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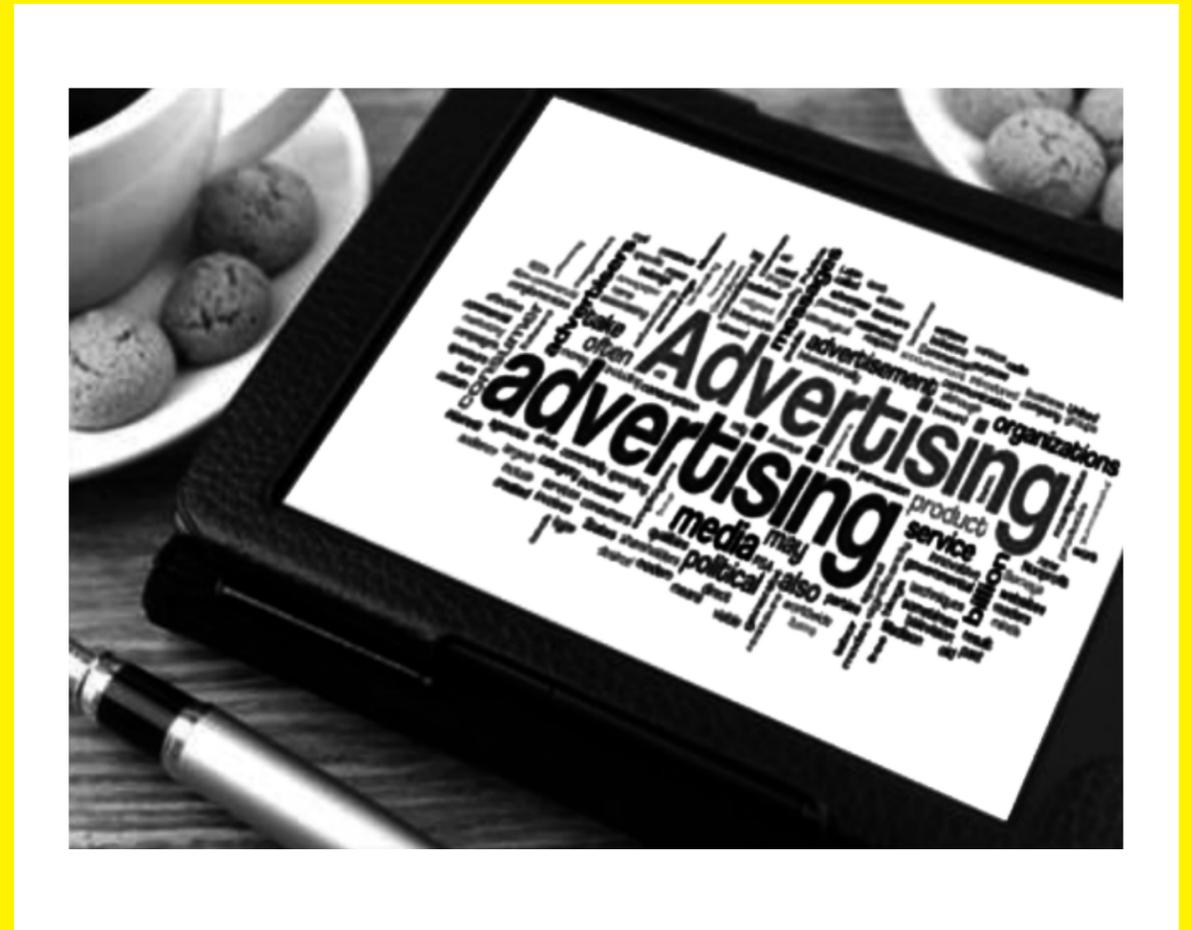
**MS-502 (PART-I)**

School of Management Studies and Commerce  
**Advertising and Sales Promotion**



**MS-502 (PART-I)**

School of Management Studies and Commerce  
**Advertising and Sales Promotion**



**DEPARTMENT OF MANAGEMENT STUDIES**  
**Block I Introduction to Advertising Concepts**  
**Block II Advertising Planning and Strategy**

## Advertising and Sales Promotion



### Block – I

**Block Title-** Introduction to Advertising Concepts

### Block – II

**Block Title-** Advertising Planning and Strategy

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**Course Name: Advertising and Sales Promotion**

**Course Code-MS 502**

**Course Objective:** This course aims at providing the students the understanding of advertising and sales promotion techniques for their effective application.

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**Unit II Advertising and Society**

**Unit III Advertising & the Marketing Process**

**Unit IV Various forms of Advertising**

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**Unit XXI Public Relations and Personal Selling in context to Advertising and Sales Promotion**

**Unit XXII Sales Promotion Design Issues**

**Suggested Readings:**

1. Kenneth Clow. Donald Baack, "Integrated Advertisements, Promotion and Marketing communication", Prentice Hall of India, New Delhi, 2003.
2. S.H.H.Kazmi, Satish K Batra, "Advertising & Sales Promotion", Excel Books, New Delhi, 2001.
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## **Block – I**

### **Introduction to Advertising Concepts**

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# UNIT 1 INTRODUCTION TO ADVERTISING

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## 1.1 Introduction

## 1.2 Objectives

## 1.3 Advertising Defined

## 1.4 Roles and Functions of Advertising

## 1.5 Relationship of Advertising with other Promotional Mixes

## 1.6 Summary

## 1.7 Glossary

## 1.8 Answer to Check Your Progress

## 1.9 References/ Bibliography

## 1.10 Suggested Readings

## 1.11 Terminal Questions

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## 1.1 INTRODUCTION

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You have been reading and watching, listening and looking at advertising since you were a child. It's a complex form of communication that operates with objectives and strategies leading to various types of impact on consumer thoughts, feelings and actions. It's all about creating a message and sending it to some-one, hoping they will react in a certain way. You've seen it all your life in the many thousands of commercials you've watched on television and the ads you've read in magazines, on billboard and the Internet, and in other place.

Advertising become controversial when questions arise about how it influence people and whether that is a good thing. Some say they hate it and it makes us do things we don't really want to do. Others see it as fashion guide or as entertainment with good jokes, great music, and fascinating images. But there is no doubt that advertising can be effective at influencing people. Advertising has evolved as society has changed; it has had an effect on society and at the same time society has had an effect on advertising.

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## 1.2 OBJECTIVES

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After reading this unit you will be able to understand:

- Concept of Advertising.
- Role and functions of advertising.

- Relationship of Advertising with other Promotional Mixes.

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### 1.3 ADVERTISING DEFINED

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A standard definition of advertising has five basic components as:

- Advertising is a paid form of communication, although some forms of advertising, such as public service announcements (PSAs), use donate space and time.
- Not only is the message paid for, but the sponsor is identified.
- Most advertising tries to persuade or influence the consumer to do something, although in some cases the point of the message is simply to inform consumers and make them aware of the product or company. In other words, it is strategic communication driven by objectives, and these objectives can be measured to determine whether the advertising was effective.
- Advertising reaches a large audience of potential consumers.
- The message is conveyed through many different kind of mass media, which are largely non-personal. What that means is that advertising isn't directed to a specific person, although this is changing with the introduction of the internet and more interactive media.

A modern definition then, Advertising is paid persuasive communication that uses non-personal mass media- as well as other forms of interactive communication- to reach broad audiences to connect an identified sponsor with a target audience.

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### 1.4 ROLES AND FUNCTIONS OF ADVERTISING

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With time, as the practice of marketing has evolved, it has played many different roles. It started out a way to identify the maker of goods and that continues to be an important role today. As technology, such as printing press, made it possible to reach a wider audience, advertising became more focused on providing commercial information along with identification of the product's maker.

Because of the advances of industrialization, which made it possible to produce more goods that the local market could absorb, advertising took on the role of creating demand for a product, which was done through two techniques: *hard-sell* approaches that use reasons to persuade consumers, and *soft-sell* approaches that build an image for a brand and touch consumer's emotions. There are four roles that advertising plays in business and society:

1. Marketing
2. Communication
3. Economic

#### 4. Societal.

##### ***The Marketing Role***

The process a business uses to satisfy consumer needs and wants by providing goods and services is called marketing. The marketing department or manager is responsible for selling a company's product which can be good or an idea. Products are also identified in terms of their product category. The particular group of consumers thought to be potential customers for the goods and services constitute the target market.

The tools available to marketing include the *product*, its *price*, and the means used to distribute or deliver the product to a *place* where the customer can buy it. Marketing also includes a method for communicating this information to the consumer called marketing communication, or promotion. These four tools- product, price, place and promotion- are collectively known as Marketing Mix, of the four Ps. Advertising, of course, is one of the most important marketing communication tools.

Marketing professionals are also involved with the development of a brand, which is the distinctive identity of a particular product and distinguish it from its competitors.

##### ***The Communication Role***

Advertising is a form of mass communication. It transmits different types of market information to connect buyers and sellers in the marketplace. It both informs and transforms the product by creating an image that goes beyond straightforward facts. The broad term marketing communication includes advertising, but it also includes a number of related communication techniques used in marketing – such as sales promotion, public relations, direct responses, events and sponsorships, packaging and personal selling.

##### ***The Economic Role***

Advertising tends to flourish in society that enjoy some level of economic abundance, in which supply exceeds demand. In these societies, advertising moves from being primarily informational to creating a demand for a particular brand.

There are two point of views about the way advertising creates economic impact. In the first, advertising is seen as a vehicle for helping consumers assess value, through price as well as other information- such as quality, location, and reputation. Rather than diminishing the importance of price, as a basis for comparison, advocates of this school view the role of advertising as a means to objectively provide price-value information, thereby creating a more rational economy.

In the second perspective, advertising is seen as so persuasive that it decreases the likelihood that a consumer will switch to an alternative product, regardless of the price charged. In other words, focusing on other positive attributes, the consumer makes a decision on non-price benefits- such as psychological appeal. This is presumed to be the way image and emotions can be used to influence consumer decision. Neither of these perspectives on the role of advertising has been verified. It's likely that advertising plays both rules.

### ***The Societal Role***

Advertising also has a number of societal roles. It informs us about new and improved products, helps us compare products and features, and generally keeps us informed about innovations and issues. It mirrors fashion and design trends and adds to our aesthetic sense. It has an educational role in that it teaches about new product and how to use them. It helps us shape an image of ourselves by setting up role models that we can identify with, and it gives us a way to express ourselves in terms of our personalities and sense of style through the things we wear and use.

### ***The Functions of Advertising***

Looking at advertising's role in society has given us the big picture, but now we need to focus more closely on what advertising might expect to get from advertising- why, in other words, it chooses to use advertising. From the advertiser's perspective, advertising, in general, performs seven basic functions:

1. Build awareness of products and brands
2. Creates a brand image
3. Provides product and brand information
4. Persuade people
5. Provides incentives to take action
6. Provides brand reminders
7. Reinforces past purchases and brand experiences.



### ***Check Your Progress-A***

---

#### **Fill in the blanks.**

1. Advertising transmits different types of market information to connect ..... and .....in the marketplace.
2. ....is the distinctive identity of a particular product and distinguish it from its competitors.
3. The 4 Ps of marketing mix are ....., ....., ..... and .....
4. ....approach build an image for a brand and touch consumer's emotions.

---

## 1.5 RELATIONSHIP OF ADVERTISING WITH OTHER PROMOTIONAL MIXES

---

The advertising, as an element of promotion mix, is the essential component of advancement inside promotional mix. Advertising is any type of indirect introduction of thoughts of products and services. The essential reason for advertising is to promote the demand and product sales. Along these lines advertising is thought to be fundamental instrument of sales and communication with public.

