THE SYSTEM OF MARKET COMMUNICATION IN THE DAYS OF CHANGES AND INNOVATIONS

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Abstract

The article presents the author's study results of shaping relationships with customers. The paper shows changes in the system of market communication in the context of innovation. This analysis was carried out on the example of selected Polish companies in 2011 and among customers in 2012 in Poland. The author presents the effectiveness of various actions in direct marketing.

Key words: market communication, relationships with clients.

Introduction

Direct, personal communication is the original and primary form of market communication. It consists of presenting the company's offer and activating sales via direct interpersonal contact between employees and potential buyers, with the aim of making a transaction. In contrast to other instruments of communication with the market, personal promotion is direct and highly flexible.

Personal, direct communication can be realized at the company's headquarters, or at their various points of sale (warehouses, shops), as well as the customer's workplace or during trade fairs. Direct contact with a potential buyer allows the seller to uncover the specific needs and requirements for specific products or services (Peppers, Rogers 2005: 106-109). It is possible to create unique and important value for the end customer only if one is familiar with their needs and expectations.

1. Relations with consumers as a factor in creating effective communication

A business partner should be empathic (have the ability to empathize with the way others think and feel). It is also important to be open. Openness is the ability to act based on honesty. Openness implies that, rather than control the situation and retain information, the partner is ready to listen to new ideas and share information, which reinforces trust (Grudzewski et al. 2009: 8-9). Openness to change improves efficiency, which reinforces interest in maintaining the collaboration. Continuity, in turn, increases trust that the partner will not behave opportunistically (e.g., use information inappropriately, mislead, deceive). All these qualities somehow build a broad dependence that is the foundation of doing business (Tkaczyk, 2010: 516-519).

At the same time, it is necessary to have ample knowledge of one's' offer and of the company they represent. Due to the high degree of autonomy they have at work, vendors must possess strong self-discipline and motivation to succeed.

The process of communication should be evaluated through the prism of profits and benefits obtained (the value of sales revenue, the number of orders realized, the number of new buyers). In turn, the effects of non-profit organizations' direct marketing campaigns can be expressed in the form of the number of acquired followers, the size of the accumulated funds or the savings in operating costs. Finally, it's always about getting a specific return on investment, i.e. maximizing the difference between the value of the company's customers and the costs incurred (Best, 2009: 27-31).

Clients, and the established relationships with them, are considered strategic resources, which may give a company a sustainable competitive advantage (Perechuda, 2005: 85). Lasting relationships with customers are the result of a combination of many various company resources, both tangible and intangible.

Customers and the established relationships with them (e.g. via an appropriate communication system) allow for an increase in cash flow through revenue growth and cost reduction. It is a recognized fact that regular customers spend more money on a given organization, are less sensitive to price changes, and use a wider range of services with more frequency. Servicing these customers can reduce costs resulting from: lower costs of market communication, lower operating costs, lower costs of acquiring new customers in the place of those who have left, lower costs resulting from the application of cross-selling strategies to recommend the company to others (Rudawska, 2010: 415-416).

Building long-term, mutually beneficial relationships with key players may become the essential skill of enterprises in the twenty-first century. It is precisely this ability that is currently seen as most effective in reducing risk and uncertainty in business (Czarniewski, 2008: 355).

At present, an important issue is the management of relationships with key customers. These clients are often the most important for the company in financial terms. Another issue is the company's database. Database marketing is the thorough tracking of the buying habits of consumers, and the development of products and communications appropriately tailored to the needs and desires of these people on the basis of the information obtained. The idea is to build a comprehensive database that will complement a company's knowledge of what and how often consumers buy.

Another important issue is the appropriate management of knowledge. It is essential to make rational use of the knowledge one has to solve specific problems at a specific time (Jashapara, 2006: 23-26). This is what is expected from customers themselves.

