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Risk Audit of Marketing Communication

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Abstract:

With the continued growth in the business environment and Industry 4.0 companies are taking new business opportunities while facing new business risks at the same time. Risk management tools include a modern audit, which evaluates risk through analytical approaches.

The objective of this article is therefore to verify the analytical possibilities of the audit to detect and eliminate the selected risks. The methodological processing of this goal is addressed by analysing the risks of marketing communication and audit testing on the Generation Z sample for which the on-line environment is part of everyday life.

Audit results reveal specific risks in marketing communications and suggest recommendations for their adequate reduction. These recommendations can then be used to innovate marketing strategies.

Keywords: *Assessment, Audit, Communication, Marketing, Risk.*

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1. Introduction

The principles of industry 4.0 continually influence the development of society, science and technology with clear overlaps into the economic environment. Significant changes in the economic environment can be tracked in real time as well as a significant expansion of the on-line environment. In addition to the off-line environment, the on-line environment offers enterprises new business opportunities while hiding new business risks. This also applies to marketing communication, which represents an important link between supply and demand. Marketing communication in the on-line environment changes basic communication models between sellers and buyers and allows them to use new technical possibilities of the on-line environment.

The above-mentioned development needs to be adequately addressed. Therefore, it is an important task of management to analyse the market environment so that enterprises can communicate with buyers accordingly, which is an essential part of marketing strategies. To that end, audit approaches can literally help with business management. Modern audit can reasonably analyse the communication processes between sellers and buyers, detect the risks that occur here and suggest appropriate recommendations for reducing them. The objective of the submitted contribution is therefore to contribute to the analysis of this issue by verifying the analytical possibilities of audit to detect and eliminate the selected risks.

2. Literature Review

In the literature review it is necessary to analyse the selected topic first from the management and audit point of view. In business process management and business risk management, modern management uses just the audit. Audit activities should help management with the risk identification and assessment. This way audit helps management to control the risks, improve their management and finally eliminate them (Pickett, 2005; Apokova *et al.*, 2017; Mahboud, 2017).

Therefore, in the period of significant changes, which are the hallmarks of every industrial revolution and the current one is no exception, as stated by Mareš and Dlasková (2016), the audit approaches can be applied in enterprises. Based on these postulates, the audit is viewed as an important element of current management.

But what does audit mean for management? Professional definitions describe audit approaches as follows: *"It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes"* (Pickett, 2005). Thus, the purpose of audit and its contribution to management is to analyse, evaluate and eliminate selected risks, risk processes and problem areas, as verified by Kotler *et al.* (2008). Kupec (2017) even claims that these audit approaches, which control the correct setting of business processes, contribute to effective risk management and responsible business (Keisidou *et al.*, 2013; Novokreshchenova *et al.,* 2016; Giannarakis, 2016; Theriou and Aggelidis, 2014).

The presented audit analytics, evaluation and elimination are inseparably linked to the risks, as verified by Pickett (2005). In the context of the present text, the risk is perceived as an event that may have an impact on the achievement of business objectives or as a combination of events and its consequences in negative consequences (Hopkin, 2017). Břečková (2016) adds that a responsible approach to corporate risks has positive impacts on business plans and business management, which is also verified by Lánský and Mareš (2017). This results in a holistic conclusion that the risk is part of the business process, that is also of the chosen communication process here and the adequate attention needs to be paid to it.

Marketing communication is prominent communication in a business environment. This communication according to Blakeman (2015) interlinks the seller and buyer, i.e. the sender and the recipient of the communication. These processes are also being developed, as verified by Petrů (2015) and Chaturvedi and Chaturvedi (2011), thus confirming the necessity of exploring selected issues: *"Several changes in the modern technological age of information have made people pay more attention to communication as an important tool in successful management."* (Chaturvedi and Chaturvedi, 2011). These theories refer to the necessity of auditing according to Kotler *et al.* (2008).

As stated by Chaturvedi and Chaturvedi (2011) *"marketing communication is information, benefits, attributes, perceptual image/persona, feeling, and attitudes all bundled into one".* Modern trends in marketing communication are reflected in the tools used, which can be described as follows: *"The specific mix of advertising, sales promotion, public relations, personal selling and direct marketing tools that the company uses to persuasively communicate customer value and build customer relationship."* (Kotler *et al.,* 2008). However, the potential risks that may exist in this marketing communication vary according to the impact on the target group of buyers/recipients of the communication.

Primary differences in potential risks for buyers/recipients of the communication can be distinguished according to the individual generations of buyers/recipients of communication. Each generation has different approaches to the communication model and, in particular, to the communication channels that transmit the messages.

