DIGITALES ARCHIV

ZBW – Leibniz-Informationszentrum Wirtschaft
ZBW – Leibniz Information Centre for Economics

Tran Thi Thanh Thuy; Klymova, Elizaveta

Article

Assessment of marketing costs on the example of Apple and Samsung companies

Technology audit and production reserves

Reference: Tran Thi Thanh Thuy/Klymova, Elizaveta (2022). Assessment of marketing costs on the example of Apple and Samsung companies. In: Technology audit and production reserves 4 (4/66), S. 14 - 17.
http://journals.uran.ua/tarp/article/download/265572/261798/612780.
doi:10.15587/2706-5448.2022.265572.

This Version is available at:
https://hdl.handle.net/11159/12795

Kontakt/Contact
ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics
Düsternbrooker Weg 120
24105 Kiel (Germany)
E-Mail: *rights[at]zbw.eu*
https://www.zbw.eu/

Standard-Nutzungsbedingungen:
Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte. Alle auf diesem Vorblatt angegebenen Informationen einschließlich der Rechteinformationen (z.B. Nennung einer Creative Commons Lizenz) wurden automatisch generiert und müssen durch Nutzer:innen vor einer Nachnutzung sorgfältig überprüft werden. Die Lizenzangaben stammen aus Publikationsmetadaten und können Fehler oder Ungenauigkeiten enthalten.

Terms of use:
This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence. All information provided on this publication cover sheet, including copyright details (e.g. indication of a Creative Commons license), was automatically generated and must be carefully reviewed by users prior to reuse. The license information is derived from publication metadata and may contain errors or inaccuracies.

https://savearchive.zbw.eu/termsofuse

ZBW Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Mitglied der Leibniz-Gemeinschaft

ISSN 2664-9969

UDC 658.8.011.1
JEL Classification: M30, M40
DOI: 10.15587/2706-5448.2022.265572
Article type «Reports on Research Projects»

Tran Thi Thanh Thuy,
Elizaveta Klymova

ASSESSMENT OF MARKETING COSTS ON THE EXAMPLE OF APPLE AND SAMSUNG COMPANIES

The object of research is the importance of advertising costs. Marketing research is defined as a set of measures aimed at systematic analysis and presentation of data on the behavior, needs, attitudes, and impressions, motivations of business units in the context of their economic, political, social and daily activities. As a result, the issues of systematization and evaluation of marketing costs are becoming relevant both in the context of developing marketing activities by the relevant structural unit, and increasing the efficiency of the use of marketing cost budgeting tools.

The paper considers the conceptual principles of the formation of marketing costs on the example of technological enterprises Apple and Samsung. The complexity and ambiguity of the principles of formation of marketing costs at enterprises require a clear understanding of the socio-economic and political processes in the country, the continuous collection of information by the enterprise, its analytical processing and feedback with target segments. Marketing budget approval decisions should be based on the company's strategy and activities to achieve them. Many companies neglect the significant costs of marketing communications. This work contains reasoned arguments why marketing is the main foundation for a successful enterprise.

The trends that directly affect and determine the size of the marketing budget are investigated. The world approaches and principles of structural distribution of marketing costs are analyzed.

This study was aimed at developing ways to improve the marketing activities of the enterprise in the current market conditions. The results of the study can be used by enterprises to improve the use of marketing activities, thereby ensuring the growth of the competitiveness of domestic enterprises and the improvement of the economic condition of their own country. Based on the theory and practice of research, companies will be able to logically and effectively create a budget for marketing activities.

Keywords: *marketing costs, marketing budget, budgeting principles, indicators for evaluating marketing costs.*

Received date: 19.07.2022
Accepted date: 27.08.2022
Published date: 31.08.2022

© The Author(s) 2022
This is an open access article under the Creative Commons CC BY license

How to cite
Thanh Thuy, T. T., Klymova, E. (2022). Assessment of marketing costs on the example of Apple and Samsung companies. Technology Audit and Production Reserves, 4 (4 (66)), 14–17. doi: http://doi.org/10.15587/2706-5448.2022.265572

1. Introduction

In the field of trading activities, marketing is considered as an instrumental technology for managing the sustainable development of a business unit, responsible for:

– analysis of the potential and market conditions;
– research in the field of pricing;
– assessment of the impact on demand indicators;
– promotion of new product nomenclatures;
– establishing communication channels with market participants – consumers and producers [1]. At the same time, marketing research is defined as a set of activities aimed at systematic analysis and presentation of data on the behavior, needs, attitudes, impressions, motivations of business units in the context of their economic, political, social and daily activities. As a result, the issues of systematization and evaluation of marketing costs are becoming relevant both in the context of developing marketing activities by the relevant structural unit, and increasing the efficiency of using tools for budgeting marketing costs [2]. At the same time, carrying out these activities requires significant costs, and therefore, their audit is necessary, which is why it becomes necessary to establish an optimal system for accounting for marketing communications costs.