It is important for employees of a company who have direct contact with customers, and those who do not, to meet and exchange their observations, experiences, insights, and above all, knowledge of the customers of the company. In a 2004 study, on a sample of 202 companies, when asked about the frequency of meetings between event managers responsible for developing strategic marketing objectives and employees that had direct contact with customers, more than half of the respondents replied that such meetings are held once a month or more (58,2%) (Styś et al. 2006: 353). What was disturbing was that in 11,94% of surveyed enterprises such meetings did not exist at all, and in almost 23% of surveyed enterprises such meetings were held only a few times a year. Therefore, the flow of knowledge about customers from those who had direct contact with customers to decision makers was significantly limited and may have adversely affected the effectiveness of communication activities with customers.

Meanwhile, one of the major challenges that organizations currently face is the retention of competent workers, and the loss of knowledge that is associated with valuable employees quitting their jobs. In companies with a large proportion of specialists, even a small fluctuation can be very costly (Wachowiak, 2005: 38).

2. The Customer Knowledge Management and Customer Relationship Management

Knowledge of the needs and problems of customers helps to reduce the uncertainty faced by companies concerning the adoption of their products

on the market. When the products are a response to the needs of buyers, uncertainty regarding the acceptance of the product's characteristics, quality and price is significantly reduced. Therefore, it is imperative that a company draws not only on the knowledge of their managers, but also on the knowledge of the clients themselves (Table 1).

Clients do not always have a positive attitude towards the company and its decision makers. A key issue is the ability to solve various problems arising from a company's contact with their surroundings, as well as proper communication. Broadly understood openness to the problems and concerns of customers is not always present on the part of the organization. As stated by G. Mazurek, closing down of the organization's public relations in order not to hear criticism and advice is a short-term solution (Mazurek, 2008: 101). In the future, decision makers who cannot communicate through the use of modern tools, especially the internet, with an underestimated growing number of members of the virtual community, will be doomed to fail and be removed from power.

Table 1. Customer Knowledge Management and Customer Relationship Management

Description	Customer Knowledge Management	Customer Relationship Management
Areas to search for knowledge	Customer experiences, their attitude towards the product range	Customer Database
Axioms	„If we only knew what our customers know"	„Retaining customers is cheaper than attracting new ones"
Tasks	Acquiring knowledge directly from customers and transferring this knowledge	Selection of knowledge about customers from the customer database
Objectives	Cooperation with customers for the exchange of information; creation of product and service offers	Maintaining appropriate relationships with key customers, customer retention
Measurement	Innovation and gaining of competitive advantage	Results in terms of customer satisfaction and the degree of their loyalty
Benefits	Customer success	Customer loyalty to the company
Recipient incentives	Customer	Customer
The role of the company	Transforming the role of the customer from a passive recipient of products to an active co-creator of value	Building appropriate relationships with customers

Source: own research based on Gibbert et al. 2002: 461.

Proper relationships with customers can be helpful when designing an appropriate system of communication between the company and the market. This is because the system depends on information about these customers (recipients). Therefore, the essence of the issue is proper customer relations and knowledge management (Evans, 2005: 41-42).

According to C. Smith, socially engaged marketing is currently the fastest growing type of marketing (Smith, 2007: 184). Both socially engaged marketing and social sponsorship are associated with the phenomenon of social communication. It teaches consumers how to react and behave socially, prompting them to accept or be involved in the pro-social behavior of others (Nogalski, Szpitter, 2007: 234). While social sponsoring has a commercial dimension, social communication is non-profit. Companies support actions initiated mostly by social organizations or government agencies. What is important here is the idea the company is supporting, not the sale of products or services, although the consequences of this communication also builds certain behavioral patterns of consumption, and may therefore directly or indirectly affect the financial results of the company.

Most companies implement loyalty programs in order to build long-term relationships with customers, yet research shows that not all loyal customers are profitable, and not all profitable customers are loyal. Combining these customer traits requires proper management of these processes.

The basis of the information society is to educate customers adequately – helping recipients to function in the modern world, where the use of ICT improves the quality of life (Tomaszewicz, 2008: 177). The use of ICT tools and the often necessary modernization of public services has a positive effect on the relationship between public authorities and service users. Therefore, it is important that the engine of change in public activity is the strong will of the government to generate appropriate procedures, techniques and tools to create an efficient system of communication between service users and administrative units, resulting in greater satisfaction with handling administrative procedures.

