

HARMONIZATION OF THE MARKETING AND ACCOUNTING ACTIVITIES IN THE IMPLEMENTATION OF THE GROWTH STRATEGY

1 Predrag Gajić, Faculty of Economics, University of Banja Luka, Bosnia and Herzegovina

2 Perica Macura, Faculty of Economics, University of Banja Luka, Bosnia and Herzegovina

*Corresponding author E-mail: predrag.gajic@ef.unibl.org

1 ORCID ID: [0000-0003-2144-4957](https://orcid.org/0000-0003-2144-4957)

2 ORCID ID: [0000-0002-5823-3259](https://orcid.org/0000-0002-5823-3259)

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ABSTRACT

This research is an attempt to emphasize the interdependence of the accounting and marketing functions in the segment of the growth strategy implementation with an attempt to increase the market share. In this process, activity-based management and activity-based costing were used as recommended instruments, with analytical activities and implementation (operational) activities in the application of the mentioned strategy considered separately. In both cases, the analysis was performed from the standpoint of the need to identify activities and costs of non-production departments, such as marketing and accounting, by individual cost objects, which are, in this case, target markets where the growth strategy will be applied. In this way, it will be possible to concretize the target character of such costs and an objective approach when linking them to cost objects, because the cost of such activities is pooled out from the costs of marketing department whose costs are mostly budgeted as a unique whole. In operational terms, this will enable a number of decisions, such as: whether to outsource the analysis of the effects of entering new markets or to do it within the company, whether and how to standardize time and costs of non-production activities; whether there is an economic justification for entering new markets based on planned results that include the consumption of resources of identified non-production activities that are commonly “hidden” in the aggregate cost values of these and other functions.

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1. INTRODUCTION

Companies that base their own market survival on market share growth strategies face serious challenges posed by growing competition. This type of business challenge implies an appropriate marketing response. The subject of research in this paper is related to identifying the activities of previous analyses within such marketing response, as well as identifying relevant accounting information in measuring the financial and non-financial effects of marketing activities undertaken to enter new markets. Given the complexity of this task, the questions of expediency and the scope of such analysis are always relevant, as well as arguments for confirmation of envisioned effectiveness of the growth strategy and investment which such project implies. The basic goal of this research is to promote cooperation between marketing and accounting department activities, since these parts of overall company's information system are crucial in implementing any kind of strategy. Specifically, this research has been conducted with an aim of proving that harmonizing marketing and accounting activities can contribute to selecting an adequate growth strategy.

What particularly complicates the whole analysis is the fact that the activities of non-production departments (such as marketing and accounting) in the vast majority of companies are financed according to the budget principle, with projected total funds available on an annual basis. Therefore, it is a specific challenge to "pool" the costs of the effect analysis of a certain strategy implementation, from the costs that are only known as a total without omitting them in a specific business decision.

The first step, after a precisely defined growth strategy to increase a market share, is to adequately classify and value the marketing activities, which then need to be implemented. Before and during the implementation of these activities, the management approach implies a symbiosis of marketing and accounting departments. In this particular case, this symbiosis is offered in the form of activity-based management, as universal management concept and activity-based costing, as an accounting concept. This interdependent relationship is just one of many possible examples of why the management accounting is given a strategic importance and its conditionality defined by marketing point of view (Li, 2018, p. 4), especially in still insufficient emphasis on marketing costs (Lewis, 1991, p. 108).

2. LITERATURE REVIEW

It is known that the improvement of business results can be achieved:

- through rationalization – by reducing the consumption of available resources (reducing costs), by reducing investment in fixed and current assets and by increasing revenues based on increased sales prices, and
- through market share growth – by selling more to the existing customers or by expanding the customer base.

Although the literature (Doyle, 2008, p. 110) states that rationalization is a concept of value creation based on accounting assumptions, and that sales growth is a market-based or marketing-based concept, the connection between accounting and marketing approach is caused by both in both cases. Any form of rationalization is not possible without market acceptance or marketing confirmation. This primarily refers to the obligation to preserve the characteristics of the product and services and the way the needs are met in relation to the situation before the “rationalization”. Also, the increase in sales prices, as a basis for rationalization, should enable redefining the method or eliminating cooperation with unprofitable customers, which can also affect the increase in business results (Gajic, 2017a), but must be jointly analyzed and implemented in cooperation with marketing department (Macura, 2009, p. 284).

On the other hand, finding the source for increasing business results in market share growth strategies must be supported by appropriate accounting evidence of economic viability before the implementation of such strategy is started, through the planning process (Phillips & Vaux Halliday, 2008), but also after the results of such strategic option have been identified and measured (Rust et al., 2004).

2.1. Application of the growth strategy in the conditions of a globalized market

It is the intertwining of accounting and marketing analysis of the possibility of increasing business results that predominantly motivated the choice of the subject of this research, with the aim of eliminating possible inconsistencies (and sometimes conflicts) between the attitudes of these two functions (Hilton, 1997, p. 212).

The growth of market share, in the conditions of a globalized market, is becoming an increasing challenge for companies (Kotler et al., 2007, pp. 27-29). On the one hand, following the appropriate standards in business will enable easier formal access to markets and customers. On the other hand, the globalization will increase the competitive pressure on the market position of the analyzed com-

pany, because markets and customers are also more easily accessible to them as well. Therefore, companies will be forced to achieve their own economic goals by looking for ways to maintain and strengthen their market position. In this effort, there will be a need for additional spending of resources (additional costs), which will also affect the emergence of additional business risks. Considering that the subject of the research is defined by market share growth strategy, Figure 1 presents its basic options.

