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IMPLEMENTATION OF INTEGRATED MARKETING COMMUNICATION ON MARKET PERFORMANCE OF BRANDS IN THE FIELD OF OTC PRODUCTS

ABSTRACT

The paper investigates the relationship between the implementation of integrated marketing communications and market brand performance in the field of OTC products and food supplements that are available in pharmacy stores in Slovenia without a prescription. In addition to providing a general discussion on the topic of the theoretical field of integrated marketing communication the first part of the paper elaborates on different components of this theoretical perspective. According to such considerations, relevant components of integrated marketing communications are identified. In the second part of the paper a LISREL model approach is used to investigate the impact of implementation of integrated marketing communication among OTC brands and food supplements sold in Slovenian pharmacy stores on their market performance. The results of the empirical research reveal a relatively strong and statistically significant relationship between the two variables.

Key words: *integrated marketing communications, measuring integrated marketing communication, OTC brands, IMC implementation, brand performance*

JEL classification: *M3*

1. INTRODUCTION

Although the theoretical field of integrated marketing communications (IMC) has already reached a point of wide acceptance among marketing practitioners there has been very few published articles providing empirical research evidence of implementation of this theoretical concept. The scope of integrated marketing communication (IMC) is still seen as a young field. In the literature, an increasing emphasis on IMC as a paradigm shift provides an opportunity for creating improved brand and communication performance (Duncan and Moriarty, 1998; Hartley and Pickton, 1999; Nowak and Phelps, 1994; Schultz and Schultz, 2004; Reid, 2005).

This type of view is addressing us the question about the relationship between the implementation of IMC and market brand performance in the field of OTC (Over-the-Counter) products and food supplements that are available in pharmacy stores in Slovenia. In addition to providing a general discussion on the topic of the theoretical field of integrated marketing communication the first part of the paper elaborates on different components of this theoretical perspective. According to such considerations, relevant components of integrated marketing communications are identified. Besides providing a theoretical background related to measurement of implementation of integrated marketing communications the paper reviews and critically evaluates previous research models in this area.

The empirical research presented in this paper builds on the research model presented by Mike Reid (2005) by which the later provided findings that showed the relationship between the mentioned two key latent variables. The research model presented in this paper doesn't duplicate the previous model but evaluates its components and adapts them according to the contemporary body of knowledge from the field of integrated marketing communications.

A LISREL model approach is used to investigate the impact of implementation of integrated marketing communication among OTC brands and food supplements sold in Slovenian pharmacy stores on their market performance. The results of the empirical research reveal a relatively strong and statistically significant relationship between the two variables.

2. LITERATURE REVIEW

2.1. Background on IMC Issues

The basic concept of integrated marketing communication is based on the synergy of individual instruments of marketing communication, which are mutually reinforcing and complementary, and their effect is greater in comparison with the separate use of individual instruments of marketing communication (Duncan and Everett, 1993), which in turn leads to lower cost of communications (Fill, 2001). Dewhist and Davis (2005) and Phelps and Johnson (1996) have noted that the IMC is a young discipline, which still needs such a treatment of theoretical foundations as well as demonstrating its effectiveness in marketing practice. Similarly, Schultz (2004), one of the most visible authors in this area said later that the empirical research related to these areas, is still in development stage.

Cornelissen and Lock (2000) and Cornelissen (2001), however, seem to uphold the contrary opinion and have revisited the issue on the validity of the IMC concept. They suggest that IMC is but one more among many management fashions and that it is theoretically underdeveloped and ambiguously defined. Some authors, however, defended the concept, because they believe that through an integrated marketing communications organizations achieve competitive advantage (Caywood and Ewing, 1991).

The transition from the conceptual definition of transaction in the internet or interactive marketing based on relationships is the driving force for the enforcement of the new concept of integrated marketing communications (Fill, 1999). IMC is based on integrity, interactivity and build a complex relationship. In the subsequent period, the conceptual definition of the field shift on the broad definition. Subsequent definition was much broader-based and IMC is considered as a strategic business process aimed at the different external and internal audiences (Reid, 2005). Such changes in the conceptual definitions are also reflected in the developed measurement instruments used in the empirical research.

