



INTEGRATED MARKETING COMMUNICATION

VW: SKODA FABIA





INTRODUCTION

During the following essay we are going to be looking at the concept of integrated marketing communication (IMC) for the Skoda brand. Skoda prior to the year 2000 had a humorous and weak reputation among the UK market. With such jokes as “what do you call a Skoda with a sun roof? A skip”

However this situation was far from a joke for Skoda, during 1991-1998 massive losses were made. However despite these factors Volkswagen turned their 30% stake acquired in 1991 to complete control of the company in 2001.

Skoda now lead by VW and coupled with a IMC plan have transformed their reputation and seen sales leap in the UK market with even the unthinkable..... they had a waiting list.

This essay will discuss how VW used IMC for the Fabia car that changed Skoda's reputation.

We will look at the way in which VW pieced together the common tools of IMC to achieve a marketing campaign that has not only increased sales and image but also been reckonised by media and business circles with several awards (Winner of Best Change of Direction award and John Bartle Award for Best New Agency)

However we will also look at the negative side of IMC and discuss barriers to its implementation as well as some of the confusion surrounding its definition not only by marketers but also crucially by the companies themselves.



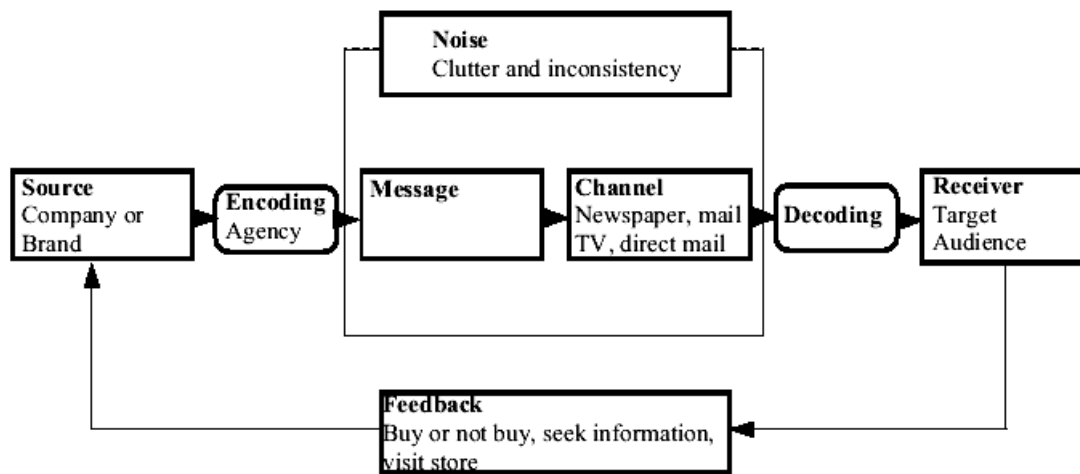
1.0 IMC DEFINITION

Integrated Marketing Communications is fairly new on the marketing scene and was deemed to be brought in by Schultz, Tannenbaum and Lauterborn in 1993 (Schultz et al, 1993) amid the increasing commercial message clutter in the market.

As we can see from the communication process (Adapted from Duncan, 2002, p127) below this is illustrated by the noise factor. With more commercial message clutter it becomes increasingly harder for agencies and firms to get their desired message across to customers.

This is backed by Dan O'Donoghue (1997) who states that the average consumer in 1995 was subjected to 300 commercial messages in an average day with that now raising to around 3000 images today. With the increasing amount of communication channels available, global satellite delivery and the occurrence of e-commerce this is likely to increase ever more.

Figure: 1.1
The Integrated Communication Process



Source: Adapted from Duncan, 2002, p. 127

IMC promotes the use of a variety of communication channels most notably personal selling, direct selling, advertising, sales promotion, public relations, points of purchase, packaging, word of mouth, internet and corporate identity (Smith, Berry, & Pulford 1998). With the variety of different communication IMC aims to integrate all these possible communications to allow consistency across all the communication channels and allow maximum impact of its message. As described by P. Smith (1996), in Admap:



“Integrated Marketing Communication is a simple concept. It brings together all forms of communication into a seamless solution”

This allows extra innovation for the companies and agencies to hopefully allow their message to penetrate the noise and have their message received, decoded and understood.

