

PRINCIPLES OF MARKETING / 16A

IBMS /
University of Applied Sciences

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Based on *Ph. Kotler's Principles of marketing / international edition, and miscellaneous designer's lecturing materials*



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INTEGRATED MARKETING COMMUNICATION

Introduction, basics

- **Importance of creating an integrated marketing communication strategy:**
 - **Integrated marketing communication:**
To communicate well, firms will often hire advertising agencies to develop effective ads, they will develop databases to communicate with customers and prospects, they will train their staff to be customer-friendly, etc.

For most firms, the question is not *whether* to communicate, but rather *how much to spend* and *in what ways*.

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INTEGRATED MARKETING COMMUNICATION

Introduction, basics

- **Importance of creating an integrated marketing communication strategy:**
 - **Integrated marketing communication:**
In fact, all of a firm's communication efforts should be blended into a **consistent and coordinated communications programme**. Furthermore, as a firm communicates with its intermediaries, consumers and various publics, the firm should keep in mind that communication will also take place between intermediaries and their customers and publics, and also amongst consumers through *word-of-mouth communication*.

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INTEGRATED MARKETING COMMUNICATION

Introduction, basics

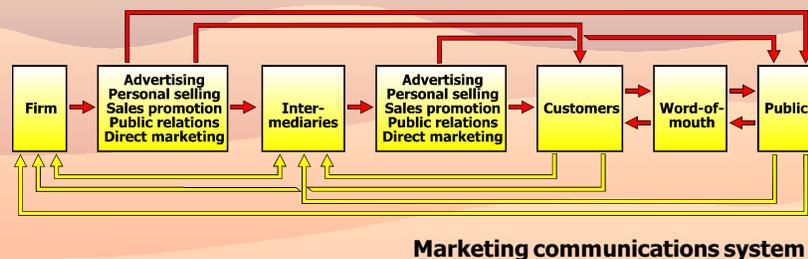
- **Importance of creating an integrated marketing communication strategy:**
 - **Integrated marketing communication:**
As every group of customers, intermediaries, etc. provides feedback to every other group, a firm must manage a complex **marketing communications system**.

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INTEGRATED MARKETING COMMUNICATION

Introduction, basics

- **Importance of creating an integrated marketing communication strategy:**



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INTEGRATED MARKETING COMMUNICATION

Introduction, basics

- **Importance of creating an integrated marketing communication strategy:**
 - **Promotion mix:**
Promotion mix refers to the specific mix of advertising, personal selling, sales promotion and public relations that a company uses to pursue its **advertising and marketing objectives**.

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INTEGRATED MARKETING COMMUNICATION

Introduction, basics

- **Importance of creating an integrated marketing communication strategy:**
 - **Promotion mix:**
 - **Advertising** involves: any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor (= the advertising firm).
 - **Personal selling** involves: personal presentation by the firm's sales force for the purpose of making sales and building customer relationships.

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INTEGRATED MARKETING COMMUNICATION

Introduction, basics

- **Importance of creating an integrated marketing communication strategy:**
 - **Promotion mix:**
 - **Sales promotion** involves: short-term incentives (rewards, extra's) to encourage purchase or sales of a product or service.
 - **Public relations** involves: building good relations with the firm's various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumours, stories and events.

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INTEGRATED MARKETING COMMUNICATION

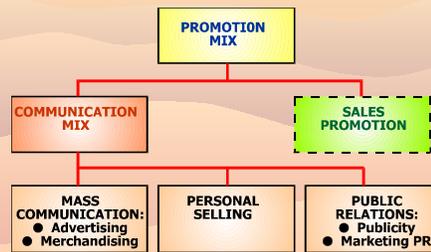
Introduction, basics

- **Importance of creating an integrated marketing communication strategy:**
 - **Promotion mix:**
 - **Public relations** tools include: press relations, product publicity, corporate communications, lobbying and counseling (notifying, advising).
 - **Direct marketing** involves: **direct, well structured connections** with individual customers to obtain an immediate response and generate **lasting customer relationships**. [DM also refers to sales channels a firm may use for direct ordering by customers].

