

African Research Review

An International *Multidisciplinary Journal, Ethiopia*

Vol. 7 (2), Serial No. 29, April, 2013:96-112

ISSN 1994-9057 (Print)

ISSN 2070--0083 (Online)

DOI: <http://dx.doi.org/10.4314/afrrv.7i2.6>

An Empirical Assessment of the Relationship of Marketing Communication Mix and Performance of Business Organizations

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Abstract

In the business world, companies use different marketing activities to communicate with their environment. These are as a result of past experiences, habits or certain influences. Marketing efficiency of a communication mix as well as analyzing the effect of using a specific marketing communication activity on different business performance determinants is usually neglected. This paper focuses on the correlation between communication activities and the business performance of company through two aspects: - The frequency of using a specific marketing communication activity and its correlation to business performance

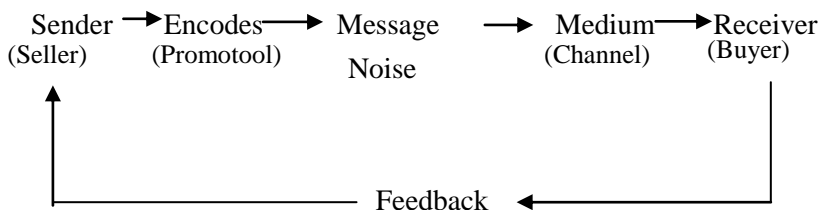
determinants; and the correlation between the number of marketing communication activities that a company uses and its business performance determinants. Statistically significant relationships (positive and negative) were found among some marketing communications and business performance variables. This helped in interpreting which marketing communications activity a company should use in order to increase customer loyalty, which activity helps raise net profit, and how many marketing communications activities a company should employ to optimize business performance mix. With this, managers and owners of small and medium sized enterprises obtain basic guidelines when building their marketing communication mix.

Introduction

Marketing communication is the means by which suppliers of goods, services, values and/or ideas present themselves to their target audience with the goal of stimulating dialogue and action leading to better commercial or other relationships (Egan 2007:1). “Marcoms” is a frequently used short form for marketing communications. In today’s enterprises, Ugorji (2008:IV) stated that, information must flow faster than ever before. We now have marketing communications managers in marketing departments who might otherwise have been called marketing services managers, product or brand managers, advertising managers or even PROs, PR consultants are embracing marketing communications in their business names and offering marketing-oriented PR.

Marcom consists of every form of communication relevant to marketing. Jenkins (1992:2) observed, “marketing is in the communication business – call it branding, labeling, advertising, research, public relations, instruction manuals, what you like; it is not easily tucked away in one of the 4Ps (Product, price, place or promotion), ...” Communication generally occurs when the audience receives, attends to, understands and acts upon the message in the way desired by its sender; sharing of meaning between a sender and an audience (Agbonifoh et al 1998:381) Whether interpersonal or not communication involve a process.

Figure 1: The Marketing Communication Process



The sender – manufacturer, distribution channel participant, service firm, etc encodes the message, sends it out via a medium. The receiver (customer, consumer) get the message in its coded form, decodes it and responds to or ignores the message. The sender gets either positive or negative feedback from the receiver.

According to Wikipedia the free encyclopaedia, Nigeria, economywise, ranks 44th worldwide and third in Africa in factory output. Nigeria ranks 63rd worldwide and fifth in Africa in services' output, it can then be concluded that low... communication has crippled the growth of these sectors. Managers in Nigerian SMEs (small and medium – sized enterprises) and other companies are aware that marketing communications is an important resource for their business performance.

According to Damijan and Borts (2007:83), there have been many studies analyzing the correlation between certain marketing tools or activities and resultant business performance determinants. Some authors analyze the effect on sales, many authors analyzed the effects on customer satisfaction and some others looked at the effectiveness of a certain marketing activity, the relationship between integrated marketing communications and business performance, and the relationship between marketing orientation and business performance. Most small and medium sized enterprises (SMEs) take users of their products for granted and consequently make little or no effort to present or position themselves appropriately to their target audiences. The essence of marketing communications in business necessitated this study. To empirically assess marketing communications and business performance, forty-five (45) small and medium sized manufacturing and service firms were studied in Aba, Enyimba city. These are listed below.

