EXPERIENTIAL MARKETING – ENTERTAINING EVENTS OR A CRUCIAL PART OF THE MARKETING MIX?

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ABSTRACT

The aim of this study was to examine how experiential marketing can be used to create and manage customer relationships. The main focus was on the paradigm shift in marketing approach from transaction-focused to customer relationship-focused and the causes behind it. After that, experiential marketing was analysed as a method of enhancing customer relationships and brand loyalty. The attitudes towards experiential aspects of both marketers and consumers were examined in order to see how welcome the trend is.

The study used a combination of primary and secondary data. Secondary data was collected from marketing literature, industry websites and articles, and critically assessed in order to ensure a diverse approach. Primary data was gathered using qualitative research methods by interviewing an experiential marketing professional.

The results showed that the changes in technology, competitive environment and customer attitudes have lead to companies focusing on longer-term relationships with customers instead of single transactions. Experiential marketing is a constantly developing topic and has been received well by companies and public as a way of bringing customers closer to the brand. The biggest pitfall slowing down the growth of experiential campaigns proved to be the lack of appropriate measurement systems. Nevertheless, marketers showed willingness to allocate more budget to experiential elements in the nearest future.

Key words: experiential marketing, relationship marketing, brand experience
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1. INTRODUCTION

Management consultant Peter Drucker once said “When a subject becomes totally obsolete we make it a required course.”

Most marketing theory books used in business education focus mainly on the traditional marketing theories, originating from the days of mass marketing where companies had much power and customers were there to receive marketing communications and act accordingly. There is no doubt that basic theories such as the 4P’s or the forces of threat are still relevant and good to know today – but what most theory books fail to include are the constantly emerging trends of marketing.

In order to keep up with developments and update one’s knowledge in marketing, the author decided to focus my dissertation research on a topic interesting to her but not yet widely covered in marketing textbooks. This topic is experiential marketing – the idea of creating brand experiences for customers to see, feel, hear, and live the brand, thus enhancing and managing the customer perceptions and relationships with the company, brand or product. Customers seem to be gaining more and more power in the market and want more interaction with companies, products and brands. This report looks at the changes in marketing trends that have lead to the rise of experiential marketing.

The dissertation is formatted to answer the following research question:

**How can experiential marketing be used to create and manage customer relationships?**

Other questions supporting the research and approach to the main one are:

**What changes in company and especially customer attitudes have led to the rise of experiential marketing?**

**How can relationships be improved by adding experiential elements?**

**What are the pitfalls of experiential marketing? How can they be overcome?**
The research focuses mainly on business-to-consumer marketing, providing a variety of examples from different industries. The reason for this is to show the diversity of experiential opportunities and how experiential elements can, if planned well, be applied to almost any part of almost any company’s marketing mix. Experiential marketing can be and is used in business-to-business marketing, too. B2B examples and specific guidelines were not included in the report. Even if many of the elements can be generalised to fit both, business-to-business marketing is in many ways very different from consumer marketing, and would be better covered separately.

The first part of the report focuses on the fundamental changes that have taken place in the approach to marketing, as well as the reasons behind these changes. The second part speaks about experiential marketing and how it can be used to achieve a competitive advantage for a company by using it to create personal experiences and emotional bonds with customers.
2. METHODOLOGY

This dissertation is based for the most part on secondary data. Relevant marketing books were used to form a basic theoretical framework regarding traditional marketing. Much of the knowledge was acquired by the author during the first two years of business studies, and more in-depth information obtained from recent studies and publications. This created a good starting point for the research. The literal backbone for this dissertation was experiential marketing literature by Berndt Schmitt and Joe Marconi. Primary data was gathered by an open-ended interview with experiential marketing professional Ms Melody Fern Strange. Because of the nature of the research and topic, qualitative in-depth data collection seemed right from the start more relevant than any sort of quantitative analysis.

The actual research was conducted during winter 2008 and spring 2009, but the author has been interested in the subject since participating in planning of some experiential campaigns during her internship, and has been following the trends and developments closely ever since. Due to experiential marketing being a relatively new and constantly developing subject, much of the research was conducted on the internet. On the other hand, also because the subject is so recent, the amount of information available especially online is huge. To ensure quality and diversity of the research, all theories were viewed critically, evaluated and compared to other available information as well as the author’s own opinions and interpretation.
3. SHIFT OF MARKETING TRENDS

3.1. Transactional marketing

3.1.1. Definition

Transactional marketing, or mass or features and benefits marketing, focuses on price competition and individual transactions. Mass marketing started in not based on theory but on downright cost cutting. Companies started communicating to anonymous masses – which was made even easier and wider-spread by the introduction of TV advertising around 1940’s (A Brief History of Television Advertising; ezinearticles.com 23.1.2007); and standardising their product and distribution as much as possible in order to ensure low prices that were believed to be the main purchasing factor. Emphasis was put on individual transactions and customer loyalty did not get much attention, as customers were believed to come back because of the price anyway (Egan, 2004, p.9). Some researchers say mass marketing did not allow for brand building – but in fact, many gigantic brands such as Coca-Cola, Procter & Gamble and various car manufacturers became iconic already during that time.

It is interesting to notice that the need for generalisation of marketing vocabulary and theories was first formally recognised by the American Marketing Association in 1946 (Ryans et al; Journal of the Academy of Marketing Science, 1974, nr 4), and most of the marketing theories and concepts we are familiar with today were actually only introduced and published during and after the 1970's. Of course, no company markets and advertises its products exactly by the book – in addition to that, there are so many books and theories to choose from now that each company could probably get its own. Many researchers and professors have influenced and changed the marketing trends. Some of these trends have proved to be just namely – re-inventing the same or similar concepts just to get published;
and some have really affected the nature of marketing and are still taken into account today. It would be practically impossible (and unnecessary) to cover all marketing theories and strategies, as even the most basic and important ones are getting additions and expansions and updates on a regular basis. As a result, the following chapter aims to provide a very elementary overview of the main concepts of marketing that function as a base for marketing planning and are relevant to changes happening in the industry.

3.1.2. Main theories and concepts

The marketing mix was first introduced by Neil H. Borden in 1964 in the Journal of Advertising Research and consisted of various elements that were later narrowed down to four main categories (E. Jerome McCarthy in his book *Basic Marketing*, first published in 1960 and now in its 16th edition), the four P’s – product, price, promotion and placement. A variety of authors have suggested updates and additions to the four P’s, but marketers have generally chosen to keep them as they are and adapt the basic model to their own needs.

The promotion P covers the aspects of marketing communication, which are advertising, personal selling, sales promotions, public relations and publicity (Kotler 2005; p.34). The promotion P also includes planning the promotional strategy and budgeting – and is probably one of the most misused concepts as people tend to confuse promotion with marketing all the time. Mass marketing, for example, brings to mind mainly the use of mass media – when in fact it also includes adapting the product, price and distribution to the masses. The goal of advertising is to attract, increase, convert and retain customers. Retaining suggests the customer coming back and being loyal to the company – but unlike relationship marketing where interaction and mutual benefits drive the relationship, in transactional marketing the customer makes the decision based on price, need satisfaction and success of the previous transaction (Kotler 2005; p.10).