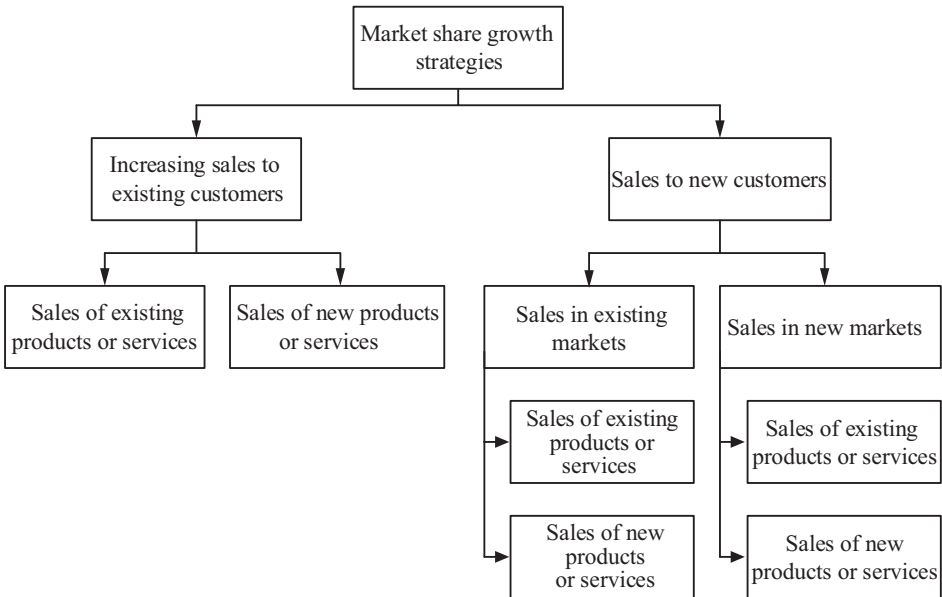


Figure 1. Market share growth strategies

Source: Authors

Increasing sales to existing customers by selling existing products or services entails working to increase their loyalty, with the goal of experimenting less with other companies, either by using the same products or services, or by using substitutes. Another option assumes simply increasing sales to existing customers who are expected to buy more because of a greater need to consume a particular product or because of a greater need to use a particular service.

If a new product or service is offered to the market, and the existing ways of satisfying different customer needs are supplemented, the growth strategy will be based on innovative characteristics or contents of the products or services to meet customer needs.

If the growth of market share and its application to sales to new customers are considered, there are also two possibilities. In the first, new customers are sought in the existing market, and in the second, new customers are sought in the new market.

Such distinctions are very important from the perspective of marketing instruments that will be used in the planned sales growth, which will have an impact on different consumption of resources.

2.2. Identifying analytical activities in the implementation of the growth strategy with the aim of increasing market share

Analytical activities in the implementation of the growth strategy with the aim of increasing market share are given in Figure 2 (note that the presented activities are not listed in details, but grouped in order to simplify and reduce the model due to spatial constraints). Within all three groups of activities, there is a need for their identification and appropriate decisions in regard to the way in which they will be implemented.

a) Activities in target market research, i.e. demand and competition analysis

- 1) activities on identifying the target market (from the geographical prospective),
- 2) data collection activities in the target market (technical prospective of the research),
- 3) analysis of available data, collected in the previous phase, and
- 4) report preparation on the scope and nature of demand and competition in the target market.

It goes without saying that researching the domestic market is simpler and cheaper. However, if the initial assumptions are that increasing market share in the domestic market is not realistically feasible, it is necessary to examine the possibility of increasing market share in the foreign markets. The selection of the foreign market is a decision made by the management on the basis of defined goals that are in line with the company's "ambitions".

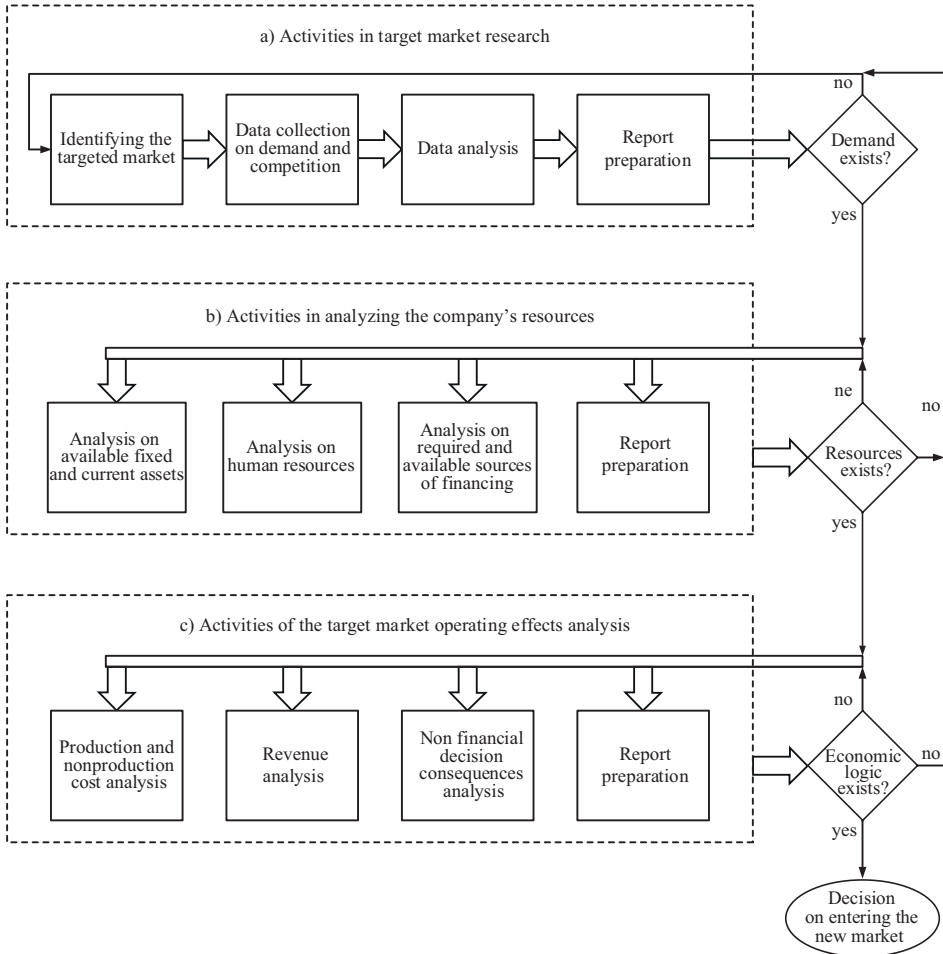


Figure 2. Identifying analytical activities in the implementation of the growth strategy with the aim of increasing market share

