Efficiency evaluation of service marketing in a Hungarian Telecommunication Company

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Introduction

It is unquestionable that marketing is an essential promotor of the economy and commerce. With its diverse tools, it can influence consumers and also regulate supply by measuring needs and demands (Bauer-Berács, 1998). Although the roots of marketing go back centuries, it is interesting that the raison d’être of service marketing was disputed even in the 1960s and 1970s. However, by today it has developed into a substantive specialty.

In this study, the inquiry service and the implemented marketing tools of a leading Hungarian telecommunications company were studied for four years. (The data was provided by the communication manager of the company. Being bound to secrecy, I will not disclose the name of the company or the inquiry service.)

The company is held by foreign owners, its stocks are also listed on the New York Stock Exchange. Its services include mobile communication for private clients and corporate services for business partners. Content, media and other non-access services in new business areas are provided, as well. The analysed service is at the clients’ disposal 24 hours a day, providing information on professional, business, cultural and other fields. The questions are answered by the operators themselves, based on the company’s internal and continuously expanding database and the Internet (INTERNET 1.).

Continuous intercommunication with the company made it possible to perform an audit of the marketing of the service and these experiences provided an opportunity to make new plans for the following period. There was also a chance to evaluate efficiency.

During this examination, the theoretical basis of auditing and planning were learned, as well as the past and present of the company and the inquiry service. In this article, only the main results and the proposals are shown about the future of the service based on these conclusions.

Literature review

Service marketing: First, WE MUST look at the service itself, as a special kind of goods. Even the wording is different, as traditionally the object of the barter deal between the seller and the buyer is the product, while service goods are exchanged between the provider and the user. In fact, “from the marketing point of view, service is a non-physical type of problem solving” (Veres, 1998). The special marketing problem comes from the lack of physical contact. The essence of the goods is a non-tangible physical object, which includes both the material and the bodiless content of the goods, but totally ‘pure’ service does not exist (Józsa–Piskóti–Rekettye–Veres, 2005).

According to the so-called HIPI principle, from the marketing point of view, services differ from physical products in four primary features:

- H – heterogeneity: The performance of the provider and the service observed by the user vary in place and time by nature. The higher the ratio of „personal factors” of the service is compared to material factors, the bigger the risk of heterogeneity is. The consequence of heterogeneity is unsteadiness, so quality control is fragile even if the positioning is well-reasoned.
- I – intangibility: It is not possible to gain information of the service by sense perception; the buyer must experience the service (goods of experience). This is a disadvantage, because no sample can be provided of the service, i.e. the future buyer can not test without buying it.
- P – perishability: the service that was not consumed today cannot be replaced, it represents ‘lost’ turnover (Kotler, 2001). Storing enables flexible adjustment to the unexpected fluctuation of demand. The provider misses this opportunity, and the client may lack one of the most important quality parameters, the availability of the service.
- I – inseparability: providing and using a service cannot be separated in time, it happens at the same time in the presence of the front personnel of the provider and the user. While quality control can be performed between production and storing, a service can be controlled only while it is being performed.
- And if it is faulty, supplementation is not equal to replacement (Veres, 1998)
- and (Laczkó–Zsom, 2004).

In the following part of the article, the structure and process of marketing audits and plans are discussed.
**Marketing audit:** Auditing is defined as a tool of control, screening and surveying. Thus, a marketing audit is the control of marketing activity based on a relevant structure (INTERNET 3.). Organizational strategy is elaborated by the company in order to reach its organizational targets, which include plans related to products, production and distribution, finance and labour force. Controlling of the product and the market is made by a functional audit, which includes a marketing audit, as well (Józsa, 2000).

In other words, the strategy, tools, actual facts and results achieved through the effectuation and performance of the employees participating in effectuation are compared in an audit with the market results of the company within a certain period of time. helping this way, the points that need modification and the direction of intervention can be determined, and using its results, the marketing guidelines to be followed or modified can be elaborated (Bokor–Mészáros, 2002).