The demographic division of generations is carried out by McCrindle and Wolfinger (2014), who mainly distinguish between builders (born from 1925 to 1945), boomers (born from 1946 to 1964), generation X (born from 1965-1979), generation Y (born from 1980 to 1994) and generation Z (born after 1995). This overview summarises the authors' perception of selected theories in the context of the research goal, selected material and applied methods.

3. Material and Methods

The material studied here is the potential risk of the conceptual model of transactional communication in the conception of the Chaturvedi and Chaturvedi Theories (2011). It is based on the Shannon and Weaver's mathematical model of linear communication (Chaturvedi and Chaturvedi, 2011) but it represents a closed circle of information circulation with the elements such as the Communication source, Enconder, Message, Channel, Decoder/Receiver and Feedback (Chaturvedi and Chaturvedi, 2011). Due to the specificity and fundamental difference of these elements, only the Decoder/Receiver element, which the businesses need to know as an essential part of their micro-environment, is audited for the purposes of the present research.

The selected material or the Decoder/Receiver element of the transaction communication can be audited by the Delphi analysis and risk analysis (Kupec, 2017), based on which a classification of significant risks can be performed. *"Risks can be classified according to the nature of the attributes of the risk, such as time scale for impact, and the nature of the impact and/or likely magnitude of the risk"* (Hopkin, 2017), see Formula 1. Audit testing will then only take place at the most exposed risk of the risk analysis results or the risk map so as to comply with the principle of auditing efficiency. Thus, the audit specifically tests the communication risks of the Decoder/Receiver element on the Generation Z demographic group.

$$R = I_R * L_R \tag{1}$$

Where: R = Risk, I_R = Risk Impact, L_R = Risk Likelihood

Generation Z is a generation significantly associated with the current concept of Industry 4.0 in the context of on-line communication. *"The newer generations (Y and Z) have lived their entire lives immersed in digital technologies"* as stated in McCrindle and Wolfinger (2014). These integrations are also confirmed by Seemiller and Grace (2016), who describe the group as the Chosen Generation, and therefore consider its transactional marketing communication model to be a suitable material for researching and auditing potential marketing communication risks in the on-line environment. Generation Z sees the world through multiple screens, but as evidence by their we-centric attitudes, they recognize that societal issues are much larger than just themselves.

Audit testing can be performed on a select sample of the Generation Z respondents (sample). The sample can be counted as 1 ‰ of the entire Generation Z in the Czech Republic (population). The calculations are based on the acceptance of McCrindle and Wolfinger's theories (2014), which determine the birth of Generation Z after 1995. According to the Czech Statistical Office (2017), the population of Generation Z amounts to 110,000 people in 2017 after rounding and the sample is therefore 110 respondents. The methodology of the individual audit tests will be selected based on the results of the risk analysis, because each risk requires individualised testing. This testing will be included in the following section.

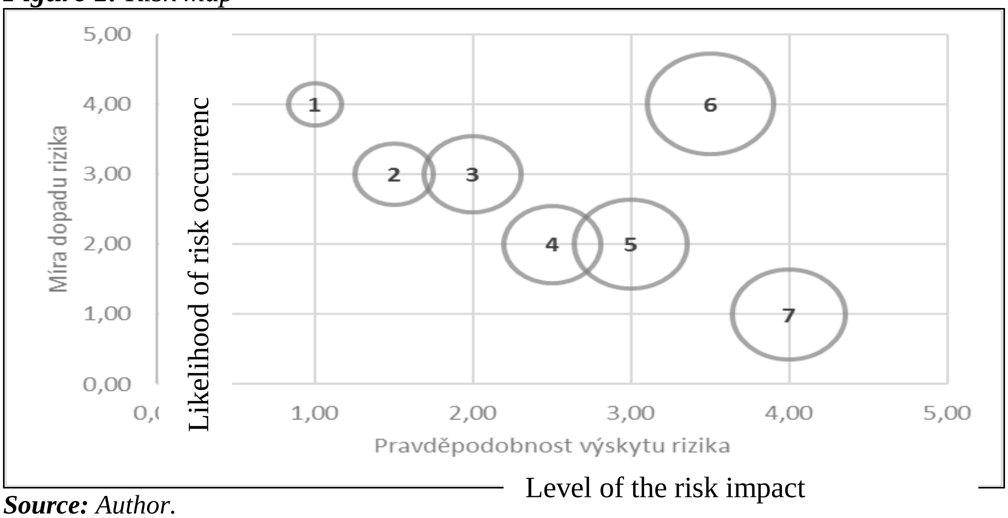
4. Results and Discussion

The results of the risk analysis are derived from the AIDA model (Kotler *et al.*, 2008), which shows the links between buyers/recipients of the communication and marketing communication, in this case in the on-line environment. The risks of buyers/recipients of communication are following:

1. Risk of unavailability in the on-line environment;
2. Risk of non-fulfilment of demand preferences;
3. Risk of not attracting the buyer's interest;
4. Risk of failure to hold attention/interest;
5. Risk of misunderstanding the marketing content;
6. Brand confusion risk / Brand Confusion;
7. Risk of not accepting/receiving a message.

