

The dynamic changing nature of business environment marketing essay



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The dynamic changing nature of business environment has necessitated the continuous development and refinement of an organisational strategy encompassing its product or services, operational activities and most significantly the marketing communications. Marketing orientation (the customer oriented business philosophy) has set customer needs and satisfaction as the utmost priority of an organisation. Organisations now sought to seek a competitive edge by establishing superior brand image. According to Asia Market Research (2003), it is due to the proposition that consumers buy not only a product (commodity), but also the image associated with the product, such as power, wealth, sophistication, and most importantly identification and association with other users of the brand. A company's inability to maintain its desired differentiation or meeting basic expectations of performance standards, lapses in technical quality, culpable accidents affecting the safety of individuals, poor service potential or unethical conduct, etc. cause negative publicity of its brand which leads to an adverse impact on its brand image.

Although, a negative publicity influences consumer purchasing behaviour, an adequate reaction to such crisis can prevent the negative brand reputation kept to a minimum. An inadequate reaction may result in much negative publicity, whereby consumers will never or hardly ever buy the respective branded article again (Riezebos, 2002). In order to recover the brand from a colossal damage caused by such a crisis and prevent forming further rumour, a reliable, unambiguous and comprehensive message should be communicated to the public. The message should express the organisation's

concern regarding the crisis and should contain information on its efforts to recover from that crisis.

However, most popular forms of communication mix such as advertising, personal selling, direct marketing, sales promotion, etc. have loosened public confidence because of their superfluous exploitation and therefore can not be relied on to attain greater attention of the targeted audience in such a sophisticated brand crisis communication. Moreover, the extent of information supplied through these mediums is not adequate for changing public opinions. In this context, public relations (PR) is the sole medium which is perceived to be relatively unbiased and effective in establishing direct communication with the mass. During a brand crisis, PR assists an organisation to present a matter in its own point of view and creates a platform to apology to the public for any mistake. Apart from that, properly planned PR initiatives extend the ground for communicating with target audience of an organisation and thus reduce the risk of adverse impact on its brand reputation. This provides the context for an increased importance and emphasis given by brand managers on exploiting the deliberate potential of public relations to assist in protecting, differentiating and upholding an organisation's brand image.

Rationale for the Chosen Topic

There have been a limited number of researches carried out into the role of public relations in brand image crisis management. Although, some researchers have put emphasis on the effectiveness of public relations in brand image crisis communications, most of them have considered it as a secondary function in line with other areas of marketing communications. In <https://assignbuster.com/the-dynamic-changing-nature-of-business-environment-marketing-essay/>

a literature, Grunig et al. (2002) tried to establish PR as an independent corporate communication function and claimed its attitudinal superiority over other areas of marketing communications. Kotler and Armstrong (1996) have also acknowledged the significance of public relations over other communications mix in crisis management by stating that “ consumers are five times more likely to be influenced by editorial coverage than by advertising.” (p. 617). However, none of these researchers has attempted to provide considerable evidence to support the credibility of PR in brand image crisis management.

Therefore, this study is vital to fill up this substantive research gap. The study will evaluate the significance of PR campaigns in upholding a brand’s reputation during image crisis. The research findings will aid the decision making of managers who are responsible for corporate communications, marketing or branding. Besides, this will provide them with the guidance to determine the appropriate actions to be taken when a crisis hits the brand image. Most importantly, the study will direct an organisation to allocate PR budget within its communications expenditure. Moreover, this will help managers to identify suitable PR programs or techniques for different nature of image crisis. Last but not least, the study will provide implications of best practice between in-house PR practice and hiring a PR consultancy.