Advertising bolster two distinct goals of the organization. When the goal of advertising is to increase the sales of product or services, it is called Product Advertising. Then again, if the goal is image building of the organization, than it is called Institutional Advertising.

### *Product Advertising*

The most important roles of product advertising are as follows:

- *Pioneer Advertising* that is related to the primary demand of the product. This primarily is focused with the introduction phase of the product. Since, the product is new, therefore, pioneer advertising is promoting novelty and set a new trend.
- *Competitive Advertising* is concerned with the increase in demand of a particular product of an organization. Considering the growth or maturity phase of product life cycle, competition is developed and active. Therefore, competitive advertising is related to differentiation of product from the competition and to increase or protect sales volume.
- *Sustainability Advertising* has the primary goal of targeting the loyal segment of customers. This is a form of reminder advertising that is more relevant with the established and developed brand.

### *Institutional Advertising*

The goal of institutional advertising is much wider than the goal of product advertising. Institutional Advertising is the advanced advertising stage of Product Advertising. Without a well-developed product advertising, institutional advertising cannot be conducted. Institutional advertising is the process of developing image of the company, clearly stating the mission and vision to population and building the public opinion about the community contribution of the company. The example of institutional advertising, can be promotion of environmental and recycling programmes. The regular channels for communication of product advertising and institutional advertising are TV, newspaper, internet, e-mails, social media, etc. Advertising activities are normally planned by the company, in consultation and executioner responsibility by marketing agency.

In marketing, Promotional mix is a blend of promotional variables chosen by marketers to help firms reaching their goals. It was also understood as a subset of the marketing mix. It is believed that there is an optimal way of allocating budgets for the different elements within the promotional mix to achieve best marketing results, and the challenge for marketers is to

find the right mix of them. Activities in the form of elements of promotional mix varies, but typically include the following:

- *Advertising* is the paid presentation and promotions goods, services and ideas by an identified sponsor using a mass medium for communication. Examples such as TV ads, Billboard, Radio, Mails, E-mails, Brochures and Catalogues, in-store display, poster, mobile apps, social media, web, blog, *etc.*
- *Personal Selling* is the process of persuading one or more prospects to purchase goods or services or to act on an idea via oral presentation, often in a face-to-face manner or by telephone. Example include sales presentation, sales meeting, sales training, and incentive programs for intermediary salespeople, samples and telemarketing.
- *Sales Promotion* is media and non-media marketing communication used for a pre-determined limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include coupons, sweepstakes, exhibits *etc.*
- *Public Relations or Publicity* is information about a firm's products and services carried by a third party in an indirect way. This is a combination of paid effort to stimulate discussion and interest. It can be accomplished by planting a significant news story indirectly in the media or presenting it favourably through press release or corporate anniversary parties. Such as, newspaper and magazines articles, TVs and radio presentation.
- *Direct Marketing* is a channel-freethinker type of publicizing that permits organizations and non-benefits to convey specifically to the client, with strategies, for example, versatile informing, email, intuitive purchaser sites, online show advertisements, fliers, inventory circulation, limited time letters, and open air promoting.
- *Direct Marketing* is a channel-agnostic form of advertising that allows businesses and non-profits to communicate directly to the customer, with methods such as mobile messaging, email, interactive consumer websites, online display ads, fliers, catalogue distribution, promotional letters, and outdoor advertising.
- *Corporate Image Campaign* has also considered as part of promotional mix.
- *Sponsorship* of various events or contest is a way to create positive publicity.
- *Guerrilla Marketing Tactics* are an alternative ways draw attention towards a product or service or an idea, such as by using graffiti, sticker bombing, poster flyers, using flash mobs, doing viral marketing campaign or other methods using the internet in unexpected ways.
- *Product Placement* is paying a television show or movie studio to include a product or service prominently in the show.



### Check Your Progress- B

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#### Write True or False.

1. Advertising is a non-paid, persuasive communication.
2. Corporate Image Campaign has also considered as part of promotional mix.
3. Sustainability Advertising has the primary goal of targeting the loyal segment of customers. This is a form of reminder advertising that is more relevant with the established and developed brand.
4. Advertising activities are normally planned by the company, in consultation and executioner responsibility by marketing agency.

---

## 1.6 SUMMARY

Advertising is paid, persuasive communication that uses non-personal mass media and other forms of interactive communication to reach broad audiences to connect an identified sponsor with a target audience. Advertising fulfil a marketing role, communication role, economic role, and a societal role. Further, the five key players in advertising industry are advertisers, advertising agencies, media, vendors, and the target audience. There are seven types of advertising and they are appropriate for certain distinct marketing communication situations. They are: brand, retail or local, direct-response, business-to-business, institutional, non-profit and public service. Moreover, effective ads work on two levels: They engage the mind of the consumer and at the same time deliver a selling message. Effective advertising is purposeful, which means it accomplishes its objective.




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## 1.7 GLOSSARY

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**Advertising-** It is paid persuasive communication that uses non-personal mass media- as well as other forms of interactive communication- to reach broad audiences to connect an identified sponsor with a target audience.

**Pioneer Advertising-** Pioneer Advertising is related to the primary demand of the product. This primarily is focused with the introduction phase of the product. Since,

the product is new, therefore, pioneer advertising is promoting novelty and set a new trend.

**Competitive Advertising-** It is concerned with the increase in demand of a particular product of an organization. Considering the growth or maturity phase of product life cycle, competition is developed and active. Therefore, competitive advertising is related to differentiation of product from the competition and to increase or protect sales volume.

**Sustainability Advertising-**It has the primary goal of targeting the loyal segment of customers. This is a form of reminder advertising that is more relevant with the established and developed brand.



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## 1.8 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

1. Buyers and Sellers
2. Brand
3. Product, Price, Place and Promotion
4. Soft-Sell.

### Check Your Progress –B

1. False.
2. True.
3. True.
4. True



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## 1.9 REFERENCES

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- Kenneth Clow. Donald Baack, “Integrated Advertisements, Promotion and Marketing communication”, Prentice Hall of India, New Delhi, 2003.

- S.H.H.Kazmi, Satish K Batra, “Advertising & Sales Promotion”, Excel Books, New Delhi, 2001.
- George E Belch, Michel A Belch, “Advertising & Promotion”, McGraw Hill, Singapore, 1998.



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## 1.10 SUGGESTED READINGS

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1. Kenneth Clow. Donald Baack, “Integrated Advertisements, Promotion and Marketing communication”, Prentice Hall of India, New Delhi, 2003.
2. S.H.H.Kazmi, Satish K Batra, “Advertising & Sales Promotion”, Excel Books, New Delhi, 2001.
3. George E Belch, Michel A Belch, “Advertising & Promotion”, McGraw Hill, Singapore, 1998.



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## 1.11 TERMINAL QUESTIONS

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- Q1. Define Market and Marketing Research?
- Q2. Explain the role and nature of Marketing Research?
- Q3. Discuss the scope of Marketing Research?
- Q4. What is the significance of Marketing Research?

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## UNIT 2 ADVERTISING AND SOCIETY

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### 2.1 Introduction

### 2.2 Objectives

### 2.3 Advertising and Society

### 2.4 Ethics in Advertising

### 2.5 Regulations and Advertising

### 2.6 Social Responsibility of Advertising

### 2.7 Summary

### 2.8 Glossary

### 2.9 Answer to Check Your Progress

### 2.10 Reference/ Bibliography

### 2.11 Suggested Readings

### 2.12 Terminal Questions

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## 2.1 INTRODUCTION

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This unit focuses on advertising's role in society, based on two aspects viz-a-viz, advertising regulation and advertising ethics. First we'll review the various types of regulations and regulatory bodies involved in overseeing the practise of advertising. Then, because ultimately the problem lies not with the regulation but with the sense of professional ethics, we will review the key ethical issues that concern advertising practitioners.

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## 2.2 OBJECTIVES

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After reading this unit you will be able to;

- Understand the role of advertising in society.
- Ethics relater to Advertising.
- Regulations for governance of Advertising.
- Social responsibilities of Advertising.

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## **2.3 ADVERTISING AND SOCIETY**

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Advertising takes place in a public forum in which business interests, creativity, consumer needs and government regulation meet. Sometimes ads are controversial. And sometimes they are just bad. But some criticism of advertising go deeper and take us to the core of advertising's visible social role.

The excessive, misleading, and false claims made by patent medicines makers in the early twentieth century generated the first regulation of advertising through the Pure Food and Drug Act of 1906. Advertising's economic role also has been criticised in the way it creates demand, which means people want or feel a need to buy and use a product. Demand creation, which means using an external message to drive people to feel a need or want, is an economic force that drives progress and the search for better products. Advertising plays an important role in creating and sustaining that force. Demand creation becomes a question of when social critics charge that the demand is artificial and the products really aren't needed- that people's want are being manipulated unnecessarily.

Advertising is also a factor in increased cost of branded products. Some argues that the costs are offset by the efficiencies that come from mass production and marketing, but economic as well as social and cultural concerns remain.

We know, however, that advertising also supports brands we like, as well as teaches us how to use new products that make our lives easier and our health better. Advertising is used in social marketing to support good causes. In and of itself, advertising is not evil. So why are there so many questions are dilemmas in looking at the social role of advertising?

### **2.3.1 ADVERTISING'S ROLE IN SHAPING OR MIRRORING SOCIETY**

The second half of 20<sup>th</sup> century is notable for the rise of a materialistic consumer culture in the western world. Did advertising create this culture, or did it simply reflect it? At what point does advertising cross the line between reflecting social values and creating them? Critics argue that advertising has repeatedly crossed this line, influencing vulnerable groups, such as children and young teenagers, too strongly.

This shape- versus-mirror debate is the most central issue we need to address in considering advertising's role in society. What drives consumers to behave or believe as they do? Is it advertising, or is it other forces? For example, Why do women buy cosmetics? As they satisfying a deep cultural need for beauty or were they manipulated by advertising to believe in the hope that cosmetics offer? Or have their family and friends socialized them to believe they look better with cosmetics than without?

Can advertising manipulate people? In general, critics of advertising tend to believe that advertising has the power to shape social trends and the way people think and act. Some critics argue that advertising has the power to dictate how people behave. They believe that even if an individual ad cannot control our behaviour, the cumulative effect of nonstop television, radio, print, internet and outdoor ads can be overwhelming.

On the other hand, advertising professionals tend to believe that the best they can do is spot trends and then develop advertising messages that connect with them. If people are interested in saving money, then you will see ads that use frugality as an advertising strategy. Advertisers believe advertising mirrors values rather than sets them.

In fact, advertising and society's values are probably interactive, so the answer to the debate may simply be that advertising both mirrors and shapes values. Advertising planners spend huge amounts of money and time trying to identify people's motivation before they develop message strategies. They must, then, be searching for something deeper than the impact of a previous ad.

We also know that advertising planners search for insight into customer's behaviour. Do people save money for their retirement, or spend on more luxurious bathrooms- and why? What leads people to be concerned for their future financial health or encourages them to look upon their homes as 'cocoons' a nest or place where they can retreat from the world? How interested are they in environmental issues? These tendencies are social trends that marketers and advertisers have found from their research and then used to develop advertising strategies.

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## 2.4 ETHICS IN ADVERTISING

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Advertising law and regulations can only go so far in ensuring ethical practices by advertising. Ultimately professionals in the industry have to be guided by their own ethical principles. Ethics is a set of moral principles that guide actions and create a sense of responsible behaviour. It's about being able to analyse ethical questions and dilemmas in professional decision making in terms of the concepts of right and wrong to determine one's obligations and responsibility to do the right thing.

