A Marketing Communications Analysis of VHQ Consulting, s.r.o

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ZADÁNÍ BAKALÁŘSKÉ PRÁCE
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Téma práce:	**Analýza nástrojů marketingové komunikace společnosti VHQ Consulting, s.r.o.**

Zásady pro vypracování:

Zpracujte teoretické poznatky o marketingové komunikaci a jejich nástrojích.
Vypracujte analýzu využití marketingové komunikace společnosti VHQ Consulting s.r.o.
Analyzujte marketingové komunikace u konkurenčních společností.
Navrhněte možnosti zlepšení aktuálního stavu marketingové komunikace s okolím.

Rozsah bakalářské práce:

Rozsah příloh:

Forma zpracování bakalářské práce: **tištěná/elektronická**

Seznam odborné literatury:

Armstrong, Gary, and Philip Kotler. 2005. Marketing: an introduction. Upper Saddle River, New Jersey: Pearson/Prentice Hall.
Mohammed, Rafi, Robert J. Fisher, Bernard J. Jaworski, and Gordon Paddison. 2004.Internet Marketing: Building Advantage in a Networked Economy. 2nd ed. N.p.: McGraw–Hill/Irwin.
Přikrylová, Jan, and Jana Jahodová. 2010. Moderní Marketingová Komunikace. Grada, Havlíčkuv Brod.
Chaffey, Dave, Fiona Ellis–Chadwick, Kevin Johnston, and Richard Mayer. 2006. Internet Marketing: Strategy, implementation and practice. Harlow: Prentice Hall.

Vedoucí bakalářské práce: **Ing. Michal Pilík, Ph.D.**
Ústav managementu a marketingu

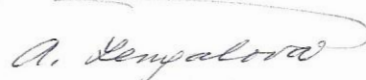Datum zadání bakalářské práce: **30. listopadu 2011**
Termín odevzdání bakalářské práce: **4. května 2012**

Ve Zlíně dne 6. února 2012

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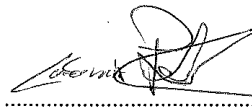# PROHLÁŠENÍ AUTORA BAKALÁŘSKÉ PRÁCE

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ABSTRAKT

V mé bakalářské práci se zaměřuji na oblast marketingové komunikace, jež je často opomíjena v mnoha společnostech. V práci popisuji prvky marketingových komunikací, jako jsou: reklama, PR, podpora prodeje, přímý marketing a to vše zaměřené na užití v internetovém prosředí. Hlavní cíl mojí práce je zanalyzovat tyto marketingové nástroje ve společnosti VHQ Consulting s.r.o. a následně srovnat činnost marketingových komunikací v kokurenčním prostředí a v poslední části práce jou navrhnuta možná doporučení ke zlepšení stávající situace ve společnosti.

Klíčová slova: marketingová komunikace, Internet, reklama, podpora prodeje, zákazníci

ABSTRACT

My bachelor thesis is focused on the often-neglected marketing communications' area among many companies. In my bachelor thesis are described parts of the marketing communications such as the Internet advertising, PR, sales promotion and direct marketing in an online sphere. The main goal of my thesis is to analyze those marketing tools in the VHQ Consulting s.r.o. company and then compare their activities in the competitive environment, and in the last part of my bachelor thesis, is to propose possible improvements of the current state within the company.

Keywords: marketing communications, the Internet, promotion, sales promotion, customers

Those who control their tongues can also control themselves in every other way. We can make a large horse turn around and go wherever we want by means of a small bit in its mouth. And a tiny rudder makes a huge ship turn wherever the pilot wants it to go, even though the winds are strong. A tiny spark can set a great forest on fire. So also, the tongue is a small thing; it can turn the entire course of your life.

(The Bible, Matthew 15:18-20)

CONTENTS

INTRODUCTION

In our current climate, we live in a world full of companies creating advertisements in-order to pursue high revenues. To achieve this, we, the public are required, ordinary people with needs, desires and access to money to fulfill these desires. It is us a human kind, who ignited the idea of inventing and improving the selling process. Over time companies have been trying many approaches, ways how to sell the product faster and in the most effective way. It has been a long run but at the end of this process we can talk about the marketing communications, one of the many tools for attracting customers. Marketing communications are set of tools created to communicate, present and finally sell a product or service on the market in a specific distribution channel. An idea of marketing communications seems to be easy to operate and follow but this area is more complex and involved than it may appear. It can be as sensitive as running a successful business in the current competitive environment. It is possible for all to achieve, but the successful ones are those that understand and implement the marketing communication tools.

The aim of my bachelor thesis is to present marketing communications' activities VHQ Consulting s.r.o. company and to propose improvements if needed. The bachelor thesis is divided into two parts.

The first part is dealing with the theory connected to the topics, which are covered in the second part, the practical aspect.

The practical part is about analyzing VHQ Consulting s.r.o. the current situation and trying to suggest improvements which possibly should be applied in a real life situation. In order to provide a complex image of the state of the marketing communications, I have to compare VHQ Consulting s.r.o., whom I have studied and analyzed with great detail with its competition.

The main goal of this work is to demonstrate how powerful marketing communications could be when correctly applied and how it looks like when used in practice.

I.   THEORY

1 MARKETING COMMUNICATIONS

Companies know the importance of marketing communications, yet they have not mastered how to effectively apply it. The marketing communications must be taken into account as one of the most crucial areas in each company, when we talk about marketing. It has been proven that without competently working marketing communications, profitability will not reach its peak. On the other hand, a company treating, applying and respecting the rules will benefit from it. What does the marketing communications mean, it is simply a way of communicating with customers. It creates a virtual bridge between them and a company. It brings customers attention to the products and services, or in other words it creates a notion that a specific company exists. As a market place develops, marketing communications develop hand in hand. Outstanding notable changes were seen when the Internet market was introduced to a worldwide audience with no discrimination on geographical jurisdiction, race, religion, sex or age. A whole new market was created and available with the touch of a button. There are many ways of communicating; to talk about them later on I need to define what is the marketing communications. For more definitions see below, taken from various sources:

> Marketing communications are messages that deal with buyer-seller relationships – from a variety of media, including Television, radio, magazines, direct mail, and the Internet. Marketers can broadcast an ad on the Web to mass markets or design a customized appeal targeted to a small market segment. Each message the customer receives from any source represents the brand, company, or organization. A company needs to coordinate all these messages for maximum total impact and to reduce the likelihood the consumer will completely tune them out. To prevent this loss of attention, marketers are turning to integrated marketing communications. (Kurtz and Boone 2006, p. 482)

A group of Marcommwise scholars say that "Marketing Communications are all strategies, tactics, and activities involved in getting the desired marketing messages to intended target markets, regardless of the media used. " (Marcommwise 2011, Online)

