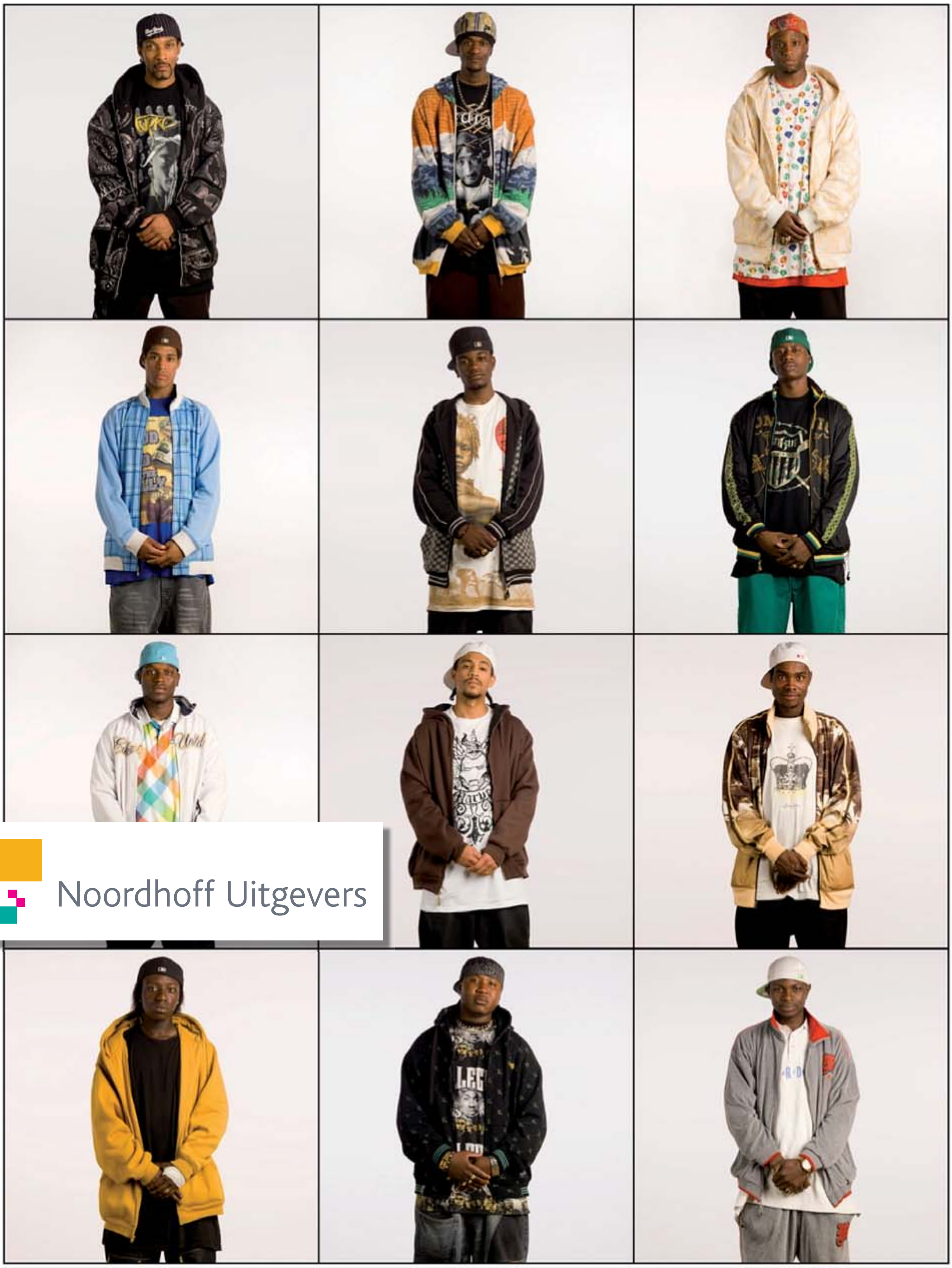
# Ko Floor & Fred van Raaij

# Marketing Communication Strategy

First Edition



Noordhoff Uitgevers

# Marketing Communication Strategy

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Ko J.M.G. Floor

W. Fred van Raaij

Advertising / Online marketing communication / Public Relations / Sponsorship / Sales promotion / Direct-marketing communication / In-store communication / Personal selling / Exhibitions / Integrated communication

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Any comments about this publication or others may be addressed to:
Noordhoff Uitgevers bv, Afdeling Hoger Onderwijs, Antwoordnummer 13,
9700 VB Groningen, e-mail: info@noordhoff.nl



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# Introduction

Marketing communication is constantly developing. This book, therefore, requires the description of new media and new examples. Traditional printed media, radio and television remain important media in the marketing communication plan. But alongside these traditional media new, internet-based media are emerging, such as websites, weblogs, emails, Facebook and Twitter. It is consumers who decide on the content of the online social media such as Facebook, Hyves and Twitter. Advertisers have far less control over these online media than over traditional media.

For traditional media advertisers can design a media plan to specify what they want to achieve during a certain period in terms of brand awareness, brand preference and sales. This is far less easy to do for the new online social media. Information must be available and easy to find for consumers. On the internet consumers must be able to find quick answers to all their questions and queries and in many cases they must be able to compare products. They must also be able to find where these products are available, where they are sold and how they can be ordered on the internet. What matters especially is anticipating changing trends and preferences. The brand must be up to date and relevant and remain interesting to consumers.

In chapter 14, special attention has been paid to online marketing communication. We are grateful to Coby van Maanen-Tetteroo and Hans van der Meulen for their help in writing this chapter.

Every day consumers are overloaded with all kinds of marketing communication. All these messages compete for attention, but only a small proportion of all communication really 'touches' the consumer. In order to make the chance of 'touching' as large as possible, an approach is needed which comprises theory and practice, which shows what 'works' and what does not 'work'. This book aims to formulate such an approach. Step by step it describes how a solid marketing communication plan can be drawn up.
In this book all marketing communication methods will be discussed, with many examples to clarify the theory and to illustrate the descriptions.

We hope that consumers, teachers and students will have the same pleasure in reading this book as we had in writing it. In doing so we have benefited enormously from information and ideas supplied by numerous colleagues, teachers, students and others. Articles in magazines such as Adformatie and Marketing Tribune supplied us with additional input. We are most grateful to their authors. Without their input, this book would have been far less comprehensive.

On the www.marketingcommunicationstrategy.noordhoff.nl site you will find a large quantity of supporting and additional material. This site is regularly updated in order to include the (online) developments that were referred to at the beginning of this introduction.