Statement of the Problem

The principal intent of this study is to establish that organisations now a day prefer to undertake public relations campaigns than other marketing communications mix whenever a crisis hits their brand image. The motive behind such preference might be that, people (i. e. the targeted audience of <https://assignbuster.com/the-dynamic-changing-nature-of-business-environment-marketing-essay/>

a PR campaign) perceive the medias and techniques used in a PR campaign to be relatively unbiased source of information than other widely used communications mix such as advertising, sales promotion, personal selling, direct and interactive marketing, etc. So, the information delivered through PR programs is positively accepted by public. Therefore, an organisation can easily achieve its crisis communications objective i. e. restoring the brand image through addressing negative issues in positive manner or apologizing to the public if necessary. However, among a variety of PR programs and techniques, the most persuasive one need to be identified and consequences of both in-house PR practice and hiring a PR consultancy should be addressed.

Research Questions

Answers to the following questions are desirable in order to accomplish the research goal:

Is there any shift in the preference and usage of public relations in brand image crisis communications?

If such a shift has taken place, how much increase has there been in various organisations' public relations budget?

Is public relations credible in defending negative publicity during brand image crisis? To what extent is it effective than other channels of marketing communications in influencing public opinion and restoring a brand?

Which specific type of PR program or technique is considered most persuasive for changing consumers' perception? What are the underlying reasons for such consideration?

Which one does an organisation regard as best practice for crisis communications? Holding an in-house department for PR practice? Or hiring an external PR consultancy? What dominates its choice of best practice?

Research Aims & Objectives

The significance of the proposed study rest on the following five issues:

To analyse the degree of preference given to PR as a brand image crisis communications function in different organisations;

To determine the level of shift in various organisations' PR budget;

To evaluate the credibility of public relations in defending negative publicity during brand image crisis and to compare its effectiveness with other channels of marketing communications in influencing public opinion;

To identify the most persuasive PR program or technique among various practices for changing consumers' perception.

To establish the best practice between holding an in-house department for PR practice and hiring an external PR consultancy;

Structure of the Dissertation

Chapter 2

Literature Review

Provides a review of the relevant previous research, literature and assumptions primarily consisting of various models, theories, analysis, organisational practices and practitioners' remark regarding public relations, brand image crisis, etc. In a whole, this chapter provides a conceptual framework of the study.

Chapter 3

Methodology

Discusses chosen research method to achieve research aims and objectives (i. e. research design, sampling method, data collection procedure, analytical techniques, ethics, reliability, validity and the pattern of presentation of gathered data).

Chapter 4

Findings, Analysis & Discussion

Present the gathered data with relevant analysis. Provides a comparison between the findings and the emerged frame of reference of this study and summaries research findings in light of research questions.

Chapter 5

Conclusions & Recommendations

Includes summary, comment, recommendations and implications for organisations, limitations of the study and scope for future research.

Chapter 2

Literature Review

This chapter provides a critical review of the previous research, literature, assumptions and organisational implications which are relevant to this research. In light of related theoretical models, issues, concepts, analysis, organisational practices and practitioners' remark, it presents a conceptual framework of the study. The literature review is divided into seven major sections:

Marketing Communications Mix

Public Relations (PR)

Brand

Brand Image Crisis & Its Impact

Role of Public Relations in Brand Image Crisis Communications

Ethical Issues in Public Relations

Summary

Marketing Communications Mix

Marketing communications mix refers to the various channels used to communicate a promotional message of a company's offerings to the target customers. According to Rowley (2006), an appropriate marketing communications mix is fundamental to achieve the objectives of any given promotion strategy. Lancaster, Massingham and Ashford (2002) states that,

the basic purpose of different communication modes is to communicate with customers in order to persuade them to buy the company's products. Among various modes of marketing communications Kotler and Armstrong (1996) defines five major channels as following:

Advertising: Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Sales Promotion: A variety of short-term incentives to encourage trial or purchase of a product or service.

Public Relations & Publicity: A variety of programs designed to promote or protect a company's image or its individual products.

Personal Selling: Face -to-face interaction with one or more prospective purchaser for the purpose of making presentations, answering questions and procuring orders.

Direct & Interactive Marketing: Use of mail, telephone, fax, e-mail or internet to communicate directly with or solicit response or dialogue from specific customers and prospects.