However a clearer definition of IMC must be used before continuing, that of American Association of advertising:

“A concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communications disciplines and combines them to provide clarity, consistency and maximum communications impact through the seamless integration of discrete messages”
:(IMC,1998, T.Yeshin, Pg68):

However it must be noted that there are many varying definitions of IMC from many marketers but the above IMC provides the clearest. Later we will look at the confusion caused by the diversity of definitions with IMC.

There is also much more to IMC than communication advertising other important marketing tools need to be integrated. Most come under the seven levels of IMC integration as suggested by A.Shanker 2001 are:

- Vertical Objectives integration
- Horizontal functional integration
- Marketing Mix integration
- Communication Mix Integration
- Creative Design Integration
- Internal/External Organisation Integration
- Financial Integration

These factors are crucial in the overall integration of IMC and must be comprehensively planned and strategically considered for a successful implementation of IMC and we will shortly discuss how these coupled with Chris Fill’s model of campaign integration (1995) have been tied together by Skoda to provide a complete change of direction for their company

All this is a significant step away from the more departmental approach (H.Davidson), prior to IMC in the 60’s to the 80’s



H.Davidson Integrated Approach

| The Departmental approach | Integrated Approach |
|--|--|
| Set Five year sale/profit targets | Review future markets, needs, technology |
| Develop individual supporting strategies and plans by department | Establish vision, priorities, competences, needed to win tomorrow |
| Combine departmental plans | Develop key strategies for value, innovation Competences, attitudes |
| Financially driven | Market Competence-driven |
| Department-based | Cross-departmental |

From the chart above we see that the integrated approach has shifted the thinking to every aspect of the business combining to deliver superior customer value at the smallest cost. We can see that the company becomes cross-departmental and so therefore integrates both horizontally and vertically.

With horizontal integration involving integration across the marketing mix and across business functions such as production, distribution and finance. Vertical integration however involves the important aspect of marketing and communication objectives fitting into the higher level of corporate objectives and missions.

This as discussed in the implications to IMC section is extremely hard to achieve.

We have seen a great shift in the thinking of marketing communication tools. For a long period of time marketing tools have been considered by firms as separate elements and implemented as such. Usually a tool would be used without consideration of the affects on its others. IMC has shifted the thinking to merging the tools together to project a unified message. (IMC, T.Yeshin, 1998, pg10)

Finally we must ask ourselves “what are the benefits?” Firstly we can see from above that IMC has shifted greatly away from the departmental approach. We this a showering of benefits has emerged to the benefit of companies who adopt it.

Firstly companies are able to deliver a consistent message to its consumers. The IMC approach implies that the company uses a holistic approach to the communications process. This helps avoid potential confusion in the mind of consumers about their message.

It also brings about corporate cohesion and improved agency client relationship as it allows for greater interaction of each department and agency as they integrate together the toward the company goal, which stimulates the interaction, motivation and participation of the companies departments and staff.



But it must be said that the key benefits to a company using IMC is the possible increased profits, improved efficiency and the ability to gain maximize possible effect in getting through the commercial clutter.



2.0 SKODA FABIA

As briefly discussed in the introduction all was not well at Skoda during the 90's. Despite VW buying a 30% share of the company in 1991 and investing over 2 billion in a new plant and R&D they still struggled right up until its Fabia car release. During the time prior to the Fabia release Skoda released a car by the name of Octavia. This car was very well received in the automobile press and was built around a quality strategy, all would appear well for Skoda before the release however Skoda decided on a departmental marketing mix approach with the launch of the product. £10,000,000 was spent on its promotion in the UK market, the biggest in Skoda's history. All did not go well, only 6154 cars were sold after the launch. Also research showed that 60% of people would never consider buying a Skoda (CIM, P.Mann)