Table 1: List of Manufacturing and Service Companies (SMEs)

S/N	Companies	Nature of business	No. of Staff
1	Dorithy Int'l Schools	Service	41
2	St. Bridget's Schools	Service	40
3	Mack Mackens Ltd	Marketing	08
4	Planet Oil Nig. Ltd	Manufacturing	23
5	F. I. Onwadike & Co	Service/Marketing	18
6	Anasco Industries Ltd	Manufacturing	14
7	Nua Nig. Ltd	Marketing	20
8	Lawpac Nig. Ltd	Marketing	11
9	Confidence Oil Nig. Ltd	Marketing	12
10	Deblesskin Investment Nig. Ltd	Service	05
11	Adaobi Nig. Ltd	Manufacturing	32
12	Bena Cosmetics Nig. Ltd	Manufacturing/Marketing	29
13	Tonimas Nig. Ltd	Manufacturing/Marketing	48
14	Mercy Mentraco Nig. Ltd	Marketing	06
15	Vote 4 Jesus.	Service/Marketing	23
16	Flash Ins. Brokers	Service	09
17	Documents Investments Nig. Ltd	Marketing	07
18	Zandob Industry Ltd	Manufacturing	39
19	Hanombizu Nig. Ltd	Manufacturing	15
20	Crunchies Nig. Ltd	Service	47
21	Kengoz Investment Nig. Ltd	Marketing /service	09
22	Tonimas Ins. Brokers	Service	05
23	Aba Sports Club	Service	36
24	Ejiscom Nig. Ltd	Marketing/service	09
25	Dachiafor Industries Nig. Ltd	Marketing	16
26	Gregil Int. Ltd	Marketing	05
27	Nnamdi Azikiwe Model Sec. School	Service	28
28	Intellectual Giants Christian Academy	Service	36
29	Living Word Academy	Service	50
30	St. Michael's Sec. School	Service	30
31	God's Time Resources Ltd	Marketing	07

32	J. Udeagbala Holdings Nig. Ltd	Manufacturing/Marketing	38
33	Gimcord Ind. Nig. Ltd	Manufacturing	11
34	Nesben Ventures Nig. Ltd	Marketing	13
35	Pinefields Investments Ltd	Marketing/Service	34
36	Goody Decorations Ltd	Service	15
37	Express Investors Ltd	Service	12
38	Lemy Industries Ltd	Marketing	06
39	Vina Investments Nig. Ltd	Service/ Manufacturing	48
40	Star Paper Mill Nigeria Ltd	Service/ Manufacturing	50
41	Juk-Link Line Communications	Marketing/Service	05
42	Udephonco Trading Co Nig Ltd	Marketing	13
43	Sumehck Foam Ind Ltd	Manufacturing	18
44	Decjon Motors Ltd	Service	21
45	First Computers & Communications Ltd	Marketing	09

Research questions

From the review of related literature, it was found that there have been some papers analyzing the correlation between marketing communication activities and business performance, correlation between marketing communication and sales, Sales promotion and sales, Advertising and sales, Personal selling and sales, marketing communication and profit, relationship between marketing communication and customer retention, and customer loyalty and satisfaction. The following research questions were therefore formulated to guide the study:-

1. What is the relationship between marcoms activities and aggregate business performance?
2. What is the relationship between marcoms and business performance variables?
3. What is the relationship between the use of a specific marketing communications tool and aggregate business performance?
4. What is the relationship between a specific marketing and business performance variables?

Hypotheses formulation: Four research hypothesis formulated and tested as shown in figure 2

Figure 2: Research Model

Marcoms Activities	Frequency Number	Business Performance	
		Aggregate	13 Variable
		H1: There is no correlation between number of marketing communication activities the company uses and its aggregate business performance	H2: There is no correlation between number of marketing communication activities the company uses and business performance variables
		H3: There is no correlation between the frequency of using a specific marketing communication activity or tool and its aggregate business performance	H4: There is no correlation between the frequency of using a specific marketing communication activity or tool and business performance variables.