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INTEGRATED MARKETING COMMUNICATION

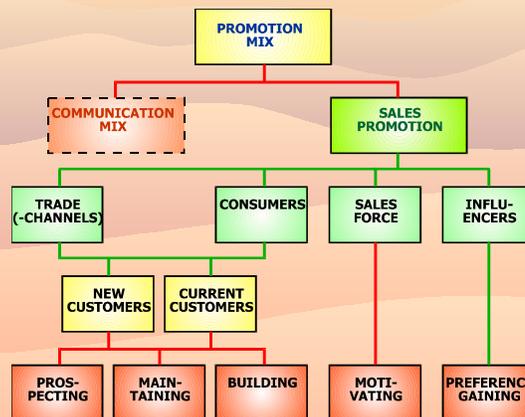
Introduction, basics



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INTEGRATED MARKETING COMMUNICATION

Introduction, basics



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INTEGRATED MARKETING COMMUNICATION

Integrating marketing communications

- **The changing communications environment**
 - **From mass marketing to 1-to-1 marketing:** The shift from **mass marketing** to **segmented marketing** has had a dramatic impact on marketing and marketing communications.

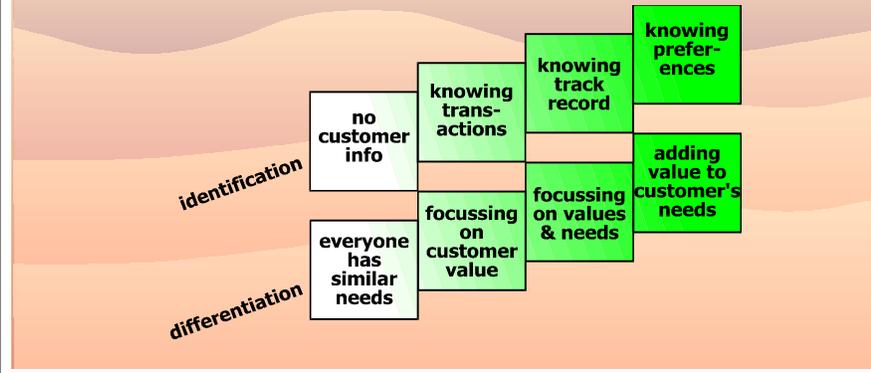
Just as mass marketing gave rise to a new generation of mass-media communications, the shift towards **1-to-1 marketing** has brought forth a new generation of more specialized and highly targeted communications efforts.

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INTEGRATED MARKETING COMMUNICATION

Integrating marketing communications

- **The changing communications environment:**
 - **From mass marketing to 1-to-1 marketing:**

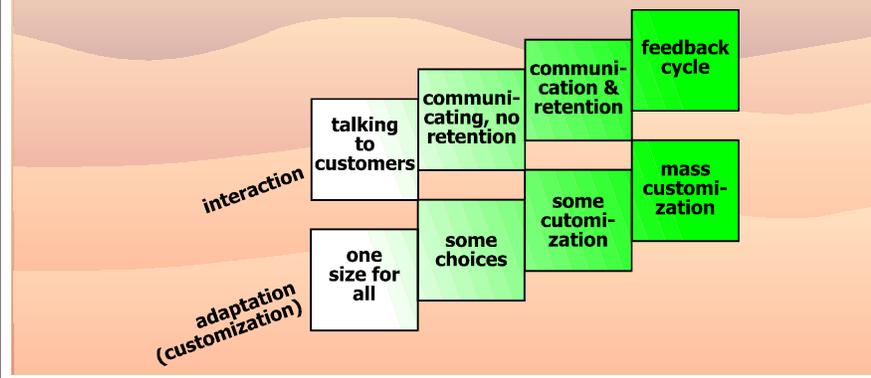


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INTEGRATED MARKETING COMMUNICATION

Integrating marketing communications

- **The changing communications environment:**
 - **From mass marketing to 1-to-1 marketing:**



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INTEGRATED MARKETING COMMUNICATION

Integrating marketing communications

- **The changing communications environment:**
 - **From mass marketing to 1-to-1 marketing:**

Given this new communications environment, marketers must **rethink the roles of various media and promotion-mix tools**. Although mass-media advertising through television, magazines and other mass-media has long dominated the promotion mixes of consumer-product companies, this dominant position is declining. **Market fragmentation** has resulted in **media fragmentation** (for example, special interest magazines, DVD-catalogues).

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INTEGRATED MARKETING COMMUNICATION

Integrating marketing communications

- **The changing communications environment:**
 - **From mass marketing to 1-to-1 marketing:**

Today, media advertising captures a much reduced proportion of former total promotion expenditures.

