CHAPTER 2
Theoretical Foundation

The theoretical foundation is based on the IMC (Integrated Marketing Communication) theory that related to the problem of this report; also this theory is based on the analysis. The theory or references is taken by various sources. From this theory we can know more about the IMC it self for the café. To make an exact target audience, selling idea, and strategy surviving in market.

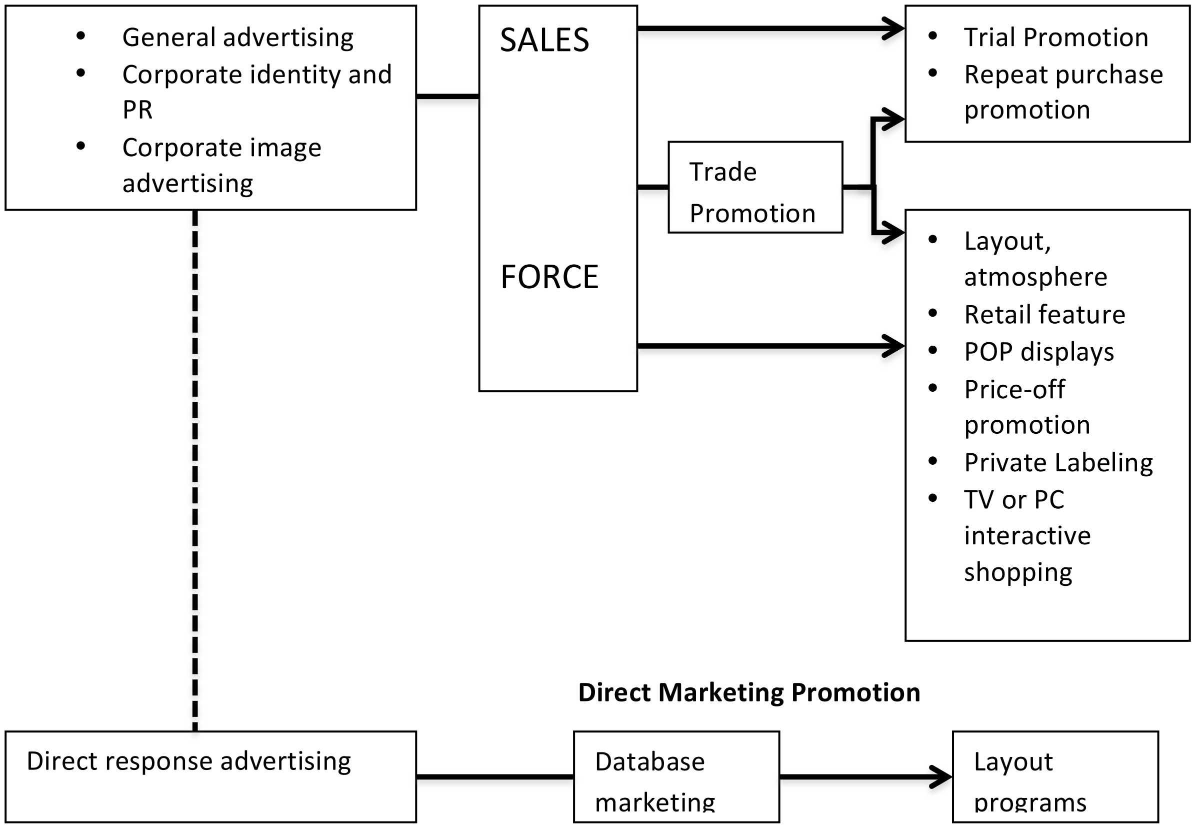
2.1 Integrated Marketing Communication Definition

As early 1960, Harvard's *Marketing Mypola*: *"There is no such thing as a growth industry. There are only consumer needs, which might shift at anytime."* (Levitt T.H: 1960). But now we sure that the consumer needs that makes industry growth. Nowadays IMC has been a theory used by many companies. Especially brand, which brings some idea and new development strategy, such as advertising. Integrated means to "make whole or complete by "adding or bringing together parts." Integrated Marketing Communications (IMC), therefore, adds or brings together various techniques for advertising and promoting the product or service to the consumer. The "bringing together" part of definition mean as referring to the need for centrally integrating the various advertising communications and promotion activities to reinforce the brand positioning. The "adding" part of the definition that interpret as referring to the successive addition of advertising communications and promotion activities along the costumer timeline of the marketing channel. IMC is about positioning and timing. Implementing an integrated marketing communications (IMC) program requires as integrated marketing communications strategy. This includes (1) *selection* integration, (2) *positioning* integration, and (3) *costumer timeline* integration. *Advertising Communication & Promoting Management: (*Rossiter, J.R. & Percy L: 1997: 324).