1.1   Laswell's Theory of Communication

In general communication is a process, which is well described by Harold Dwight Lasswell. This communication model can be as well applied to the Internet communications. The act of communication is following:
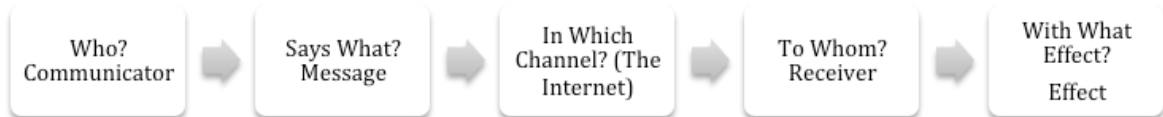

Figure 1. The Act of Communication (Lasswell, Harold Dwight. Source: Communication Theory, 2011, Online)

Table 1. Lasswell's model (Lasswell, Harold Dwight. Communication Theory Source: 2011, Online)

Laswell's model is about process of communication and its effect to the society, According to Lasswell there are three functions of communication:

Surveillance of the environment
Correlation of components of society
Cultural transmission between generation

Advantage of Lasswell model:
It is Easy and Simple
It suits for almost all types of communication
The concept of effect

Disadvantage of Lasswell model:
Feedback not mentioned
Noise not mentioned
Linear Model

As any other models of communication also Laswell's has some pros and cons it is only on us how we can use it.

1.2   Marketing Communication Process

Mr. Kotler claims that "communication process can be characterized as an (interactive dialogue between company and its consumers. This process is an ongoing activity before

purchase, during the selling act and of course after it." (Kotler 2001, p.541)
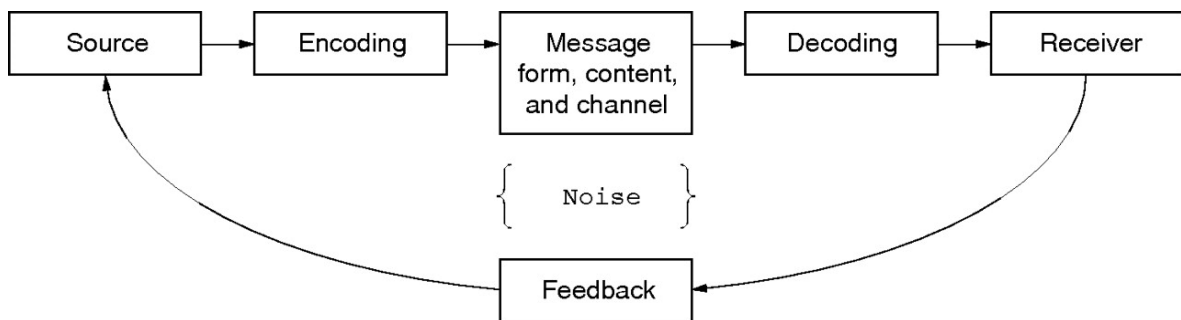

Figure 2. Movement of a Message (Kotler 2001, p.541)

Figure two describes the movement of a message and its subsequent processing. In the following lines I am going to describe each part separately.

1.2.1 Source

In general, a source could be a company that sends information. The actual source affects perception and acceptance of transmitted communication, receiving and decoding. The source affects receiver's creation of an attitude, and then we are talking about so-called a source effect. (Karlíček and Zamazalová 2009, p.8)

1.2.2 Encoding

Encryption is performed on the source (receiver), it means that information is transfered into a symbolic form. Symbols should be selected with the respect to knowledge of the target audience so that it is correctly decoded in order to avoid selecting wrong symbols, which can lead into a misunderstanding (misinterpretation) of the recipient. It may inadvertently result in a coding distortion: increases or loss of information. (Karlíček and Zamazalová 2009, p.8)

1.2.3 Message

The message itself should be clear, understandable, concise and convincing. The important rule is that the message must be in terms of structure, form, content well tailored to the recipient. (Karlíček and Zamazalová 2009, p.8)

1.2.4 Decoding

Decoding is done on the beneficiary's side. A distorted message may occur and this can result in a misinterpretation. (Karlíček and Zamazalová 2009, p.8)

1.2.5 Receiver

Receiver can be a person, group of people or special public group. The marketing communications are targeted, adapted specifically to the relevant consumer segments. Considering the target group needs and the language usage. Another form can be used for example for teenagers, another form for reaching out to seniors. (Karlíček and Zamazalová 2009, p.8)

1.2.6 Feedback

Feedback is a set of reactions on recently transmitted information, which is an important part of the communication process. Without determining how the information was received, what exactly triggered a response, the communication process cannot be complete and effective. A survey is based on measuring an impact of the marketing communication. (Karlíček and Zamazalová 2009, p.9)

1.2.7 Noise

It can occur at any time in the communication process. Unplanned disorders and interference during the information transmission may significantly alter a sense of the message. (Karlíček and Zamazalová 2009, p.9)

1.3 Marketing Communications Mix on the Internet

The marketing communication is very often perceived as the fourth P of the marketing mix, this designation is not entirely accurate. Thus it is appropriate to indicate the communication tools, which a company intentionally uses to communicate with others, special tools for communication, a communication mix. For an effective functioning of the marketing mix its parts must be mutually harmonized. Only then the components of the communication mix are effective alongside with other marketing tools (product, price and distribution channel). The task of the communication mix is to inform, persuade and influence potential consumers to purchase by way of its tools. The tools can be for example

an Internet advertising, online PR, online sales promotion and direct marketing and others. Each tool of one-group affects instruments of another group, it means that branding has a positive effect on a sales efficiency. (Kotler and Armstrong 2005, p.105-107)

1.3.1 Online marketing

Online marketing is focused on products, which are sold in e-shops. The Internet is primarily a medium of communication providing information on the various activities in order to promote sales. The same marketing tools are used in the online marketing as in traditional approach and the tools are following: discounts on purchases, coupons, special bonuses, loyalty rewards, win a prize competitions, loyalty and motivational programs or distribution of free samples. The Internet allows us to accurately measure all these activities and based on collected operational results and to improve communication campaigns. The process of ensuring stronger relationships between an e-shop and customers is done through newsletters or with possibility of delivery tracking service. A special type of sales promotion is affiliate marketing; it is basically a partnership between the retailer's websites selling products or services and websites which recommending these products or services. Affiliate marketing is charged on the basis of purchased goods or services and affiliates partners receive commission. It is thus the commission that distinguishes affiliate tool from text ads. Therefore affiliate method brings many financial advantages Therefore, this method of affiliate marketing for the service cost effective. (Přikrylová and Jahodová 2010, p. 239-240) Mr. Kotler defines an online marketing accordingly; a sales promotion includes a wide range of tools such as coupons, contests, discounts, premiums and other, mostly with very specific properties. They attract customers' attention, strongly motivates them to purchase and it can dramatically increase the sales decline. An advertisement says *Buy Our Products!,* while sales promotion says *Buy Now!*. Sales promotions are short-term and its long-term effect does not contribute to building a brand preference. (Kotler and Armstrong 2005, p. 638)

