

Performance Marketing as a Form of Company Promotion: Implementation Issues and Development Prospects

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Abstract—The present article studies the features of the development of performance marketing in times of marketing communications changes influenced by digital technologies. The authors classify the factors contributing to the development of the performance marketing concept in Russia, identify problems that companies face when implementing performance marketing as a form of company promotion, develop proposals and recommendations for implementing performance marketing, and define strategic advantages of using performance marketing, associated with the quality of marketing offers in terms of customer service.

Keywords—*performance marketing; marketing communications; digital technologies; digital tools; strategic advantages; user interaction*

I. INTRODUCTION

The emergence and development of performance marketing is resulted from the major changes taking place in marketing communications. Transition from traditional promotion types (various forms of advertising, direct-response marketing, sales promotion, public relations) to modern communication technologies (Internet communications) has generated the need for expanding companies' presence in all Internet sites or resources visited by target consumers. It is explained by the changes in consumption patterns, and particularly, by the fact that the majority of purchases are made either in the online environment or using the means of Internet communications.

At the stage when companies diversify their promotion tools and introduce such modern marketing communications tools as landing pages, retargeting, mobile applications, marketing platforms, etc., there is a problem of their fragmented and inconsistent application, preconditioned by several factors. First, new tools of modern communication technologies emerge at a rapid pace, which encourages companies to introduce them into sets of their promotion

tools. Second, companies refocused their attention from target consumers onto communication channels. This resulted in the advertising glut in all communication channels and, apparently, in reduced brand perception. Remarkably, such an information flow made it rather difficult for consumers to identify the features distinguishing companies from competitor companies. The fragmented use of marketing communication tools and the lack of their consistency resulted in the need for new methods of creating communication strategies. Thus, performance marketing was introduced as a concept for the application of new tools, and has sufficiently developed in the business environment so far.

The present article is aimed at developing proposals and recommendations for introducing performance marketing in companies' activities. In order to achieve this, the following objectives are to be met:

- Analysing the features of performance marketing development in times of marketing communications changes influenced by digital technologies.
- Classifying the factors contributing to the development of the performance marketing concept.
- Identifying problems that companies face when implementing performance marketing as a form of company promotion.
- Defining strategic advantages of using performance marketing, associated with the quality of marketing offers in terms of customer service.
- Developing proposals and recommendations for introducing performance marketing in companies' activities.

The concept of performance marketing is undergoing some changes and actively developing, therefore, there is

still no comprehensive definition covering all of its aspects. Let us consider several definitions of performance marketing, characterizing the concept from different perspectives. For instance, in IconTex, a large communications agency, specializing in the introduction of performance marketing in companies' activities, the concept is understood as marketing aimed at the result, which is reflected in increased sales. Its main feature is the possibility to calculate quantitative indicators that demonstrate deliverables (return on marketing investment, cost per visitor, cost per order, etc.) at any stage of a communications campaign [1]. According to Sergey Merkulov, the marketing director of the Daily Profit Organization group of companies, there are several characteristics that distinguish performance marketing from traditional promotion:

- Measurability - the ability to measure relations between advertising actions and consumer actions.
- Payment for result - in most cases, the pricing model of creating a promotional budget after implementing the developed plan or key performance indicators is applied.
- Encouraging consumer actions (placing an order, filling in an application, visiting company's website, etc.).
- Relevance - applying modern technologies and optimizing them in real time [1].

Alexander Simanovsky, the CEO of Artics Internet Solutions, one of the major performance marketing agencies in Russia, defines performance marketing as the process providing controlled and optimized marketing activity at all stages of consumer lifecycle [1].

The given definitions describe the concept of performance marketing from different perspectives. Accordingly, a number of key features that distinguish this concept of creating marketing communications from the traditional one can be identified.

The application of performance marketing presupposes the introduction of all types of innovative communications tools (lead generation, remarketing, marketplaces, mobile applications, search engine optimization, advertising networks, etc.) into companies' promotion activities. The great difference between performance marketing and traditional marketing communications refers to evaluating the effectiveness of a conducted communications campaign. The application of performance marketing allows a company to undertake expenses only for interaction with target consumers, who perform targeted actions according to the goals of marketing communication.

Thus, we understand performance marketing as a modern concept of building marketing communications, which involves the integrated use of consistent digital tools and creating promotional budget in accordance with the achieved results, presented in the form of target consumer actions and measurable indicators.