Source: Authors

After the decision in respect to the target market has been made, it is necessary to decide on the method of data collection on demand and competition. The division into primary and secondary data sources, in the process, is common. Primary data sources are provided on the basis of research conducted by the company, provided that it has available resources. These resources are, first of all, presented by educated human resources within the appropriate department, which will be engaged in research, and monetary resources. This concept of their own research enables managing the entire market research process from both the

time and content prospective, as well as ensuring a greater credibility during the process of data collection and it reduces the risk of possible external contractors (either individuals or legal entities) misusing the research findings. At this stage, it is necessary to decide how big the sample should be and what the content of input that should be obtained from potential customers in the target market is.

The dominant responsibility for carrying out this activity is on the market research department or, if such a responsibility center does not exist as a separate organizational unit, it may be a part of marketing department. In case the company does not have adequate resources to independently perform the analysis of demand potential, the company can hire specialized agencies or individuals to conduct this type of research. However, regardless of the capability to independently collect data from primary sources, the data from secondary research sources should not be neglected, if they are usable from the standpoint of comparative analysis, but also in order to obtain a more complete picture of the target market. In doing so, such secondary data sources should be carefully assessed, in terms of goals the researchers had in mind, the sample used, and the time when such research was conducted.

Within the activity of obtained data analysis, it is necessary to classify and process the data, first according to the content, and then on the basis of appropriate mathematical and statistical methods, in order to obtain credible arguments for recommendations and conclusions that should follow from such analysis.

In the last phase, the phase in which the appropriate management report is prepared, it is necessary to express a clear statement on whether, under envisioned assumptions, there are adequate demand potentials in the target market. This especially refers to identifying the existing scope and ways of meeting the needs of customers and their satisfaction with this process, which will enable the strength assessment of the existing competition. Also, understanding the need to adjust the existing supply is especially interesting, considering that this type of demand would imply a special calculation on the components of production and perhaps non-production costs as well.

b) Activities in the analysis of the company's resources required to meet the needs of the target market

Unlike the activities of target market research, which have a successive character, the activities of analyzing the company resources and capabilities can be performed simultaneously. Within these activities, analyses are done regarding the requested and available resources in: fixed assets, current assets, human potentials and financial resources.

Based on the identified demand volume and characteristics of the products or services that are demanded, and the current use of existing resources, it is necessary to determine the possible needs for material, human and financial resources in volume, time and quality. These needs are dictated by the scope and content of the stated demand within the previous phase of the analysis.

In case there are enough available resources to meet the identified demand, it is possible to immediately move on to the activities of analyzing the effects of participation in the target market. However, if these resources are not available in sufficient quantities, it is necessary, first of all, to consider the possibilities to finance their procurement. If the financial resources are insufficient, for financing fixed and current assets and additional engagement of human resources, it is necessary to look for external financing opportunities.

The dominant role in conducting this group of activities is played by the accounting department, primarily in the process of preparing planned (pro forma) financial statements, which will provide answers to previously raised questions. The results of the previous phase should be taken into account as they will provide answers to the questions: whether the identified demand can be met by existing products or services or the new ones must be created, and whether the identified demand, at the time of the analysis, is covered by competitors and in what way.

c) Activities in the analysis of the business effects in the target market

If it was previously stated that the demand exists and that there are sufficient resources to meet the demand in the target market, the remaining group of activities refers to determining the business effects in the target market. In this segment, the accounting analysis of additional revenues and additional costs incurred by engaging in the target market is crucial. In doing so, the projection of additional revenues will imply the prior knowledge of whether the usual products or services of the company are sold in the target market or, based on the identified demand from the first phase of the overall analysis, the adjusted products or services. In the case of the same products or services, the production costs would be the same as the costs incurred by the existing products or services. Otherwise, production costs would be different in structure and scope, according to the specification of resource consumption identified in the second phase of the overall analysis. Naturally, the distribution costs would be specific in relation to the existing ones, as well as the costs generated by sales and promotion activities, which would certainly cause different sales prices.¹

¹ In practice, there are cases in which companies try to offer their products and services at the same prices regardless of the market where they are offered, thus building their own image and

In addition to these financial effects, it is necessary to consider the non-financial consequences of such decision. Among such information, relevant are:

- existence of resources (including employees) which, in the case of maintaining the existing status (without applying the growth strategy), should be reduced to usable measure, by reducing investments or laying off employees,
- endeavor to extend the sales life cycle of their products or services, by offering them to new markets,
- striving to enter certain markets, with a willingness to “endure” short-term modest results or even losses, due to a long-term positive financial expectations,
- available technology and know-how available to customers and similar information.

The dominant role in achieving this group of activities is played by the accounting department, primarily in the process of preparation of pro forma financial statements, especially with planned income statement. The report from this phase of the process implies knowledge of the structure of existing and expected costs after the growth strategy is implemented.

3. RESEARCH RESULTS RELATED TO ACCOUNTING SUPPORT FOR THE IMPLEMENTATION OF THE GROWTH STRATEGY

The basic premise of performing a particular business activity implies that customers are provided with products and services that will meet their needs. From the point of view of the company that carries out such activities, there is an indisputable need for each of them to have the necessary purpose, i.e. to positively contribute to business results. This general statement is valid not only for the implementation activities on the basis of which material resources are consumed, but also for analytical activities that precede or follow the implementation activities, and cause the consumption of intangible resources.