Review of related literature

Marketing communications can be seen as a part of the promotional mix and the exact nature of how to apply marketing communications depends on the nature and life stage of the product in question. Accordingly, a given product would require a unique communications mix in order to convey successful information to customers. Some products (goods and services) may require a stronger emphasis on personal selling while others may need more focus on advertising or sales promotion. Haremon (2005:11) stated that the process in which the differing modes of marketing communications are complemented and synthesized is called Integrated Marketing Communications (IMC).

This is used in order to create a single and coherent marketing communications process. The aim of IMC is to lessen confusion among a product’s target market, and to lessen costs for the firm. Marcom’s strategy drives and integrates all of the communications tools in a single purposeful direction (Ugorji 2008:37). Different subsets of marketing communications

according to Kotler et al (2008:17) can be distinguished into personal selling, sales promotion, public relations, publicity, advertising and direct marketing.

Personal selling is an oral presentation given by a Salesperson who approaches individuals or a group of potential customers. Personal selling is often used in business to business (i.e. B2B) settings, in addition to business to consumer (i.e. B2C scenarios) in which a personal and face-to-face medium is required for the communication of the product. In B2B situations, personal selling is preferred if the product is technical in nature. Personal selling can compose of the use of presentations, in order to convey the benefits of a firm's good/service. In B2B settings, personal selling is utilized if the product requires to be tailored to the unique needs of an individual. Examples include car (and other vehicle) sales, financial services (such as insurance or investment), etc. Personal selling involves live interactive relationship, personal interest, attention and response, interesting presentation, and clear and thorough transaction. Personal selling is simply a two-way marketing communication tool aimed at persuading many customers that there are differences between products offered by competing companies.

Sales promotion is short-term incentives to encourage buying of products involving instant appeal and anxiety to sell. Example is coupons or rebate. People are given an incentive for purchases, but this does not build customer loyalty or encourage future repeat buys. A major drawback of sales promotion is that it is easily copied by competition. It cannot be used as a sustainable source of differentiation. Sales promotions are typically used to heighten sales/revenue, especially if a firm holds dead/excess stock, or if the market for a product has matured.

Sales promotion is grouped into consumer oriented promotion involving samples, coupons, premiums, contest, refund/rebates, bonus packs, price-offs and event sponsorship, and trade oriented promotion involving contest/dealer incentives, trade allowances, point-of-purchase, display, training programmes, trade shows and cooperative advertising (Belech 1997 2008:84). Sales promotion activities have been increased because of the growing power of retailers, declining brand loyalty, increased promotional sensitivity of customers, brand proliferation, short-term focus/immediate generation of sales volume, increased accountability and competition.

Publicity involves attaining space in media, without having to pay directly for such coverage. As an example, an organization may have the launch of a new product covered by a newspaper or TV news segment. This benefits the firm in question since it is making consumers aware of its product, without necessarily paying a newspaper or television station to cover the event. Publicity is a mass communication type of demand stimulation. Afolabi (2001:4) stated that it is a promotion via a release to a definable news media in the hope of secondary exposure. Publicity can take the form of press release, press conference, etc.

Advertising occurs when a firm directly pays a media channel to publicize its product. Common examples of this include TV and radio adverts, billboards, branding, sponsorship, etc. Kinds of advertising according to Ugorji (2008:55) include institutional advertising, brand advertising, local advertising, product advertising, information advertising, persuasive advertising, reminder advertising, classified advertising and promotional advertising. To effect the above are the print media, electronic media (radio, TV, etc.), position media (for outdoor, transport, etc) and point-of-sale.

Direct Marketing is a process where a firm communication channels to attain and retain consumers for its product. It is a comparatively new mode of marketing communications (when compared to forms such as advertising, sales promotions, personal selling, etc). Direct marketing involves carefully seeking out persons within a target market, and communicating to them about the nature of a product. This process is signified by brochures sent via mail, e-mails from companies, etc. It can also constitute the use of telemarketing, in order to communicate with a target market. Direct marketing is an element of promotional mix, an interactive marketing system that uses one or more advertising media to effect a measuring response and transaction at any location. Major direct marketing tools available in marketing communication are face-to-face selling, direct-mail marketing, fax-mail marketing, E-mail marketing, voice mail marketing, catalogue/mail order marketing, telemarketing and the agencies, in-bond telemarketing and direct response television – DRTV, kiosk marketing, network marketing, and online marketing (internet).