Companies are not giving up on advertising, but are seeking ways to get **better value for their money** by switching to other promotion tools, such as sales promotion activities, special interest advertising, customized advertising through Internet, etc..

In short: companies are doing **less broadcasting** and **more narrowcasting**.

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INTEGRATED MARKETING COMMUNICATION

Integrating marketing communications

- **Need for integrated marketing communication:**
 - **The confused consumer:**

The use of a richer mixture of communication channels and promotion tools poses a **serious problem for marketers**.

In a consumer's mind, advertising messages from different media, such as TV, magazines or on-line sources **blur into one message**.

Conflicting messages from these different sources can result in **confused company images and brand positions**.

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INTEGRATED MARKETING COMMUNICATION

Integrating marketing communications

- **Need for integrated marketing communication:**
 - **Integrated marketing communications:**

Clearly, more and more companies are becoming aware of the importance of the communication roles of the various promotion tools and of better coordinating their promotion mixes, all which lead to conducting **integrated marketing communications**.

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INTEGRATED MARKETING COMMUNICATION

Integrating marketing communications

- **Need for integrated marketing communication:**
 - **Integrated marketing communications:** involves the concept under which a company **carefully integrates and coordinates its many communications channels** to deliver a clear, consistent and compelling message about the company and its products or services. This calls for keeping track of promotional expenditures by product, promotional tools, PLC-stage, and observed effects to improve future use of the promotion-mix tools.

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INTEGRATED MARKETING COMMUNICATION

Viewing the communication process

- **The communication process & its elements:**
 - **The customer buying process over time:** Today, marketers are moving towards viewing communications as ***the management of the customer buying process over time***, during the pre-selling, selling, consuming and post-consumption stages.

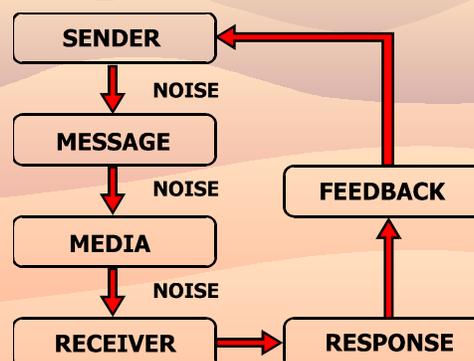
Companies should not only be concerned with how to reach their customer, but also on how they can find ways to let **their customers reach them**.

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INTEGRATED MARKETING COMMUNICATION

Viewing the communication process

- **The communication process & its elements**

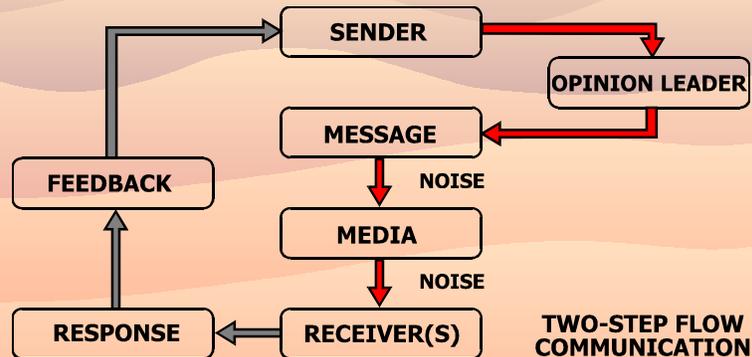


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INTEGRATED MARKETING COMMUNICATION

Viewing the communication process

- **The communication process & its elements**



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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Determining the communication objectives:**

- **Buyer readiness stages:**

Once the target audience has been defined, the firm should decide what response is sought.

Although in many cases the final response is purchase, this is usually the result of a long process of consumer decision making.

The target audience may be in any of 6 buyer-readiness stages: awareness, knowledge, liking, preference, conviction or purchase.

