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Accounting for Marketing

Richard M S Wilson



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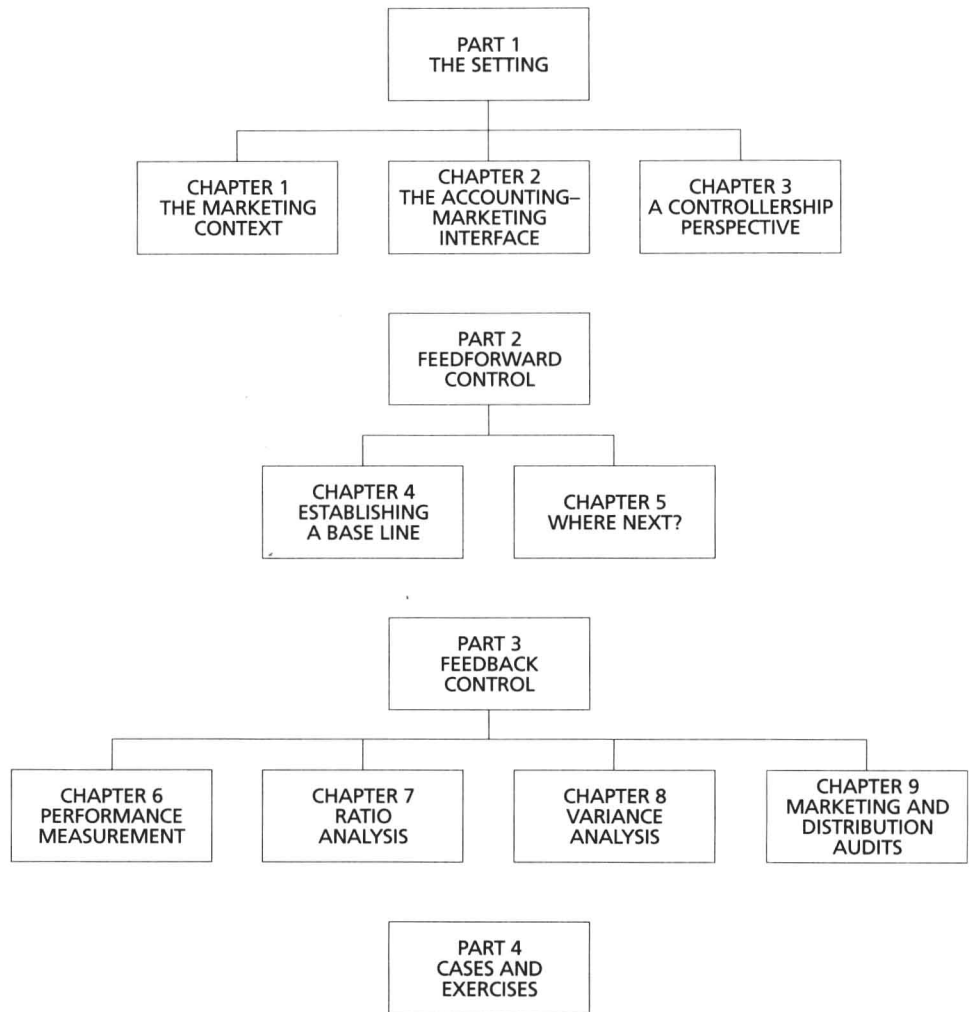
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To Professor Kenneth Simmonds of the London Business School for his
inspiring initiatives in the field of marketing controllership
and to

Professor Stanley J. Shapiro of Simon Fraser University, Canada, for his
sustained commitment to the teaching of marketing controllership.



Series Editor's Preface

David Otley

KPMG Professor of Accounting
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This text is somewhat different from others in the Advanced Management Accounting and Finance series. Whereas the other volumes are relatively slim, and intended to be used as a small part of a final-year undergraduate programme, this volume is rather larger. The reason is that it fills a very important gap. There are very few texts available which deal with the centrally important topic of accounting for the marketing activities of organizations. In this book, Richard Wilson seeks to redress the balance, and provides a wealth of material that can only be found scattered across a wide range of publications in both the accounting and marketing literatures.

This book will therefore have a variety of uses. It is clearly suitable to be used in conjunction with traditional management accounting texts at final-year undergraduate level, to help compensate for the sad neglect of marketing in such texts. It might also form the basis of a full final-year optional course in accounting for marketing, for those students who have not been exposed to the topic previously. Further, it is also suitable for use on MBA and other postgraduate programmes, and will provide useful material for those whose previous backgrounds have encompassed only accounting or marketing, as well as those who have experienced neither.

Finally, it can also be used to complement texts that concentrate on what has become known as 'strategic management accounting'. Although difficult to define, strategic management accounting seeks to extend the vision of management accountants into the wider, external world in which organizations operate. It considers customers and competitors, future planning as well as control, and focuses upon the value that activities have as well as their cost. However, in dealing with such a wide range of topics, such texts can often deal with accounting for marketing in a perfunctory manner. It is hoped that this extended treatment will add more meat to the bare bones they typically provide.

I believe this text is a most important addition to the series. If it alerts the accountants of the future to the importance of marketing and the ways in which management accounting information can be developed to help analyse and add value to the marketing activity, it will have achieved a worthwhile function.

Preface

‘Given: one marketing manager and one accounting manager. Finding: poor communication on financial criteria and goals’ (Berry 1977: 125). The risk of this situation’s occurring is inevitably present when those with different professional roles are working in accordance with their own norms.

The procedural and legalistic traditions of accounting have not lent themselves to the emerging needs of marketing practitioners, but the onus is primarily on the accountant to relate to the planning, decision-making and control needs of the marketing manager if accounting is to justify its role as a service function in the furtherance of improved organizational effectiveness.

This book seeks to suggest a variety of ways in which accounting systems might be designed and operated to help marketing decision-makers perform more effectively and more efficiently. Whilst the primary market is expected to be made up of aspiring and practising accountants, there is an important secondary market comprising aspiring and practising marketers. Since every holder of a managerial position has responsibility for one or more of resource acquisition, resource allocation and resource utilization, it is necessary that these individuals be *financially literate* given that accounting systems reflect the *lingua franca* of resourcing and – at least to some extent – of performance measurement.

Accountants need to understand the context of marketing if they are to design and operate systems that are useful to marketers, whilst marketers need to be aware of the potential of accounting information to help them in achieving desired marketing outcomes.

Part 1 of the book deals with the setting, and discusses the marketing–accounting interface as well as providing a controllership framework which is reflected in the structure of the book as a whole.

Parts 2 and 3 deal with feedforward and feedback control of marketing activities respectively. There are copious illustrations showing how different approaches might be adopted.

Finally, Part 4 comprises an array of discussion questions, exercises and short cases which provide opportunities for readers to test their grasp of the issues raised.

The author’s hope is that this book might make a modest contribution to achieving closer links and greater mutual understanding between accountants and their marketing colleagues in the interests of enhanced organizational effectiveness.

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- My wife, Gillian, maintained a degree of order on the home front which provided me with the space to focus on writing the book.

It is also appropriate to acknowledge the valued influence on my thinking in relation to *Accounting for Marketing* provided by colleagues in the 'college without walls' – especially Ken Simmonds and Stanley Shapiro, to whom this book is dedicated.

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Part 1

The setting