Is it ethical to include in an ad an offensive double meaning or illustration that portray people in negative stereotypical situations? It is all right to stretch the truth when making a claim about a product? Can you criticize a competitor's product even though you know it is basically the same as your own?

It's fairly easy to see the right answer in these situations. However, in most marketing and advertising decisions, the right path is not easy to discern. Business ethics automatically refocuses business decisions on a higher plane than the expediencies of the bottom line.

### **Poor Taste and Offensive Advertising**

Although certain ads might be in bad taste in any circumstance, viewer reactions are affected by such factors as sensitivity to the product category, the time the message is received, and whether the person is alone or with others when viewing the message. Some things on television, for example, that might not bother an adult when alone would make that person uncomfortable if children were watching. Also, questionable ads become offensive in the wrong context. Advertisers and media outlets must try to be sensitive to such objections.

We all have our own ideas about what constitutes good taste. Unfortunately, these ideas vary so much that creating general guidelines for good taste in advertising is difficult. Different things offend different people. In addition, taste changes over time.

### **Reinforcing Stereotypes**

A stereotype is a representation of a cultural group that emphasizes a trait or group of traits that may or may not communicate an accurate representation of the group. Sometimes the stereotype is useful and aids communication by using easily understood symbolic meanings, but sometimes the stereotype relies on a characteristic that is negative or exaggerated and, in so doing, reduces the group to a caricature. The issue of stereotyping also raises the shape-versus-mirror question.

### **Diversity Issues**

If we believe that advertising has the ability to shape our values and our views of the world, then it is essential that advertisers become aware of how they portray different groups. Conversely, if we believe that advertising mirrors society, advertisers have a responsibility to ensure that what is portrayed is accurate and representative. Diversity has become an issue as advertisers struggle to target, as well as portray, people outside the white, straight mainstream market.

### **Gender Roles**

Television is a powerful socializing agent and is particularly influential in the area of gender identity. One of the most important lessons it teaches is how people fit into culturally shared gender and racial roles. The way women are cast as characters in commercials, as well as programs, can create or reinforce cultural stereotypes.

Historically, advertising has portrayed gender in distinct and predictable stereotypes. Men are usually shown as strong, independent and achievement oriented; women are shown as nurturing and empathetic, but softer and more dependent and they are told that the products being advertised will make their lives less stressful and more manageable. Men are often negatively stereotyped as well.

### **Racial and Ethnic Stereotyped**

Critics charge that racial and ethnic groups are stereotyped in advertising. Even though most in the industry would deny it, that charge was evident in the 'Just for Feet' as that showed a black man being hunted down like a wild animal.

### **Senior Citizens**

Another group that critics say is often subject to stereotyping is senior citizens, a growing segment of the population with increasing amount of disposable income. Critics often object to the use of older people in roles that portray them negatively.

### **Body Image and Self Image**

Advertising has been criticized for glorifying glamorous looks in both men and women. Playing on consumers' insecurities about their appearances presents advertisers with a classic

ethical dilemma because self-image advertising can also be seen as contributing to self-improvement. Sometimes, however, such strategies are questionable because they lead to dangerous practices. Some critics charge that women place their health at risk in order to cultivate an unrealistic or even unhealthy physical appearance.

The standard of attractiveness is a sociocultural phenomenon that advertising mirrors, as well as shapes. Responsible advertisers have, therefore, begun using models of more normal size and weight as a way to reduce the pressure on young people, who seems to be the most open to message about cultural standards of beauty and physical attractiveness.

### **Targeting Children**

Advertising would be wise to conduct the necessary research to gauge the standards of taste for the general population as well as the specific target audience. Because mass media are seen or read by people outside the target audience, such testing can be tricky. The problem is that if you aim to satisfy everyone, you may not connect with the primary target audience. This is a serious dilemma in creating advertising, and one not easily resolved. An even more serious problem is targeting vulnerable groups such as children.

### **Misleading Claims and Other Message Strategies**

Advertising claims are considered to be unethical if they are false, misleading or deceptive.

### **Manipulative Advertising**

Most advertising is designed to create demand and touch the emotions. So in a sense, a manipulative message is a natural outcome of persuasion. However, there are times and situations where ethical issues arise. For example, there can be manipulative ads that play on the emotions in order to create inappropriate or overly intense feelings. A radio commercial that recorded the last moments of a child and his father before they died in a car accident was criticised as emotionally manipulative, even though the ad was part of buckle-up campaign.

Another areas are subliminal message. A subliminal message is transmitted in such a way that the receiver is not consciously aware of receiving it. This usually means that the symbols are too faint to too brief for the consumer to clearly recognize them.

### **Puffery**

Not all exaggerated claims are seen as misleading. Puffery is defined as ‘advertising or other sales representation, which praise the item to be sold with subjective opinions, superlatives, or exaggerations, vaguely and generally, stating no specific facts’.

### **Comparative Advertising**

Although it is perfectly legitimate to use comparative advertising that compares the advertiser’s product favourably against a competitors, there are regulations for those uses that are challenged as misleading. Advertisers face the common threats that competitors will misrepresents their products, prices or some other attributes. While no one expects a competitor to be totally objective, there are certain guidelines for protecting advertisers from unfair comparisons.

## **Endorsement**

A popular advertising strategy is the use of a spokesperson who endorse a brand; that's a perfectly legal strategy, unless the endorser does not actually use the product. An endorsement or testimonial is any advertising message that consumers believe reflects the opinion, beliefs or experiences of an individual, group or institution. However, if consumers can reasonably ascertain that a message does not reflect the announcer's opinion, the message isn't an endorsement and may even be misleading.

## **Demonstration**

Product demonstration in television advertising must not mislead consumers. This mandate is especially difficult for advertisements of food products because such factors as hot studio lights and the length of time needed to shoot the commercial can make the product look unappetizing. One technique some advertisers use to sidestep restrictions on demonstration is to insert disclaimers or 'supers' - verbal or written words in the ad that indicates exceptions to the advertising claim made.

## **Determining What is Ethical**

How do we evaluate advertising's ethical performance? There are laws and regulations governing the practices of advertising, but there are also codes of conduct, as well as personal and professional decision-making guidelines. One set of guidelines spells out these three types of criteria that need to be considered when making an advertising decision.

- 1) **The Social Ethics:** The golden rule (Do unto others as you would have them do unto you).
- 2) **The Professional Ethics:** What would be viewed as proper by an objective panel of my professional colleagues?
- 3) **The Personal Ethics:** Would I feel comfortable explaining this action to the general public on TV? (A variation is: Would I be comfortable explaining this decision to my mother?)

## **The Social Ethics**

Our concept of right or wrong is based on moral values, personal and professional standards and cultural values. In Western Cultures the values most often associated with ethics are morality, honesty, virtue, fairness, respect and integrity. The Golden Rule- Do unto others as you would have them do unto you- is cardinal principle of ethics. On another level responsibility based on the Golden Rule could be rephrased as 'do no harm'. Applying ethical values and principles to marketing and advertising is necessary if these fields are to be socially responsible. Social responsibility- a corporate philosophy based on ethical values- motivates a business to perform a useful function within society and to make its impact on society positive rather than negative- and that includes its advertising, as well as other business practices.

### Professional Ethics

Professional in advertising by and large see themselves as either people. However, the public tends to see them differently, as the polls show. Professional ethics are often expressed in a code of standards that identifies how professionals in the industry should respond when faced with ethical questions.

### Personal Ethics

In advertising, a code of ethics is just a starting point. Ethical decisions are usually complex and involve navigating a moral maze of conflicting forces- strategy versus ethics, costs versus ethics, effectiveness versus ethics, etc. They demand the ability to do what ethicists call 'moral reasoning'. More importantly, personal judgement and moral reasoning rests on an intuitive sense of right or wrong, a moral compass that tells you when an idea is misleading, insensitive, too over-the-top, or too manipulative. And then you need the courage to speak up and tell your colleagues. An understanding of advertising's ethical issues will help you develop that sense.



### Check Your Progress-A

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#### Fill in the blanks.

1. Do unto others as you would have them do unto you is a cardinal principle of ..... ethics.
2. Advertising or other sales representation, which praise the item to be sold with subjective opinions, superlatives, or exaggerations, vaguely and generally, stating no specific facts is called .....
3. A .....is transmitted in such a way that the receiver is not consciously aware of receiving it.
4. A .....is a representation of a cultural group that emphasizes a trait or group of traits that may or may not communicate an accurate representation of the group.

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## 2.5 REGULATIONS AND ADVERTISING

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Advertising is regulated or monitored by a number of bodies and groups. Responsibilities for advertising are categorised under five categories of groups as: Government, Media, Public or Community Group and the Competitors.

## **Advertising's Legal Environment**

Let's first have a view on Governmental point of view, which includes two areas: Law and Regulations. Legislature, legislates laws, while courts interpret those laws in specific situations to create case law. Two pivotal areas of case law will be discussed in this section-trademark and copyright protection.

### **Trademark and Copyright Protection**

A trademark is a brand, corporate, or store name of a distinctive symbol that identifies the seller's brand and thus differentiates it from the brands of other sellers. A trademark must be registered through the Patent and Trademark Office of the Department of Commerce, which gives the organization exclusive use of mark, as long as the trademark is maintained as an identification for a specific product. Under the Lanham Trademark Act of 1947, the Patent Office protects unique trademark from infringement by competitors. Because trademarks are critical communication devices for products and services, they are important in advertising.

Even an audio trademark is protected, as a case in the European Union illustrated. A distinctive audio sound based on the noise of a cock crowing and the way it was represented in Dutch had been registered with the EU's trademark office. When this sound 'trademark' was used by a different company, the first company sued for trademark infringement.

Another trademark issue is protection for uniform resource locator (URLs), which are Internet domain names. Advertisers must remember that URLs have to be registered and protected just like any other trademark. They are issued on a first-come, first-served basis for any domain name not identical to an existing brand name.

A copyright gives an organization the exclusive right to use of reproduce original work such as an advertisement or package design for a period of time. Common designs or symbols, however, cannot be copyrighted. Controls for copyright protection are provided by the library of congress. Advertising is a competitive business in which me-too ads abound. Copyrighting of coined words, phrases, illustrations, characters and photographs can offer some protection from other advertisers who borrow too heavily from their competitors.

Copyright infringement can occur when a product is used in an ad without proper permission. For example, the retailer gap was sued by On Davis, a maker of high-priced metal eyewear, when the eyeglass were used in a Gap ad without permission. The designer behind the glasses explained that he wanted Gap to not include his eyewear because his high-status glasses "aren't compatible in my mind with jeans and sweatshirts". He also claimed the image of his high-end fashion products was hurt by being associated with a mass retailer, such as Gap.

Copycat ads that use the message strategy of another advertisers may also be subject to copyright infringement charges.

### **Advertising's Regulatory Environment**

In addition to Federal Trade Commission, the Food and Drug Administration and the Federal Communication Commission are dynamic components of advertising regulatory environment. Following are the types of advertising practices that they regulate:

## The FTC

Established by congress in 1914 to oversee business, the federal trade commission is the primary agency governing the advertising industry. Its main focus with respect to advertising is to identify and eliminate ads that deceive or mislead the consumer. Some FTC responsibilities are as:

- Initiate investigation against companies that engage in unfair competition or deceptive practices.
- Regulate acts and practices that deceive business or consumers and issue cease-and-desist orders where such practices exist. Cease-and-Desist orders requires that the practice be stopped within 30 days.
- Fine people and companies that violate either (1) a trade regulation or (2) a cease-and-desist order given to any other firm in the industry.
- Find the participation of consumer groups and other interest group in rule-making proceedings.

