CHAPTER TWELVE

MANAGING COMMUNICATION

The single biggest problem in communication is the illusion that it has taken place.

—George Bernard Shaw, playwright
cofounder, London School of Economics

Communication aims to inform the market—customers, collaborators, company stakeholders, competitors, and society in general—about the specifics of a company's offering. The main aspects of developing and managing a communication campaign are the focus of this chapter.

Overview

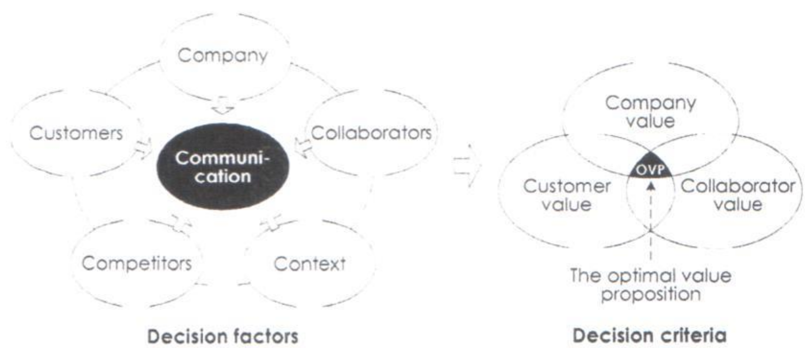
Communication is the most visible component of an offering's marketing mix. Thousands of companies spend millions of dollars each year to advise buyers about the availability of their offerings, explain the benefits of these offerings, spread the word about price cuts, and promote product and corporate brands. In the words of Leo Burnett, the founder of Leo Burnett advertising agency, *Advertising says to people, "Here's what we've got. Here's what it will do for you. Here's how to get it."*

During the past decades there have been significant changes in the way companies design and manage communication. One of the most important changes is the evolution of the traditional forms of communication from mass media formats, including television and print, to one-on-one communication. Another important change involves the switch from company-driven communication to customer-driven social media interactions, whereby customers receive an increasing amount of information about the available offerings not from the companies but from other customers. These changes add an extra layer of complexity to the task of effectively managing communication, highlighting the importance of using a systematic approach to designing and implementing a communication campaign.

Communication as a Value-Creation Process

Communication informs target customers, collaborators, and/or the company employees and stakeholders about the benefits of the offering. The development of a communication strategy is influenced by five key factors—target customers, the company's goals and resources, its collaborators, competitors, and context. These Five Cs are the key decision factors that must be considered in order to design products and services that can create value for target customers, the company, and its collaborators (Figure 1).

Figure 1. Communication as a Value-Creation Process



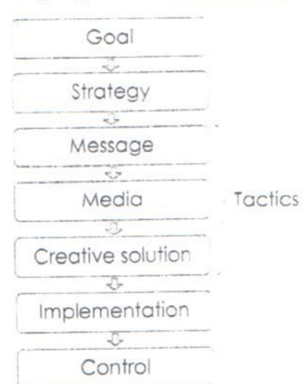
The Five Cs—customers, company, collaborators, competitors, and context—are the key decision factors that must be considered in designing an offering's communications. Thus, the choice of target customers plays an important role in managing communication: For customers unfamiliar with the offering, communication aims to create awareness of the offering, whereas for those already familiar with the offering, communication typically aims to strengthen their preferences and impel them to purchase the offering. Communication is also influenced by the company's goals and available resources, which determine the content (message), scale (budget), and the media selection (television, radio, print, or online). The communication campaign must be aligned with the company's collaborators, as in the case of co-developed and/or co-sponsored (co-op) advertising. Company communication is also often influenced by that of competitors, such that an increase in competitive spending frequently leads to a corresponding increase in the company's own communication budget. Communication is also a function of the context in which the company operates; it is influenced by technological advancements (e.g., the growth of online media), industry-specific regulations (e.g., tobacco, alcohol, and pharmaceuticals), and regulations concerning general advertising practices (e.g., claiming specific benefits and making product comparisons).