Selection integration is the best and most efficient advertising communications and promotions media to use in combination to achieve the brand communication objectives. Positioning integration is how each advertising communications activity and promotion activity's message be made synergistically consistent with the brand positioning. Last the costumer timeline integration is the point in the marketing channel should advertising communications or promotions reach buyers and perhaps speeds up the decision in favor of our brand.

Positioning integration, by positioning integration means that the content of advertising communications and promotion activities and their manner of implementation should be consist with overall *macro positioning* of the brand. The message focused on attributes, benefits, or emotions will vary with the nature target audience and the stage of the buyer's decisions process. The analogy: there should be clearly "one speaker" but not necessarily the same thing to different audience or at different times. IMC activities 'messages should be integrated centrally regard to brand positioning.

Besides positioning integration of IMC activities to an appropriate degree, we must also consider timeline integration for the brand's buyers. IMC activities must be timed to follow a logical decision-influencing sequence from consumer or customer's viewpoint. Components of the IMC campaign should be integrated sequentially with regard to the "costumer timeline" of the distribution channel **(Figure 2.2).** The arrows in Figure 2.1 indicate the costumer timeline of IMC activities. Prospective buyer, the product or service introduced via advertising or an advertising-like communications activity, through either "mass" media or "direct". Trade promotions are then used if the product or service is distributed through retailers. Trial promotion may accompany this introduction. Repeat purchase (and direct marketing case, loyalty) then becomes major objective, with various advertising communications activities continued and repeat-purchase promotions (or loyalty incentives) taking over promotional emphasis. Thus, the consumer or customer receives or experiences, ideally, fro, his or her perspective, a "flow" of advertising communications and promotions for the brand, integrated overtime in conjunction with his or her trial and repeat-purchase decisions.



2.1 Figure IMC activities and costumer timeline

***Advertising Communication & Promoting Management: (*Rossiter, J.R. & Percy L: 1997: 324-328).**

"An advertising communication model should incorporate all four steps. Essentially, an advertising communication model sets objectives for each step, and provides strategies and tactical detail on how each step is supposed to lead casually to the next one. From manager's "top down" planning perspective, an advertising communication model therefore consist of decisions at four levels:"
(**Rossiter J.R. & Percy:** ***Advertising Communication Models*. 1985**)

A. BUYER: Target Audience action objectives
B. BRAND: Communication objectives
C. AD (S): Processing objectives
D. MEDIA: Exposure plan

A. Target Audience Action Objectives (Buyer)

Step A-1: Target audience. This first step in constructing an advertising communication model for particular brand and advertising situation is to identify the target audience. In approach, a target audience is defined behaviorally and attitudinally as the group of people from whom sales are expected to come. A target audience consists of those people who will be most responsive to advertising. The concept of target audience differs from broader concept of market segment. Market segments are based on the other 4 P's in the marketing mix, such as product (for different end uses), price (for high and low priced brands), promotion, and place (geographic markets distribution) segments.

Step A-2: Decision-maker. The manager must identify the decision maker for the advertising to target audience household or companies to whom advertising is directed. As to whether the target audience individual should: purpose the brand consideration initiator, influencer, decider, purchaser, or user.

Step A-3: Personal Profile. The marketers should define the target audience based on behavior and attitude with regards to the brand. As well as the future target rate desire as an action objective for advertising.

B. Communication Objectives (Brand)

IMC activities work on the same five communication effects as advertising. The five communication effects may appear to resemble and perhaps to extend the nation of a hierarchy-of-effects, and in would ne surprising if they didn't, given the widely acclaimed face validity of hierarchy notion. However, there is no assumption that they occur in any hierarchical order, and indeed they may be generated simultaneously or at different times and varying degrees of strength in a prospective buyer's mind. The five advertising in order to take action such as purchase of a brand a target audience individual must: (1) have the category need, (2) be aware of the brand as an option within the class, (3) have at least tentatively favorable brand attitude toward it, (4) intend to buy it, although this intention may be quite latent until the individual is in the purchase situation, and (5) experience no barriers to purchase facilitation, such as distribution unavailability or inability to meet the pricing terms.