Public Relations (PR)

Defination

Public relations practitioners and scholars hold different assumptions in terms of defining and describing the purpose and effects of public relations. According to the Chartered Institute of Public Relations (2008), " Public relations is the discipline which looks after reputation, with the aim of

earning understanding and support and influencing opinion and behaviour. It is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics". This definition provides an idea that public relations is one of the corporate communication functions that focus on establishing a superior brand image of the organisation or its products or services. Kotler and Armstrong (1996, p. 616) defines public relations as " a variety of programs designed to promote or protect a company's image or its individual products". According to Grunig (1992), some scholars describe public relations as " dissemination of information", " resolution of conflict" or " promotion of understanding" (p. 4). He suggests an academic definition for public relations as the " management of communication between an organisation and its publics". McElreath (1996) describes public relations as " a management function that uses communications to facilitate relationship and understanding between an organisation and its publics" (p. 3). Cutlip et al. (2000) defines PR as " the management function that establishes and maintains mutually beneficial relationships between an organization and the publics on whom its success or failure depends" (p. 6). Again, Stanley (1982) states it as a " management function that determines the attitudes and opinions of the organisation's publics, identifies its policies with the interests of its publics, and formulates and executes a programme of action to earn the understanding and goodwill of its publics" (p. 40).

However, all these definitions took the organisational point of view in describing public relations function. Johnston and Zawawi (2003) describes PR as " the ethical and strategic management of communication and

relationships in order to build and develop coalitions and policy, identify and manage issues and create and direct messages to achieve sound outcomes within a socially responsible framework” (p. 6). Jane, Morgan and Summers (2005) provides a definition stating the role of public relations in management: “ Public relation is defined as a management function that evaluates public attitudes, identifies the policies and procedures of an organisation with the public interest and executes programs of action (and Communication) to earn public understanding and acceptance” (p. 178)

Some management educators and professional managers equate communication with techniques such as the writing of reports or letters, interpersonal communication, or publicity and media relations. They eliminate the term “ Public Relations” from their policy and create new titles for the functions such as “ public affairs”, “ issues management”, “ corporate communications”, or “ external relations”(Grunig, L. A., Grunig, J. E and Dozier, D. M., 2002).

Definition of “ Public” in a PR Campaign

A public relations campaign must not always be targeted at customers. It can be aimed at any individual or group irrespective of age, gender, profession, group, social status, etc. According to Kotler and Armstrong (1996, p. 616), “ A public is any group that has an actual or potential interest in or impact on a company’s ability to achieve its objectives.” The intended audience for the campaign can be any one from the stakeholder groups. The purpose of public relations campaign is to assist organisations in building relationships with the publics from the several categories of stakeholders (Grunig, L. A., Grunig, J. E and Dozier, D. M., 2002). Lancaster, Massingham <https://assignbuster.com/the-dynamic-changing-nature-of-business-environment-marketing-essay/>

and Ashford (2002) describe the following stakeholders as “ publics” targeted at a PR campaign:

The Community

Employees

The Government

The Financial Community

Distributors

Consumers

Opinion Leaders

Electronic & News Media

Brand

Definition

The predominant concept of the brand can be traced back to product marketing where the role of branding and brand management has been primarily to create differentiation and preference for a product or service in the mind of the customer (Riezebos, 2002). The American Marketing Association defines a brand as “ a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors” (Kotler and Armstrong, 1996, p. 418). Branding is an integrated part of Marketing and an essential expertise of a professional marketer is the ability to build, sustain, defend and increase brand image. Another definition goes with the customers’ perspective: “ a product or service, which a customer

perceives to have distinctive benefits beyond price and functional performance” (Knox et al. 2000).