II. THE FEATURES OF PERFORMANCE MARKETING DEVELOPMENT IN TIMES OF MARKETING COMMUNICATIONS CHANGES INFLUENCED BY DIGITAL TECHNOLOGIES

As mentioned earlier, performance marketing emerged in times of digital technology development. Influenced by digital transformation of business, this model of marketing communications is still evolving and acquiring its specific features. When highlighting these features, performance marketing should be clearly separated from the conceptually opposite model of brand marketing, the implementation of which is associated with informing target consumers of a company's product or service and increasing brand awareness and perception. Let us compare both models by key parameters, such as communication quality, performance evaluation, tools, creating promotional budget, and define key characteristics of performance marketing through comparative analysis ("Fig. 1").

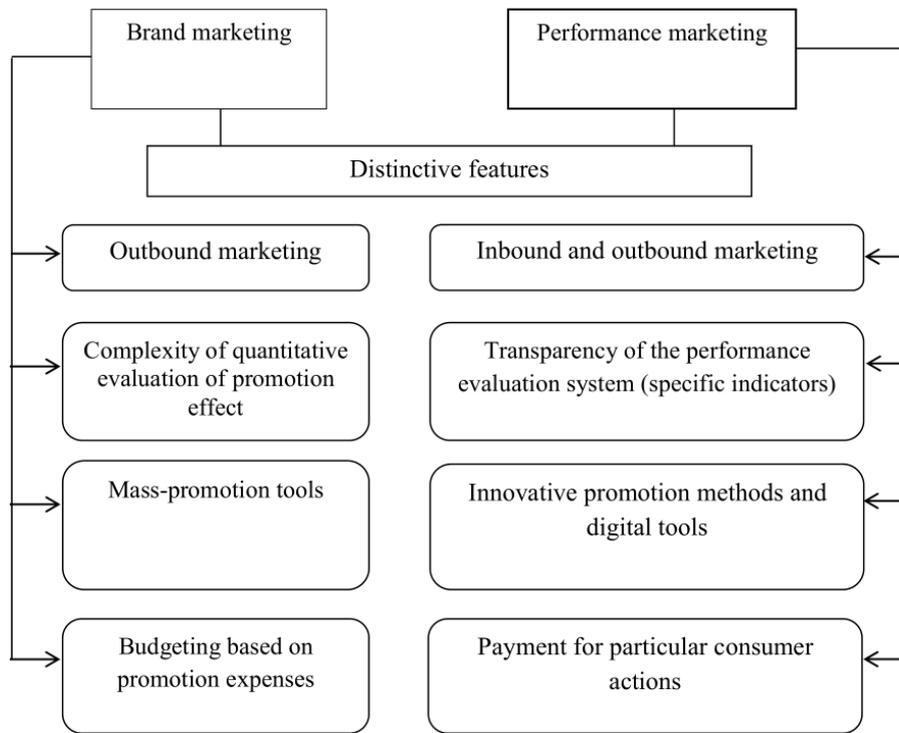


Fig. 1. Distinctive features of performance marketing and brand marketing (compiled by the authors).

According to "Fig. 1", by selected parameters, performance marketing has several advantages over brand marketing, including the simplicity of the performance evaluation system, that is, the availability of specific indicators (cost per thousand, cost per click, cost per action). Another positive aspect of the model is related to applying innovative methods of promotion and digital tools, which facilitate the process of consumer interaction in general. Meanwhile, it is essential to emphasize digital tools, which when applied systemically are characteristic specifically of the performance marketing model. They include contextual advertising, remarketing, marketplaces, mobile advertising networks, social media marketing, online advertising automation, web analytics and others, depending on company specifics.

"Fig. 2" presents performance indicators of two marketing communications models - performance marketing and brand marketing. The indicators are arranged in the table according to two parameters: audience growth and user value growth.