Ko Floor and Fred van Raaij
Landsmeer / Alphen, N.Br., June 2010

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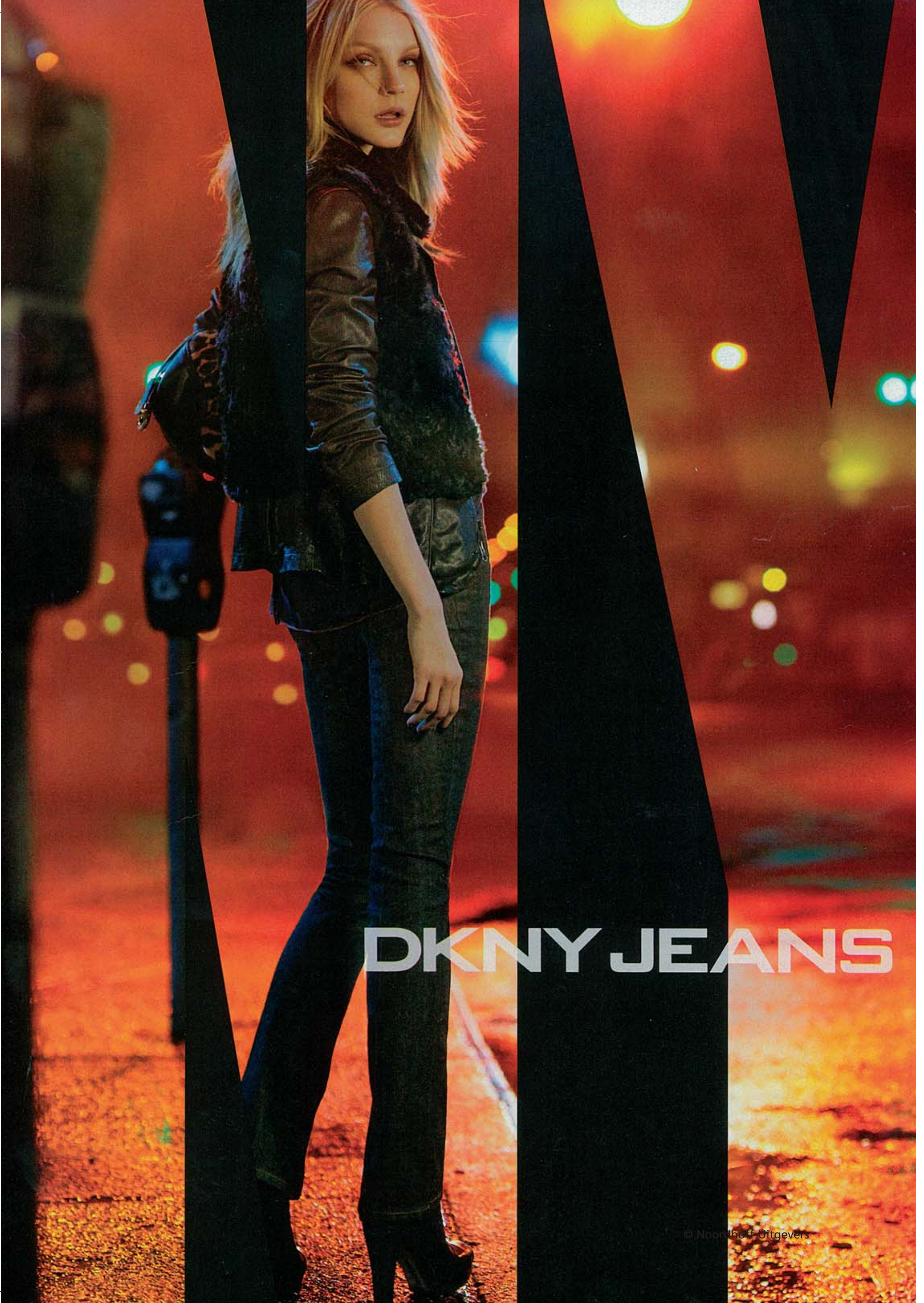
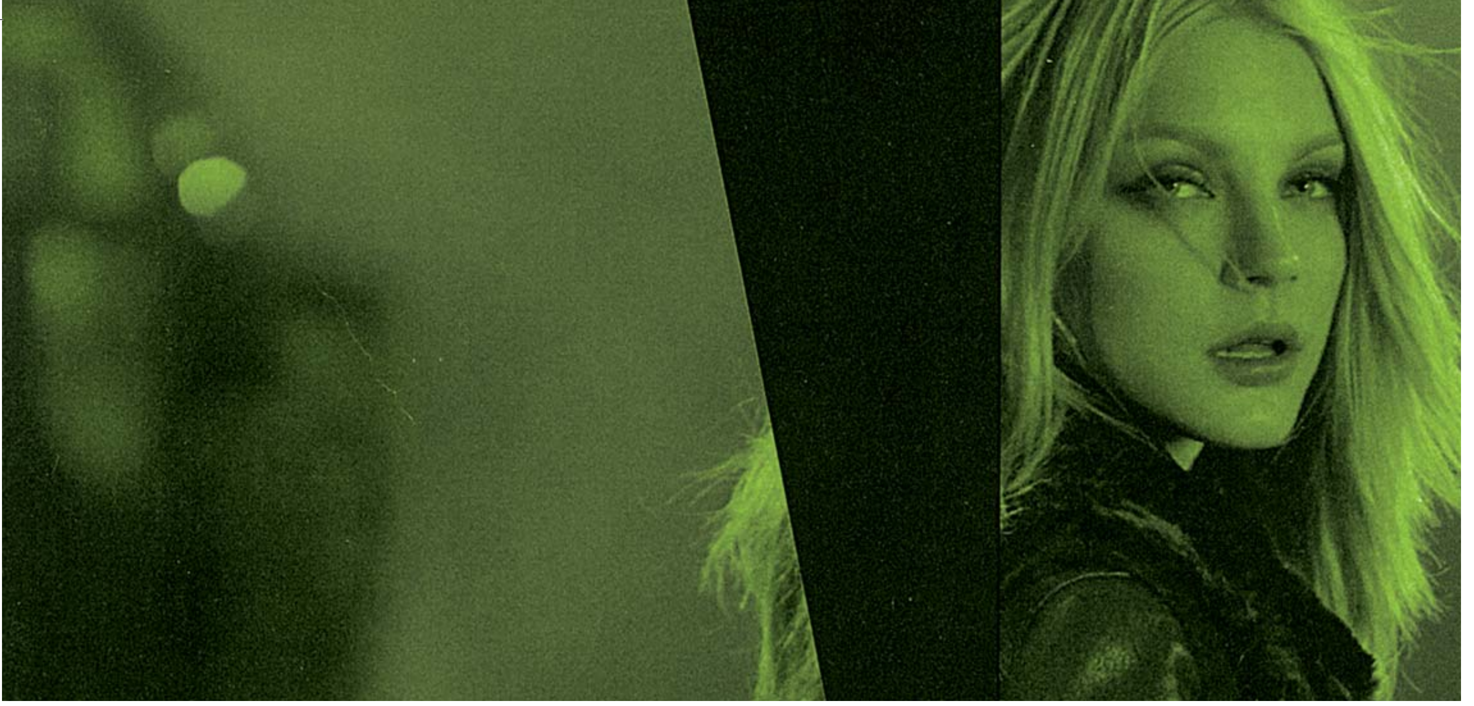

DKNY JEANS

# Part 1
# Marketing and communication

In chapter 1 of part 1 we shall first deal with the importance of a strong brand and the way in which companies can build a brand with marketing communication and other marketing methods. In chapter 2 the difference between corporate and marketing communication will be dealt with. Chapter 3 will discuss the criticisms commonly made of marketing communication and the regulations that apply to it.



# 1 Marketing communication and other marketing methods

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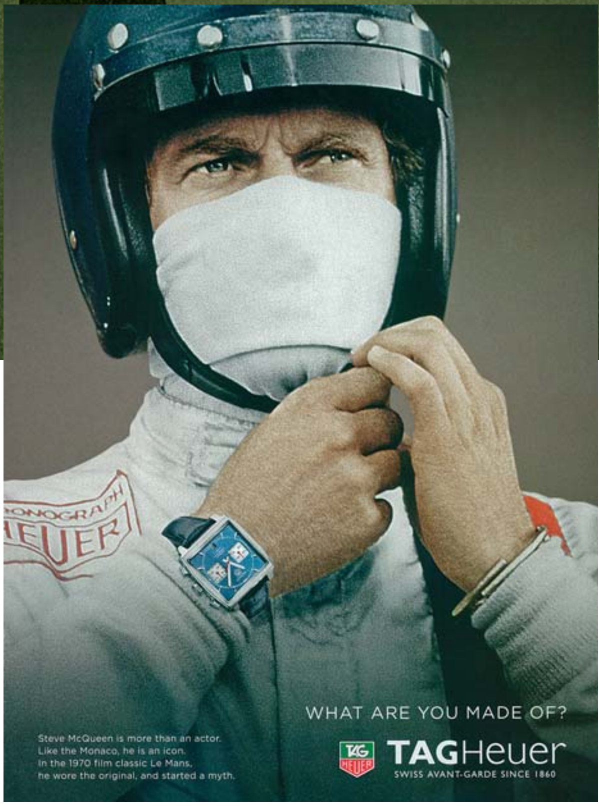



Having one or more strong brands is of crucial importance to companies. In this first chapter we deal with the role marketing and marketing communication play in building or reinforcing brands. Marketing communication methods that may be used for this purpose are advertising, online marketing communication, sales promotions, public relations, sponsoring, direct marketing communication, in-store communication, packaging, personal selling and exhibitions.

## 1.1 Importance of a strong brand

A strong brand is worth a fortune. The Coca-Cola brand, for instance, is worth tens of billions of dollars; much more than all its factories, offices, trucks and other assets put together. If a natural disaster were to destroy all Coca-Cola factories, this would be less serious than if a collective memory lapse made everyone forget the name Coca-Cola. The brands Gillette, Google, Marlboro, McDonald's, Nescafé and Sony are also worth many billions. This value is based in particular on the strength of the brand name. Possessing one or more strong brands, therefore, is becoming more and more important to companies. It should be noted that it is not just products that carry a brand name (e.g. Pampers from Procter & Gamble, Calvé from Unilever) nor services (Hispeed of the Netherlands Railways). A brand may also represent a company (Philips, Albert Heijn) or a non-commercial organization (Amnesty International, Internal Revenue Service).

Foundation of the modern branded article

In practice, however, brands are especially associated with manufactured products. Yet it is retailers who developed the concept of a branded product. The foundation of the modern branded article lies in the small, grimy and cluttered grocery shops of British industrial towns such as Newcastle, Glasgow, Liverpool and London.

Thomas Lipton, famous for his fine tea, opened his first shop in Glasgow in 1874. At the time, grocers and their young employees cooked, baked, smoked, mixed and produced all kinds of products for local people behind their shops, in small and usually filthy workshops: jam, tea, coffee, biscuits, sweets, ham, sausages. Usually the grocer cut pieces from the relevant product in his shop or scooped the required amount from an earthenware jug, or a bag, barrel or case. Next, he wrapped some paper around it, sometimes with his own name on it.

Apart from these small grocers there were those who owned a number of shops. They often pre-packaged their products, staff putting them into bags or boxes in readiness for busy days, when there would be lots of customers. European manufacturers adopted this idea, packaging their wares and making them distinct from others and from those of such retailers.

Around 1850 manufacturers discovered that they could produce many grocery products better, faster, more hygienically and more cheaply than the grocers. They put brand names on their products and introduced fixed consumer prices. In this way they laid the foundation of what was later to be called the manufacturer's brand. One example is Verkade. By putting the brand name on the packaging of rusks, biscuits and chocolates, Verkade was able to create a preferential brand among customers, bypassing the shopkeepers. Verkade pictures and albums produced in the period 1903–1940 led to reinforcement of brand loyalty among consumers.

Consumers, however, hardly distinguish between brands that represent products, services or organizations. According to the BrandAssetValuator In 2009 the top ten brands in the Netherlands were: 1) Coca-Cola, 2) Senseo, 3) Douwe Egberts, 4) Philips, 5) Cup-a-Soup, 6) Calvé, 7) Pringles, 8) Unox, 9) Magnum and 10) Conimex. This list contains many food brands, five of which belong to Unilever (Cup-a-Soup, Calvé, Unox, Magnum and Conimex) and two belonging to Sara Lee (Senseo and Douwe Egberts).

### 1.1.1 Functions of a brand for consumers

A brand fulfils various functions both for consumers and for companies. For consumers the following two functions are important:

- Convenience when buying;
- Psychological function.

#### Convenience when buying

Brand awareness means that consumers (especially those who have bought the brand before) know exactly what to expect from the product or the supplier. They know the product features or the supplier and can easily make a choice. If the brand has satisfied them, they need not look any further. Considering the ever-increasing number of products and brands in shops, this is an important function of the branded article. The brand creates the certainty among consumers that they will actually get what they want. And in the unlikely event that this should not be the case, they know where to take their complaints.