The first study on integrated marketing communication (IMC) has carried out the American Association of Advertising Agencies, which define IMC as »the concept of marketing communication, which sees the added value in all-inclusive plan. The latter takes into account the strategic importance of the various instruments of communication - such as advertising, sales promotion, public relations, direct marketing - and a combination of these instruments, to ensure clarity, consistency and maximum communication impact« (Schultz et al., 1994; in the Kitchen and Schultz , 1999: 24). Research in the field of IMC was done not only within the U.S. (Duncan and Everett, 1993; McArthur and Griffin, 1997, Schultz and Kitchen, 1997), but also international research (Reid, 2003; Gould et al. 1999).

Although marketers intuitively embrace the »integration« of marketing communication, empirical research in this area is scarce. The IMC framework is built on the foundation that if multiple communications are deployed appropriately, they can enhance one another's contributions (Belch and Belch, 2003). The IMC concept has been characterized as both a relational process and a business competency (Reid, 2003). Its goals and outcomes are often linked to building relationships with customers and other stakeholders through ongoing dialogue and the subsequent effects on sales and profits (Smith et al. 2004). It was also argued that IMC is generally considered to be a philosophy or process related to strategically managing all brand messages in a way that contributes to the building of strong brands (Reid, 2005).

Many organizations are considering how to improve the management and integration of their marketing communication programs using IMC. Nevertheless, various authors support the contention that there is ambiguity surrounding the definition of IMC, with no consistent or mutually agreed upon meaning, and with many areas in need of clarification (Cornelissen 2001; Kitchen and Schultz, 1999; Low, 2000; Phelps and Johnson, 1996). This ambiguity is likely to have an impact on the development of measures to operationalize and assess IMC performance and its impact on brand performance (Reid et al. 2005).

Issues on the implementation of marketing communication programmes have also been a focus of discussion among academics and practitioners since the early stages of the development of the integrated marketing communications concept (Kliatchko, 2005: 11). A study conducted by Low (2000) showed that implementing IMC may be strongly related to better marketing results in terms of sales, market share and profits for an organisation.

2.2. Concepts of IMC Implementation and Brand-Related Performance

The instrument for measuring a implementation of IMC was developed based on Duncan and Moriarty (1997); they presented five dimensions of IMC: interactivity, strategic consistency, organizational infrastructure, mission marketing and planning and evaluation. The Duncan-Moriarty IMC miniaudit is a diagnostic tool designed to help managers assess areas of integration strength and weakness. The audit is about the evaluation of IMC relationship-building practices; in examining organizational structure and the extent of understanding of marketing communication objectives and strategies, it measures the extent to which company-created brand messages are strategically consistent (Duncan and Moriarty, 1998).

Duncan and Moriarty are not alone in devising approaches to assessing IMC. Phelps and Johnson (1996) identified a five dimensional structure for IMC orientation and this was revised and employed by Ewing, De Bussy, and Caruana (2000) using only four of the factors. More recently, other authors have examined different approaches to IMC. For example, Cornelissen, Lock, and Gardner (2001) focus on a narrower interpretation of integration and discuss the psychosocial benefits of increased integration, while Low (2000) employs only a few items to measure IMC and proposes these be part of a larger measurement instrument (Reid, 2005).

Reid (2005) developed a model based on Duncan-Moriarty IMC miniaudit, but he couldn't confirm the model fit. So he revisited the Duncan-Moriarty IMC miniaudit and therefore adjusts dimensions so that they correspond to empirically determined data. The adjusted model both in terms of orientation to IMC addressed only three of the following dimensions: a) cross-functional integration, b) interactivity and c) mission marketing. We have therefore two base models of IMC, first developed by Duncan and Moriarty and second, the respecification model, as it has Reid (2005) noted in his empirical research.