After this failure Skoda decide to change marketing approach with VW's marketing team saying:

"We needed to move away from being a cheap brand to being a value-for-money brand. At the same time, we badly needed to find our own positioning within the group, rather than just trading on being part of the VW Group. Otherwise, we might just as well have re-branded ourselves as VW, with very little reason for existence." (The rebranding of skoda.Tutor2u business recourses)

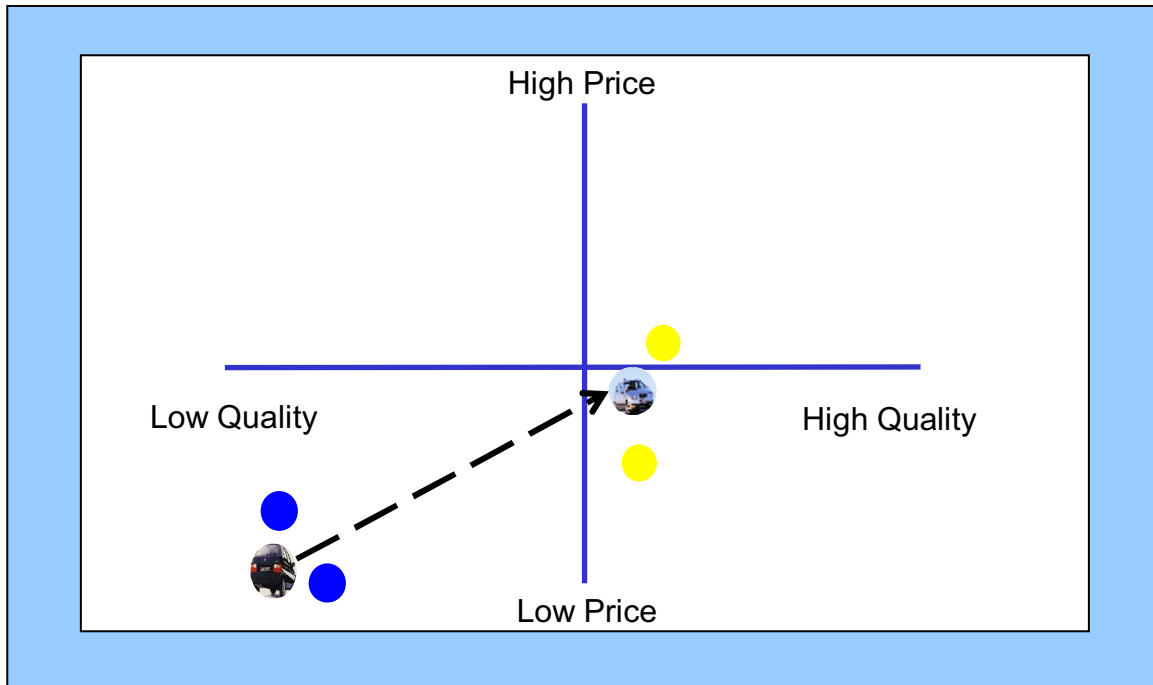
With this statement VW went about Integrating their functions and communications.

One of the first tools VW would have considered would have been the perceptual mapping of their brand. As we can see for the statement VW wanted to move away from the being a cheap brand to being a quality, safe and good value car.

From the perceptual map below we see that their perceptual mapping has changed greatly. Although this change of positioning would help improve product and price(4p's) it will however bring about new competition among more established brands such as Ford, Vauxhall rather than that of say Reliant Robin.



VW's Perceptual Map Of Skoda



However it is all good and well to say that you wish to be mapped at this new level but this needs to be integrated both horizontally and vertically as briefly discuss before. Many companies have fallen by advertising and mapping their goods as supreme products yet when it comes to it they haven't integrated enough horizontally and their product has actually been of inferior quality. A recent software example of this would be the amazing hype surrounding a soccer management game called Championship Manager 4. Marketing deemed this software to have everything, yet when released it was riddled with 100's of bugs reducing it to being unusable which in turn built up major return rates of the product. In the process damaging the product reputation and almost rendering the advertising meaningless. (www.eidos.co.uk) clearly we see a complete lack of horizontal and vertical integration between production, marketing and management. Why was a unfinished product being advertised? why was it ever released? A truly integrated campaign would have pulled everything together and gone for the same goal.