#### Psychological function

A brand often has a psychological function for consumers. It helps them to achieve a desired form of self-expression. Nike, for instance, stands not only for sportsmanship, but also for a certain lifestyle. By buying a certain brand, consumers show others what type of person they are (or want to be). Some consumers want to display their wealth, by buying expensive brands such as Armani or Versace. Others reject such ostentation and prefer to buy unknown brands or unbranded clothing. Brands, by the way, not only have an expressive function; they can also impress. Finally, buying a specific brand may give consumers a good feeling about themselves. By using an iPhone someone may feel that he is modern and 'with it'.

### 1.1.2 Functions of a brand for companies

For companies, too, a brand has a number of functions. The most important are the following five:

- Distinction;
- Continuity;
- Higher price;
- Easier product introductions;
- Greater independence as regards the retail trade.

#### Distinction

A brand helps organizations to distinguish themselves from other suppliers of similar products. Because of this distinction the own brand becomes less vulnerable to competition. Especially when technical and instrumental differences between various products or companies are minimal, the psychological (emotional) surplus value of a brand may create the desired distinction. The products and services which banks offer hardly differ from one another. Yet, in the minds of consumers, ABN AMRO Bank is an entirely different bank from the Rabobank. The psychological differences are much greater than the instrumental differences. Because of these psychological differences a brand can create something of a monopoly position.

#### Continuity

Strong brands result in continuity because satisfied consumers keep buying the product. Brands such as Bols, Bavaria and Douwe Egberts have been in existence for hundreds of years. Brands such as Kellogg's, Campbell's, Goodyear and Colgate have been market leaders in their product categories in the United States for more than 50 years. A large number of loyal customers means constant demand.

### Higher price

Creating a strong brand requires large investment in product development and marketing communication. A brand that succeeds in creating psychological surplus value can demand a higher price than other brands. As long as the price differences do not become too great, consumers are willing to pay this higher price. The beer market is a case in point. Lager brands like Heineken and Grolsch are able to command a higher price than other brands of similar quality. However, price differences must not become excessive, as Albert Heijn discovered. This supermarket chain had to lower its prices drastically when, partly due to economic conditions, it lost market share to cheaper supermarkets.

### Easier product introductions

A company that has built up a good reputation among its customers finds it easier to put a new product on the market than a company that is unknown. When Sony launches a new electronic product, consumers are more willing to try it out than the product of an unknown Korean company. The advantage of a strong brand is also valid when a company embarks on an entirely new activity. The British Virgin brand, for instance, represents much more these days than a record label. Under the same brand Virgin sells travel, operates an airline, puts cola on the market and develops all sorts of other activities. These product introductions under the same brand are known as brand extensions.

Brand extensions

### Greater independence as regards the retail trade

A producer who succeeds in giving his brand a strong 'brain position' (image) among customers will become less dependent on retailers. Retailers are almost forced to include the brand in their product range. If they do not, customers may well go to a different shop.

## 1.1.3 Brand image

It is, therefore, of the greatest importance for products or companies to have a good brand image. This brand image is the mental picture that (potential) consumers have of a brand. Hearing or seeing a brand name evokes a number of associations in consumers. All these associations together form the brand image. They may be positive or negative associations; they may be instrumental or psychological. In the case of instrumental associations it is about the presence of certain product features. The Air France–KLM brand, for instance, may evoke associations with reliability and modernity.

In the case of the Bokma brand many consumers immediately think of the square bottle. However, brands also evoke psychological associations. In the case of Douwe Egberts consumers think of cosiness and in the case of Blue Band of care for growing children. Figure 1.1 shows an imaginary and greatly simplified network of associations surrounding the Coca-Cola brand.

Network of associations

This type of association with a brand is created in various ways. Marketing communication is one of those (see figure 1.2).

Consumers' experiences of a brand and the opinions of others may have a strong influence on the brand's image. If consumers have bought the brand before and are happy with it, this will have a positive influence on the brand image. The brand


*Ikea is usually associated with DIY. An advertising campaign aims to change this association.*

Figure 1.1 Possible network of associations with Coca-Cola

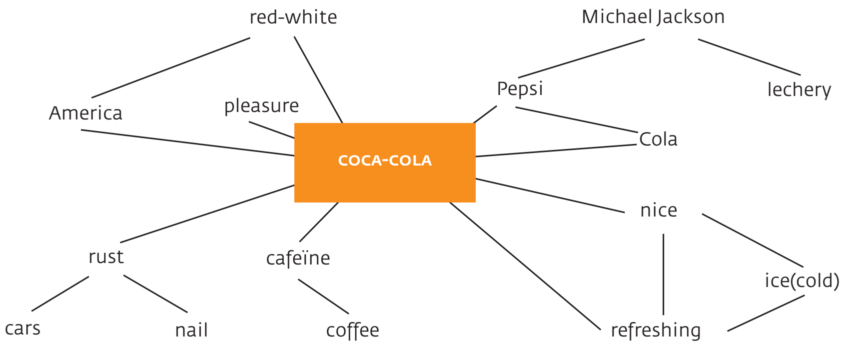



Figure 1.2 Factors influencing a brand image

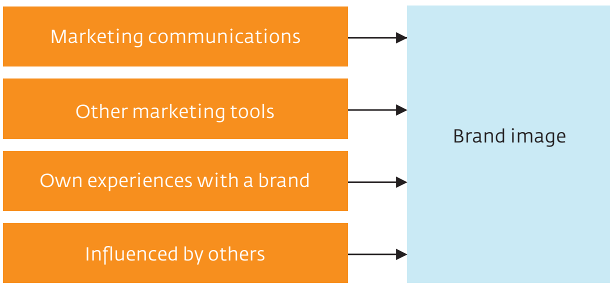



image is also influenced by the opinions of friends (including 'friends' on social networks), neighbours, family members, TV personalities and other groups. Especially in the case of products with a strong expressive value, consumers take the opinions of these groups into account.

It is difficult for companies to influence this, though they can exert influence through marketing communication. Through the brand, companies communicate with their target groups. Companies themselves decide on the message that will confront consumers. Marketing communication, therefore, is an important method of building or strengthening a brand. If a strong brand can be created, investments in marketing communication may result in a high return. Other marketing-mix methods may also help organizations to build, to adjust or to maintain a brand image.

This chapter discusses these other marketing-mix methods. Marketing communication will be dealt with in the following chapters.

## 1.2 Changes in marketing communication

Marketing communication has gone through a number of important changes over the years. This was a consequence of changes in production methods and market conditions. From a historical perspective, seven phases may be distinguished in marketing communication. They will be discussed in turn:

Phases

- Direct contact with customers;
- Communication through retailers;
- Looking for distinctive features;
- The first direct advertising campaigns;
- Big advertising budgets;
- More marketing communication methods;
- One-to-one communication.

### 1.2.1 Direct contact with customers

In the first phase the product is matched to the needs of an individual customer. Craftsmen produce almost entirely to order and there is frequent personal contact between craftsman and customer. Producers produce what customers or principals ask for. This situation is characteristic of the era of the guilds.

After the era of the guilds, producers' thoughts are focused on producing. The assumption is that a good product sells itself. This is why producers are mainly concerned with the improvement of production methods and increase in productivity. They give little attention to types of marketing communication other than personal contact.

### 1.2.2 Communication through retailers

During the Industrial Revolution direct contact with consumers largely disappears. Producers no longer supply consumers directly. They make use of a large number of merchants for the distribution of their goods. These merchants become the link between producers and consumers. In this phase producers focus on production. Marketing communication is left almost entirely to the merchants and shopkeepers.

### 1.2.3 Looking for distinctive features

In the period between the Industrial Revolution and the late 1940s, producers concentrate increasingly on sales. The introduction of new production methods results in larger volumes. The main problem is how to create sufficient demand. For this reason, marketing communication, especially in the form of personal selling, becomes important. Competition is intensifying. Management, therefore, has to concern itself increasingly with sales. Sales departments are responsible for selling the goods that have been produced. Production departments are fed with data and questions by sales departments. In particular, a 'product plus' (unique selling point: USP) is required in order for the company to be able to distinguish itself from competitors through marketing communication.

Unique selling point: USP

### 1.2.4 First direct advertising campaigns

During the 1950s, competition becomes fiercer. A product plus is no longer sufficient to maintain market position. Marketing communication is becoming increasingly important and the communication mix is extended with the first direct advertising campaigns. In this phase marketing communication focuses on short-term sales promotions. At first these are done by sales departments, but at a later stage specialized employees are recruited. Producers' thinking is becoming more market orientated, although there is still no professional marketing communication.

### 1.2.5 Large advertising budgets

From the 1960s consumers occupy a central position in producers' thinking. Consumer marketing makes its entry and the importance of a strong brand is realized. Producers try to re-establish contact with consumers, but at the same time they want to keep the advantages of mass production. For the first time, large-scale advertising campaigns are launched with the purpose of strengthening the brand. Companies enquire into the requirements and needs of consumers and try to meet these. Consumers have become much more demanding and are able to choose among a wide variety of goods, services and brands.

The first signs of marketing thinking emerged in the United States even before the First World War. In the agricultural sector overproduction was gradually eliminated as a result of consumer-orientated thinking and acting.

In 1927 Procter & Gamble was the first to employ a product manager. It was his job to find a solution to the problems in selling the Camay soap brand.

