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# COST-BENEFIT IN MARKETING COMMUNICATIONS: AN ACCOUNTING PERSPECTIVE

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**Abstract**
Marketing communication is a vital component of modern business strategy, but its effectiveness needs to be accurately measured from a financial perspective. The research method conducted in this study uses the literature method. The results show that a proper accounting approach in evaluating the cost-benefit of marketing communications can improve the efficiency of resource allocation and accountability of the marketing department. With that, a careful cost-benefit analysis from an accounting perspective is critical to the success of a marketing communications strategy.
**Keywords:** cost-benefit, Marketing communication, Accounting.

## Introduction

In an era of increasingly fierce business competition, marketing communication plays a vital role in the success of a company. Marketing communication not only serves to introduce products or services to consumers, but also plays a role in building brand image, increasing sales, and maintaining customer loyalty.

Marketing communication is a comprehensive and strategic process in which an organisation or company designs, delivers, and manages messages that aim to influence the perceptions, attitudes, and behaviours of consumers or other stakeholders (Maskus, 2023). This process involves the use of various communication channels and methods, such as advertising, sales promotion, public relations, direct marketing, and digital communication, to create brand awareness, build a positive image, promote products or services, and ultimately drive purchase actions or customer loyalty (Abelson, 2020). Marketing communications serves as a bridge between a company and its target market, facilitating a two-way exchange of information that allows companies to understand consumer needs and customise their offerings, while effectively communicating their value proposition to targeted audiences (Grimson et al., 2023).

Marketing communication plays a vital role in the success of a business in the modern era that is full of competition. Firstly, marketing communications allow companies to build and maintain a strong brand identity. Through consistent and coordinated messages, companies can create a unique and memorable image in the

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minds of consumers, differentiate themselves from competitors, and build customer trust and loyalty (Hammes et al., 2020). In addition, effective marketing communications help companies educate the market about their products or services, explain the benefits and advantages offered, and influence consumer purchasing decisions. This is especially important in introducing new products, entering new markets, or dealing with changing consumer preferences (Markanday et al., 2021).

Second, marketing communications serve as a valuable feedback channel between companies and their consumers. Through various forms of interaction and engagement, companies can gather insights into consumer needs, wants, and behaviour, which can then be used to refine products, services, or marketing strategies (Tveter et al., 2024). Furthermore, in an increasingly connected digital age, marketing communications enable companies to engage in real-time dialogue with consumers, respond quickly to market trends, and build communities around their brands. This ability to adapt and respond quickly is critical to maintaining relevance and competitiveness in a dynamic marketplace (Madise et al., 2023).

However, despite the potential benefits, marketing communications activities also require significant investment. Companies today face the challenge of allocating their resources effectively and efficiently to marketing communications activities. On the one hand, they are required to continuously innovate and increase their brand visibility in an increasingly competitive market. On the other hand, they must also consider financial aspects and ensure that any expenditure on marketing communications provides an adequate return on investment (Krutilla et al., 2021).

From an accounting perspective, measuring and reporting the costs and benefits of marketing communications activities is complex. Some of the reasons for this complexity include: Difficulties in measuring the indirect and long-term benefits of marketing communications, such as increased brand awareness or customer loyalty, The time lag between the expenditure of marketing communications costs and the realisation of benefits, which can affect the recognition of revenues and expenses in the financial statements, Variations in the method of allocating marketing communications costs, which can affect the analysis of product or business segment profitability, Challenges in distinguishing between expenses that should be capitalised as assets (e.g., brand development) and those that should be charged directly as operating expenses and The need to integrate data from multiple sources (e.g., sales data, customer surveys, and digital metrics) to comprehensively assess the effectiveness of marketing communications (Wright, 2020); (Rezapour & Ksaibati, 2020).

In addition, the development of digital technologies has significantly changed the marketing communications landscape. Social media, content marketing, and data-driven marketing have created new opportunities as well as challenges in measuring the return on investment (ROI) of marketing communications activities (Sunstein, 2024).

