Measuring Marketing and Brand Communications Performance

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A Developing European Country Perspective

By

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BACKGROUND AND CONTEXT

Companies generally concentrate their work on creating superior products and services and on lowering costs to broaden the base of satisfied customers. These efforts are measured by how well the company increases profits. This emphasis on profits does not contradict customer or employee satisfaction. The tools and concepts are geared towards long-term benefits as well as towards the management of short-term profit improvements for the company.

Business management is aware that it is not possible to ignore employee or customer satisfaction and still expect to remain profitable in the long-term. Ever more is required to effectively create marketing investment priorities so that the budget assigned for it can be used to generate greater profits.

When it comes to marketing measurements, only return on investment (ROI) provides a complete picture of the benefits and investments vis-à-vis the company's primary goal. Many studies have shown that existing measurement processes in marketing are no longer providing quality information, which means that marketing budgets are not invested adequately, and the company profits are not maximized.

Management's initiatives on consumer relations have a greater chance of success when combined with ROI marketing to manage consumer profitability. With competition growing every day and with constant pressure on companies to produce more profits, it is necessary to better manage marketing budgets.

Applying the marketing ROI-t process can create a significant competitive advantage, allowing smarter decisions about whom to approach, how to reach them, and how much to invest. The more the competition spends from its marketing budget on unprofitable efforts, the less market share they gain.

Companies often develop programs without assessing their needs and economies of scale. This way, they do not think to produce value for customers while creating value for the company. If an awards program gives something for nothing, profits will be illusions, but costs will be real. By applying the ROI-t process, there will be benefits such as more consumers, better customers, lower sales costs, stronger relationships with clients and increased consumer loyalty, because the marketer will be focusing on wherever it has the greatest impact. A marketer should still have a good business and marketing strategy but now he or she will be better equipped to develop, measure, and improve those strategies.

Generating greater returns from marketing investments provides more financial resources to be reinvested in such a way to increase consumer and employee satisfaction. The marketer can increase company stability and reinforce the viability of the business during uncertain economic times. A marketer also needs to think about bonuses for employees and dividends for shareholders, because both groups require rewards for their intelligent decisions on investments.

Measuring the profitability of integrated marketing communication (IMC) provides:

A standardized process for evaluating and calculating investment returns for faster and more accurate decision-making;

Better crisis management through greater intelligence about the effects of changes in strategies, actions of competitors or budget resources;

Improvement in shareholders' value, as marketing budgets are directed toward opportunities for greater profits;

Opportunities to generate growth with significant returns;

A chance for the company to learn whether the results of standardized performance measures are successful;

An increase in sales as well as in profit generated with the same budget through the smarter prioritizing of processes;

Long-lasting improvements in the measurement and management processes.

AIMS AND STRUCTURE

This book is made up of two parts: Part One identifies and elaborates on the subject of measurement of marketing communication performance and return on investment, and Part Two presents the research and findings pertaining to the case of Albania.

In Chapter One, we present the importance of effective communication as a way to make participating parties in a company work together. This chapter offers tools, routes and sources that integrate into a program to maximize the impact on other customers and final users with minimal cost.

In Chapter Two, an evolution as well as a revolution in marketing and communication in organizations is addressed. The focus here is in new marketing technologies that resulted from the digitalization of information.

In Chapter Three, we discuss how important it is for the marketer to determine the impact of marketing communications that are more likely to influence consumer behavior. This chapter offers the traditional and current systems of measurement for brand communication programs.

Chapter Four makes the case with a process, which is the basis for the measurement system. This chapter illuminates what a marketer must do to effectively measure the return on investment of brand communication programs.

In Chapter Five, we offer the customer-focused model of brand communication which distinguishes the company's marketing and brand communication operational activities. In this chapter, the focus is on the management's different way of thinking about planning and how brand communications fit into its investments.

In Chapter Six, the material sheds light on the key element to effectively measure the return on brand communication investment and on how to measure returns on marketing communication investments. Presented here are conceptual and real models which are used to measure brand value.

Part Two consists of two chapters and the research objective which was to measure the trend of an emerging country's (case study Albania) industry toward recognizing the importance of integrated marketing communications and brand communication. How much do businesses apply them? Is the importance of investment profitability measured in integrated marketing communications and what is management's attitude towards measuring investments and profitability in this regard?