### 1.2.6 More marketing communication methods

In the early 1980s, producers start to use other marketing methods in addition to advertising, sales promotions and personal contact. These include, for instance, sponsoring, direct marketing communication (DM communication), public relations and exhibitions. Moreover, producers take two target groups into account in their marketing communication: not only consumers but also retailers. Retailers are becoming the main factor in the success or failure of a brand. Retailers are no longer a passive tool that producers may switch on at will, and they are no longer the serving hatch of producers. Retail chains have their own marketing policy and put their own brands on the market. Producers have to take this into account. Moreover, a concentration of power is taking place in the retail trade and this enables retailers to make greater demands on producers. As a result, producers are forced to go into trade marketing as well as consumer marketing.

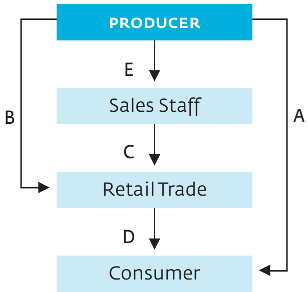
Trade marketing

### 1.2.7 One-to-one communication

In the past few years one-to-one communication has become more important. Producers are attuning their messages as closely as possible to the requirements and characteristics of consumers, through personal selling and direct marketing. Internet customer databases in particular enable producers to personalize messages, as consumers choose sites that appeal to them and where they can find relevant information. Consumers themselves may take the initiative on the internet by seeking information, establishing contacts and making purchases. One-to-one communication is supported by brand campaigns in printed media, radio and television.

In figure 1.3 five communication streams are shown, starting out from the point of view of producers. Producers communicate directly with consumers (A) and also with the retail trade (B). Through sales staff (office and field staff) a personal relationship is created with the retail trade (C). Just like producers, retailers communicate with consumers (D). Communication between producer and sales staff is a form of internal communication (E). Other communication streams are concerned with external communications. Communication is not a one-way activity. Consumers, too, may contact retailers and producers, via the internet, for instance.

Figure 1.3 Communication streams




In the past few years communication streams between producers, retailers and consumers have changed in character and size. Because of the concentration of the retail trade, negotiations mainly take place at producers' head offices. The producers' account managers maintain contact with their main trading partners. Contracts are concluded centrally. Sales reps who visit shops and take orders have become a rarity, though sales reps do still visit shops to ensure optimal product presentation (merchandising), for instance. Sales staff have been made redundant or been given other tasks.

Another important change in communication streams concerns the producers' budgets for communication with retailers and consumers. Especially in the last few years a shift has been taking place. Larger and larger amounts are spent on retailers, to the detriment of budgets for consumers.

Producers are asked to subsidize displays, advertising and other promotional activities by their trading partners. They must comply with these requests because these trading partners represent large volumes in turnover. If the total marketing communication budget of producers is not increased, all these contributions to the retail trade will be made to the detriment of the communication which producers aim at consumers. In the long term this may weaken consumers' image of the brand.

## 1.3 Product, brand and communication

The success of a marketing communication strategy depends on the way in which marketing communication and the other marketing methods are forged into a single entity. In the long run, advertising and other forms of marketing communication will not compensate for bad product quality. On the contrary: good communication may even accelerate the demise of the brand. On the basis of an advertising statement, for instance, consumers may try the brand and then drop it in disappointment. Nor can marketing communication compensate for poor distribution or too high a price. If the brand is not available anywhere, communication budgets have been wasted. And if the price is higher than the instrumental and/or psychological value that consumers allot to the brand, communicating will be ineffective. What applies to a product applies even more to a service, for it is almost impossible for consumers to judge a service prima facie. The quality of the service only becomes clear after the service has been rendered. For this reason the task of marketing communication here (perhaps even more than in the case of a product) is to provide consumers in advance with an idea of what they can expect if they decide to buy the service.

## 1.3.1 Types of products

Business-to-business products

The buying process for consumer products differs widely from that of business-to-business products, which are sold by one producer to another (business-to-business). As a result, marketing communication is different as well. A few important differences are shown in table 1.1.

On account of these differences, these markets need a different approach. Communication with the business market must be different from that with the consumer market. In the business market personal selling often plays an important part. After all, large sums of money are usually involved.

Table 1.1 Differences between the consumer market and the business market

| CHARACTERISTIC | CONSUMER MARKET | BUSINESS MARKET |
|---|---|---|
| Number of (potential) customers | Large | Small |
| Amount of purchases | Small | Large |
| Information requirement | Small | Big |
| Duration of buying process | Short | Long |
| Number of people involved in decision making | Small | Large |

Moreover, the product must be made to measure for the buyer. Advertising and other forms of marketing communication often 'only' serve to support personal selling in this market. Through advertising, DM communication or a stand at a trade fair, addresses of interested companies may be collected, and these are subsequently visited by a salesman. Naturally, it will be easier for the salesman to make his sales pitch if the company he represents has acquired a name for itself among potential customers through advertising, sponsoring, public relations or other forms of marketing communication (Logman, Matthyssens and Van Raaij, 2000).

Things are quite different in the consumer market. Because of the large number of potential buyers, personal selling is much more difficult. It can reach only a few people; at any rate far fewer than through mass communication. Moreover, the costs of personal selling in the consumer market outweigh the benefits. In the business market the number of people involved in decision-making is greater than in the consumer market. The terms DMU, decision making unit and purchasing centre are used for those who are involved in the decisions concerning a purchase. The need for product information is often greater and the duration of the process longer, especially when big contracts are involved.

DMU, decision making unit

It is not only between consumer products and business-to-business products that there are differences in marketing communication. There may also be great differences between various consumer products. In the case of convenience goods, which consumers buy frequently and with a minimum of mental or physical exertion, price and quality are hardly even compared. Consumers cannot be

Consumer products
Convenience goods

bothered. Moreover, differences between the various brands are small. On account of these small differences producers need large communication budgets in order to create a brand preference among consumers. Besides (thematic) advertising campaigns, sales promotions, displays and other activities at the point of sale are important. That is where consumers have to be reminded of the brand. Examples of day-to-day consumer goods are cheese, detergents and soft drinks.

Preferential products

Consumers have developed such a taste for some of these products that they have become preferential products. Examples of these are beer, cigarettes and cosmetics. In these cases consumers tend to buy well known brands or look for a reliable shop and the advice of an expert or specialist. Thematic advertising is the dominant form of communication here. In thematic advertising a product or a brand is linked to positive associations. See also chapter 2.

Shopping goods

Shopping goods are usually durable goods for which consumers go 'shopping'. Before the purchase is made, price, quality and other product features are compared. Examples of this type of product are flat-screen TVs, furniture and holidays. Consumers know that there may be large differences between brands. Moreover, large amounts of money are involved and the products are not bought very often. Consumers, therefore, seek wide-ranging information before buying. Informative advertising (e.g. through brochures) and personal selling (advice, demonstration) play an important part here.

Specialized goods

Specialized goods are products with unique features. Consumers usually know which brand they want before purchasing. They have no need to compare brands. They only want to know where the desired brand is to be found. Examples of such goods are an iPod, a Swatch watch and a ticket for a performance by a well known artist. Consumers will go to a lot of trouble to buy these products. A strong brand preference exists. As well as thematic advertising, in-store communication plays an increasingly important part in creating the brand image. For this reason Nike, Levi's, Reebok, Armani, Swatch, Apple and numerous other well known quality brands are opening more and more shops of their own, in order to do full justice to their products. These shops are sometimes magnificent, attracting many consumers. Nike Town and the Apple shop near Central Park in New York have become huge tourist attractions.

*To some consumers clothing is a preferential commodity. To others it belongs in the shopping goods or specialized goods category.*

However, the dividing lines between these four types of product are not always clear. What is for day-to-day use to one consumer may be a shopping commodity to another one, or even a specialized commodity. Moreover, changes through time may occur: what used to be shopping goods may turn into convenience goods or vice-versa. Specialized goods may become shopping goods in a later phase of their life cycle. This is what happened with, for example, television sets.

Convenience goods and preferential goods are characterized by low involvement when purchases are made. Consumers are especially interested in efficiency and buy these goods more or less as a routine. In the case of preferential goods in particular, the reliability of the suppliers is very important. Shopping goods and specialized goods, on the other hand, are often accompanied by a high degree of involvement and active search and orientation behaviour. The four types of goods are shown in table 1.2. Convenience goods and shopping goods are usually sold in shops with a wide, general product range; preferential goods and specialized goods are sold in shops with a far-reaching and specialized product range.

Table 1.2 Product range, involvement and types of goods

| INVOLVEMENT | GENERAL PRODUCT RANGE | SPECIALIZED PRODUCT RANGE |
|---|---|---|
| **Low** | Convenience goods<br>• Thematic and action communication<br>• Sales promotions | Preferential goods<br>• Thematic communication<br>• Personal selling |
| **High** | Shopping goods<br>• Thematic communication<br>• Personal selling | Specialized goods<br>• Thematic communication<br>• In-store communication |

## 1.3.2 Brand name

Producers must decide whether or not they want to brand their products. This is a very important decision with a view to the nature and the size of marketing communication. When this decision is positive, the next question is what brand should be put on the product. This could be a producer's brand or an own brand of the retailer. Heineken and Mars produce exclusively producer's brands. Companies like Unox, Heinz and Bonduelle, on the other hand, produce retailer's brands for chain stores, in addition to their own. De Verenigde Bierbrouwerijen (United Breweries) depends largely on the production of retailer's brands (e.g. Albert Heijn's proprietary brand).

When a producer has decided to put a brand on the market, a brand name has to be selected. Two main strategies can be distinguished here: separate brands or an umbrella brand.

Separate brands

Procter & Gamble has decided on a separate brands policy. Each product gets an individual brand name: Ariel for detergent, Dreft for washing-up and delicate laundry products and Head & Shoulders for shampoo. Each brand is supported by specific marketing communication. As a consequence, consumers do not know that Procter & Gamble is the producer of these brands. Neither do consumers know that Fresh-Up, Odorex, Prodent and Purol are produced by Sara Lee. Unilever also follows this strategy of separate brands.