1.3.2 Public Relations on the Internet

Internet and public relations are bound by one word and the word is a communication. The Internet offers the possibility of communication activities similar to another media, but often with much higher efficiency. The Internet significantly accelerates communication with the public. The most common use of PR activities on the Internet can include corporate web sites linked to building corporate identity, the interview in the form of chat,

newsletters, e-mailing, blogs, reviews and much more. A useful tool of the Internet PR communication is mailing lists that allow us sending messages to persons who have expressed interest to receive periodical e-mails (newsletters). It is a popular way to keep in touch with the public. It is important to be relevant, have a concise text and to remember that the information must be beneficial to the recipient or he or she would cancel the subscription. Generally, a combination of traditional PR tools is applied in the online environment. The uniqueness of the Internet is that users can become authors of website texts, where they can comment the company and their products. These comments are considered to be much more credible. (Přikrylová and Jahodová 2010, p. 235-238)

- Pros and cons of using Public Relations on the Internet

Table 2. Pros and Cons of Using Public Relations on the Internet (Přikrylová and Jahodová 2010, p. 239)

Normal method of Public Relations
Pros = absolute control over the content, immediate facility to reply for reactions, measurability
Cons = lesser readers' credibility; sensitive to advertisement, coherence and official communication
WEB 2.0 Public Relations
Pros = credibility, spreading information by unofficial message
Cons = trickier communication with potential writes, limited content control

1.3.3   Direct Marketing on the Internet

According to Kotler direct marketing can take various forms, such as telephone marketing, direct mail and online marketing, but it shares four common characteristics. Direct marketing is nonpublic, immediate and adapted to a specific person towards the statement, which is addressed. Preparation is extremely fast, effective and easy to adjust; so specific customers could be addressed. Since the direct marketing allows an interactive dialogue between the marketing team and customer, an individual customer relationship is build up. (Kotler and Armstrong 2004, p.639)

Another source explains it as changes of the markets' role and customers. Instead of going to the market the direct marketing brings the market into the customer's home or office. With a help of direct marketing relatively high number of measurable responses are gained, which use one or more advertising means. (Smith 2004, p. 287) Direct marketing represents a direct communication with a segment of customers to whom special offers are sent to build long-term relationships with customers. Realisation of direct marketing in the online environment can be easily implemented in combination with other Internet marketing tools. An e-mail communication is a crucial element of direct marketing and to be effective with a direct marketing it is necessary to constantly improve it. (Přikrylová and Jahodová 2010, p. 240-241)

1.4 Advertising on the Internet

The Internet as an interactive medium is with the dynamically growing number of users a popular spot for advertisement placement. Advertising on the Internet is an effective tool to address a wide range of potential customers in a very short time while maintaining a relatively low cost. Consumer's response to advertising is immediate and the impact is precisely measured using specific data. These advertisements are seen far more often because they are playful, funny and not as aggressive as in other types of media. The main advantages include the fact that the Internet can offer a product in a rich audio-visual environment, in the sense of using video, animation, sound, and what is more the consumer may try out some products such as books, DVDs or any kind of software. Advertising on the Internet can be realized by using banners or text. (Přikrylová and Jahodová 2010, p. 225-226)

1.4.1 Banner

A banner is one of the oldest types but still the most widely used type of advertising on the Internet. It is a banner, which carries the advertisement, and by clicking on it the consumer is redirected to the advertiser's web page. The price of the banner is calculated according to site visits or clicks on the banner. The data obtained from the operation of the banner are then used to optimise displaying. This allows campaigns to target for example regionally, according to the days and hours, thereby increasing its efficiency. Creativity in the making of the banner should avoid so-called banner blindness, where the main aim is to avoid the Internet users from not perceiving banners. Banners are especially suitable for introducing

new products, promote products, and increase brand awareness or promoting single events. (Přikrylová and Jahodová 2010, p. 227)

1.4.2 Text Advertisement

Also known as a performance's advertisement, with direct response of advertising. This type of an advertisement is dependent on keywords, usually located in the search results for those keywords. This form of advertising is displayed as a short text, sometimes with a small static image. Text advertisement works with users' behaviour and their immediate response in the form of clicks on a text, which cause redirection to the advertiser. Memorability of this format is quite low; therefore this type of advertising is not widely used for campaigns aimed at creating, strengthening or changing the brand image. A text advertisement can have a very effective form, so called PPC advertising (pay per click). Displaying of PPC advertisement is dependent on the submitter; in other words on the cost he is willing to pay for the click CPC (cost per click) and the frequency of clicks CTR (click through rate). To maximise the effect of PPC advertisements, it is known that the higher the CPC and CTR (click through rate) is, the better the link is offered to users. The most widely known PPC system is an AdWords, this method adds links to the best-known Internet search engine Google, it is powerful and effective method. AdWords is a very sophisticated and ready to target your campaign to specific countries and languages. AdWords allows two basic types of campaigns, the first one is targeted to search and the second one is content-targeted. When search-targeted type is used then higher conversion rate is achieved. The most widely used PPC system in the Czech Republic is S-klik runs by Seznam.cz, although it seems to be perfect tool it has got one major disadvantage. S-klik can target its advertising only within the Czech Republic thus its effect is limited. (Přikrylová and Jahodová 2010, p. 229-231)

1.5 Measuring Advertising Effectiveness on the Internet

Measuring the effectiveness of advertising on the Internet is easier than advertising in other media. Website visits are measured by number of people who entered the site through advertising and conversion rate, i.e. it is the percentage number of people who did some action (on-line purchase, registration, filling forms, contact via e-mail or telephone). The main indicators are CR (click rate) and CTR. CR determines the effectiveness of banner advertising. (Přikrylová and Jahodová 2010, p. 234)

1.6 Marketing Communications Mix Selection

Communications mix selection. When deciding which of the instruments will be used in a strategy it is important to take into account available options (advantages-disadvantages) of their impact on consumer segments. The selection of instruments will be linked to the volume of resources available to cover the costs of communication strategy. Specific communications mix structure will be depended on the strategy objectives, the product character and a life cycle in which the product is located. The communications mix composition is performed with the respect to achieving synergies within the integrated communications. (Hesková and Štarchoň 2009, p.20)

1.7 IMC Integrated Marketing Communication

Integrated Marketing Communication (IMC) can be defined in many ways; it is for example a new way of looking at a whole in such a way the customer perceives everything together - as the flow of information from one source. Various definitions include the same idea: communication tools are combined to achieve synergy and so communication can become homogeneous, see Figure 3. The main benefit of IMC lies in the fact that a consistent set of messages and information are passed to all target groups by all appropriate means and channels of information. Communication should thus become more effective and more potent based on synergies effect. In other words, in comparison with traditional Marketing Communications, IMC represents the new caliber. Integrated marketing communication does not arise automatically. All elements of the marketing mix must be carefully planned so that the plan is a logical and inherently linked. Integrated communications are much more personalized, focused on customer, relations and interaction with him. It is not only a change of awareness and attitudes, but it is also directly influencing behavior. (Pelsmacker De 2003, p.29)