**Marketing planning:** The main task of efficient management is to elaborate strategies, including marketing plans that contribute to the attainment of a set target. An exact definition is not cited here, as there are as many determinations as books on this subject (Bősze, 2001); (Fazekas–Harsányi, 2002); (Griffin, 2001) and (Sárközi, Schleicher, 2003). What these definitions do have in common is that planning is a procedure of making decisions today in regard to the future, in order to assist the optimal development of business management. Therefore, the primary task and aim of marketing strategy is to accomplish the higher level strategies of a company by establishing a competitive and good market position (Muray, 1984) and (Wensley, 1991).

**Steps of Planning (Source: Paley, 2000)**

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<th>Phase 1: Setting targets</th>
<th>Determining Mission</th>
<th>Organizational targets</th>
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<td>Marketing analysis</td>
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<td>Phase 3: Forming of the strategy</td>
<td>Marketing targets and strategies</td>
<td>Estimated expected results</td>
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<td>First-year plan</td>
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The planning is based on the audit, which in turn provides the basis of the SWOT analysis, which is used to set the marketing targets. These include product mix, markets, segments and channels (Incze–Pénzes, 2002) and (Törőcsik, 2003). The next step is to determine strategy. This usually should help to make the best of the opportunities, correct the deficiencies and build up a balanced product portfolio (Porter, 1985). The following element of the process is 4P, i.e. the compilation of marketing-mix: determining Product, Price, Place and Promotion. Then activities are divided into sub-targets and sub-strategies that will result in product quality, positioning, design, timing, profitability and market share. All these are reinforced by a suitable and confirmed budget (Kàtits, 2002).

During and after the forecasted period, the accomplishment of the targets can be monitored by a new audit. Abstract calculation of efficiency can be made based on the numerical data report (INTERNET 2.). Its method will be shown in the next section.

**Methodology**

In the following section, the results of the research of the past 4 years are shown and the most important data are highlighted. The starting point is the audit of the service made in 2005. Based on this, a marketing plan for 2005–2006 was prepared. In the audit of 2007, not only a survey of the current situation was attempted, but the primary aim was to measure to what extent the plan from the two preceding years had been achieved. Finally, a new marketing plan was made that aims to achieve the highest possible efficiency based on the previous experiences. (Figure 1)

In the following, the details of the calculations are specified. The following formula was used for the calculation of additional income – TNJ, which is additional income owing to marketing activity (Kàrpné, 2005.a) :

\[
TNJ = Q \cdot \text{Price} - \text{Mk} \cdot (1 + \text{Ha}),
\]

where

- **Q:** sold quantity
- **Mk:** Marketing cost
- **Ha:** Cost of renounced profit, it was taken as 20%

The formula does not include variable costs, as these are not specific of services. The following significant calculation is the difference between additional financial results and own targets, where the formula is:

\[
\Delta \text{TNJ} = (\text{TNJs} - \text{TNJc}) / \text{TNJc} \times 100 = \%
\]

- **TNJs = own additional income**
- **TNJc = corporate additional income**

Both additional income and additional financial result are based on estimated or achieved quantity. Quantity means the number of calls per month. The data was provided in the above form, in minutes and in HUF. In our judgement, this form is the best to show the popularity of the service and the
numerical value of the additional users of the service on account of the communication. The data given in minutes are distorted by the time of the search, while the income is distorted by the fees changing year by year.

Finally, the calculation of efficiency is expounded (Kárpáti, 2005.b). Its value is the difference between additional income and marketing costs and the quotient of the same expenditure:

\[ HK = \frac{TEK}{\Sigma MKK} \times 100 = \% \]

\[ TEK = \Sigma \Delta Qx (\text{Price-VK})-\Sigma MKK, \]

where

- Price = price of the product: '000 HUF/t
- VK = variable costs: '000 HUF/t
- TEK = additional economic result of the communication policy ('000 HUF)
- \( \Sigma MKK \) = total marketing costs

The formula does not include variable costs, as these are not specific of inquiry. Marketing costs, on the other hand, include not only communication activity, but also the salary of the communication employees (gross salary per month).

