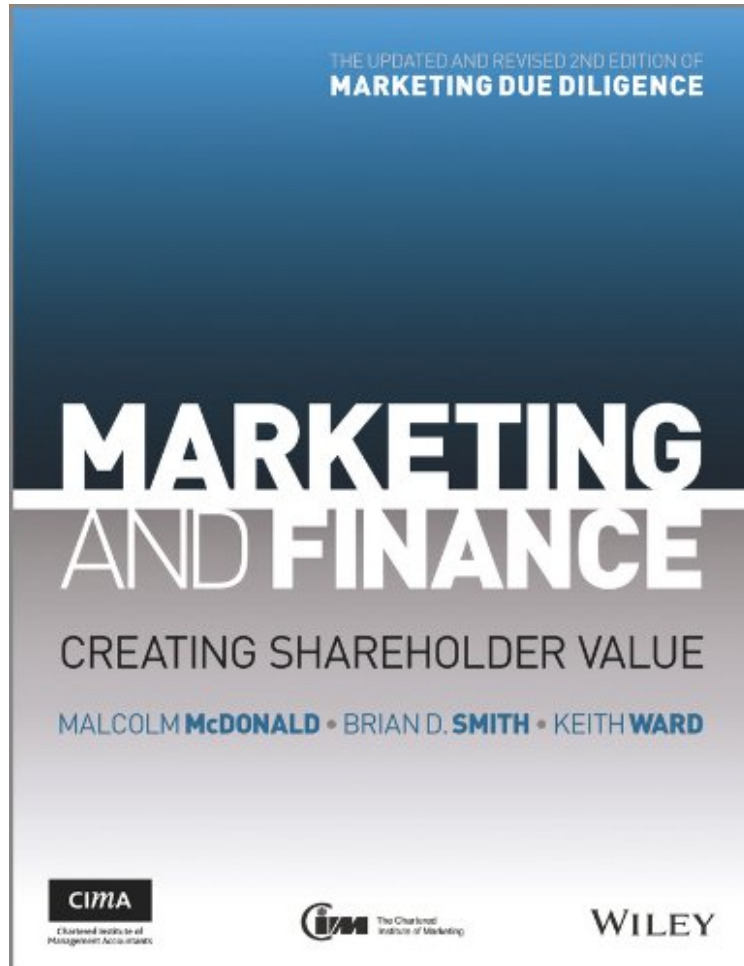


Marketing and Finance: Creating Shareholder Value

Malcolm McDonald, Brian D. Smith, Keith Ward
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Malcolm McDonald, Brian D. Smith, Keith Ward : Marketing and Finance: Creating Shareholder Value
before purchasing it in order to gauge whether or not it would be worth my time, and all praised Marketing and Finance: Creating Shareholder Value:

1 of 1 people found the following review helpful. "E" for Effort, "F" for PerformanceBy Warren MillerAs one who makes his living advising client companies about strategy, valuation, and value creation, let me begin by saying that this book is not what its title says. Despite the presence of Prof. Malcolm McDonald, a learned and world-class authority on marketing, the marketing side of the book is based more on anecdote and opinion than on scholarly research. The financial side is, well, a joke. How a book can assert it's about 'creating shareholder value' and yet omit any discussion about how to measure value creation (hint: it's related to a company's equity discount rate, about which the book is likewise silent) eludes me. The first thing I do whenever I buy a reference book is scan its index. For my use, the utility of such a book correlates to the level of detail in its index. I know first-hand that most publishers these days have decided to 'save money' by minimizing their investment in outsourcing the craft of indexing to a

knowledgeable professional. As a direct result of that short-sighted and self-destructive mindset from my own publisher, Wiley (which is also the publisher of the book at issue here), I bought four books about indexing, hired an indexing expert to look over my shoulder, and took on the indexing task myself. My book ([...] is about 25% longer than 'Marketing and Finance,' but my index ran to twenty pages; the one here is barely eight. Inadequate indexing makes for unusable reference books. Let me demonstrate. Herewith, a short and incomplete list of the terms that are NOT in this book: valuation, valuation methods, valuation approaches, valuation multiples, relative valuation, cost of capital, weighted average cost of capital, asset-based approach, market approach, income approach, cost approach, unsystematic risk, terminal value, mid-period convention, industry risk, industry analysis, strategic groups, rate of return, invested capital, market value of invested capital, preferred stock, capital structure, complex capital structure, debt, interest-bearing debt, funded debt, and free cash flow, to name just a few that certainly should be in the index of a book that purports to offer authoritative guidance about the creation of shareholder value. The omission of such terms makes it highly unlikely that the book contains any substantive discussion about how to measure value creation. Asserting value creation is easy. Proving it requires quantitative tools. The book loudly criticizes traditional valuation and methods of risk assessment, yet offers nothing but undocumented opinions about better ways to proceed (there's not a footnote or end note in the entire 280 pages of text). Worse, it has some misinformed assertions about finance basics. Here's an example from such criticism (p. 34): "The notional SBU we have addressed so far has, in the course of its business plan, promised a certain turnover and a certain return on sales. Those returns imply a level of shareholder value created, dependent on the capital employed to create those sales." Sorry, but "a certain turnover and a certain return on sales" imply NO SUCH THING. To be sure, return on sales is one of the components of the DuPont method of measuring return on equity (ROE), but ROE is an accounting measurement, not an economic one. Value creation occurs when a firm's economic rate of return exceeds its weighted-average cost of capital (WACC). In other words, the returns generated by assets (whether or not the latter are recognized on the balance sheet - under current accounting standards, most intangible assets are not recognized) exceed the costs of the funds provided by lenders and investors to finance those assets. In closing, let me say that no one should underestimate how hard it is to write a serious business reference book. Anyone who thinks it's easy hasn't tried it. So, while I'll give these authors an "E" for Effort, simply trying doesn't count for much, except for students below the college level. Markets reward performance, including that achieved in writing a book. If one judges a book's performance by the usefulness and relevance of its content, then this book falls far short of its hype and its title. In my grading matrix, it gets an "F."