1.8 Need for the Integrated Marketing Communications (IMC)

The total shift from mass marketing to segmented is because of the customers. They do not distinguish between communication sources and this has the effect that various advertising and promotional procedures are becoming part of a single communication about the company. If these statements are contradictory to each other, the corporate image is destroyed. Companies often cannot handle interconnection of various communication ways and this can result into confused communication. Also, the fact that in companies

appears functional separation, which means that a single specialist is responsible for public relations, the other for direct marketing, but they do not cooperate with each other.
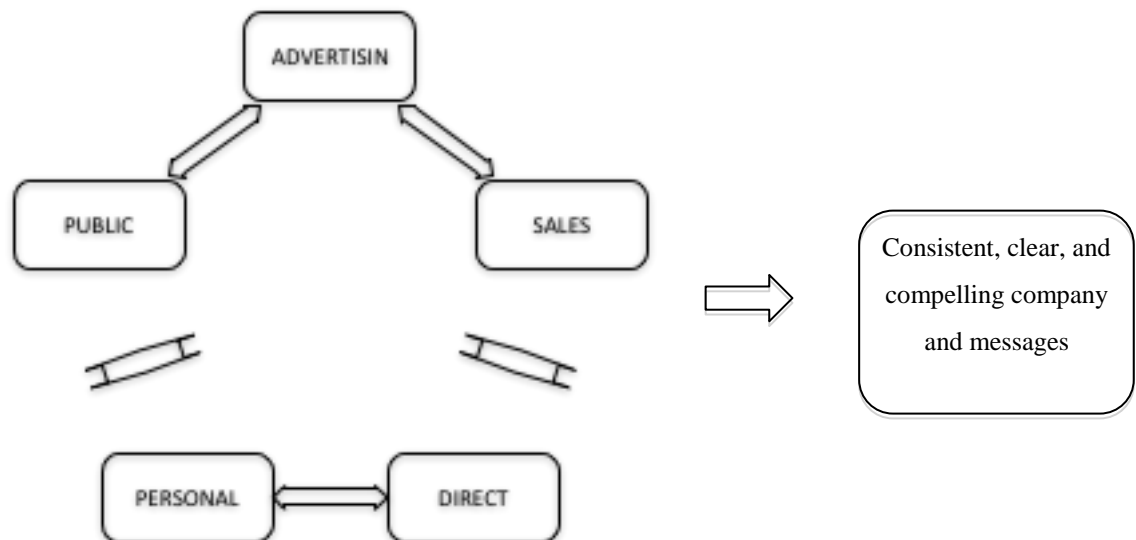
Therefore, the IMC requires knowledge of all nodal points, in which the customer meets with its products and brands. Every contact with the brand says something positive, negative or neutral. The company must strive to communicate clearly, consistently and convincingly in every aspect (Kotler 2004, p. 632-633)

Figure 3. A Combination of all Aspects (Armstrong and Kotler 2005, p. 402)

1.8.1 Overcoming barriers

Although the need for IMCs is widely understood and accepted, as the foregoing discussion makes clear, the path to implementation is hampered by many potential barriers, as shown in Figure. Yet these barriers are not insurmountable and the rewards from effective IMC make the effort worthwhile. By becoming aware of these potential problems and identifying them within their own organization, managers are on the way towards overcoming them. Change requires trust and this trust comes from a total understanding of what is involved and the long-term potential. (Percy 2008, p. 20-21)

Table 3. Overcoming Barriers (Percy 2008, p. 21)

Organizational barriers - Vertical organizational structures where cooperation is needed between functions - Structure makes it difficult to manage information from various agencies and vendors - Low standing of marketing communication function **Organizational Character** - Rigid organizational culture - No common understanding of what constitutes IMC - Resistance to change and fear over who will be in charge - Financial considerations placed ahead of consumers' considerations **Compensations issues** - Without budget control, communication specialists fear they will lose position and financial reward - Rewards are linked to budget size or billings, not the overall program

1.9 The Internet as a Marketing Medium

Contemporary society is characterized mainly by its dynamism and gradual integration of continuous expansion, which is primarily for the development of information and communication technologies. The dominant role of the Internet is due to the role of an easily accessible and global medium, which is a modern platform for a range of activities run in electronic form. A reliable source claims that "the Internet continues to grow much faster than any other medium, at an average of 15.9% a year between 2011 and 2014."

(ZenithOptimedia 2012, Online) Companies and businesses are slowly beginning to understand the importance of the issue of e-business, electronic sales (e-commerce) or purchase (e-procurement), banking (e-banking), marketing (email marketing), and others. Large corporations and companies have realized importance of this phenomenon but the small and medium enterprises (SMEs) do not use these technologies, as they should do. From the perspective of companies we can say that using the Internet can be divided into three main groups, the grouping is following, orientation to the advertising, sales and support-oriented activities. An information and communication technologies provide new opportunities for wide use in many disciplines as it is in the company's marketing activities. An effective online communication and professional website presentation can be a competitive advantage as it is at nowadays and in the future it will be so called must be able to use an online communication. (Foret 2008, p.335-336)

1.10 Use of the Internet in Online Research Method in Comparison to Offline Methods

The following table shows the comparison of offline and online methods of marketing research. These data indicate a clear advantage of the online methods, however offline methods are in certain situations still an irreplaceable source of information.

Table 4. Online and Offline Methods (Rafi, Fisher, Jaworski and Paddison 2004, p. 85)

Decision Factor	Offline Method	Online Method
Cost	High	Low
Turnaround time	Slow	Quick
Effort	Labor-intensive	Labor-no intensive
Data quality	Medium	High
Research control	High	Low
Sampling	Accurate	Inaccurate
Sample-control bias	Controllable	High to uncontrollable
Delivery/illustration	Limited	Unlimited
Interviewer bias	High	Low
Geographical coverage	Limited	Unlimited
Anonymity guarantee	High to medium	Low to medium
Ethical issues (privacy)	Low	High

1.11 Social Networks on the Internet and their Importance for Marketing Communications

Social network sites are community sites that serve primarily to establish contacts among Internet users. Social networks operate on the principle of spreading news, monitoring activities and viewing of people who are enlisted as friends. In certain degree social networks have replaced the Internet search engines, note this works only for some types of information. The most widely used social network in the Czech Republic is Facebook, this network is currently registering 3,3 million active users and this number is keep increasing. Previously mentioned number confirms that Facebook is social networking phenomenon especially in the age group of 18-24 years. It is not surprising that social networks are attracting the attention of businesses subjects trying to find new ways of communicating with customers. Companies can create their own company profiles, which present their products and services, monitor discussions on products, organise informal marketing surveys and get a database for promotional purposes, e-mailing lists. The problem with advertising on social networks is that a significant proportion of users on social networks are immune to these ads, or even strictly against it. A key element is to gain influence and respect in the community, which is quite difficult and a long run process. The best tool in social networks is word-of-mouth. Social networking sites are places where you can apply selected tools of marketing communications. To have an effective marketing communication it has to be carried out actively and promptly. Creating and maintaining effective communication on the social network is financially and in terms of human resources very intensive work. It is particularly important to respect the principles of user's behaviour on the Internet and social networks since it is very a delicate matter. (JakOslovitMedia 2012, Online)

1.12 Pros and Cons of the Internet Marketing

If we compare the traditional marketing with the Internet marketing, we find that like all other things, the Internet marketing has certain advantages and disadvantages. In the following list are to find main pros and cons.

