

# Sławomir Czarniewski

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## Mechanisms and effects of communication in the age of modern technology

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*SŁAWOMIR CZARNIEWSKI*

University of Finance and Management in Białystok

**MECHANISMS AND EFFECTS OF COMMUNICATION  
IN THE AGE OF MODERN TECHNOLOGY**

**Summary**

In recent years, there has been an observed systematic increase in the importance of direct communication in Poland. This paper shows changes (trends) in the system of market communication in the age of modern technology. Author presents the effectiveness of various actions in marketing communication. This analysis was carried out on selected Polish customers in 2012. Reflections contained in the paper do not have definite characteristics and should be treated as an opinion in the discussion.

**Keywords:** interactive communication, customer value, relationships with clients.

**Introduction**

Polish marketing, due to the crisis of the past couple of years, has undergone major professionalization. Only the strongest advertising agencies, in terms of economics, were able to remain on the market, and they are continuously developing. The increase in spending on marketing communication results from the focus on sales results, and here the best suited instruments are direct and interactive marketing tools.

New companies are opening which specialize in various activities – marketing, events, mobile marketing, etc. This is due to the development of the market and of the specific skills needed within particular specializations. Another clear trend is the use of the potential of technological developments: SMS, MMS, and mobile marketing. In addition, customers have increased access to the Internet, which in many areas limits the role of the traditional postal service.

## **1. The new trends in communicating value**

Changes in needs, preferences, and expectations of buyers and the diversification of the media market are reasons for the loss in efficiency of traditional communication techniques. Thus, in the current environment, a clear, concrete message, aimed directly at the recipient, works best. This way of communicating can be costly and time-consuming, so actions must be efficient, measurable and based on sound decision-making. Technology can help in implementing such plans by making it easier to have direct contact with customers (Sojkin 2009, pp. 18–19).

It is implicit that technical change (mass telecommunications, computerization) will contribute to the development of direct communication. The mass market is disintegrating (due to its poor performance) and is being replaced by individualization (Hill, Alexander 2003, pp. 51–54). There are also important demographic changes manifested by an increase in the number of working age people.

Market trends indicate that entrepreneurs are gradually moving away from selling to the masses and are attaching more importance to meeting the individual needs of increasingly demanding customers. This is based on establishing close contacts with buyers before and after the first sale, considered as the beginning of the construction of long-term business-to-customer relations. In the modern, developed market economy, too many companies are still competing for new customers, not recognizing the importance of maintaining relationships with existing buyers (Czarniewski 2010, p. 124).

Communicating through modern technology allows for the promotion of long-term goals of the company and creates a favorable opinion of the brand, developing fitting relationships with customers. An important element of direct communication is the response mechanism from the side of the buyer. The more information that comes back to the sender, the better prepared and tailored to the needs of the public are its next communications. It should also be noted that communication through modern technology allows for a high degree of measurability of the effects of actions taken.

Interactive communication offers great opportunities for the collection and analysis of information about customers, which is one of the basic resources of an organization. Whole companies are bought or sold precisely because of their knowledge of the market. In the balance sheets of companies, such assets are generally listed as “brand value”, but in direct marketing they have a very specific dimension – names, addresses and data on transactions with customers.

Currently, the companies that thrive are those which have broadly understood knowledge and information, and are able to adapt to changing environmental conditions. A company’s success is primarily a function of knowledge and information about the business, not a traditional job and mechanically repeated effort (Szymański 2007, p. 230).

Despite the vast amount of information available to a company manager, because of modern technology, there is always an information gap, the difference between the information needed by the manager to make decisions, and the information that he has. Choosing the best sources of information is not easy and that is why in every company, as noted by J. Unold, information systems play a key role, and are an essential element of the management system (Unold 2005, p. 7).

It is also important to take into account the new role of mobile devices in marketing, what E. Frąckiewicz calls *mobile marketing*, or *m-marketing*. This term is understood as marketing carried out by means of wireless devices, especially mobile phones (Frąckiewicz 2006, p. 109).

The main advantage of mobile communication is bidirectional, interactive and unambiguous identification of the recipient. Basic services in the field of m-marketing are short text messaging with SMS (*short message service*) and multimedia messaging, or MMS (*multimedia message service*). In the near future, the importance of mobile marketing is expected to increase because of the very large number of mobile phone users and the increase in the utility of mobile phones as tools not only for communication but also for web browsing, time management, writing of texts, etc.

## **2. Customer value and the process of communication**

In most industries and on most markets, supply exceeds demand, making customers one of the priority stakeholder groups of every company. Without their “support” in the form of creating demand for goods and services, most organizations would not be able to stay in business for long (Bakan 2006, p. 46).

Customers provide companies with various kinds of value (benefits). Naturally, the most important are revenues. Other values generated by clients are the recommendation of the company to a third party, provision of information and improvement of company image (Doligalski 2010, p. 80).