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Determining the communication objectives**

	AIDA (STRONG)	LAVIDGE & STEINER	ROGERS	STARCH	DAGMAR RUSSEL COLLEY	
COGNITION	ATTENTION	UNAWA-RENESS AWA-RENESS KNOWING	AWA-RENESS	NOTICING OBSERVING	UNKNOWN KNOWN UNDER- STANDING	Traditional communication models
	INTE-REST DESIRE	LIKING PREFER- RING CONVIC- TION	INTE-REST EVALU- ATION	BELIEVING REMEM- BERING	CONVIC- TION	
	ACTION	PUR- CHASING	TRIAL ADOP- TION	ACTION	ACTION	
AFFECTION						

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

● More recent communication models

LEARNING RESPONSE MODEL (Ray)	DISSONANCE ATTRIBUTION RESPONSE MODEL (Ray)	DISSONANCE REDUCTION MODEL	LOW INVOLVEMENT MODEL	RICHARD VAUGHN's FCB-MODEL (Foote, Cone & Belding)	
LEARNING	DOING (casual purchase)	PURCHASE (QUICK DECISION)	KNOWLEDGE	THINKING (mortgage) KNOWLEDGE	FEELING (whisky) FEELING
FEELING	FEELING (liking or not liking)	KNOWLEDGE (POSSIBILITY OF COGNITIVE DISSONANCE)	PURCHASE	FEELING	KNOWLEDGE
DOING	LEARNING	LIKING (OR NOT LIKING)	LIKING	BEHAVIOUR	BEHAVIOUR
Durable consumer products	Casual purchase of convenience goods	Hasty purchase of durable cons. products	Convenience goods, such as detergents	Various products and services, based on the level of involvement	

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

● Designing a message

○ Message content (what?):

Ideally, messages should get **attention**, hold **interest**, arouse **desire** and result in **action** (AIDA).

First of all, the communicator has to figure out an appeal or a theme that will produce the desired response.

3 types of appeal:

- rational appeal
- emotional appeal
- moral appeal.

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

● Designing a message

○ Message content:

Rational appeal, types of message appeals that relate to the audience's self-interest, and that show that **the product will produce the claimed benefits** (ex.: appeals involving product quality, economy, performance, value, etc.).



Vorsprung durch Technik
(leading by technology)

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Designing a message**
 - **Message content:**
Emotional appeal, types of message appeals that attempt to stir up negative or positive emotions that **will motivate purchase** (ex.: fear, guilt shame, love, humor, pride and joy appeals, etc.).



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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Designing a message**
 - **Message content:**
Moral appeal, types of message appeals that are directed to the audience's sense of **what is right and proper** (examples: social, ecological and health issues).



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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Designing a message**
 - **Message structure (how?):**
The communicator must also decide how to say the message. This requires handling **3 message-structure issues**:
 - whether to draw a **conclusion** or to leave this to the audience;
 - whether to present a **one-sided argument** (in favour of the product) or a **two-sided argument** (by also showing some of the product's shortcomings);
 - whether to present the **strongest arguments** first or last.

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Designing a message**

- **Message format** (*form, looks?*):

The communicator will also need a strong format for the message. Printed advertising requires headlining, illustrations, colors, etc.

TV/radio requires other formats, usually involving body language aspects.

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Designing a message**

- **Message impact** (*effect?*):

Even when an individual is exposed to a message he/she may pay no attention to it because it is either boring or irrelevant. In order to increase the impact of a message, the following factors may be considered:

- practical value** (pension ads to youngsters?)
- interestingness** to the target group
- communication of **new information**
- reinforcement or justification** of the buyer's recent purchase (cognitive dissonance reduction).

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Choosing media**

- **Personal communications channels:**

involves channels through which 2 or more people communicate with each other, including face to face, person to audience, by telephone, or through the mail.

Also involves *word-of-mouth* influence, the type of personal communication about a product, between target buyers, and neighbours, friends, family members and associates.

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Choosing media**
 - **Non-personal communications channels:** involves channels that carry messages without contact or feedback, including *media*, *atmospheres* and *events*.
 - **Media:** non-personal communications channels including **print-media** (ex.: news papers, direct mail, etc.) and **display media** (ex.: billboards, signs, posters, etc.).

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Choosing media**
 - **Non-personal communications channels:**
 - **Atmosphere:** designed environments that create or reinforce the buyer's leanings (≈ inclination) towards consumption of a product (ex.: banks that are designed to communicate confidence).
 - **Events:** occurrences staged to communicate messages to target audiences (ex.: news conferences and grand openings).

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Choosing media**
 - **Selecting the message source:** in either personal or non-personal communication, the *message's impact* on the target audience is also affected by *how the audience views the communicator*. The credibility and attractiveness of the **message source** (= *the company, the brand name, the salesperson of the brand, or the actor in the ad who endorses the product*) must therefore be considered. (Ex.: tooth-pastes, etc. being endorsed by *-real or phoney?- dentists*).

