Marketing Communications and Customer Response

This week we will discuss some of the most important concepts of marketing communication and promotion. In particular at the end of this lecture you will be able to:

- Recognize the role that marketing communications play in building higher levels of customer response and market share.
- List the marketing communications strategies used to increase awareness, sustain message retention, and stimulate customer action.
- Distinguish the various kinds of push and pull marketing communications.

As with the other marketing functions, communication decisions are extremely intricate to strategies and decisions made in the other three functions. Think about it this way, a great product design based on customer needs that provides great value, because it has the right price, and can be found at the customer preferred distribution points can fail, if customers aren’t aware of the product, the price, or where to buy it. All strategies such as change of price, better product benefits, and new distribution need to be communicated to the consumer, or they will not succeed.

Promotion includes several tools, most frequently we only think about advertising, but public relations, personal sales, sales promotion, direct marketing, digital, and social media are also part of marketing promotion. During the past decades mass communication through advertising was the main form of communication. In recent years we have seen a change in the environment, consumers are approached by several conventional or unconventional sources of information. Social media marketing strives to build individualized relationships with current and prospective customers. One of the major advantages of digital marketing is the ability to track customer engagement. However, along with these advantages comes the loss of control over the content and the message about the brands. These changes have ignited the integration of marketing communications, with the objective to send the same, consistent information to customers regardless of the media used to deliver the information.

Creating an effective marketing communication begins with a clear sense of its objective. Businesses seek many different kinds of response from their customers. But, we can classify the communication objectives in three main groups: Brand image, Brand-Information and Brand-Action communications.

Let’s talk about brand building communications first. Ads that seek to create brand image seek to establish first and foremost brand awareness. Additionally, these communications seek to create an emotional connection between the brand and the target customer by creating favorable opinions or attitudes. This type of ads can be distinguished by the limited amount of message content included. Take for example the Best Buy ad, it is creating an emotion of adventure associating it to Best Buy and the products portrayed in this ad. In the Ralph Lauren ad clearly the advertiser seeks to create
an association between the brand and a pleasant male-female situation, the emotion transmitted here is romance. The Kleenex ad creatively associates the emotions that a puppy evokes with the toilet paper, communicating at the same time the main product attributes, softness and comfort.

Brand-Information communications seek to inform consumers and facilitate retention of the ad content. They seek to draw consumer’s attention in order to create interest. In particular, this type of ads tries to communicate information about the product, where to buy it, and the price; but it also seeks to promote alternative uses of the product. The Neutrogena ad informs consumers of the superior benefits of the moisturizer advertised. It lists a series of benefits and informs the consumer that Neutrogena is the brand that most dermatologists recommend. The Bestwestern ad informs consumers how to earn double points on their rewards program, while the Bounce ad suggests additional uses for a well know product. Bounce sheets are mostly employed for laundry; this ad suggests they could be used as air fresheners in every room. Last, the Hungry Jack ad is informing consumers where to find the pancakes at the retail store.

Brand-action communications seek to persuade consumers to take a specific action. These actions might include switching brands, purchase, seek more information, or try new products for the first time. The Grab-it ad is a comparative ad; it clearly has the intention to persuade consumers to switch brands if they regularly use Clorox, or to persuade them not to change brands if they use Grab-it. In this ad Popables are introduced to the market; this ad has two main objectives, first, generate awareness. Second, motivate the consumer to try the product. At the top of the printed ad there is a coupon. Coupons are generally used to motivate consumers to try a product for the first time. The Benefiber ad provides consumers with some information about the product benefits and at the same time is inviting consumers to seek more information asking a doctor. As you could see with these last two examples, more often than not ads seek more than one objective at a time.

Regardless of the communication media channel, whether it is digital, printed, electronic, outdoor, or promotional, all marketing communications need to be effective. Effective marketing communication efforts begin with adequate exposure; no customer response can be expected if the efforts to reach the customer and draw their attention have not been successful. None of the customer-response effects that follow are possible. These effects are portrayed in this image. When exposure is achieved awareness is possible. However, awareness not necessarily yields comprehension and acceptance of the message; nor favorable attitudes are always achieved. A very small percentage of the customers that were exposed, ultimately report intent to purchase the product. Last, not all customers with intentions to purchase a product end up buying it.

