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Event Marketing and Experiential Marketing Towards the Formation of Net Marketing Contribution Margin (NMCM)

(Study at PT. Garuda Indonesia, TBK)

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Abstract

The number of customers attending the event decreased by 12.5% compared to the previous year, 2011. However, it did not considerably affect the profits from the ticket sale, which was 60%. The findings of this study show that the ratio of the promotion costs, the tickets and the sale towards the total of the sale fluctuated since 2009-2014. It demonstrates the completely opposite condition of the profits gained from Event Marketing and Experiential Marketing that continually increased yearly. It is predicted that this occurred due to the lack of good communication strategy as expected in the company's goals.

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1. Introduction

Changes in internal and external conditions require a company to be constantly dynamic and relentlessly prepared to take advantage of every possible chance and to face every change. The success of a company is extensively determined by the responds of the customer towards its products, requiring the company to be constantly creative and proactive by creating various products. Clear strategies are the keys to the success in dealing with the changing

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business environment, leading every member of the organization to one clear goal. On the other hand, unclear strategies lead to a subjectively made decision. The success of a company in selling its products, in the form of profits, might be evaluated based on every conducted activity in order to discover the activity that provides the expected return. In marketing, this process can be done using a number of methods. One of them is Net Marketing Contribution Margin (NMCM). The total profit obtained from the selling, through both event and experiential marketings, influences the formation of Net Marketing Contribution Margin (NMCM). Level of profitability reached by a marketing activity is known as NMCM because, when using the Net Marketing Contribution Margin (NMCM) as a measurement of the reached profitability, marketers can easily evaluate the impacts of a certain marketing strategy toward profits. The profits gained from event and experiential marketing to form net marketing contribution is definitely influenced by the success or the failure of the event held by the company.

2. Literature Review

A marketing strategy is a statement (either implicitly or explicitly) in regard to how a certain brand or product reaches its goals, giving a comprehensible direction for the market segment, target market identification, positioning, elements of marketing mix, and marketing mix costs (Hasan, 2014 : 66-67). A marketing strategy focuses on allocating and creating market resources to achieve the goals. Therefore, the scope of marketing strategy is on how to define the market target in a product line or certain product. Then, the company will find its own competitive qualities and integrate them into the elements of marketing mix which are in line with the demands and needs of potential customers in a market target (Walker & Mullins, 2014: 10).

To implement a strategy, comprehensive cooperation from all team members is needed, starting from all managerial levels through staff levels that are engaged in implementing a strategy. Thus, the company needs a proper approach to view the current situation. The main components in implementing a strategy are ten basic tasks (Thompson, Peteraf, dkk, 2014:288-289).

- Event Marketing

Types of business events are meeting, incentive, conference and exhibition or commonly known as MICE (Noor, 2013 : 24). Business Events consist of activities frequently conducted by a company or institution. Event marketing is a marketing activity performed by a company, which is also a part of business event. The characteristic of a business event is the appearance of profit increase in a company or an event area that provides a strategic and multipurpose tool for an organization that will be used to realize the multiple goals of related marketing (Crowther, 2011). One strategy of marketing communications is done through an event or generally known as event marketing. The event is also used to promote tourism, universities, films, music, and parades (Bonita, 2006 : 59). However, an event needs law recognition. A comprehensive law as a guarantee may reassure the sponsors (Louw, 2012 : 38). Event marketing as a way of marketing communications is recently getting more attention from many companies. However, it was previously considered merely as a complement to other communication activities (Manajemen, Riset PPM, 2008).

In product marketing mix, price, promotion, and distribution system are coordinated and integrated toward the same direction in all marketing tools (Clow & Baack, 2014:32). Generally, event marketing may assist a company to reach its marketing goals; one of which is to increase the selling (Zarantonello & Schmitt, 2013). Nevertheless, the company is required to evaluate the marketing costs spent to hold event and experiential marketing since the costs are relatively high. Therefore, every event needs to be analysed to determine the ratio between the marketing costs and the obtained profits in order to define whether the event can be continuously conducted (Hoyle, 2002 : 89). Promotion Costs may increase, especially for companies without numerous shares. Thus, these companies will strive to keep their distributions by giving some kind of incentives to the customers (Walker & Mullins, 2014:195).

A successful event is marked by the same success level between the product and the event itself, as well as the power to spread the feelings of entertainment and joyfulness among the visitors who are also the members of market target (Castronovo & Huang; 2012). Therefore, businesspersons decide to allocate a fund for promotion costs under below-the-line costs. Allocating a budget to promote the products to improve the selling is expected to last in long terms as annual activities (Pearson, 2014:63). It is commonly conducted by a number of service companies (Preston & Hoyle, 2012:212). Below-the-line costs include the overall promotion costs, especially the costs provided to support

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