Methodology

Population, sampling and sample size: the methodologies adopted for this assessment were empirical and survey methods.

Different small medium sized (manufacturing and service) enterprises which officially engage between 5–50 employees consist the population for this study.

Sources of data

Data was collected from the companies selected for this study. Both primary and secondary sources were searched using personal interview and questionnaire on the companies' marketing managers and managing directors, and lifting relevant data from their records, including those obtained from Board of internal revenue, Aba, Abia State of Nigeria.

Data presentation and analysis

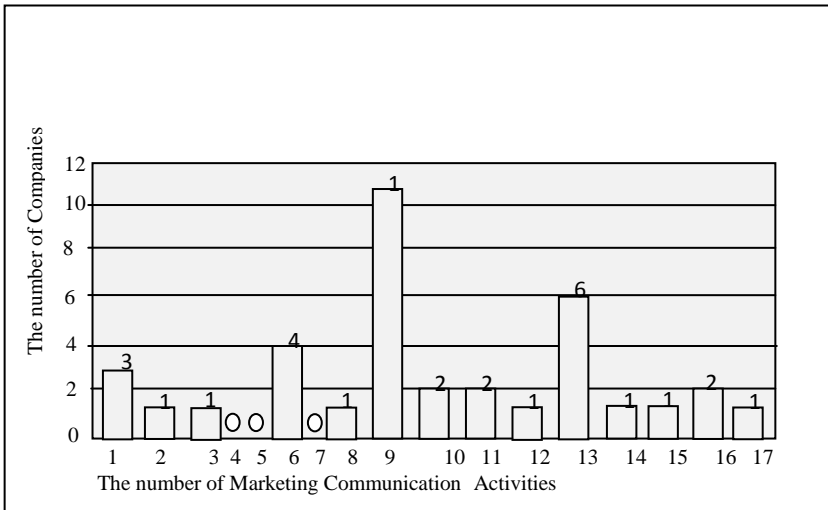
Data concerning business performance were collected though a basic theory says that company is successful when achieving its goals, there have been attempts to set clearer criteria for measuring business performance in this research both subjective and objective data were used, some of them financial and some of non-financial. Aggregate business performance variables were net sales, next sales growth index, net profit margin, return on equity, net return on assets, net business result for the accounting period, customer loyalty, achieved profit vs planned, achieved return on investment vs planned, achieved vs planned, achieved marketing share and planned, net profit/loss per employee, and achieved employee loyalty vs planned.

Based on the findings from the literature in respect of which and how often a certain marketing communication activity was used by the companies, the list of 21 different marketing communication activities included: printed advertisement in newspapers, radio commercials, press conferences, price reductions, direct mails, direct e-mail, contests, newsletters, sponsorships, leaflets, press released, events, internet pages, pamphlets, business databases (Kompass), internet banners, postponed payments, donations, trade shows, personal presentations and TV commercials.

Data about marketing communication activities and some financial data of targeted companies were obtained through interviews/with small managers. The population consisted of limited liability companies which officially engage between 03 – 50 employees. There are 44 viable small scale manufacturing companies in Aba, Abia State matching these criteria, and data was obtained from 37 of them.

The number of marketing communication activities and aggregate business performance: Marketing communication activities are all the activities that a company uses in order to communicate with its different publics (customers, suppliers, employees, the government, etc). Managers were asked to mark which marketing communication activities their company use. From their answers, and results, it was concluded that the highest percentage of the companies use 09 different marketing communications activities; modus is 9, mean is 9.4 (Figure 3).

Figure 3: The Number of Marketing Communication Activities Used by the Companies



With data about business performance and learning how many marketing communication activities the company’s uses, a Pearson correlation analysis between the 2 variables was conducted. It can be concluded that there is no significant correlation between the number of marketing communication activities that a company uses and the aggregate business performance of a company (i.e. $r = 0.211$, $P = 0.211$). This means that Hypothesis H1: “There is no significant correlation between the number of marketing communication activities the company uses and its aggregate business performance cannot be rejected.