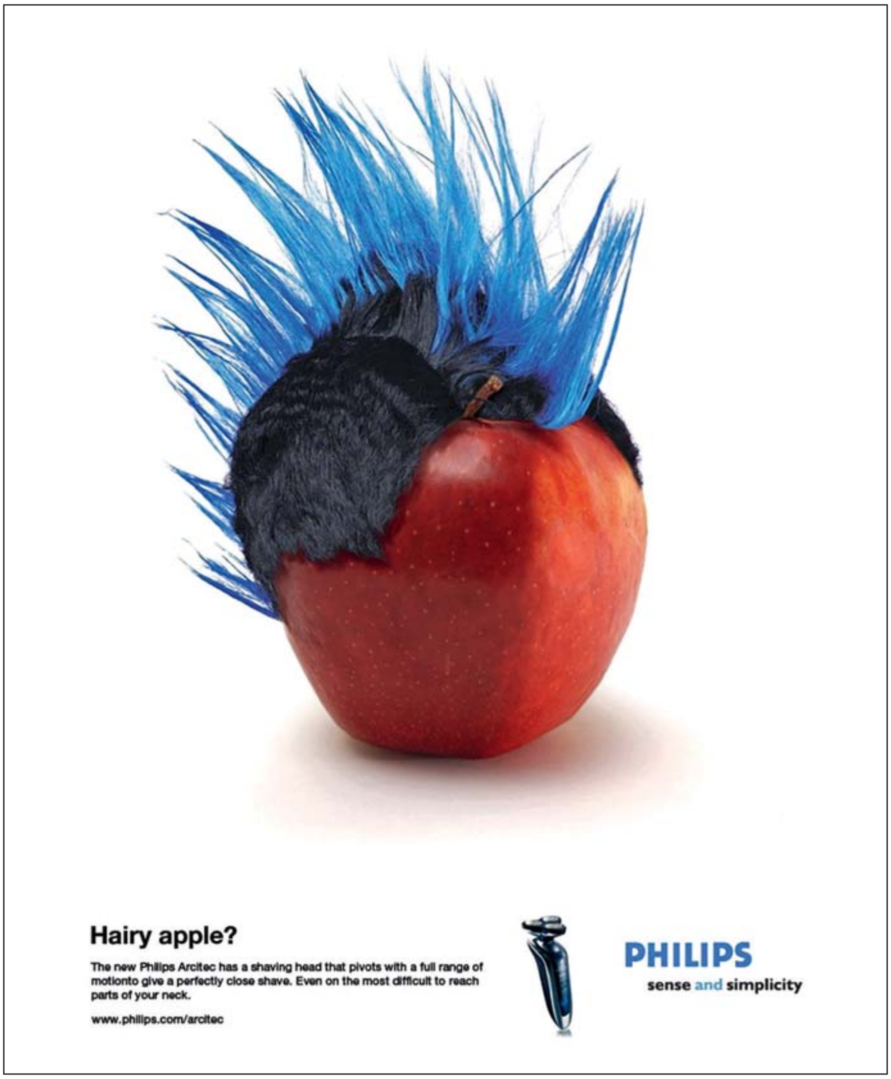
The great advantage of this strategy is, that a separate brain position among consumers can be created for each brand. For each brand a different marketing communication strategy is chosen. In this way all market segments can be worked on separately. Unilever's approach to the marketing of detergents and margarines is a clear example of this. For Omo, Sunil and other detergents and for Becel, Blue

Band, Bona and other margarine brands a different position has been chosen and a concomitant marketing communication strategy has been developed. If there is a problem with a certain brand, e.g. Omo Power, this has no adverse consequences for other Unilever brands.

The drawback of a separate brands strategy is clear: the necessary budgets are often huge. Because of this Unilever has been forced to reduce the number of brands it produces. The Royco brand, for instance, has disappeared; only Knorr and Unox remain as Unilever soup brands. At the same time, the Knorr and Unox brands have absorbed other products apart from soup. Knorr has flavouring and herbs, for instance, and Unox has smoked sausage. It has become too expensive to support many different brands properly with marketing communication.

Umbrella brand

In contrast, Philips uses the name Philips for every product: DVD players, handheld mixers, light bulbs and many other products. Razors are called Philishave, a clear sub-brand of Philips. The Philips brand, therefore, functions as an umbrella brand. As a result, a single campaign is sometimes sufficient for products that are in the same category and the cost of marketing communication can be brought down. A negative aspect is that the brand image among consumers may become diffuse. What, after all, do a light bulb and a DVD player have in common, consumers might ask. Another drawback is that a problem with one Philips product could have negative consequences for other Philips products.




*The Philips brand functions as an umbrella brand for a large number of very different products.*

In choosing a brand name, the following principles might be applied:

- The brand name must be distinguishable from other brands, easily recognizable and easy to remember.
- The brand name must be easy to read, to pronounce and to remember (also internationally). Equity & Law is difficult for many Dutch people to pronounce and, partly because of this, it has been replaced by Axa.
- The brand name must fit the atmosphere surrounding the product – for instance American brand names for products for young people.
- The brand name must evoke the desired associations: French brand names for cosmetics, for instance.
- The brand name should say something about the main product feature (e.g. CoolBest orange juice).
- It must be possible to register the brand name with a brand registration bureau. One of the conditions is that a brand be distinguishing. A brand name such as 'Waterwinkel' (Watershop), for instance, is too generic for it to be registered.
- With a view to export, the brand name must not evoke negative associations abroad. Fiat's Croma brand was an unfortunate choice for the Netherlands because it evokes associations with Croma cooking fat.

So, in choosing a brand name a lot of factors must be taken into account. If this is not done, the brand name may have to be changed. Large amounts of money are involved if a brand name is changed. Nissan sold its cars in Japan under the Nissan brand. In many other countries the name Datsun was used. In the United States, Datsun had a brand awareness of 85%. Nevertheless, Nissan decided to carry one brand all over the world: Nissan. The cost of the introductory campaign for the new name was $500 million, including the name change at 1,100 dealers. In 2009 the Postbank merged with ING. This meant that all Postbank account holders had to be informed about the new brand name and also about the names of other products: a giro account became a current account, etc. With the transition of Postbank account holders to ING, ING became a 'different' bank.

Associations in consumers

However, the choice of a brand name is only the beginning. The brand name is intended especially for identification. It makes the product recognizable. A branded article is, however, more than a product with a brand logo on it. A brand evokes certain associations in consumers or schemata (Beijk and Van Raaij, 1989). A Swatch watch creates different associations from a Rolex. A branded article is not just a physical, but also a psychological product. To consumers it has a psychological value. Brands are symbols in social contacts with others. Consumers use the brands BMW, Benetton and Nike, among others, to tell people something about themselves. Marketing communication plays an important part in building the desired value and associations of a brand.

### 1.3.3 Brand strength

Factors for the strength of a brand

The strength of a brand may be expressed in terms of money. Various methods are used to calculate brand value. According to the Interbrand Group, a company specializing in brand appreciation, the strength of a brand factors for the strength of a brand is a combination of seven factors. These are:

- Market leadership;
- Stability of the brand;
- The nature of the market;
- The degree of internationalization of the brand;

- The long-term trend of the brand;
- The way in which the brand is supported;
- The way in which the brand is legally protected.

The world's strongest brands, on the basis of these criteria, include: Coca-Cola, McDonald's, Marlboro, Disney, Intel, Nokia, Toyota, Google, Microsoft and General Electric. The seven factors that influence the strength of a brand will now be discussed.

### Market leadership
A brand that is a market leader is a more stable and more valuable possession than a brand with a lower ranking. If market leadership cannot be obtained in the existing market, possibilities may be sought to profile the brand in smaller markets. In these markets the innovative features and the brand identity can lead to a competitive advantage. In the mass beer market, where brands like Heineken, Amstel and Grolsch rule the roost, the Belgian brand Hoegaarden has managed to establish a strong position in a small (part) market with its white beer.

### Stability
Long-established brands that have acquired consumer loyalty and have become part of the market structure, are particularly valuable. The build-up of brand loyalty depends heavily on marketing communication and a strict marketing discipline, which ensure that buyers' expectations are met. Sony and Mars are very different brands, but both create a reward for consumer loyalty, which is reflected in their marketing communication and the quality of their products.

### Nature of the market
Brands in the food and drinks market are intrinsically more valuable than those in the high-tech or clothing markets. The latter are vulnerable to technological developments and changes in fashion, but also to cheap imports from low-wage countries. Fashion houses such as Armani, Chanel and Yves St. Laurent have made their brands less vulnerable by extending their product ranges with accessories, perfumes and similar articles (brand extension).

### Internationalization
Brands that are present in foreign markets are worth more than national or regional brands. We are living in an increasingly small world. Satellite broadcasts and cheap travel result in fewer differences in taste, interests and expectations among consumers. Benetton, Heineken, Nike and McDonald's show that international brands need not be colourless.

### Trend
The long-term trend of a brand is an important factor. It is difficult, if not impossible, to change a brand image from one day to the next. Constant investment is required in market research, marketing communication and product development. Kodak's products, for instance, have undergone drastic changes in the last hundred years. The brand nevertheless enjoys continued market leadership because it has adapted to changing technology and exploited it for the benefit of consumers. Coca-Cola, on the other hand, has hardly changed its product since 1880. However, its image has been constantly adjusted through extensive marketing communication in order to keep the brand fresh and youthful. It is solely owing to this that Coca-Cola has been able to maintain its market leadership in spite of fierce competition.