The process of developing a brand is called “ Branding”. According to Randall (2000), “ Branding is a fundamental strategic process that involves all parts of the firm in its delivery. It is about marketing, but is not confined to the marketing department. The brand must always deliver value, and the value must be defined in consumer terms.” Mathieson (2005) describes branding as the means by which an organisation builds a compelling consumer experience that distinguish the company’s offerings from the competition, generates sales and/ or creates an emotional bond with customers. Kapferer (2004, p. 38) symbolizes the term “ brand” to six levels of meaning:

Attributes: A brand brings to mind certain attributes. Mercedes suggests expensive, well-built, well-engineered, durable, high-prestige automobiles.

Benefits: Attributes must be translated into functional and emotional benefits. The attribute “ durable” could translate into the functional benefit “ I won’t have to buy another car for several years.” The attribute “ expensive” translates into the emotional benefit, “ The car makes me feel important and admired.”

Values: The brand also says something about the producer’s values.

Mercedes stands for high performance, safety, and prestige.

Culture: The brand may present a certain culture. The Mercedes represents

German Culture: organised, efficient, high quality.

Personality: The brand can project a certain personality. Mercedes may suggest a no-nonsense boss (person), a reigning lion (animal) or an austere palace (object).

User: The brand suggests the kind of consumer who buys or uses the product. We would expect to see a 55 year-old top executive behind the wheel of a Mercedes, not a 20-year old secretary.”

Figure 2. 2: Burnett Model of Brand Dimensions Source: Randall, Geoffrey (2000), Branding: A Practical Guide to Planning Your Strategy, 2nd rev edn, Kogan Page Ltd, London, p. 7

Differences

Essence

Personality/ Image

Source

What is it?

What is it for?

What does it do?

How is it better?

How is it different?

What does the company stand for?

What is the aim?

How do people

feel about it?

Do they like / respect it?

Functions Brand Identity

Kapferer (2004) presents a comprehensive study of brands and proposes the idea of brand identity. He indicates the most important parts of brands that make up the whole: name, logo, design, packaging, etc. which he describes individually as brand identity. Schultz and Bailey (2000) describe brand identity as the outward manifestation, name and visual appearance of the

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brand that distinguish customers' identification and perception of a product or services.

Brand Image

The term “ brand image” depicts the perception of the brand in the mind of the consumers. According to ESOMAR (2006), “ The total impression created in the mind of a potential consumer by a brand and all its functional and emotional associations. The total image can be seen as the sum of several images such as the product, user, occasion, service and personality images.” Customers hold “ a set of brand beliefs” which makes a brand stand alone to other. The “ set of beliefs about a brand make up the brand image” (Kotler and Armstrong, 1996, p. 206). Yadin (2002) defines brand image as perception of market of the brand identity. However, Mooij (2005) suggests that the brand image is not necessarily the same as the brand characteristics the marketer uses to build the brand identity. He points out that many global brands that desire a consistent brand identity and hope this will result in a consistent brand image end up with different brand image across cultures. According to Rugimbana and Nwankwo (2003), a company's history, style and dynamism are often the determining factors in creation of a brand image. Kotler and Armstrong (1996) again claim that consumers' brand image vary with their experiences as filtered by effects of selective

Brand Identity

Sender

Messages

Receiver

Signals transmitted:

Products

People

Places

Communication

Brand Image

Other sources of Inspiration:

Memory

Opportunism

Idealism

Competition and Noise

perception, selective distortion and selective retention.

Figure2. 3: How Brand Identity Characterize Brand Image by Kapferer, J.-N. (2004) Source: Kapferer, J.-N. (2004), Strategic Brand Management, Kogan Page, London, p. 98

Brand Image Crisis & Its Impact

As stated in the first chapter, a company's inability to maintain its desired differentiation or meeting basic expectations of performance standards, lapses in technical quality, culpable accidents affecting the safety of individuals, poor service potential or unethical conduct cause negative publicity of its brand which leads to an adverse impact on its brand image. Such a crisis can even destroy the most recognized brands. Millar and Heath (2003) describes several incidents which can tarnish the brand image both human-made and natural, such as tampering with a product, discovery of criminal activity, unwanted or hostile takeover, loss of an important customer, environmental accidents, etc. Due to the modernization and increased speed of information dissemination and reception, Millar and Heath (2003) states that, news of a crisis can spread so quickly that it can potentially paralyze the top management before they can effectively control the crisis situation. Negative publicity can slow down the regular function of the organisation.

