

Value Drivers, Value Links and Key Performance Indicators of Marketing Communication

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1. Marketing Communication in the Corporate Strategy Map

In the Kaplan/Norton corporate Strategy Map, the production and logistics processes, customer management processes, innovation processes and regulatory/social processes are drivers of corporate success.

Drivers of customer value proposition in the customer perspective are price, product/service quality, availability (distribution policy), selection and functionality of the products/services. Other factors contributing to the customer value proposition apart from these product/service attributes are customer relations – with service and partnership factors – and brand image.

Both customer relationships and brand are essentially forged by marketing communication. Marketing communication in this context – in particular to distinguish it from corporate communications – refers to product and service-related communication, i.e. targeted communication of the **benefit** of products and services for target groups, with a particular emphasis on the unique selling proposition (USP) distinguishing the company's products and services from those of rivals. The marketing communication mix is the term used to denote the combination of the communication tools of advertising (above- and below-the-line), sales promotion, personal sales, direct marketing, trade shows and exhibitions, sponsoring and PR.

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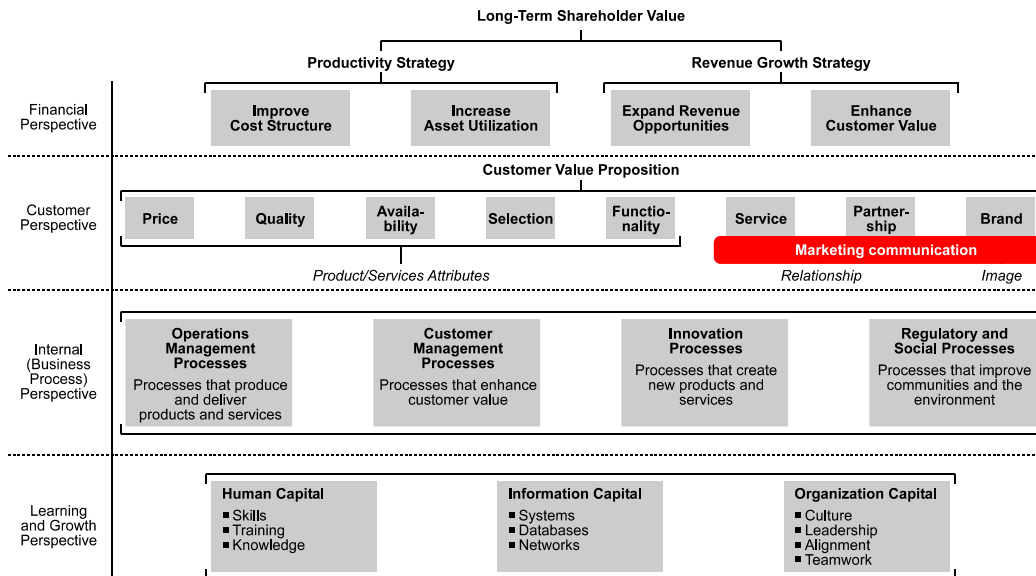
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Corporate Strategy Map



(Kaplan/Norton 2004)

2. Value Drivers and Value Links

The fundamental objective of marketing communication is to communicate the benefit of products and services to the market, whilst underlining the uniqueness (USP) that makes the company's offerings stand out from those of rivals. The marketing communication process takes place in various stages.

The first aim of marketing communication process is always to draw attention to the media employed, i.e. *advertising/PR awareness*. Generating attention is the prerequisite for enabling potential purchasers to become *aware* of the marketed product/service and accumulate *knowledge* about it. The generation of *brand awareness* is hence a basic driver of marketing communication.

The target population simultaneously gathers experience in the use of the products/services. The *perceived experience* gained by a buyer/consumer in respect of purchase/consumption, i.e. the contrast between communicated customer benefit and reality, is instrumental in determining the intensity and direction of the customer's knowledge about the product/service. The perception of this experience will certain-

ly also be compared against the *perceived social norms* in the area in question. As a part of experiencing the product/service (through their own use/purchase or that of others), social endorsement/gratification of purchase/consumption also influences perception of the product/service and the brand.

As the consumer will compare the perceived experience of the product/service with the claims made in the communication of it, the perceived experience determines *customer satisfaction*, but at the same time it also largely determines the depth and breadth of the target person's knowledge of the product and the *credibility* of the claims made in its regard. Customer satisfaction is also a major factor determining the *readiness to recommend* the product/service to others.