In Chapter Seven, the aim is to describe the research purposes and the hypothesis raised throughout the book. It also describes the survey methodology used to carry out this research and specifies the research subjects, the tools used to obtain the sample, the implementation plan and evaluation results.

In Chapter Eight, through univariate analysis of data we generate the research findings from analyzing the selected sample of large businesses. To ensure their reliability, we processed the data that was collected from questionnaires and also used standard data control procedures to present data in the forms of tables and graphics which clearly show tendencies from different phenomena.

Chapter Nine focuses on bivariate analysis and questionnaires' findings. Bivariate analysis is one of the most commonly used methods of statistical analysis and involves techniques which allow one to connect the variables through contingency tables. The variables provide the necessary information to study businesses' characteristics related to integrated marketing communication.

In Chapter Ten, we present conclusions and managerial implications. We report findings and give recommendations to businesses for the coordination of policies and strategies to make improvements in infrastructure processes and organizational practices. The aim is to improve marketing performance and to present the policies of managing the process of IMC concerning the organization, planning, control, and results measurement.

ENDORSEMENTS

"I recommend this book as essential reading for university professors, post-graduate students and learned professionals in the fields of marketing and management. It is a well-rounded presentation of Integrated Marketing Communications' (IMCs) role and effects in modern businesses, and provides valuable knowledge on their implementation and measurement. The language and pose is essential, understandable and to the point; and the book can be a useful tool in understanding and applying IMCs across markets, industries and organisational typologies. It further constitutes a solid scientific foundation for further research to utilise or build upon, and it is of special interest to businesses operating in emerging European (and not only) markets."

Stefano Bresciani, PhD

Professor of Innovation Management, University of Turin, Italy

"Despite my initial skepticism about 'another' book on Marketing and Brand Communications, I was positively surprised to read one that refrains from generalisations and commonalities, to focus on essential and technocratic aspects of the topic. Specifically, the book deals with communications' performance measurement and does so in a manner that balances well the scientific element with the practicable implementation of the theory. […] I have no hesitation in recommending this book to scholars, students and executives, who can refer to it towards both understanding and applying the philosophy and practice of Marketing and Brand Communications Investment, Performance and Measurement."

Evangelos Tsoukatos, PhD

Associate Professor, University of Applied Sciences, Crete, Greece

"Integrated Marketing Communications (IMC) is gaining increased interest from both academics and practitioners. The book presents a comprehensive analysis of the role and importance of IMC in today's rapidly changing business and communication environments. In particular, it examines the impact of strategic planning, branding, technology, and effective measurement on IMC. The authors apply scientific research and analytical methods to new primary data to provide valuable insights and knowledge into the factors that impact on the success of an IMC strategy. I have no doubt that you will find it interesting and you will enjoy reading it as much as I have whether you are an academic or a practitioner."

Ioanna Papasolomou, PhD

Professor, University of Nicosia, Nicosia, Cyprus

PART I

CONTEMPORARY PLANNING AND MEASUREMENT ASPECTS OF MARKETING AND BRAND COMMUNICATION PERFORMANCE

CHAPTER ONE

UNDERSTANDING INTEGRATED MARKETING COMMUNICATIONS AND PERFORMANCE MEASUREMENT

A new age of advertising, promotion and marketing communication has started. We are increasingly seeing that many marketing departments, advertising agencies and accounting departments are under pressure to be more responsible with the money they spend on marketing communications.

Today, company executives expect quick results from promotional campaigns and other marketing programs, which leads to new ways for participating parties to work together.

Effective communication is the key that keeps the relation going, and when this communication breaks down, conflicts, misunderstandings or even other problems develop between parties. Integrated marketing communication provides an efficient management communication channel. Within the marketing mix of products, prices, distribution systems and promotion, companies that speak with a clear voice can coordinate and integrate all marketing tools.

The aim of this integration is to have a substantial positive impact on consumers, businesses and other final users.