In addition to being driven by the Five Cs, communication is also influenced by the other marketing mix factors: product, service, brand, price, incentives, and distribution. Thus, communication reflects the balance of the product and service aspects of the offering: In the case of services that are mostly intangible, communication often aims to highlight their tangible aspects (e.g., by creating tangible symbols such as the Rock of Gibraltar for Prudential), whereas for tangible products, communication often highlights their intangible characteristics (e.g., warranty, reliability, and durability). Communication also is a function the offering's brand, such that the message, media, and creative aspects fit the identity and the meaning of the brand. Communication is also influenced by the offering's price and incentives, such that low-priced offerings featuring monetary incentives call for a different communication strategy compared to high-priced offerings featuring nonmonetary incentives. An offering's communication is also influenced by its distribution strategy: for example, online retailers offer multiple opportunities for point-of-purchase communication using a variety of media formats.

The Communication Process

Managing communication follows the G-STIC marketing framework, with the key difference that its focus is on the communication aspect of the company's marketing activities. In this context, managing communication involves seven key decisions: setting the communication goal, articulating the communication strategy, developing the message, selecting the media, developing the creative solution, implementing the communication campaign, and evaluating the campaign results (Figure 2).

Figure 2. Developing a Communication Plan



- The communication **goal** identifies the criteria to be achieved by the communication campaign within a given time frame.
- The communication **strategy** identifies the target audience and the value proposition to be communicated to this audience.
- The **message** articulates the information to be communicated to the target audience. The message can involve one or several of the other marketing mix variables: product, service, brand, price, incentives, and distribution. To illustrate, a company can choose to promote the benefits of its product and service, communicate the meaning of its brand, publicize its price, inform

Defining the Communication Strategy

Communication strategy follows directly from the offering's overall marketing strategy and comprises two key components: target audience and value proposition.

- **Target audience** defines the recipient of the communication campaign. An offering's target audience might not necessarily coincide with its target customers. In addition to aiming at the offering's target customers, the communication campaign might focus on entities influencing the decision process as well as those making the purchase, even when they are not the target customers. For example, in the case of gift buyers and parents buying food and clothing for their kids, the target audience (gift givers/parents) is different from target customers (gift recipients/kids).
- **Value proposition** defines the value that the communication campaign aims to convey to target customers. The value proposition conveyed in the communication campaign is typically related to the target audience, articulating the benefits of the offering to the recipients of the marketing communication.

The communication strategy articulates the target audience and the value proposition that guide the next steps in the development of the communication campaign: designing the communication tactics (message, media, and creative solution), developing an implementation plan, and measuring the success of the campaign.

Developing the Message

The message can involve one or more marketing mix variables: product, service, brand, price, incentives, and distribution. For each of these marketing mix factors, the message articulates the specifics of the company's offering as follows:

- **Product- and service-related messages** inform target customers of the characteristics of the company's products and services.
- **Brand-related messages** focus on the identity and the meaning of the company's or offering's brand.
- **Price-related messages** communicate the offering's price.
- **Incentives-related messages** communicate the incentives associated with the offering, such as temporary price reductions, volume discounts, rebates, coupons, and premiums.
- **Distribution-related messages** highlight the offering's availability in distribution channels.

The key principle when designing the message is that it should focus on the aspects of the offering that are likely to have the greatest impact. Thus, if customers are unaware of the benefits of the offering, the message should focus on its product and service aspects, whereas if customers are unaware of the offering's availability, the message should focus on distribution. A specific approach to identifying areas that can benefit from investing marketing resources, including communication, is outlined in Chapter 15.

Selecting the Media

The media decision involves deciding on the media budget, selecting the type of media used, and setting a media schedule. These three aspects are discussed in more detail in the following sections.

Media Budget

Deciding on the magnitude of communication expenditures is one of the key decisions in planning a promotional campaign, not only because it has a direct impact on the company's profitability but also because the overall budget often determines the type of media used. For example, mass-media television campaigns are predicated on the availability of substantial resources to secure this media. There are several approaches to determine the total communication budget:

- The **goal-driven** approach is based on an estimate of the resources required to achieve the company's strategic goal. This approach takes into account factors such as number of customers reached through a single exposure to the company's message per media dollar spent and the average number of exposures necessary to create awareness.
- The **percentage-of-sales** approach implies setting the budget as a percentage of the company's sales revenues.
- The **competitive-parity** approach implies setting the budget at par with that of a key competitor. The approach in which the budget is set proportionally to the desired share of total media expenditures in a given category is also referred to as share-of-voice budgeting.
- The **legacy** approach implies budgeting based on prior year expenditures.
- The **affordability** approach implies setting the budget based on resources available for promotional activities.