By skillfully concentrating communications activities on the most profitable groups of customers singled out from the company database, it is possible to generate expected income and to increase market share without the need to invest in acquiring new clients (Rust, Zeithaml, Lemon 2000, p. 226). Acquisition of new clients is more difficult and more expensive, since it means navigating through unfamiliar territory, without a guarantee of positive results.

The concept of total or future customer value is quite common in enterprises whose customers are accurately identified, and have a long transaction history. This is true for many mail order companies and financial enterprises. They routinely compare the value of customers acquired through various media, address lists or offers, treating the result as a basic criterion for making future marketing choices.

These companies also try to identify customer characteristics of various total value by using statistical analysis.

In financial terms, the value of the customer is the difference between the discounted value of future profits generated by the customer and the cost of acquiring him, calculated using the following formula (Kołczyński 2005, p. 369):

$$VC = [\sum (P_a - C_a) r^{(a-1)} / (1 + i)^a] - CA$$

where:  $VC$  – value of the customer,  $a$  – the number of the next time period of customer purchasing activity,  $P_a$  – the profit margin generated by the client during  $a$ ,  $C_a$  – the cost of customer service during  $a$ ,  $r$  – retention factor,  $i$  – average forecasted interest rate,  $CA$  – cost of acquisition.

Loyalty to the company is the real and emotional attachment of the customer to the company's offer, as a result of the satisfaction felt with the way their expressed needs were met. Relations with buyers should be viewed through the prism of such a relationship. The value perceived by customers can be regarded as a derivative of five factors – the price of the product, product quality, quality of accompanying services, the degree of innovation and company image.

When using the services of a company, a client may purchase many different products, so it is wise to estimate their total or future value to the company (Musiu-kiewicz 2010, p. 164). All clients must be assessed in terms of their value to the business, in terms of the profitability level of their purchases. In this way it is possible to isolate groups of customers with different yields, and thus with different prognosis as to the total value of the customer. For this purpose, special tools are used to analyze the purchasing history of individual clients. These are based on an assessment of customers in terms of frequency, timeliness, size, and items purchased. This type of analysis can verify the effectiveness of actions taken in the field of market communication.

Nowadays, there is a growing need to analyze clients and their reasons for making a purchase on a company level. This calculation should include the estimation of the so-called total value of the customer (*lifetime value*), which is the value of the profit to be expected from the sale of products to this customer. It should be noted that the higher the customer retention ratio, the larger the size of their purchases, and therefore the higher their value (Kumar 2005, p. 25). This value should be calculated by estimating the value of customer purchases during the first few years of partnership with the company. The exact determination of the time horizon of an account depends on the quantity of time the client will repeat purchases, and the length of the buying cycle of the product.

Companies often create different types of databases. If a company has a database containing the history of previous contacts with each customer, they can use it as a base to start developing communication strategies and determine which media

should be used in future marketing efforts. If such information is missing or there is little of it, prior to the acquisition of new customers, it is a good idea to create profiles of existing customers of the company. Among others, a questionnaire can be used to assess the degree of customer satisfaction, assuming that the most satisfied customers are also the most prone to future purchases.

Multimedia campaigns are usually more effective than campaigns in a single medium, as they are less subject to the law of decreasing effectiveness. Form and content of the communication with potential customers depends on the specifics of the industry, the product and the type of buyer.

Depending on the nature of the product, the communication can be designed to target spontaneous buyers, those who are weakly involved in the purchasing of the product, or those who are strongly involved in the purchasing process. The desired brand image, in turn, determines the choice of whether to put emphasis on product characteristics or on special promotional offers.

It should be noted that the aim of the process of customer retention is to maximize the total value of the customer to the enterprise (Porter 2006, p. 204). When analyzing data on the time and frequency of transactions by customers, one should identify active and inactive clients, and design appropriate, specific action plans for each group.

The main mission of a company is to provide customer satisfaction with the acquisition and use of their product. If the client is satisfied with the first purchase, the company's next step is to encourage them to purchase products of more value (with higher profitability for the company). In the case of car sales, this may mean offering the customer a better equipped or higher quality model. The time at which such an offer is made should be based on the customer's purchasing history. The test results of statistical analysis can be used for this purpose, indicating the probability of a positive response of the customer for such products.

From time to time it is wise to examine the average length of the *purchasing cycle*, the time that has elapsed between successive purchases of the same goods or services. An effective system of rewards for loyal customers also needs to be developed. Overseeing the completion of one cycle and the beginning of the next means setting up a series of contacts with the customer, tailored to the person and spread out over time (Reinartz, Kumar 2003, pp. 77–80). It is best to plan this type of communication with goods and services which have a specific duration, or guarantee, etc. (e.g. cars, insurance, bank deposits) or marked by a seasonality of sales (including tourism and educational services).

