Part C The Marketing Mix

Chapter 8

Integrated Marketing Communications: Advertising, Sales Promotion, Public Relations, and Direct Marketing

Communicating with customers will be the broad subject of the next two chapters which focus on various elements of promotion. To simplify our discussion, the topic has been divided into two basic categories, nonpersonal communication (Chapter 8) and personal communication (Chapter 9). This chapter also discusses the necessity to integrate the various elements of marketing communication.

THE PROMOTION MIX

The promotion mix concept refers to the combination and types of nonpersonal and personal communication the organization puts forth during a specified period.[1] There are five elements of the promotion mix, four of which are nonpersonal forms of communication (advertising, sales promotion, public relations, and direct marketing), and one, personal selling, which is a personal form of communication. Let's briefly examine each one.

1. *Advertising* is a paid form of nonpersonal communications about an organization, its products, or its activities that is transmitted through a mass medium to a target audience. The mass medium might be television, radio, newspapers, magazines, outdoor displays, car cards, and directories.

2. *Sales promotion* is an activity or material that offers customers, sales personnel, or resellers a direct inducement for purchasing a product. This inducement, which adds value to or incentive for the product, might take the form of a coupon, sweepstakes, refund, or display.

3. *Public relations* is a nonpersonal form of communication that seeks to influence the attitudes, feelings, and opinions of customers, noncustomers, stockholders, suppliers, employees, and political bodies about the organization. A popular form is *publicity,* which is a nonpaid form of nonpersonal communication about the organization and its products that is transmitted through a mass medium in the form of a news story. Obviously, marketers seek positive publicity.

4. *Direct marketing* uses direct forms of communication with customers. It can take the form of direct mail, online marketing, catalogs, telemarketing, and direct response advertising. Similar to personal selling, it may consist of an interactive dialog between the marketer and the customer. Its objective is to generate orders, visits to retail outlets, or requests for further information. Obviously, personal selling is a form of direct marketing, but because it is a very personal form of communication, we place it in its own category.

5. *Personal selling* is face-to-face communication with potential buyers to inform them about and persuade them to buy an organization's product. It will be examined in detail in the next chapter.

Obviously, marketers strive for the right mix of promotional elements to ensure that their product is well received. For example, if the products is a new soft drink, promotional effort is likely to rely more on advertising, sales promotion, and public relations (publicity), in order to (1) make potential buyers aware of the product, (2) inform these buyers about the benefits of the product, (3) convince buyers of the product's value, and (4) entice buyers to purchase the product. If the product is more established but the objective is to stabilize sales during a nonpeak season, the promotion mix will likely contain short-run incentives (sales promotions) for people to buy the product immediately. Finally, if the product is a new complex technology which requires a great deal of explanation, the promotional mix will likely focus heavily of personal selling so that potential buyers can have their questions answered.

As seen by the previous examples, a firm's promotion mix is likely to change over time. The mix will need continual altering and adapting to reflect changes in the market, competition, the product's life cycle, and the adoption of new strategies. In essence, the firm should take into account three basic factors when devising its promotion mix: (1) the role of promotion in the overall marketing mix, (2) the nature of the product, and (3) the nature of the market. Figure 8–1 provides an overview of the major strengths and weaknesses associated with the elements of the promotion mix.

INTEGRATED MARKETING COMMUNICATIONS

In many organizations, elements of the promotion mix are often managed by specialists in different parts of the organization or, in some cases, outside the organization when an advertising agency is used. For example, advertising plans might be done jointly by the advertising department and the advertising agency; plans for the sales force might be done by managers of the sales force; and sales promotions

FIGURE 8–1
Some Strengths and Weaknesses of the Major Promotion Elements

Element	Strengths	Weaknesses
Advertising	Efficient for reaching many buyers simultaneously; effective way to create image of the brand; flexible; variety of media to choose from	Reaches many people who are not potential buyers; ads are subject to much criticism; exposure time is usually short; people tend to screen out advertisements; total cost may be high
Personal selling	Salespeople can be persuasive and influential; two-way communication allows for questions and other feedback; message can be targeted to specific individuals	Cost per contact is high; salespeople may be hard to recruit and motivate; presentation skills may vary among salespeople
Sales promotion	Supports short-term price reductions designed to stimulate demand; variety of sales promotion tools available; effective in changing short-term behavior; easy to link to other communications	Risks inducing brand-loyal customers to stock up while not influencing others; impact may be limited to short term; price-related sales promotion may hurt brand image; easy for competitors to copy
Public relations	Total cost may be low; media-generated messages seen as more credible than marketer-sponsored messages	Media may not cooperate; heavy competition for media attention; marketer has little control over message
Direct marketing	Message can be customized and prepared quickly; can facilitate a relationship with customer	Managing and maintaining up-to-date database can be costly; often low customer response

might be developed independent of the advertising and sales plans. Thus, it is not surprising that the concept of *integrated marketing communications* has evolved in recent years.

The idea of integrated marketing communications is easy to understand and certainly has a great deal of commonsense validity. But like so many concepts in marketing, it is difficult to implement. The goal of integrated marketing communications is to develop marketing communications programs that coordinate and integrate all elements of promotion—advertising, sales promotion, personal selling, and publicity—so that the organization presents a consistent message. Integrated marketing communication seeks to manage all sources of brand or company contacts with existing and potential customers. Marketing Highlight 8–1 presents the critical aspects of integrated marketing communications and how they differ from the way traditional marketing communications efforts have been managed.