According to Kotler et al (2005; p.11), a market is ‘a set of all actual and potential buyers of a product or service’. A market is defined by its function, namely customers within it share a similar need. Markets are further divided into
segments, which on their part are defined by the benefits each customer group gets from the product.

**Needs, wants and demands** – it is crucial for a marketer to understand what the customers need and want in order to create the right marketing strategies. The difference between a need and a want is clear – needs are a basic part of the human nature, for example physical needs such as food and safety, and social needs such as belonging to a group. Wants, on the other hand, depend on personality and culture – wants can also be for food or belonging, but unlike needs, they will be more elective and specific. For example a customer might need shoes and want a certain Nike model. If the customer has the money to potentially pay for the model, the want becomes a demand.

**Exchange, transactions and relationships** – Exchange is when a customer decides to get hold of a product by giving something in return. Transaction, according to Kotler (2005; p.10), is the unit of measurement. Most transactions involve money, but other types of transactions, such as barter trade, are also possible. Relationship marketing brings continuity to transactions – instead of short term or one-off transaction, companies are trying to create beneficial longer-lasting relationships with both the customers and the suppliers.

**Marketing offers** (products, services and experiences) – a marketing offer, according to Kotler et al (2005; p.9), is a ‘combination of products, services, information, or experiences offered to a market to satisfy a need or want’. The focus that used to be mainly on the product has now shifted also to customer relationships, service quality and brand experience. These concepts are now included in most contemporary marketing textbooks, pointing out the importance of experiential aspects alongside traditional or mass marketing.

### 3.1.3. Product / Brand

Initially, simplicity of product and economy of scale allowed reduced production costs, and a universal model without adjustable extra features could be marketed and sold to masses, thus reducing contact costs. But with the constantly growing
amount of companies, brands, products, campaigns, formats and messages, it was getting more and more difficult to attract and especially retain customers. Companies that could not be first in a certain category attempted to differentiate their products enough to start a whole new one. Product lines and extensions grew, and getting even a slightly stable share of the consumer’s wallet was proving to be extremely difficult for most.

Transaction marketing focuses on short-term benefits, one-off transactions. The four P’s, as explained earlier, are believed to affect buying behaviour greatly – if the placement, price, promotion and product benefits are planned and executed correctly, customers will buy the product. If the performance is right, customers will be satisfied and buy the product again later. So transaction marketing, too, aims for repeated purchases instead of only one-off deals. But the repeated purchase or usage is a result of need satisfaction and product performance, not so much on managed experience or relationship. This can backfire if a product does not sell well and marketers start looking for reasons why – perhaps the marketing mix is adjusted right, but customers have none or negative experiences with the brand or the company and for that reason are unwilling to try out the product.

3.1.4. Customers

Kotler et al (2005) state already in the introduction that marketing is about customers. Customers, they say, are ‘an essential component of a marketing system. -- The goal of marketing is to attract new customers by promising superior value, and to keep current customers by delivering satisfaction’. Customer value is defined as the product’s ability to satisfy the customer’s need, from the customer’s point of view. Because of this, value varies greatly in the eyes of different customers. Companies and brand agencies do a lot of work creating and promoting brand values – the image and benefits a certain product should be associated with. Apart from these ‘commonly accepted’ values, purchase decisions and product choices are also often based on customer satisfaction. Satisfaction depends on how well the product or service met (or exceeded) the expectations that the customer had regarding the product (or service).
Traditionally, the customers’ buying decision process in marketing is said to consist of five stages:

Need recognition

→ Information search

→ Evaluation of alternatives

→ Purchase

→ Post-purchase evaluation

This approach has been criticised due to it being so straightforward. For example Schmitt (1999; p.15-16) attempts to apply the five stages to buying a toothpaste showing how the long, detailed decision making process can be irrelevant for smaller purchases. However, one or more stages can be skipped in the actual decision making. Almost any purchase starts with recognising a need (even if it means just running out of toothpaste), includes the choice between several alternatives (which might include search for information and evaluation of many options, or simply picking the nicest looking package on the shelf), purchase and post-purchase evaluation (be it a thorough assessment of the product, affecting future purchase behaviour, or simply quickly thinking that the toothpaste is not bad, or that the cup of coffee did its job well enough). It is easy (and at the moment popular) to say mass marketing is over, that the transactional approach is outdated and doomed – but in fact, the ideas and practices of traditional marketing are so deep in the perception of both companies and customers, that certain ground ideas are not likely to expire for a long time, if ever.

3.1.5. Communication and use of media

Mass marketing is mainly about one-way communication. A clearly defined marketing message is broadcasted to the public via various media channels – traditionally TV, radio, print, and outdoor. Later, internet provided an enormous platform for relatively cost-efficient mass communication alongside various segmentation opportunities. The messages are clearly planned and adapted either
to the masses or later to the target customer segment. Traditionally, whoever saw the message could not – and was not expected to – interact with it or the company in question.

3.1.6. Pitfalls of transactional marketing

Berndt H. Schmitt (2003; p.9-15), the author of *Customer Experience Management* and *Experiential Marketing*, points out the main dysfunctions of transactional or mass marketing:

The Marketing Concept: the marketing concept and the planning and research tools are hardly customer-driven. Traditional marketing focuses too tightly on functional features and benefits of products, as well as on operations and sales. Competition is also defined on the same basis of features and benefits – ignoring the fact that customers have more choice than that between whether to purchase Coca-Cola or Pepsi. They can also choose between Coca-Cola and ice tea, or fruit juice, or in fact, choose not to buy anything at all. Customers in traditional marketing are regarded as rational animals, and the importance of emotional, experiential or impulse-driven buying decisions is often neglected. Differentiation is seen as vital for a product to survive, but in fact it is getting constantly harder to achieve. Companies have access to the same production methods, media and customer analyses. Product differentiation is rarely enough now to really stand out in the competitive environment. Apart from differentiating the product, in order to survive and succeed a company also needs to make the customer value unique by emphasising the service, satisfaction and relationships.

Customer Satisfaction: traditional marketing implies that customer satisfaction creates customer loyalty – and loyal customers are also of financial value according to relationship marketing. However, when looking at how customer satisfaction is achieved and measured in traditional marketing one can see that it too is based on product functions and benefits. According to Kotler et al (2005) customer satisfaction is measured in how well the product met the customer’s expectations – mainly regarding the product functions and performance. If the product’s performance is lower than expected, the customer will be dissatisfied.
And vice versa – if the performance exceeds expectations, the customer is satisfied. Product performance is of course important, but so are the emotional aspects of customer satisfaction – how was the whole experience, from information search to buying and using? A customer might be satisfied with the product, but if the experience was negative in other ways the customer might not come back. Schmitt proposes focusing on customer experience rather than customer satisfaction. If the experience is pleasant and well managed, the customer is very likely to be satisfied with the product or service, and stay loyal to the company.
3.2. Evolution of trends and attitudes

Much has changed since the golden age of mass marketing. Many large companies compete in various product categories instead of just one clearly defined, and brands are no longer pre-defined and obvious. Instead, brands live and evolve depending to a large extent on what the customers make of them. And the customers, on their part, are asking for interaction with the products and the companies, focusing more on the intangible attributes of the product, basing the buying decisions on experiences and attitudes rather than functions and benefits. (Wreden 2005; p.14-15)

The evolution of technology has caused or allowed customer behaviour to change fundamentally. The internet enables searching, comparing and buying worldwide. Setting and following trends is even easier online, and a new way of sharing thoughts, giving opinions and discussing trends is rising as online blogs and other forms of social media gain popularity. The traditional purchase decision process mentioned in the previous chapter becomes less appropriate or more extensive, depending on how one looks at it. On one hand, product information is available very easily and internet sites do the competitor evaluation for you. On the other hand, customers generally have less time and more disposable income – so purchase decisions for even more expensive products are often quick and spontaneous.