While all of the above budgeting strategies have merit (some more than others), the goal-driven approach dominates the others in its ability to estimate most effectively the resources required to achieve the company's communication goals. Competitive-parity and percentage-of-sales approaches can also provide useful inputs into the budgeting decision. Because they are detached from market realities, the legacy and affordability approaches are the least likely to provide an accurate budget estimate.

Media Type

Media type involves the means used by the company to convey its message. The most popular types of media include advertising, public relations and social media, direct marketing, personal selling, event sponsorship, product-based communications, and product samples. These media types are discussed in more detail below.

- **Advertising** involves nonpersonal marketing communications in which the company develops the message and absorbs most or all of the media (air time and print space) costs. The most popular forms of advertising involve audiovisual (television, video, and film), radio, print (promotional brochures, advertisements in newspapers and magazines, and newspaper and magazine inserts), online, mobile, outdoor (posters and billboards), and point of sale (front-of-the-store, end-of-aisle, and shelf-talkers—signs displayed in close proximity to the promoted item). In the United States, advertising is the most popular media type, with most of the advertising dollars spent on television commercials.
- **Public relations and social media** involve communications by third parties that are not directly controlled by the company. Unlike advertising, with public relations the company does not pay for the media and therefore cannot control the content of the message. Instead, it aims to encourage a third party (opinion leaders and press) to promote the offering. Because the message comes from a third party that typically has no vested interest in the company's offering, public relations communications are often viewed as more credible than communications directly sponsored by the company.
- **Direct marketing** involves individually targeted communications (catalogs, direct mail, telemarketing, and online advertising), typically designed to elicit a direct response.
- **Personal selling** involves direct, typically one-on-one, interaction with a company representative (a salesperson).
- **Event sponsorship** involves backing events and activities of interest to the offering's target customers. A form of event sponsorship is product placement, where the sponsor secures the rights to embed (place) its offering within a particular form of entertainment, such as a sports event, television show, or a movie.
- **Product-based communication** is embedded in the product itself, such as product labels, signs, and packaging.
- **Product samples** and free trials enable customers to experience product benefits directly. Samples and free trials are often used in new product introductions to encourage customers to try the offering. They are typically distributed via direct mail (in the case of consumer packaged goods); online (in the case of digital content products such as electronic newspapers, music samples, and movie trailers); or at the point of sale (in the case of items that can be readily consumed, such as food samples).

ward the brand) on the premise that if the target audience likes the advertisement, then this attitude will translate into liking the brand.

- **Intent** reflects customers' mental disposition to act favorably toward the offering, such as buy the product, visit the store, or contact the company. Intent is typically measured by asking respondents to indicate the likelihood of purchasing the product within a given time frame.
- **Behavior** reflects the impact of an advertisement on respondents' actual behavior, such as purchasing the product, inquiring about product features, and researching the product on the Internet. Behavior is typically measured by the number of sales, sales inquiries, and website visits.

A great deal of disagreement exists about which of the above measures is the most reliable indicator of advertising effectiveness. Intuitively, it might seem that sales volume is the best measure of communication effectiveness. This, however, is not the case. The problem with relying on customers' behavior as a measure of effectiveness is that most often the impact of communication is not immediate (especially in cases of brand-building communication). As a result, the impact of communication is typically confounded with a variety of nonrelated factors, such as changes in price, incentives, competitive actions, and purchase cycle.

A more meaningful approach to measuring the effectiveness of a communication campaign should take into account three main factors: the goal of the campaign, the message being communicated, and the selected media format.

- **Communication goal**. Measuring the success of a communication campaign is a function of the nature of the communication goal. Thus, if the communication goal is to create awareness, then exposure, comprehension, and recall should be measured. If the communication goal is to strengthen preferences, then the persuasiveness of the advertisement should be measured. Finally, if the communication goal is to incite action, then behavior should be measured.
- **Communication message**. Evaluating the effectiveness of a communication campaign also depends on the type of message. Thus, communicating incentives tends to have an immediate impact on sales, whereas the impact of brand-building communication is delayed. As a result, using sales as a benchmark of effectiveness is likely to underestimate the impact of brand-building communication and overestimate the role of incentive-focused communication.
- **Media type**. Measuring the effectiveness of a communication campaign is also a function of the particular media type. Thus, in cases where the media are not directly linked to a particular performance measure, such as public relations and event sponsorship, performance tends to be gauged through indirect measures of awareness and preference. In contrast, in cases where the media are directly linked to performance measures (such as in direct marketing, personal selling, and click-through advertising), then actual behavior can be used to evaluate the effectiveness of the communication campaign.