Marketing Highlight 8–1

Some Differences between Traditional Marketing Communication Efforts and Integrated Marketing Communications

There is wide agreement about the importance of integrating marketing communication efforts. While organizations differ on just how fully integrated their efforts are, it is clear that integrated marketing communications is an idea whose time has come. The following are some important differences between a traditional approach to marketing communications and an integrated approach.

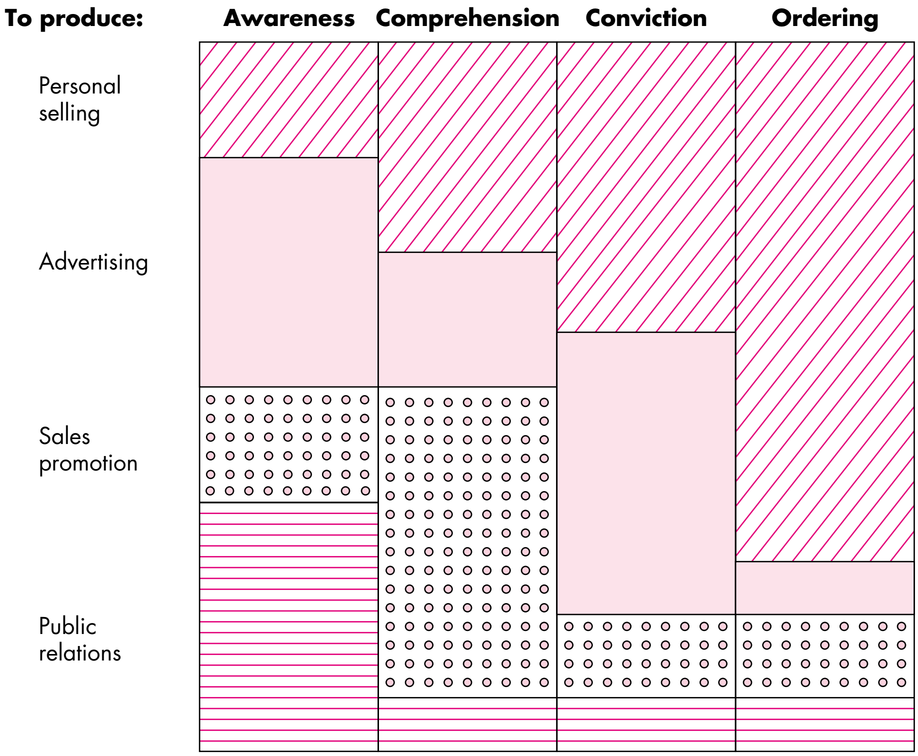
Traditional Approach	Integrated Approach
Focus on:	Focus on:
1. Making transactions	1. Building and nourishing relationships
2. Customers	2. All stakeholders in the organization
3. Independent brand messages	3. Strategic consistency on brand messages
4. Mass media—monologue with customers	4. Interactivity—dialogue with customers
5. Product claims	5. Corporate mission marketing
6. Adjusting prior year's plan	6. Zero-based campaign planning
7. Functional department planning and monitoring	7. Cross-functional planning and monitoring
8. Communication specialists	8. Creating core competencies
9. Mass marketing and customer acquisition	9. Building and managing databases to retain customers
10. Stable of agencies	10. One communication management agency

Source: Adapted from Tom Duncan and Sandra Moriarity, *Driving Brand Value: Using Integrated Marketing to Manage Profitable Stakeholder Relationships* (New York: McGraw-Hill, 1997), pp. 16–19.

The concept of integrated marketing communication is illustrated in Figure 8–2. It is generally agreed upon that potential buyers generally go through a process of (1) *awareness* of the product or service, (2) *comprehension* of what it can do and its important features, (3) *conviction* that it has value for them, and (4) *ordering* on the part of a sufficient number of potential buyers. Consequently, the firm's marketing communication tools must encourage and allow the potential buyer to experience the various stages. Figure 8–2 illustrates the role of various marketing communication tools for a hypothetical product.

The goal of integrated marketing communication is an important one, and many believe it is critical for success in today's crowded marketplace. As with many management concepts, implementation is slower than many would like to see. Internal "turf" battles within organizations and the reluctance of some advertising agencies to willingly broaden their role beyond advertising are two factors that are hindering the successful implementation of integrated marketing communication.

FIGURE 8–2
How Various Promotion Tools Might Contribute to the Purchase of a Hypothetical Product



ADVERTISING: PLANNING AND STRATEGY

Advertising seeks to promote the seller's product by means of printed and electronic media. This is justified on the grounds that messages can reach large numbers of people and make them aware, persuade, and remind them about the firm's offerings.

From a marketing management perspective, advertising is an important strategic device for maintaining a competitive advantage in the marketplace. Advertising budgets represent a large and growing element in the cost of goods and services. In a year it is possible for large multiproduct firms to spend $1.5 to $2 billion advertising their products, and it is common to spend $74 to $100 million on one individual brand. Clearly, advertising must be carefully planned.