In the case of Skoda Fabia VW certainly integrated horizontally and vertically.

Before the launch of the Fabia Skoda were very motivated about providing quality therefore all participating parties were integrated from the beginning, the developers, manufacturers, quality controllers and suppliers were all involved in the overall quality concept.

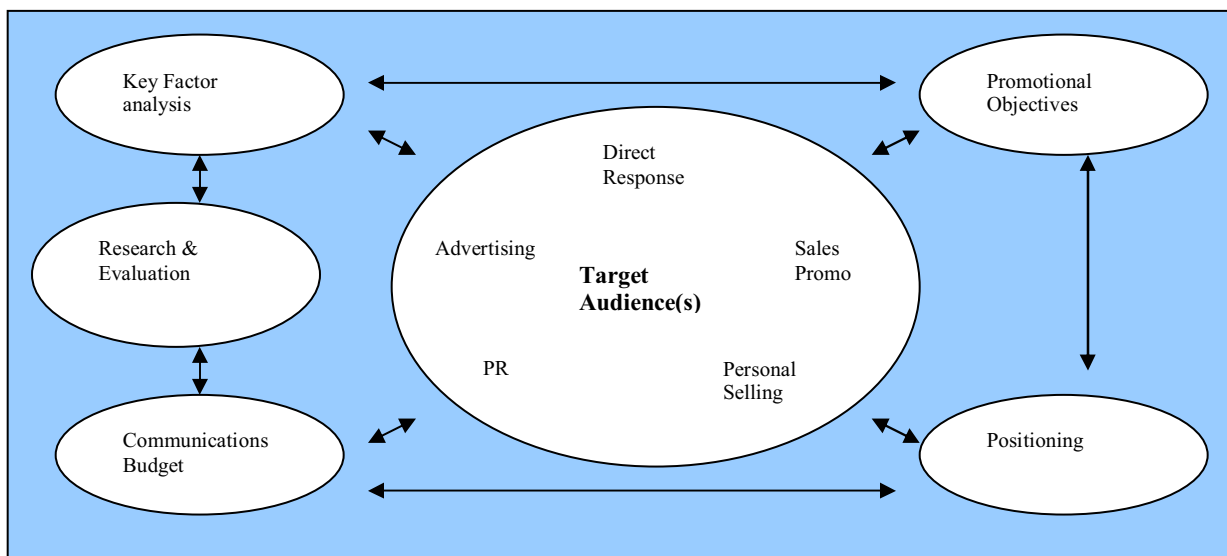


Skoda even held back on production until the production process had stabilized, meaning that high quality was implemented from the start of the Fabia series and also resulted in the ISO9001 and ISO9002 quality awards for the car. (www.Skoda.com)

Now looking at process of skoda achieving integration in their advertising campaign. As discussed earlier the task of implanting a marketing communications campaign is becoming more divergent. IMC implies that no longer are marketing tools used separately they need to be used in conjunction with each other to provide a consistent message.

Chris Fill 1995 proposes a model of campaign integration as shown below. This shows the requirements to achieving integration. Its looks at the elements of the strategic development and shows the departmental requirements as organisations move toward retaining more than just one pair of hand i.e advertising agency, sales promotion companies.

C.Fill Campaign Integration



C.Fill also illustrates that any IMC team must work in total unison whilst carrying out the strategic plan. They must have one aim, one mission, one message, and one experience. (IMC by C.Fill, 1995)

This certainly has been the case at Skoda. Firstly they employed the services of advertising agency Fallon and they started to work in integration with all other sections of the campaign. Despite being on a limited budget they used the zero based approach and ruled out previous campaigns.