### Support
Brands that have been invested in constantly and that have been given specific marketing-communication support are more valuable than brands that have had to do without. Consistent quality and constant marketing communication have brought rewards for Douwe Egberts, Heineken and Blue Band. There are, however, more than enough examples of brands like Verkade where consistency has been neglected and the brand identity has become diffuse.

### Legal protection
A registered trademark is a legally established sole right to a name, a design, a logo or a combination of these. Strong and wide-ranging legal protection is essential to establish the value of a brand. Adidas, for instance, is justifiably greatly concerned to protect its brand name, for this is the company's most valuable asset. The company has worldwide registrations for the name Adidas and the design of the three vertical stripes.

## 1.3.4 Packaging

Packaging

Packaging may create surplus value for a product. It has to meet a number of technical and communicative requirements. Packaging is meant to protect the product during storage and transport and maintain its quality. But it should also say something about the product and the brand. It may be an important means to distinguish the brand from others. In a supermarket consumers are confronted with thousands of products and hundreds of brands. Here the packaging is the message. It should not only draw consumers' attention but also tell them what sort of product and brand is involved. The packaging of cosmetics, for instance, may make it clear that the brand is exclusive or low-price.

### Carrefour's white labels
In the mid-1970s the French hypermarket company Carrefour introduced a number of cheap retailer brands (white labels). In order to emphasize the low price of these proprietary brands, white packaging was chosen, on which there was little more than the product type: for example, 'Coffee' on a packet of coffee and 'Sugar' on a packet of sugar. The white packaging gave the brand surplus value. Since then it has been replaced by multi-coloured packaging.

Producer brand
Retail brand
Private label

The packaging of retailer or store brands and producer brands has yet another communicative function. A retailer or store brand is also called a private label. The packaging may give consumers all kinds of product information. Pre-packaged foodstuffs, for instance, mention the product composition, sell-by date and instructions for use.

In practice the packaging of retailer brands is similar to that of well known producer brands. Retailers use this method to try to show that their retailer brand is just as good as the producer brands, but, of course, a lot cheaper. Although the packaging of retailer brands and producer brands is sometimes very similar, the rest of the marketing communication differs a great deal. For producer brands there is a great deal of thematic consumer advertising. For retailer brands on the other hand, the emphasis is usually on sales promotions (e.g. 'now with a 10% discount') and, obviously, on in-store communication. In the store the retailer brands will be given all possible attention; not just on the shelves but also on displays. Retailers make more money on retailer brands than on most producer brands.

Thus a brand is much more than a collection of physical features. Consumers buy products on account of the benefits they can derive from them. These benefits may be functional or psychological. Packaging, service, the brand image and marketing communication may give a product psychological surplus (emotional) value. In many cases this surplus value is decisive for brand choice, since, in a technical sense, product differences are often minimal.

Function of marketing communication

The function of marketing communication is to differentiate a brand and to give it a 'face of its own' or psychological value. Marketing without a face of its own is often possible only through cost cutting and underbidding competitors; it is only because of the low price that consumers are attracted. Adding psychological surplus value creates a basis for a better profit margin, both for producers and for retailers. Such a brand can afford to be higher priced.

## 1.4 Price and communication

Price and marketing communication are critical to the success of marketing policies. Consumers have become much more price-conscious, as witnessed by the expression: 'Poor people need low prices. Rich people love low prices.' A number of producers, including Procter & Gamble, and retailers such as Aldi use a policy of constantly low prices ('everyday low prices'). Other suppliers work with 'special offers', i.e. temporary price cuts.

The price at which a brand is offered also has a communication function. It is often difficult for consumers to judge the quality of a product and price is often used as an indicator of quality. Producers of quality brands look on in dismay when retailers sell them at rock-bottom prices. It is also very common in the retail trade not to work in round figures. It is assumed that €19.95 looks much cheaper than €20, which crosses a psychological price threshold. Even when purchase prices are high, this method is employed. Jewellers and car dealers usually do not round off their prices either. An exclusive watch may have a price tag of €9,995 instead of €10,000; a car does not cost €26,000 but €25,955.

Prestige prices

Another example of psychological pricing is the use of prestige prices. Brands that consumers buy because of the status they have naturally come with a high price. There is positive elasticity of price here. The high price makes the brand exclusive. Without the high price part of the attractiveness of the brand would be lost. The clothing brands Versace and Gucci and cosmetics brands Giorgio and La Prairie are examples of such brands.

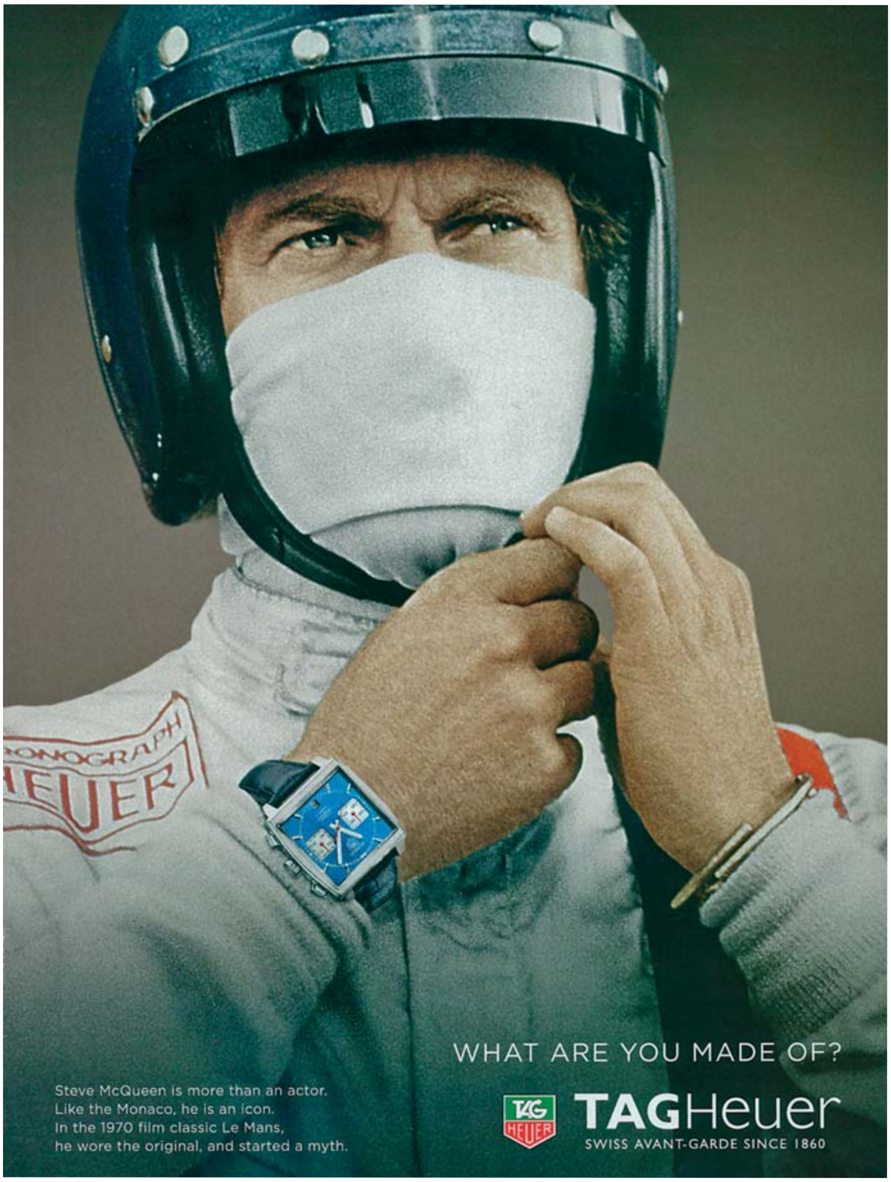
Price comparisons

Particularly in the United States much advertising contains price comparisons. In advertisements, TV commercials and other advertising messages, producers and retailers directly compare their prices with those of their competitors. One condition of this strategy is, obviously, that the different brands must be comparable.

### 1.4.1 Tension between producers and retailers

Producers and retailers tend to have different thoughts on pricing. Producers want a uniform price. They would rather not see any differences in price for their brand in different shops. Price wars may damage the quality image which they are building up through their communication. On the other hand, a discounter's strongest

Price wars




*A high price may turn an article into something exclusive and give it extra psychological value.*

weapon in his marketing communication is his price. It is often the only way in which he can distinguish himself from his competitors. Consequently, there is tension between the two parties.

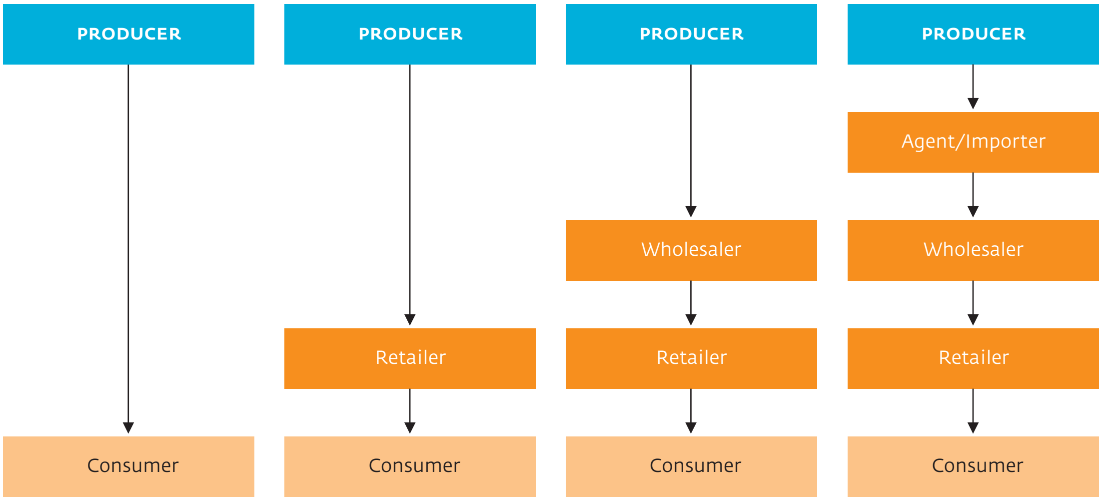
Producers attempt to ease this tension by means of recommended retail prices or by making 'arrangements' about minimum selling prices. This is only partly successful in practice. Few retailers stick to recommended retail prices. The electronics sector is a clear example of this. Mediamarkt and other chains decide for themselves at what price they want to sell various products. At best, the recommended retail price is used for comparative purposes – and the difference between the recommended retail price and the actual price is often so big that consumers find the former implausible.