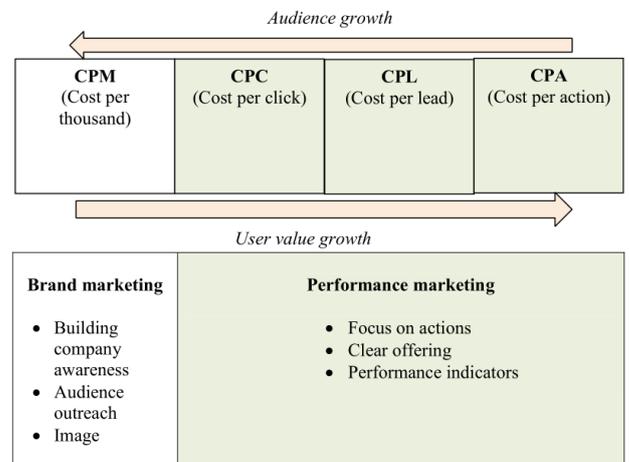


Fig. 2. Performance indicators of performance marketing and brand marketing [2].

In general, the analysed models of building marketing communications have their own characteristic features provided by the specifics of communication goals. If a company needs to achieve specific and measurable results in implementing the marketing communications strategy (e.g. optimizing landing pages, increasing user activity on websites, receiving marketing information on the target audience), it is reasonable to use performance marketing. In this case, the company's promotion costs will depend on the achieved results.

Brand marketing is effective under certain communication goals, such as increasing brand awareness, company recognition, and brand perception by the target

audience. In our opinion, the models under analysis do not contradict each other and can be complementary: brand marketing is strategic in nature, while performance marketing is tactical.

III. THE FACTORS AFFECTING THE DEVELOPMENT OF THE PERFORMANCE MARKETING CONCEPT

The factors affecting the development of the performance marketing concept should also be analysed. "Table I" presents the data on marketing communications budgets of major companies in 2018, exclusive of the costs on digital tools.

TABLE I. PROMOTIONAL BUDGETS OF MAJOR COMPANIES IN 2018 (OFFLINE CHANNELS), MLN. RUB, VAT INCLUSIVE [3]

Company	TV	OOH	Radio	Press	Dynamics
MTS	3084.58	618.17	163.66	8.18	14%
MegaFon	2669.49	654.14	271.51	8.29	25 %
OTCPharm	3686.37	–	66.74	13.80	- 13 %
PEPSI CO	4519.97	92.33	6.16	9.33	- 16 %
NESTLE	4427.41	102.53	0.81	12.65	- 7 %
P&G	4152.99	13.18	–	62.99	- 5%
Mail.RU Group	2157.87	10.29	12.55	7.06	13%
VOLKSWAGEN	1417.01	70.13	340.05	151.74	- 17%
FORD MOTOR CO	404.15	65.16	264.33	35.03	-13%

As "Table I" indicates, most companies have the downward trend in promotional budget for offline channels, which is related to increased consumer activity in the online environment. Regardless of communication channels, conveying a key message to the target group remains the main communication goal of a company, which is one of the factors for performance marketing development. What is more, the performance marketing model also solves the problem of unifying the formats of Internet communications use. However, companies continue to carry the costs of offline channels, as a part of the target audience remains there.

In the first half of 2019, in general, the advertising market volume in distribution experienced negative growth in television (including main channels, niche channels) and outdoor advertising. Meanwhile, there is an upward movement of 20% in the Internet segment of advertising ("Table II").

TABLE II. ADVERTISING MARKET VOLUME IN DISTRIBUTION, FIRST HALF OF 2019 [4]

Segments of the advertising market	January - June 2019, bn. RUB	Dynamics, %
Television	81.0-82.0	-9%
<i>including Main channels</i>	78.0-79.0	-10%
<i>Niche channels</i>	3.2-3.3	-2%
Radio	7.3-7.5	-4%
Press	7.4-7.6	-16%
<i>including Newspapers</i>	2.8-2.9	-24%
<i>Magazines</i>	4.6-4.7	-11%
Out of Home	20.7-21.1	-3%
<i>including. Outdoor-advertising</i>	16.9-17.1	-3%
<i>Transit advertising</i>	2.2-2.4	6%
<i>Indoor- advertising</i>	1.2-1.3	-6%
<i>In-theatre advertising</i>	0.38	-16%
Internet*	109.0-110.0	20%
<i>including Search</i>	47.0-47.5	15%
<i>Video (In-stream)**</i>	5.4-5.6	10 %
<i>Other</i>	56.5-57.0	24%

Analysing the presented data, we can conclude that the decrease in offline consumer activity facilitated the redirection of company budget towards Internet communications, which could not but influence the development of performance marketing. Factors affecting it can be classified in three groups according to their nature. So, according to our reckoning, the development of performance marketing and its implementation in most companies is affected by behavioural, digital and marketing factors ("Fig. 3").