1.1. Elements of Integrated Marketing Communication and Their Respective Meanings

A program of integrated marketing communication (IMC) is based on the model of communication. Some researchers say this model of integrated marketing communication is a recent phenomenon, whereas others suggest only the name is new and the concept has been circulating for a while. The latter group points to marketing literature that described the importance of effective coordination for all marketing functions and promotional activities (Hutton, 1996). Integrated marketing communication coordinates and integrates a company's marketing communication tools, routes and sources into a program that maximizes the impact on other customers and final users with minimal cost. IMC is regarded as a more holistic, strategic and customer-focused way of planning and implementing the promotional process. The IMC mix has been diachronically shown to require significant adaptation depending on individual firm attributes such as size, type and geographical targeting but also depending on consumers' behavioural patterns and underlying motivators (Thrassou and Vrontis, 2006).

This integration affects all communications of an organization, such as business-to-business communications, marketing channel communications, consumer-oriented communications as well as internal communications.

From which marketing scheme was this concept derived?

A plan of integrated marketing communication begins with the development and coordination of the marketing mix: price, product, distribution methods and promotion. To be able to present a consistent message, these four elements should unite with each other. This becomes the marketing master plan which is the basis of all designed integrated marketing communications. The plan's purpose is to ensure harmony in the delivery of the message to the public or any customer. Planning must also integrate the main promotional efforts, which in turn synchronize all the company's communication programs.

The components of a marketing plan are situation analysis, marketing objectives, marketing budget, marketing strategies, marketing tactics and performance evaluation.

Situational analysis is the process of examining internal and external environmental factors. The analysis identifies marketing problems and opportunities generated by the external environment. During this step, the internal strengths and weaknesses of the company are also considered. In the second phase, main marketing objectives are determined. These targets are expressed typically in the areas of sales, market share, and competitive position.

The prepared marketing budget and marketing strategies are finalized, based on the marketing objectives. These marketing strategies include marketing mix ingredients plus positioning strategies, differentiation and branding which the company wants to use. Pinpointed within these strategies are marketing tactics for daily use and steps to support the marketing strategies. The final step in this plan is to evaluate the marketing performance.

These six steps are like those described by strategic managers to integrate all marketing activities consistently. When they are followed and properly enforced, they provide direction for senior management and marketing managers to ensure that the entire company communicates the same messages. Once a marketing plan is created, the company can prepare its IMC program.

It is important to understand that IMC is much more than a plan or a simple marketing function. It is a complete organizational process, which, to be strong, needs to include every aspect of marketing activity. This certainly takes time to prepare. An excellent study on the best-integrated companies, conducted by the American Productivity and Quality Centre in Houston, showed that there are four stages involved in strengthening an IMC plan (Schultz, 1998, p. 20).

The first stage involves the identification, coordination and management of the forms of external communication. The objective is to bring under the same umbrella all departments or marks of the company. During this stage, the company needs to ensure that its advertising, brochures and promotional materials use the same logo, colors, and themes. Efforts should be made to coordinate all advertising and public relations activities and to integrate the program with sales promotion, direct marketing, and any other external marketing programs.

In the second stage, the company's objective should be to extend the scope of communications to involve everyone affected by the organization. In this way, external communication should be in sync with the internal messages sent to employees and departments. Media contact, public relations or other activities must be in line with communications within the company. It extends an IMC umbrella over all groups that have contact with the enterprise, and includes employees and any other external organization, such as distributors, wholesalers, sales agents and product package designers.

Technology comes into play in the third stage. Companies begin to apply information technology in their IMC programs. A critical step in the development of an IMC program is to use the information gathered from customers to create a database to summarize a company's activities, purchases and interactions with customers. This vital information becomes part of the IMC's overall decision-making process.

The last stage of an IMC plan occurs when the company handles IMC as an investment and not as a function of a department. Businesses that reach this stage, such as FedEx and Hewlett-Packard, use the database to calculate a consumer value for each of their customers. Companies understand that not all customers are the same.

Thus, unlike a typical marketing program, which is designed to win customers by sending them the same marketing message, IMC showed FedEx and Hewlett-Packard how to distribute their sales and marketing communications to those clients who have the greatest potential for return, based on previous calculations of consumer value. This process helps the companies to understand the value of every customer and treat each as a unique client.

Another important aspect of IMC program has come from the study the American Centre for Productivity and Quality published, in which they show that the best companies have worked hard to develop *interpersonal communications as well as interdepartmental communications*. Thus, not only should communication within the marketing department be unhindered but also the lines of communication between the marketing department and other functional departments should be open. Every employee in the company becomes part of the communication and customer orientation.