In his book Profitbrand (2005; p.11 - 18) Nick Wreden summarises the progression of marketing during the 20th century from transaction-focused to customer-focused. He points out the brand imperatives of both, showing the change both in what the customers need, want and demand, and what companies are prepared to do in order to meet the expectations.

Mass economy

- **Mass media advertising** had remarkable power as until quite recently, the number of television channels and radio stations was limited. It was easy to reach great numbers of potential buyers with one message in one medium,
and the need for adjusted messages and interacted communication was practically nonexistent.

- **Sales and market share growth** were the main objectives. Naturally, no profit-oriented business can survive without sales (and increase in them), but mass marketers were counting mostly on reducing costs and multiplying transactions – as opposed to improving customer service and benefiting more from the existing customers.

- **Brand awareness** was easily achievable especially in the early days of mass marketing, where media channels were only few. But also later, large companies could afford to promote their brand visibly – creativity in communications and placement ensured that people knew and spoke about brands. However, plain awareness is not enough – almost everyone in the Western world knows Coca-Cola, Apple and D&G. This does not mean everyone is buying their products. Mass marketing counted on one-off transactions generated by brand awareness. Wreden claims that a single purchase is not enough – brand awareness is just a base for creating a brand experience that if well managed will lead to a profitable customer relationship.

- Product and brand **positioning** were regarded as something the company can design and declare without interacting with customers. However, communication takes place only when the message is accepted (Wreden). A certain positioning can be planned and offered by a company, but it is useless unless the customers accept and experience it. In the early days of mass marketing it was easier to position a product and have it widely accepted. However, with the increased number of messages and products available, a declaration of positioning is no longer sufficient. Customers build their own perceptions of products and in many cases these perceptions are much stronger than the ones suggested by companies. The key is to understand the importance of perception and preferably adjust the product and communication to it, instead of trying to force the customers to believe what the company wants them to believe.
Customer economy

- The increased number of magazines, TV channels and outdoor sites together with the rise of online advertising reduced the efficiency and increased the contact costs of mass marketing. Customers grew more demanding as internet shopping and information search became available without many opening time limitations. Access became a major factor in customer satisfaction – and at the same time, companies started cutting costs and outsourcing for example call centres to cheaper countries. The dissatisfaction with this proved that apart from easy access both to information and sales, customers also still want good quality service – and companies who could afford having local call and service centres gained a competitive advantage over those who could not.

- In transaction economy, product development was more important than customer development, and most accounting systems did not separate the revenues gained from old customers from those gained from the new ones. After the mass media channels started losing their efficiency, and customers had many competing offers to choose from, companies had to focus on giving customers reasons to stay loyal. The financial advantage of retaining existing customers over attaining new ones was becoming evident, and customer relationships turned into a major focus point.

- The quality and features of a product that were the main source of differentiation in mass marketing were no longer enough, as customers grew used to having certain quality. Companies had to start paying more attention to the processes – customer service, technical support, delivery. This laid ground for experiential marketing, as the focus of customers was slowly moving from just the product to the whole experience around it. Brand experience also calls for increased cooperation between different parts of an organisation, as the experience will be greatly affected by not only the marketing department but also all those involved in the process, such as salespeople, customer service agents, and even interior designers.
- **Measurement** and accountability are a part of marketing that needs to be improved. There are various methods of counting contacts, impressions, opportunities to see an ad, and such – but no direct link to what, if any, effect all that has on sales. This continues to be an issue, because customers do not always behave rationally, and do not respond to all messages as intended. An increase in marketing budget and effort will lead to increase in brand awareness, but how big of an increase— that depends on many outside factors. And as mentioned before, awareness does not automatically lead to purchase. Customer relationship management software has allowed tracking purchases and buying habits to a certain extent, but in order to fully benefit from it, the data needs to be examined and applied to strategic planning.

Customer centricity led to companies putting effort into creating and maintaining relationships with customers. This naturally called for various changes in the approach and mindset of marketers. The following chapter covers the main theories, ideas and concepts of relationship marketing, which shifts the marketers’ focus from product to customers, and emphasises the financial and operational benefits of long-lasting customer relationships.
3.3. Relationship Marketing

3.3.1. Definition

Relationship marketing is a very popular term among marketers, and the definition is extremely loose. Once relationship marketing started to become a trend, many tried and offered to provide framework for it – and most of them simultaneously. Western marketers first started talking about customer or relationship marketing in late 1980’s (Egan 2004; p.5). By then, companies had gained or could more easily gain access to same or similar tools in terms of manufacturing and communications, media channels, and customer segments. Differentiation was still essential to success (and survival), but harder and harder to achieve. It became clear that in order to attract and especially retain customers, companies would need to focus more on the customers and the changes that had happened in their demands and attitudes (Stone & Woodcock 1995; p.21).

Gordon (1998) is one of those who claim that the marketing mix approach of the transactional marketing is too limited to create and manage customer relationships. As the financial value of retaining existing customers compared to acquiring new ones became obvious (Egan 2004; p.58-59), the importance of customer relations could no longer be ignored. Transactional marketing focuses too tightly on operations, on markets and sales, on the product itself – whereas according to the proponents of relationship marketing, the focus should mainly be on customers, interaction and relationships. The two focus points, however, cannot be mutually exclusive – no matter how good customer relationships, no company could survive without paying a great amount of attention to the market conditions, product and operations, too.

3.3.2. Main theories

Whereas the transaction marketing approach mainly focuses on product and market share, the relationship marketing approach claims to focus more on quality, long term customer relationships, and the whole experience of deciding, buying
and using (and re-buying, and re-using) a product. Where transaction marketing designs products and marketing mixes based on market functions and customers’ benefits – still mainly from the product’s point of view, relationship marketing is practically doing the same, only from the customer’s point of view. Where transaction marketing uses market research to improve products and sales, relationship marketing aims to improve customer relationships – and via that, products and sales. It can be argued that relationship marketing would not survive on its own - what good are well-managed relationships when the product does not have a working marketing mix?

According to Evans et al (2004; p.209) relationship marketing is mutually beneficial – the relationship between the customer and the company benefits both. But is this not always the case? A company launches a product, a customer buys is – the company gets money and the customer gets the benefits he or she was looking for. The idea of a longer lasting mutually beneficial relationship, however, is that both the customer and the company continue to benefit more from the long term involvement than they would if they went changing business partners more frequently instead. The company avoids costs of acquiring new customers, and the customer knows what he or she will be getting with the product – and hopefully also gets recognition from the company for being a loyal customer. But can not a one-off sales situation originating from mass marketing be mutually beneficial? And how easily would a long-term customer actually switch to a competitor due to sudden dissatisfaction? The following chapter looks into the financial and strategic benefits of customer relationships.