Given the importance of marketing communications and the large investment required, accurate and comprehensive cost-benefit analyses are crucial. This is not only to ensure optimal resource allocation, but also to provide relevant and reliable information for management decision making and financial reporting (Hammes et al., 2020).

Therefore, this study aims to examine more deeply the cost-benefit analysis of marketing communications from an accounting perspective.

**Research Methods**

The study in this research uses the literature method. The literature research method, also known as literature study or literature review, is a research approach that involves collecting, analysing, and synthesising information from various written sources relevant to the research topic. (Helaluddin, 2019); (Sanusi, 2015).

**Results and Discussion**

**Marketing Communication**

Marketing communication is a fundamental concept in the modern business world, which refers to the process of conveying information about a company's product, service, or brand to a target audience or potential consumers. It is a series of activities designed to create awareness, build preference, and ultimately drive purchasing decisions. Marketing communication includes various forms of interaction between companies and consumers, including advertising, sales promotion, public relations, direct marketing, and personal selling (Hannay, 2021).

The concept of marketing communications is based on the understanding that all aspects of the marketing mix - product, price, place, and promotion - communicate something to consumers. Therefore, it is important for companies to integrate and harmonise all messages and media used to communicate with their target market (Mishan & Quah, 2020). The main objective of marketing communications is to influence consumer behaviour in a way that benefits the company, be it encouraging purchases, increasing brand loyalty, or building a positive image. In today's digital age, marketing communications have evolved to include online and social media channels, allowing for more personalised and real-time interactions with consumers (Bureau et al., 2021).

Marketing communication consists of different types that can be used separately or in combination to achieve optimal marketing objectives. Some of the main types of marketing communications include: 1) Advertising, which includes advertisements in mass media such as television, radio, magazines, and billboards; 2) Sales promotions, such as discounts, coupons, and loyalty programmes; 3) Public relations and publicity, which aim to build a positive image of the company; 4) Direct marketing, including email marketing and telemarketing; 5) Personal selling, which involves direct interaction between sellers and potential buyers; 6) Digital marketing, including SEO, content marketing, and social media marketing; 7) Sponsorship and event marketing, where companies support specific events or activities; 8) Viral marketing, which utilises the spread of messages from one person to another; and 9) Product placement, which is the placement of products in films, TV shows, or other entertainment media. Each of these types of marketing communications has its own strengths and weaknesses, and the selection of the right type depends on the target audience, marketing objectives, and available resources (Watts et al., 2022); (Radin et al., 2020).

The main objective of marketing communications is to influence consumer behaviour and encourage profitable actions for the company. More specifically, these objectives include: 1) Building brand awareness, which is making consumers recognise and remember the company's products or services; 2) Creating interest and desire for the product, by conveying the benefits and advantages of the product; 3) Encouraging purchase action (action), whether it is the first purchase or repeat purchase; 4) Building and maintaining customer loyalty; 5) Forming a positive image of the company in the eyes of the public; 6) Providing information about new products or changes to existing products; 7) Differentiate products from competitors (differentiation); 8) Increase sales and market share; 9) Build long-term relationships with customers; and 10) Support the company's overall marketing strategy. All of these objectives ultimately lead to increased profitability and long-term business growth. (Feyrer et al., 2023); (Ebers & Thomsen, 2021).

**An Accounting Perspective in Marketing Communications**

The accounting perspective in marketing communications plays an important role in evaluating the effectiveness and efficiency of marketing activities. This approach helps companies to measure and understand the financial impact of various marketing communication initiatives undertaken. In this context, accounting focuses not only on recording costs, but also on analysing the return on investment (ROI) of each marketing activity (Mishan & Quah, 2020).

One of the key aspects of the accounting perspective in marketing communications is budgeting. Companies must strategically allocate financial resources to different types of marketing communications, such as advertising, sales promotion, or digital marketing. This budgeting process involves cost-benefit analysis to ensure that every dollar spent on marketing communications adds value to the Company (Guenther & Guenther, 2022). Accounting also plays a role in tracking and controlling actual expenditure against the set budget.