The hierarchical sequence of customer-response effects is portrayed in this image: exposure, awareness, comprehension, intentions, and actions are the major steps. Each effect has a probability of being successful. For example, if we consider that individuals have 63% chance of being exposed to an ad, 54% will be aware of the ad, of which 77% will understand the content of the ad, from which 68% will express an intention to buy product, from which 90% will end-up buying the product. The consumer response index is the product of the propensity of individual effects; resulting in 16% efficiency.
The customer response index could be used to develop strategies to improve the communication effort. For example, if in the example exposure was improved by selecting other media from .63 to .75, the customer response index would increase to 19%.

What are the most common causes of low levels of customer response? If exposure is deficient, poor media selection or limited media exposure are likely to be the causes. If there were low levels of awareness, or comprehension, the causes might have been insufficient message frequency, or ineffective ad content, or both. Last, if the consumer did not have intentions to purchase the cause might be beyond the ad content, it might rest in a weak value proposition.

Raising awareness is the first step in building effective marketing communications. For marketing communications to have any chance to achieve their objectives, they must have some level of awareness; and it that can only be achieved with proper media selection, good message frequency, and appropriate ad copy. Let's talk about media selection.

Effective media selection depends on the following:

- **Reach**: is a measure of the percentage of people in the target market who are exposed to the ad campaign during a given period of time. To achieve successful reach levels, marketers need to understand the media habits of their target market.
- **Media considerations**: decisions need to be made about what media is the most appropriate to deliver the ad message with the required quality and to attain the reach goal. Selection can be made between newspapers, television, direct mail, radio, magazines, outdoor, and internet. The selection has to be based on a deep understanding of the target market media habits. Do they watch TV? If so which programs? Do they listen to the radio, what stations? Are they most of their time on the internet? Etc.
- **Last, media timing decisions need to be made**: Message reinforcement and high levels of awareness are achieved by maintaining the communication active in the media. To make it cost-effective advertisers make use of two alternative strategies. Media pulsing that schedules the ad unevenly during a period of time, alternating exposure periods. Heavy-up message frequency (also known as continuity) that maintains exposure throughout a period of time.

In order to build awareness marketers need to combine media selection, create a good exposure and also control the message frequency. Let's talk about these strategies.

In order to be able to achieve their objectives, marketing communications, have to maintain a level of message frequency. With infrequent exposure most target customers will not become fully aware and conscious of the message, resulting in low levels of awareness and comprehension. Therefore, there must be a minimum amount of message repetition for the message to sink in.

Take for example this graph. It shows two frequency strategies, a concentrated frequency strategy and a distributed strategy. The concentrated strategy sends consecutive messages during a time period and then stops. Message awareness reaches a high level, but after the time period ends, message awareness decayed to almost zero. This marketing communications strategy seems
appropriate for building awareness for seasonal products, political candidates, and special events.

The distributed strategy spreads the message exposures over the entire year. Awareness and recall of the message drops after the exposure period, but it rises again after a new exposure above previous levels. However, it is worth to note that at the end recall under a distributed strategy never achieves the level of a concentrated strategy. The distributed frequency strategy would be appropriate in building customer awareness because it produces a longer-lasting effect.

I would like to take some time to discuss ad repetition (high frequency exposure). Repetition is needed to achieve ad recall, and subsequently awareness. But how much repetition is appropriate. Too little repetition results in no message recall; too much repetition would end up in message wear-out. Let’s listen to this ad.

Unless you have lived under a rock you have never heard about the “Head-on” advertisement. This ad was not only frequently aired, but their copy was constantly repeated during the commercial, over and over again. This commercial generated high recall among people exposed, but at the same time it generated unfavorable attitudes towards the ad, and the product, something advertisers must avoid at all costs. One way of eliminating these effects is by using different ad executions that carry the same basic message, this strategy calls for a variation of the central theme. Examples of this strategy are abundant, but I would like to talk about a real success story.