Table 5. Pros and Cons of the Internet Marketing (TheBestWay2Invest 2012, Online)

Main advantages of the Internet marketing

- Less expensive

- Better targeting customers

- Measurability of effectiveness and achieved results

- The ability to easily lead campaigns in selected local markets or the global market

Main Disadvantages

- Lower penetration of the Internet, especially in the case with older generation

- Lower confidence in online purchasing of goods and services

With increasing penetration of the Internet, disadvantages of the Internet marketing are likely to appear less and less. Therefore, when developing any marketing strategy, companies should not forget the superior benefits of the Internet.

II. ANALYSIS

2 PROFILE OF THE VHQ CONSULTING S.R.O. COMPANY

In this part of my bachelor thesis are mentioned information about the VHQ Consulting s.r.o. company, their basic data, the analysis is done and supporting pictures and tables are also available.

2.1 Key Facts about VHQ Consulting s.r.o

Business name: VHQ Consulting s.r.o.

Management: Executive head - Vít Hutař

                        Executive head - Pavlína Straková

Company address: Čsl. Armády 641/40, 787 01, Šumperk, Czech Republic

Identification number: 28967585

Email Address: info@vhq.cz

Phone contact: 773 819 419

The company is focused on:

Selling:

        Hip-hop and street-wear fashion

        Hip-hop accessorise

2.2   History of VHQ Consulting s.r.o.

VHQ Consulting s.r.o. is a company, which was founded in 2009. This young company was established with the purpose of selling street wear and urban fashion, especially thanks to the growing demand for these items. Company's main activity is online selling of clothes via the Internet with big emphasis on a customer's service. The major motive for setting up this company was the idea of distribution hip-hop fashion on the Czech market. Mr. Hutař says: "When I was a youngster I was always looking for fashionable hip-hop clothes with reasonable prices, unfortunately the situation on the Czech market forced me to find other ways to buy desired goods. I found an Internet shop from Germany and I was straight away amazed. After one year I decided I want to crack the Czech market with this kind of goods so did I (smile)." As the first online shop was launched Shakk.cz. Shakk.cz is proud to be the first hip-hop discounter in the Czech Republic, as in 2009. VHQ Consulting s.r.o. became the official distributor of Shakk products, which is owned by German Turks. Shakk.cz is also a core business of this company, focusing all of their effort to grow it larger and more profitable. The first contact with owners of Shakk was done in June 2009 and the owners were impressed with drive, which Mr. Vít Hutař has. The first investment was 250 000 CZK to obtain basic stock items. The second project is focusing on selling cheap hip-hop accessorise on the Blingking.cz website. This domain was purchased from Zlin's bankrupting student who could not handle the business on his own, an internal information. The third and the latest project is a street wear online store called Escobar.cz where VHQ Consulting s.r.o. owns the distribution rights from the same owners as in the case of Shakk.cz. All the three projects are celebrating a great success, despite the fact that the founders had no previous experience with such a business.

2.3   Company throughput

The figure below shows how the company have been developing since year 2009 until now very progressively. It is visible that they have had put a lot of effort into a development and also a growing popularity among target customers is visible. As Mr. Vít Hutař stated, in the beginning they sacrificed countless days to build up a successful and customer's friendly business.

In the figure below can be seen the rising character of turnover, same as the number of orders. These numbers tell us that they had been working really hard on branding as Mr. Vít Hutař confirmed. In the beginning the company spent monthly a little amount of money due to the financial situation since a very young person was in the background with limited cash resources. The amount of money given to the marketing in year 2009 was 20 000 CZK a month whilst the situation has dramatically changed in February 2010 when the amount of money was increased, up to five times to 130 000 CZK a month which was spent on promotional activities, namely on AdWords and S-klik campaigns. At now days regular expenses on marketing purposes are about the same as mentioned previously, but in the Christmas time the number goes higher, up to 500 000 CZK per month. The Christmas time is for every single shop a time where you can earn a huge amount of money, so the effort given to promote and sell the most products.
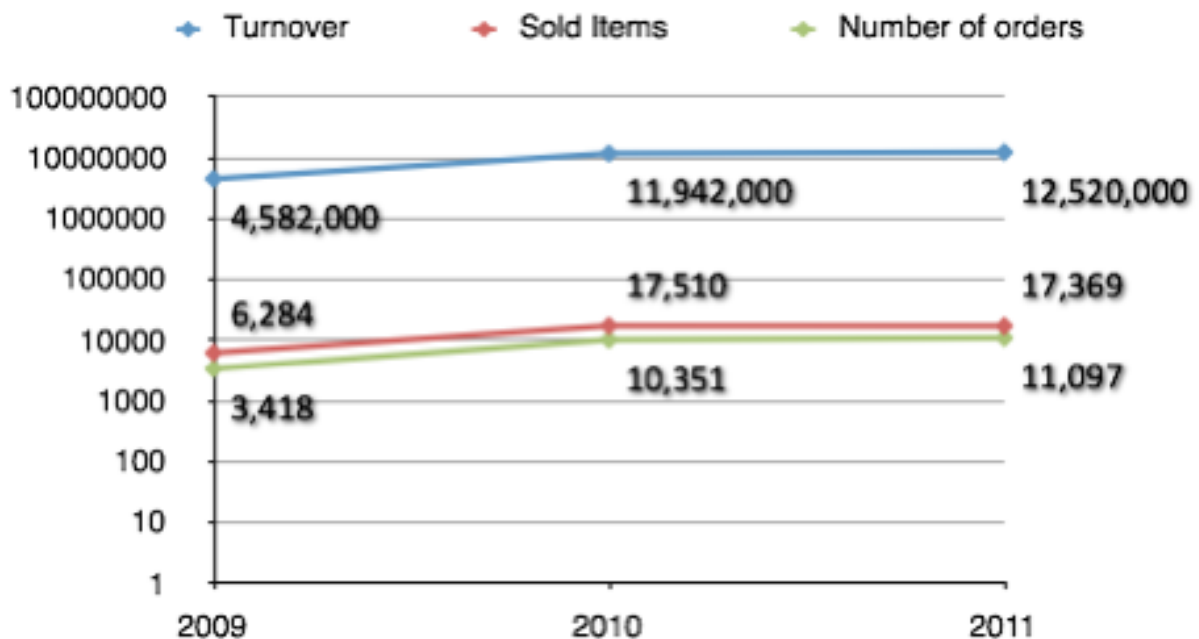
Note: Turnover is displayed in CZK