To ensure the client's input, many companies involve their customers in the planning process. As a result, the relationship between buyers' and sellers' mentalities changes to "let's work together."

1.1.1 The Importance of an Integrated Marketing Communication Plan to Marketing Success

Many elements justify the importance of integrated marketing communication programs. The main force that drives companies to seek more integration in marketing communication is *information technology.* Computer and telecommunication developments are moving the world into the information age, where businesses and most consumers have access to an abundance of marketing information. The challenge for future marketers is not just collecting data but analyzing it through a wealth of statistical ideas and messages and placing them together in a format that can be used by the company's executives.

When this happens, business executives are more able to make intelligent, informed decisions on how to market their product. Technology allows not only for companies to study their consumers but also for consumers to study companies. Furthermore, qualitative information technology provides many other advantages and opportunities.

Information Technology

Technology enables management companies to instantly communicate with their employees, even when employees are located worldwide. Through computer technology, we can quickly gather large amounts of data and information about customers.

Through advanced software, analysis of these data happens quickly. Because of the links between financial companies (credit cards, banking) and businesses, information about sales is collected with ease. In using this demographic and psychographic information about the customer, such as the units purchased, where and when they were purchased, marketers can quickly determine who is buying the company's products and identify the best channels of communication to reach these customers.

In the past, forecasting customer purchasing behavior in the market was done through tests and research on attitudes. Although these are useful methods to collect information on customers, they often are slow, costly and sometimes not valid. The marketing debacle of New Coke shows how consumer preferences for a product under laboratory tests do not necessarily mean that consumers will buy the product on the market. In studying the mistakes made with this product, marketers realized that their methods were not infallible. They became aware that they needed improved techniques to understand consumer purchasing behavior, and information technologies are very useful in this process (Shindler, 1992).

Today, forecasts made from purchasing behavior are very accurate due to the development of the Universal Product Code (UPC) system. This technology was used to control and verify inventory requirements. Computer scanning of each sale enabled retailers to develop an inventory control system that does not rely too much on rational freight calculations. This advance reduced the need for inventory rooms, which were often eliminated.

Changes in the Power of Communication Channels

Technological developments also served as a catalyst for changes in the power of communication channels (Schultz, 1996). The development of information technology is expected to move power towards the consumer. Nowadays, customers can get information on products and services and make purchases via the internet. Internet sales have grown exponentially.

Increased Competition

Information technology has changed the market in many other ways. Consumers can buy products and services that are sold anywhere in the world. Competition comes not only from local businesses but from anyone who can provide a product faster and cheaper, as consumers want quality and low prices. The company that provides this wins regardless of where the business is, because advances in logistics make it possible for a buyer to receive a purchase within a few days, from wherever it may originate.

In this mature market, the only way a company can gain sales is to attract consumers away from other businesses. In such an environment, it becomes imperative to integrate marketing communications, as it is not sufficient to use only advertising to maintain the desired sales levels. This situation is further complicated for manufacturers, given that retailers have greater power to channel and control the flow of goods to consumers. Therefore, manufacturers should direct sales promotion towards the retailer network. Furthermore, they should encourage retailers to promote brand manufacturers. However, they should also be investing in sales promotion aimed at customers to keep final customers loyal and to encourage them to buy their company's brands, because they know that if their products are good, they will be very attractive for retailers.

At the same time, retailers, equipped with data from scanners, can quickly withdraw promotions that are not working out. Therefore, producers should coordinate all advertising, trade promotions and sales promotions as part of a larger effort of integrated marketing communications. Retailers should also focus their efforts on IMC to keep customers loyal to their stores and to maintain positive relationships with manufacturers. This would be an excellent example of the importance of creating a quality IMC program at every level of the marketing chain.

Brand Parity

The increase in national and global competitiveness has led to the presence of many brands and many products which have almost identical benefits for consumers. When consumers perceive that many brands offer the same set of attributes, this is called brand parity. From the consumer's perspective this means that they will buy from a brand recognized *group* and not a specific brand. When brand parity is present, quality is not a concern, because consumers believe that differences in quality between brands are subtle.

If customers see the same levels of product quality, they base their purchasing decisions on other criteria such as price, availability or specific promotion. The result is that brand loyalty has slightly declined (Shell, 1997, 40).