Marketing budgeting plays an important role in building an enterprise's potential strategy. Budgeting is an integral attribute of the activities of each of the economic entities, whose plans for the presence in the market are long-term.

Thus, the actual theoretical substantiation of the essence and principles of planning and evaluation of marketing costs.

So, *the object of research* is the importance of advertising costs.

The aim of research is to evaluate marketing costs based on the improvement of the methodological approach.

2. Research methodology

In the process of researching ways to improve the marketing activities of enterprises, namely the optimization of marketing costs, the following were used:

– methods of economic and statistical analysis for the analytical study of the marketing costs of Apple and Samsung;
– classification method for logical grouping and presentation of the studied information;
– comparison method to highlight the advantages and disadvantages of marketing budgeting by companies;
– graphical method for visual presentation of statistical data.

3. Research results and discussion

Marketing cost planning is a vital process for a company. Without it, it is impossible to make a profit, and as a result, the very existence of the company. A marketing budget is a financial plan that lists a company's expenses, revenues, and profits related to its marketing activities. The marketing budget quantifies the amount of resources allocated to the analysis of consumer behavior and the development of actions to increase the number of company customers [3]. Usually these actions are aimed at improving the brand image or informing potential consumers about the benefits of the products offered. Marketing plays a fundamental role in sales, so it is necessary to have a budget that meets the conditions of the company. For this reason, it is necessary to quantify the budgets of previous periods for the resulting profitability. The marketing budget is formed at the stage of corporate planning [4]. It is part of the overall business plan. Funds are primarily invested in those activities that will provide maximum profit.

Many experts point out that 10 % is the ideal percentage of the profits to be spent on marketing. Of course, this figure depends on many factors. Despite this, many companies (especially those with revenues in excess of 5 billion USD a year) are moving away from the 10 % rule. They spend more on promotion. This is driven by their performance and market share. According to a study by Gartner Research [5], companies on average spend about 12 % of their annual income on marketing. The study found that large companies (whose annual revenue exceeds 5 billion USD) spend 13 % of their income on marketing, while smaller companies (with revenues between 250 million USD and 500 million USD) spend about 10 % on promotion.

The sales budget is the basis for the formation of the marketing budget, which in turn consists of a number of budgets [3]. However, the sequence of budget formation can be different, which is determined by the principles of their construction at a particular enterprise. It is customary to single out the following main principles [6]:

– «top down»;
– «bottom up».

Integrated:

– «top down – bottom up»;
– «bottom up – top down».

1 principle. Bottom-up budgeting is done from the level of departments, that is, the budget is developed at the lower levels of management, and then submitted for approval to higher-level managers. At the same time, budgets are formed for individual areas of marketing activities using appropriate methods that take into account various factors, and on the basis of this they allow determining the optimal means. The company's marketing budget is compiled as the sum of the individual budgets.

2 principle. When budgeting from top to bottom, the formed budget is transferred by management to managers of structural divisions for its detailing and development of recommendations. Marketers can also participate in the formation of this budget, but still the marketing budget is formed as a whole. With such an enlarged planning, it is advisable to use only methods of the internal budget, including methods with a focus on competitors.

3 and 4 principles. In order to increase the orientation of enterprises towards their consumers and other market entities, they are recommended to apply integrated principles for the formation of the marketing budget and its constituent budgets. Most enterprises in advanced economies apply just such principles, while increasing the authority of the marketing department and its departments, actively involved in the formation of the marketing budget, marketing communications and other budgets. The company must be prepared for this, both in terms of personnel and more involvement of the company in marketing.

Thus, planning and control of the marketing budget should be carried out at two levels: the levels of marketing campaigns and the levels of marketing activities of the enterprise as a whole. At the same time, the planning and control of the main costs according to the proposed classification is expedient within individual marketing campaigns, and at the level of the marketing activity of the enterprise – auxiliary costs along with the main ones.

Let's consider in practice the budgeting of marketing costs on the example of Apple and Samsung.

Advertising activity is an integral part of the implementation of any product, regardless of its life cycle. Millions of corporations invest heavily in marketing. For whom these investments justify themselves and increase the profit of the company, and for whom, on the contrary, they bring losses. Many people think wrongly: if a company has been on the market for a long time, has a high level of recognition, has positioned itself well and has millions of loyal consumers, then it can «breathe» and not invest in advertising and promotion at all. Let's get an answer to this after examining marketing costs using the example of technology companies that compete with Apple and Samsung.