Step B-1: Category Need. Category Need is an optional communication objective for particular campaign. The marketer should clearly define the position of the communication effect in order to identify whether they should "sell" Category Need or not. For new brand entries, the marketers might need to put the category need to stimulate its target customer to make a purchase decision. On the contrary, the brand such as Coca-Cola that already has a full strength communication effect in the target market's mind, probably does not need to address the cola category need in advertising its product.

Step B-2: Brand Awareness. Brand awareness is a necessary communication objective. This is very important in order to stimulate the target audience to turn their only awareness to make action or purchase decision.
Step B-3: Brand Attitude. Brand attitude is the second necessary communication objective. Brand "attitude" as a communication effect is defined in marketer approach a little differently from usual academic definition and more in line with the way most practitioners use the term. Overall affect is simply one class of beliefs about the brand – that "the brand (or the act of purchasing the brand) is likeable."
Step B-4: Brand Purchase Intention is usually a purchase intention but can refer to any intended action targeted by the advertising. Industrial advertising, for instance, often targets sales inquires as the intended action rather than purchase directly. Brand purchase intention is an optional communication objective. The option refers to the difference between "hard sell" (intention-induced) advertising and "soft-sell" (intention-deduced) advertising.
Step B-5: Purchase facilitation. The fifth communication effect is also optional as an objective. It applies when the advertising must overcome a barrier to purchase resulting from the remainder of the marketing mix. Barriers may take the form of a perceived product problem.

This realization enables selection integration of IMC activities *media*. The manager should think of prospective buyer in the target audience as needing to have the five basic communication effects in consumer mind – and then decide which form of advertising communications and promotion would be the best means of doing so. However, a point is wishing to make early and the continually emphasize is that the best promotions are those which also work on brand attitude. These are called customer franchise building. (CFB) Promotion.
*Advertising Communication & Promoting Management: (*Rossiter, J.R. & Percy L: 1997: 324).

C. Executional Processing (Ad)
Processing refers to the prospective buyer's immediate responses to elements of the advertisement. Processing includes: (1) attention to all elements of the advertisement relevant to respective communication objectives; (2) Physiological responses to emotional elements of the advertisements pertaining to motivation portrayal; (3) rote (often subconscious) learning of associations between elements pertaining to brand awareness and, if applicable, low involvement brand attitude; and (4) cognitive acceptance of elements pertaining to, again

when applicable, high involvement brand attitude, category need, include brand intention, and purchase facilitation.

Step C-1: Emotional Portrayal. A transformational advertisement addressing the sensory gratification motivation might simply nominate elation as the emotion or "tone" to be portrayed. The emotional component is a necessary complement to the cognitive or brand benefit delivery component.

Step C-2: Points to be learned. Based on (*Rossiter & Percy, 1983*), two communication effects require only learning during processing. These are brand awareness, and low involvement brand attitude. In brand awareness processing, the target audience must learn the association between the category need and the brand, producing a subsequent recall response or recognition response as appropriate.

Step C-3: Points to be accepted. The in-ad elements pertaining to these effects have to be consciously accepted by the target audience. The perspective buyer of the IBM Personal Computer, for example, has to: accept the category need for a personal computer; accept that the IBM Personal Computer is a good brand; accept an action intention, such as visiting an IBM store or calling for a demonstration; and accept that the price or payment terms aid purchase facilitation.

Step C-4: Use of a Presenter The use of a presenter (or endorser) in ads is another decision that often confronts managers. In our approach, endorsement is not a separate strategy; rather presenters or endorsers can be used, with any of the advertising communication models, to increase Processing of specific communication effects that need strengthening. Presenters should be considered to "boost: communication effects when a "standard" advertising execution falls short of attaining the communication objectives.

D. Exposure (Media)

Addresses to exposure of advertisements via media plan. Advertising communication models contain media selection and media scheduling. As such, the marketer dictates the overall media strategy of a campaign while leaving tactical details and specific considerations to the media specialist.