Objectives of Advertising

There are at least three different viewpoints taken in attempts to evaluate the contribution of advertising to the economic health of the firm. The generalist viewpoint is primarily concerned with sales, profits, return on investment, and so forth. At the other extreme, the specialist viewpoint is represented by advertising experts who are primarily concerned with measuring the effects of specific ads or campaigns; here primary attention is given to organizations that offer sources which measure different aspects of the effects of advertising such as the Nielsen Index, Starch Reports, Arbitron Index, and Simmons Reports. A middle view, one that might be classified as more of a marketing management approach, understands and appreciates the other two viewpoints but, in addition, sees advertising as a competitive weapon. Emphasis in this approach is given to the strategic aspects of the advertising function.[2]

Building on what was said earlier, objectives for advertising can be assigned that focus on creating *awareness,* aiding *comprehension,* developing *conviction,* and encouraging *ordering.* Within each category, more specific objectives can be developed that take into account time and degree of success desired. Obviously, compared to the large number of people that advertising makes aware of the product or service, the number actually motivated to purchase is usually quite small.

In the long run and often in the short run, advertising is justified on the basis of the revenue it produces. Revenue in this case may refer either to sales or profits. Economic theory assumes that firms are profit maximizers, and the advertising outlays should be increased in every market and medium up to the point where the additional cost of gaining more business equals the incremental profits. Since most business firms do not have the data required to use the marginal analysis approach, they usually employ less sophisticated decision-making models. There is also evidence to show that many managers advertise to maximize sales on the assumption that higher sales mean more profits (which may or may not be true).

The point to be made here is that the ultimate objective of the business advertiser is to make sales and profits. To achieve this objective, the actions taken by customers must encompass purchase and continued repurchases of the advertised product. Toward this end, an approach to advertising is needed that provides for intelligent decision making. This approach must recognize the need for measuring the results of advertising, and these measurements must be as valid and reliable as possible. Marketing managers must also be aware that advertising not only complements other forms of communication but is subject to the law of diminishing returns. This means that for any advertised product, it can be assumed a point is eventually reached at which additional advertising produces little or no additional sales.

ADVERTISING DECISIONS

In line with what has just been said, the marketing manager must make two key decisions. The first decision deals with determining the size of the advertising budget, and the second deals with how the advertising budget should be allocated. Although these decisions are highly interrelated, we deal with them separately to achieve a better understanding of the problems involved. Today's most successful brands of consumer goods were built by heavy advertising and marketing investment long ago. Many marketers have lost sight of the connection between advertising spending and market share. They practice the art of discounting: cutting ad budgets to fund price promotions or fatten quarterly earnings. Companies employing these tactics may benefit in the short term but may be at a severe competitive disadvantage in the long term.

Marketers at some companies, however, know that brand equity and consumer preference for brands drive market share. They understand the balance of advertising and promotion expenditures needed to build brands and gain share, market by market, regardless of growth trends in the product categories where they compete. For example, Procter & Gamble has built its Jif and Folger's brands from single-digit shares to being among category leaders. In peanut butter and coffee, P&G invests more in advertising and less in discounting than its major competitors. What P&G and other smart marketers such as Kellogg, General Mills, Coke, and PepsiCo hold in common is an awareness of a key factor in advertising: consistent investment spending. They do not raid their ad budgets to increase earnings for a few quarters, nor do they view advertising as a discretionary cost.

Marketing Highlight 8–2

Developing Advertising Objectives: Nine Questions

1. Does the advertising aim at *immediate sales*? If so, objectives might be:
   - Perform the complete selling function.
   - Close sales to prospects already partly sold.
   - Announce a special reason for buying now (price, premium, and so forth).
   - Remind people to buy.
   - Tie in with special buying event.
   - Stimulate impulse sales.
2. Does the advertising aim at *near-term sales*? If so, objectives might be:
   - Create awareness.
   - Enhance brand image.
   - Implant information or attitude.
   - Combat or offset competitive claims.
   - Correct false impressions, misinformation.
   - Build familiarity and easy recognition.
3. Does the advertising aim at building a *long-range consumer franchise*? If so, objectives might be:
   - Build confidence in company and brand.
   - Build customer demand.
   - Select preferred distributors and dealers.
   - Secure universal distribution.
   - Establish a "reputation platform" for launching new brands or product lines.
   - Establish brand recognition and acceptance.
4. Does the advertising aim at helping *increase sales*? If so, objectives would be:
   - Hold present customers.
   - Convert other users to advertiser's brand.
   - Cause people to specify advertiser's brand.
   - Convert nonusers to users.
   - Make steady customers out of occasional ones.
   - Advertise new uses.
   - Persuade customers to buy larger sizes or multiple units.
   - Remind users to buy.
   - Encourage greater frequency or quantity of use.
5. Does the advertising aim at some specific step that leads to a sale? If so, objectives might be:
   - Persuade prospect to write for descriptive literature, return a coupon, enter a contest.
   - Persuade prospect to visit a showroom, ask for a demonstration.
   - Induce prospect to sample the product (trial offer).
6. How important are supplementary benefits of advertising? Objectives would be:
   - Help salespeople open new accounts.
   - Help salespeople get larger orders from wholesalers and retailers.
   - Help salespeople get preferred display space.
   - Give salespeople an entrée.
   - Build morale of sales force.
   - Impress the trade.
7. Should the advertising impart information needed to consummate sales and build customer satisfaction? If so, objectives may be to use:
   - "Where to buy it" advertising.
   - "How to use it" advertising.
   - New models, features, package.
   - New prices.
   - Special terms, trade-in offers, and so forth.
   - New policies (such as guarantees).
8. Should advertising build confidence and goodwill for the corporation? Targets may include:
   - Customers and potential customers.
   - The trade (distributors, dealers, retail people).
   - Employees and potential employees.
   - The financial community.
   - The public at large.
9. What kind of images does the company wish to build?
   - Product quality, dependability.
   - Service.
   - Family resemblance of diversified products.
   - Corporate citizenship.
   - Growth, progressiveness, technical leadership.

