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KEY PERFORMANCE INDICATORS AS A BASIC ELEMENT FOR A MARKETING EFFICIENCY MEASUREMENT

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Abstract. In today's highly competitive environment it is not easy to acquire and retain customers. In order to develop business it is necessary to closely monitor the needs of the customers and offer them products and services of high quality. The process of improvement of business performance also requires providing the highest added value to the customers. Businesses are not able to follow their own visions without a clearly articulated strategy. Key Performance Indicators (KPIs) are an essential element for measuring performance to help organizations in achieving their objectives. Nowadays, many processes may be used measuring the efficiency of any business. It is need to improve the performance of established processes and achieve the set goals. Therefore it is good to monitoring the actual indicator values and compares them with established values. Individual KPIs are clearly anchored in the procedural structure of the organization. KPIs usually progress from top to bottom – from strategic business objectives to the operational objectives of the individual processes. The goal of this article is to assess the possibilities and benefits of using KPIs for measuring marketing effectiveness. The primary objective of this paper is based on a case study and is dedicated to determine the possibilities of using existing theory regarding KPIs in process of evaluation of efficiency of marketing activity.

Keywords: performance, efficiency, measurement, key performance indicators, marketing activity.

Jel classification: L25, M31

1. Introduction

The area of marketing and sales deals with the study and understanding of the needs of customers, to respond to them through the development, production and sale of products (goods) and services (including the implementation of innovation), and exposure to the needs of customers in accordance with the strategic objectives of the organization (Bambauer-Sachse *et al*. 2011; Reibstein *et al*. 2009). Marketing and sales relate together very closely. Marketing focus on the presales activities, surveys, or inciting needs of customers. Sales processes followed closely and implemented the business relations with customers and sales. Peter Drucker considered marketing to be one of the two basic functions of the Organization: "because the aim of the existence of a business organization is to create customers (Ketchen *et al*. 2007), and it has two – and only these two – basic functions: marketing and innovation".

KPI is the general designation for the systems, which track the performance of businesses using the so-called key indicators. These indicators are the extract of information from the operational systems of the company (Zhou *et al*. 2007). KPIs can be divided into categories of applications used for the collection, processing and analysis of data to support decision-making processes of the company (Ketchen *et al*. 2007; Andersén *et al. 2011*). KPI financial or non-financial metrics used to quantify the objectives for the expression of the strategic performance of the organization. KPIs are derived from the objectives of the organization. KPIs measured the status attainment of the objectives. If you look at the KPI, we know that we are targeted on purpose or not.

2. Establishing Key Performance Indicators

KPIs are metrics associated with the processes, services, indeed the entire organization. KPIs reflect the desired performance (quality, effectiveness or efficiency). They are used at all levels of management of the Organization, in particular in strategic management, management by objectives and in the Service Control Manager (SCM). Between the basic KPIs include the following:

– economic indicators,
– quality,
– process performance indicators,
– indicators IT services,

– inventory,

– indicators System of coherent indicators (BSC).

KPI objectives should comply with the conditions of SMART. In its strictest meaning shall only apply to processes, and are seen as a complement to the KGI (Key Goal Indicators). While the KPI measures the performance of the process, KGI is measures the achievement of objectives.

To examine the numbers in the various tables is very hard work for many of us. We want to spend the least time with this work. We recognize the importance of these data. And it would instead of examining the balance sheet and profit and or balances of accounts offer something that at first glance, it turned out, if my results are good or not?

As a key performance indicator we can mark such an indication, which itself, or its comparison with the past or the target value may show the direction of the development of the company and any problem in the region. In addition, key indicators can be used for simple evaluation of the success in the various areas of management of the company by each manager shall designate these key indicators, which may affect their activities. It is simple, that the achievement of the targets can be used as part of the incentive system. Key indicators are not necessarily always economic. For example, it can be provide as a key indicator of the average time of execution of the request in the days (or hours) and to determine the objective should be achieved in this area. But now let's talk about those economic (Adrian 2011; Andersen 2011).