Riezebos (2002), states " through the publicity the norms and values and the operating procedure of the organisation are brought under discussion" (p. 239). He divides the factors that influence the extent to which a brand can be confronted with negative publicity into three areas: market, product and brand related factors. According to Riezebos (2002) when there is fierceness of competition in the market, an incident can and will be more quickly used to wage a negative publicity by competitors. Again a product related crisis can occur when products are not capable of maintaining standards or affect

the consumer. Brand related crisis can be negative brand perception or experience.

Different Natures of Crisis that Affect Brand Image

Crowthers (2007), Baines and Egan (2004) and Aaker (1996) suggest some frequent crisis that organisations usually undergo and which affects its brands:

Government investigation

Product recall

Epidemic of food poisoning caused by companies products

Controversial law suit

Accusation of discrimination based on race, sexual preference or gender

Big disruption in service

Lapses in performance standards

Serious injury to someone within or outside of the organization

Poor technical quality

Stakeholders Protest

Worker's Strike

unethical conduct

Physical violence between co-workers

discovery of criminal activity

Insider trading scandal

Safety Hazard

Usage of Illegal ingredients or means

Plummeting stock price

Sexual harassment case

Dramatic downsizing causing significant job loss in a geographic region

Chemical spill

Radiation leak

A major competitor has a huge crisis, throwing attention on your company

Caught in a lie

False advertising accusation

Celebrity spokesperson embroiled in personal scandal

Closing of a facility

Role of Public Relations in Brand Image Crisis Communications

Potential Significance & Credibility of PR

Defending Bad Reputation: The most important role of a PR campaign is to counteract negative publicity surrounding the organisation and its brands (Haig, 2003). Communicating positive information about the organisation through press release, newsletters, press kits, etc. are perceived to be unbiased by the public and thus prevent bad reputation. Jane, Morgan and Summers (2005) defines role of public relations in crisis management as “programs of action (and Communication) to earn public understanding and acceptance” (p. 178)

Considerable Steps in Management of Brand Image Crisis

Hubbard (2006) suggests five steps for properly managing a crisis through PR:

Addressing the public without delay following the discovery of the crisis;

Maintaining honesty since the community is keener to forgive and forget an honest fault than a calculated lie;

The organisation facing crisis ought to be informative since the press as well as the community will generate their own assumptions if sufficient communication does not take place resulting rumours can cause considerably more damage to the organisation than the reality.

Showing concern and care for people because public will be more tolerant if they realize that the organisation cares about the victims of the crisis.

Maintaining two-way relationships in order to be informed of the status of public opinion.

Shift in the Practice of PR in Brand Image Crisis Communications

In recent years efforts to control corporate crisis, or crisis management has matured as a public relations function and grown into a specialty area (Millar and Heath, 2003). The underlying reasons behind this development include: the appreci

ation of electronic media as primary source of news, the increasing speed of the media to acquire information, improved database management systems, increased number of special interest groups and efficiency of media. The following figure shows aggregate FMCG executives of ten leading firm's emphasis given to various communications mix as a crisis communication function.

Here, "+" = increase, "-" = decrease , "#" = No Change & " NC" = No Comments

Figure 2. 6: Perception of Change in Marketing Communications in terms of Emphasis (1980-89) source: Kitchen, P. J. (1993), Public Relations: A Rational for its Development& Usage within UK FMCG Firms", European Journal of Marketing, Volume 27(7), p. 59

The figure shows that six of ten companies' emphasis on advertising in crisis communication declined, three showed increase and one remained unchanged. The companies which demonstrated movement away from

advertising gave reason to increased cost of advertisement. Again nine out of ten firms indicated decrease in personal selling showing reason to concentration of grocery trade leading to centralization of buying activity by multiples. However, nine companies stated increased emphasis on PR and most of these appreciated the effectiveness of PR and blamed the increased advertisement cost behind such shift.

