examples of how marketing measurements are linked to financial consequences. The relationship between marketing and finance is mutually beneficial since, without marketing, product life cycles won't be managed and sales will decline, resulting in lost profit. On the other hand, without the finance function, there would not be a marketing budget. The marketing department has to work relatively closely with the finance department to get an adequate budget based on the company's goals, projects, and plans to meet the needs for research, promotion, and distribution. Here, the finance department's role is to ensure that the business operates within its financial capabilities through measurement and governance.

2. **Influence on the Process of Firm Decision-Making:**

The study article examines how financial and marketing variables affect and direct the firm's decision-making process in this instance. To illustrate how data from both areas is taken into account in strategy planning, resource allocation, and investment decisions, it looks at case studies or empirical evidence. Alignment between finance and marketing departments improves customer targeting by combining financial data with customer data. By understanding the financial value of different customer segments, finance can provide valuable insights to marketing on which customer segments are most profitable and worth targeting.

Literature of Review

Edeling, A., Srinivasan, S., & Hanssens, D. M. (2021) researched the importance of the concept of a marketing organization as a basis for achieving marketing excellence and firm value and discussed the integration of operational marketing and finance. Four dimensions make up the concept: abilities, configuration, humanity's resources, and culture. The analysis reveals that most studies have explored relationships between marketing actions and assets with financial metrics, with limited attention to the marketing organization aspect.

Advertising expenditure, customer satisfaction, and financial market performance indicators such as returns on securities are considered to be the main variables investigated. The text also points out the latest developments in metric exploration, identifying new categories and subcategories since 2009, while there are still some areas of interest that have not been explored. Moreover, it examines whether the effects of competition on company results were influenced in particular by innovation, breaches of customer data, and endorsement. The text briefly mentions the development of research methodologies for marketing and financial accounting studies.

Teru, S. P., Idoku, I., & Ndeyati, J. T. (2017) researched the development of accounting information systems and how various organizational conditions aid decision-making. Such systems shall process data for the purpose of providing adequate and reliable information to plan, manage, and operate businesses. These are more than financial reporting; they include functions such as planning, managing activities, and budgeting. Attributes such as clarity, completeness, accuracy, conciseness, and timeliness characterize the quality of accounting information. The effectiveness of these systems depends upon their integration into the organization's structure, technology, and culture. It is essential for the preparation of financial statements, such as income statements, balance sheets, and cash flow statements, to be used in decision-making and control. The accounting information systems provide quantitative insight into the past, present, and future economic activity for various users, both internal and external. Finally, the system's ability to provide information that meets or exceeds user expectations is an essential element of its usefulness in facilitating decision-making.

Discussion & Findings

Businesses will usually have large expenses in their books for marketing and advertising their products and services. While a business is expected to market its products to increase revenue and expand its business, it also has the responsibility to make them profitable through managing costs. This is the foundation of the relationship between marketing and finance.

With competition increasing day by day and industries becoming more complex, financial managers are expected to support marketing organisations by providing insights around visibility, managing costs and budgets at the desired frequency, and linking them to core business objectives. There is a shared vision of success for both functions, linked directly to the primary goal of profitable and growing businesses. While marketing is considered where budgets are spent, the responsibility of finance is equally to make it a performance-driven unit.

With global competition, commoditization, a growing global network, market fragmentation, and country-wide regulations in relation to foreign direct investments and taxation, there is a need for companies to keep evolving with better processes, controls, and ways to assess and manage risks. This is the new age of marketing, or as some call it, the age of accountability. Marketers are being pushed to shift their focus from awareness and image to increasing revenue, the business's cash flow, and customer acquisition.

Benefits of a stronger relationship between marketing and finance

Finance's primary goal is to focus on all financial aspects of business, like budgets, forecasting, costs, profits, and return on investments, while marketing would focus on marketing research,

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new product development, pricing and distribution strategy, channels, sales targets, promotions, sales volume, competitor intelligence, brand awareness, and publicity.

A relationship between the two would be mutually beneficial since, without marketing, product life cycles cannot be managed, and sales will get compromised and decline, resulting in lost profit. On the other hand, without the finance function, there would not be a marketing budget or measurement against return on investment, which is required for making key and timely decisions. One of the core responsibilities of finance is to find ways to increase profits, and if there is no profit, their role will be redundant. It's proven through a lot of successful business case studies that a marketing-finance relationship benefits both parties and the organisation as a whole, and as such, they must find ways to work together.

Execution of concept on ground

Based on discussions with various experts, one of the challenges CEOs often face is that the finance and marketing departments think and behave differently. Marketers are focused on creativity, ideas, competitors, brand positioning, etc., while finance deals with budgets, costs, and numbers. While both have a common objective of increasing the company's profits and sales, they see the business in different ways. Poor collaboration can become one of the biggest obstacles to crossing to get the best out of them.

It's important to kill the war between these two functions, if any, while marketing tries to spend money and finance tries to cut costs. As more and more use cases emerge of successes being achieved by these functions becoming pillars of each other, the relationship is evolving and getting better.

What are some of the tried and tested ways to improve relationships and align these two functions together?

Effective communication is the key to bringing marketing and finance together more frequently at the table to share plans, execution, strategy, measurements, insights, and take calculated and frequent decisions. While the responsibility is divided in terms of different roles to be played, the interconnection of measuring costs and returns and bringing successful models to the table will lead to faster and more effective decisions. Marketing needs financial planning and analytics more than ever in today's world.

Joint and shared success: While marketing comes up with any promotion of new product development or pricing distribution models, it's important to engage finance in it to read through the analytics to recommend and guide. Example: When finance sees a large expense without being aware of the idea behind the costs, they would immediately ask for cuts. It's better to engage them at an early stage so they can measure the impact beforehand. Both departments need to engage right from the planning stage.

Different responsibilities, same goals: Both functions need to have common goals and should understand the industry and competition well enough to think alike to arrive at decisions. Marketers need to understand the cost of new research and projects before a case is presented to finance. This makes the process much easier. Similarly, a finance expert needs to understand the business equally well to be successful in planning and analytics.

Conclusion

To conclude, the relationship between marketing and finance to influence key decision-making in an organisation is the key to its success in achieving common profitability and expansion goals.

As much as marketing needs budgets to run their campaigns, projects, models, and promotions, finance equally needs a stronger partnership with marketing by understanding these models and running their analytics to provide insights on these projects to management to make effective decisions. The two researchers' references focus on the importance of the concept of a marketing organisation as a basis for achieving marketing excellence and firm value; they discuss the integration of operational marketing and finance. The other key one focused on the development of accounting information systems and how various organisational conditions aid decision-making. Such systems shall process data for the purpose of providing adequate and reliable information to plan, manage, and operate businesses. This summarises the emerging need for stronger collaboration between marketing and finance by making individual units successful but also the organisation as a whole.

The call to action for CEOs of organisations is to build effective communication, the same goals, and effective collaboration between marketing and finance working in an integrated way.

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