Step D-1: Media Selection. Media planners usually select a primary medium for campaign, to add this with one or more secondary media to reinforce particular communication objectives.

Step D-2: Media Scheduling. Media planners are increasingly recognizing the importance of basing media schedules on effective frequency calculations. Effective frequency is based on estimated minimum number of times an individual target audience member must be exposed.

Communicating has been a lot easier nowadays because of the technology called Internet. People can have much information from the technology called Internet. One of the advantages of the Internet is we're a lot easier too make something to introduce something new to other people. The definition of practice IMC concept is there an all integration effort to do integrated communication with all forms of marketing communication in a brand. That integration such as integration between 'above the line' and 'below the line'; between online media and off line media; or between broadcast media (one way communication) and social media (two way communication). Integrated Marketing Communication is simple concept. It ensures that all forms of communications and messages are carefully linked together. Media were similarly mass-oriented, driven by advertisement, Advertisements, especially on the television, were manipulative, formula-driven, and condescending; jingles, slogan, and "critters" (such as Macan Biskuat and Ronald Mc'Donald) proliferated. Repetition seemed to offer fast-fast-fast results.

Integrated marketing is the holistic approach to communication in marketing. It's making sure that you are being consistent in your marketing both online and offline. (**Lake:** ***Integrated Marketing what is it? and Why is it****?)*

There are three elements in IMC model; they are discovery, intent, and strategy. **(Watono:** ***IMC That Sells: 2011:13-15*)**

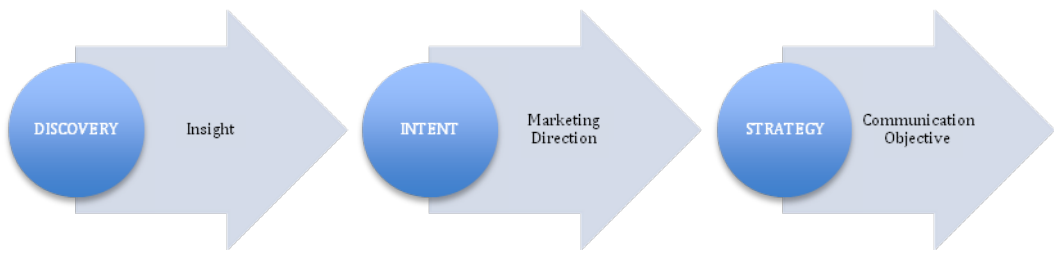


Figure 2.2 IMC Model

2.1.1 Discovery

Discover what are characteristic, values, and behaviors of the costumer, all of it are affected for business environment. Discovery element is element that exploration some internal and external environment condition for developing brand ideas. In discovery circle there are there are four things that analyze, there are Market Review, Competitor Review, Consumer Review and Brand Review. Market review is for knowing some dynamic changes in macro level directly or undirected to impact it business. There will be positive and negative impact, from it impact we can manage the brand better. After market review we must to do the competitor review for knowing condition strategy, and competitor movement that we are facing in market. How best brand we have it will be useless if the competitor have better advantage. Beside market review and competitor review we must understand about the consumer review for understanding characteristic and behavior of the consumer. Consumer is the most strategic element in business, because it is source of revenue and profit. Because of that, knowledge about needs, want, and expectation from consumer is one thing very essential for reach value creation of a brand. If market, competitor and consumer review is analyzing for external environment, there is a more important element in IMC. Paradigm of marketing communication that focuses on costumer (customer –focused). The cornerstone of IMC is customer-focused orientation; meaning is all marketing communication must be focus on what is consumer wanted. That’s why we need to discover what is consumer wanted.

Brand review is doing for internal analysis. Some of condition of brand that we must know is power and competitive potency, strategy that has been works, consumer perception for the brand, and many more. Solid knowledge of market, competitor and consumer will give insightful ideas to developing internal power of brand it self.