When carrying out communication activities to encourage customers to repurchase, it is important to preexamine information about their past transactions with the company and apply an adequate and efficient range of incentives. The communication system should include these incentives (value for customers) (Kotler 2005, p. 13).

The strategy for communicating with customers may include the use of several different media, and as a result of the variety of features each has, it is possible to obtain better results than when focusing on only one medium. Regardless of the number and type of media, the communication strategy must serve to emphasize the benefits to the customer of making subsequent purchases, and thus carry the promise of a reward for loyalty and for increasing the value of the transaction.

In the case of online (multi-channel) businesses, the integration of online and traditional channels of market communication becomes a very important task. As an example, a company which has skillfully combining marketing channels is Nordea Bank, which has managed to integrate online and traditional banking in a way that is difficult to imitate (Jelassi, Enders 2005, p. 174). It is the ability to connect multiple channels in the process of delivering value to customers that is the most important challenge of today's businesses.

There is no doubt that it is worth testing planned marketing activities in order to, based on a series of tests, find the most effective way of achieving marketing goals. This type of optimization can affect the frequency, content and form of the company's communications with its existing customers.

Table 1. presents the central activities in the field of direct marketing, which, according to respondents, a company should pursue in the context of social needs. According to those surveyed, an important issue is the use of customer databases and direct mail (addressed to selected customers). It is important to note that 53% of customers see the need to use, as part of direct marketing, a greater range of audio-visual and electronic media.

All strategies and programs to acquire or retain customers are based on the contents of a company's database and the implemented strategy of customer relationship management. In turn, the database must be maintained after subsequent contacts with customers. In practice, companies do not always update their files on an ongoing basis. Therefore, the database is often outdated. Each element of the marketing plan implemented by the company should contribute to the acquisition of new customers or the maintenance of existing ones (Czarniewski 2010, p. 63).

Enterprises which aim at providing the highest customer value, must be open to the external environment, ensuring high competitiveness of all partners through better management of relationships (Gapska 2008, pp. 61–63). Company managers are increasingly aware of the fact that they are only one link in the whole chain of value creation. Contributions and commitments of individual companies can be undermined by lack of efficiency in other parts of the system.

Table 1

Activities in the area of direct marketing carried out by companies in the context of social needs in the opinion of customers surveyed in Poland

Activities in the field of direct marketing that a company should pursue in the context of the needs of customers	Ranking of activities in terms of importance in the opinion of customers surveyed	Number of customers who indicated the given choice	Percentage of all customers	Average importance of a given group of actions / on a scale of 1–5, where 1 – very low, 5 – very high / in the opinion of customers surveyed
The use of customer databases	1	221	73,7	3,69
Direct mailings of offers to chosen/interested customers	2	204	68,0	3,40
Telemarketing – the use of the telephone for marketing purposes	3	163	54,3	2,72
Electronic and audiovisual media	4	159	53,0	2,65
Research on the needs and expectations of customers	5	124	41,3	2,07
Other	6	5	1,7	0,09

Source: own study based on research conducted among consumers in Poland in 2012.

## Conclusion

Probably no area of the marketing activities of an organization has undergone so many changes in recent years as communication. These changes relate to – first of all – the fragmentation of traditional media (the appearance of satellite TV, digital channels targeted to a small group of people) and the emergence of new forms of communication.

The communications market is constantly developing. Advertisers are looking for new, more effective ways of influencing consumers. This means transmitting messages that stand out from the hundreds of others, reaching a customer and provoking him to make a purchase. The creation and emission of such messages promote progress in telecommunications, television, radio, printing technology, and other related areas.

Knowledge of new trends and developments in the business of communications is important both for companies wishing to promote themselves, as well as for the creators and producers of advertising. Through it, both groups gain a competitive edge in the market. Advertisers armed with new, unconventional messages and ways of emitting them can effectively interact with an ever-increasing number of consumers. The creators and producers of advertisements offer clients richer, more technologically advanced solutions to strengthen their market positions and increase sales.

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## **MECHANIZMY I EFEKTY KOMUNIKOWANIA W DOBIE NOWOCZESNYCH TECHNOLOGII**

### **Streszczenie**

W ostatnich latach obserwujemy systematyczny wzrost znaczenia komunikacji z wykorzystaniem nowoczesnych technologii. Praca pokazuje zmiany (tendencje) zachodzące w systemie komunikacji rynkowej w dobie nowoczesnych technologii. Autor prezentuje w swojej pracy aspekty skuteczności różnych narzędzi (form) komunikacji rynkowej. Analiza została przeprowadzona w oparciu o badania własne przeprowadzone wśród konsumentów w Polsce w 2012 r. Zawarte w artykule przemyślenia nie mają charakteru definitywnego i powinny być traktowane jako głos w dyskusji.

**Słowa kluczowe:** komunikacja interaktywna, wartość konsumenta, relacje z klientami.

*Tłumaczenie Sławomir Czarniewski*