Source: William Arens, *Contemporary Advertising,* 7th ed. (Burr Ridge, IL: Irwin/McGraw-Hill, 1999), p. R18.

The Expenditure Question

Most firms determine how much to spend on advertising by one of the following methods:

Percent of Sales

This is one of the most popular rule-of-thumb methods, and its appeal is found in its simplicity. The firm simply takes a percentage figure and applies it to either past or future sales. For example, suppose next year's sales are estimated to be $1 million. Using a 2-percent-of-sales criterion, the ad budget would be $20,000. This approach is usually justified by its advocates in terms of the following argument: (1) advertising is needed to generate sales; (2) a number of cents, that is, the percentage used, out of each dollar of sales should be devoted to advertising in order to generate needed sales; and (3) the percentage is easily adjusted and can be readily understood by other executives. The percent-of-sales approach is popular in retailing.

Per-Unit Expenditure

Closely related to the above technique is one in which a fixed monetary amount is spent on advertising for each unit of the product expected to be sold. This method is popular with higher priced merchandise, such as automobiles or appliances. For instance, if a company is marketing color televisions priced at $500, it may decide that it should spend $30 per set on advertising. Since this $30 is a fixed amount for each unit, this method amounts to the same thing as the percent-of-sales method. The big difference is in the rationale used to justify each of the methods. The per unit expenditure method attempts to determine the retail price by using production costs as a base. Here the seller realizes that a reasonably competitive price must be established for the product in question and attempts to cost out the gross margin. All this means is that, if the suggested retail price is to be $500 and manufacturing costs are $250, there is a gross margin of $250 available to cover certain expenses, such as transportation, personal selling, advertising, and dealer profit. Some of these expense items are flexible, such as advertising, while others are nearly fixed, as in the case of transportation. The basic problem with this method and the percentage-of-sales method is that they view advertising as a function of sales, rather than sales as a function of advertising.

All You Can Afford

Here the advertising budget is established as a predetermined share of profits or financial resources. The availability of current revenues sets the upper limit of the ad budget. The only advantage to this approach is that it sets reasonable limits on the expenditures for advertising. However, from the standpoint of sound marketing practice, this method is undesirable because there is no necessary connection between liquidity and advertising opportunity. Any firm that limits its advertising outlays to the amount of available funds will probably miss opportunities for increasing sales and profits.

Competitive Parity

This approach is often used in conjunction with other approaches, such as the percent-of-sales method. The basic philosophy underlying this approach is that advertising is defensive. Advertising budgets are based on those of competitors or other members of the industry. From a strategy standpoint, this is a "followership" technique

Marketing Highlight 8–3

Preparing the Advertising Campaign: The Eight-M Formula

Effective advertising should follow a plan. There is no one best way to go about planning an advertising campaign, but in general, marketers should have good answers to the following eight questions:

1. *The management question:* Who will manage the advertising program?
2. *The money question:* How much should be spent on advertising as opposed to other forms of communication?
3. *The market question:* To whom should the advertising be directed?
4. *The message question:* What should the ads say about the product?
5. *The media question:* What types and combinations of media should be used?
6. *The macroscheduling question:* How long should the advertising campaign be in effect before changing ads or themes?
7. *The microscheduling question:* At what times and dates would it be best for ads to appear during the course of the campaign?
8. *The measurement question:* How will the effectiveness of the advertising campaign be measured and how will the campaign be evaluated and controlled?

and assumes that the other firms in the industry know what they are doing and have similar goals. Competitive parity is not a preferred method, although some executives feel it is a safe approach. This may or may not be true depending in part on the relative market share of competing firms and their growth objectives.

The Research Approach

Here the advertising budget is argued for and presented on the basis of research findings. Advertising media are studied in terms of their productivity by the use of media reports and research studies. Costs are also estimated and compared with study results. A typical experiment is one in which three or more test markets are selected. The first test market is used as a control, either with no advertising or with normal levels of advertising. Advertising with various levels of intensity are used in the other markets, and comparisons are made to see what effect different levels of intensity have. The marketing manager then evaluates the costs and benefits of the different approaches and intensity levels to determine the overall budget. Although the research approach is generally more expensive than some other models, it is a more rational approach to the expenditure decision.

The Task Approach

Well-planned advertising programs usually make use of the task approach, which initially formulates the advertising goals and defines the tasks to accomplish these goals. Once this is done, management determines how much it will cost to accomplish each task and adds up the total. This approach is often in conjunction with the research approach.

The Allocation Question

This question deals with the problem of deciding on the most effective way of spending advertising dollars. A general answer to the question is that management's choice of strategies and objectives determines the media and appeals to be used. In other words, the firm's or product division's overall marketing plan will function as a general guideline for answering the allocation question.