3.3.3. Financial benefits of customer relationships

Companies have come to realise the financial value of long term customer relationships – many market researchers, corresponding and contradicting one another, proposed formulas and guidelines for the financial benefits of retaining customers as opposed to attaining new ones and not caring about losing the existing ones. Various surveys across different industries show in various methods how keeping one existing customer is up to seven times more profitable than
attracting a new one. Among the first and most referenced works related to this is the article by F.F. Reichheld and W.E. Sasser (Zero Defections: Quality Comes to Services; Harvard Business Review 68, no.5, 1990), stating that reducing the customer defection rate by as little as 5% can result in from 30% up to 85% increase in overall profits depending on industry.

It is rather self-evident that not all customers are of equal value to a company. According to the Pareto principle, up to 80% of total sales are generated by around 20% of the customers. Evaluating different customer groups helps to find the most valuable ones, and allocate special attention to keeping them satisfied with the relationship. But the less profitable ones should not be forgotten either – instead, their thoughts and expectations should be looked into in order to analyse whether they can be turned into more profitable customers, or should be left as they are for the time being. A good ground rule for customer profitability analysis is that relationship revenue needs to be higher than relationship costs (Egan 2004; chapter 3). If that is not the case, the relationship is not profitable for a company.

Companies should however keep in mind that retaining all customers is both impossible and impractical. Egan (2004; p.59) underlines that total customer retention is unachievable already because of humane causes such as customers moving or passing away. In addition to that, retaining highly unprofitable customers just for the sake of zero defection rate can result in financial losses and wasting of operational resources.

In order to track how beneficial customers are compared to the efforts put into managing relationships and what could be improved, companies have developed a need for customer relationship management systems.

3.3.4. Customer Relationship Management

Customer relationship management was introduced along with the rise of relationship marketing. Quite obviously – as customer relationships became important and sought for, companies also started looking for efficient ways to manage and improve these relationships. Customer relationship management or CRM ‘consists of sophisticated software and analytical tools that integrate
customer information from all sources, analyse it in depth, and apply the results to build stronger customer relationships’ (Kotler, 2005). Whether CRM essentially is efficient or not – that depends on who is asked. Speakers for CRM promote the opportunity of having customer buying and interaction information collected and easily accessible across departments, whereas the non-believers criticise it as being too IT-focused and not really managing relationships at all. Evans et al (2004; chapter 3) suggest that before applying any CRM software, basic segmentation and grounds for research and follow-up should be performed. The same authors also imply that companies are not always prepared to carry out the possible changes suggested by CRM software. If that is the case, there is not much use in collecting and having all that data on customer behaviour.

Because essentially, customer buying behaviour is what CRM mostly is all about. It is usually based on software recording buying patterns, preferred products, brands, shopping times – and if used efficiently, companies can utilise this data to facilitate and accommodate the customers’ shopping experience (Evans et al 2004; chapter 3). Eventually it is up to the company to decide how much use they will make of the data available from CRM tracking software. Many companies nowadays offer loyalty cards or bonus cards for frequent shoppers (or in most cases anyone who will fill out an application) – but only few take the loyalty customer concept a step further and offer customised services, shopping advise, or exclusive events to the loyal shoppers. CRM cannot be put aside as an irrelevant data collection tool in marketing – however, in order to benefit from it, companies need to manage the data efficiently and implement it in strategic planning. One loyalty card among many in the wallet does not guarantee an ongoing relationship. A loyalty card acting as a pass to an exclusive shopping event every now and then probably does – and it most definitely creates memorable brand experience.

Schmitt (2003; p. 15-16) claims that CRM lacks customer focus – instead of dealing with customer relationships as the name suggests, it actually focuses mainly on transactions. It provides mostly quantifiable information on customers’ buying habits. Schmitt suggests this does little to build or improve customer
relationships – it does help keep the right products in stock, or send the right brochures to the right customers, and the likes – thus in some ways improving the customer experience, but it still lacks the experiential and emotional aspects needed to create and manage a relationship. This brings us back to the point of companies choosing how to use the information they receive from such systems. At its best, it can be used to gather valuable demographic and behavioural data that will assist in strategic and tactical planning of future campaigns.

3.3.5. Product / Brand

Instead of companies positioning their brand or product, customers have started to have a say in brand definition – economic, emotional and experiential features affect individual views on certain brands (Wreden 2005; p.22). This has taught companies to adapt the communications and brand image to the current trends and attitudes. For example in the recent days companies have followed the consumer trend of ecological values by including environmental aspects in brand communications.

Emotional ties to brands and products have become more important due to development of technology and the impact it has had on product differentiation (Wreden 2005; p.15). Product parity has increased, and all competitors have access to the same or similar manufacturing and communication methods. What separates the products of a certain category is no longer the ingredients, the manufacturing or even the price as such – the main significance lies in the brand attributes and perception. Brand acts as a link between the company and the customer. This can be seen already in transactional marketing: based on brand image, customers build certain expectations on the product value they will receive (Kotler 2005; p.10). In relationship marketing, even more attention is and should be put on customer feedback. Just as with the greener values, companies have listened to customers asking for products with less fat, less sugar, smaller packages or better adaptability; and by meeting these requests have firstly filled a gap in the market and secondly, shown the customers that their opinions do matter.
3.3.6. Communication and use of media

In relationship marketing, the marketing message is aimed to be more individual and allow for interaction. The message should be appropriate to the recipient or customer in question, so should be the timing, place and medium. As opposed to messages broadcasted to the masses and aiming for single transactions, the communication in relationship marketing is not generally looking for instant success but for engaging the customers into longer-lasting interaction. The use of media moves to a more segmented direction, avoiding empty contacts and focusing on the prospective and existing ones instead.

On the other hand, not everybody wants to have an individually tailored message. Not everybody wants to have a relationship with a certain company – probably quite many companies, actually, since the increase of using individualised communication. When designing the communications and marketing strategy, each company should remember that they are not the only ones who have heard of relationship marketing or experiential marketing – there are probably several other companies, competitors in terms of industry or just share of wallet, planning and executing individualised campaigns at the very same time. So in order to benefit from the campaign instead of annoying the customer, a company needs to take into account the clutter, and ensure that the customers are willing and able to receive the message.
3.4. Summary of trend evolution

So what is a good balance between mass marketing and individual marketing? How much can a company standardise its message and still efficiently speak to individuals? This depends much on the product and the target group in question. The economical value of one-off or random transactions cannot be neglected so the time of mass marketing is definitely not over.

According to Kotler et al (2005), transactional marketing is best used when the switching costs of customers are low, products in the industry are generally undifferentiated, and time horizons short. Relationship marketing, in contrary, should be used for long term deals, for products with high switching costs and customers who view switching as risky. This, however, seems like a very limited approach. In an undifferentiated competitive environment, a good relationship and managed brand experience could provide just the differentiation needed. Despite the attempts to update theories and change the approach, it seems that the views of many traditional marketers are still too product-focused – if a product has low switching barriers, customers are automatically assumed not to be interested in a longer-time deal. In reality, the emotional and experiential reasons affect the decision making process often as much or even more than the rational ones.