Our model is based on the basic model of IMC, developed by Duncan and Moriarty (1997) but we also consider some changes made later by Reid (2005). In order to confirm the relationship between the implementation of IMC and market brand performance in the field of OTC (Over-the-Counter) products and food supplements, we followed the development by the theoretical field of IMC, so we adjust some changes in the latent dimensions.

One of the dimensions in the baseline model is called strategic consistency. This dimension is taken from Duncan and Moriarty (1997) questionnaire, which was intended as an aid consultant in the field of integrated marketing communication. We believe that from a methodological point of view this latent variable "strategic consistency" is too general. Confirmation of our observations on the variable is also found in Low (2000) research, where indicated by empirical notes that such consistency is actually an umbrella concept in the understanding of IMC. To avoid such potential error in our research model we have replace the latent variable "strategic consistency" with the variable "consistent communication" which concerns more specific area of study.

We also change the description of the dimension called “interactivity”. If there were such a description at the time of questionnaire design appropriate, we believe that because of ongoing theoretical environment, the use of such description is considered less suitable. Some authors use term interactivity in the field of integrated marketing communication, meaning for identifying electronic communications (Peltier et al. 2003). Therefore, to describe these dimensions of implementation to an integrated marketing communication in this paper use the term bidirectional communication.

The corrections were also made in the dimension of planning and evaluation. Thus, in Duncan and Moriarty (1997) audit questionnaire, as well as a research model of Reid (2005) refers to the evaluation associated with the methods of systematic monitoring of the brand. Reid (2005) also asked whether respondents used any of the methods of systematic monitoring of brand relationship with consumers and other stakeholders of the brand. We believe that such a question is rather unspecific in the field of IMC and rather than focus on IMC measure good business practices in general. In this way, this part of the present dimensions in the research model introduces a little noise, which would like to avoid. We believe that it was such a question in the context of integration audit questionnaire, which aimed at the achievement of the overall practical effect, completely in place in case of transfer of that questionnaire, reviews the scope of integration survey, but the issue is too specific and thus not suitable for handling within the research model. Therefore we excluded this dimension from our research model.

Under development by the theoretical field of IMC recorded at the time to develop, in this task has often said, a questionnaire audit of integration slightly adjust the dimensions, we also replace the dimension named by the original authors as marketing mission. Instead of this we have introduced the dimension we call it “the integration of product brands and the trade mark of the company”.

To summarize, our research model is addressed to the five-dimensional implementation of an IMC: 1) consistent communication, 2) bidirectional communication, 3) integration of product brands and the trade mark of the company, 4) planning, and 5) the organizational structure.

Part of the research model, which is associated with brand related performance is entirely based on Reid model (2005: 44). This model is based on previous work of Grey and others (Gray et al. 1998). Since we believe that this is a case of a well established measurement instrument and that it does completely meet our research objectives, we did not make any additional corrections. This part of the research design encompasses three distinct dimensions: 6) brand advantage, 7) sales performance and 8) customer satisfaction.

There is an assumption that firms implementing IMC have in place a customer notion; systems for linking the organization to the market and customer; and processes, systems, and mental models that link various functional areas of the organization (Duncan and Moriarty, 1998; Zahay et al. 2004; Reid, 2005: 44). The aim of this paper is to investigate whether we could confirm that the implementation of integrated marketing communication influences the market brand performance in the field of OTC (Over-the-Counter) products and food supplements.

We tested the following hypothesis:

H1: Implementation of integrated marketing communication is positively related to market brand performance in the field of OTC (Over-the-Counter) products and food supplements.

For that reason we had to define the operationalizations of the variables, measure and collect data needed for the research and conduct the analysis

2.3. Operationalization of constructs

We highlighted various approaches to conceptualizing the above concepts based on the previous review of the definitions in the IMC literature.