Performing all individual activities: target market research (analysis of demand and competition), analysis of the company’s ability to meet the needs of the target market (analysis of the company’s potential) and the analysis of the effects of the target market that will certainly cause resource consumption (costs). Their planning, recording, analyzing, measuring and reporting on their effects belong

branding the offer as a unique value that is offered at the same prices anywhere in the world, but there are not many such companies.

to the accounting tasks domain, but it will not be possible without the appropriate support from the marketing department.

The key prerequisite for efficient management of activities relates to accounting records, and analysis and reporting on the results of such individual activities. A specific problem in performing these accounting tasks is related to connecting resource consumption and the results of that consumption in research and analytical activities, and the fact that these results are not tangible, although the results of such activities can cause significant “tangible” consequences.

3.1. Accounting prerequisites for the implementation of the growth strategy with the aim of increasing market share

Unlike the results of activities of creating and realizing the products and services that can easily be related to customer satisfaction, which would further easily determine their target character, activities aimed at analytical activities, such as those on the possibilities and consequences of implementing a growth strategy to increase market share, require special attention when identifying their expediency. From an accounting point of view, each individual activity involves defining relevant financial and non-financial information about the activity, in order to manage them better. Before paying more attention to them, we will say a few words about the general and individual accounting assumptions that support the growth strategy implementation activities.

General accounting prerequisites

In the segment of general prerequisites for accounting engagement, it is necessary to identify the answers on the basis of which the analyzed activities will be performed. In this regard, it is necessary to have answers to the following questions:

- Are planned marketing activities performed internally or they are outsourced to specialized providers of such services?
In this sense, the key accounting tasks will relate to the analysis and identification of the costs of obtaining such information, and the subject of comparison is the expected costs of payment to the supplier and the costs of their own acquisition of the necessary information.
- Is financing planned marketing activities performed according to the project type, or it will be necessary to use resources from the “general” budget of the organizational part accountable for the activities analyzed?
Depending on the answer to this question, accounting tasks will vary. Thus, in case that financing is performed on the basis of the obtained funds by

project type, the allocation of such funds is not required, because it is clear which products or services caused such cost. In case of financing from the general budget of the organizational part of the company that deals with such activities, it would be necessary to allocate the resources.

- Is the subject of research the possibility of offering an existing or a new customized product or service for the target market?

The production costs of the existing range of products or services are known, while in the case of an offer of a new product or service, the costs of such an offer have to be calculated and it has to be done in advance.

The estimated value of the information obtained, defined through the results of future decisions, must be higher than the costs incurred in obtaining it. Regardless of whether the planned activities are performed internally or outsourced, it is clear that the expenditure of resources for these purposes must be compensated by the value of the information obtained.

Given that the activities on the implementation of the growth strategy with the aim of increasing market share have been previously identified, it is possible that in the process of accounting support in the implementation of this strategy, the activity based costing is used. According to this concept, the process of producing products (or providing services) is divided into activities to be performed, which, for the purpose of this research, was done in the previous section. In doing so, an activity, as a basic accounting unit, is defined as “any individual task that an organization undertakes to make or deliver a product (i.e. place an order)” (Maher, 2005, p. 218).

Undoubtedly, any activity will cause consumption of resources. In that sense, analytical activities are no exception. However, identifying the appropriateness of resources spending for the purposes of implementing the growth strategy to increase market share is a specific managerial challenge and a need, given that any spending of resources must be linked to the goal of creating and delivering products or services. In this sense, previously defined concept of activities necessary to “create and deliver products and services” to customers should not be taken too narrowly. Thus, for example, market research activities, before starting to “create effects” should not be left out from the accounting analysis, because through the process of accounting analysis such activities will confirm their target character, regardless of the conclusion that result from such a research (whether entry and sale in the target market is justified or not). This is especially important, due to the fact that the key accounting challenge in the cost calculation by cost objects is based on the ability to calculate the costs as accurately as possible. Accurate costing by cost objects, among other things, will allow an ad-

equate condition for two basic marketing decisions: what prices and what sales mix should be used in the target market.

After the activities of the analysis of market share increase in the target market are adequately identified, the costs of individual activities are determined, the cost allocation bases are determined, and then, based on the determined total costs and total usage of the allocation base by specific activity, cost rate per unit is determined. After that, the allocation of costs caused by the specific activity is done. Thus, the general assumption of applying this costing concept is that products or services cause activities, and that activities cause costs. At the same time, if we start from the assumption that the research of customer needs in the target market causes the content of the offer, then the connection between the accounting and marketing functions must be constant and strong.

Methodologically, the calculation of costs on the basis of activities implies the use of a hierarchy of performed activities and costs incurred by those activities, in order to more easily determine the degree and character of the relationship with cost objects, and the cost allocation basis that will allow the best cause-and-effect relationship between cost and its cost objects.

In the mentioned hierarchy, the costs of researching the possibility of implementation of the growth strategy with an aim to enter target markets belong to the costs of sustainability of business and operational readiness of the entire company. They are caused by activities that support business processes or enable the general functioning of the company, and are necessary to maintain the business capacity of the company and do not depend on the number of units, batches or product models. This group of costs includes administrative costs, salaries of company management, depreciation and lease of office buildings, security, maintenance, insurance and the like.²

² Typically, the activities and costs that occur because of these activities are divided into four hierarchical levels (more details: Gajić, 2017b, p. 346). In addition to already explained fourth level, the following levels are used:

1. Output unit level costs - incurred as a result of activities performed at least once for each unit of product (for example, compiling subassemblies and parts). Common examples of these costs are electricity costs for operating machines, direct material and labor costs, and depreciation of equipment used in a specific activity.
2. Batch level costs - arise as a result of activities performed each time a new batch of products is started, regardless of the number of units in it (for example, adjusting equipment for a batch of products or checking the quality of an individual batch of products).
3. Product sustainability costs - incurred by performing activities related to the production of a particular type or model of product and regardless of the number of batches or units in them (for example, technical support for process modification or product performance improvement activities, product design costs, customer record keeping, customer services, etc.).