3. The effects of interpersonal communication among surveyed customers and company managers

Research based on customer feedback shows that the most preferred form of selling is through retail sales, at the center of operations of the company or institution (Table 2). This form is the most accepted by consumers (so said as many as 66% of clients). Customers also accept, but to a lesser extent (15,3% of surveyed customers), other forms of personal selling, such as selling at fairs and exhibitions. One in ten consumers also accepts the promotion and sale of products at the customer's home.

Table 2. Preferred forms of direct, personal selling, according to clients surveyed

Preferred forms of direct, personal selling	Number of clients who gave a certain indication	Percent of the total number of clients
Sale at the retailer, at the premises the company/institution	198	66,0
Sale at fairs, exhibitions	46	15,3
Promotion and sale in clients' homes	31	10,3
Acquisition in public places (streets, squares, railway stations)	20	6,7
Other	5	1,7

Source: own research based on surveys conducted among consumers in Poland in 2012.

The course and conditions of the sales process are the subject of many studies, both scientific and practical. They focus on different aspects of sales and emphasize different topics: the art of sales management, negotiation techniques, the optimal structure of the qualifications of vendors, strategies shaping market behavior of buyers, etc. Sometimes direct, personal sales takes the form of a "partnership". Its essence is expressed as the balanced representation of the needs of the buyer and vendor, focusing on real needs and searching for the best way to satisfy them.

The level of customer satisfaction depends, on the one hand, on the objective characteristics of the offer and the way of communication by the agent – from past experience of the customer and his requirements. These factors affect the perception of a product or service, shape expectations and, consequently, determine the level of satisfaction. The importance of the subjective perception of these factors by the client should be emphasized, since this depends, to a large extent, on his own, individual demands.

In practice, behavioral assessments play an important role, since how the vendor conducted himself and the impression left on the client has a direct impact on sales results. To evaluate sales representatives, companies use the following methods:

- observation of specific representatives at work,
- evaluation of representatives by customers (on a point scale or through description).

Analysis of economic efficiency comes down to comparing outcomes to the investment made. The relationship between these two categories is the basis of an economic analysis to determine whether the activities of the enterprise are rational and effective. It can also be used to assess activities associated with direct, personal communication.

Table 3. Forms of direct, personal selling that bring companies the largest economic outcomes in the opinion of the managers of surveyed companies in Poland

Forms of direct, personal selling and the economic outcomes	Ranking of each form in terms of effectiveness in the opinion of companies surveyed	The number of firms that indicated the given form	Percentage of total firms	Average importance of a given form/on a scale of 1-5, where 1 - very low, 5 - very high/in the opinion of surveyed companies
Retail sales, at the premises of the company /institution	1	15	88,2	4,41
Acquisition in public places (streets, squares, railway stations)	2	11	64,7	3,24
Sales at fairs, exhibitions	3	9	52,9	2,65
Promotion and sales in clients' homes	4	4	23,5	1,18
Other	5	2	11,8	0,59

Source: own research based on surveys conducted among companies in Poland in 2011.

Thus, the use of appropriate forms of personal, direct selling, in terms of efficiency, is one of the primary activities in the field of modern marketing. This is confirmed by research of enterprises in Poland in 2011, on the effectiveness and efficiency of communicating customer value, and in particular the activities undertaken by the company in the field of personal sales effectiveness (Table 3). In the first place, in terms of economic outcomes achieved – in the opinion of managers of surveyed companies - there were retail sales, conducted on the premises of the company/institution (the answer was given by 88,2% of surveyed companies). In the second place, in terms of economic outcomes for the company, there was the group of activities related to the acquisition of goods in public areas – 64,7% of surveyed companies expressed such an opinion. In the third place there was selling at fairs and exhibitions.

Expenditure on activities in the field of personal, direct communication are often a considerable cost. This leads to a high demand of the effectiveness of communication (the ability to create results). Effectiveness must be large enough to provide the desired efficiency of marketing activities even in situations where expenditures on personal communication is considerable and growing. If other company actions in given market conditions are less expensive, the requirements for their effectiveness may be formed on

a lower level. The effectiveness of these actions may be smaller, as lower costs result in a lower level of efficiency.