Customer satisfaction (largely determined by perception of the performance attributes), recommendations of opinion leaders relevant to the buyer/consumer, knowledge about the product/service, and credibility of the communicated claims – promise to the customer – are the key drivers of the *image of the products/services* – and, for brand-oriented markets, the *brand image*. Another key determinant of the image of the product/service is the *image of the product/service provider and umbrella brand*.

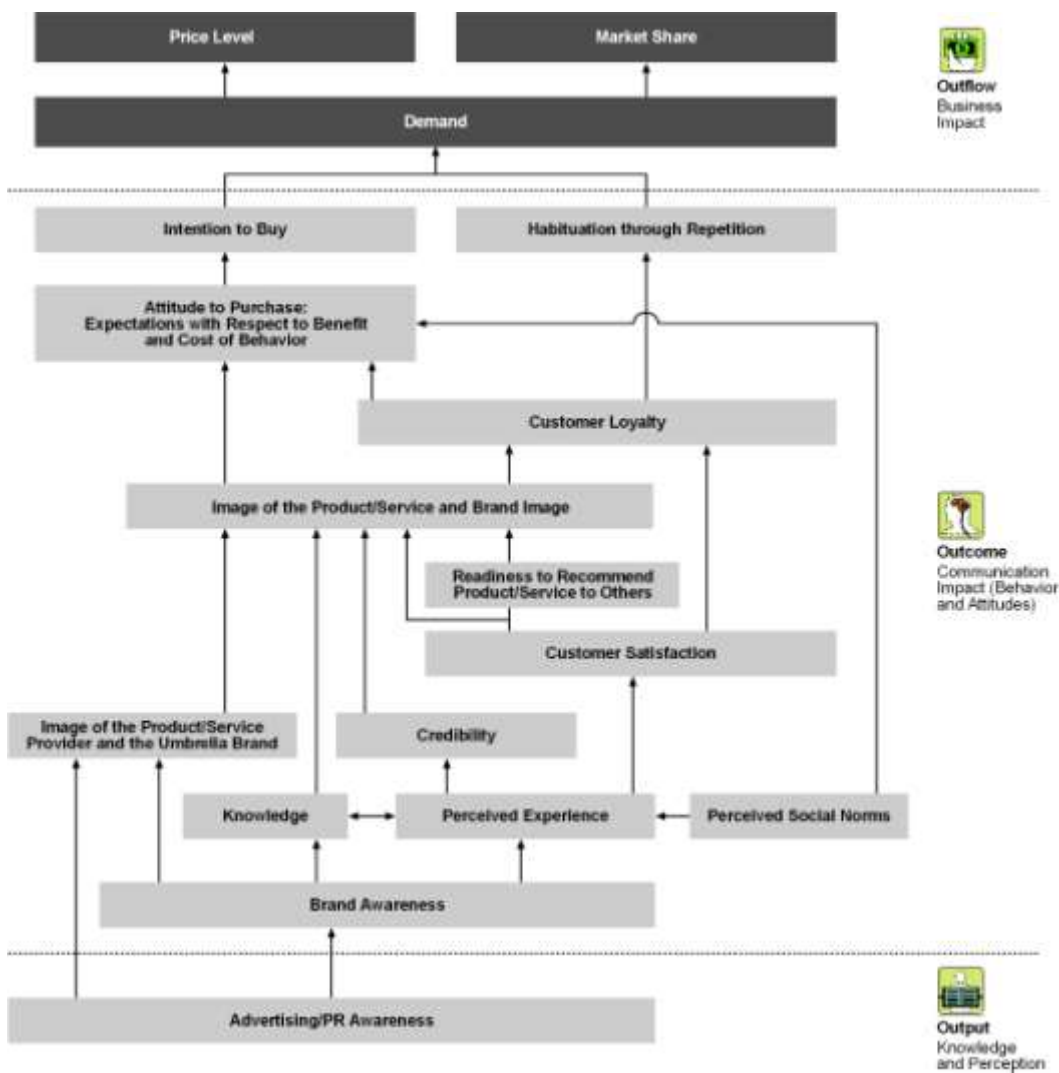
The image of the product/service together with satisfaction with the product/service influence *customer loyalty*. The latter ideally results in *habitual use* and repeat purchases.