In order to successfully apply activity-based costing, the following conditions need to be met:

- The application of the concept is possible from the point of view of general, organizational, technological and financial assumptions.
- Accountants should be familiar with the individual activities performed in the company, in order to identify more easily the bases for cost allocation. This means working closely with technologists and engineers to understand the technological processes, the types of input for individual processes, and the required skills of the workforce.
- In relation to the traditional costing system, within which only indirect production costs are subject to allocation by cost objects, activity based costing allocates all costs, therefore it is necessary to identify all costs that will be subject to allocation by cost objects. For these purposes, the analytical accounting records must be adjusted.
- Within the identified costs by activities, it is necessary to recognize the cost hierarchy. This will make it easier to identify the causes of costs, determine the basis for cost allocation more precisely, and, ultimately, enable more accurate calculation of costs.

Individual accounting prerequisites

The specific accounting tasks depend on the purpose for which the reports are prepared and on their users. External users of financial statements do not have the possibility to understand the relationship between the consumption of resources by the analyzed activities and the results of such spending. Namely, the fact that accounting standards prescribe strict treatment of research costs of the target market, and the costs of analyzing the possibilities of the company's offer and the results of operating on the target market as the costs of the accounting period, does not allow sufficient assumptions to know their expediency. On the other hand, internal users of financial statements may request customized reports with a more precise determination of the cause-and-effect relationship between incurred costs and their results and the type of resource spent, in order to make decisions on an adequate information basis.

a) Accounting support for target market research activities

The identification of the target market will be done relatively quickly on the basis of preliminary general knowledge and assumptions about the potential of the market. Such assumptions are provided by the management of the company (based on defined goals and "ambitions" of the company) in cooperation with the managers of organizational parts dealing with market research, marketing

and sales employees. Accordingly, neither the volume of costs nor the assumed time spent to identify the target market is usually large. In the part related to the remaining research activities of the target market, the key starting question is whether the collection and analysis of data and preparation of reports are done with own resources, within the research and development or marketing department, or whether these activities are outsourced. Relevant financial and non-financial information are given in Table 1.

Table 1. Relevant information when performing target market research activities

Financial information	Nonfinancial information
Costs of researching the target market (own costs or outsourcing costs)	The readiness of the company to obtain the necessary information on the basis of its own resources; Availability of secondary sources of information; Quality (credibility) of collected information; Ability to control the usage of collected information.

Source: Authors

The choice of analyzed options of possible actions (in the segment of non-financial information) is also influenced by the possibilities of performing the remaining activities within the organizational segment responsible for the target market research. It is possible to separate the responsibility for data collection, its analysis and report preparation, and also to entrust to the same organizational part within the company or to outsource.

Non-financial information is primarily outside the scope of accounting tasks, but should certainly be identified and analyzed, before making a final decision on whom to entrust with the task of the target market research.

The determination of the value of previously defined relevant information should be based on the size of the investment required to enter the target market and the estimated risk of failure in the target market due to poorly assessed assumptions when deciding to enter the target market, or due to unexpected changes in these assumptions when starting with the application of the decision. Also, errors that occur due to the abandonment of a particular target market resulting from incorrectly collected data, their incorrect analysis or inadequate reporting can have serious financial consequences, which are expressed in “lost” markets, financially represented with opportunity costs in lost additional profits.

b) Accounting support for the activities in company resource analysis

The activities in company resource analysis (also presented in Figure 2) to meet the requirements of the target market are carried out after the type and volume of

demand in the target market have been identified in the previous phase. Accounting activities in this segment are mainly related to the preparation of planned financial statements: income statement, balance sheet and cash flow statement.

In case that identified needs of the target market can be met on the basis of available resources - fixed and current resources, human resources and financial resources, the management has to consider the expected results of participating in the target market. Otherwise, the possibilities of procuring the needed resources should be explored. At this stage, the relevant financial and non-financial information is presented in Table 2.

Table 2. Relevant information when performing activities to obtain needed resources

Financial information	Nonfinancial information
The cost of procuring the necessary resources, including the cost of financing the procurement	Availability of resources on the market, in the required time, scope and quality; Availability of substitutes of required inputs; Ability to conduct additional trainings for employees.

Source: Authors

c) Accounting support for the activities of the target market operating effects analysis

Previously identified activities generate costs which according to accounting standards cannot be capitalized by their inclusion in tangible assets i.e. inventories, nor can they be part of intangible assets shown in the balanced sheet. Accordingly, the costs of the analyzed activities must be treated as expenses for the period in which they were incurred. Nevertheless, it is necessary to have an accounting confirmation of the previously emphasized importance of the economic justification of the activities related to research of ability to apply the growth strategy. In that sense, all the incurred costs of research activities on possible appearance in the target market must be part of a standard cost-benefit analysis resulting from such a decision.

The effects of the presumed appearance in the new market must be identified in advance, in order to prepare an adequate information basis for the decision, and the relevant information at this stage are presented in Table 3.

Table 3. Relevant information when performing activities to analyze the effects of participation in the target market

Financial information	Nonfinancial information
Additional revenues and additional costs, including all costs of activities related to research of the ability to implement the growth strategy	The impact of the decision on current business results; Opportunities for further growth in the target market; Increasing the market share.

Source: Authors

By implementing and coordinating the activities given in Figure 2, one of the tasks of the accounting and marketing department is to provide sufficient input to decide whether a company can increase business results by applying a growth strategy of entering new target markets.

In order to illustrate the presented accounting activities, let us consider an example, according to which the analyzed company with its own resources is trying to identify the ability to implement the growth strategy in order to increase a market share. These own resources are organized and financed through marketing and accounting department. All activities organized within the marketing department are financed on the basis of the budget principle and the allocated total annual amount of 546,920 BAM. Also, the part of the accounting department, which is in charge of supporting the management activities, is financed on the basis of the budget principle, and the budgeted amount for this department is 239,200 BAM. It should also be noted that the company is engaged in mass production of products that have relatively low sale value.