Written for marketing and finance directors, CEOs, and strategists, as well as MBA students, this practical book explains the principles and practice behind rigorous due diligence in marketing. It connects marketing plans and investment to the valuation of the firm and how it can contribute to increasing stakeholder value. Completely revised and updated throughout, the Second Edition features new case examples as well as a completely new first chapter containing the results of new research into risk and marketing strategies amongst Finance Directors and Chief Marketing Officers.

From the Back Cover The truest sign that an executive has reached, or is on a trajectory towards a senior position is when they start to look outside of their own functional silo and consider business issues that normally lie within the remit of other departments. Nowhere is this more true than at the marketing/finance interface. At this mission-critical boundary, senior marketers must understand the implications of their strategies not just for sales or profit, but on risk adjusted rate of return. Similarly, senior finance executive can no longer manage the numbers; they must make critical assessments of commercial goals and understand how alternative marketing strategies may create or destroy shareholder value. The Marketing and Finance Solution is the first book of its kind to address this interface, not from a marketing or finance angle, but from a combined perspective that incorporates leading knowledge in both disciplines. Written by three leading academics with decades of experience working across this functional boundary in major multinationals, The Marketing and Finance Solution is a unique and essential addition to the library of senior marketing and finance professionals. This updated, revised, 2nd edition of the critically acclaimed Marketing Due Diligence includes a re-written first chapter that compares effective and ineffective business plans to identify the fundamentals of commercially successful strategies. Filled with examples from both business-to-business as well as consumer markets from a wide range of sectors, this new edition includes a thorough update of those examples for the modern, post-financial crash world. About the Author Professor Malcolm McDonald was recently cited as one of the top marketing gurus in the world, along with Philip Kotler and Michael Porter and, in a 2006 Times HE piece, he was named as one of the top ten consultants in the UK. He is now Emeritus Professor at Cranfield University School of Management where, until recently, he was Professor of Marketing and Deputy Director. Formerly Marketing Director of Canada Dry, he is Chairman of six companies and works with many of the operating boards of the world's biggest multinationals on every continent. He is the author of over 40 books, many of which have been translated into several foreign languages and has published hundreds of articles and papers. Malcolm continues to research and teach at Cranfield and other universities around the world, in addition to speaking engagements, visiting lectures, and

consultancy work. Professor Brian D. Smith is a world-recognised expert on competitive strategy in pharmaceutical and medical markets. He is Adjunct Professor at Bocconi SDA and Visiting Research Fellow at the Open University Business School, where his research interests include strategy making and implementation in medical markets. He is the editor of the Journal of Medical Marketing and the author of over 200 books, papers and articles in the field of marketing and competitive strategy. He also runs Pragmedic, a specialist strategy consultancy and works with many of the world's leading pharma and medtech companies. Brian has over 30 years experience in medical technology and pharmaceutical markets in both RD and commercial roles. He has been a member of the Chartered Institute of Marketing for over 20 years and is a former International Vice Chair of the Board of Trustees. He currently serves on the committees of two CIM groups, The Levitt Group and the Medical Marketing Group. Keith Ward studied economics at Cambridge and then qualified as both a chartered accountant and a chartered management accountant. He worked both in the City and abroad as a consultant and held senior management positions in manufacturing and trading companies (the last being as group financial director of Sterling International). In 1981 Keith joined Cranfield School of Management, where he progressed to become Professor of Financial Strategy, as well as being Head of the Finance and Accounting Group and Director of the Research Centre in Competitive Performance. In addition to his academic work, he developed his own international consultancy practice. He then moved to a Visiting Professorial role at the School, while continuing with his research and consultancy interests, until retiring at the end of 2009. He is the author of a number of books including Marketing Finance. He has also published numerous papers and articles, and contributed to several other books, including as editor.