Especially FTC oversees false advertising of such items as food, drugs, cosmetics and therapeutic devices. That oversight includes such things as health and weight-loss business practices, 900 numbers, telemarketing and advertising that targets children and the elderly. The FTC monitors the rating system and the advertising practices of the film, music, and electronic games industries. Periodically it issues progress reports to congress on youth-oriented entertainment advertising to make sure that ads for products with potentially objectionable content- primarily violent and sexual contents- are not seen on media targeted to youth. The FTC's reports to congress covers advertising on TV, Web sites as well as print media.

The existence of a regulatory agency such as the FTC influences advertiser's behaviour. Although most cases never reach the FTC, advertisers prefer not to risk long legal battles with the agency. Advertisers are also aware that competitors may complain to the FTC about a questionable advertisement. Such a move can cost the offending organizations million of dollars.

## Regulating Deception

Ultimately, advertisers want their customers to trust their products and advertising, so many take precautions to ensure that their message are not deceptive, misleading, or unreasonable. Deceptive advertising is advertising intended to mislead customers by making claims that are false or by failure to make full disclosure of important facts, or both. The current FTC policy on deception contains three basic elements:

- 1) **Misleading:** Where there is representation, omission, or practices, there must be a high probability that it will mislead the consumer.

- 2) **Reasonableness:** The perspective of the 'reasonable consumer' is used to judge deception. The FTC test reasonableness by looking at whether the consumer's interpretation or reaction to an advertisement is reasonable.
- 3) **Injurious:** The deception must lead to material injury. In other words, the deception must influence consumers' decision making about products and services.

This policy makes deception difficult to prove because the criteria are rather vague and hard to measure. It also creates uncertainty for advertisers who must wait for congressional hearings and court cases to discover what the FTC will permit.

### **Regulating Substantiation**

Claim substantiation is an area of particular concern to the FTC in determining whether or not an advertisement is misleading. The advertiser should have a reasonable basis for making a claim about product performance or run the risk of an FTC investigation. Food claims, such as those focused on calories or carbohydrates, have to be supported by research about nutrition. Consequently, an advertiser should always have data on file to substantiate any claims it makes in its advertisements. Also, it is best if this research is conducted by an independent research firm.

The FTC determines the reasonableness of claims on a case-by-case basis. In general, the FTC considers these factors:

- Type and specificity of claim made
- Type of product
- Possible consequences of the false claims
- Degree of reliance on the claim by consumers
- The type and accessibility of evidence available for making the claim

### **Remedies for Deception and Unfair Advertising**

The common source of complaints concerning deceptive or unfair advertising practices are competitors, the public and the FTC's own monitors. If a complaint seems justified, the commission can follow several courses of action:

- Content Decrees,
- Cease-and-Desist Orders,
- Fines,
- Corrective Advertising,
- Substantiation of Advertising Claims
- Consumer Redress

### **Food and Drug Administration**

FDA is the regulatory division of the department of Health and Human Services that oversees package labelling, ingredient listing and advertising for food and drugs. It also determines safety and purity of foods and cosmetics. In particular, the FDA is a watch dog for drug advertising, specifically in the controversial area of direct-to-consumer ads for prescription drugs. Its job is first to determine whether drugs are safe and then to see that these drugs are marketed in a responsible ways. Marketing includes promotional materials aimed at doctors, as well as consumers.

### **Federal Communications Commission**

The FCC, formed in 1934 to protect the public interest in radio and TV broadcast communications, can issue and revoke licenses to broadcasting stations. The FCC also has the power to ban messages, including ads, that are deceptive or in poor taste. The agency monitors only advertisements that have been the subject of complaints and works closely with the FTC to eliminate false and deceptive advertisement. The FCC takes actions against the media, whereas the FTC is concerned with advertisers and agencies.

### **Other Regulatory Bodies**

In addition to FTC, the FDA and the FCC several other federal agencies regulate advertising. Most other federal agencies that regulate advertising are limited to a certain type of advertising, product, or medium.

### **Bureau of Alcohol, Tobacco, and Firearms**

The BATF within the Treasury department regulates deception in advertising and establish labelling requirements for the liquor industry. This agency's power comes from its authority to issue and revoke annual operating permits for distillery, wine merchants, and brewers. Because there is a danger that public pressure could result in the banning of all advertisements for alcoholic beverages, the liquor industry strives to maintain tight control on its advertising.

### **International Laws and Regulations**

An advertisers, agencies and media become more and more global, it will be imperative that the players understand the local ethical standards and laws in the countries on which they operates.

Marketing practices, such as pricing and price advertising, vary in their legal and regulatory restrictions. Distribution is particularly troublesome in some local markets, particularly those that operate with many small retailers. In Japan, distribution arrangements are handled through long and complicated negotiations that often involve the participation of a local business partner. Such problems with pricing and distribution can affect the way a brand is presented and the brand image itself can be affected.

Some product categories, such as over-the-counter (OTC) drugs, are particularly difficult because regulation about their marketing and advertising are different in every country. There

are also bans on advertising for certain types of products. Thailand has laws banning tobacco ads, as does Hungary. However, these bans are fairly ineffective as a result of indirect advertising- advertising that features a product other than the primary (controversial) product.

International advertisers do not fear actual laws; they fear not knowing those laws. For example, a marketer cannot advertise on television to children under 12 in Sweden or Germany, cannot advertise a restaurant chain in France and cannot advertise at all on Sunday in Austria. In Malaysia, Jeans are considered to be western and decadent, and advertising for them is prohibited. A commercial can be aired in Australia only if it is shot with in Australian crew, likewise in Malaysia all the production has to be done in the country and the talent have to be Malaysians.

There also are differences in the legal use of various marketing communications tools. A contest or promotion might be successful in one country and illegal in another. Direct marketing is also considered an invasion of privacy in some European countries and is forbidden.

Because of the difficulty of understanding the legal situation in each country, international advertisers try to work with either local agencies or with international agencies that have local affiliates. The important thing is to have someone in the country who knows the local laws and can identify potential legal problems.

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## **2.6 SOCIAL RESPONSIBILITY OF ADVERTISING**

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Corporate social responsibility marketing is the practice of combining a company's charitable activities with its marketing campaigns. Instead of just writing a check to a selected charity, the company would tie the amount of the donation directly to sales, and would make the fundraising campaign the focus of its advertising. Corporate social responsibility can benefit the company in more than one way. It can improve the public perception of the company, increase sales and improve employee morale.

For an ad campaign to be considered socially responsible, the advertising used in the campaign must meet an ethical standard. Corporate social responsibility marketing has been a focus of several major ad campaigns, but if the ads used in the campaign are seen as deceptive by the public, the company is unlikely to be considered socially responsible regardless of the theme of the advertisements.



### Check Your Progress- B

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#### Write True or False.

1. Where there is representation, omission, or practices, there must be a high probability that it will mislead the consumer, then it is called misleading deception.
2. Initiate investigation against companies that engage in unfair competition or descriptive practices, is a part of responsibilities of FDA.
3. Responsibilities for advertising solely lies upon the advertisers.
4. A trademark is a brand, corporate, or store name of a distinctive symbol that identifies the seller's brand and thus differentiates it from the brands of other sellers.

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## 2.7 SUMMARY

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The shape versus mirror debate is the central issue in considering advertising's role in society. Critics of advertising tend to believe that advertising has the power to shape social trends and the way people think and act. There are two pivotal areas of case laws- trademarks and copyright protection. The key regulatory agencies are ; the FTC, the FDA and the FCC. Advertising agencies have in-house ad review procedures and legal staff that monitors the creation of advertising. A number of advertising practices generate ethical questions in such area as offensive advertising, stereotyping, body image, etc. Ultimately ethical decision making comes down to a personal sense of what's right and what's wrong.




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## 2.8 GLOSSARY

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**Stereotype-** A stereotype is a representation of a cultural group that emphasizes a trait or group of traits that may or may not communicate an accurate representation of the group.

**Puffery-** Puffery is defined as 'advertising or other sales representation, which praise the item to be sold with subjective opinions, superlatives, or exaggerations, vaguely and generally, stating no specific facts'

**The Social Ethics-** The golden rule (Do unto others as you would have them do unto you).

**The Professional Ethics-** What would be viewed as proper by an objective panel of my professional colleagues?

**The Personal Ethics-** Would I feel comfortable explaining this action to the general public on TV? (A variation is: Would I be comfortable explaining this decision to my mother?)



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## 2.9 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

1. Social
2. Puffery
3. Message
4. Stereotype.

### Check Your Progress –B

5. True.
6. False.
7. False.
8. True.



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## 2.10 REFERENCES

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- Kenneth Clow. Donald Baack, “Integrated Advertisements, Promotion and Marketing communication”, Prentice Hall of India, New Delhi, 2003.
- S.H.H.Kazmi, Satish K Batra, “Advertising & Sales Promotion”, Excel Books, New Delhi, 2001.

- George E Belch, Michel A Belch, “Advertising & Promotion”, McGraw Hill, Singapore, 1998.



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## 2.11 SUGGESTED READINGS

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1. Kenneth Clow. Donald Baack, “Integrated Advertisements, Promotion and Marketing communication”, Prentice Hall of India, New Delhi, 2003.
2. S.H.H.Kazmi, Satish K Batra, “Advertising & Sales Promotion”, Excel Books, New Delhi, 2001.
3. George E Belch, Michel A Belch, “Advertising & Promotion”, McGraw Hill, Singapore, 1998.



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## 2.12 TERMINAL QUESTIONS

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- Q1. Explain the debate over whether advertising shapes or mirrors society.
- Q2. Explain how trademark and copyright are legally protected.
- Q3. In addition to FTC, what other governmental bodies are involved in regulating advertising practices.
- Q4. Define ethics and explain how it relates to advertising.
- Q5. How do you determine what is ethical?

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## UNIT 3 ADVERTISING AND THE MARKETING PROCESS

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### 3.1 Introduction

### 3.2 Objectives

### 3.3 Marketing Process

### 3.4. Summary

### 3.5. Glossary

### 3.6 References

### 3.7 Suggested Readings

### 3.8 Terminal & Model Questions

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## 3.1 INTRODUCTION

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Twenty years back, one of the leading brands of electronics in present era, Samsung was a little known name in US market. It was famous for making low end products like television, VCRs and microwaves. But then Samsung decided to make its name as one the premium brands in the electronics. They started to make desired changes in their marketing approach. They introduced new product line of premium quality. They started moving away from low end big discounts store like Wal-Mart to specialty stores. The prices of Samsung brand were less than the other premium brands, but placing their products in specialty and high-end store made it stand along to electronic giant in US market. The change in image of the company was supported by Advertisement and Promotional activities. “DigitalAll: Everyone is Invited” campaign tried to put Samsung’s offerings in the league of high end, versatile and exciting product and a reasonable rate. Fifty five advertisement agencies were club to one. Around \$900 million were spent on global integrated marketing communication campaign. Samsung’s advertisement campaign was to raise the level of brand awareness and also to enhance its brand image. Samsung was associated with the Olympics as a sponsor to reposition its image. Samsung provided Olympic fans, athlete and officials a joyful and memorable experience. They displayed the new products that were to be launched in US market. They used different methods for attracting the visitors. Daily entertainment program, product displays, free calling facilities made this experience memorable for the visitors. More than 200,000 people visited this Rendezvous and it was rated one of the most attractive

feature of Olympics. Samsung was able to change its image in the minds of customers by smartly altering its positioning strategy and effectively communicating it to the customers.