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INTEGRATED MARKETING COMMUNICATION

Developing effective communication

- **Choosing media**
 - **Collecting feedback:**
after sending the message, the communicator must **research its effect on the target audience.** This involves asking the target audience:
 - whether they remember the message;
 - how many times they saw the message;
 - what points of the message they recall;
 - how they felt about the message;
 - about their past and present attitudes towards the product and the company;
 - whether they bought the product and/or talked to others about it, or visited the store.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Setting the total promotion budget**
 - **Common budgeting methods for advertising:**
one of the hardest marketing decisions a company faces, is how much to spend on promotion. Depending on the type of industry, this will vary widely, varying from approx. 20-30% of sales in the cosmetics industry to 2-3% in the industrial machinery industry. Within a given industry, both high and low expenditures can be found.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Setting the total promotion budget**
 - **Common budgeting methods for advertising:**
Common budgeting methods are:
 - the **affordable method**;
 - the **% of sales method**;
 - the **competitive parity method**;
 - the **objective & task method**;
 - the **market share method**;
 - the **unit sales method**, and
 - the **all available funds method**.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Common budgeting methods for advertising:**
 - **affordable method:** a common 'rule of thumb' method, involving setting the promotion budget at the level management thinks the company can afford.

This method of setting budgets **completely ignores the effect of promotion on sales**. It tends to place advertising last among spending priorities, even in situations where advertising is critical to the firm's success. It usually results in *underspending*.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Common budgeting methods for advertising:**
 - **% of sales method:** involves setting the promotion budget at a certain percentage of current or forecast sales (ex.: FMCG's), or as a percentage of the sales price (ex.: automotive industry).

Although the method is easy to use, it **wrongly views sales as the cause of promotion rather than as the result**. The budget is based on the availability of funds rather than on opportunities. **Works badly with falling sales.**

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Common budgeting methods for advertising:**
 - **competitive-parity method:** involves setting the promotion budget to match competitors' outlays (promotions expenditures).

Although competitors' budgets might represent the collective wisdom of the industry, and spending what competitors spend might help prevent promotion wars, there is **no valid argument to believe that the competition has a better idea** of what a company should be spending.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Common budgeting methods for advertising:**
 - **objective & task method:** the most logical budget-setting method, and most difficult one to use, involving the development of the promotion budget by:
 - 1/ *defining specific objectives*
 - 2/ *determining the tasks that must be performed to achieve these objectives*, and
 - 3/ *estimating the costs of performing these tasks*.

The sum of these costs is then the proposed promotion budget.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Common budgeting methods for advertising:**
 - **market share method:** similar to competitive parity, and based on external market trends. With this method a company equates its market share percentage with its advertising expenditures.

Although this method may seem to be quite logical, using market share numbers to calculate an advertising budget **does not as such reflect the company's future goals**.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Common budgeting methods for advertising:**
 - **unit sales method:** with this method the company will take the cost of advertising a single item and multiply it by the number of units it will try to sell.

Obviously this method can only be effective when the company is able to **reasonably determine the cost of advertising a single unit**.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Common budgeting methods for advertising:**
 - **all available funds method:** involves allocating **all available profits to advertising purposes**. This means that no money will be used to help the company expand in other ways (like, for instance, through new technologies, developing human resources, etc.). Although this method may seem to be aggressive and risky, it can be useful for start-up businesses that want to **swiftly increase consumer awareness** of their products or services. As long as the chosen advertising strategy is an effective one.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Allocating the total promotion budget**
 - **Dividing the total promotion budget:** Integrated marketing communications involves blending the promotion tools carefully into a coordinated promotion mix. Therefore the company will have to divide the total promotion budget among the main promotion tools (**advertising, personal selling, sales promotion, public relations and direct marketing**), as several of these tools will have to be interconnected (for instance during promotion campaigns).

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Understanding the nature of promotion tools:**
 - **Advertising:**
 - can **reach huge audiences**
 - reflects the size, popularity, success** of the advertising firm
 - advertised products are viewed by consumers **as standard and legitimate**
 - messages can **easily be repeated**
 - is very **expressive** (print, sound, color)
 - can be used to build up **long-term images**, and can also be used to **trigger quick sales**.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Understanding the nature of promotion tools:**
 - **Advertising:**
 - is rather *impersonal*, and can't be as persuasive as company salespeople
 - only involves *one-way communication*, and the audience does not feel that it has to pay attention or respond.
 - can be quite *expensive* (ex.: TV advertising).