There are two basic problems that we must resolve. Firstly, we need to identify a set of key indicators, which will cover the company so that no part of the left without supervision, and assign appropriate indicators to those positions that it can be most affect. Secondly, we need to optimize the monitoring of these indicators, so that people in the company at least. In many cases, we will have to reset certain because of it business processes. For purely economic indicators relating to the company, such as liquidity 1, 2 and 3 instance, it's that simple. Do monthly accounts enter the numbers into the table and the data is in the world. His comparison with past values can easily find out if my direction is correct or not. If I want to keep track of the average profitability of respectability, I'll need much more detailed entry of the data. And even more, if I wanted to investigate whether I happen to be less profitable contracts aren't concentrated around certain branches, activities, or even people.

And in the event that I want to compare the data of the economic and non-economic nature, I have to link to the relevant monitoring systems data – for example, when I will be interested in, what is the effectiveness of marketing campaigns, i.e. How many potential customers, the campaign has brought. The problem with key indicators for small and medium-sized firms is that the data are randomly, with large time costs and the lack of a long time. (Andrey *et al.* 2011) The key to the management according to key indicators is currently in the development of time series. I know what kind of productivity I was within a few months before the introduction of innovation and what it was afterwards. It can be used to judge whether the upgrade was successful, and whether the cost exceeds returns. I am not a fan of the big changes in companies. Firms are the living arrangements and changes must be gradual, controlled and must pursue the objectives that your employees know that they can identify with them. Key performance indicators are in this respect an excellent assistant.

3. Monitoring activities

In hierarchically controlled society, for example in the industrial organisation, people do it especially, how they are evaluated (Dant *et al.* 2008). It is therefore very important to set performance indicators (measured variables), which will be in accordance with its strategic objectives. Indicators are used such as:

– the symptoms of an organization's performance,

– expression of the values that are in the company important and desirable,

– the support in the following areas:

– strategy: from top to bottom,

– the results of the process: from the bottom-up,

– control and the improvement in the areas of management, evaluate opportunities and initiatives.

Indicators describe a quantifiable and qualitative measurement in the enterprise, which may be implemented directly and according to strictly defined criteria (MacInnis 2011). Each organization should monitor and analyse the indicators, in order to understand their performance and identify opportunities for improvement. Some indicators can be used to compare with the competition or the requirements of the market. Then, what are the causes of poor performance, found may be identified approaches for its improvement (Andersén 2011; Skameas *et al.* 2008). If these approaches are applied, the indicators used to monitor improvement and reflect the progress made in achieving the objectives and targets of the company. The target values are objectives whose achievement is appraised as the organization's success. The target values are usually defined in the framework of the strategic objectives (in a shared vision of the o99rganization), but may also be represented at a lower level (i.e., processes, and threads).

KPI measure progress toward the targets, either directly or indirectly (Farris *et al.* 2006). The indicators are defined in the following categories:

– time: How long does it take?

– cost: do we use our resources efficiently?

– quality: does the result corresponds to the requirements?

– customer service: do we meet the expectations of our customers?

– growth: do growth rate or our market share increase?

– finance: do our revenue and profit grow?

When defining indicators, it is important to balance was expressed as the financial indicators, which show the results of the activities already carried out, so the operational indicators, which will affect the future financial performance.

3.1. The benefits of use of Key Performance Indicators

The basic advantages of the use of KPI indicators include:

– a view on developments in the organization is uniform and transparent,

– actual performance is evaluated regularly and continuously,

– strategic goals are linked with key and support processes,

– knowing, what is important for the company,

– possibility to measure the results and not just financial results.

Options that the use of KPI offers:

– display the current status of the KPI, its history and trends,

– graphical capture of KPI,

– fully integrated change management,

– analysis of the causes of the current state,

– clear assignment of responsible staff.