The number of Marketing Communication Activities and Business Performance Variables

Table 2: The Relationship Between The number of Marketing Communication Activities a Company Uses and Business Performance Variables

	Person correlation	Sig. (2. tailed)
Net profit customer loyalty	0.428	0.8
Customer loyalty	-0.367	0.025
Net Profit margin	-0.306	0.066
Achieved employee loyalty	-0.292	0.080
Net Profit/loss per employee	-0.288	0.084

Correlation is significant at the 0.01 level (2. tailed) Correlation is significant at the 0.05 level (2- tailed)

Based on the results from Table 1, it was concluded that there is a significant correlation between the number of marketing communication activities a company uses and two business performance variable: net sales and customer loyalty. The correlation between the number of marketing communication activities a company uses and net sales is significant: $P = 0.001$ and negative $r = 0.428$. The correlation between the number of marketing communication activities of the analyzed companies and customer loyalty is significant: $P = 0.05$ level ((2- tailed) and negative $r = 0,367$. Therefore, the Hypothesis H_{02} : “There is no correlation between the number of marketing communication activities the company uses and business performance variables”, was rejected. There also exists a negative correlation between the number marketing communication activities the company uses and:

Achieved employee loyalty vs. planned ($r = 0.306$, $P = 0.066$)

Net profit margin ($r = 0.292$, $P = 0.08$)

Net profit/loss per employee ($r = 0.288$, $P = 0.084$)

As customer loyalty decreases, marketing communication activities should increase. However the correlation is not a very strong one given less than

1.0, other factors like product features, message channels, e.t.c may come into play.

Frequency of using certain marketing communication activities and aggregate business performance

To find out which marketing communication activities that show the strongest correlation with the aggregate business performance of company, the frequency was explored, with managers evaluating how often they use a specific marketing communication activity (we use this activity, once a year, twice a year, every three months, every two months, every month, every week).

Table 3: Frequency of Using Certain Marketing Communication Activities

S/		Every week	Once a month	Once in two months	Once in 3 months	Once a year	Twice a year	Thrice a year	Not at all	Total
1	Printed ADS in Newspaper	2	6	12	6	8	2	1	2	39
2	Radio commercial	14	4	4	-	-	-	-	4	26
3	TV commercial conference	1	3	-	-	-	-	-	2	6
4	Price reduction	1	3		1	3	2	-	-	10
5	Contests	-	-	-	-	2	-	-	-	2
6	Sponsorship	-	-	-	-	4	-	-	-	4
7	Postponed porets	-	3	1	-	4	2	-	3	13
8	Donations	-	-	-	-	1	-	-	-	1
9	Trade fair/ personal protection	-	-	-	-	12	6	-	2	20
	Total	18	19	17	7	34	12	1	13	121

Source: Field survey 2011

Table 4: Income Declared For Tax Purposes at Internal Revenue Office

Net Income Company by No.	1	2	3	4	5	6	7	8	9	10
Years										
2004	-2.66	.260	20.50	3.04	6.11	-.399	1.80	2.03	2.20	1.13
2005	-1.5	.320	36.00	2.66	1.11	-3521	1.72	2.00	1.76	-1.60
2006	1.0	.600	3,7.10	1.29	.086	-242	1.69	2.05	4.68	-1.60
2007	-8	.750	25.12	2.20	.662	-.129	1.90	2.16	1.61	0.287
2008	1.5	1.11	13.11	2.26	.973	-0.540	2.92	3.00	1.09	1.13

Net Income Company by No.	20	21	22	23	24	25	26	27	28	29
Years										
2004	-	-2.08	-.312	-	.541	-	-	.337	-	-
2005	-	-.258	0.043	-	.867	-	-	-0.171	-	-
2006	-	-.025	1.00	-	.707	-.567	-	-.319	-	-
2007	-	.004	.043	-.458	.681	.789	-	0.005	-	-
2008	-	.053	-.313	0.311	.787	-.056	-.205	0.171	-	-

Net Income Company by No.	11	12	13	14	15	16	17	18	19
Years									
2004	-	3.56	.022	.014	-	-.084	-.018	0.229	-
2005	-	1.40	-.030	.010	-	-.063	-0.022	-.018	.319
2006	-	.670	.210	.072	-	-.071	-.009	-.021	1.021
2007	-1.72	.750	.160	.095	-	.032	.021	.044	.947
2008	.213	.205	.345	.084	-.060	.512	-.019	.027	.841

Net Income Company by No.	30	31	32	33	34	35	36
Years							37
2004	-	0.22	-	.650	-	-	-
2005	-	0.26	-	.188	-	-	.041
2006	-	.003	-	.309	-	-	.039
2007	-	.174	-	.446	.752	-	.176
2008	-	.364	-	.655	1.38	-	.408

Source: Field survey 2011

The correlation between the frequencies of using specific marketing communication activity and aggregate business performance was analyzed, and the significant correlations are presented in Table 2.