In response, marketers must generate messages in a voice that expresses a visible difference. They need to build some perceived superiority of brand for their company and its products or services. They must convince customers that their products or services are not like those of the competitors. One reason for designing a quality IMC program is to promote the characteristics of a strong brand name.

Information Integration

In today's markets, customers have a variety of choices, regardless of how they interpret the information companies send them. There are many ways for customers to integrate the product and service information they receive. For instance, customers can get additional information via the internet, and companies can establish their website addresses through advertising, with an intention to encourage consumers to visit their websites. Therefore, it is logical to think that if customers integrate the information they receive, marketers also must consider integration. Senior executives must ensure that every point of contact projects the same message. Contact points are places where a customer can interact or request information about the company. They may be direct or indirect, intended or not. An effective IMC program aims to establish a consistent message about the nature of the business, its products, and benefits resulting from purchases from the company.

The Decrease in Mass Media Advertising Effectiveness

The influence of mass media advertising on the public has fallen significantly. For instance, now people can watch television without seeing advertising because of the development of cable television. They can also record programs and watch them without seeing advertising messages.

To overcome all these problems, integrating all market communications with advertising tactics is important. Many companies use advertising agencies to assist in marketing efforts, and it is important to examine how these agencies deal with the IMC issue. Until the 1970s, almost all advertising agencies used to focus only on the promotional marketing aspect. Recently many of these organizations are helping their clients to develop integrated marketing communications programs (Schultz and Kitchen, 1997).

In addition to advertising, many advertising agencies help to create promotional materials for consumers, direct marketing programs and other marketing communications. While integration occurs within the companies, more advertising agencies work through strategic business units to integrate and carefully coordinate marketing efforts.

1.1.2 Marketing and Communication: Art or Science?

It seems that business leaders need to identify how much their employees have sold today but not how much they will sell tomorrow. Many organizations are currently changing focus from measuring sales volume and market share in the profit metrics to measuring return on investment, economic assessment of value (EVA) and returns on used assets (Goll Beatty, 1997). The reason for this new orientation towards profit or return comes from companies' growing reliance on foreign investors to provide the capital necessary for growth. The short-term orientation of these foreign investors has meant a company must increasingly use a progress metric which investors accept. Where organizations rely on the narrow gauge of market effectiveness, investors require measurable results for all activities of the organization (Goll Beatty, 1997).

The development of global markets, increased competition, changes in market forces and more business alliances have made managers realize that traditional techniques of evaluation and measurement in marketing and communication do not satisfy investors' needs. The need for new measurement techniques also has come from changes occurring in the market.

Traditional growth markets, such as the US, Canada, Germany, Spain or Japan, have become demographically mature, and at the same time, their products and services have matured. The increase in sales volume was a result of population growth, rising income levels and new product technologies. This increase was not enough to satisfy finance managers, even as increases in sales volumes were accompanied by rising profits. *However, in today's highly competitive markets, with slow growth or no growth at all, cost control, reduction of losses and realization of efficient operations as a generator of profit growth have been elusive.*

Using mathematical and statistical methods, as well as a quality control model (Edwards Deming, 1982), has led to a managerial revolution taking place in the past 15 years. This managerial change has brought about the development of new tools and techniques, such as the calculation of cash flow, as well as the EVA-as, to financially assess organizations. These concepts and models are already used to measure the impact and effect of marketing and marketing communications.

By using new accounting and financial control techniques, managers have become more efficient at improving returns for their organizations. Implementation of these new financial tools has given many organizations a better understanding of what works, what does not work, what should be checked or deducted, what is excessive and what to improve in the organization.

These measurement tools and techniques have allowed for more careful examination of the activities and investments in marketing and communication. Marketing communication in organizations has long been more of an art than a science, and while we can say that this position has served well in the past, we cannot say it can continue to do so in the future.

This polarization between “art” and “science” often creates conflict and concern in an organization about marketing communication. While the organization has become more efficient in determining the value in production, processing and distribution, few managers have succeeded in linking these concepts with marketing, especially with brand communication and publicity activities.

The lack of appropriate measurement capabilities in marketing and marketing communication collides with today’s fast-growing investment. Today, in companies around the world, marketing represents about 50% of the cost of business versus approximately 20% after the Second World War. On the other hand, although production and operations accounted for 50% of total business expenses in 1950, now it is about 30% or less.