In the first phase, the subjects of the analysis are three target markets: market "A", market "B" and market "C". In the implementation of the procedure, universal activities (by types) have been defined, and those will be performed in the analysis of all markets: data collection, their analysis and preparation of an appropriate report. The data collection process was performed by using a customized questionnaire for each market, and their preparation required approximately the same time. However, the sample of customers covered by the survey is different due to the size of the market. Thus, in the market "A", the research covered 12,000 respondents, in the market "B" 8,000, while in the market "C" the number of respondents is 5,000. Also, the implementation of the procedure was somewhat different and involved different spending of resources. The stated costs of activities also include the income of employees in these jobs.

In Table 4, all activities performed within the marketing function, costs incurred in these activities, bases for their allocation, as well as the corresponding allocation rates for the annual period are given.

Table 4. Overview of relevant data for the marketing function

Activity	Cost of an activity	Cost allocation base	Usage of cost allocation base	Allocation rate for the costs of an activity
(1)	(2)	(3)	(4)	(5) = (2) / (4)
Managing activities in the department	46,920 BAM	management hours	2.040 ³ m.h.	23 BAM/m.h.
Identifying the target market	11,640 BAM	working hours on identifying the target market	120 ⁴ i.h.	97 BAM/ i.h.
Demand and competition data collection	210,560 BAM	working hours on data collection	7.520 ⁵ d.c.h.	28 BAM/d.c.h.
Data analysis	29,280 BAM	working hours on data analysis	480 ⁶ d.a.h.	61 BAM/d.a.h.
Report preparation	17,760 BAM	working hours on report preparation	240 ⁷ r.p.h.	74 BAM/ r.p.h.
Promotion in electronic media	180,000 BAM	average minutes per promotion	360 ⁸ min.	500 BAM/min.
Promotional samples	19,800 BAM	number of finished goods	6.000 f.g.	3.3 BAM/ f.g.
Participation in fairs	20,960 BAM	number of visited fairs	4 fairs	5,240 BAM/f.
Printed promotional materials	10,000 BAM	number of promotional materials	10.000 pcs.	1 BAM/pc.
Total	546,920 BAM	-	-	-

Source: Authors' calculation

The first accounting task relates to the calculation of the associated costs caused by target market research activities. One should first separate the costs of these activities from other activities of the marketing function, and then calculate them by target markets. For these purposes, it is necessary to take into account additional assumptions (used in Table 5):

³ Number of employees (1) x number of days spent on performing the activity (255) x average number of hours per day spent on a particular activity (8).

⁴ Number of employees (3) x number of days spent on performing the activity (5) x average number of hours per day spent on a particular activity (8).

⁵ Number of employees (4) x number of days spent on performing the activity (235) x average number of hours per day spent on a particular activity (8).

⁶ Number of employees (2) x number of days spent on performing the activity (30) x average number of hours per day spent on a particular activity (8).

⁷ Number of employees (2) x number of days spent on performing the activity (15) x average number of hours per day spent on a particular activity (8).

⁸ Average number of minutes per promotion (0.2) x number of promotions (1.800).

- the activity of identifying the target market, performed related to three markets where the analysis was conducted, was done within 30 hours, and such costs can be divided into equal amounts by markets (containing mainly only the costs of persons engaged in these activities), because the number of hours spent is approximately the same;
- data collection activity refers to various jobs, where the number of hours spent on data collection by target markets is as follows: market "A" - 553 hours, market "B" - 369 hours and market "C" - 230 hours. In total, 1,152 hours, with 4 workers hired for 8 hours and 36 working days;
- data analysis activities related to target markets are performed according to the following time consumption: market "A" - 46 hours, market "B" - 31 hours and market "C" - 19 hours. In total, 96 hours, with 2 employees hired for 8 hours and 6 working days;
- report preparation is done in a total of 48 hours for all three target markets, and since it is done in a standardized form, it is possible to prepare them in the same way and at the same time (2 employees for 8 hours and 3 working days).

Table 5. Allocation of target market research costs by markets

Cost allocation activities	Market "A"	Market "B"	Market "C"	Total
Target market identification 97 BAM/ i.h. x (10 i.h., 10 i.h., 10 i.h.)	970 BAM	970 BAM	970 BAM	2,910 BAM
Data collection 28 BAM/d.c.h. x (553 d.c.h., 369 d.c.h., 230 d.c.h.)	15,484 BAM	10,332 BAM	6,440 BAM	32,256 BAM
Data analysis 61 BAM/d.a.h. x (46 d.a.h., 31 d.a.h., 19 d.a.h.)	2,806 BAM	1,891 BAM	1,159 BAM	5,856 BAM
Report preparation 74 BAM/ r.p.h. x (16 r.p.h., 16 r.p.h., 16 r.p.h.)	1,184 BAM	1,184 BAM	1,184 BAM	3,552 BAM
Total	20,444 BAM	14,377 BAM	9,753 BAM	44,574 BAM

Source: Authors' calculation

Based on the given data, it is possible to conclude that 8.15% of the total costs of the marketing function are incurred for research of target markets potential and type of demand. At the same time, it is very important that within the non-production functions (such as marketing, in this example) the scope of spending resources is clearly identified in order to accomplish specific tasks within that

organizational segment and show them separately in relation to the total costs of that organizational segment.

The effect of such costs and the ability of covering them with positive cash flows in the future, depend on the results of the research. Namely, it is possible to conclude that a certain market does not have the assumed demand on the basis of which a decision is made to initiate activities in order to analyze the potential of the company and the sales results in the target market. However, it should not be concluded that the activity of target market research is an activity that does not contribute the value added for the company, and that it should therefore be omitted in the future. As previously stated, such costs are incurred in order to ensure the functionality of the company and avoid wrong decisions, the consequences of which can be much more severe for the financial position of the company.