**Results**

**Marketing auditing I.**


During the first audit, marketing organization and the realized sales data were examined based on the number of calls and the income. Then, the efficiency was calculated using the costs of marketing activity. In the following, from the analysis of marketing functions of this study (Kalmár, 2005), only communication will be highlighted, as this is the feature the company most emphasized. The costs of this are equal to the expenditures of 4P. Finally, the common efficiency of the campaigns of 2003 and 2004 will exposed, because of the space limits.

In the following points, the communication related to the service will be shown through the campaigns.

- August – September 2003 TV campaign on 5 TV channels (RTL Klub, TV2, NatGeo, Viasat, Sport1), TVfilm, period: 2003. 11 August – 14 September, (ceased in the meantime), News magazine, Invoice envelope  
  **Cost:** HUF 80,000,000.00
  
- 17 July – end of August 2004: TV campaign with local cable TVs, using the advertisement of 2011.  
  **Cost:** HUF 40,000,000

Common evaluation of the efficiency of the campaigns of 2003 and 2004

The audit contains detailed calculations and analysis, but here only the marketing efficiency of these two years is compared.

The table above highlights the effects of marketing activity. *(Figure 2)* The start of the communication and its consequences can be observed clearly. It shows that the campaign of 2003 increased the number of incoming calls by 20,000, and the campaign of 2004 increased it by 30,000. As the advertisements caused the number of calls to get steady, the campaign of 2004 started from the increased data, so its efficiency cannot be analysed separately – the outstanding results of 2004 are based on the campaign of 2003, too. *(Table 2)*

**Marketing planning I.**

(Planned period: July 2005 – June 2006)

In 2005, using the above described audit, a short-term marketing plan was made, which covered one year after the beginning of the communication period. The aim of the plan was to improve the achievements of the company. The communication policy chosen was very close to the previous marketing activity of the company. The information basis of the service was broadened and the teenagers were pulled in the target group with the introduction of the text message-based service that is liked by young people. Furthermore, using the real data of the audit forecasting, a true picture of

![Figure 2: Number of answered calls in 2003 and 2004 (Source: Kalmár, 2005.a)](image)

![Table 2: Cumulated results (Source: Kalmár, 2005.a).](table)

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<tr>
<td>Additional income ('000 HUF)</td>
<td>48800</td>
<td>92900</td>
<td>141700</td>
</tr>
<tr>
<td>Marketing costs ('000 HUF)</td>
<td>83600</td>
<td>43600</td>
<td>127200</td>
</tr>
<tr>
<td>Efficiency (%)</td>
<td>-41,62</td>
<td>113,07</td>
<td>11,39</td>
</tr>
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</table>
the future situation was intended to be gained. In the research description, further details on the market analysis, the SWOT analysis and the action plan will not be given. The accomplishment of this plan will be described in the next section, as part of the 2007 audit.

Targets

Following a brand switching, the company does not communicate the service itself until the last quarter. Their aim is to popularize and promote the new name, so stress is laid on promotion of the company and advertising of other – new – fields. Based on data from previous experience, the annual campaigns increased the frequency of the service by twenty-thousand calls. They are convinced that they can achieve the previous growth level even without a campaign. Their expected additional net sales revenue

In my opinion, the communication and promotion of the service range expanded by the text message-based option continues to be essential. Therefore, 43,600,000 HUF should be spent on communication (TV, radio, wages) altogether. Regarding the frequency of the service, 22,000 additional calls per month and 25,000 incoming test messages per month are expected. The price is 130 HUF/call, or 100 HUF/text message. Thus, for a yearly period, 142,000 incoming calls per month and 25,000 test messages per month are calculated.

The additional financial result, the difference between corporate and own targets, would be almost 6%, and these sales targets exceed the targets of the company by 16.8%.

Because of the experiences described in the audit, the use of new communication tools (such as billboards, flashers) is not offered. All that occurs is that the radio station Danubius broadcasts the audio of the TV spot for one week after the TV campaign has finished. The modified version of the ad spot would be shown on the TV stations RTL Klub, TV2, Viasat and Sport 1 from 9 to 17 July and from 23 to 30 July. Total communication costs are 40,000,000 HUF.