2.1.2 Intent

After did the discover circle we will found precious insight ideas about market condition, competition, consumer, and of course the brand it self. For some insight it will be analyze for further based on threat and opportunity, external or internal. Based on this analysis it will be found some problem and advantage that brand facing; in the other side we can determine some options that can take by the brand for win the competition in market. From knowing problems and strategic options we can determine market communication objective that we are going to do. Determining this objective is important thing because it is decide where this brand develops. Here, how it will be determine if it can have early awareness, create repeat buying, or create engagement. Discovery circle is doing review and exploration of changes business environment generally. It must to be specified and then produce insights and conclusion. This insight is talking about competitive potency which is possible to determine strategic intent from the brand it self. Based on this strategic intent, tactic, and communication program can be works. Because of that we called this part is Intent circle. Problem identification that the brand facing and strategic intent is the crucial step in developing a brand, because if we did a mistake in problem identification, the strategic intent will be wrong from it self. If that happened, strategy, tactic, and program that we have been made will be misleading.

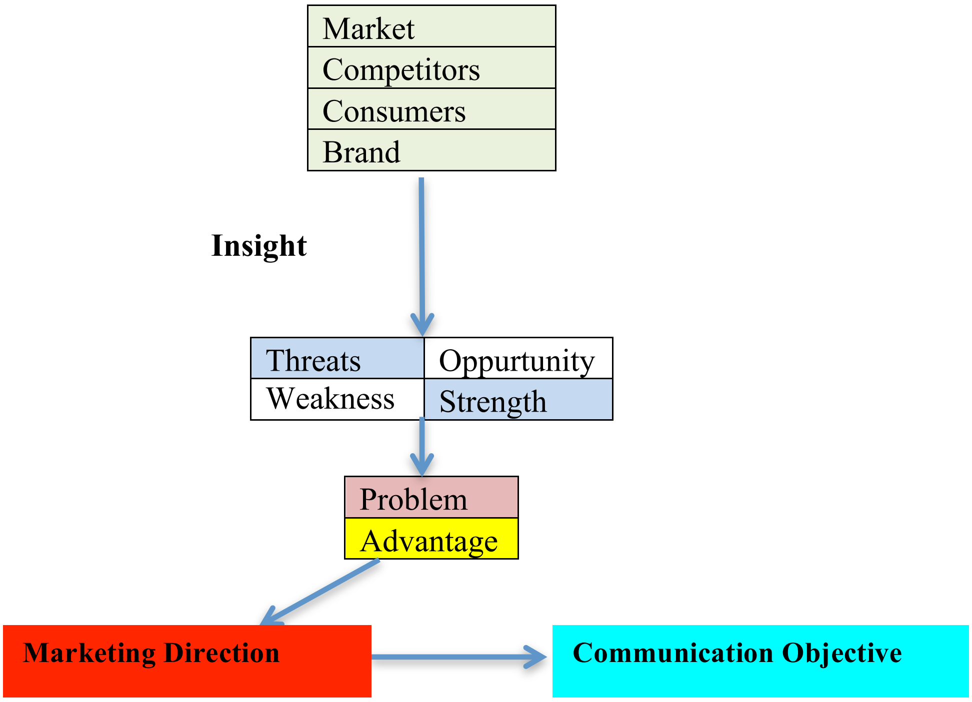


Figure 2.3 Integrated Marketing Communication Flow

From the flow above we can see that the first thing to do is in Discovery step that include market review, competitor review, consumer review and brand review. In each review we can determine significant key issues that affect company. After gathered the key issues we need to choose to be four group issues. The issue is SWOT; Strength, Weakness, Opportunity, and Threats. After that we can see company intent, which is problem and advantage of the company. The problem in company is from weakness and threats, and advantage from strength and opportunity. From the advantage we get marketing direction for the company. Then make communication objective based on marketing direction.