Apple is one of the most influential and recognizable brands in the world. Apple products are always covered with a light curtain of secrecy. Marketers of the corporation manage to stir up the interest of the audience in new devices from year to year. How does the company plan its marketing spending? Let's take a look at Apple's ad spend statistics and how it compares to Samsung's competitor in Fig. 1.

Data [7] shows what Apple and Samsung spend on their digital budget on the Internet, how they differ. More than three-quarters (76 %) of Apple's digital ad spending is more on video ads, 22 % more on online advertising, and more than 1 % more on ad measure (Fig. 2). That is, it is possible to say that the company must resort to strategic strategies.

At the same time, Samsung is more inclined to «dissolve» into rich types of advertising (Fig. 2). This is due to the fact that the company promotes much more assortment groups for customers. Therefore, it is required for each to choose its own type of promotion.

ISSN 2664-9969

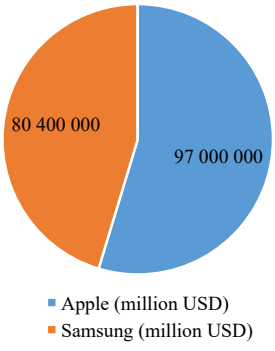

Fig. 1. Communication with Apple and Samsung for marketing (built based on the data of [7])

Data [7] shows that Apple's entire budget goes to direct marketing, while Samsung has chosen to use third-party ad networks, exchanges, and malls. Traditional marketing is often more expensive than it can be, but only because Apple has flipped from Samsung.

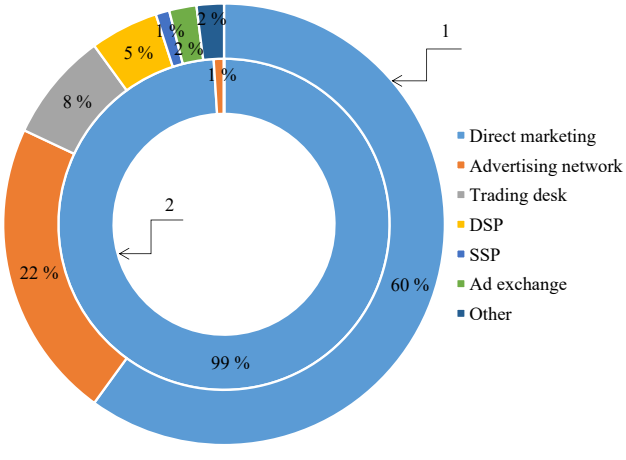

Fig. 2. The ratio of the chosen ways of promotion by companies: 1 – Samsung; 2 – Apple (built based on data from [7])

What is the difference between Apple and Samsung positioning? Today, Apple has established itself as a world leader in producing exceptionally high-quality products without putting profit for itself in the first place, which cannot be said about Samsung. The last brand stands out from the background of Apple with its mass character. Advertising for Korean brand products is broadcast everywhere. Mass is not always good. When you see constantly continuous videos made without much taste, showing Korean products, you start to repel such an imposition. Samsung's profits are also skyrocketing, but you have to be careful that promotional activities don't backfire. Yes, the products are of high quality and many choose it as opposed to competitors, but Apple is still ahead. It is the presence of an Apple device that demonstrates a certain level and good taste in modern society.

Apple products speak for themselves. Apple positions its marketing consistently, keeping the messages and visuals simple. Most marketing is free of things like feature lists, prices, or expensive special effects. They know that the product will sell on its own, not relying on pomp and circumstance. With stripped-down content and simple ads, they have sold over 1.5 billion items. The logo is a perfect example of their simplicity – the simple shape of an apple without a piece. There are no sensible words to accompany it – they are not needed. Why rely on words when visual images are not enough?

How much do companies spend on marketing? Note that the spending figures are only close to probable. There are no exact and real numbers, because companies have been hiding their expenses since 2016. Even 10 years ago, Apple spent several times more on advertising than its competitors. In 2021, Apple received 365.8 billion USD in revenue, and spent 2.7 % of it (97.3 million USD) on marketing [8].

In turn, Samsung spent 3.5 % (80.4 million USD) of 240.7 billion USD in revenue [9]. This low percentage that companies are now spending is largely due to the fact that they have been in the market since the 70s and 30s, respectively, and that they spent almost half of their profits on marketing a few decades ago.