Figure 4. Company Throughput (Source: VHQ Consulting s.r.o 2012)

3   ANALYSIS OF MARKETING COMMUNICTIONS OF VHQ CONSULTING S.R.O.

As mentioned earlier, the company VHQ Consulting s.r.o. operate three e-shops where the same marketing approach is applied to all of them. The only difference is in the targeting of customers therefore Escobar.cz focuses exclusively on street wear clientele, whereas the two other e-shops are oriented exclusively on hip-hop customers, all of them target age group 15-25 years old. One of the places where the advertisement is displayed is on Youtube.com in the form of banners. YouTube is one of the most visited places on the Internet, with the purpose to offer music or video streams. This place comes across as being perfect to display your banners, as the younger generation targeted are always downloading music from this website. It is also very helpful as you can choose from various options when to display your advertisements. These banners are in so-called static form, GIF format, see figure. Banner's content is concise and the design of banners is particularly not very attractive but very effective, the colours are simple yet eye-catching. Internet marketing of the VHQ Consulting s.r.o., is clear to offer a brief statement, without unnecessary clicks which do not lead to a purchase. This form represents a cheap option and does not give rise to a high conversion. Their banner strips are altered eight times a year, twice for each collection. The company has set a relatively high CTR, it means that the banners are displayed at a higher frequency. Data obtained from this type of advertising indicates that this method does not convert a large number of customers, with estimated value/number of 7% for both paid and unpaid forms. Displaying flash banners on Hiphopstage.cz server was used until recent changes. A couple of analyses were done by VHQ Consulting s.r.o., due to the findings of the analyses, displaying was cancelled as the head of the marketing department decided that the place was inefficient to advertise on. A significant share of advertising is due to Google AdWords with conversion rate of 3.7% of an unpaid and 5% of paid form and with a local advertising service from S-klik with conversion rate 2,5% for both forms.

During the summer time VHQ Constulting s.r.o. train and send a team of field sales out to the biggest hip-hop festivals in the Czech Republic with their products. These festivals are booked in advance to make sure that they will get the optimum sale pitch and therefor are ready for high volume sales. They will distribute discount vouchers, flyers with a map where the stall is located. This is achieved with a well thought out plan for the very

occasion so good-looking girls who have been trained and deployed across the large event to hand out the marketing material and also answer questions, show customers the way to the stall and willingly pose for photographers while wearing clothes with a printed brand. According to Mr. Vít Hutař the purpose is simple, to sell an old collection, be ready to stock up with new goods and to get as many customers as possible. On the selling venue people are attracted with big banners and various competitions to win a discount up to 30% from the price.

The company has started to co-operate with hip-hop producers in past six months and presently have launched rap contests volume 2, where everyone can enter this competition and could try winning prize money. It encourages brand loyal customers to participate in these competitions and attracts new customers. It builds up a positive relationship with customers; they can feel as a part of the e-shop since they can show themselves. The results will be announced on Facebook alongside with the music creations as Mr. Vít Hutař said so every one can listen to it and see the actual output.

See the appendix P I with a rap contest flyer in the appendix section The flyer informs about basic information and its design is in my opinion well thought, modern and catchy. At the bottom is a button to connect straight away to Facebook and automatically like the website, the flyer is sent via an e-mail as a newsletter.

3.1   Webpage

All the three webpages have the same form and share the same layout therefor I will do one analysis on all of them at the same time.

When you enter type in on their webpage into your browser, a window pops up immediately after the page is loaded, see figure 5. This window offers the possibility to subscribe for newsletters, after you enter an email address or decide not to enter an email the home page is loaded. At first glance the webpage is arranged logically and products are divided into specific categories. A customer simply clicks on the category and he/she is immediately redirected to the list of goods. The graphical concept and layout was handed over from the headquarters in Germany with the aim to have a united look of all the e-shops throughout Europe. Special offers are displayed at the home page, which encourages customers to purchase. These special offers are changed once a month or when a competition is on. The rotation of special offers could be more often, but this process is dependent on the stock balance or price drops regulated from Germany as Mr. Vít Hutař

said. My overall impression of the webpage is very good; there is a great emphasis on providing customer's services. A small orange bubble in the bottom right corner, with the text *Otázky? = Questions?* offers a quick way to ask retailers for a question without a lengthy search. It is an external application that offers a real-time conversation with customers' service, ready to answer questions five days a week and seven hours a day as the owner of VHQ Consulting s.r.o. said. Website provides information on the price of postage, as well as opportunity to get a free shipping on orders over 2500CZK. In the right side of the website is a floating tag, saying *Ověřeno zákazníky = Approved by customers* which is a label of famous Czech independent buyers guide portal, Heureka.cz. All these features raises the credibility of the site and customers should not be afraid to make a purchase as from my point of view. The website does not use any video or audio to present their goods, in this respect, it does not take a negative thing nor a positive. The website name is concise and easy to remember and reflects the brand name of the goods as offered on www.shakk.cz, www.escobar.cz, www.blingking.cz. The selection of goods is available with at least three images of the product from different angles and a detail of the logo or any other part of the product. The size table is shown separately for each product, the

customer does not have to click anywhere else. Logos are simple and carry the name of the products, again easy association with the products. In the appendix part are displayed screenshots of all the three websites.

Figure 5. A Pop-up Window, With an Option to Subscribe for Newsletters.
 (Source: Shakk.cz 2011, Online)

4 ANALYSIS OF COMPETITION

The portfolio of the VHQ Consulting s.r.o. company, which is mainly available to the customers via the Internet, has no major competition on the Czech market. The uniqueness lies in prices, which only a few entrepreneurial entities can compete with. However there are four e-shops on the market, which are closest to their core business. The e-shops are operated by Na Parket s.r.o. company. In this section I am going to analyse them also from the point of view as a customer, to provide the right insight I have tested customers' services in one of the competition e-shops.

4.1 Analysis of Na Parket s.r.o.

This company offers goods with the same orientation as Shakk.cz and Blingking.cz. Na Parket s.r.o. operates four e-shops, NejvicObleceni.cz, NejlevnejsiHipHop.cz, KrutyHadry.cz, LevneTeplaky.cz. These e-shops have over 20.000 customers and they are in direct competition to the VHQ portfolio. The flagship and the oldest e-shop project of Na Parket s.r.o is KrutyHadry.cz. Their greatest advantage is that they sell cheap branded clothing; business runs on the outlet principle. The outlet type of an e-shop has a certain advantage, customers are attracted by low prices of branded clothes, even though it is not the latest model, customers naturally crave for brands. I find it as the biggest advantage in attracting and maintaining customers. The Na Parket s.r.o. company is owned by two young people and one of them is Mr. Lukáš Makowski who is a man from the marketing field; therefor he does all the marketing matters. In their beginnings they launched very expensive and aggressive campaigns, the effect was immediate and lasted for a long period of time. Na Partket s.r.o. used for branding their e-shops rude words, provocative banners and at that time very unusual advertising approaches in the Czech Republic. Huge audience was gained especially thanks to the aggressive way of promoting their products, it was just what the target customers wanted to see and hear, however all this marketing effort had a negative effect on overall profit as Mr. Vít Hutař says. Recently Na Parket s.r.o. paid to a progressive advertising company to create a viral video. The viral company is called ViralBrothers, they were asked to raise awareness and to increase a visit rate of Krutyhadry.cz, targeted on 16-25 years audience. This viral video carries a high marketing announcement and it had been watched over 1.000.000 times in less than 30 days and gained first place in YouTube trends after eight days. For more details of the viral video, see the figure 6 below the text. Despite the fact that this viral campaign was very