2.1.3 Strategy

After the changes of external and internal business environment identification process and strategic intent, we have image how to brand strategy will be working. In discovery circle the process is from outside circle to inside, but in strategy circle the process is from inside to outside. First strategy is to determine the target audience. First thing that we should do is market profile and segmentation for knowing what target audience must be chosen. After the target audience has been chose, next process is to determine brand soul and selling idea. Brand soul is the essential of the brand itself, it become the main element of brand become alive in consumer mind. Brand soul is source of competitiveness that becomes unique value proposition and it is hard for competitor to imitate. Because of that brand soul is point of differentiation for the brand in the battle in market war. After the brand soul formulated, it must sell to target audience. To sell to the target audience the brand soul must be "package" and become interesting message, persuasive, and contain of reason to believe that powerful. This is we called selling idea. Selling idea contain brand promise to people wants to buy the product. Selling idea must be reflecting the consumer needs and expectation. Selling idea must have strategic message for make a brand positioning. Selling idea also define the unique proposition, because of that selling idea is a tool for form the unique position in market that distinguish a brand from other competitor brand. After formulated the brand soul and selling idea, we need to determine the basic element of communication called 'message' and contact point with target audience. Selling idea is derived from brand soul to target audience with attractive message. In order to make attractive message to consumer mind we must to identify the contact point with target audience. To identify the contact point with target audience we can approach with quantitative or qualitative method. Secondary data can be used for some reference too. After arranging message and contact point that identified, we are ready to campaigning communication by apply market communication mix. Market communication mix contains advertising, sales promotion, direct selling, public relation, and digital marketing. After arranging strategy, the strategy will execute in market. In this process many feedback will get and all the feedback must be evaluated. To make evaluation easier we need to create Key Performance Indicator (KPI) for monitoring the execution. Refer to Key Performance Indicator we will know if the strategy that we made is working well or not.

That's all the process about discovery, intent, and strategy until the process of the execution and monitoring/evaluating in real market. This process is cycle that repeat continually. If this process always works then we can lead the market.

2.1.4 Marketing Mix Communications

From the above we can spell out the mix market communication, some elements of marketing communication are: advertising, sales promotion direct marketing; digital selling, public relation. IMC itself is coordinating all the same promotional and other marketing activities that communicate with a firm's costumers or stakeholders. The key all of that is integration. Integration is consistency, clarity, and impact (different tools have different strength). All communicate, all aim to persuade. Otherwise the tools of IMC need to be integrated. ***(Watono: IMC that sells: 2011)***

"Integrated Marketing Communication is crucial, communication is vital, reaching out is harder, and the most important key is Integration." **(Bharadwaj: *Integrated Marketing Communication*: 2007)**

Marketing communications are the means by which first attempt to inform, persuade and remind consumers directly or indirectly about the brands they sell. In sense, marketing communication can established the relationship building and dialogue between the brand and customers. Although advertising is often a central element of a marketing communication program, it is not the only element or even the most important one for building a brand. There are many marketing mix communication options for consumer market.

Media Advertising TV Radio Newspaper Magazines **Direct response Advertising** Mail Telephone Broadcast Media Print Media Computer-related Media-related **Online advertising** Web Sites Interactive ads and emails **Place advertising** Billboards and Posters Movies, airlines, and lounges Product placement Point of Purchase **Point of Purchase advertising** Shelf talkers Aisle markers Shopping cart ads In-store radio or TV	**Trade Promotion** Trade deals and buying allowance Point-of-purchase display allowances Push money Contest and dealer incentives Training programs Trade shows Cooperative advertising **Consumer Promotions** Samples Coupons Premiums Refunds and rebates Contests sweepstakes Bonus packs Price-off **Event Marketing and Sponsorship** Sports Arts Entertainment Fairs and festivals Cause-related **Publicity and Public Relation** **Personal seling**

Table 2.1 Marketing Communication Mix Options

(Keller, K.L: *Integrated Marketing Communications to Build Brand Equity*: 2008: 230)

Advertising, it is any paid form or non-personal communication link initiated by identified marketer to establish or continue exchange relationships with customers and at times with other stakeholders. The objectives of advertising are build awareness, position a brand, build preference, and differentiate product. The primary purpose of advertising is to position our product, and the differentiation is achieved as a result of advertising. Brand equity or brand soul is the monetary value one at attaches to a brand. Advertising help in brand building, brand building is the goal of marketing and takes a lot of time, advertising also to remind consumer about existence about the product.

Sales promotion is a direct inducement that offers an extra value or incentive for a product to the trade consumer, with the objectives of creating immediate sale. Thus, there can be two types: consumer oriented and trade oriented.

Direct marketing defined as any communication to a consumer that is designed to generate a behavioral response. Communication may be direct or thru mass medium. Why direct marketing? Averagely nowadays people are “members” of some sort of “club”. Therefore lots of them own mobile phone, smartphone, credit cards, phones, TV cable. It can also call digital marketing. We live in a “digitized society”.

Public relation is an activity that fosters good will between an organization and its publics., or stakeholders. PR managed effectively can be useful but managed poorly can be damaging. Why public relation? It is targets other stakeholders. Credibility presents, PR is generally more credible than advertising, especially publicity.