In 1984, Steve Jobs invested 900,000 USD in Macintosh advertising [10] and about 1 million USD paid for a single advertising broadcast during the final championship of the National Football League [11]. For modern money, this is 3.5 million USD. This money paid off in full. Samsung did not have such high-profile campaigns. In this small example, it is possible to see the difference between the two competitors.

Thus, the study of the principles of budgeting, the composition of the marketing budget and indicators for evaluating such expenses, carried out in the work, made it possible to theoretically substantiate and evaluate the approximate ratio of expenses for certain channels of advertising distribution in marketing budgets using the example of the companies considered. The practical significance of the results obtained is to improve the quality of marketing budgeting and increase the efficiency of marketing costs for enterprises. Further scientific developments are needed in the field of recommendations to domestic enterprises on planning marketing costs using the example of foreign companies.

4. Conclusions

The study shows that it is not necessary to spend almost all of the profit on marketing. This is not always the same as success. Experts and marketers say that 10 % profit is the golden mean. Much depends on the niche, competition, long-term investment and expected results. If it is necessary to be ready to invest a large amount of capital. The younger the company, the louder it should declare itself and the more it needs to spend on marketing. Advertising works in the long run. If the company is remembered by consumers and is well known, it is possible to reduce costs, but it is impossible not to invest at all. Over time, global problems, trends, desires and needs change. Therefore, it is necessary to adapt to this with the help of such a tool as marketing. The results of the study will be useful to entrepreneurs who start their journey at the enterprise. The above study will help marketers to properly plan the costs of advertising activities for any marketing activities. As mentioned above, an effective marketing budget is one of the most important keys to a firm's success. Domestic companies should follow the example of leading foreign corporations, whose cost examples were considered in the work.

Conflict of interests

The authors declare that there is no conflict of interest regarding this study, including financial, personal nature, authorship or other nature that could affect the research and its results presented in this article.

References

1. *Podatkovyi kodeks Ukrainy* (2010). Zakon Verkhovnoi Rady Ukrainy No. 2755-VI. 02.12.2010. Available at: http://zakon0.rada.gov.ua/laws/show/2755-17
2. Piercy, N. (2015). *Marketing Budgeting (Routledge Library Editions: Marketing)*. Routledge, 538.
3. Kara, N., Pasemko, T. (2019). Specifics of management of advertising costs in the context of international economic relations. *Economic Scope, 151,* 31–36. doi: https://doi.org/10.32782/2224-6282/151-3
4. Solomianiuk, N. M. (2014). Kontseptualni pryntsypy formuvannia vytrat na marketynh. *Naukovyi visnyk Khersonskoho derzhavnoho universytetu. Seriia «Ekonomichni nauky», 5 (3),* 53–56.
5. Pemberton, C. (2016). *Gartner CMO Spend Survey 2016–2017 Shows Marketing Budgets Continue to Climb*. Available at: https://www.gartner.com/en/marketing/insights/articles/gartner-cmo-spend-survey-2016-2017-shows-marketing-budgets-continue-to-climb
6. Shulhina, L. M. (2021). *Suchasna paradyhma marketynhu v umovakh hlobalizatsii*. Navchalno-metodychnyi kompleks KPI im. Ihoria Sikorskoho, 32.
7. O'Reilly, L. (2016). *Apple is spending far more than Samsung on digital ads*. Available at: https://www.businessinsider.com/pathmatics-data-shows-apple-spends-more-than-samsung-on-digital-ads-2016-12?amp
8. Curry, D. (2022). *Apple Statistics*. Available at: https://www.businessofapps.com/data/apple-statistics/
9. *Samsung Electronics' global revenue from 2005 to 2021 (in trillion South Korean won/billion U.S. dollars)*. Available at: https://www.statista.com/statistics/236607/global-revenue-of-samsung-electronics-since-2005/
10. Dernbach, C. (2011). *«1984» – The famous Super Bowl Spot*. Available at: https://www.mac-history.net/apple-history-tv/ads/2011-07-12/1984-the-famous-super-bowl-spot
11. McQueen, C. (2021). *What Made Apple's 1984 Advert So Successful?* Available at: https://medium.com/age-of-awareness/what-made-apples-1984-advert-so-successful-dc5af1b073f3

✉***Tran Thi Thanh Thuy,*** *Assistant, Department of Accounting, Analysis and Audit, Odessa Polytechnic National University, Odesa, Ukraine, e-mail: Tran.t@op.edu.ua, ORCID: https://orcid.org/0000-0002-2799-6421*

Elizaveta Klymova, *Department of Accounting, Analysis and Audit, Odessa Polytechnic National University, Odesa, Ukraine, ORCID: https://orcid.org/0000-0001-9067-5498*

✉*Corresponding author*