The potential buyer also has image-driven *attitudes with respect to possible purchase/non-purchase*. As research on the issue of attitudes and behaviors suggests (Bierhoff 2006), a given behavioral intention – such as the purchase of a product – is influenced to a major extent by the subject's expectations of their own behavior and its consequences, but also in terms of the support or endorsement of their behavior in the subject's social environment. Marketing communication must therefore not only convey practical utility aspects, but also reinforce the personal meaning (= individual difference gains) and social endorsement/gratification (= general acceptance or reward) of using the product/service. These attitudes may produce the *intention to buy*.

In various mixes, intention to buy and habitual repurchase are the drivers of *demand* – and thus the drivers of an increase in *market share* and/or *price*. Thus the outflow level is achieved.

Depending on market mechanisms, business model, distribution structures and operational marketing targets, these outflows may also have added effects such as increased product trials, more repurchases per unit of time, or sociodemographic restructuring of the customer base (e.g. reduction in average customer age).

Value Drivers and Value Links of Marketing Communication



(JP|KOM 2006)

3. KPIs and Markers

The following **outcome indicators** (Key Performance Indicators, KPIs) have been established for a number of decades on a global scale as practical criteria to assess the success of marketing communication.

Advertising or PR awareness. This indicator targets intensity of perception, in turn a prerequisite for the acquisition of knowledge (understanding) by target groups and for the credibility of marketing communication. Advertising or PR awareness is measured both on a brand-specific and media-specific basis. It is expressed in percent awareness among the target population, prompted and unprompted.

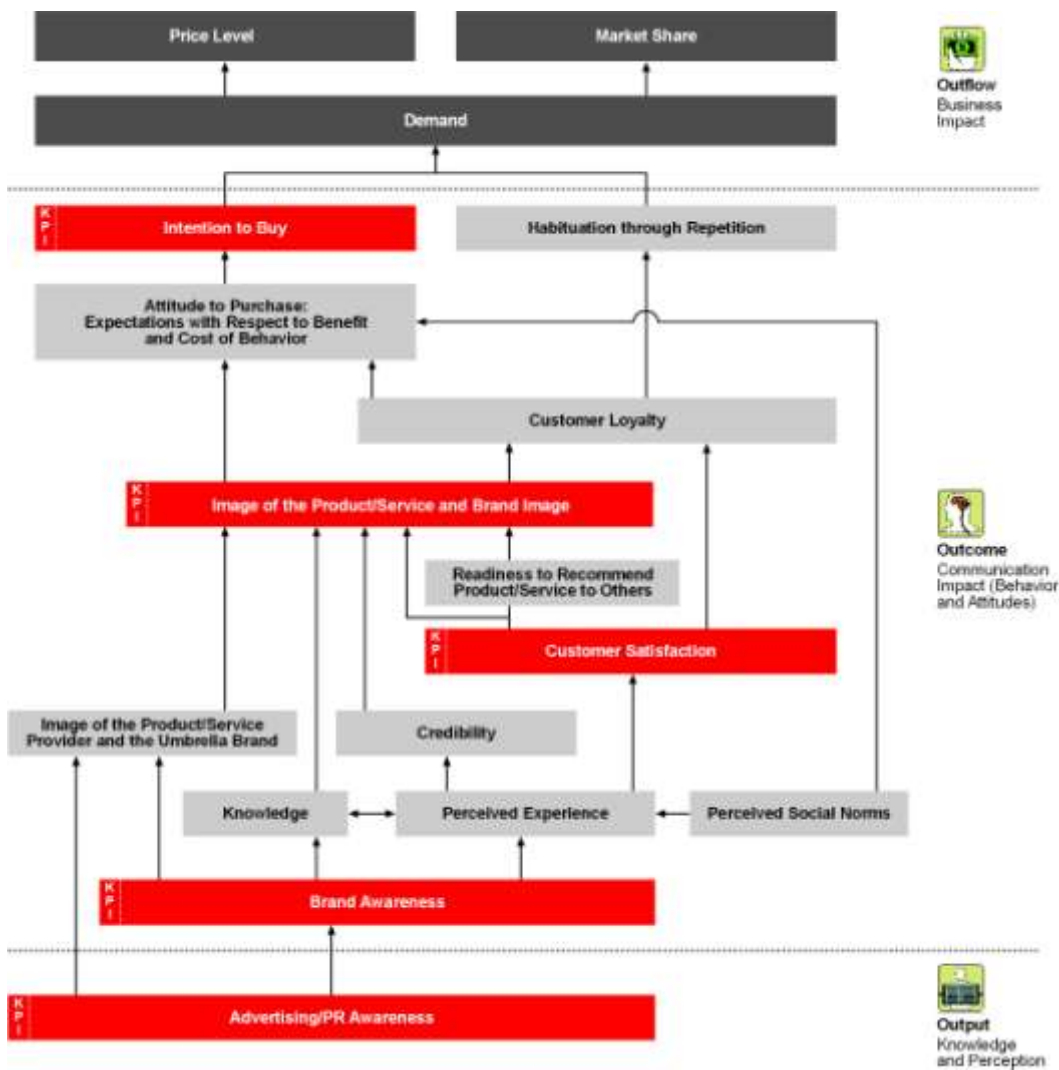
Brand Awareness. Brand awareness is a fundamental value driver for marketing communication of any kind. A person who is unaware of a product or service cannot accumulate knowledge of it, cannot experience it first hand, and cannot form an image of it. Brand awareness is generally investigated unprompted and then prompted. It is measured in percentages among the target group and – as opposed to advertising or PR awareness, which can show major fluctuations within relatively short periods of time – reflects the long-term impact of marketing communication measures.