4. Case study

For the application of KPI in business practice, the use of a KPI to measure the effectiveness of marketing activities on the site is commonly used metrics. Sometimes you may encounter the concepts of key indicators of success (Key Indicators Success, KSI) or balanced scorecard (Balanced Score Card, BSC), (Kaplan *et al.* 2000). All of these concepts express one and the same thing –try to affect the indicators that reveal the performance of your Web site. The basic building block for understanding the success of your Web site is to properly define the KPI.

How do I know that you have correctly defined? If you change your KPI metric exceeds 10% and you make a call to the other Department and find out what happened, or to start to do something yourself, then you have your KPI defined correctly. Well defined KPIS you will not sit idly by, but creating actions and forces you to think. Once more: KPIs are the most important data for you, in which you control. You're watching them regularly and according to them, you are evaluating whether everything works as it should. (Zahay *et al.* 2010) When you try to create a set of indicators, which are important for you, follow the generally accepted the recommendations:

– KPI is usually the number in absolute value. In 95 % of cases it is the percentage changes, shares, or ratios. Just so you can understand the performance and quality of explanatory power.

– Each KPI should be measurable in time. This is the only way you can capture the changes and react to them.

– Make sure that the KPI really fundamentally important became variable. Do not waste time tracking of variables that you do not need.

4.1. The process of creating Key Performance Indicators

1. First it is need to remember, what the business plan of company is. If you are unsure, ask their managers and heads of various departments (Meehan *et al.* 2007). Let each of them to say what they want to achieve in individual departments and will help you define the key metrics.
2. If you already know what the objectives of your organization want to track, you must convert these objectives on the metrics that you can actually watch (Connor 2007; MacKenzie *et al.* 2005). If the aim is, for example greater involvement of people in the operation of your website, then make this objective KPI (percentage of visits that completed a comment or average time per visit on the website).
3. KPI Reports Create hierarchically. Different people in your company need different KPIs. This means other KPIs will be of interest to the Director of the commercial Department, other indicators of the administrator of your site. (Leonidou *et al.* 2010) Don't unnecessarily each heaps of indicators, as well as anything. Hold on to the general rule that the shorter list of everyone you send, the more it will be the individual indicators.
4. In some cases, it is appropriate to define a so-called partial KPIs. And especially when you see a

low conversion rates, or you may find that the visitors to show atypical behavior and want to know whether this is normal (Connor 2007). For example, if you think that the conversion rate is slim, define partial indicators, such as the completion of the first page from a multipage form or move to the page with a special offer.

5. It is important to remember that less is sometimes more. Do not make long lists of indicators; handsomely they would last 5–10. Each of the indicators put the percentage of the importance. If it has one less than 10 %, launch it from the list or put into to another, more important, the indicators (Parmenter 2008).

4.2. Examples of KPIs

Examples of KPIs for site manager:
– Web server operating time (up-time),
– connection speed,
– the number of visits or page views,
– the percentage of visitors using Windows Vista,
– a percentage of error pages viewed
Examples of KPIS for the content creator:
– time that visitor spent on the website,
– the proportion of single-page visits to the total number of visits,
– the average number of clicks,
– the percentage of new and returning customers,
– a percentage of its scientific interest,
– a percentage of the popularity of the brand.
Examples of KPIS for marketing department:
– the percentage of visits according to the type of media,
– conversion rate for each objective,
– the average return on investment (ROI),
– a percentage of the popularity of tags,
– quality index of the campaign.

4.3. The type of Key Performance Indicators of Web site

Key performance indicators, however, you can also define, according to the type of site:
Finance:
– the number of completed forms (online),
– the conversion rate for each form,
– the number of transactions,
– the importance of the number of visitors, who left the page during the filling out a form,
– percentage of customers who successfully passed the entire form.
Sites generating demand and B2B:
– the number of generated quotes,
– the rate of conversions generated quotes,
– price quote,
– number of visitors who have not finished filling out the inquiry form.
Media:
– the number of visited pages during one visit,
– the total number of visited pages,
– number of unique visitors who came to the page during one month,
– number of visits that take place between one visitor during a particular period,
– the number of customers who have ordered a subscription is registered, etc.
Retail outlets:
– total revenue,
– the average yield per visit,
– the number of orders,
– average order value,
– the rate of conversion of ordering forms.
Travel agencies:
– the yield per reservation
– percentage of visitors who made the reservation,
– where visitors came from and what pages they get,
– the attractiveness of the campaign.