The costs associated with the implementation of the various stages of the sales process should be analyzed, such as the cost of establishing contact with the customer, of servicing their reaction, of realizing the order, and of finalizing the sale. All cost indicators should be compared with the amount of revenue from sales to calculate unit margins.

An important issue is the evaluation of specific marketing activities in terms of incurred costs allocated to market communication. A cost per sale index can be used for this purpose.

$$\text{Index of cost per sale} = \frac{\text{the value of funds allocated for a given market communication}}{\text{the number of customers acquired in this campaign}}$$

Cost per sale (CPS) is a universal measure of the effectiveness of marketing activities based on an analysis of the cost of acquiring a single customer. The CPS indicator assesses whether a particular marketing program was a success or a failure, because it allows for a reference to the expenditures which are most commonly assigned to a particular product line, and the volume of sales among customers, to which the actions were addressed to.

A low CPS value indicates a high efficiency of the marketing campaign. However, having a low CPS is not always equivalent to achieving the objectives of the program. It may be more important to get a certain number of clients to react to the advertisement, and compare the number of reactions to transactions made (Kozielski et al. 2011: 424). When entering the market, many companies are also willing to bear a higher cost per sale to allow them to reach the required number of customers on the market (Sobolewska, 2010: 147).

Market activities of firms on the market primarily come down to achieving and increasing final outcomes. One measure of the final outcome is the volume of products or services sold. If the final outcome is attributed to the existing market by the company, these outcomes most often take the form of the amount of market share achieved. This is a percentage rate of shares sold of a particular product in a particular market.

Both acquiring new customers (recipients) and retaining existing customers are costly and difficult tasks. Therefore, the marketing information system must provide access to current and accurate data about customers with a focus on these two processes. Reports on this subject, referred to as statements of the inventory database, should report on the number of acquired and lost customers in a given period, and their structure (by type of customer, the volume of purchases, types of products purchased, etc.).

The use of one's own databases of customers/recipients of services is one of the primary activities in the field of direct marketing. This is confirmed by studies of enterprises in Poland in 2011, on the effectiveness of the process of communicating value to the customer, in particular the activities undertaken by the company in terms of direct marketing (Table 4). The direct marketing activity chosen in the first place in terms of effectiveness – in the opinion of managers of surveyed companies – was using their own databases of customers (76,5% of surveyed companies). In the second place, in terms of effectiveness for the company, there was a group of activities related to telemarketing/teleshopping – 70,6% of surveyed companies expressed such an opinion. In the third place there was electronic and audiovisual media.

Table 4. The effectiveness of measures taken in the field of direct marketing in the opinion of managers of companies surveyed in Poland

The effectiveness of various actions in direct marketing	Ranking of a group of actions in terms of effectiveness in the opinion of companies surveyed	Number of companies that gave the specified indication	Percentage of total firms	Average importance of the group of actions/on a scale of 1-5, where 1 – very low, 5 – very high/in the opinion of the companies surveyed
Using their own customer databases	1	13	76,5	3,82
Telemarketing	2	12	70,6	3,53
Electronic and audiovisual media	3	10	58,8	2,94
Direct Shipping and Delivery	3	10	58,8	2,94
Activities in the area of market segmentation – researching preferences and consumer expectations	4	8	47,1	2,36
Customer Relationship Management	4	8	47,1	2,36
The use of foreign databases of customers	5	5	29,4	1,47
Other	6	1	5,9	0,30

Source: own research based on surveys conducted among companies in Poland in 2011.

Suppose that customers found in the company database bought many expensive products in the past. This information is very beneficial, yet it is also known that most of these purchases were made a long time ago (low level of recording of recent purchases), and therefore the present value of the database is unknown. The verification of the database can only be achieved through a subsequent direct marketing campaign.

Conclusions

The first major change concerns business managers and their increased level of consciousness and knowledge about tools used in an analyzed market. Another important change is the increase in expenditures on direct marketing activities in the budgets of individual firms. The third change is the far-reaching transformation of the advertising agent market. Polish marketing, due to the crisis of the past couple of years, has undergone major professionalization. Only the strongest advertising agencies, in terms of economics, were able to remain on the market, and they are continuously developing. The increase in spending on marketing communication results from the focus on sales results, and here the best suited instruments are direct and interactive marketing tools.

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