2.2 Strength, Weakness, Opportunity, and Threat

The SWOT analysis used to outline goals for yourself or your business, for business planning, strategic planning, competitor evaluation, marketing, business and product development and research reports. SWOT analysis uses SWOT matrix (2 into 2 matrix) to assess both internal and external aspects, especially in business and marketing planning.

(***Rizwattiaan: SWOT Analysis/TOWS Analysis***)

Strengths include all the things business does best or better than its competitors and all positive product features within control of business.

Weaknesses are factors are under control but for some reason need improvement.

Opportunities include all factors that make up the reason for business’s existence and set the path for the future.

Threats include all factors beyond control that could place business at risk by causing declining revenues or profits.

Strengths of a company	Weaknesses of a company
· Advantages of proposition? · Capabilities? · Competitive advantages? · USP's (unique selling points)? · Resources, Assets, People? · Experience, knowledge, data? · Financial reserves, likely returns? · Marketing - reach, distribution, awareness? · Innovative aspects? · Location and geographical? · Price, value, quality? · Accreditations, qualifications, certifications? · Processes, systems, IT, communications? · Cultural, attitudinal, behavioural? · Management cover, succession	· Disadvantages of proposition? · Gaps in capabilities? · Lack of competitive strength? · Reputation, presence and reach? · Financials? · Own known vulnerabilities? · Timescales, deadlines and pressures? · Cashflow, start-up cash-drain? · Continuity, supply chain robustness? · Effects on core activities,distraction? · Reliability of data, plan predictability? · Morale, commitment, leadership? · Accreditations, etc? · Processes and systems, etc? · Management cover, succession?
Opportunities for a company	**Threats for a company**
· Competitors' vulnerabilities? · Industry or lifestyle trends? · Technology development and innovation? · Global influences? · New markets, vertical, horizontal? · Niche target markets? · Geographical, export, import? · Market need for new USP's? · Market response to tactics, e.g., surprise? · Major contracts, tenders? · Business and product development? · Information and research? · Partnerships, agencies, distribution? · Market volume demand trends? · Seasonal, weather, fashion influences?	· Political effects? · Legislative effects? · Environmental effects? · IT developments? · Competitor intentions - various? · Market demand? · New technologies, services, ideas? · Vital contracts and partners? · Obstacles faced? · Insurmountable weaknesses? · Employment market? · Financial and credit pressures? · Economy - home, abroad? · Seasonality, weather effects?

Table 2.2 SWOT Theory

2.3 Segmentation, Targeting and Positioning

Before start thinking about the 7P, you must understand about what is STP. Terms of STP include: market strategy; target markets; positioning; market segmentation and target markets; market segmentation and demographics. An organization can't afford to have similar strategies for product promotion amongst all individuals. Not every individual has the same requirement and demand.

Segmentation is the first step of process of promotion. Segmentation is to identifying all segments for the product we sell, we should know what is the segment that we able to sell our product. The s division of a broad market into small group segments compromising of individuals who think the same lines and show inclination towards similar products and brands is call market segmentation. The objective of segmentation is to find attractive markets.

Targeting is the main objective in market that marketer want to reach. After marketer creates the different segments within the market, then devises various marketing strategies and promotional schemes according to the tastes of individuals of particular segment. This process is called targeting. Once market segments are created, organization then targets them.

Positioning is the last stage of segmentation Targeting Positioning cycle. Positioning is how the marketer to create an image of the brand itself in consumer mind. The marketer creates the first impression for product or brand in the minds of consumer in through positioning.

(Difference Between *Marketing Segementation, Targeting, Psitioning*, 2012,)