This zero based approach works on the basis of DAGMAR (Defining advertising goals for measuring advertising results). Skoda integrated this tool which is similar to that of



AIDA discussed shortly by defining the specific objectives of their campaign from the beginning, as shown in Skoda's main objective was to get away from the cheap brand image and also change the customers' perception of Skoda and assure consumers that they could buy in confidence without being laughed at. The benefit of DAGMAR is it allows for the measuring of campaign achievement. In this case they were able to measure that people who would not consider buying skoda fell from 60% to 42%. They were also able understand that over 25% was gained with now 79% of people believing that Skoda were a better brand. (C.Hirst Fallon agency,CIM report)

From this we can successfully see that they have gone about achieving their aims successfully.

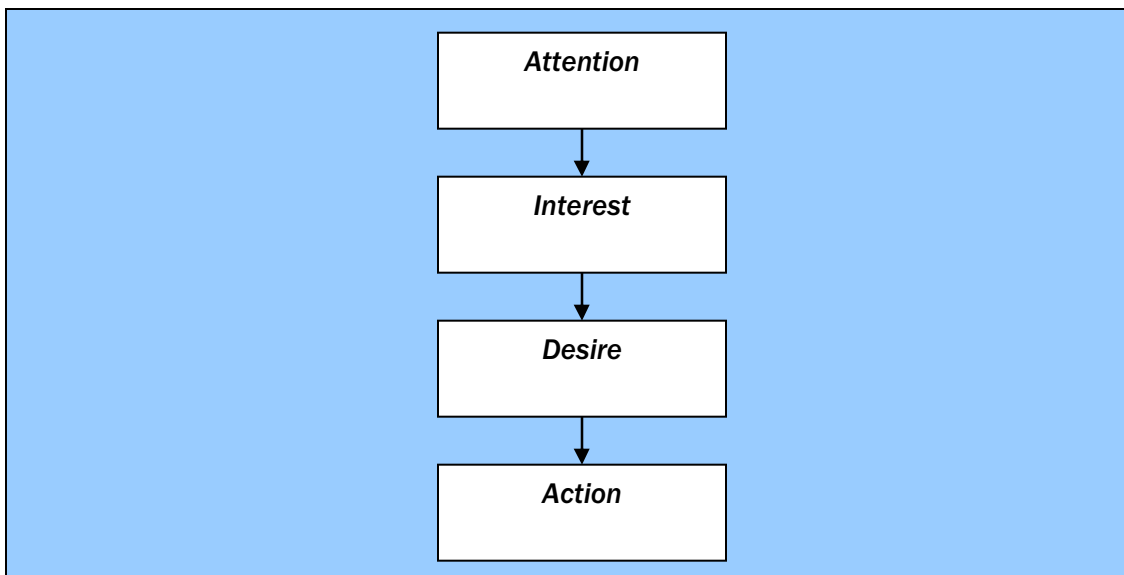
Now let's look at how Skoda went about undergoing this change of perception in the consumers mind. IMC relies a lot on the use and integration of the communication and marketing mix.

Looking at the C.Fill model above we see most of the key aspects of communication, direct marketing, advertising, public relations, personal selling and sale promotion.

These aspects were carefully integrated by Skoda to help gain their goal. Direct marketing was carefully used. Skoda targeted consumers off its database with very informative and unique mailing. Potential consumers would be sent a Skoda logo which could fit in a pocket or wallet with the headline "Live with it for a while and see how you feel then" This fitted very much into the advertising campaign which built on the quality concept of the car and how the consumer wouldn't believe it was a Skoda. During this time many Skoda Fabia's were being given away in promotions to simply allow the consumer to try the product. In one competition there were 27,000 respondents(www.brandrepublic.co.uk), all of which were later targeted with direct marketing, which indicates good integration.

This technique of advertising could be connected with the marketing tool of AIDA.