Another important reason for identifying such costs relates to the need to verify the initial assumption that it is more favorable for the company to conduct its own research on target markets, rather than to outsource them. In this case, if these activities could be outsourced at a price less than 44,574 BAM the financial indicators would suggest that such an action would be reasonable.

Suppose further, within the analyzed example, that the result of “C” market research led to the conclusion that there is not enough demand for the products or services of the company. This would mean that, in relation to this market, no remaining activities will be carried out to support the implementation of the increasing market share strategy, because the strategy itself will not be implemented.

The conclusion for the remaining two target markets may be that sufficient demand for existing products has been identified in the market “A”, while sales in the market “B” would mean that the offer has to be adjusted to the specifics of that market. Such conclusion would imply that the analysis of the company’s potential should be approached. Also, the identified needs of the market “A” can be met on the basis of available resources, while additional fixed assets should be engaged in order to meet the needs of the demand in the market “B”, which would cause an increase in fixed costs by 300,000 BAM.

Let us assume that this is the task of the accounting information system, where the planned cost allocation rate within this department is identified at the level of 115 BAM/hour.⁹ Suppose that when analyzing the company’s potential and ability to meet identified demand, the planned consumption of 40 working hours is

⁹ Unlike the marketing department, due to space constraints, the activities in the accounting department are not broken down, nor are separate rates calculated to allocate the costs of such activities.

planned to collect data and analyze the ability to meet demand in the market “A”. To analyze the potential and ability to meet the identified demand in the market “B” the use of 100 working hours is planned. The calculation of the associated costs for these activities is presented in Table 6.

Table 6. Company resource research activity costs allocation

	Market “A”	Market “B”	Total
Allocation of research activity costs to company resource 115 BAM/hour x (40 hours, 100 hours)	4,600 BAM	11,500 BAM	16,100 BAM

Source: Authors’ calculation

Also, the task of the management accounting is to identify and analyze the effects of sales in target markets, where the demand and the ability of meeting the demand with company resources have been identified. Suppose that, when analyzing the effects of operating in the market “A” and “B”, it takes 10 working hours each. The associated costs of these activities, calculated at the same planned cost calculation rate (115 BAM/hour) for the accounting department are shown in Table 7.

Table 7. Cost allocation of researching operating effects in the target markets

	Market “A”	Market “B”	Total
Cost allocation of researching operating effects in the target markets 115 BAM/hour x (10 hours; 10 hours)	1,150 BAM	1,150 BAM	2,300 BAM

Source: Authors’ calculation

An overview of the total costs of researching the ability to implement a growth strategy with the aim of increasing market share, in the example used, is given in Table 8.

Table 8. Summary of costs of the analysis of the ability to implement a growth strategy

Costs by group of activities	Market “A”	Market “B”	Market “C”	Total
Target market research activity	20,444 BAM	14,377 BAM	9,753 BAM	44,574 BAM
Company resource research activity	4,600 BAM	11,500 BAM	-	16,100 BAM
Activity of researching operating effects in the target markets	1,150 BAM	1,150 BAM	-	2,300 BAM
Total	26,194 BAM	27,027 BAM	9,753 BAM	62,974 BAM

Source: Authors’ calculation

These costs will reduce the result of the current period when the analysis was performed, but they should not be forgotten while calculating the net effect when considering the final contribution of the “new” markets to overall business results.

It is possible to use the same example to present the effects of sales (based on strategy implementation activities) in the target markets. In this sense, the following should be assumed:

- availability of data on the structure of own costs, according to: types, cost pools and the impact of the scope of activities on their size (division into fixed and variable costs),
- availability of data on prices, as part of the results of research activities of the target market from phase 1 (for markets where the existence of demand has been identified - for the market “A” the selling price would be 4 BAM, and for the market “B” the selling price would be 6 BAM),
- the produced and sold quantities of products will be the same, i.e. the company (due to simplification of presentation and explanation) operates without stocks of unfinished and finished products (for the market “A” the predicted production and sales would be 250,000 units, and for the market “B” 400,000 units,
- unit production variable costs for the market “A” are 3.3 BAM, and for the market “B” predicted unit production variable costs are 4.8 BAM (they are higher due to the necessary corrections in the characteristics of products),
- unit non-production variable costs of promotion in electronic media are predicted on the basis of the planned time of 80 minutes for the market “A” and 90 minutes for the market “B”, and promotional samples for the market “A” are planned in 800 units, and for the market “B” in 400 units,
- for the needs of participation in the fair, the costs of 12,000 BAM are planned on the market “A”, and for the needs of participation in the fair the costs of 7,000 BAM are planned on the market “B”,
- quantity of printed promotional materials for the market “A” is 5,000 pieces, and for the market “B” it is 2,500 pieces.

The planned income statement could have the content given in Table 9.

Based on identified expected annual operating results in the analyzed markets, it is possible to conclude that the profitability rate for the market “A” might be acceptable, while such conclusion for the market “B” cannot be made. Namely, profitability rate of 3.86%, with the expected risk of entering a new market is not a basis for a positive decision. In addition to market risk, one should not forget the production risk that is evident in the situation when it is necessary to make

adjustments to the existing product range. In addition, there are costs of analyzing the possibility to implement the growth strategy from the previous phase (Table 8), which have been successfully identified and can be allocated to the analyzed markets, which will further reduce their operating results. In a similar way, one can think about the costs of products distribution to target markets, so the example could get more complicated in that direction.