Increase in Organisations' PR Budget & Expenditure

There is a significant increase in organisations' PR budget in recent years. A study by Paley (2006) revealed that, total PR expenditure of UK organisations in 1991 was only £5 billion which increased to £16 billion in 2005 which shows £11 billion increase in 14 years whereas advertisement expenditure increased £8 billion. Moreover, point here to be noted that, creative public relations can affect public awareness at a fraction of cost of advertising (Kotler and Armstrong, 1996). The company does not require compensating for the space or time taken in the media. It compensates only for the team or individual who write and pass the story or organise any occasion.

Communications Mix

Approximate Expenditure (in billions)

1991

1995

2000

2005

Advertising

â,¤14

â,¤17

â,¤20

â,¤22

Sales Promotion

â,¤5

â,¤8.5

â,¤16

â,¤16

Public Relations

â,¤4

â,¤9

â,¤17

â,¤19

Selling

â, 7

â, 11

â, 16

â, 17

Direct Marketing

â, 5

â, 8

â, 12

â, 11

Table 2. 2: Approximate Estimate of Communications Mix Expenditure in UK
source: Paley, Norton (2006), *The Manager's Guide to Competitive Marketing Strategies*, Thorogood, London (N. B. Industry Estimates has wide variations)

PR & Other Areas of Marketing Communications

There has been a lot of debate regarding the relationship between public relations and other areas marketing communications mix. Academics, scholars, practitioners or managers present different views in comparing PR and other marketing functions. Many of the arguments are based on the matter of outlining the relevant roles of the two functions. From the marketing point of view, the primary function of a public relations campaign is publicity (Kotler, P. and Armstrong, G., 1996). According to Shimp and Delozier (1986), Public relations provides tactical support for marketing communications. However, this theory contradicts with PR practitioners' and academics' perception who describes the role of public relations is to manage the relationships between an organisation and those strategically

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important constituencies (can be any type of stakeholder) within its environment (Cutlip et al., 1994).

After a careful study Kotler and Mindak (1978) suggested five models to demonstrate the relationship between an organisation's public relations and other areas of marketing communications:

separate but equal functions;

separate but overlapping functions;

marketing as the dominant function;

public relations as the dominant function;

public relations and marketing as the same function.

Kotler and Mindak (1978) claimed that any single model can not demonstrate the relationship between these two. However, they claimed that there is a broader relation between two of these functions i. e. to uphold the brand image. But, Grunig and Hunt (1984) strongly disagree to accept this as relationship. According to them this is " mere similarity of outcomes not functions"

Marketing/PR

Image Assessment

Media Strategy

Corporate Advertising

Relationship Marketing

Direct Mail

Branding

Sponsorships

Promotions

Public Relations

Publications

Events

Lobbying

Community relations

Media Relations

Social Investment

Crisis Communications

Issues Management

Marketing

Market Assessment

Customer Segmentation

Customer Relations

Product Development

Client Servicing

Telemarketing

Sales

Pont of Sales Promotion

Advertising

Figure 2. 7: Relation between Marketing & Public Relations Source: Johnston, Jane and Zawawi, Clara (2003), Public Relations, 2nd edn, Allen & Unwin, Australia, p. 13

2. 5. 6 PR Vs Other Areas of Marketing Communications

Source: Article Filter [online] (Cited 12 April 2008) Available from A theory of Grunig, J. E and Grunig, L. A. (1992, p. 357) tried to distinguish PR from marketing functions claiming that “ marketing and public relations serve different functions and that public relations can not be excellent if it is subjugated to marketing function”. The authors acknowledge the signif