The variables associated with the IMC implementation were operationalized as follows. Variable »**consistent communication**« is operationalized as a unity of visual advertisements considered brand marks, uniform advertisement and wider fundamental ideas of marketing communications brand, which enables marketers to uniform all marketing activities that are associated with different target groups. Variable »**bidirectional communication**« is operationalized as the frequency with which particular brand can influence on consumers to direct response. Further, the variable includes setting up databases which include data of different levels, such as information on wholesalers, outlets and end users. The variable also includes the way how consumers can forward complaints related to the particular brand. Variable »**integration of product brands and the trade mark of the company**« is operationalized as the frequency where the company's mission plays critical role in the development of marketing communications programs, as the frequency of active promotion of the mission in the context of marketing communications and brand; further as the frequency focus of humanitarian activities carried out by the company. Variable »**planning**« is defined as the frequency of SWOT analysis in the planning of marketing communications. Additionally, the variable "planning" is operationalized in the context of creating an annual marketing communications plan as all the various ways in which consumers come into contact with the brand. Latent variable »**organizational structure**« is operationalized as level of participation of representatives of various functions in decisions related to marketing communications brand, such as frequency of participation of a specialist in IMC in decision making on marketing communications, as the frequency of agreement of representatives of various key areas involved in decisions concerning communication strategies and brands.

The variables associated with the brand performance were operationalized as follows. The variable »**sales performance**« is operationalized as market share of a brand compared with the nearest competitor to it, brand sales growth compared with the nearest competing product, as the level of profitability of the brand in relation to the nearest competing product as well as total sales revenue of the brand compared to the total sales revenue nearest competing product. Variable »**brand advantage**« is operationalized as the degree of brand awareness among members of the target market as compared with the nearest competing product awareness among members of that market and as it brands the ability to reach a higher price in comparison with similar

brands that appear on the primary market. Variable “**consumer satisfaction**” is operationalized as the degree of consumer satisfaction with the brand in comparison to the level of consumer satisfaction with the brand that represents the closest competitor, and the latter as a consumer brand loyalty compared to consumer brand loyalty, which is considered the nearest competitor brands.

3. RESEARCH DESIGN

3.1. Sample and Data Collection Procedures

The questionnaire was preliminary tested on a smaller representative sample and the phrasing of the items was modified to improve managers’ understanding of concepts. Special attention was given to a validity of the questionnaire.

Data were obtained through self administered questionnaire which was addressed respondents in Slovenia in 2009. We choose the simple random sample. The respondents were asked their agreement with different statements. Then the questionnaire was asked to answer through the web site. Questionnaires were sent to the population of 100 companies, with 87 responses obtained in due time that gave the response rate of 87 %. The collected empirical data were processed with SPSS.

The relevant data of the companies were provided mainly by product managers (66 % of cases), followed by managers of different function (27 % of cases). Specialist for communications answered in 3 % and the remaining 2 % were missing values. Company size was determined regarding the number of employees. The sample consists of 43 % small companies, 17 % middle sized companies and 40 % of large companies.

3.2. The Model

One of main goals of this study is to develop a comprehensive measurement instrument that captures the multiple dimensions of IMC and brand performance and empirically validates their reliability and validity. The multi-item scale instruments for IMC and brand performance were empirically assessed for its reliability and validity following Churchill's (1979) recommendations.

The scales utilized for this study are taken from literature in integrated marketing communications context with some modifications where needed to fit the current study’s context. All the constructs were measured on the Likert scale. The respondents had to indicate their agreement with the statements on the 7-point Likert (1 strongly disagree to 7 strongly agree) scales.

Next, Cronbach alphas were calculated for the scale items that operationalize each dimension to assess the internal consistency of the scale items across the researched dimensions. Except for the measurement scales for sales performance, brand advantage and customer satisfaction, the coefficient alphas fell above the 0.7 and 0.8 thresholds, respectively, representing a high degree of internal consistency (see Table 1).