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Understanding the nature of promotion tools:**
 - **Personal selling:**
 - involves *personal interaction*, enabling observations concerning the other's needs and characteristics
 - allows *various kinds of relationships* to spring up, varying from matter-of-fact selling to a deep personal relationship
 - potential buyer usually feels a greater *need to listen and to respond*
 - is the firm's *most expensive promotion tool*

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Understanding the nature of promotion tools:**
 - **Sales promotion:**
 - includes *tools* such as *coupons, contests, price reductions, premium offers, free goods*, etc.
 - *attracts consumer attention*, often leading to a purchase
 - provides inducements (motives) or contributions giving *additional value to customers*
 - *invites and rewards quick response*
 - are usually *short-lived* and not effective in building long-term brand preference.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Understanding the nature of promotion tools:**
 - **Public relations:**
 - is **very believable** (compared to ads)
 - can reach many prospects who would avoid salespeople and advertisements, thanks to its **'news' nature** rather than as a sales-directed communication
 - like advertising, PR **can dramatize** a company or a product (ex.: the Body Shop's PR campaign as a more effective alternative to mass TV advertising).
 - tends to be **underused** or used as **afterthought**.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Understanding the nature of promotion tools:**
 - **Direct marketing:**
 - is **non-public** as the message is normally addressed to a specific person
 - is **immediate** as messages can be prepared very quickly
 - can be **customized**, tailored to appeal to specific customers
 - is **interactive**, allowing a dialogue between the communicator and the customer
 - is well suited to **highly targeted marketing**.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Factors in setting the promotion mix:**
 - **Type of product/market:**

The importance of different promotional tools varies between consumer and business markets.

 - **Consumer-goods companies** usually put more of their funds into **advertising**, followed by sales promotion, personal selling and their public relations.
 - **Industrial goods companies** usually put most of their funds into **personal selling**, followed by sales promotion, advertising and public relations.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Factors in setting the promotion mix:**
 - **Push versus pull strategy:**

A **push strategy** involves 'pushing' the product through distribution channels to final consumers.

The firm primarily uses **personal selling** and **trade promotions** to induce (attract) channel members to carry the product and to promote it to final consumers.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Factors in setting the promotion mix:**
 - **Push versus pull strategy:**

A **pull strategy** involves spending a lot on **advertising** and **consumer promotion** to build up consumer demand.

When this strategy is successful, consumers will ask their retailers for the product, the retailers will ask their wholesalers, and the wholesalers will ask the producers.

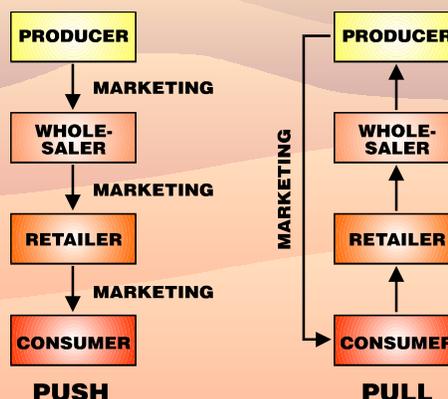
So, under a pull strategy, consumer demand 'pulls' the product through the channels.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Factors in setting the promotion mix:**



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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Factors in setting the promotion mix:**
 - **Buyer-readiness stage:**

The effects of the promotional tools vary for the different buyer-readiness stages.

 - **Advertising**, along with **public relations**, play the leading role in the **awareness** and **knowledge stages**.
 - **Liking, preferences** and **conviction** are more effected by **personal selling**, closely followed by **advertising**.
 - **Closing** the sale is mostly accomplished by **personal selling** and through **sales promotions**.

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INTEGRATED MARKETING COMMUNICATION

Setting the total promotion budget & mix

- **Factors in setting the promotion mix:**
 - **Product life-cycle stage:**

The effects of the promotional tools also vary with stages of the PLC.

 - In the **introduction stage**, **advertising** and **public relations** are used to create high awareness, and **sales promotion** to acquire early trial.
 - In the **growth stage**, **advertising** and **public relations** continue to be powerful influences.
 - In the **mature stage**, **sales promotion** becomes more important than advertising.
 - In the **decline stage**, there is **minimal advertising**, and some **sales promotion** to prop up sales to customers.

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