These risks are intertwined throughout the AIDA process, are valued in accordance with formula 1 and are presented on the risk map Figure 1.

Figure 1: *Risk map*



Source: *Author.*

Based on results above the 6th elememnt (Brand Confusion) was identified as the most significant risk (Figure 1). Its audit, i.e. verification of the threat of its fulfilment, is performed through Multiple Choice testing of the Generation Z respondents. This testing consists of a visualisation referring to the marketing communication (advertising message) of the selected tags and four possible answers, when only one is related to this advertising message. Respondents are required to see the visualisation and select the tag from the prepared answers that is associated with the visualisation. The right answer is evaluated positively. The answer selected after the ten-second time limit or a wrong answer is evaluated negatively.

This test was designed to simulate the behaviour of the Generation Z in the on-line environment and its over-saturation by the marketing communication or on-line advertising messages. Based on the recorded results, it can subsequently be stated that the experimental testing of the performed audit revealed the fulfilment of the risk in 87.27% of the examined sample or in 96 respondents. 87.27% of the sample, respectively 96 respondents, failed to assign marketing communication (advertising message) to an adequate mark at either the appointed time or by the correct selection. This indirectly verifies the results of the risk analysis and allows to propose designing the audit recommendations (AR_n) that will ultimately reduce the risk of Brand Confusion (R_i), see Formula 2.

$$R_i = R_r + (AR_1 + AR_2 + \dots + AR_n) \tag{2}$$

Where: R_i = Inherent Risk, R_r = Residual Risk, AR_n = Audit Recommendation

Audit recommendations to eliminate the Brand Confusion risks relate in particular to the innovations of business communication strategies in the on-line environment. Primarily, it is possible to refine the brand identity and enhance the consistency of marketing communication, eliminating misinformation of the advertising message. At the same time, the brand positioning can be increased, which will differentiate marketing communication and prevent brand confusion. It is also necessary to continually build the Brand Awareness to improve brand image and create stronger business associations. Overall, it may be advisable to shorten the correlations between the marketing communication and the buyers/recipients of the communication, which in particular reflects the development of the on-line environment.

These results and recommendations of the audit must be confronted with other theories in the discussion block, which Břečková (2016) opens by highlighting the importance of risk management in business. As for the risk management, Pickett (2005) recommends primarily audit techniques that have been tested by the present research. The significance of the topic and the assessment of the marketing risks or the risks of marketing communication is emphasised by Hopkin (2017) as well as Kotler *et al.* (2008). The use of these audit methods in the area under examination is verified by Kupec (2017), who perceives audit as an effective management aid.

It is however necessary to bear in mind that just as auditing approaches have been discussed, the audit recommendations that relate to marketing communications in the on-line environment also need to be assessed. The designed recommendations are in line with Blakeman's fundamental rules (2015), which state that marketing communication must be tailored to the needs, wishes and lifestyle of the target group. The proposed marketing strategy innovation is then in line with the teachings of Kotler *et al.* (2008). Recommendations on brand identity, communication consistency, brand positioning or brand awareness reflect the Chaturvedi and Chaturvedi's theory (2011), which helps to set up marketing communication in the on-line environment.

5. Conclusion

The submitted text responds to the Industry 4.0 boom and changes in the business environment primarily in the area of risk and secondarily in audit. The objective of the paper therefore was to contribute to the analysis of this issue by verifying the analytical possibilities of the audit to detect and eliminate the selected risks. The experimentally conducted risk analysis revealed the risks in the communication model between the seller and the buyer. The follow-up audit therefore focused on the verification of the Brand Confusion risk within the Generation Z. The on-line environment is a part of reality for this demographic group and unlike other groups, Generation Z is the most active in the on-line environment.

The outcome of the audit testing performed on 110 respondents chosen form the Generation Z has resulted in innovation recommendations as to the communication strategies of a company. Recommendations were especially made in relation to the specification of brand identity, reinforcing communication consistency and brand positioning and building brand awareness. The recommendations thus established respond to the risk areas of marketing communications in the on-line environment and propose its adequate reduction. In the context of the further research projects, the results presented refine strategic information on marketing communication and the Generation Z, which will allow the business management to respond adequately to developments and changes in the economic environment.

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