Budget

The calculation shows the additional sales quantity expected to be achieved (22,000 calls and 25,000 text messages per month) and also the aimed additional sales revenue, which is 58,960,000 HUF per year. The campaign will be held in July, so its effects can be measured only from August. Therefore, the difference between the corporate and the own additional sales and revenue appears only from August, i.e. through the next 11 months reviewed.

Total marketing costs are 43,600,000 HUF for 12 months. The additional amount of profit – difference between corporate and own planned profit – is 18,960,000 HUF, and the cumulated amount is equal to that. Current assets required by the plan are 40,000,000 HUF.

The development of cumulated surplus and additional profit for the 12 months of the plan is shown on Figure 3.

Communication costs arise as expenditure in the first month, i.e. in July, later the only costs are the payment of the employees. From August the planned revenue and the profit difference is higher by 5,360,000 HUF. Thus, the additional profit is 18,960,000 HUF per year. The figure shows that the point of intersection of the two charts is in April, i.e. in the tenth month after the beginning of the communication. Based on the numerical data the plan is definitely effective. Marketing efficiency is 35.23%, which is considered very effective. It also shows that the forecast is based on real data and the plan can be accomplished.

Marketing auditing II.
(Audited period: 1 January 2005 – 31 December 2006)

In the second audit, the plan described in the previous section was compared with the realized activity, turnover and revenue of the company. From this study, the features backing up the comparison of the target and actual data are highlighted.

Communication policy of the Company

2005: the professional database was set up using DM for 8 million HUF, and in spring LA4-size leaflets were made in order to promote text message service for 4 million HUF. Total costs: HUF 12,000,000.

2006: ‘Who wants to be a Millionaire’ programme was sponsored for 2 months and 42 million HUF, then a press campaign was conducted during the Football World Cup in sports section of national and local newspapers, Nemzeti Sport and Blikk. There was a billboard made in the World Cup Park promoting the services. The press campaign cost 43 million HUF. Total costs were 85 million HUF in 2006.

Sales activity

Figure 4 shows planned and actual sales data.

The figure shows that while in January 2005 128,000 calls were received in a month; in December 2006, the number of the calls was 197,000, which is undisputed and significant improvement. In the plan an optimistic project was forecasted based on the previous audit, but the actual number of incoming calls significantly exceeded the planned.
data. The reason behind this is that despite its previous plans the Company conducted an expensive communication campaign. In the analysis of marketing efficiency all marketing efficiency was attributed to communication. Its rate is 351.19% in 2005 and 35.23 in 2006. Cumulated efficiency is 52%.

The target data of the plan based on the previous audit fell well behind the actually realized data of the Company. One of the reasons of this that at the beginning of 2005 it seemed that there would be no budget for special activities. Therefore in Plan I the planned data of the Company were kept constant. On the other hand, the high differences indicate that the life cycle of the service is going up, as the number of customers increases very fast. It seems that communication does not only reach the users of the service, but it also influences them positively. The monthly turnover data shows that the number of the answered calls started to show a bit declining tendency just at the end of 2006. This proves that it is worth monitoring the plans and reviewing their accomplishment, as the data of one year does not give a true picture of the life cycle and market potentials of a company or a service. The effect of Internet in the decrease of the turnover may have been overrated and the potentials of this service underrated. The marketing plan of 2007 was based on the above conclusions.

**Marketing Planning II.**
(Planned period: 1 January 2007 – 31 December 2007)

In the marketing plan of 2007, based on previous experience, it had to be considered that – although until that time the service had been in the cash cow phase of the BCG matrix – the turnover had just started to decline, so the effect of communication must have been planned more conservatively. And for the Company had spent 85 million HUF to promote the service in 2006, for this year much less was planned, as the tendency had showed that a bigger budget was worth it only in every two years.

When creating the communication theoretical guidance of Virányi, 2005 and Yadin, 2000 were taken into consideration.

The estimation in the short term financial target is based on 430,000 additional calls annually owing to the marketing expenditures. The calculation method of the additional sales is based on stagnating or declining calls without marketing, and the monthly fluctuating additional sales were added to this amount. 5 HUF price increase/call was calculated, but it is not expected to decrease the number of calls. As a result, 28,290,000 HUF additional net cash flow is expected. This shows 114.07% of efficiency, which is a very good result.