expensive, Krutyhadry.cz has gained 15.000+ Facebook fans in a month, which makes it very effective. Na Parket s.r.o. do not use S-Klik or AdWords services, they are more focused on Facebook advertising and since they have their own dance group they do a lot of dance battles where they distribute flyers, throw competitions to win clothes and what is very good thing they do workshops where the instructors are dressed in their clothes so the good publicity and promotion is assured. What I find as the biggest dupe is the disability to co-operate with customers. Presently customer services are almost at zero level, and services they are providing are often criticized for not delivering orders. As a result of frequent complaints to the address of Krutyhadry.cz Facebook group called " Krutý Hadry - Zlodějíčci? = Cruel Rags - Thieves? " was founded, which brings customers with bad experience together. The most common problems, which are criticized, are bad communication, failure to comply with delivery deadlines, problems with the refunding money or exchange of goods. I was curious if the rumours about their services are true so decided to place an order with an intention to refund money. I place an order to the value of 240 CZK, the parcel was delivered on the second working day, up to this point everything was faultless, however when it came to refunding my money after I returned the goods back, there was a problem. They stopped replying to my e-mails and when I tried to call them a person on the phone assured me that the money will be send next day, it has been more than three months and I still do not have my money. I am pleased that I have encountered such an experience; it informs me about this company and seems to care about the spreading by word of mouth. Same as last year, this year Krutyhadry.cz is advertising their products on Evropa 2 radio, which have brought a rapid increase in sales. The radio Evropa 2 is not the only channel where they promote their products but also Frekvence 1 radio is one of the place where banners are displayed, which is in my opinion inefficient because the target audience does not visit this site, again they use the good connections with French entrepreneur who owns both radios. Their market share is quite large but in my opinion a downward trend is visible due to ignorance of marketing communications matters, mainly customer service. In the past year they opened an offline shop in Prague downtown and it serves also as a warehouse with a limited stock, majority of their goods is located in Germany. Krutyhadry.cz has a fan page on social network, Facebook with over 60.000 fans. I can see that their sales efforts are directed to the offline shop. Their competitive strength lies in the good connections and unlimited financial background.

Figure 6. The 2012 Viral Video of Krutyhadry (Source: YouTube 2012, Online)

Figure 7. The 2012 Competition of KrutyHadry (Source: Evropa 2, Online)

The Figure 7 is a screen shot of an on-going competition to win a 5000 CZK voucher, displayed on Evropa 2 web.

4.1.1 Webpage

The Na Parket s.r.o. company use the same design concept and layout for all the websites so again I will do one analysis of their websites. Their sites have a simple and functional design, which is good. Names of the pages are trying to evoke close connection with hip-hop culture, which is fresh, rough, cool and they like to evoke extraordinary lifestyle. What I miss on their pages is the chance to subscribe for their newsletters. The main page with products is divided into specific categories as standard displaying method nothing unusual. In order to search for exact product there is an option to specify search items, therefore customers can choose from the brand, product category, size, or simply type in searched phrase into the search box I find this function very useful. The purpose of having such a search feature is understandable since their e-shops offer more brands. On the main page is a list of the best selling products where customers have an easy access to the top products. Their pages are presented with a motto telling us that this is the biggest hip-hop fashion clearance in the history of Czech. The products are attractive due to prices, where the original price is crossed out and replaced with new lower price. Product images are quite confusing; they look as though they have been downloaded from different sources, they obviously do not care how the products look like on their webpages, in my opinion the picture quality does not create a good impression at all. They offer shipping the parcel in next 24 hours and for customers a phone line is available, five days a week. I really think the presentation of their products looks very cheap but obviously it works for them because they generate huge revenues, as Mr. Vít Hutař confirmed. It is my personal belief that this is an example of well working e-shops with badly designed layout.

5   EVALUATION OF ANALYSIS

The process of selling clothes is a very interesting area of business, especially in the current climate where the market is overrun with a huge variety of brands and to be the best ones. The marketing activities are therefor concentrated to the end user rather than other retailer outlet, they do not need raise awareness about the company but the product is number one object.

The Internet marketing activities of both analyzed companies have a high standard as I discovered during researching them. Each of the company has set a different approach how to fight for customers. VHQ Consulting s.r.o. go for better prices, better goodwill whereas Na Parket s.r.o. offer better value for money and higher quality of products. If I was to say which website is better looking and has a greater impact on customers from the design point of view and customers services I would go for the websites of VHQ Consulting s.r.o. I think they offer a better service leading to enjoyment for the shopper, the whole website environment feels more user friendly and you so want to come back and repeat the experience.

The advertising part of the two companies has an even higher standard than what is seen on the Czech online market. I think they have a really well organized system and they can spend money where required. It is difficult to say which company has better promotional activities but if I sum all pros and cons I have to go for Na Parket s.r.o. The methods used to create viral videos and to push themselves on the main radio stations are outstanding and I admire them for it.

Both companies offer the same products targeted to a hip-hop community, what make them successful is the prices and variety of clothes. The question is whether the hip-hop cult can prevail for next ten years, our society can be characterized as fast evolving and every single day there is a new trend set. I hope their portfolio will be in future as desirable as it is at present. If customers communication is taken into account of both companies I am very disappointed with result I discovered about Na Parket s.r.o.. The company ignores basic services in comparison with VHQ Consulting s.r.o. Where they have set high standards. I can only wish that all companies could treat customers as well as VHQ Consulting s.r.o. do.

Having a robust base of customers as they do, is an advantage and only time can show which company can keep them for the longest period of time.

6   RECCOMENDATIONS FOR IMPROVEMENTS

In this part I would like to propose a few possible improvements, which in my opinion will work for the benefit and further development of the VHQ Consulting s.r.o. While the analysis of the marketing communications was being done it made me to think about what to improve and even if there is anything to enhance. In my personal opinion I think they cope with the marketing part more than well. They set a very high standard in this area thus from what I can tell there are no major recommendations I can think about. As usual there are always buts and one of my but would be trying to aim on the web design.