SUMMARY

Managing communication involves *strategic* decisions—a function of the offering's target market defined by its customers, company, collaborators, competition, and context—and *tactical* decisions, which are a function of the other marketing mix variables: product, service, brand, price, incentives, and distribution.

Managing communication involves six key steps: setting the goal, developing the message, selecting the media, developing the creative solution, implementing the communication campaign, and evaluating the campaign results.

The *goal* identifies a set of criteria to be achieved by the communication campaign within a given time frame. The three most common communication goals are to create awareness, strengthen preferences, and incite action.

The *message* identifies the information communicated to target customers. The message can focus on one or several of the six value-design marketing mix variables: product, service, brand, price, incentives, and distribution.

The *media* are the means used by the company to convey its message. The media decision involves three aspects: setting the media budget, deciding on the media type (advertising, public relations and social media, personal selling, product samples, event sponsorship, and product placement), and outlining the media scheduling (pattern, reach, and frequency).

The *creative solution* involves the execution of the company's message in a given media. Among the key aspects of the creative solution are appeal type (information-based or emotion-based) and execution style (text, format, and layout).

The *implementation* aspect of marketing communication identifies the timeline and the logistics of executing the message, media, and creative decisions.

The *control* aspect of marketing communication involves evaluating the success of the communication campaign with respect to achieving its goals. The most commonly used criteria involve measuring the following six factors: exposure, comprehension, recall, persuasion, intent, and behavior. The decision about which metric to use is a function of three key considerations: the goal of the campaign, the message being communicated, and the selected media format.

RELEVANT CONCEPTS

Above-the-Line Communications: Company communications are often divided into two categories: Above-the-Line (ATL) communications, which encompass mass media advertising such as television commercials, radio, and print advertisements; and Below-the-Line (BTL) communications, which include public relations, event sponsorship, personal selling, and direct mail. Historically, the term ATL was used in reference to communications for which an advertising agency charged a commission to place in mass media, whereas the term BTL was used in reference to communications that involved a standard charge rather than a commission. Currently, the terms ATL and BTL are loosely used to indicate an emphasis on mass media (ATL) versus one-on-one communications (BTL). The current use of BTL often includes customer and trade incentives as well.

Advertising Allowance: A form of trade promotion in which retailers are given a discount in exchange for advertising manufacturers' products.

Advertising Awareness: The number of potential customers who are aware of the offering. Awareness is a function of the total volume of advertising delivered to the target audience and the number of exposures necessary to create awareness. In cases where a single exposure is sufficient to create awareness, the awareness level equals the advertising reach.

$$\text{Awareness} = \frac{\text{Advertising reach} \cdot \text{Frequency of exposure}}{\text{Number of exposures necessary to create awareness}}$$

Advertising Frequency: The number of times the target audience is exposed to an advertisement in a given period. Also used in reference to the number of times an advertisement is repeated through a specific medium during a specific period.

Advertising Reach: The size of the audience that has been exposed to a particular advertisement at least once in a given period (multiple viewings by the same audience do not increase reach). Reach can be stated either as an absolute number or as a fraction of a population. For example, if 40,000 of 100,000 different households are exposed to a given commercial at least once, the reach is 40%.

Affiliate Marketing: A communication strategy that involves revenue sharing between advertisers and online content providers. An affiliate is rewarded based on specific performance measures, such as sales, click-throughs, and online traffic.

Awareness Rate: The number of potential customers aware of the offering relative to the total number of potential customers. Depending on the manner in which it is measured, two types of awareness are commonly distinguished: aided awareness, in which respondents are provided with the name of the target offering (e.g., "Have you seen any advertisements for Coca-Cola in the past month?"), and unaided awareness, in which respondents are not provided with any offering-specific information (e.g., "Which soft drinks have you seen advertised during the past month?").

Below-the-Line (BTL) Communications: See *above-the-line communications.*

Carryover Effect in Advertising: Impact of an advertising campaign that extends beyond the time frame of the campaign. To illustrate, an advertising effort made in a given period might generate sales in subsequent periods.

Comparative Advertising: Advertising strategy whereby a given offering is directly compared with another offering.

Competitive Parity Budgeting: Budget allocation strategy based on (1) matching competitors' absolute level of spending or (2) the proportion per point of market share.