5. The use of KPI in practice

Web key performance indicators are very practical numbers, which are based on long-term measurement and according to the best observation and analysis actually help prove if (on the Web) there's something wrong, or how far the company has to fulfil the objectives set (Day 2011; Kirca *et al.* 2011). For this purpose too, this "scale" apparently originated. To function as a sort of semaphores, that shall draw attention to the possible failure or success. As an indicator to be the numbers up clear, and meaningful. It is also true for any visualization (charts). We can see one of the frequent errors in the use of the principle of KPIs tendency to keep track of these numbers for too long a period.

Is the correct track trends, but the analysis of the trends is not the same as the KPI reporting. Too many trends, distracting and paralyze them. The Trend is often an excuse, "so it goes every year". (Zhou *et al.* 2007; Martin *et al.* 2005, Nerur *et al.* 2008) While few people usually deals with the quality analysis of the trend-curve, majority they be compared and no seasons decline in May to lose (Charvet *et al.* 2008). For trended KPI have their users is significantly less incentive to further analyze the data, would be satisfied with a primitive explanation and have a greater fear to take decisions (paralysis). If the data to help us, we must have the role of a little easier. Otherwise themselves nationally too large amount of information in which not even they know nothing about. Every day we meet various indicators and many of them satisfies the basic properties of the KPI: readability, clarity and presentation. A key indicator should show you what to do. Consider a semaphore (Skameas *et al.* 2008; Mann *et al.* 2010). At the traffic light you see, how long will flash red, and you don't care what kind of gear you have to include – that's your problem. The same meaning should have the KPI indicators. Informed of the State (Möller *et al.* 2011).When you work with KPI is very often confused the importance and function of the analysis and reporting (Atuahene *et al.* 2007). It is often so spend a lot of time reporting undue package numbers, which are partially represented by high-quality analysis, which had no time or budget. It is important to learn how to work with the data, which are the explanatory power, but not too in depth (Czinkota *et al.* 2009; Connor 2007). At the same time that these numbers demand an explanation from their subordinates – you are your deeds they, therefore, should themselves very detailed deal analysis which reveals more.

6. Conclusions

Key performance indicators can be defined as indicators that help the organization to achieve the objectives set by defining and measuring the course of their implementation. Simply put, when looking at the KPI we know whether we are on target or not. At the same time, we see what we already have and how many of us to achieve the objectives of the still missing. KPI then form an effective tool for the management of the Organization, with which you can perform comprehensive and partial analysis of the data for the top management and, where appropriate, to graphically indicate the level of implementation of the objectives (by using the KPI Dashboard Panel). Output of measurements carried out in companies should clearly be:-the determination of the real cost of the process, step and activity-the determination of the cost of the service/product-determination of the criteria evaluation process-to establish KPIS-KPI Dashboard processes, evaluation of the performance indicators (Key performance indicators KPIs) are indicators that measure progress toward the target values, either directly or indirectly.

When defining indicators, it is important to balance was expressed as the financial indicators, which show the results of the activities already carried out, so the operational indicators, which will affect the future financial performance.

As follows from the above examples use KPIs indicators in business practice (Chapters 4.2, 4.3), it is possible to use these indicators to measure the effectiveness of marketing activities. Among the indicators used in practice in marketing include: the percentage of visits according to the type of media, conversion rate for each objective, the average return on investment (ROI), a percentage of the popularity of tags, quality index of the campaign, methodology and determination of their use in marketing is the subject of further research.

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