Once again, customers are presumed to be functioning in black and white – if a certain company seems to offer good long term opportunities and value, the customer will choose it over the others. But it is not really that simple most of the time. That is why investing in relationships is important. Experiences matter. If a customer personally dislikes something in an otherwise perfect offer, he or she might go for a competitor, whose offer may technically be not as good, but the overall experience is managed better.

From the viewpoint of marketers, brands need to become a more important part of the customer’s life (Wreden 2005; Marconi 2005). No-logo and similar movements, anti-consumption and sustainable consumption may decrease the number of transactions, so companies need to develop in order to be more present in the daily life of a customer. This is done for example by introducing branded
communities and events in order to increase the familiarity and experience factor so that when customer does need to buy something, he or she will turn automatically to the brand or product they feel familiar and safe with.

The time of planning marketing and communication based on features and benefits introduced many huge international brands. But trends have changed, and consumers have changed – in order to survive, brand communications need to keep changing and developing as well. Traditional marketing methods are no longer sufficient on their own to provide the engagement and interaction needed to involve customers in a relationship. The following part of this report will cover the constantly developing area of experiential marketing.
4. EXPERIENTIAL MARKETING

4.1. Definition

As the media landscape is becoming more and more fragmented making customers hard to reach, companies are willing to make changes in their marketing spend by using innovative and alternative ways of communications to interact with and reach their customers more efficiently. Companies have also begun to recognise and appreciate having emotional bonds with customers (Egan 2004; p.13-23). As relationship marketers show, one-way communication no longer works. The brand message needs to not only be communicated to the customers, but also accepted, understood and ideally experienced by them. This has led to increased use of experiential marketing, a more holistic approach where all aspects of the customer’s experience with the brand matter and affect the outcome (Schmitt 1999; p.25-26).

Despite its recent success and growth, experiential marketing is actually rather difficult to define. In his book ‘Creating the Marketing Experience’ (2005) Joe Marconi provides two guidelines that define a marketing experience:

1. They (marketing experiences) all directly involve the consumer / participant in an activity that goes beyond simply filling out an entry form
2. The sponsor’s presence is ongoing and blatantly obvious, yet the public’s (as well as the participants’) resistance or objection to the brand’s name or logo placement is non-existent or minimal when compared to negative reactions to even a 15-second commercial or 30-second sales pitch

Schmitt (1999; p. 61) defines an experience as a ‘private event that occurs in response to some stimulation (e.g. as provided by marketing efforts before and after purchase). Experiences involve the entire living being. They often result from direct observation and / or participation in events – whether they are real, dreamlike, or virtual’.
Marconi also mentions that in many brand experience cases, the brand or the logo is so well integrated in the experience that the customer will often not even actively think of it being there. This can be seen in almost every aspect of the everyday life – for example a BMW driver ‘experiences the brand’ every time he or she is on the wheel, probably even without paying specific attention to the logo since it is always there. But the author of this thesis argues that this sort of brand experience should not be considered part of experiential marketing as such. If it was, the concept would get entirely out of hand as there is no way to manage or monitor customers’ every experience when using a product. Instead, experiential marketing focuses on creating experiences by using marketing efforts. A clarifying case is for example a game consol – customers ‘experience’ it at home whenever playing and this does not require further input from the company; as opposed to customers playing the same consol in a branded area outside their home, in a free event provided by the company. The first one is regular usage; the latter one is experiential marketing.

According to a MICE Group survey carried out in 2006, the most frequently used form of experiential marketing is exhibitions, closely followed by sponsorship, sales promotion, field marketing and sampling. Experiential campaigns are however still viewed as tactical tools instead of strategic – even though the author of this dissertation feels that experiential aspects could well be taken as part of the overall marketing strategy. In that case, measurement could become more efficient too, if experiential campaigns were carried out more often and not as one-off exotic additions.

4.2. Aspects of experiential marketing

Experiential marketing is on its way to becoming an essential part of the marketing mix, and many marketers have already given it a steady slice of the marketing budget. Several sources forecast that experiential campaigns will only increase in years to come, especially when marketing budgets are sliced and in the meantime companies are looking for more innovation and interaction. As much as 75% of Western marketing professionals participating in the Jack Morton study regarding
experiential marketing (2007) stated that they think experiential elements would gain a larger share of the marketing budget within the next few years.

A copy of the essential outcomes of the study carried out by the Jack Morton agency in 2007 can be found in the appendix of this dissertation. It reflects the attitudes of markets towards experiential campaigns, along with current use of experiential elements and future forecasts. The study shows an increasing interest towards experiential marketing and growing understanding of its importance to a company. However, the study speaks of experiential marketing mainly as live events, when in practice it is so much more than just that. Events have been and still are an important part of experiential marketing, but the bigger event based campaigns are not used that much anymore. The reason lies mainly in measurement and budget – events cannot often be measured efficiently but they are big budget constraints; and budget is not allocated easily without proof of estimated results, especially in times when marketing and other budgets are cut largely. So what the Jack Morton study is practically ignoring is all other forms of experiential marketing – sampling, road shows, other forms of customer engagement and interaction.

Experiential marketing is a methodology, not a tactical tool. There are no exclusive definitions regarding format, media, or costs. Experiential aspects can be applied to virtually any part of the marketing mix. According to Schmitt, ‘any marketing element can be experiential – as long we appeal to people's senses, feelings and relations, and don't just focus on functionality or unique selling proposition and the like’. When customers experience a brand, they hardly analyse the experiential methods the way marketing professionals behind it do. Friendly and remarkable customer service can bring a customer closer to a brand and generate positive word of mouth. The customer will come back because of the good experience – even if experiential marketing as such was not used in the first place. In the same way a company’s website can be a brand experience, or store decoration or even product packaging.

Experiential marketing at its best can be a very cost efficient way of building brand loyalty and generating PR and word of mouth. Experiential campaigns often offer
better grounds for customer interaction and longer term relationships than the
highly cluttered traditional media and there is a general feeling, according to a
MICE Group survey carried out in 2006, that experiential marketing provides better
ROI than traditional campaigns. However, this cannot be proved due to lack of
commonly accepted measurement systems. Measurement and accountability are
the biggest pitfall of experiential marketing and will be covered in more depth in
the following chapter.

4.3. Accountability and measurement

The use of experiential aspects is constantly increasing and experiential marketing
is becoming an ever bigger part of the marketing mix. This means increased
budgets – and also increased demand for accountability. Experiential elements will
be expected to show in advance the expected results and returns – which again
calls for efficient measurement systems. At the moment, there are no standard
effective measurement tools for experiential campaigns, as there is no standard
for campaigns either. Experiential campaigns are currently mainly measured less
formally for example by impact on sales and direct feedback from participants.