Performance measurement is another critical aspect of the accounting perspective in marketing communications. It involves developing and applying financial metrics to assess the effectiveness of marketing campaigns. Metrics such as Customer Acquisition Cost (CAC), Customer Lifetime Value (CLV), and Return on Marketing Investment (ROMI) are used to measure the financial impact of marketing communications efforts. This analysis helps companies identify the most effective and efficient marketing communication strategies, as well as areas that need improvement (Han, 2021).

Furthermore, the accounting perspective also helps in reporting and decision-making related to marketing communications. The financial data collected and analysed provide valuable insights for management in evaluating overall marketing performance. This information can be used to make strategic decisions about future resource allocation, adjustments to marketing communications strategies, or even changes in product or brand positioning (Scott, 2021). Thus, the integration of an accounting perspective into marketing communications enables companies to optimise their marketing investments and ensure alignment between marketing objectives and the company's overall financial objectives.

**Cost-Benefit of Marketing Communication**

Cost-benefit analysis in marketing communications is a crucial aspect that helps companies evaluate the effectiveness and efficiency of their marketing strategies. This approach involves a systematic comparison between the costs incurred for various marketing communication activities and the benefits or results obtained. The goal is to ensure that any investment in marketing communications provides significant added value to the company, whether in the form of increased sales, strengthened brand image, or achievement of other marketing objectives (Asir & Asir, 2023).

In calculating costs, companies must consider not only direct expenses such as advertising production costs or media costs, but also indirect costs such as employee time, operational costs, and potential opportunity costs. Meanwhile, benefits can be measured through various metrics, including increased sales, market share growth, increased brand awareness, or increased customer loyalty. The main challenge in this analysis is quantifying benefits that are often qualitative or long-term (Nisar & Kumar, 2021).

One tool often used in marketing communications cost-benefit analysis is Return on Marketing Investment (ROMI). ROMI measures the net profit generated from marketing investments compared to the costs incurred. This metric helps companies in identifying which marketing communication campaigns or channels are most effective in producing the desired results. In addition, cost-benefit analysis also considers factors such as Customer Lifetime Value (CLV) to understand the long-term impact of marketing investments (Mishan & Quah, 2020).

The application of cost-benefit analysis in marketing communications allows companies to make more informed and strategic decisions. It can help in more efficient budget allocation, selection of appropriate communication channels, and continuous adjustment of marketing strategies. However, it is important to remember that some of the benefits of marketing communications may not be immediately apparent or easily quantifiable (Campbell & Brown, 2022). Therefore, companies need to balance short-term and long-term perspectives in their analyses, as well as consider qualitative factors that may not be fully quantifiable in traditional cost-benefit analyses.

**Conclusion**

Cost-benefit analysis in marketing communications from an accounting perspective is an important tool for companies to evaluate the effectiveness of their marketing strategies. This approach allows companies to quantitatively measure the financial impact of their marketing investments. By understanding the relationship between costs incurred and benefits gained, companies can make more informed decisions about the allocation of their marketing resources.

From an accounting point of view, the application of cost-benefit analysis in marketing communications requires careful and systematic measurement. This involves identifying and quantifying all costs associated with marketing activities, including direct and indirect costs. In addition, companies need to develop appropriate metrics to measure benefits, which may include increased revenue, growth in market share, or increased brand value. The use of tools such as Return on Marketing Investment (ROMI) and Customer Lifetime Value (CLV) can provide valuable insights in this context.

While cost-benefit analysis provides a useful framework for evaluation, it is important to recognise that not all benefits from marketing communications can be easily quantified or measured in the short term. Some benefits, such as increased brand awareness or customer loyalty, may be long-term and difficult to attribute directly to specific marketing activities. Therefore, the accounting perspective in cost-benefit analysis should be complemented by consideration of long-term qualitative and strategic factors.

In conclusion, cost-benefit analysis in marketing communications from an accounting perspective is a powerful tool for marketing strategy optimisation. However, its application should be done carefully, considering the complexity of measurement in marketing. Companies need to balance a focus on short-term financial metrics with an understanding of the long-term value of marketing investments. With this balanced approach, cost-benefit analysis can be an effective instrument in improving the efficiency and effectiveness of marketing communications, as well as supporting the achievement of overall business objectives.

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