Table 9. Planned operating results based on sales in target markets

Elements of the analysis (in BAM)	Market "A"	Market "B"
1. Additional revenues: (250,000 units x 4 BAM/unit); (400,000 units x 6 BAM/unit);	1,000,000	2,400,000
2. Additional variable costs:	875,640	1,997,820
2.1. Variable production costs: (250,000 units x 3.3 BAM/unit); (400,000 units x 4.8 BAM/unit)	825,000	1,920,000
2.2. Variable non production costs:	50,640	77,820
2.2.1. Promotion in electronic media: (80 min. x 600 BAM/min.); (90 min. x 850 BAM/min.)	48,000	76,500
2.2.2. Promotional samples (800 units x 3,3 BAM/unit) (400 units x 3,3 BAM/unit)	2,640	1,320
3. Contribution margin (1-2)	124,360	402,180
4. Fixed costs:	17,000	309,500
4.1. Fixed production costs	-	300,000
4.2. Fixed non-production costs:	17,000	9,500
4.2.1. Participation in fairs	12,000	7,000
4.2.2. Printed promotional material (5,000 units x 1 BAM/unit) (2,500 units x 1 BAM/unit)	5,000	2,500
5. Additional operating income (3-4)	107,360	92,680
6. Profitability rate (5 / 1)	10.74%	3.86%

Source: Authors' calculation

Certainly, the whole analysis should be supplemented by non-financially relevant information, which was previously discussed.

4. DISCUSSIONS AND CONCLUSIONS

Identification of activities and expected effects caused by those activities when deciding on the implementation of the growth strategy in order to increase the market share will provide adequate information support for making a number of decisions, which must be made in this process. In this way, it will be possible to reduce the production and market risk when deciding to enter new markets. The key decisions related to marketing activists are: whether to conduct own research and analyze the results of research on performance in the target market or to out-source this kind of activity, what research techniques to apply and to what extent, whether to accept correction of existing offers, what prices and what sales mix to use and the like. In parallel and in correlation with these decisions, accounting decisions are needed to be made on the following: how to calculate the costs of such analytical activities, whether to allocate such costs by target markets, and what relevant financial and non-financial information for implementing decisions within the chosen strategy are.

At the same time, the effects of the undertaken research activities exist and they are different for both options of possible decisions that caused those effects. With the first option, in case the decision to enter the target market is made, the subject of accounting comparison will be the expected additional revenues and costs based on sales in that market, with the mandatory inclusion of all costs of analyzing the possibility of implementing a growth strategy. Also, having in mind that the cost of research was incurred at a certain moment of time, and that the revenues will be effective over a longer period of time, it is possible to discount them on the day of investing in the research. With the second option, in case the research led to the rejection of the possibility to enter the target market due to lack of adequate economic justification, the costs of the analysis should not be considered as if they appeared in vain or treated as if they were a sunk costs, because on the basis of research and costs of that research, unprofitable resource use has been avoided.

The impact of the results of the overall process of verifying the ability to implement a growth strategy on how the activity and costs will be defined in terms of cost hierarchy and decisions on whether certain costs will be allocated to cost objects or not, may be crucial regarding the choice to enter a target market. In this way, the effects of research also influence accounting decisions and procedures. In doing so, the measurability of individual activities, regarding the cost-benefit analysis, is a serious accounting challenge. Possible answer to that is presented on the previous pages. In any case, it is clear that the decision must be based on

information, regardless of whether there is a cost object and regardless of the ability to “store” that cost.

There is another aspect of the whole analysis, which should be mentioned. It is a pure marketing concept, according to which entering a certain market or cooperating with certain customers with a relatively small or even a negative financial result can be justified by the expected results in the future, achieved with those or some other customers. In such case investments in new markets are considered more as investments in promotional activities reflected in an increase of the market image, and the effect of which can be expected in the long run on the basis of additional growth of market share on a more profitable bases, even in other markets and not only in the analyzed target market.

Although the goals of this research was to prove the necessity of harmonizing marketing and accounting activities in the application of a growth strategy, further research should show the possibilities of unifying cooperation between these two functions while implementing any kind of strategy, through specific model that would acknowledge all segments of information systems management: collection, processing, analysis, interpretation and reporting relevant information for managing purposes. Also, another direction of further research could provide empirical evidence on the extent to which such strategic decisions are based on accounting information.

Conflict of interests

The authors declare there is no conflict of interest.

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УСАГЛАШАВАЊЕ АКТИВНОСТИ МАРКЕТИНШКЕ И РАЧУНОВОДСТВЕНЕ ФУНКЦИЈЕ У ПРИМЈЕНИ СТРАТЕГИЈЕ РАСТА

¹ Предраг Гајић, Економски факултет Универзитета у Бањој Луци, Босна и Херцеговина

² Перица Мацура, Економски факултет Универзитета у Бањој Луци, Босна и Херцеговина

САЖЕТАК

Овим истраживањем је учињен покушај да се међусобна условљеност рачуноводствене и маркетиншке функције нагласи у сегменту примјене стратегије раста при настојању да се повећа тржишно учешће. У том процесу, као препоручени инструменти коришћени су управљање на бази активности и обрачун трошкова на бази активности, при чему су одвојено посматране аналитичке активности и provedбене (оперативне) активности у примјени поменуте стратегије. У оба случаја, анализа је обављена са становишта потребе да се активности и трошкови непроизводних функционалних подручја, каква су маркетинг и рачуноводство, идентификују по појединачним носиоцима, што су у конкретном случају циљна тржишта на којима ће се стратегија раста примјењивати. На овај начин биће омогућена конкретизација циљног карактера таквих трошкова и објективан приступ приликом њиховог везивања за носиоце трошкова, јер је трошак таквих активности „извучен“ из трошкова маркетиншког функционалних подручја чији се трошкови углавном буџетирају као јединствена цјелина. У

оперативном смислу, то ће омогућити бројне одлуке, попут оних о томе: да ли анализу ефеката уласка на нова тржишта повјерити неком ван предузећа или је самостално радити, да ли и на који начин нормирати вријеме и трошкове обављања активности непроизводног карактера, да ли постоји економска оправданост уласка на нова тржишта на бази претпостављених резултата који укључују и трошење ресурса идентификованих непроизводних активности који су уобичајено „сакривени“ у збирним вриједностима трошкова тих и других функција.

Кључне ријечи: *стратегија раста, тржишно учешће, активност, управљање на бази активности, алокација трошкова, обрачун трошкова на бази активности, релевантне рачуноводствене информације.*