Today, marketing and communication managers must justify the initial investment they require and verify the returns they can achieve. The question is: “What are we getting for our money?” Unfortunately, many marketing, and communication managers cannot answer this question, or the answers they give are more related to “marketing framework” rather than “managerial framework”, where marketing framework refers to output or expenditure marketing, and management framework relates to the results or income.

Therefore, marketing and communication departments in many businesses are at odds with upper management who say if marketing and communication managers cannot estimate what the returns will be for the enterprise, their funding should be reduced significantly or eliminated. So, measuring and evaluating ROI-t in marketing and communication becomes even more necessary.

Thus, external and internal challenges call for new ways to measure marketing and communications results. Before describing some of the key promoters, we need to understand why we need to measure.

1.2 Brand Communication

Brand communication includes all forms of communication, actions and activities that affect the relationship between consumers and the brand. Therefore, how a company communicates with its customers is expanding. Brand communication is not only information that promotes the company but is any information that clients and prospects receive *about the brand from any source*. This model of brand communication perceived by a customer differentiates marketing communication and branding from other functional activities of the organization like advertising, sales promotion and direct marketing.

Brand communication involves every element, activity and function of the brand. These include customers' actual use, and their perceptions of the brand as a product or service. It is these elements that define and differentiate a product or a service from another. Therefore, brand communication includes the product or service itself as well as packaging, distribution channel, media communication etc.. The objective of the measuring process for brand communication is to improve the system to create value for customers as users and value for the enterprise from these satisfied customers.

The definition of this concept goes beyond McCarthy's model of the 4Ps (McCarthy, 1960). It also includes internal elements that make brands, such as production, logistics, customer service, employees, investors and shareholders. Regardless of the form, the concept includes everything that communicates the brand meaning and value to clients and prospects. Such a broad definition of marketing and brand communication is needed, given the fact that:

1. In interactive markets where most brands operate, activities affecting the acceptance and purchase of products and services are not limited to measurable activities, distributed through the media and controlled by the marketer. Instead, communication can come from anywhere and circulate with any activity, including recommendations from friends or a story in the newspaper. The problem is that it is difficult to discern which has more influence or effect on the client or the ultimate consumer. The communication concept is expanded.
2. In a very complex and constantly changing market, elements cannot be separated from each other. They are connected and work together. There are synergies between them.

These are the reasons that raise the necessity of coming up with new models and concepts that will ensure reasonable estimates of how much an enterprise should invest resources and how much it can expect in return.

In brand communication, we can group the activities, regardless of their source or distribution methodology, into two major categories: *messages* (putting information in the customers' or prospective customers' minds) and *promotions* (putting something in their hands). The grouping criteria are *how do customers or potential customers see brand communication activities*. Grouping aims at simplifying the measurement process. Digital messages or incentives in the measurement of brand communications form the basis for analytical planning. The integrated marketing communications mix, nevertheless, is presented to differentiate between primary and secondary instruments and to also note the consideration of collective instruments, that is, companies' collaboration on marketing communications either to increase total product usage/market or to competitively "flock" smaller companies. "Perception management" is then shown to be the primary integrated marketing communications process and "branding" is its primary vehicle (Thrassou and Vrontis, 2009).

1.2.1 The Impact of External Factors

External factors include the development of information management technology, increased global interest, change of customer behavior, changing market forces and the influence of media.

Development of Data Management Technology

There are new techniques that provide ready-made solutions for the most historically challenging and complex problems. They include the firm's ability to capture, store, process and analyze a large amount of data about the company, products, costs, human resources and its markets. In these circumstances it is expected that these new techniques and models can be applied to brand communication to identify and reduce loss and eliminate redundancies during the distribution of resources.

Increased Global Interest

As more companies move towards production, it is even more important for an organization to have a better way to analyze investments in distribution and global branding. Having the best metrics could provide better ways to allocate a business's limited resources.

Historically, when distribution and sales have been limited to either regional or national markets, those metrics have tolerated the effects of weak or ineffective marketing and brand communication. The amount of money invested was not so great and the environment was less competitive. Local managers had close control and were able to immediately correct the ineffective programs. Because at the time brands and markets were just starting up, the need for measurement often got lost in the enthusiasm for expansion.

However, these situations do not exist today in most developed economies. Already there is a need for better methodologies to measure