From a practical standpoint, however, the allocation question can be framed in terms of message and media decisions. A successful ad campaign has two related tasks: (1) say the right things in the ads themselves, and (2) use the appropriate media in the right amounts at the right time to reach the target market.

Message Strategy

The advertising process involves creating messages with words, ideas, sounds, and other forms of audiovisual stimuli that are designed to affect consumer (or distributor) behavior. It follows that much of advertising is a communication process. To be effective, the advertising message should meet two general criteria: (1) it should take into account the basic principles of communication, and (2) it should be predicated upon a good theory of consumer motivation and behavior.

The basic communication process involves three elements: (1) the sender or source of the communication, (2) the communication or message, and (3) the receiver or audience. Advertising agencies are considered experts in the communications field and are employed by most large firms to create meaningful messages and assist in their dissemination. Translating the product idea or marketing message into an effective ad is termed *encoding*. In advertising, the goal of encoding is to generate ads that are understood by the audience. For this to occur, the audience must be able to *decode* the message in the ad so that the perceived content of the message is the same as the intended content of the message. From a practical standpoint, all this means is that advertising messages must be sent to consumers in an understandable and meaningful way.

Advertising messages, of course, must be transmitted and carried by particular communication channels commonly known as advertising media. These media or channels vary in efficiency, selectivity, and cost. Some channels are preferred to others because they have less "noise," and thus messages are more easily received and understood. For example, a particular newspaper ad must compete with other ads, pictures, or stories on the same page. In the case of radio or TV, while only one firm's message is usually broadcast at a time, there are other distractions (noise) that can hamper clear communications, such as driving while listening to the radio.

The relationship between advertising and consumer behavior is quite obvious. For many products and services, advertising is an influence that may affect the consumer's decision to purchase a particular product or brand. It is clear that consumers are subjected to many selling influences, and the question arises about how important advertising is or can be. Here is where the advertising expert must operate on some theory of consumer behavior. The reader will recall from the discussion of consumer behavior that the buyer was viewed as progressing through various stages from an unsatisfied need through and beyond a purchase decision. The end goal of an advertisement and its associated campaign is to move the buyer to a decision to purchase the advertised brand. By doing so, the advertisement will have succeeded in moving the consumer to the trial and repeat purchase stage of the consumer behavior process, which is the end goal of advertising strategy.

The planning of an advertising campaign and the creation of persuasive messages require a mixture of marketing skill and creative know-how. Relative to the dimension of marketing skills, there are some important pieces of marketing information needed before launching an ad campaign. Most of this information must be generated by the firm and kept up-to-date. Listed below are some of the critical types of information an advertiser should have.

1. *Who* the firm's customers and potential customers are; their demographic, economic, and psychological characteristics; and any other factors affecting their likelihood of buying.
2. *How many* such customers there are.
3. *How much* of the firm's type and brand of product they are currently buying and can reasonably be expected to buy in the short-term and long-term future.
4. *Which* individuals, other than customers and potential customers, *influence* purchasing decisions.
5. *Where* they buy the firm's brand of product.
6. *When* they buy, and frequency of purchase.
7. *Which* competitive brands they buy and frequency of purchase.
8. *How* they use the product.
9. *Why* they buy particular types and brands of products.

Media Mix

Media selection is no easy task. To start with, there are numerous types and combinations of media to choose from. Marketing Highlight 8–4 presents a brief summary of the advantages and disadvantages of some of the major advertising media.

In the advertising industry, a common measure of efficiency or productivity is cost per thousand, or CPMs. This figure generally refers to the dollar cost of reaching 1,000 prospects, and its chief advantage lies in its simplicity and allowance for a common base of comparison between differing media types. The major disadvantage of the use of CPMs also relates to its simplicity. For example, the same commercial placed in two different television programs, having the same viewership and the same audience profile, may very well generate different responses depending on the level of viewer involvement. This "positive effects" theory states that the more the viewers are involved in a television program, the stronger they will respond to commercials. In essence, involving programs produce engaged respondents who demonstrate more favorable responses to advertising messages.

Generally, such measures as circulation, audience size, and sets in use per commercial minute are used in the calculation. Of course, different relative rankings of media can occur, depending on the measure used. A related problem deals with what is meant by "effectively reaching" the prospect.[3] *Reach,* in general, is the number of different targeted audience members exposed at least once to the advertiser's message within a predetermined time frame. Just as important as the number of different people exposed (reach) is the number of times, on average, that they are exposed to an advertisement within a given time period. This rate of exposure is called *average frequency*. Since marketers all have budget constraints, they must decide whether to increase reach at the expense of average frequency

Marketing Highlight 8–4

Some Relative Merits of Major Advertising Media

NEWSPAPERS

Advantages

1. Flexible and timely.
2. Intense coverage of local markets.
3. Broad acceptance and use.
4. High believability of printed word.

Disadvantages

1. Short life.
2. Read hastily.
3. Small "pass-along" audience.

RADIO

Advantages

1. Mass use (over 25 million radios sold annually).
2. Audience selectivity via station format.
3. Low cost (per unit of time).
4. Geographic flexibility.

Disadvantages

1. Audio presentation only.
2. Less attention than TV.
3. Chaotic buying (nonstandardized rate structures).
4. Short life.