**Marketing tactical steps**

Among the elements of marketing strategy expenditures were only planned on communication, just as it was done before. Total costs are 20,000,000 HUF per year, and the payment of the communication manager – 400,000 HUF per month and 4,800,000 HUF per year – is added to this.

Based on the knowledge gained from the audit, following the big budget of 2006 moderate expenditures were planned for this year. Communication is composed of prize games, online advertising, leaflets and direct mails.

1. This plan includes a year-long prize game, where there is a laptop and a cell phone with subscription drawn by lot every month among the callers.
2. Online banner campaign on Origo and Index portals in February promoting both the service and the prize game. The cost of this is 10,000,000 HUF.
3. Leaflets (85,000 pcs) in April also promoting the service and the prize game showing the characters of the advertising spots and the prizes. The leaflets are distributed by students in the county towns at weekends. The planned cost is 4,400,000 HUF.
4. Direct mails are linked to the invoices sent to the subscribers of company. At the back of the invoice the service is advertised by a colourful montage. The costs of design and implementation are 20,000,000 HUF. The turnover of the action can be seen on Figure 5.

The above diagram contains the turnover data in budget report compared to the actual number of calls in 2006. The planned data (2,782,905 calls per year) are barely exceeding the actual data of the previous year (2,487,396 calls per year). Even so this calculation is optimistic, as the life cycle of the service has just started to decline, so it’s good enough if the turnover can be increased. In order not to be unrealistic the year-end turnover is estimated to fall behind last year.
There was no opportunity yet to monitor the planned data of 2007, but after comparing the confirmed turnover data of the service with the marketing activity, these targets can be considered realistic.

Conclusion

Following a lot of numerical data now we seek to give a summary of the experiences of the last four years and come to conclusions that can support suggestions about the future of this service.

The advantage of inquiry service is that the caller gets in touch directly with the operator, which represents a personal and human contact, and – the service being non-stop – the questions can be asked 24 hours a day.

The extremely positive side of the service for the Company is that – without real competition at the moment – users are not sensitive to the price level and occasional price increase. Furthermore, the efficiency of the communication is so high, that it is worth and expedient to plan some kind of activity every year. Advantage of the applied tools is that their efficiency is noticeable not only during the campaign but the achieved results remain stable in the coming months, as well, so enabling further increase of turnover in the next year.

From all the above this service can be concluded as a real success story, although the drawbacks of the service should also be kept in mind:

- The database is not complete, the scope of information is recommended to refine the already excellent technology, and the search for information can be too long, as well, so enabling further increase of turnover in the next year.

- It is a long price service, and on top of it, the price is not homogeneous, but varies depending on telecommunication providers, therefore mobile providers should compromise and harmonize the prices there are 'unanswerable' questions and the search for information can be too long, as well, so it is recommended to refine the already excellent technology, i.e. to decrease the time for getting through and to lessen the time of searching for information.

- There is a risk that the service will be copied; i.e. the name of the service of the company – there is a website offering free access to similar information provided by this service.

As the life cycle of this service is expected to decline, the service with the marketing activity, these targets can be concluded as a real success story, although the drawbacks of the service should also be kept in mind:

- The database is not complete, the scope of information should be extended based on consumer research, and it should be updated not just as a professional database but also with data of cultural and sports events.

- It is a long price service, and on top of it, the price is not homogeneous, but varies depending on telecommunication providers, therefore mobile providers should compromise and harmonize the prices there are 'unanswerable' questions and the search for information can be too long, as well, so it is recommended to refine the already excellent technology, i.e. to decrease the time for getting through and to lessen the time of searching for information.

- There is a risk that the service will be copied; i.e. the name of the service of the company – there is a website offering free access to similar information provided by this service. For this reason and also because of the expanding importance of Internet, the Company should initiate to combine Internet with the original and real inquiry service.

As the life cycle of this service is expected to decline, the potentials should be exploited and the marginal profit should be skimmed off as long as it is still possible.

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