Customer Satisfaction. It is questionable whether customer satisfaction can be drawn upon as a KPI for the success of marketing communication. Customer satisfaction is more of a measure of the perception of a product by customers who have already used the product or service. One thing is clear: satisfied target customers are relevant as repeat buyers, and thus help to stabilize market share. They also support expansion of market share by recommending the product to others. The same applies mutatis mutandis for dissatisfied customers. Customer satisfaction is investigated in customer surveys – in comparison with the peer group and/or by historical comparison. The markers are expressed as degree of fulfillment per unit of performance (weighted or unweighted) in terms of the difference between the product/service claim and the product/service as perceived by customers.

Purchase Intention. Intention to buy is an indicator of the brand sympathy achieved and represents the cumulative impact of the above two factors. Nevertheless, a (subjective) intention to buy does not directly equate with (real) purchasing behavior. Market research experts therefore use panel surveys for forecasting purposes. The first panel wave generates intention-to-buy statements and subsequent waves measure those statements against actual purchasing behavior, whilst taking oth-

er factors into account (e.g., differentiation between new and saturated markets). There are a number of ongoing studies which provide fairly comprehensive information on intentions to buy, the outcomes of which can be used as benchmarks for individual products/services/brands.

Value Drivers, Value Links and KPIs of Marketing Communication



(JP|KOM 2006)

Effects on the **Outflow level** – demand, pricing and market share – are not primarily communication-driven. Predominant factors here are those pertaining to sales and distribution activities, and consumer behavior

(e.g. habit). As such, the business factors demand, pricing and market share define the target horizon of the impact of communication, but cannot be KPIs of marketing communication.

In addition, advertising impact indices developed for the output and outcome level have been elaborated for some time now into more complex models of advertising impact. Current examples of these advertising impact indices in Germany are: Ad Trend (Seven One Media), NIKO Index (NIKO Media Research GmbH), Advertising Impact Panel (Gruner & Jahr).

Image. A number of recognized and transparent methods and corresponding measurement concepts are available for investigating the image of products/services and brand image, including:

- Brand Performance System and Image Planner (ACNielsen)
- Brand Assessment System (GfK)
- Image Profiles (TNS Infratest and others).

Most parameters for measuring image are not internationally benchmarked. Images are primarily measured as part of brand assessment via image profiles. This process compares and contrasts the nominal and target profiles of brands.

On the dense **Outcome level**, models are in use which condense the various value drivers of marketing communication into an index. Examples in Germany are the Brand Potential Index (BPI) of the GfK which is composed of brand loyalty, acceptance for higher price, perceived quality, brand awareness, uniqueness, brand affinity, brand trust, brand identification, readiness to recommend to others, intention to buy and the Communication Strength Indicator of the Brand Control Communication Information System (CIS) which includes all marketing communication tools and their effects.

Task Force “Value Creation through Communication”

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