6.1.1   Improvement Number One

In the world of the Internet where literally there are no boundaries, I think now is the time to think about redesigning the websites in order to prevent visitors from perceiving the sites as boring and not attractive. My recommendation would be to either hire a web designer to make a fresh design which would be again concise and up to date in terms of customer's preferences. The all round customers are in age from 14-25 years, especially this age group is very progressive and they need to be stimulated and constantly attracted otherwise they easily lose their interest. As I said before hire a web designer or initiate a meeting with German owners and try to give a clear plan what and how they should redesign the whole website. I am convinced of one thing that no one wants to be perceived as an obsolete subject and therefor I see this option as more likely to happen without bigger problems. I would implement into the new design changes a very useful feature to sell more varieties, let me call this feature a related item. The related items should be used every time a customer clicks on a product and automatically a list of related product would appear in a lower part of the product picture.

Expenditures:

Redesign a single webpage: 24.000 CZK (Including VAT)

6.1.2   Improvement Number Two

As a next recommendation I would go for a more quality mailing campaigns. From what I can see it is quality one but what I have received as a sample sometimes it seemed to be less thought-out in way of form. What should be an aim with these campaigns is not to look like a spam messages, be attractive, concise and at the same time as much increasing

awareness of products and company itself. VHQ Consulting s.r.o. should try to reconsider their current state of e-mailing campaigns and do some changes because it would definitely help them.

Expenditures:

Redesign and work out better e-mailing campaigns: 5.000 CZK

6.1.3 Improvement Number Three

Customers of all of the three e-shops are in a way a community and what could be better than creating a community page. My idea is to offer to a wide audience a content, which has to be related to the target customers. The concept of the community page is simple yet very effective in building a relationship with customers and attracting new customers. I can clearly see the way it looks like the community's content would be based on articles around 80%, in this number are included various topics for example reports from concerts or interesting events, purely in a magazine form where visitors go to visit the website to read. The trick is while they read an article another 20% of the community site content is an advertising part where they can convert customers and then possibly buy products. Where I can see the biggest advantage is in enlarging number of customers and increasing awareness. Managing such a community site ought to be depute to a third person since literally a new kind of website and activity would be introduced.

The third person can be a fan of one the e-shops, someone who is interested in the products and share the ideology and last but not least who can write articles. Having somebody as I mentioned previously would give a superb chance to lower expenses, they can give the person their own clothes or provide a discount voucher, plus possibly a money reward for doing a good job in the beginning and as the popularity go higher, hand in hand would go higher the revenues so they can pay the editor with a regular monthly wage. To sum my community site recommendations up, the main purpose is to do a kind of blog with news, reports and create a closer community whilst branding VHQ's portfolio.

Expenditures:

Create a simple webpage: 10.000 CZK

Maintenance + Writing + Editing content: 5.000 CZK

6.1.4 Improvement Number Four

Where I can see another possible way to go is to think outside the box and try to expand to another countries. VHQ Consulting s.r.o. is a young and a progressive company with a certain know-how how to properly run things. I am confident to say that they can penetrate eastern part of Europe rather than western, not only is the western part already occupied with Shakk, Escobar and many other brands, but also because the market is much more developed. Therefor my suggestions will lead towards Hungary, Slovenia or Bulgaria. I picked these three countries for simple reasons namely for target audience, number of Facebook users and the desire for cheap and good looking things. Having said this it makes them a gold mine for future development of VHQ Consulting s.r.o. I see as the best candidate Hungary, the music culture that reflects a target audience is just perfect. It is genuinely marvellous opportunity along side with the number of Facebook users, where the company can apply their know-how very well. According to Socialbakers.com Hungary is ranked on 39th place in the World with number of 3.994.140 active users on Facebook and the number is still growing up. (SocialBakers 2012, Online) Not only this number is positive information but also the fact of the size of the Hungarian market is a bigger in comparison with the Czech Republic. Slovenia and Romania are as well fast growing markets where the company could bite a big chunk of the market. All in all this project might be a bit risky improvement and the most expensive one but it could triple an income with no big effort. This switch into another countries also involves a need to get a native speaker who would do the translations and customer service. The main marketing activities would be directed from the Czech headquarter.

Expenditures:

Acquire an adequate stock: 200.000 CZK

Lease premises: 10.000 - 14.000 CZK a month

Wage: 13.000 CZK a month plus benefits according to sales

Other initial expenses: 90.000 CZK

Note: My calculations are set to fit all of the named countries and should accommodate the very important things; prices are displayed as an average (per single country)

6.1.5 Improvement Number Five

With all of the respect to the online method of selling VHQ's products I think that having an offline shop would be a great benefit. Major target customers are in age of 16 years and from my observation I am persuaded about one thing, they do not like to spend and an extra money on return parcels when clothes do not fit them. What I recommend is to establish an offline shop in a precisely selected town, rather smaller one because the smaller the town is the fewer competitors they have and lease prices are lower. They should use data acquired from the purchases and look for the areas where the majority of customers are located. Once they set up a shop the possibilities to increase awareness of products logically has to be higher. They can use some of the offline methods of marketing communications to increase affectivity of their selling activities. What is the most valuable thing they could have another way of distribution, more selling points and customers can finally feel the products and try it on all the year round.

Expenditures:

Rent premises: approximately 25.000 CZK a month

Wages: 15.000 CZK a month

Other initial expenses: 70.000 CZK

7 CONCLUSION

The writing of my bachelor thesis was a unique experience, which I have never done before. The overall complexity, content, topic, countless hours I have spent on reading and racking my brain for thoughts make this work the biggest project in my life. During the process of reading and analyzing I became more familiar with the theoretical part and I also got certain insight how companies use the theory in praxis.

The first part of my work is aimed to/on providing information, where I was trying to offer a theoretical introduction to the marketing communications so if anyone reads my bachelors thesis then would be able to understand marketing communications matters and carry on in reading my practical part. I went through a quite large number of online articles, marketing publications focused on various forms of marketing communications.

The practical part is following the facts I have summed up in the theoretical part. In this part I was trying to do the analysis as accurate as I could to give an image of marketing activities in VHQ Consulting s.r.o. and a major competitor. The analysis revealed number of things which in my opinion have to be fixed or improved in the future and I also revealed the power of marketing tools in mentioned companies. Some of the deficiencies were more serious some of them less but I think they need an attention from VHQ Consulting s.r.o.

To sum up my bachelor thesis I discovered that the world of online selling is very interesting. With the marketing communications tools is the space literally unlimited and you can achieve huge success if you can wisely use the power of marketing communications. I hope that the VHQ Consulting s.r.o. will one day use my recommendations and send me an email with a big thank you, it would be as glorious day as the day I finished this bachelor thesis.

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LIST OF USED ABBREVIATIONS

CPC	cost per click
CR	click rate
CTR	click through rate)
CZK	Czech koruna
DVD	digital videodisc
IMC	integrated marketing communications
PPC	pay per click
PR	public relations
s.r.o. = ltd	společnost s ručením omezením = Limited company
SME	small and medium enterprises

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APPENDIX P I: RAP CONTEST VOL. 2

APPENDIX P II: SHAKK WEBPAGE

APPENDIX P III: BLINGKING WEBPAGE

APPENDIX P IV: ESCOBAR WEBPAGE

APPENDIX P V: NEWSLETTER

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