Above case, deals with practical example of different marketing strategies that an organization follows for changing its image. It includes identification of marketing opportunities, market segmentation, targeting, positioning and development of marketing program. In this unit we will try an look in detail different steps involved in marketing process

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## **3.2 OBJECTIVES**

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After reading this unit, you will understand the following things;

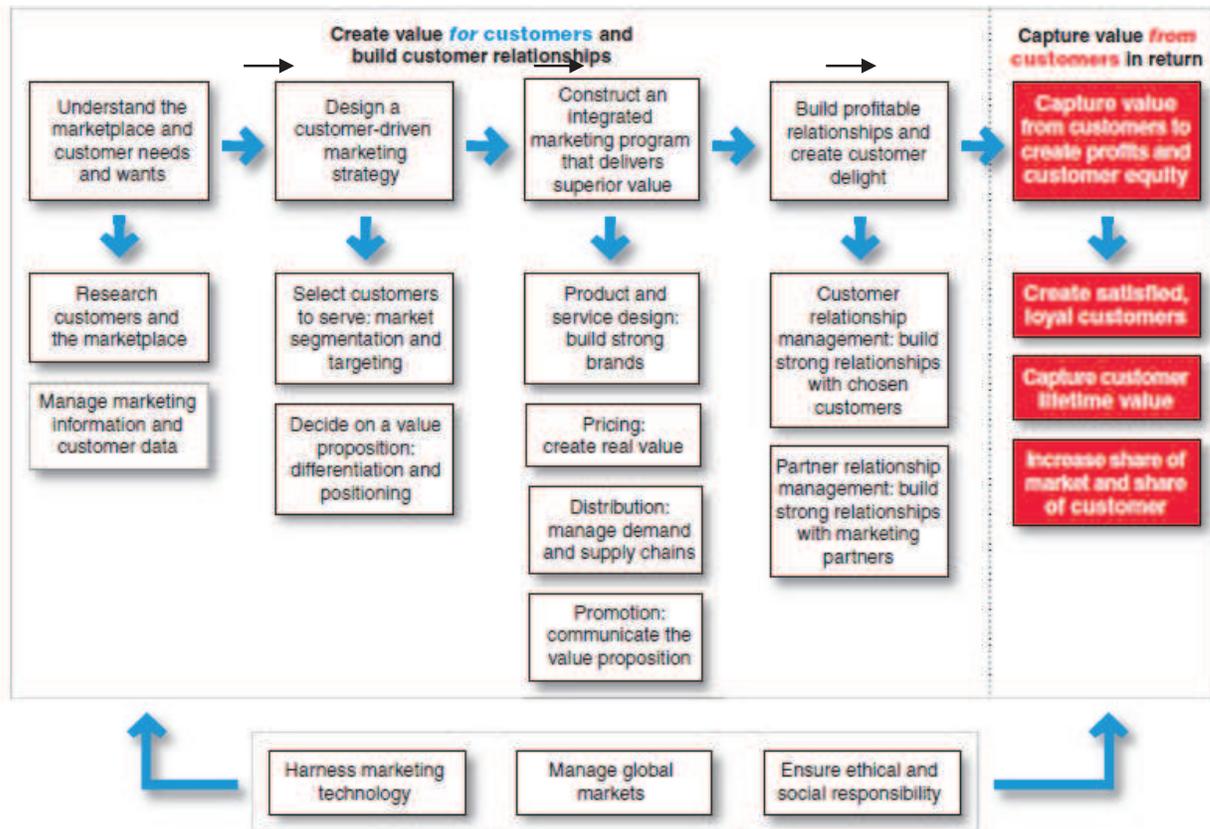
- About Marketing Process.
- Concept of need want and demand.
- Different aspects associated with Segmentation Targeting and Positioning.
- Role of different marketing Mix in marketing process.

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## **3.3 MARKETING PROCESS**

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Marketing deals with satisfying the needs and wants of customers in a profitable manner. It is important for any organization that believes in the marketing philosophy to make efforts in understanding the customers, market place, competitors and based on this identify the best opportunity available. Just identifying an opportunity is not the end. The organization must come up with the strategy for targeting the right audience. An important aspect of marketing process is to design a marketing mix strategy that is best suited for influencing the target audience. Proper control mechanism must be adopted while implementing the strategy so that efforts don't go in vain. A flow chat of market process is given below.



**Fig 3.1 Detail Marketing Process**

**Source:** Page 29, Kotler Armstrong, *Principle of Marketing*, 14 Edition Prentice Hall Publication

### 3.3.1 UNDERSTANDING MARKET PLACE AND CUSTOMERS NEEDS AND WANTS

For designing an effective strategy, it is very important to understand the ongoing market trends. Many factors are there, which have the capacity and capability of changing the total market. It is quite important for an organization to analyze the market properly before entering into it.

First thing that an organization must do is understand the needs and wants of the consumers. Understanding what customers needs, will give an idea about what to produce so that that need can be satisfied effectively. This is not as easy as it sounds. Many a times, customer has no idea about what their needs are and thus is not able to convey it to service providers.

Before going into details let's understand what need wants and demand is. Need is any state of felt deprivation. It means that feeling arising out of state of not having something. Needs may be physical, physiological social etc. Want is anything that we desire to fulfill our need. Demand is that want that is backed by purchasing power. For example, let us assume that Mr. X who is a South Indian is feeling very hungry, leading to creation of feeling of deprivation.

This feeling of deprivation generates need for food. Now he has plenty of food items that can fulfill his need for food but being South Indian he is looking for a South Indian delicacy. Different types of South Indian foods that he wishes for are his Wants. He goes to a South Indian restaurant and looks into the menu card. He identifies that the money that he has is sufficient for buying a plain dosa not masala dosa. Thus, plain dosa which he can afford, becomes his demand.

Marketers are very keen in understanding the needs and wants of the consumers. Carrying out marketing research programs, developing ways for generating feedbacks from the customers and getting an insight about changes in their buying behavior pattern is very much part of their daily routine. Companies that have achieved big reputation have given huge importance to customers and their perception. With advent of technology, the ways of understanding the customers has also changed. Usage of social networking sites has brought customers in direct touch with top officials of the companies. A customer can directly connect to official of any organization via face-book and twitter and interact with them easily.

A remarkable example of benefits arising out of understanding and knowing the customer's insight is success of Apple ipod. There were lot of digital music players but it was apple, that made history, by making a correct and appropriate digital music player. After spending quality time in understanding the insight of the customers, the understood that people wanted to carry all their music with them but they don't want to carry a bulky and problematic music player. This led to creation of ipod, a sleek, small music player that can easily hold thousands of song.

After understanding the customer's, another step is to create a market offering that can satisfy their needs and wants. For satisfying the customers, it is must for any organization to offer them a bundle of product, service, information and experience. A market offering can be of any form. It may be a tangible product like a mobile phone, or it may take up the shape of an intangible service like listening to a motivational speaker. It may be an experience of life time as experienced derived in visiting a place (A campaign of Kerala tourism, projecting Kerala as God's own country), or it is a person for whom a favorable image is to be created like Donald Trump in recent presidential election in USA. Therefore, offerings are a broad category and must not misunderstand it as, just a tangible product.

Marketers must put in efforts for designing a complete product offering for the customers. Concentrating just on the tangible product and missing out the importance of service and experience and overall benefits associated with is **marketing myopia**. It is one of the big mistakes. For example, if a hotel concentrated in making best architectural marvel for the customers, thinking it is the only important aspect for attracting the customers than it is bound to loose on business, as customers gives a lot of importance to the service and experience associated with hotel business.

Another important aspect to understand is **market**. Market is any place where potential customer and buyers interact freely for exchange of goods and services at a pre-determined price. There are many factors associated with the market that must be kept in mind while taking any business decision, as these factors tend to change the environment were business

exist. Environment where an organization work is classified as Internal or External Environment. Internal Environment is the environment prevailing within the organization like values, mission vision or the organization, technological advancement in the organization. On the other hand, external environment is one outside its preview. Organizations have very little or no control over the external environment. We can classify external environment as Micro-Environment and Macro- Environment.

Microenvironment means those environmental factors that have direct bearing on the functioning of the organization. Examples of micro environment are Suppliers supplying goods, buyers purchasing the products, competitors competing in the market for attaining market share, middlemen/intermediaries that assist in providing the goods/ services to the final consumer, financiers providing funds, general public and last but not the last any new entrant that can snatch the share of costumers.

Macro environment means those environmental conditions that can affect working of any business firm but are not in control of the organization. When a firm is not able to alter a business environment than the best strategy is to adopt with the changing scenario. Economic environment, Social, Political, Legal and Technical environment are part of external environment affecting any business.

### **3.3.2 UNDERSTANDING CUSTOMER DRIVEN MARKETING STRATEGY**

After proper understanding of the customers and market, next step is to design a customer driven marketing strategy. For this, it is important to identify the customer that we need to target and offerings that we need to provide to the targeted set of customers.

We will try to discuss this total process in a synchronized manner. First step of the process is to divide the total population in a homogenous lot (**segmentation**), and then decide upon which segment to go for (**Targeting**).

#### **3.3.2.1 Segmentation**

Segmentation is a process of dividing the heterogeneous lot of consumers to homogenous lot. In segmentation, we divide the market into small groups, with each group different from another in terms of need character, behavior and attitude, requiring a separate set of marketing strategy. Organizations adopt different measures for segmenting the target audience. Few basic variables that divide the market into homogenous segment are as follows:

**Geographic Segmentation:** Whenever an organization looking to divide the total audience based on the geographical territory like boundaries of a nation, state, region or a city or locality is geographic segmentation. Now days, due to huge amount of customization firms are looking to make their offering suitable for local region. Their emphasis is on a global business with having the flavor of local market. Dividing the market based on geographical segmentation has its own advantages. For a larger firm, dividing the market on geographic segmentation gives them an idea about differences among customers residing in different

areas. A company may adopt one marketing strategy in one area and another marketing strategy in another area based on geographical differences. For a smaller firm it helps in identifying the right and optimum geographical territory that they can cater.

**Demographic Segmentation:** Demographic study means a study dealing with traits and characteristics associated with population residing in any area. Different traits are used to divide total population into different demographic segments. So, demographic segmentation means dividing the total market into small homogenous lots divided on the basis of traits like age, gender, family, family size, religion, cast, income, occupation etc.

The preference and taste of the people change with **age and life stage**. For example, preference for Baby Tv and Disney channel is quite high among kids up-to age of five while MTV is a channel attracting a large audience in their teens and early twenties. **Gender** plays an important role in dividing the consumer into different segments. Beauty products initially were targeted to females. Later marketers realized there is another segments of males who is a big buyer of creams and other beauty products. Fair and Handsome cream is an outcome for treating males as a separate segment. In the same manner, as an outcome of changing image of women in society they are now projected as a separate segment and thus designing product specifically for them (Hond's Why should boys had all the fun campaign, treat female as a separate segment for two wheelers). Preferences of a person depends upon its **income**. Dividing market into income basis helps in catering to the requirement of that segment. Tata has designed Nano for lower annual income group who mostly use two wheelers as a mode of transportation

**Psychographic Segmentation:** A form of segmentation based on social class, life style or personality of a person. **Social Class** a hierarchical structure of classifying population based on their socio economic, cultural, educational conditions. Common class system prevailing society is Upper Class, Lower Class, Middle class. **Lifestyle** is an outcome of attitude, interest and opinions of an individual or of a society. Lifestyle tends to affect buying behavior of a person to great extent. People of same occupation, age, gender, income level, socio-economic conditions can have different ways of living or different philosophies guiding their lives. This tends to change their lifestyle too. For example, a huge section of Harley users (bike associated with ruggedness, machoism, roughness and a bad boy image) are white collar professional.