OUTDOOR

Advantages

1. Flexible.
2. Relative absence of competing advertisements.
3. Repeat exposure.
4. Relatively inexpensive.

Disadvantages

1. Creative limitations.
2. Many distractions for viewer.
3. Public attack (ecological implications).
4. No selectivity of audience.

TELEVISION

Advantages

1. Combination of sight, sound, and motion.
2. Appeals to senses.
3. Mass audience coverage.
4. Psychology of attention.

Disadvantages

1. Nonselectivity of audience.
2. Fleeting impressions.
3. Short life.
4. Expensive.

MAGAZINES

Advantages

1. High geographic and demographic selectivity.
2. Psychology of attention.
3. Quality of reproduction.
4. Pass-along readership.

Disadvantages

1. Long closing periods (6 to 8 weeks prior to publication).
2. Some waste circulation.
3. No guarantee of position (unless premium is paid).

DIRECT MAIL

Advantages

1. Audience selectivity.
2. Flexible.
3. No competition from competing advertisements.
4. Personalized.

Disadvantages

1. Relatively high cost.
2. Consumers often pay little attention and throw it away.

INTERNET

Advantages

1. Interactive.
2. Low cost per exposure.
3. Ads can be placed in interest sections.
4. Timely.
5. High information content possible.
6. New favorable medium.

Disadvantages

1. Low attention getting.
2. Short message life.
3. Reader selects exposure.
4. May be perceived as intruding.
5. Subject to download speeds.

Marketing Highlight 8–5

Procedures for Evaluating Advertising Programs and Some Services Using the Procedures

PROCEDURES FOR EVALUATING SPECIFIC ADVERTISEMENTS

1. *Recognition tests.* Estimate the percentage of people claiming to have read a magazine who recognize the ad when it is shown to them (e.g., Starch Message Report Service).
2. *Recall tests.* Estimate the percentage of people claiming to have read a magazine who can (unaided) recall the ad and its contents (e.g., Gallup and Robinson Impact Service, various services for TV ads as well).
3. *Opinion tests.* Potential audience members are asked to rank alternative advertisements as most interesting, most believable, best liked.
4. *Theater tests.* Theater audience is asked for brand preferences before and after an ad is shown in context of a TV show (e.g., Schwerin TV Testing Service).

PROCEDURES FOR EVALUATING SPECIFIC ADVERTISING OBJECTIVES

1. *Awareness.* Potential buyers are asked to indicate brands that come to mind in a product category. A message used in an ad campaign is given and buyers are asked to identify the brand that was advertised using that message.
2. *Attitude.* Potential buyers are asked to rate competing or individual brands on determinant attributes, benefits, characterizations using rating scales.

PROCEDURES FOR EVALUATING MOTIVATIONAL IMPACT

1. *Intention to buy.* Potential buyers are asked to indicate the likelihood they will buy a brand (on a scale from “definitely will not” to “definitely will”).
2. *Market test.* Sales changes in different markets are monitored to compare the effects of different messages, budget levels.

Source: Joseph Guiltinan and Gordon Paul, *Marketing Management,* 6th ed., © 1997, New York, McGraw-Hill, Inc., p. 274. Reproduced by permission of The McGraw-Hill Companies.

or average frequency at the expense of reach. In essence, the marketer’s dilemma is to develop a media schedule that both (1) exposes a sufficient number of targeted customers (reach) to the firm’s product and (2) exposes them enough times (average frequency) to the product to produce the desired effect. The desired effect can come in the form of reaching goals associated with any or all of the categories of advertising objectives (prospect becomes aware of the product, takes action, etc.) covered earlier in the chapter.

SALES PROMOTION

Over the past two decades, the popularity of sales promotion has been increasing. Two reasons for this increased popularity are undoubtedly the increased pressure on management for short-term results and the emergence of new purchase tracking technology. For example, many supermarket cash registers are now equipped with a device that dispenses coupons to a customer at the point of purchase. The

Marketing Highlight 8–6

Some Objectives of Sales Promotion

WHEN DIRECTED AT CONSUMERS

1. To obtain the trial of a product.
2. To introduce a new or improved product.
3. To encourage repeat or greater usage by current users.
4. To bring more customers into retail stores.
5. To increase the total number of users of an established product.

WHEN DIRECTED AT SALESPEOPLE

1. To motivate the sales force.
2. To educate the sales force about product improvements.
3. To stabilize a fluctuating sales pattern.

WHEN DIRECTED AT RESELLERS

1. To increase reseller inventories.
2. To obtain displays and other support for products.
3. To improve product distribution.
4. To obtain more and better shelf space.

Source: Steven J. Skinner, *Marketing,* 2nd ed., p. 673. © 1994 by Houghton Mifflin Company. Adapted with permission.

type, variety, and cash amount of the coupon will vary from customer to customer based on their purchases. In essence, it is now possible for the Coca-Cola Company to dispense coupons to only those customers who purchase Pepsi Cola, thus avoiding spending promotional dollars on already-loyal Coke drinkers. Figure 8–3 presents some popular targets of sales promotion and the methods used.

FIGURE 8–3 **Example of Sales Promotion Activities**

Aimed at final consumers or users	Aimed at middlemen	Aimed at company's own sales force
Contests	Price deals	Contests
Coupons	Promotion allowances	Courses
Aisle displays	Sales contests	Meetings
Samples	Calendars	Portfolios
Trade shows	Gifts	Displays
Point-of-purchasing materials	Trade shows	Sales aids
Banners and streamers	Meetings	Training materials
Trading stamps	Catalogs	
Sponsors	Merchandising aids	

Source: William D. Perreault, Jr. and E. Jerome McCarthy, *Basic Marketing: A Global Managerial Approach,* 12th ed. Irwin/McGraw-Hill, 1999, Chap. 14.