In order to come up with measurement techniques for experiential elements, one
should consider how traditional media campaigns are commonly measured. In TV,
which is the biggest budget consumer in most markets, campaign figures are
based on estimated contacts; print campaigns are planned based on commonly
estimated reach numbers, but the actual results will only be known after a post-
campaign analysis which is not nearly always performed – and even these results
will be based on questioning a relatively small sample group of people. Outdoor
campaigns are sold based on opportunities to see, i.e. how many people are
estimated to walk or drive past the advertisement. Similar estimates could well be
used to back up experiential campaigns. When proposing a sampling event in a
shopping environment, for example, information on estimated footfall and amount
of samples could be given as a reach estimate.
Schmitt suggests that customer lifetime value is the best way of measuring experiential success. According to Kotler (2005; p. 474), customer lifetime value is counted as the ‘amount by which revenues from a given customer over time will exceed the company’s costs of attracting, selling and servicing that customer’. But apart from the lifetime value, experiential campaigns should also be measured ‘individually’.

Tactical experiential campaigns with clear, time-tied goals are best measured using statistical data, for example sales reports from different areas before and after a campaign, contact costs, participant demographics and similar. Longer-running campaigns that engage with customers on various different levels call for softer ways of measuring and evaluating a campaign. Such methods are those related to perception, attitudes, and behaviour, for example measuring brand recall or brand perception pre, during and after campaign. In longer-running campaigns, changes in perception and buying behaviour are likely to happen slowly, and numerical data can be misleading.

In case of worse results than expected, it is not enough to just state that the campaign did not work as planned. It is important to post-analyse the campaign properly, understand what worked and what did not – what aspects of the entity were not met well by the customers, and what could be done better next time. This way, even an unsuccessful campaign can benefit the company in a longer run.

Moreover, the potential effect of campaigns on buying behaviour is often delayed – consumers are no Pavlov’s dogs that see an ad and immediately decide to buy something. Instead, the message can stay in the background of one’s mind for very long times, and referred to later in a suitable situation. A post-campaign measurement might show an increase in brand recall, for example, or an increase in sales for say the first month. But especially with experiential campaigns that aim to ‘wow’ the consumers, the effects are likely to be longer-stretched. The ice-cream company GB Glace ran a campaign in Helsinki that included product sampling alongside traditional media. The day the sampling happened was freezing – surely, nothing notable happened in sales straight after the campaign. But the message is likely to come back on a hot day when choosing which ice-
cream to buy – ideally, that should be included in campaign measurement as well. However, that is hardly feasible, as then there would be practically no limits as to what can and should be measured.

4.4. Objectives

According to Marconi (2005), the goal of experiential marketing still can be found in sales – good news for all traditional marketers who may be worried about the financial side of business. However, the process of achieving that goal lies within connecting with a customer and forming a sustainable relationship. Based on this, experiential marketing can be regarded as a form of relationship marketing, as the essential values are very similar.

The long-term aim of experiential marketing is to create positive brand or product associations in the customer’s mind. Augustine Fou, in his article *Experiential Marketing* (Clickz interactive marketing network 18.12.2008), points out that consumers nowadays are often confused with all the different brands available. Experiential marketing helps consumers relate to brands or products, creating personal experiences that position the product in the customers’ minds. Having first-hand experience of a certain product also makes it easier for customers to talk about it, thus increasing word of mouth. In a consumer survey carried out by Jack Morton (2005 Experiential Marketing Survey), almost 75% of the respondents claimed that they would tell others about the marketing event they took part in. 70% of the respondents said they would be more likely to try a brand or product after participating in a marketing experience associated with it and something the consumers enjoy. However, only 27% of all respondents had participated in a marketing experience event before – which indicates that customers have a positive attitude towards experiential marketing before even actually experiencing it. This is both an opportunity and a threat to marketers, as they need to take advantage of that attitude without simultaneously proving the consumers wrong.
4.5. Examples of experiential marketing

Understanding the theory behind experiential marketing is important, but just as essential is to understand how the theory can be applied – to understand what experiential marketing means in the real world. Experiential marketing is more of a set of mind than a list of do’s and don’ts; as brought up earlier by Schmitt and Marconi experiential elements can be added to almost any campaign and form of communication with a customer. This chapter covers some of the most widely used forms of experiential marketing and provides an example of each.

Sampling

Handing out samples in a crowded location is not new and as such does not really qualify as experiential marketing. The passer-by receives a small sample that he or she usually slides either into the pocket or into the nearest trash bin, and no significant experience takes place. But sampling, too, can be turned experiential by involving the brand and the customer more. A frozen food company built a tent in front of the central railway station in Helsinki, where staff were cooking and giving out samples of the food. The small but vital difference from regular sampling was that customers had to choose to enter the tent, the branded zone, and were thus voluntarily interacting with the brand. Those in a rush or not interested could easily walk by, which again reduced the possibility of negative experiences.

Events

When asked for an example of experiential marketing, many if not most people would mention events. Events organised around a brand or product are doubtlessly memorable to the participants, but only reach a limited number of people at a time, and thus have very high contact costs. Using events has been decreasing due to this, but they are still a very powerful tool of creating an experience for a niche audience. If combined with a television broadcast, publicity or word of mouth before and after the event, they can indirectly reach far more contacts than initially intended. Events can range from small to massive, sports to music to fashion, short to long.
Sponsorship

There is an ongoing debate regarding the extent to which sponsorship can be counted as experiential marketing. Just sponsoring a show or event is obviously not enough – as stated in this report, experiential marketing integrates the brand with the situation and the customer, which can not be applied to all sponsorships. But there are also examples of sponsorships that have managed to apply experiential elements and involve the customers on a different level. The ice-cream brand Ben & Jerry’s was one of the main sponsors of the 2008 Basso festival in Helsinki, for example. Instead of just being passively present, they ran a campaign of rewarding festival attendants with free ice-cream for every full garbage bag they brought to the disposal point at the location. This showed that the company cares about the environment but also allowed the attendants to participate and try out the product. Some might find garbage collection not the association customers should have with a brand, but in this case the concept worked well, proving that stepping further away from the ordinary is worth trying.

Online communities

The internet provides an excellent platform for integration of experiential elements. Examples are countless, ranging from small interactive additions to company websites, to various applications and branded communities. A recent hugely successful example is Nike+, an online community created by Nike for runners, involving both physical products such as specific shoes, and a service of keeping track of running records. The community is built strongly around the brand, and together with the necessary products – also Nike – the customers get a full brand experience over and over again. What is especially significant about the Nike+ case is the exclusive segmentation that comes naturally; a non-runner would hardly sign up on the site. And as with the sampling example, customers join in free-willingly and thus are more receptive towards brand communication than in many other situations.
Involving existing customers actively

Relationship marketing emphasises the importance of not only building but also maintaining relationships. Unfortunately often more effort is put on attaining customers than on retaining them, but marketers have recognised the opportunities of experiential marketing also in maintaining existing customer relationships. When the new film version of *the Italian Job* had its premiere in Finland, all registered Mini Cooper owners were sent an invitation to drive to the central Helsinki at a certain time – which resulted in high Mini traffic in a small area, and generated a lot of publicity and word of mouth afterwards.