The Absolut Vodka ad campaign,

- Absolut sold its first 600 cases in the US in 1979. Currently offered in over 120 markets worldwide.
- Sold the 1 billionth bottle in 2004 and is the 3rd leading premium brand in total worldwide sales. Sold 1 million bottles in 2007.
- The Absolut ad campaign began in 1980 and includes over 1450 ad executions. It has won hundreds of awards.

Let’s see briefly some of these executions. The central theme is the Absolute bottle, included in all executions along with 2 word descriptions that include the brand name.

This ad is the first ad of the campaign, the rest are just a very few of the ads that have followed over the years. Absolut Perfection, Absolute Marilyn, Absolut Freedom, Absolut Tokyo, Absolut Wharhol, Absolut Paradise. As you can see variation of a central theme provides ad awareness without the wear-out effect.

Informing consumers and maintaining awareness are often not enough to stimulate consumer action, in particular for new products whose benefits cannot be realized until they have been tried. Other strategies to promote the product and motivate consumers to try it are needed; the most common promotions are discounts, coupons and rebates. So far, we have discussed marketing communication aimed at the end consumer, but businesses that have indirect distribution channels can also motivate action by offering promotions to the channel intermediaries. These are two main
promotion strategies, Push and Pull.

Push promotions are directed at channel intermediaries. The objective is to motivate channel members to carry a particular product or a brand making it more available to customers. When successful push promotions result in wider availability, fewer stock-outs, and shelf space.

Customer directed marketing promotions are pull strategies. The objective of a pull strategy is to build awareness, attraction and purchase intention. When a pull strategy is successful customers will seek out the product and in effect “pull” the product through the channel.

It is important, however, to understand that it is the combination of both pull and push promotions that create the greatest impact on customer response, and therefore, market share.

It is often assumed that pull strategies can only be achieved through advertising. However, there are many forms to pull end customers demand such as coupons, rebates, sweepstakes, gifts and rewards. Direct marketing and catalogs also play an important role.

Understanding the impact of communications on sales is important. The Customer response to advertising communication can be measured with the advertising elasticity.

To calculate the advertising elasticity, you just need to calculate the change on sales and divide it by the change on advertising expenses. Advertising elasticity is relative small on average compared to price elasticity. The average is about .22 with very few over 0.5. An elasticity of .22 means that for every 1 percent change on advertising expenses the volume sold will change 0.22 percent.

It is important to clarify that even when advertisers have done their job properly, they have the right reach, correct frequency, and excellent ad copy, the consumer response might be not what was expected. Probably, the company value proposition was not the adequate, or the target market was not the appropriate.

Push promotions involve price reductions, discounts, to distributors or retailers. The idea is that the price incentive will motivate intermediaries to push the product down the distribution channel. Assume the regular price of a product is $1.49 and the manufacturer offers a discount of 20 cents to encourage the retail trade to push the sale of the product. Assume that the normal sales of the product are 1 million per month, and the retailer margin is normally 19 cents. In non-promotional months the manufacturer would expect to make $650,000 in gross profit.

Now, the important question is how much volume a promotion would have to generate to maintain the same profits? Remember, it is not about increasing sales it is about profitability!

In order to maintain a gross profit of $650,000 dollars, with a 20 cents discount to the retailer, the sales volume would have to reach 1.44 million units.

In Summary:
• Without an effective marketing communication strategy, all marketing efforts done in order to create customer value and profitability will fail. Target customers must be made aware of the product and its benefits, be continually reminded of these benefits, and be stimulated to buy.

• To be effective, in other words to be able to generate awareness, comprehension, and interest, a marketing communication strategy must reach target customers with an adequate level of frequency. We described two strategies to achieve the former, pulsing and heavy-up efforts.

• To build market share, a business needs both push and pull promotion strategies. Pull strategies are targeted to end consumers with the intent to create demand, and push strategies are directed to channel intermediaries with the intent to push the product down the distribution channel.

• Although customer response to advertising investments is difficult to calculate in advance, the customer response index, the advertising elasticity and promotional price elasticity provide systematic methods for estimating consumers’ response.