Push versus Pull Marketing

Push and pull marketing strategies comprise the two options available to marketers interested in getting their product into the hands of customers. *Push strategies* involve aiming promotional efforts at distributors, retailers, and sales personnel to gain their cooperation in ordering, stocking, and accelerating the sales of a product. For example, a local rock band may visit local DJs seeking air play for their record, offer distributors special prices to carry the CD, and offer retailers special allowances for putting up posters or special counter displays. These activities, which are usually in the form of price allowances, distribution allowances, and advertising dollar allowances, are designed to "push" the CD toward the customer.[4]

Pull strategies involve aiming promotional efforts directly at customers to encourage them to ask the retailer for the product. In the past few years drug manufacturers have begun to advertise prescription drugs directly to consumers. Customers are encouraged to "Ask Your Doctor" about Viagra or Claritan. These activities, which can include advertising and sales promotion, are designed to "pull" a product through the channel from manufacturer to buyer.

Trade Sales Promotions

Trade promotions are those promotions aimed at distributors and retailers of products who make up the distribution channel. The major objectives of trade promotions are to (1) convince retailers to carry the manufacturer's products, (2) reduce the manufacturer's and increase the distributor's or retailer's inventories, (3) support advertising and consumer sales promotions, (4) encourage retailers to either give the product more favorable shelf space or place more emphasis on selling the product, and (5) serve as a reward for past sales efforts.

Promotions built around price discounts and advertising or other allowances are likely to have higher distributor/retailer participation levels than other type promotions because there is a direct economic incentive attached to the promotion.[5] The importance attached to individual types of promotions may vary by the size of distributor/retailer. For example, small retailers do not consider contests, sweepstakes, and sales quotas as being important to their decision to participate in promotions; getting the full benefit of such promotions is difficult due to their size. Marketers must keep in mind that not all distributors or retailers will have the same reaction to promotions offered. Differences in attitudes need to be carefully considered by the manufacturer when designing and implementing trade promotion programs.

Consumer Promotions

Consumer promotions can fulfill several distinct objectives for the manufacturer. Some of the more commonly sought-after objectives include: (1) inducing the consumer to try the product, (2) rewarding the consumer for brand loyalty, (3) encouraging the consumer to trade up or purchase larger sizes of a product, (4) stimulating the consumer to make repeat purchases of the product, (5) reacting to competitor efforts, and (6) reinforcing and serving as a complement to advertising and personal selling efforts.

Figure 8–4 presents a brief description of some of the most commonly used forms of consumer promotion activities.

FIGURE 8–4
Some Commonly Used Forms of Consumer Promotions

• *Sampling.*	Customers are offered regular trial sizes of the product either free or at a nominal price.
• *Price deals.*	Customers are offered discounts from the product's regular price.
• *Bonus packs.*	Additional amounts of the product are given to buyers when they purchase the product.
• *Rebates and refunds.*	Customers are given reimbursements for purchasing the product either on the spot or through the mail.
• *Sweepstakes and contests.*	Prizes are available either through chance selection or games of skill.
• *Premiums.*	A reward or gift can come from purchasing a product.
• *Coupons.*	Probably the most familiar and widely used of all consumer promotions now often available at point of purchase.

What Sales Promotion Can and Can't Do

Advocates of sales promotion often point to its growing popularity as a justification for the argument that we don't need advertising; sales promotion itself will suffice. Marketers should bear in mind that sales promotion is only one part of a well-constructed integrated marketing communications program. While proven to be effective in achieving the objectives listed in the previous sections, there are several compelling reasons why sales promotion should not be used as the sole promotional tool. These reasons include sales promotion's inability to (1) generate long-term buyer commitment to a brand in many cases, (2) change, except on a temporary basis, declining sales of a product, (3) convince buyers to purchase an otherwise unacceptable product, and (4) make up for a lack of advertising or sales support for a product. In addition, promotions can often fuel the flames of competitive retaliation far more than other marketing activities. When the competition gets drawn into the promotion war, the effect can be a significant slowing of the sharp sales increases predicted by the initiator of the promotion. Worse yet, promotions can often devalue the image of the promoted brand in the consumer's eyes.

The dilemma faced by marketers, as shown in Figure 8–5, is how to cut back on sales promotions without losing market share to competitors. In an effort to overcome this problem, some consumer products companies are instituting new pricing policies to try to cut back on the amount of sales promotions used. For example, Procter & Gamble and General Mills have instituted everyday low-price strategies for many of their products. The intent of this type of policy is to give retailers a lower list price in exchange for the cutting of trade promotions. While the net cost of the product to retailers remains unchanged, retailers are losing promotional dollars that they controlled. In many situations, although trade allowances are supposed to be used for encouraging retail sales, it is not uncommon for retailers to take a portion of the trade allowance money as profit. The rationale behind companies' (such as Procter & Gamble and General Mills) efforts to cut back on trade and other promotions is to (1) not force brand-loyal customers to pay unusually high prices when a product isn't on special, (2) allow consumers to benefit from a lower average shelf price since retailers will no longer have discretion over the use of allowance dollars, and (3) improve efficiencies in manufacturing and distribution systems because retailers will lose the incentive to do heavy forward buying of discounted items.