In-Store experience

As mentioned above, experiential elements can and should be applied to the whole marketing mix instead of just the advertising or communications. A good example of this is the increasing amount of stores and restaurants that focus on providing an experience and keep customers coming back because of the overall environment and service, rather than the actual product. A very simple yet excellent example is the Starbucks chain that has managed to create a very strong concept where all aspects are consistent with the brand idea – starting from the mugs, to the interior design, background music and charity activities. As a result, customers go for a Starbucks instead of going for a coffee, thus integrating the brand perfectly into their daily lives.

The diversity of the examples above shows that there is no concrete structure or format for an experiential campaign. Moreover, new ideas and forms of experiential marketing are introduced continuously. Emotional appeal is key, but there are various methods of engaging those customers and keeping them coming back for more. The following chapter attempts to provide general planning guidelines for creating an experiential campaign.
5. GUIDELINES

Providing a standard for a perfect marketing experience is impossible; attempting to do so would be plain foolish. Due to the nature of experiential marketing, each campaign is different – as are the customers. There are however several factors that should be taken into account when planning an experiential element. These guidelines created by the author of this thesis are based on examination of cases that have worked well, following the trends and marketers' wishes especially regarding measurement, and professionals’ advice, and can be applied and adapted to various campaigns across industries.

Objectives: clear and feasible objectives need to be set before the campaign – this will facilitate monitoring the progress and results, and increase accountability.

Location: finding the most optimal location is the key to reaching the target audience. A busy location with high footfall will increase OTS and make the campaign more accountable and comparable to the traditional media. If high footfall is not the objective but reaching a very niche audience is, location needs to be planned accordingly by analysing the target group and where they are likely to be found in a suitable mindset.

Timing: this applies both to the season or hours, and to the probable mindset of the audience. It is crucial to remember that customers should be open to the message and interaction. Forcing a message on someone who does not find it relevant or is in a hurry will not start a good experience.

Staff: well trained staff is needed to interact with people and interpret the message in the correct way. No matter how brilliant the strategy and the message is, if the promotion staff actually meeting the customers is not briefed properly or does not understand the brand values, the customers may end up with the totally wrong picture of the promotion, the product, or the brand.
Creativity: this does not mean each marketer has to come up with something totally new and big for every campaign. In fact, with the amount of advertisements, campaigns and messages today that is not even possible. The key to a successful campaign can be in a small detail – something that makes the message stand out, something that turns an experience into a very memorable one. This applies specifically to non-event type experiential campaigns, for example designing an interactive branded zone or area for product trial instead of just handing out samples; or adding an interactive and memorable element to an online advertisement.

Consistency: consistency in brand and marketing communications is crucial. Experiential campaigns should be created to demonstrate and enhance brand values, not only as entertainment. Sometimes, however, a very different setting is good and can introduce the customers to a whole new side of the brand.

Measurement: as discussed earlier in the report, accountability is a major problem in experiential marketing. Apart from the importance of campaign results, measurement is often also the factor that greatly affects the decision of whether to add an experiential element or not. For this reason, feasible objectives and sound estimates should be made beforehand.

Buzz: as important as individual experiences are, many marketers aim for enhanced word of mouth. Buzz is often tied closely in with creativity and innovation, and even if media and customers can not be urged to talk about a campaign, the expansion and publicity can be supported by for example continuing the experience on the company’s website or in traditional or social media.
6. CONCLUSION

Significant changes have taken place in companies’ approach to marketing at the end of the 20th century, resulting from both the developments in technology and the change in customers’ attitudes towards products and advertising. The increased clutter in marketing communications has made customers harder and harder to reach, and the constantly growing variety of brands, products and offerings has lead to a decrease in customer and brand loyalty. Companies have had to move their focus from single transactions achieved by mass marketing to building longer-lasting relationships with customers, aiming for loyalty, value and mutual benefits. This is referred to as relationship marketing, which shifts the focus from product to customers and allows for two-way communication with the chosen target group, as opposed to merely proclaiming the message to the masses. However, the focus points are not mutually exclusive – regardless of how efficient the customer relationships, no company can survive without taking into account the product, operations and marketing conditions, too.

Just as transactional marketing and relationship marketing should not be spoken of as totally unrelated and mutually exclusive approaches, experiential marketing should not be kept apart from other forms of marketing and media but integrated instead. Marketers have come to notice that traditional marketing efforts are no longer enough on their own to provide the interaction and engagement necessary for a customer relationship. Moreover, it is essential that the customers not only receive a certain brand message but also accept and understand it. Experiential marketing takes a more holistic approach and ties in all aspects around a brand into an experience, which ideally allows the customer to not only understand but also experience the message.

The biggest disadvantage of experiential marketing at the moment is its lack of standardised measurement. Especially when marketing budgets are being cut, marketers want accountability from the chosen media formats. Experiential campaigns do not usually reach the same type of masses as printed media or TV
– but conversely tend to generate more word of mouth due to their innovative nature. The main challenge of experiential marketers is now to prove to companies that experiential aspects should not be regarded as something one-off but incorporated into the marketing mix instead. Thorough planning and monitoring of experiential elements will increase accountability, and setting clear objectives beforehand will allow to measure the results during and after the campaign.

Essentially, experiential marketing adds a unique touch to relationship marketing. As long as the experiential elements are consistent with the rest of the brand communication, they will strengthen the overall message and at their best provide a sustainable competitive advantage to the company in question. Experiential marketing has already gained a fair share of the marketing budget, and looks like the usage will only increase in the coming years. The subject is under constant development and with the increasing pressure from customers and competition will become an even more vital part of the marketing mix.
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Interview with experiential marketing professional Melody Fern Strange; see appendix 1
8. APPENDIX

8.1. Interview with Melody Fern Strange

Q: What in your opinion has lead to increased use / importance of experiential marketing?

A: Brands want to interact with consumers on a more personal level and experiential marketing allows for this as the staff can be briefed to tell the public what the brands want them to hear, rather than interpreting advertisements for themselves.

Also budget constraints have paid a large part – experiential marketing is a much more affordable marketing channel that still provides great ROI and measurable success.

Q: What recent trends or developments would you highlight as the most important?

A: Well the bigger event based campaigns are not being used so much any more... for example a few years ago Canderel re-launched their sweetener and wanted to target young, professional women so held 2 big parties that cost £75k each for 1 night – this sort of thing just would not happen any more as it provides such little PR and ROI that brands are opting for cheaper alternatives like sampling, road shows, sponsorship, etc...

Q: To what extent do you think sponsorship is or can be brand experience? For example people going to a premiere league match hardly are experiencing Barclay's, but a Coca Cola beach volley tournament for example can be regarded as a true brand experience. Where do you think the line goes between sponsorship and experiential?

A: I think it is a grey area for the reasons you mentioned – I mean the V Festival never was meant to be the Virgin Festival, they don’t organize it and have nothing to do with it but because they sponsor it people assume that it is and therefore they have positioned themselves to be associated with music and youth.

However take the JD Sets, they are true brand experience as the event is ‘sponsored’ in the same way but the event is run by JD’s agency, all the drinks are JD, the venues are submerged in branding so consumers really are experiencing the brand in its purest form of marketing.