Cooperative Advertising: Advertising strategy in which a manufacturer and a retailer jointly advertise their offering to consumers. In this case, the manufacturer pays a portion of a retailer's advertising costs in return for featuring its products, services, and brands.

Cost Per Point (CPP): Measure used to represent the cost of a communication campaign. CPP is the media cost of reaching one percent (one rating point) of a particular demographic. See also *gross rating point.*

$$CPP = \frac{\text{Advertising cost}}{\text{GRP}}$$

Cost Per Thousand (CPM): Measure used to represent the cost of a communication campaign. CPM is the cost of reaching 1,000 individuals or households with an advertising message in a given medium (M is the Roman numeral for 1,000). For example, a television commercial that costs $200,000 to air and reaches 10M viewers has a CPM of $20. The popularity of CPM derives in part from its being a good comparative measure of advertising efficiency across different media (e.g., television, print, and Internet).

$$CPM = \frac{\text{Advertising cost}}{\text{Total impressions}} \cdot 1,000$$

Gross Rating Point (GRP): A measure of the total volume of advertising delivery to the target audience. It is equal to the percent of the population reached times the frequency of exposure. To illustrate, if a given advertisement reaches 60% of the households with an average frequency of three times, then the GRP of the media is equal to 180. GRP can also be calculated by dividing gross impressions by the size of the total audience. A single GRP represents 1% of the total audience in a given region.

$$GRP = \text{Reach} \cdot \text{Frequency}$$

Impression: A single exposure of an advertisement to one person.

Infomercial: A long-format television commercial, typically five minutes or longer.

Institutional Advertising: Advertising strategy designed to build goodwill or an image for an organization (rather than to promote specific offerings).

Integrated Marketing Communication (IMC): An approach to designing marketing communication programs that emphasizes the importance of consistency in all communication activities. In particular, this approach calls for consistency on at least three levels: strategic, tactical, and internal. *Strategic consistency* implies coordination among the different aspects of the communication campaign and the elements of the offering's overall marketing strategy. *Tactical consistency* implies coordination among communication and the other elements of the marketing mix to keep an offering's message consistent with the perceived product and service benefits, brand image, price, incentives, and distribution channel. *Internal consistency* implies that the message, media, creative solution, implementation, and control metrics evaluating the success of the campaign need to be consistent with the communication goal as well as in and of themselves. The concept of internal consistency can also be applied with respect to the different media types (e.g., advertising, public relations, and direct marketing) to ensure that they work in a coordinated fashion rather than independently of one another.

Net Promoter Score: A popular metric designed to measure customers' word of mouth about a company and/or its products.[1] The basic idea is fairly simple: A company's current and potential customers are asked to indicate the likelihood that they will recommend the company and/or its products to another person (e.g., "How likely is it that you would recommend this company to a friend or colleague?"). Responses are typically scored on a 0–10 scale, with 0 meaning extremely unlikely and 10 meaning extremely likely. Based on their responses, customers are divided into one of three categories: promoters (those with ratings of 9 or 10), passives (those with ratings of 7 or 8), and detractors (those with ratings of 6 or lower). The net promoter score is then calculated as the difference between the percentage of a company's promoters and detractors. For example, if 40% of a company's customers are classified as promoters and 25% are classified as detractors, the company's net promoter score is 15%.

Point-of-Purchase Advertising: Promotional materials displayed at the point of purchase (e.g., in a retail store).

Public Service Announcement (PSA): Nonprofit advertising that uses free space or time donated by the media.

Reminder Advertising: Advertising strategy designed to maintain awareness and stimulate repurchase of an already established offering.

Share of Voice: A company's communication expenditures relative to those of the entire product category.

$$\text{Share of voice} = \frac{\text{An offering's communication expenditures}}{\text{Product category's communication expenditures}}$$

Target Rating Point (TRP): A measure of the total volume of advertising delivery to the target audience. TRP is similar to GRP, but its calculation involves using only the target audience (rather than the total audience watching the program) as the base. Thus, a single TRP represents 1% of the targeted viewers in any particular region.

Teaser Advertising: Communication strategy designed to create interest in an offering while providing little or no information about it.

Top-of-Mind Awareness: The first brand identified by respondents when asked to list brands in a given product category.

Wearout: A decrease in the effectiveness of a communication campaign from decreased consumer interest in the message, often resulting from repetition.

ADDITIONAL READINGS

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NOTE

1 Reichheld, Fred (2003), "The One Number You Need to Grow," *Harvard Business Review*, (December), 1–11.