**Behavioral Segmentation:** It is a segmentation exercise of dividing the total market based on consumer knowledge, attitude, usage, response, occasion and benefit sought. Grouping buyers based on **occasions** for purchasing the product or a service is one of ways to do it. Example of it are celebration of Valentine's Day, mother's day, father's day are special occasions for which marketer plan and bring special offer for attracting the desired set of customer. In **benefit segmentation**, we tend to look for the major benefits that we derive in using a given product. Every person's mindset may be different for same type of product.

For example, a sports shoe company segments its market according to different set of customers looking for different benefits. While young people will be looking for balance of stylish and athleticism, athletes will be looking for shoe that can enhance their performance.

A mother of small kids will be looking for a value proposition and will not give much importance to its other features. All these segments are different from each other. The company will target that benefit segment which they can serve better. The Market can be segmented based on **user status** as first time user, ex user, potential user etc. The reason of it is to retain the present user, strengthen the existing customer base and attract the potential users for trying out the product offerings. We can also segment market based on **user rate** as heavy, medium and light user. **Loyalty status** is another important aspect of segmenting the market. For example companies like Apple have a cult following making it one of the most sought after brands.

Marketers tend to segment the market using multiple variables. This helps them in obtaining a small, better and refined target group. For example, a high-end sports car company will try to group the customers based on income, life style and benefit sought segment. This multiple segmentation will help the company in reaching to the right audience effectively.

### **Key Features of an Effective Segment**

For any segmentation process to yield effective results, there are few criteria's that it must meet. This list of criteria's is as follows.

- A) **Measurable:** The size, number, purchasing power of the segment must be measurable, meaning a reliable data about the quantitative aspect of the segment must be available so that decision can be taken on it easily.
- B) **Accessible:** The people lying in that segment must be assessable. They should be reached and served easily.
- C) **Substantial:** The size of the segment must be big enough for making it profitable for the company it serves it.
- D) **Differentiable:** People lying in one segment must respond differently than the people lying in another segment. If the people in both the segments react in the same manner, they are not the part of different segments.
- E) **Actionable:** An effective marketing program can be designed for attracting and serving the segment.

### **3.3.2.2 Targeting**

As an outcome of segmentation, we will get an idea about the market opportunities that are available for an organization. The next phase is to evaluate the market segment and decide upon which segment to serve.

#### **Evaluation of Market Segmentation:**

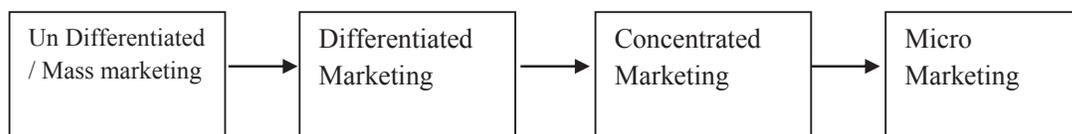
Evaluating the market segment requires looking into three factors; ***Segment size and growth, segment attractiveness and Companies objective and resources***. The first thing to understand is segment size and growth. A company must look upon the sales in the given segment, growth rate and profitability of that segment market. It is important to study this parameter as it helps in knowing whether the size of segment is large enough to be profitable or not. Size and growth alone are not good predictors of a good market segment. A small

company may find a big and growing segment quite competitive. Finding the right size and right growth rate of the segment is quite important. A company needs to study the segment in detail for better understanding of it. Identifying the competitors, number of substitutes, buyer and their bargaining power, number of suppliers and their dominance are few important factors that are useful for indentifying the attractiveness of the market segment. Being attractive does not mean that the segment should be targeted. Companies' objectives, policies and resources play an important role too. The segment must match with the long-term objective of the organization. In addition, the firm must have sufficient resources to cater to the segment effectively.

### Selecting the Target Market Segment:

Proper evaluation of the segment gives an idea about overall attractiveness of a segment. After this, the company must decide which and how many segments to target. A **target market** is a set of customer have same characteristic features that meets those requirement that a marketer is looking for and thus served by the marketer.

Targeting of market is at different levels. A detail figure of different marketing strategies is given below.



**Fig 3.2: Market Targeting Strategies**

**Source:** Page 201, Kotler Armstrong, Principle of Marketing, 14 Edition Prentice Hall Publication

- A) Un-differentiated Marketing:** Un-differentiated marketing is a targeting strategy where the firm ignore market segment and create a standard product to offer to its cusotmers. The market program is design to attract a large set of customers. This marketing strategy is helpful in reducing the cost, as the product is a standard product. Major drawback is that the product is a general offering, appealing to a mass audience, and if someone comes up with a specific offering, specific for a targeted audience than that segment will prefer competitors offering more.
- B) Differentiated Marketing:** In differentiated marketing firm select multiple segments and come up with separate offering for each segment. Example of differentiate offering is VF corporation offering product line for five major segments—Jeanswear, Imagewear (workwear), Outdoor, Sportswear, and Contemporary Brands. The differentiated marketing tends to enhance the chances of success as for each distinct segment they have a separate offering and thus making higher sales but on the same hand the cost involved in doing the business also increases as rather than one big standard lot firm has to make different smaller lots. Another drawback is of developing different marketing strategies for different products, which is a cost intensive exercise.

- C) Concentrated Marketing:** Concentrated marketing is also known as “*niche marketing*”. In this form of marketing rather than going for smaller portions of a multiple big segments, a firm targets a sizable portion of one or few segments. For example, ESPN and Star sports are catering to the niche customers that prefer to watch sports. Concentrated marketing help in meeting the requirement of the target audience effectively as the firms going for concentrated marketing tend to have good knowledge about the target segment. Niches due to their smaller size, tends to attract less competitors. A lot of organization that have fewer resources start their operations by catering to a niche and then grow in size with times to come. Niche marketers also run in a huge risk as they are catering to a very few segments thus if that segments preference are changed the market may be totally destroyed. Another problem is that the size of total target audience is smaller than differentiate or mass marketing and if, a large firm with higher resources enters into the market, it will become riskier for smaller firms to sustain.
- D) Micro- Marketing:** Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations (*Philip Kotler*). In this form of marketing, marketer’s tend to customize the product offerings for a smaller set of audience. It includes Local and Individual Marketing. Local marketing means designing product and offering meeting to the requirement of local customers in a given locality whereas as individual marketing is about needs and want of individual customers. Micro market is the most. For example Wal-Mart providing different soup assortments to the customers at different locations is an example of local marketing whereas Dell making customized PC’s for customers is an example for individual marketing.

### Choosing a Targeting Strategy

Of the available targeting strategy, a firm has to choose one that fits to its marketing plan. When the product is more or less uniform and the buyer have same taste and preferences then mass marketing is a right option. A product with multiple variation fits into the scheme of differentiated marketing. A firm with limited resources can start with concentrated marketing.

It is always better to use a narrow marketing approach than that of the competitor. If the competing firm is going for differentiated marketing than using mass marketing will be a loss making option.

### 3.3.2.3 Positioning:

Positioning is defined as creating an image in the minds of the customer. It is an art of fitting the product or service into one or more segments in a way to set it apart from the competitor’s offerings. There are many products catering to the requirement of customers. While making the purchase decision it is impossible for customer to reevaluate the product offerings.

Therefore, the pre-designed image of the product makes it easy for the customers in taking buying decisions.

Positioning is inevitable. Customers tend to create an image of the product in their minds with or without the help of the marketers. It is quite risky for companies to leave this task on the hands of customer as they may create an image that doesn't match with the marketing strategy of the company. Companies, after a thorough planning, decide the positioning strategy that may be effective and advantageous for the company. For an effective planning strategy marketers make a *perpetual positioning map*, showing perception of customer towards their own brand viz-a- viz competitors brand. The perpetual positioning map created on the important buying dimensions. Perpetual mapping will help in identifying the key areas where the offering of a given company differ from the competitors offering.

Positioning strategies can focus on either consumers or on competitors. In both the strategies, the major focus is on promoting the features and benefits of the product. In case, when the focus of positioning is on consumers, marketers link the product with the benefits that the consumer will derive thus making positive image in the minds of customers. On other hand, when positioning is focused on competitors it talks about those benefits of the product that provide an edge to them with respect to competitors offerings.

There are number of positioning strategies that marketer can employ for developing a positioning program. David Aaker and Gary Shansby gave six different strategies, which are as follows

- I. **Positioning by Product Attributes:** In this positioning strategy, a brand is set apart from the competitors offering on the basis of specific characters and benefits associated with it.
- II. **Positioning by Price/ Quality:** In this positioning strategy, marketers tend to take benefit that arises out of price and quality. One way of doing it is, projecting the company's offering as a premium product offering and creating an image of a premium product, thus making cost a secondary aspect. Another way is projecting the image of the brand as a quality offering in competitive price.
- III. **Positioning by use or Application:** In this way of positioning, marketers create an image of the brand by linking it to a specific use or application that makes it different from that of the competitors offering.
- IV. **Positioning by Product Class:** In this positioning strategy, the offerings are created such that they tackle the competition emerging out from the different product class. For example, while competition of an airlines is with other air lines but they face stiff competition from roadways and railways. Designing a positioning strategy for bus service sighting cheap mode of transportation, adventure and enjoyment arising out of a road trip as compared to airlines is a viable option.
- V. **Positioning By Product User:** In this approach of positioning, we try to position a product offering by associating it with a user group.
- VI. **Positioning by Competitors:** Positioning strategy focusing on specific competitor, is an important aspect in today's business scenario. For example, Avis a car rental

agency positioned itself against market leader Hertz by stating, “We are number two, so we try harder. This helped in creating its image as a big successful efficient car rental service.

### **Determining Positioning Strategy**

After identifying the different alternatives of positioning strategy, marketers must choose the positioning strategy that is best for them. Development of positioning strategy is a six-step process:

- I. **Identifying The Competitors:** In this step, marketers list down all the competitors that can fight with them for the share of customers. The marketers must think of all the options, both in their product class as well as outside their product class, which can compete with them.
- II. **Assessing Consumers Perception:** After defining the competitors, marketers must determine the perception of customers towards them. They must try to list down different attributes that are important for customers in evaluating a product or the brand. This list can be created by detailed discussion with the customers, regarding their feeling towards the given product class.
- III. **Determining the Competitors Position:** After determining the different product attributes, next step is to evaluate different competitors as well as their own offering on those stated attributes.
- IV. **Analyzing the Consumers Preference:** There are different segments that a marketer can target. Each segment has distinct motivational behavior towards purchase of commodity. In this step marketer try to get into the mind of customers for understanding, what they look for while purchasing a product. These distinct purchase patterns give an idea about the differences in purchasing behavior of different sets of customers.
- V. **Making the Position Decision:** In the previous steps, marketers work hard for getting an idea about the position they need to take in market. To verify their stand they need to ask themselves some basic questions like is the segmentation strategy created by them is appropriate or not. Secondly, do they have sufficient resources to communicate the positioning strategy effectively? Third question they need to answer is about the strength of the competitors. Last but not the least they need to check whether the current positioning strategy is working effectively or not. Based on the answers of these questions a company can decide about its positioning strategy.
- VI. **Monitoring the Positioning:** After establishing a positioning strategy, a company must continuously monitor its performance. They must carry out research on time-to-time basis for understanding any change in customer’s perception.