I can’t really give you a definite answer as there are so many points of view but my opinion is that it is a cheats way of brand experience and a totally separate form of marketing altogether.
Q: What do you forecast to be the major developments in the field within the next five or so years?

A: It certainly will get more popular as marketing budgets are slashed

Q: Any specific guidelines you would recommend to be applied to experiential marketing campaigns in general (what aspects are especially important?)?

A: Measurement is the key as this is what prompts brands to engage in the activity.

Footfall / locations are key as you need to increase you OTS (opportunities to see) to make it comparable to TV, radio and OHH (out of home) advertising

Melody Fern Strange
Commercial Director
Street Stuff
8.2. Jack Morton Worldwide Survey on Experiential Marketing 2007, Executive Summary
Introduction

From 26 November to 4 December 2007, Jack Morton Worldwide conducted a survey of approximately 300 marketers in the US, UK/Europe, China and Australia.

The purpose of the survey was to gain direct insight from marketers themselves about experiential marketing – addressing topics such as future trends, investment strategy and the key benefits and obstacles to its successful application.

In broad strokes, the results of the survey indicate

• strong support for increased use of experiential marketing
• commitment to grow spending in 2008 relative to 2007
• hunger for better tools to measure experiential ROI
The following slides provide a summary of the survey findings, highlighting both overall results as well as insights by geography and industry vertical.

The survey was conducted using Jack Morton’s proprietary nGauge online platform between November 26 and December 4, 2007, by Exhibit Surveys, Inc.
How important is experiential marketing to the success of your organization in the future?

- Very Important, 46%
- Extremely Important, 24%
- Somewhat Important, 27%
- Not Very Important, 3%

97% of respondents believe experiential marketing is important for their organization.

70% say it is very or extremely important.
How important is experiential marketing to the success of your organization in the future?

<table>
<thead>
<tr>
<th>Region</th>
<th>% Answering Extremely/Very Important</th>
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<tbody>
<tr>
<td>Overall</td>
<td>70%</td>
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<tr>
<td>US</td>
<td>72%</td>
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<td>UK/Europe</td>
<td>64%</td>
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<td>Asia</td>
<td>52%</td>
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<td>Australia</td>
<td>80%</td>
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<td>Healthcare</td>
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<td>Technology</td>
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<td>Consumer</td>
<td>67%</td>
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% answering extremely/very important
Experiential marketing is a category of marketing that...

- My organization has increased spending on in 2007: 58%
- Has become increasingly important to my organization in 2007: 65%
- Will become increasingly important to my organization in 2008: 71%
My organization increased spending on experiential marketing in 2007

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<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>58%</td>
</tr>
<tr>
<td>US</td>
<td>55%</td>
</tr>
<tr>
<td>UK/Europe</td>
<td>44%</td>
</tr>
<tr>
<td>Asia</td>
<td>64%</td>
</tr>
<tr>
<td>Australia</td>
<td>82%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>12%</td>
</tr>
<tr>
<td>Financial</td>
<td>51%</td>
</tr>
<tr>
<td>Automotive</td>
<td>90%</td>
</tr>
<tr>
<td>Technology</td>
<td>65%</td>
</tr>
<tr>
<td>Consumer</td>
<td>56%</td>
</tr>
</tbody>
</table>
Almost a third of respondents say they dedicate more than 10% of their overall marketing budget to experiential marketing.
% of overall marketing budget dedicated to experiential marketing

<table>
<thead>
<tr>
<th></th>
<th>&lt; 5%</th>
<th>5-10%</th>
<th>11-25%</th>
<th>&gt;25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>34</td>
<td>37</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td>US</td>
<td>34</td>
<td>41</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>UK/Europe</td>
<td>28</td>
<td>25</td>
<td>31</td>
<td>16</td>
</tr>
<tr>
<td>Asia</td>
<td>48</td>
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<td>Australia</td>
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<td>23</td>
<td>11</td>
</tr>
<tr>
<td>Healthcare</td>
<td>38</td>
<td>31</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>Financial</td>
<td>39</td>
<td>41</td>
<td>7</td>
<td>12</td>
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<tr>
<td>Automotive</td>
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<tr>
<td>Technology</td>
<td>28</td>
<td>35</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td>Consumer</td>
<td>38</td>
<td>44</td>
<td>13</td>
<td>6</td>
</tr>
</tbody>
</table>
75% of respondents say they will increase spend next year.

Breakdown of planned increase:
- 28% increasing spend will do so by less than 5%
- 50% will increase by 5-10%
- 12% will increase by 11-25%
- 9% will increase by over 25%
My organization will increase spending on experiential marketing in 2008 vs. 2007

<table>
<thead>
<tr>
<th>Region</th>
<th>% agreeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>75%</td>
</tr>
<tr>
<td>US</td>
<td>71%</td>
</tr>
<tr>
<td>UK/Europe</td>
<td>69%</td>
</tr>
<tr>
<td>Asia</td>
<td>90%</td>
</tr>
<tr>
<td>Australia</td>
<td>85%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>56%</td>
</tr>
<tr>
<td>Financial</td>
<td>73%</td>
</tr>
<tr>
<td>Automotive</td>
<td>82%</td>
</tr>
<tr>
<td>Technology</td>
<td>66%</td>
</tr>
<tr>
<td>Consumer</td>
<td>79%</td>
</tr>
</tbody>
</table>

% agreeing
My organization defines "experiential marketing" as a distinct marketing function.

- Yes: 27%
- No: 73%

It is combined with other functions, e.g., PR, sales promotion.
Key benefits of experiential marketing:

- Generates advocacy, WOM recommendations: 93%
- It builds brand awareness: 92%
- It builds brand relationships: 92%
- Generates sales/leads: 77%
- Changes behaviors: 72%

Respondents agreed that experiential marketing has several positive benefits, especially in driving both word of mouth advocacy and building brand awareness and relationships.
Key obstacles to successfully deploying experiential marketing

- Measure/demonstrate experiential marketing ROI: 79%
- Fund experiential initiatives appropriately: 66%
- Integrate experiential with other marketing initiatives: 65%
- Identify experiential agency partners: 30%

The ability to measure and demonstrate ROI for experiential marketing was identified as the top obstacle to its use.

Funding experiential initiatives appropriately was identified as the second most significant obstacle.
Key experiential marketing topics for marketers:

Marketers were asked what experiential marketing topics they would most like to learn more about.

Not surprisingly, given the challenges they say they face in showing ROI, respondents are most interested in learning about measurement-related topics.
Brands need to "talk" less and "do" more

Brand experiences that deliver on brand promises are central to building commitment and loyalty

What a brand does (how it is experienced by customers/stakeholders) is as important as what a brand says

Respondents strongly agreed that there is an essential link between the brand and how it is experienced, underscoring the need for marketing experiences that convey and reinforce the brand promise.
Jack Morton Worldwide creates multidimensional experiences that inspire key stakeholders to new insight, action and advocacy. Integrating live events, branded environments and interactive media, the agency engages consumers, business partners and employees, helping clients build brands, improve performance and increase sales. Jack Morton has a staff of 600 employees in the US, Europe and Asia-Pacific, and is part of the Interpublic Group of Companies, Inc. (NYSE: IPG).

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