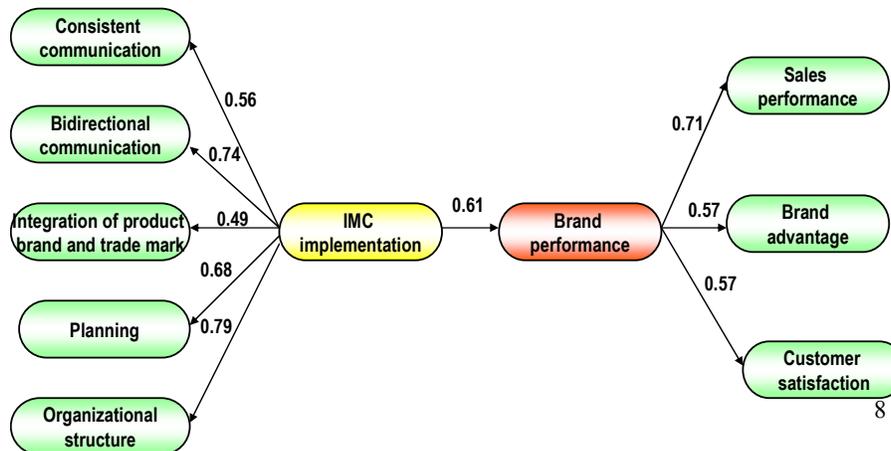
Table 1 Reliability coefficients

Constructs	Number of Items	Cronbach's α
Consistent communication	3	0,88
Bidirectional communication	3	0,72
Integration of product brands and the trade mark of the company	3	0,86
Planning	5	0,81
Organizational structure	3	0,73
Sales performance	4	0,68
Brand advantage	3	0,61
Customer satisfaction	2	0,63

The analysis was conducted using the LISREL program, which provides a simultaneous test of measurement models and structural model (Diamantopolous and Siguaw, 2000). Further we present a final model for testing the hypothesis (Figure 1). Based on results of the model ($\chi^2=15.45$; $df=19$; $P=0.69$; $RMSEA=0.00$; $GFI=0.96$; $AGFI=0.96$; $NFI=0.92$; $NNFI=1.00$; $CFI=1.00$), we could conclude that the model is acceptable. Results of the model showed that we can confirm hypothesis that implementation of integrated marketing communication is positively correlated to market brand performance in the field of OTC (Over-the-Counter) products and food supplements.

The latent variable »IMC implementation« had a strong positive impact on the other endogenous variable of “brand performance” (standardized coefficient = 0.61). To summarize, we can confirm hypothesis that implementation of integrated marketing communication is positively correlated to market brand performance in the field of OTC (Over-the-Counter) products and food supplements in the Slovenian market. These results are in line with those of many other authors who have explored the impact of IMC implementation on brand performance (Reid, 2005; Low, 2000).

Figure 1 Structural Model with Standardized Solutions



4. CONCLUSION

Over a decade of intense research integrated marketing communications (IMC) has become one of the most widely used concepts in the marketing communications field. The present study empirically developed a model of IMC implementation and its impact on brand performance in the field of OTC products with empirical validation with scale survey. The measurement instrument in this study will assist practitioners to better assess the scope and to measure the IMC implementation on brand performance.

At the conceptualization phase we were building our research model on the five dimensions of IMC defined by Duncan and Moriarty (1997) and revised by Reid (2005): consistent communication, bidirectional communication, integration of product brand and trade mark, planning and organisational structure. In our research we found that greater implementation of integrated marketing communications could be associated with a higher brand performance. By all means this gives us some prove that implementation of marketing communication has positive effect on brand performance in the field of OTC (Over-the-Counter) products and food supplements in the companies. Top management should be especially attentive about the development of organizational structure and bidirectional communications, since it has been proven to have a significant weight in the overall IMC implementation.

Investigating the relationship between implementation of IMC is indeed at a very beginning. We suggest that this study has provided the basis for future research on the relationship between IMC implementation and a brand performance. These would be potentially powerful tools to assist in better understanding of the field.

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