**Check Your Progress-A**

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**Q1. What do you mean by Marketing Process?**

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**Q2. What do you mean by Market Segmentation? Discuss why it is necessary to segment the markets .**

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**Q3. Differentiate between Un-differentiated Marketing and Differentiated Marketing.**

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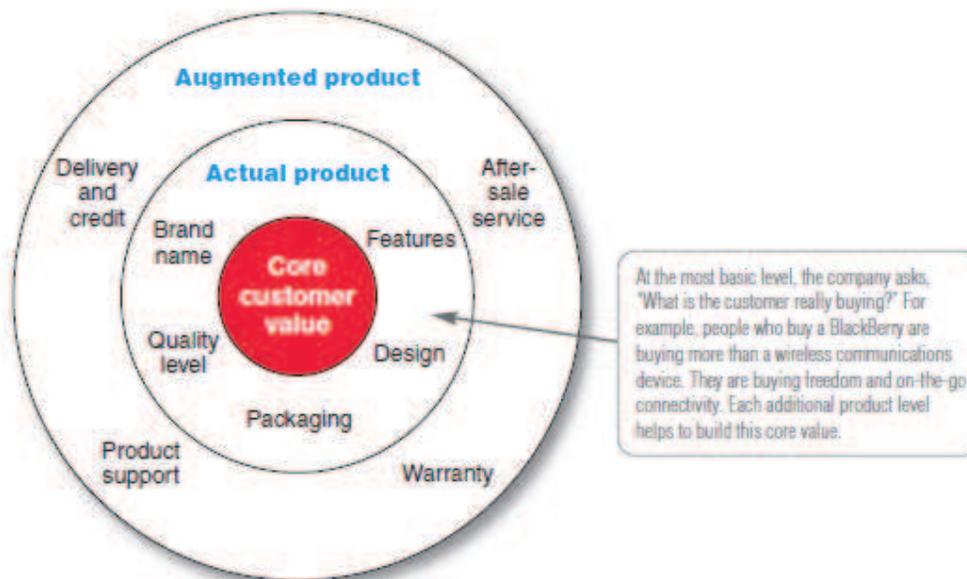
**Q4. What do you mean by Micro- Marketing?**

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### 3.3.3. CONSTRUCTING AN INTEGRATED MARKETING PROGRAM

In the above two steps, marketers get an idea about which customer to focus and what needs and wants to satisfy. Now for effectively targeting the customers, it is must that the company must design an effective marketing program combining different marketing mix in an effective manner. In this section, we will discuss briefly about the different marketing mixes and their utility in marketing process:

**A) Product Decision:** The foremost requirement for an organization to exist is having a product, service, idea or experience that they can provide to the customers. **Product** is a bundle of benefits that is provided to the customers for satisfying their needs. There are three levels for designing a product. Each level adds value for the customers. The most basic level is **core product offering**. It is the reason for which a customer is purchasing the product. The first thing that the marketers must do is define the core problem solving benefit of the product. Next level is converting the core product to an **actual product**. They do it by designing the product features, design, brand name and packaging. For example, a Ford eco sport is an actual product offered to the consumers. In the last step, we convert these core and actual product to **augmented product**. It is done by adding extra benefits like service delivery, warranty etc.



**Fig 3.3 Augmented Product and Actual Product**

**Source:** Page 226, Kotler Armstrong, *Principle of Marketing*, 14 Edition Prentice Hall Publication

For a successful designing of a product, marketer must take three decisions: individual product decision, product line decision and Product mix decision.

Important Individual Product decisions are as follows:

- **Product Attributes:** It is the characteristics of the product or service that delivers and communicate benefits of the product. Product quality, product features, product style and design are key product attribute decision that a marketer must take. Product quality is the ability to satisfy customer need. Product features are competitive tools that differentiate the companies offering with that of competitors offerings. Product style is about the appearance of the product while design is a deeper concept and deals with looks and usefulness of the product.
- **Branding:** It is any name, sign, symbol or logo that helps in differentiating the marketers offering with that of its competitors. Branding is all about creating strong brand equity in the minds of the customers. Customer can easily recognize a product offering based on its brand. Branding helps in creating an image about product consistency and quality.
- **Packaging:** The activities of designing and producing the container or wrapper for a product. It plays an important role in storing the product safely, attracting customer attention and facilitating in the sales.
- **Leveling:** Labels range from simple tags attached to products to complex graphics that are part of the packaging. Leveling perform several functions. It helps in identifying the product or brand. It also helps in *describing* several things about the product—who made it, where it was made, when it was made, its contents, how it is to be used, and how to use it safely. Finally, the label might help to *promote* the brand, support its positioning, and connect with customers.

**Product Line** means a group of products that are closely related as they function in the similar manner, or are sold to same set of customers, or are marketed from similar type of outlets or fall in the same price range. Any company that is selling its product in the market carries a line of product that it sells to different customers in the market. It is important for them to decide how much product it must carry i.e. product line length. A company with shorter line can enhance the profit by adding new member in the line thus increase the customer base and profit. A company with a much bigger line that is not properly managed, must remove few items from the line making it manageable and profitable.

**Product Mix (or product portfolio):** Product mix means the set of all product lines and items that a particular seller offers for sale. A company's product mix has four important dimensions: width, length, depth, and consistency. Width is number of different product line that a company is carrying, product mix length is number of different items in a given product line, depth is number of different version available in a given product line and consistency is how closely different offerings in product line are related to each other. A company must take decision about these four dimensions for making an effective product for the customers.

**B) Pricing Decision:** Price is the amount of money charged by the customers in exchange of benefits that they derive by using a given product or a service. It is one of the major factors that affect the buying behavior of a consumer. Pricing decision seems easy but contrary to the beliefs, it is quite tough for an organization to reach to an optimum price level. Pricing has direct impact on the profitability of any organization. The marketing managers are usually concerned with establishing the price level, developing the pricing policy and monitoring the competitors and consumers reaction towards price in the market place. There are three major pricing strategies that the marketers have for deciding upon the pricing level. First **Customer Value Based Pricing** is a pricing strategy where the final prices are set on the basis of buyers perception about the value of the product rather than the cost incurred by the seller in delivering that value. The value based pricing starts from understanding the customers' perception, than based on it setting the target price for delivering the desired value, calculating the cost that marketer will incur and at last design the product that they will deliver to the customers at the desired price level. This process is just opposite to traditional approach of **cost-based pricing**, which starts with designing and ends at customer. Cost based pricing is based on calculating the cost for designing, producing, distributing publishing, selling the product and adding a premium for profit, and risk involved on it. Third and the last Pricing strategy is Competition based pricing, which marketers design after thorough analysis of competitor's strategy, pricing, cost and market offerings. This pricing strategy tries to find the value provided by competitors with respect to the prices charged by them. Then they try to identify what strategy they can adopt. If the marketers find that, there a lot of small seller selling produce at higher price they can enter into the market at a lower price, making it tough for small players to adapt to changing situation. In case, marketers find many players are selling at lower price, they can design a product offering with higher price and additional value that they can deliver to the customers.

Apart from it there are different internal and external factors that affect the pricing of the company including companies overall marketing strategy, marketing objectives, market demand and different environmental factors that can affect the demand and perception of consumer towards their product offerings.

Pricing plays an important role in developing the image of the produce. The price of the product must be consistent with the perception of the product. Higher price of the product must communicate higher price quality while lower price must project bargain or value perception.

**C) Distribution Chanel Decision:** Many a times place or distribution is not given the due credit of their utility in total marketing process. Most of the customers don't realize the importance of distribution and takes their services for granted. The major task for providing place utility to the customers is carried out by distribution network. A firm can design an excellent product and a very reasonable price but it's of no use if that product is not made available to the ultimate customer. Firms of take many decision regarding usage of distribution network.

Members of the marketing channel perform many key functions. Philip Kotler and Armstrong in their book *Principle of Marketing, 14 Edition Prentice Hall Publication* have laid down different ways in which intermediaries extend help in creating effective marketing program.

*Information:* They help in collecting the information of competitors and market scenarios, company's performance that is needed for marketing research and market intelligence.

*Promotion:* They play an important role in promotional activities. Many intermediaries play an active role in delivering the desired message to the target audience.

*Contact:* They help in finding and identifying the target audience effectively.

*Matching:* Shaping and fitting the offer to the buyer's needs, including activities such as manufacturing, grading, assembling, and packaging.

*Negotiation:* Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.

Others help to fulfill the completed transactions:

*Physical distribution:* Transporting and storing goods.

*Financing:* Acquiring and using funds to cover the costs of the channel work.

*Risk taking:* Assuming the risks of carrying out the channel work.

One of the major decisions that an organization needs to take is on the number of channel partners. They may adopt direct channel with no intermediaries to a very long channel with multiple intermediaries in between. The number of intermediaries depends on number of factors. A product that requires lot of technical assistance and training to the customer will have a short channel. Eureka Forbes initially used direct channel with no intermediaries for selling their vacuum cleaner on the other hand goods that are sold on volume like FMCG products must have a large channel of distribution.

Now a day's firms have adopted variation of conventional marketing system like Vertical or Horizontal Marketing system for better control in value delivery to the customers.

**D) Promotional Decision:** A company adopts promotional mix that is a blend of different promotional tools for communicating to the costumers and building a strong relationship with them. Major Promotional tools are

- **Advertising:** Any paid form of non-personal communication for promotion of ideas, goods, or services by an identified sponsor.
- **Sales Promotion:** They are the short term incentive that are provided to the customers for encouraging them to purchase a product or service.
- **Personal Selling:** it is an exercise of giving personal presentation by the sales force of an organization to the perspective customers.

- **Public Relation:** It is an exercise of building good relation with the various publics for creating and generating a good image.
- **Direct marketing:** Direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships.

Any promotional campaign as discussed above is targeted for developing a good relationship with the consumers. Intermediaries play an important role in success of any organization. Many programs that are designed for motivating the channel partners for stocking the goods and merchandise of the advertiser. This is known as **promotional push strategy**. A push strategy tries to convenience intermediaries that they can make profit by selling the manufacturers product, encourage them store merchandise, and push it to the customers. On the other hand when the channel partner is not that convinced in stocking to goods of the advertiser another strategy that is known as **promotional pull strategy**. In this case the companies spend huge amount of money on their promotional and advertisement activities motivating the ultimate customer in buying their product. The goal of this is to create demand among consumers and encourage them to request product from retailers.

Whether to emphasize on push or pull strategy depends on number of factors. A firm with good relation with channel member will find it effective to use push strategy. Also, firms with limited promotional budget will look for a push strategy channelizing its resource to cost effective distribution network targeted campaign.

### **3.3.4. BUILDING PROFITABLE RELATIONSHIP WITH CUSTOMERS**

After successful completion of first three steps of marketing process, next step is to build a profitable relation with the customers. The profitable relation depends on creating a satisfied customer.

Customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It is based on two pillars of value and satisfaction. If the performance of the product is below the level of expectation, the customer is dissatisfied. If performance of the product matches to expectations of the customers than the customers are satisfied. In case the performance exceeds the expectations, the customer is highly satisfied or delighted.

An organization can develop various types of the relationship with the customer. At one extreme, a company with many low-margin customers may seek to develop *basic relationships* with them. At the other extreme, in markets with few customers and high margins, sellers want to create *full partnerships* with key customers. In between these two extremes, other levels of customer relationships are appropriate.

### **3.3.5. CAPTURING VALUE FROM THE CUSTOMERS**

This is the step of capturing the value from the customers in terms of present and future sales, attainment of market share and generation of profits. By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more. This, in turn, means

greater long-run returns for the firm. Marketers can achieve it by building strong *customer equity*. Customer equity is the total lifetime value of all the customers of the company. A company with large customer equity has more chances of succeeding. It is a better measure of company's performance than current sales and market shares.

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### 3.4 SUMMARY

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The marketing process is all about creating the value for the customer than it return can generate the profitability of the marketers. Advertising and promotion plays an important role in organization's effort of marketing its products. The marketing process starts with understanding the needs and wants of the customers. Apart from it, another important aspect is of understanding the market place. After having an idea about market and customer, next step is to design a customer driven marketing strategy that focuses on who our customer will be and what value will we deliver to them. It deals with process of segmentation targeting and positioning. After that an integrated marketing program is created for delivering the superior value to the customers. Organizations make use of all four P's in designing a campaign effective in catering to the customers. This all is done for creating a long-term profitable relationship with the customers.