Table 5: Significant Correlation of the frequency of Using Specific Marketing and The Aggregate Business Performance of a Company

Frequency of Using Marketing Communication Activity	Aggregate Business	Performance
Price Reduction	-0.41	0.01
Printed advertisement in newspapers	0.37	0.02
Sales Contests	-0.36	0.03

Source: Field survey result 2011

Correlation is significant at the 0.01 level (2-tailed)

Correlation is significant at the 0.05 level (2- tailed)

It was found that the marketing communication activity that correlates most with the business performance of a company is price reduction ($r = -0.41$, $p = 0.01$) followed by contests ($r = -0.36$, $p = 0.05$) and printed advertisement in newspaper ($r = 0.37$, $p = 0.05$). Therefore, Hypothesis is H_{03} : “there is no correlation between the frequencies of using a specific marketing

communication activity/ tool and its aggregate business performance”, was rejected.

Frequency of certain marketing communication activities and business performance variables

The analysis was based on the 13 identified business performance variables. Significantly, both positive and negative correlation between these variables was found. The strongest positive correlations were found between the frequencies of using printed advertisement in newspapers and business performance variables. Strongest correlation was found with net business result for accounting period ($r= 0.85$, $p= 0.01$) followed by correlation with net sales ($r= 0.33$, $p= 0.05$) and net return on assets ($r= 0.33$, $p=0.05$). Strongest negative correlation was between the frequencies of using printed advertisement in newspapers and customer loyalty ($r= 0.62$, $p=0.01$). Based on these results, hypothesis H4 which states that “there is no correlation between the frequency of using a specific marketing communication activity and business performance variables” was rejected.

Conclusions

This study revealed several correlations between the numbers of marketing communication activities the company uses, the frequency of their use and the business performance of companies offering goods and services in Nigeria. The connection between number of marketing communication activities the company uses and business performance results revealed that there is no significant correlation between the number of marketing communication activities and aggregate business performance, a correlation exists between the number of marketing communication activities and two business performance variables:- net sales and customer loyalty. This implies that a company cannot be assured to raise business of marketing communication but it can increase certain business success indicators.

The negative correlation between the number of marketing communication activities of analyzed companies and customer loyalty implies that the companies, which have customers that are more loyal, use fewer marketing communication activities than those who don't, because they established a solid customer base. This is obviously not the case with the companies that use wider communications mix. In addition, when experiencing loyalty decline, there is a need to increase the marketing communication mix.

The connection between the frequency of using marketing communication activities and business performance results indicates that the frequency correlates with both aggregate business performance variables. Also, the frequency of using price reductions and contests as marketing activities shows the strongest negative correlation with aggregate business performance. On the other hand, the frequency of using printed advertisement in newspapers demonstrates the strongest positive correlation with aggregate business performance.

On the relationship between performance variable and the frequency of using a specific marketing communication activity, the results indicate several correlations. The frequency of using printed advertisements demonstrates the strongest correlations with separate business performance variables. Companies which are using printed advertisements in newspapers frequently have demonstrated higher net business results, net sales and returns on assets but lower customer loyalty.

Implications to marketing

The results can be used as a guideline when deciding about marketing communication activities for both manufacturing and service companies involved in this research as well as all similar companies. The research revealed that companies can influence their business performance results both by using a wider assortment of marketing communication activities and with frequent use of certain marketing communications (marcoms) tools.

Therefore, it is advisable to use as many marcoms activities as the companies can afford. However, the activities should be chosen on the basis of professional marketing management - research, data gathering, analysis, setting measurable objective, etc. When developing their marketing communication mix, managers of Small and Medium Sized Enterprises (SMEs) should take into consideration the correlation between the frequency of using certain marketing communication activities and business performance variables.

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