FIGURE 8–5 **The Sales Promotion Dilemma**

Other firms	Our firm: Cut back promotions	Our firm: Maintain promotions
Cut back promotions	**Higher profits for all**	**Market share may go to our firm**
Maintain promotions	**Market share may go to other firms**	**Market share may not change: profits stay low**

Source: George E. Belch and Michael A. Belch, *Introduction to Advertising and Promotion: An Integrated Communications Perspective,* 4th ed. (Burr Ridge, IL: Irwin/McGraw-Hill, 1998), p. 509.

In addition to developing pricing policies to cut back on short-term promotions, some consumer products companies are starting to institute *frequency marketing programs* in which they reward consumers for purchases of products or services over a sustained period of time.[6] These programs are not technically considered sales promotions due to their ongoing nature. Frequency marketing originated in 1981 when American Airlines launched its frequent-flyer program with the intention of securing the loyalty of business travelers.

PUBLIC RELATIONS

As we noted earlier in the chapter, public relations is a nonpersonal form of communication that tries to influence the overall image of the organization and its products and services among its various stakeholder groups. Public relations managers prefer to focus on communicating positive news about the organization, but must also be available to minimize the negative impacts of a crisis or problem. We have already noted that the most popular and frequently used public relations tool is publicity. There are several forms of publicity:

1. *News release.* An announcement regarding changes in the organization or the product line, sometimes called a *press release.* The objective is to inform members of the media of a newsworthy event in the hope that they will convert it into a story.

2. *News conference.* A meeting held for representatives of the media so that the organization can announce major news events such as new products, technologies, mergers, acquisitions, special events, or, in the case of a crisis or problem, present its position and plans for dealing with the situation.

3. *Sponsorhip.* Providing support for and associating the organization's name with events, programs, or even people such as amateur athletes or teams. Besides publicity, sponsorship can also include advertising and sales promotion activi-

ties. Many organizations sponsor sporting events, art festivals, and public radio and television programs.

4. *Public service announcements.* Many nonprofit organizations rely on the media to donate time for advertising for contributions and donors. Many nonprofit organizations cannot afford the cost of advertising or in some cases are prohibited from doing so.

DIRECT MARKETING

We already know that with direct marketing, the organization communicates directly with customers either online, through direct mail, catalogs, direct response advertising, or personal selling (the subject of the next chapter).

Direct marketing methods are certainly not new. In fact, several of them will be discussed later in the book as methods of nonstore retailing. What is new is the ability to design and use them more efficiently and effectively because of the availability of computers and databases. Technology has clearly been the catalyst in the tremendous growth in direct marketing activities in the last decade. Because of technology, it is now possible for marketers to customize communication efforts and literally create one-to-one connections and dialogues with customers. This would be especially true for those organizations who have successfully implemented an integrated marketing communications program.

Another obvious catalyst for growth in direct marketing has been the increased use of the Internet by consumers for purchasing many types of products. And the projected growth rates for online expenditures continues to rise. As growth continues in the number of households with Internet access and in the number of businesses with websites and product or service offerings via the Internet, it will likely fuel even greater growth in direct marketing.

For the American consumer facing a "poverty of time," direct marketing offers many benefits. In addition to saving time, consumers often save money, get better service, enjoy increased privacy, and many even find it entertaining. For the marketer, sales revenues are the obvious benefit but not the only one. Direct marketing activities are often very effective in generating sales leads when a customer asks for more information about a product or service and can also increase store traffic when potential buyers are encouraged to visit a dealership or retail store.

CONCLUSION

This chapter has been concerned with integrated marketing communications. Remember that advertising and sales promotion are only two of the ways by which sellers can affect the demand for their product. Advertising and sales promotion are only part of the firm's promotion mix, and in turn, the promotion mix is only part of the overall marketing mix. Thus, advertising and sales promotion begin with the marketing plan and not with the advertising and sales promotion plans. Ignoring this point can produce ineffective and expensive promotional programs because of a lack of coordination with other elements of the marketing mix.

Additional Readings

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Appendix

Major Federal Agencies Involved in Control of Advertising

Agency	Function
Federal Trade Commission	Regulates commerce between states; controls unfair business practices; takes action on false and deceptive advertising; most important agency in regulation of advertising and promotion.
Food and Drug Administration	Regulatory division of the Department of Health, Education, and Welfare; controls marketing of food, drugs, cosmetics, medical devices, and potentially hazardous consumer products.
Federal Communications Commission	Regulates advertising indirectly, primarily through the power to grant or withdraw broadcasting licenses.
Postal Service	Regulates material that goes through the mails, primarily in areas of obscenity, lottery, and fraud.
Alcohol and Tobacco Tax Division	Part of the Treasury Department; has broad powers to regulate deceptive and misleading advertising of liquor and tobacco.
Grain Division	Unit of the Department of Agriculture responsible for policing seed advertising.
Securities and Exchange Commission	Regulates advertising of securities.

Information Source	Description
Patent Office	Regulates registration of trademarks.
Library of Congress	Controls protection of copyrights.
Department of Justice	Enforces all federal laws through prosecuting cases referred to it by other government agencies.