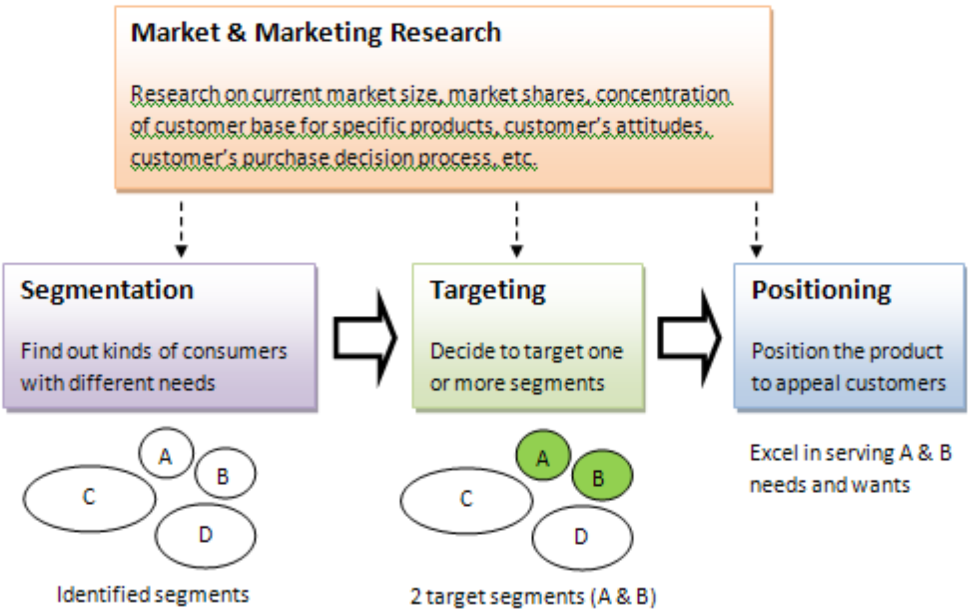


Figure 2.4 STP Cycle

2.4 Marketing Mix 7 P's

Talk about Restaurant, My Mate is providing service for people beside their product. It's talk about the characteristic of service in My Mate. What characteristic in My Mate? There is 7 characteristic of Marketing Mix which is; Product, Price, Place, Promotion, People, Process, and Physical Evidence.

(Principles of Marketing by: Philip Kotler & Frances Brassington: 2011)

Product, To begin with, develop the habit of looking at your product as though you were an outside marketing consultant brought in to help your company decide whether or not it's in the right business at this time.

Price, The second P in the formula is price. Develop the habit of continually examining and reexamining the prices of the products and services you sell to make sure they're still appropriate to the realities of the current market. Sometimes you need to lower your prices. At other times, it may be appropriate to raise your prices. Many companies have found that the profitability of certain products or services doesn't justify the amount of effort and resources that go into producing them. By raising their prices, they may lose a percentage of their customers, but the remaining percentage generates a profit on every sale.

Place, the third P in marketing mix is the place where your product or service is actually sold. Develop the habit of reviewing and reflecting upon the exact location where the customer meets the salesperson. Sometimes a change in place can lead to a rapid increase in sales.

Promotion, the fourth habit in marketing and sales is to think in terms of promotion all the time. Promotion includes all the ways you tell your customers about your products or services and how you then market and sell to them.

People, An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organization wants to obtain a form of competitive advantage. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills, attitude, and service knowledge to provide the service that consumers are paying for.

Process, Refers to the systems used to assist the organization in delivering the service. Imagine you walk into Burger King and you order a Whopper Meal and you get it delivered within 2 minutes. What was the process that allowed you to obtain an efficient service delivery?

Physical evidence, where is the service being delivered? Physical Evidence is the elements of the service mix which allows the consumer again to make judgments on the organization. If you walk into a restaurant your expectations are of a clean, friendly environment.

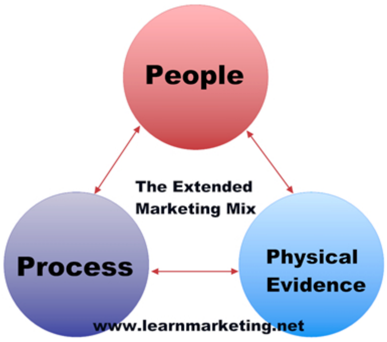


Figure 2.5 3P's Circle

Focused on 3P's **People, Process and Physical Evidence.** Recruiting the right staff and training them appropriately and delivery of service is essential if the organization wants to obtain a form of competitive advantage. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills, attitude, and service knowledge to provide the service that consumers are paying for. Process strategies, this refers to the system used to assist the organization in delivering the service. Physical evidence strategies, where is the service being delivered? Physical evidence is the elements of the service mix which allows the consumer again to make judgments on organization. For example, if you walk into restaurant your expectation will high about that restaurant.