The AIDA model





AIDA as shown above is the general process of communication and requirement of a advertising campaign. As P.Cotler (Marketing management 2003) states:

“The marketer may want to put something into the consumers mind, change an attitude or get the consumer to act”

AIDA explains the process of doing this and shows the processes the campaign will need to stimulate to be successful. For example Skoda gained attention by actually showing people actually running away or not believing in product. However it stimulates interest by showing it quality. Any interest by the consumer can then be followed up either by them ringing a number provided by Skoda, Websites or Skoda direct marketing them. The desire will then hopefully follow.

Skoda have considered the effects of AIDA, perceptual mapping, DAGMAR, 4p's, communication mix and so forth and produced a very well integrated marketing campaign that meets the criteria of their goals, integrates each marketing tool and provides a very consistent message throughout. Which resulted in sales growing 34% in the first year after Fabia's launch. Some 30,000 were ordered and sales increases were even seen on the Octavia brand. Skoda are now one of Europe fastest growing brands (The chartered institute of marketing, rebirth of the Skoda brand)



3.0 IMPLICATIONS

During this essay we have covered mostly the positive side of IMC and haven't considered the barriers and negative effect of integration.

Firstly as covered at the beginning of the essay there are many definitions of IMC and recent research from Helen Mitchell at Cranfield University showed that of the companies she interviewed IMC remained mostly misunderstood. Many of the respondents gave varying answers with some assuming it was a process, some a facility and other variants. (IMC, T.Yeshin 1998)

This problem alone would cause several problems as to internally try to implement IMC without full management understanding of the concept is a dangerous president.

The issue of politics is also a problem both vertically and horizontally when trying to implement IMC. Many departments battle for the leading role but also become worried about budget, staff reductions. So the opportunity of integration isn't commonly approved among all departments with several different vested interests and is one of the reasons for smaller up take among companies

Other barriers would be the general lack of experienced people who have knowledge of marketing communications in a variety of fields. There is a definite need for broad minded people in the implementation of IMC without which would result in the mis-implementation and politics as discussed above this is underlined by the Cleland study 1995.

Finally budgets can be a major barrier for integration. Unlike Skoda who started at zero based and ignored past budgets many companies tend to be considered on a historic basis rather than on a specific objective like with Skoda.

Also many budgets tend to be considered on a department or line by line basis rather than holistically. This tends to mean departments fight over budgets which could cause imbalance of integration.

As said by C.Fill They must have one aim, one mission, one message, and one experience. And the above shows that this isn't always the case.



4.0 CONCLUSION

The benefits of IMC can be paramount, clear to see and prove to be extremely useful for penetrating through the ever increasing amount of advertising information clutter.

The holistic approach of IMC allows for a consistent message to be delivered to its target audience and also allows for a consistent and complimentary set of follow up procedures or concepts throughout the consumer buying process which helps reduce confusion and was looked at in the AIDA model.

Also follow this with increased corporate cohesion, client relationship, interaction, motivation, participation, increased efficiency and improved profits

From the above you would assume everyone would be joining the band wagon, however it appears the problem with IMC is once you are there everything appears to be beneficial with IMC however the biggest problem and barrier is actually gaining the status of a truly integrated company.

Human nature is very stubborn. Change isn't easily accepted especially if it could hinder oneself. Sadly a negative side to IMC does require change and some people will loss out initially with power lost, reduced budgets and possible loss of skilled workers which certainly can damage possible integration both horizontally

This certainly doesn't do much to wet the appetite; however companies must enable management staff to see beyond these matters. Much HRM theory proves that working together and integrating to solve a problem or achieve a goal reaps more beneficial results (C.Oswick)

Now lets take a moment and consider the Skoda campaign. Coming from a modest background as a child we had a bright orange Skoda. Many a day went by were I hated going to school in it then took the jokes and so forth. However now the concept has totally change if I were I child in a Skoda today I doubt a comment would be made. It shows quality and the perception has changed. Without IMC that may not have happened.

Overall IMC is a very useful approach to marketing and certainly brings its benefits, if a company has the right foundations and mind to implement IMC I would certainly bring about its recommendation.