## 1.5 Distribution and communication

Choice of distribution channels

The choice of distribution channels has a great deal of influence on marketing communication. Producers may decide to sell directly to consumers, as do Dell computers via the internet. The product offer, the pricing and the marketing communication policy are quite different from those of a producer that sells through retailers. The choice of distribution channels also has a great deal of influence in the long term. Once a choice has been made, it is difficult to reverse it in the short term. The usual distribution channels for consumer goods are shown in figure 1.4.

Figure 1.4 Distribution channels for consumer goods




Centraal Beheer (Achmea) and Avon are examples of producers that sell directly to consumers (direct marketing). This policy requires big marketing communication budgets. In its communication Centraal Beheer makes much use of the internet, TV commercials and advertisements in daily papers. Avon has decided to make use of personal selling, via consultants who visit consumers in their homes. However, these are exceptions. Most producers sell their products through retailers. In many cases this is more efficient than direct delivery. A drawback, though, is that producers will become partly dependent on the efforts of retailers to reach consumers through their marketing. If retailers do not provide the right follow-up to the communication effort that producers make to reach consumers, much of this effort will have been wasted. In the shop consumers must be confronted by the brand that they have seen at home in a TV commercial or advertisement. Part of the marketing communication budget, therefore, must be used to persuade retailers to co-operate.

Distribution channels for business-to-business products are usually shorter, as a limited number of potential customers are involved. The value of these purchases is usually high and a lot of technical know-how is required to sell the products. For this reason it may be attractive to producers of business-to-business products to sell directly to customers via representatives. As a consequence, personal selling is often the most important marketing communication method for business-to-business products (Logman, Matthysens and Van Raaij, 2000).

The nature of the shops where the brand is available have an influence on the marketing communication of producers. The shop image and the desired brand image of producers must correspond and, preferably, reinforce each other. The producer of a new cosmetics brand that is to be available only at De Bijenkorf or at Perfumery Douglas will create a marketing communication plan together with these shops. In it, much attention must be given to in-store advertising, as well as to thematic advertising in magazines. Among other things, there will have to be sales promotions in the shops in order to acquaint consumers with the new brand (demonstrations, sampling).

The number of shops in which the brand is sold also has an influence on the marketing communication. Most producers do not distribute their products themselves, because they cannot afford a large sales organization. Even General Motors – currently (still) the second largest carmaker in the world – cannot provide the capital for this and makes use of 18,000 independent dealers. According to a conservative estimate, the average value of these dealers is $3 million. If they wanted to take over these dealers, General Motors would therefore have to stump up $54 billion. Moreover, producers are usually of the opinion that independent agents, wholesalers and retailers are able to take care of the distribution process more efficiently than they are themselves. Producers usually cannot match the experience, specialization, contacts and large-scale operations of retailers. Most of them have concluded that they are better off making money by producing goods, and leaving distribution to others.

## 1.5.1 Types of distribution

Intensive distribution

Most sweets manufacturers decide on intensive distribution. Sweets such as Look-o-Look are made available in as many shops, kiosks and vending machines as possible. As a result, a large proportion of the marketing communication budget of sweets manufacturers is spent on developing attractive packaging and obtaining the optimum in shop presentation. For impulse-buying plays an important part in the sale of sweets.

Intensive distribution is also appropriate for numerous other convenience goods. Obviously, consumers want to buy these products with as little effort as possible. If the familiar brand is not available, they will have no qualms about buying a different brand. For this reason, producers try to influence the brand choice in shops by regularly organizing sales promotions. These sales promotions can take the form of a price cut, larger contents, a contest or a gift.

Selective distribution

Selective distribution is where a brand is available in a limited number of shops. Selection of these shops may be based on numerous criteria: for instance, on the basis of the shop formula, image and expertise. Selective distribution is used by cosmetics producers and expensive clothing manufacturers such as Burberry. In the marketing communication for these brands it is sometimes necessary to mention where the product is available.

Exclusive distribution

Producers who enter the market with a new product sometimes decide for exclusive distribution. In such a case the brand is available in only one shop in a designated area. By offering exclusive selling rights, it is hoped that an outlet for the brand can be found. Exclusive distribution is nearly always used for cars. Porsches used to be sold by many VW dealers. Porsche, however, has reduced the number of outlets – on the one hand to emphasize exclusivity, on the other to be able to provide good service in these outlets. A customer who has come to buy a Porsche does not want to wait while someone trades in his VW Polo. With this distribution strategy, too, it is necessary to announce the addresses of the outlets in advertising or on the internet.

### 1.5.2 Collaboration

By collaborating with producers, retailers try to reduce costs. This may involve streamlining the logistical process or asking producers to contribute to marketing communication costs. As a quid pro quo, retailers include the producers' brand in their TV commercials, advertisements or brochures and give it special attention in the shop.

Retailers who ask producers to collaborate (for a fee) in the field of marketing communication use a number of arguments:

- Optimal cooperation by retailers makes an essential contribution to the realization of the marketing communication objectives of producers.
- Thematic marketing communication of producers needs a follow-up in the shop. By means of an integrated approach to advertising, sales promotion, in-store communication and other marketing communication, synergy may be realized. In that case theme and action coalesce.
- By collaborating with the retail trade, producers can bring their products to the attention of consumers at relatively low cost – lower than, for instance, those of a TV campaign.
- Retailers and producers both have an interest in turnover growth.

Synergy

Albert Heijn, C1000 and other chain stores finance a large proportion of their communication budget with contributions by producers. Producers may have a twofold objective when collaborating in this way: stimulating turnover at retailer level and promoting good relationships with retailers.

In the first case, commercial collaboration is used to realize a rise in turnover in the short term. Producers complement their thematic advertising campaigns with actions in shops. In their own campaigns producers are building up their brand image. Through collaborating with retailers they cash in on this brand image, as it were. They tell consumers where and at what price the brand can be bought. Retailers are asked to include the brand in their advertisements and to support it in their shops. When doing this, producers do not assume that the retailers will lay up larger stocks. This in itself promotes higher sales, for the retailer usually will not leave the stock in the warehouse.

Producers reward retailers for all these activities with a contribution towards marketing communication costs.

An important second objective in collaborating in the field of marketing communication may be maintaining good relationships with the retail trade. In the longer term this especially concerns securing shelf positions. Advertising contributions and other reimbursements have become almost obligatory in some sectors and a fixed item in negotiations between producers and retailers. Retailers rely on these contributions, and producers who do not fulfil their expectations jeopardize the relationship.

Sometimes advertising contributions and other reimbursements are given only to secure a relationship with retailers, particularly if producers are strongly dependent on retailers. In that case, the advertising contribution is in fact an extra discount on the purchase price, and retailers use it as they see fit. The result is usually that the contribution is not used for extra support of the brand in the retailers' marketing communication. In such cases the advertising contribution obviously does not result in stimulation of turnover.

It also happens that retailers are asked for a financial contribution to the marketing communication of producers or importers. This occurs, for instance, in the automobile sector. For a fee, the name and address of the dealer are mentioned at the bottom of the advertisement.

Producers are especially interested in the sale of their brand. In principle they do not care in which shops consumers buy it. Retailers, on the other hand, have an interest in consumers buying from them. If profit margins are the same, retailers do not mind which brand consumers buy. This conflict of interests between producers and retailers may lead to problems in shared communication activities in particular (Floor and Schraders, 1983):

Conflict of interests between producers and retailers

- Retailers tend to include as many articles as possible in their advertising. This makes it impossible to devote a great deal of attention to each separate brand. Even brands for which producers make contributions sometimes get too little attention. In return for their advertising contribution producers do not get much more than a (small) picture of their product with a price attached.
- The marketing communication of chain stores is strongly action orientated. The design and wording of retail advertising is aggressive. The advertisements are full of (handwritten) slogans and prices in large print. This advertising policy may be contrary to the brand image. Particularly in the case of brands with a strong psychological value this may lead to problems.
- Chain stores that are involved in fierce competition will want to feature producers' cheapest brands in their advertising. Producers, on the other hand, do not want to advertise only their cheap brands, but also their more expensive brands.

These problems can be prevented only if clear agreements are made in advance. It must be established which products are to be included in advertisements and also how and when this should be done. Moreover, producers may help retailers by making product illustrations and texts available.

### 1.5.3 Seeking an identity

An important development in the retail trade is that shops have become more and more similar in recent years. Differences have become less and less significant. All boutiques look alike. Shoe shops, chemists' and off-licences have hardly any face of their own and supermarkets, too, are becoming more and more uniform. This trend can be seen in almost every sector. This is why marketing communication is one of the few ways in which many chain stores, just like many branded articles, can distinguish themselves. Through marketing communication a distinctive identity can be built up. Albert Heijn and IKEA are examples of companies that have been very successful in this. They do not only fill their advertising messages with actions. They also provide a thematic content. Moreover, they also use other marketing communication methods to create a difference. Examples are the attractive packaging of Albert Heijn's own brands and the many attention-grabbing sales promotions by IKEA. Partly on account of this, Albert Heijn and IKEA have gained a significant lead over their competitors.