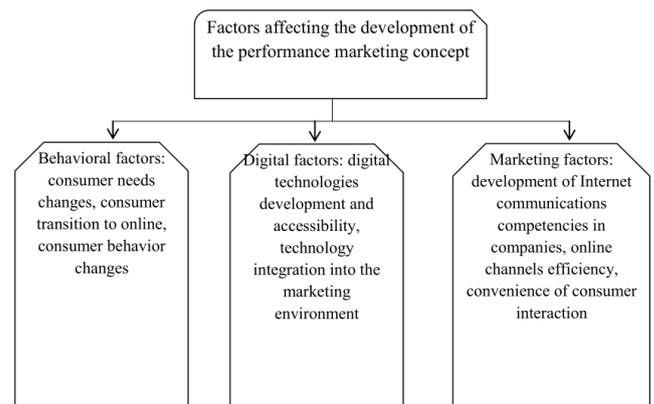


Fig. 3. Factors affecting the development of the performance marketing concept (compiled by the authors).

The cumulative influence of these factors resulted in the need to develop a system, which will include modern communication technologies and provide complex consumer interaction, so that they do not feel the transition from one communication channel to another. Such a form is called omnichannel, in fact, it represents a more advanced way of communication as compared to the multichannel model. The combination of omnichannel customer interaction and performance marketing provides a number of strategic

advantages to a company. They include the improvement of the quality of functional marketing strategies, marketing communications, and logistics communications. Logistics competencies provide effective consumer communication and allow eliminating declines in order placement, processing and delivery to consumers. Another advantage is developing a competitive positioning strategy, as innovative marketing communications contribute to creating a positive primary consumer perception of a company.

Within the modern approach to studying the development of global markets and economic relations, some authors [5–8] emphasize using marketing and logistics activities as drivers for developing and strengthening relations between producers and consumers and improving integration in the interdisciplinary space and within value chains development.

IV. CONCLUSION

Although the advantages of performance marketing are numerous, when applying its tools, companies face several problems. First, new tools of marketing communications are constantly emerging, and their integration into the current set of promotion tools can be challenging. This is explained by the fact that companies applying the performance marketing model to practice have developed and established systems of metrics that enable them to evaluate all the tools comprehensively and objectively. The introduction of a new digital tool in the set of promotion tools requires reconfiguration of the current system of metrics.

The second problem originates from the first one. Digital technologies are actively evolving; apparently, companies tend to use the most sophisticated types of communications. However, not infrequently, companies apply certain tools solely for the sake of technologies, even though they may not be best suited for marketing parameters of each individual company. Soon, such marketing tools become irrelevant due to their low effectiveness in practice, but by that moment, the company has already undertaken expenditures at all stages of its introduction.

The third problem is associated with the absence of industrial standards in evaluating the effectiveness of ongoing marketing communications. Evaluation techniques differ according to the subject of the market environment (agency or online market), which makes using performance marketing more complicated. What is more, numerous digital means of promotion result in different formats difficult to standardize. This downsize is missing in traditional types of marketing communications (TV, radio, outdoor advertising, etc.)

Following the identified problems, we offer recommendations for introducing the performance marketing model in companies' activities. Achieving the maximum effect from all the digital tools in the performance marketing is considered a significant factor and should be taken into account when building marketing communications of performance marketing. Undoubtedly, companies are required to use relevant technologies, which correspond to modern trends in the marketing communications and

evaluate the effectiveness of each marketing tool in overall Internet communications.

Besides, despite strategic advantages of performance marketing that a company can attain in the long run, its goals are more related to the tactical aspect of managing companies. Therefore, they should be supplemented with marketing tools that facilitate increasing brand awareness and customer loyalty.

To conclude, currently there are multiple opportunities to consolidate performance marketing as a model for building marketing communications. Meanwhile, investigating this trend is of particular interest to companies' executives in various industries and markets. Changing consumption patterns and their transition to the online environment is especially relevant for e-commerce companies and should be accounted for in their operation activities. Following current trends of marketing communications, performance marketing is likely to develop at a progressive rate, if the identified potential problems are considered.

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