These attempts to create a distinctive identity may be contrary to producers' interests. Chain stores will always give priority to their own identity, even if this to the detriment of producers. In an Albert Heijn shop it is virtually impossible for a producer to get a shop-in-the-shop, as Albert Heijn believes that these work against its own identity.

## 1.5.4 Contact with buyers

Personal selling

The nature of personal selling has seen great changes among producers in the past few decades. Negotiations that used to be conducted in shops now take place at the head offices of chain stores. The buyers or category managers differ from the old-style buyers on a number of points:

- They derive their knowledge not only from experience but also from training.
- They no longer operate as solo performers but in teams, together with, for example, sales, marketing, marketing communication and operations.
- They not only concern themselves with buying but also feel involved with sales. More and more often the two functions are united in one person.
- They no longer negotiate only about prices but also about marketing communication and other elements in the marketing mix.
- They possess a lot of information about consumers. 'Tall sales stories' from producers are more easily seen for what they are.
- They represent a large turnover potential and use this power in their negotiations with producers.

New forms of collaboration are needed. Producers should match their offers to the requirements of their important trading partners. Every important customer becomes a separate profit centre. Trade marketing and account management are entering the field, alongside consumer marketing and product management. An account manager of Unilever, for example, concentrates on one or a few customers, e.g. Albert Heijn, and then consults with Albert Heijn's category or assortment manager. Not only prices are discussed with him, but the entire marketing communication strategy for the product.

## 1.5.5 Push and pull

In approaching consumers and retailers a producer may, in principle, follow a push or a pull strategy, or a combination of the two.

Push strategy

In a push strategy producers aim their marketing (communication) especially at retailers. Retailers and wholesalers are worked on intensively by account managers and sales reps (communication streams B and C in figure 1.3). With extra discounts and other activities retailers are persuaded to include the brand in the assortment. The channel leading to consumers is filled to capacity. Producers assume that their brand will automatically be sold on to consumers. Retailers will do their best to bring the brand to consumers' attention. And in many cases the motto then is: 'Seeing is buying'.

Small producers will often decide for a push strategy at first. By supporting the retailers they can bring their brand to the attention of consumers. Riedel (Appelsientje) and Sorbo are examples of brands that have chosen this approach and, through close collaboration with retailers, built a strong market position. Appelsientje offered retailers the advantage of easily stackable, one-way packaging for fruit juices. Sorbo had a different proposition to retailers. By offering retailers

Service merchandising

service merchandising, they provided a solution to a problem that retailers are confronted with on an almost daily basis: the organization and stocking of shelves with small household articles, which are often far from ideal. Sorbo's service merchandising system enabled these to be improved. As a consequence, Sorbo became a welcome trading partner for many chain stores. Appelsientje and Sorbo were imitated by other suppliers and, in order to defend their market position against these newcomers, both brands started to use marketing communication on a large(r) scale to reach consumers. By strengthening their position at the consumer level as well (pull strategy), they made it more difficult for chain stores to start collaborating with other suppliers. It helped that a brand preference was growing among consumers.

Pull strategy

In a pull strategy producers aim their marketing communication directly at consumers, disregarding retailers (communication stream A in figure 1.3). With advertising campaigns, sales promotions and other marketing communication activities they try to create a brand preference among consumers. If this is successful, retailers will have customers asking for the brand. In order not to lose customers, retailers will order the brand from wholesalers or producers. The communication streams D and C will then go in the opposite direction (figure 1.3).

By means of activities at consumer level, retailers are put under pressure to include brands in their assortment. In order to give retailers the feeling that they cannot do without the brand, however, marketing communication budgets of many millions are necessary. The introduction of Hertog ice-cream by Unilever and of Head & Shoulders and Punica by Procter & Gamble are examples of pull strategies. These are powerful producers who can also bring pressure to bear on retailers (push) and sometimes have other ties with chain stores because they produce retailer brands, for instance.

As a result of developments in the retail trade, however, producers must increasingly take retailers' requirements into account. Achieving the right shelf position often requires a large proportion of the available marketing communication budget. As a matter of fact, even the very strongest brands no longer succeed in 'forcing' the desired shelf position through a pull strategy only.

Producers of these brands, too, will have to meet the demands of retailers by means of advertising contributions and other incentives. Procter & Gamble, for instance, has drastically changed its marketing strategy. Until a few years ago, it relied heavily on pull activities; nowadays it is careful to take into account the demands made by the retail trade.

Choosing between a push and a pull approach has consequences for the marketing communication strategy. In a push strategy the emphasis in marketing communication lies on personal selling (through office and field staff) and on trade sales promotions. In a pull strategy producers will concentrate on consumer advertising and consumer sales promotions.

In the case of new products a push strategy is often necessary to get the product on the shelf in the shop. Once the brand has been included in the shop's assortment, a pull strategy is used to create and maintain demand for the brand among consumers. Push and pull strategies are then used in combination.

## 1.6 Transaction and relationship

The marketing mix discussed in this chapter is often aimed at transactions between supplier and customer. At issue here is the short term, the immediate sale. Suppliers have to confront their customers with their brand again and again, so that they remain satisfied and will return for repeat purchases.

In recent years attention has emerged for the relationship between supplier and customer. In many cases this relationship is long-lasting and we speak of brand or store loyalty of customers. This relationship or bond is based on business and personal considerations.

Bonds on a business basis

Business considerations for a bond ties on a business basis with a brand, from the point of view of customers, could be:

- Avoiding the risk of poor quality: customers are sure of a certain quality;
- Certainty of availability: customers know that the brand is available when they need it;
- Convenience and avoiding the cost of searching: customers do not have to think again and again and look for a suitable brand or product;
- Avoiding 'costs of switching': getting used to a new supplier takes time and effort;
- Customers know that suppliers will generally make greater efforts for 'regular' customers than for 'casual' ones;
- Products and services are delivered to customers' specifications;
- Some products and services are of a 'longitudinal character' such as a subscription to a newspaper or a membership of a book club;
- Some products require maintenance and after-sales service;
- Products or services with vertical integration of systems, often in the business market; suppliers of spare parts, for instance, have adjusted their deliveries to business-to-business customers' production processes.

Emotional grounds for bonds

There are also emotional grounds for bonds among customers:

- Need of confidentiality, such as the relationship with a GP or a bank;
- Need of personal communication such as in a relationship with a doctor or an accountant;
- Need of association and identification: customers like to associate themselves with a prestigious brand, e.g. American Express. The reputation of the brand, therefore, is very important. For this reason American Express does not speak of customers, but of 'members'.

For retailers as well as producers it is important to develop strong and long-lasting relationships with customers. Loyal customers are more profitable than casual customers because they buy more, they are less sensitive to price fluctuations and they pass on their satisfaction with the organization and its products to others. Moreover, practice shows that it is cheaper for an organization to get existing customers to spend more than to attract new customers. In order to know/recognize existing customers better, customer databases are made. In order to retain customers and have them spend more, all kinds of loyalty programmes have been developed. The Air Miles programme, which is contributed to by Albert Heijn, Vroom & Dreesmann and Shell, among others, is an example. Another is the Flying Blue programme of Air France–KLM. Travellers who regularly fly with Air France–KLM get miles, which they can exchange for flights. The more they fly Air France–KLM, the more free flights and other benefits they receive.

Transactions

Two Rs and an E

In the context of relationships, transactions take place. The outcome of these transactions, and particularly the satisfaction with these transactions, may strengthen or weaken relationships. As well as the marketing mix with the four Ps there are the two Rs and an E (reputation, relationship, exchange) (Storm, 1992). Companies with a good reputation can easily start relationships with customers, in which transactions (exchanges) take place. A good reputation may be obtained by product achievements, PR or corporate and marketing communication. This reputation filters through the relationships and transactions with customers.

## Summary

In this chapter the major developments in marketing have been discussed. Producers and retailers are forced to position themselves clearly and to distinguish themselves clearly from competitors. Consequently, marketing communication has become more important. The communication options are wide-ranging on account of the availability of many marketing communication methods and media.

There has been a development from transaction to relationship marketing. In this, the relationship with and the retention of customers is a central issue. Customer information is kept in a database and used to approach customers on a more personal basis.

Brand awareness has increased. The development and strengthening of brands has become more important. A strong brand is an exceedingly valuable possession for producers and retailers. The factors that influence brand value are brand image among consumers, market leadership, packaging and especially support through marketing communication. Consequently the brand policy and the choice of brand name are of crucial importance. The brand image is the image that consumers have of a brand. It comes into existence through personal experience with the brand and/or through marketing communication.

A brand has various functions for companies: distinction, continuity, higher price, easier product introduction and greater independence from the retail trade. For consumers, too, a brand has several functions: distinction and recognition, buying convenience and a psychological function (brand image).

Products and services differ greatly. Consumer markets differ considerably from business-to-business markets, not least in communication streams and types of communication. Various types of goods are distinguished: convenience goods, preferential goods, shopping goods and specialized goods. The distribution of and communication strategy for these goods differ considerably.

There are various communication streams between producers, retailers and consumers. These forms of communication must be integrated. A distinction that is often made is between push and pull strategies. In a push strategy the retailers are worked on so that they will include the product in their assortment. In a pull strategy, consumer preferences are created. The ideal strategy is a combination of push and pull. A successful campaign also needs good cooperation between producer and retail trade.

Price has a communicative value as well. A high price suggests exclusivity and high quality. Also remember the psychological price thresholds: products are often priced just below them (e.g. €19.95) in order to make the expenditure look less significant to consumers.