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### 3.5 GLOSSARY

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- **Need:** Need is any state of felt deprivation.
- **Want:** Want is anything that we desire to fulfill our need.
- **Demand :** Demand is any want that is backed by purchasing power.
- **Marketing Myopia:** Concentrating just on the tangible product and missing out the importance of service and experience and overall benefits associated with it is marketing myopia.
- **Market:** The set of all actual and potential buyers of a product or service.
- **Micro Environment:** Microenvironment means those environmental factors that have direct bearing on the functioning of the organization.
- **Market Segmentation:** Market **segmentation** is the process of dividing a market of potential customers into groups, or segments, based on different characteristics.
- **Geographic Segmentation:** Whenever an organization looking to divide the total audience based on the geographical territory like boundaries of a nation, state, region or a city or locality is geographic segmentation.

- **Demographic Segmentation:** Demographic segmentation means dividing the total market into small homogenous lots divided on the basis of traits like age, gender, family, family size, religion, cast, income, occupation etc.
- **Psychographic Segmentation:** A form of segmentation based on social class, life style or personality of a person.
- **Behavioral Segmentation:** It is a segmentation exercise of dividing the total market based on consumer knowledge, attitude, usage, response, occasion and benefit sought.
- **Target Market:** A target market is a set of customer have same characteristic features that meets those requirement that a marketer is looking for and thus served by the marketer.
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- **Concentrated Marketing:** Concentrated marketing is also known as “*niche marketing*”. In this form of marketing rather than going for smaller portions of a multiple big segments, a firm targets a sizable portion of one or few segments.
- **Micro Marketing:** Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations.
- **Local marketing:** Local marketing means designing product and offering meeting to the requirement of local customers in a given locality
- **Positioning:** Positioning is defined as creating an image in the minds of the customer.
- **Perpetual Positioning Map:** Perpetual Positioning Map shows perception of customer towards their own brand viz-a- viz competitors brand on important buying dimensions.
- **Product:** Product is a bundle of benefits that is provided to the customers for satisfying their needs.
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### 3.8 TERMINAL QUESTIONS

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- Q1. What do mean by term need, want and demand.
- Q2. Explain the steps for creating a customer driven marketing strategy
- Q3. What is marketing? Discuss different steps of marketing Process
- Q4. Discuss the importance of marketing research in creating a customer driven marketing strategy
- Q5. What is segmentation? Discuss different basis of segmenting a consumer market.
- Q6. Explain the process of identifying the attractive marketing segment and chose a market targeting

Q7. What do you understand by term Positioning? Discuss different steps of positioning strategy

Q8. Discuss the role of 4P's in creating an integrated marketing program.

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## **UNIT 4 VARIOUS FORM OF ADVERTISING**

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- 4.1 Introduction**
- 4.2 Objectives**
- 4.3 Types of Advertising**
- 4.4 Advertisement Based on Influence on Demand Level**
- 4.5 Objective Based Advertisement**
- 4.6 Advertisement Based on Target Audience**
- 4.7 Advertisement Based on Timing of Response it Evokes**
- 4.8 Advertisement Based on Geographical Coverage**
- 4.9 Advertisement Based on Medium**
- 4.10 Dagmar Approach**
- 4.11 Assessment of Dagmar Approach**
- 4.12 Summary**
- 4.13 Glossary**
- 4.14 Reference/ Bibliography**
- 4.15 Suggested Readings**
- 4.16 Terminal & Model Questions**

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### **4.1 INTRODUCTION**

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Advertising is essentially a paid form of non-personal communication where sponsor is clearly identified. Advertising is both a form of communication and a form of promotion. Any organisation talks to its audience with the help of advertisements. For instance, a company that has developed a new product must tell existing and potential customers about the innovation. The purpose is to let people know that a new product is developed. It is, at this stage that the company is trying to create awareness among customers and potential customers about the new offerings. Moreover, in case of existing products, a company may like its audience to know about changes or refinements that have been made in terms of price or other features of the product.

In this unit, you will study about different types of advertising and their classification. In addition, we will try to understand the concept of DAGMAR, a marketing approach/ model, used for setting advertising objectives and measuring the results of any advertising campaign.

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## 4.2 OBJECTIVES

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After reading this unit, you will understand;

- Type of advertisement
- Advertisement based on Influence on Demand Level
- Objective based Advertising
- Advertisement based on Target audience.
- Advertisement on the timing of the response it evokes
- Advertisement on the basis of the extent of geographical coverage
- Advertisement according to the medium it Utilizes
- DAGMAR Approach
- DAGMAR Checklist
- Assessment of DAGMAR Approach

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## 4.3 TYPES OF ADVERTISING

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In this section, there is an attempt to classify advertisement into different categories. Concrete evidence, about initiation of advertisement and its evolution to the present form are not available. As far as classification of advertisement is concerned, different scholars have various means of presenting different types of advertisements. Bovee and Arens (1994) have tried to classify advertisements into three broad classification areas (a) Target Audience (b) Geographical area and (c) Function or Purpose.

For better understanding about classification of advertisements, we have tried to collect as many basis of classification of advertisements as possible and presented a detailed explanation of them below.

- A) Advertisement based on Influence on Demand Level
- B) Objective based Advertising
- C) Advertisement based on Target audience.
- D) Advertisement on the timing of the response it evokes

- E) Advertisement on the basis of the extent of geographical coverage
- F) Advertisement according to the medium it Utilizes

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#### **4.4. ADVERTISEMENT BASED ON INFLUENCE ON DEMAND LEVEL**

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a) **Primary Demand Stimulation:** Primary demand is the demand of product or service in totality, rather than of a given particular brand. The primary demand stimulation refers to advertising message that promotes the merits and benefits of entire industry rather than a particular brand.. If, insurance providers attempt to increase the overall demand of insurances with an advertising campaign, highlighting the virtues of having insurance in general, rather than concentrating on a specific brand sold by the particular company is primary demand campaign. Whenever a firm creates, a product or service offering that is new, primary demand stimulation is appropriate/ suitable. The major emphasis during this time is to inform customers about the new offering and the benefit arising out of its usages.

The idea behind primary demand stimulation is either to provide information regarding product or technology that is new and unfamiliar to the customers, or sometimes to convenience customers about the unknown or unrecognized benefits of the product. Thus, Primary demand is typically used either to launch a new product category or to attain attention towards an unknown or unfamiliar category.

Pioneer advertising is used in the introductory stages in the life cycle of a product is concerned with developing the primary demand. Many a times when the total demand of a given product category is diminishing than all the companies selling the product come together and pool in their resources to create a campaign that is designed to generate the overall demand of the product. It's also known as Co-operative advertising.

b) **Secondary Demand Stimulation:** Also known as selective demand stimulation, secondary demand stimulation is a better-recognized form of traditional advertising. In secondary demand stimulation, concentration of the campaign is towards a particular brand like Surf, Pepsi etc. The marketers involved in the selective demand advertising attempts to establish a differential advantage and to acquire an acceptable sort of market. Secondary demand stimulation advertisements attempts to differentiate the advertisers brand and product offering from its competitor's brand. This type of advertising is more used in building a

strong brand image. Competitive advertising that seeks to sell a specific brand rather than a general product category uses Selective demand stimulation.

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## **4.5 OBJECTIVE BASED ADVERTISEMENT**

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a) **Product Advertisement:** Product advertising is an art of enhancing the level of awareness among the potential buyers and induces them to purchase the product. Most of the advertising campaigns organized by a firm are product advertisement. They are design to promote sales or reputation of a particular brand or offering. While in institutional advertising, a firm is more concerned about enhancing the goodwill of the company, in product advertising their focus is more on promoting a particular brand with objective of increasing its total sales. Here the campaign is designed in such a manner that the potential buyers are informed about what the product is, why does one need that product, how to use it and benefits arising out of that product. It also helps in providing a competitive advantage to the particular brand with respect to competitor's offerings. According to the product lifecycle product advertisement may take any of the below mentioned three forms.

1- **Informative Product Advertisement:** The major aim of informative advertisement is to generate the initial demand of a given product. Whenever a new product enters in the market, i.e. it is in its introductory stage, customers do not have much idea about what the product is. Therefore, the first thing that the advertiser must do is to design a campaign that focuses on informing the customers about availability of the product. The main idea behind this is to make customer aware about the product and its features.

2- **Persuasive Product Advertising:** In the growth phase and sometimes in the maturity phase of the product's life cycle major concern for advertisers is to generate a positive attitude towards a product offering. The customers have information about the product and now the advertisers are more concerned in generating a positive attitude in the minds of the customers. The campaign designed is such, that its gives a fair idea to the potential consumers about the benefits arising by usage of the product and how that product is superior to the offerings of the competitors. The aim of persuasive product advertising is about developing the demand for a given product or a brand.

3- **Reminder Oriented Product Advertising:** In maturity and in the declining phase of the product lifecycle, the product is known to the customers, also, the customers have a fair idea about its comparison with that of the competing brands. In this stage, focus of the advertisers

is on reinforcing the previous promotional activity by keeping the brand name in front. The advertisers are more concerned about bringing the brand in front of the public so that the customers and potential customers do not forget about that brand and its offerings.

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## **4.6 ADVERTISEMENT BASED ON TARGET AUDIENCE**

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a) Consumer Advertising: Advertisements specifically targeted towards an individual or a household who is the final consumer of that product is consumer advertising. The firms involved in Business to Consumer (B2C) selling use this sort of advertising strategy. These advertisements focus on the need and wants of the final consumers and households. Products like Fast Moving Consumer Goods (Biscuits, Refined oil, Soaps etc.), Automobiles and Electronic Items( mobile phone, televisions, laptop etc.) use this sort of advertising strategy to convenience and persuade the final consumer.

b) Industrial Advertising: Final consumers do not purchase products like microprocessors of laptop directly rather laptop manufacturers purchase these microprocessors, which act as an important component in laptops. These products (like microprocessor) lie in a category of Business-to-Business (B2B) selling and advertising the products of these firms is Industrial Advertising. Many a times firms involved in business-to-business selling have low faith on advertising compared to another tools of promotion. They tend to use advertising because they feel that putting a break to the advertisement may benefit their competitors. Industrial buying process is much complex than consumer buying, making the task of industrial advertiser more complicated. One of the most successful campaigns of industrial advertising is “Intel Inside” campaign of leading microprocessor seller of the world, Intel. This campaign served many purposes. On one hand, it helped the laptop and personal computers manufacturers about their (Intel’s) microprocessors. Apart from it, the campaign had a huge impact in the minds of laptop and personal computers buyers. They were made to believe that, for better performance they need to buy those laptop and personal computers that have microprocessor of Intel thus act as a strong motivating force. This also puts pressure in the minds of laptop and personal computers manufacturers that being devoid of Intel processors can reduce the sales of their product. In addition, this campaign tends to attracts dealers and distributors to be part of chain selling laptop and personal computers with Intel microprocessors.

c) Trade Advertising: Advertising carried out by the intermediaries like wholesaler and retailer is trade advertising.

1- Retail Advertising: Retail advertising deals with advertisement sponsored by stores selling the goods and services to the final customers. The basic aim behind this advertising is to motivate consumers, to purchase from a specific store. Advertisements by car dealers, super stores and malls are examples of retail advertising.

2- Wholesale Advertising: An Advertisement campaign designed by wholesalers for attracting buyers (like retailers) towards their product offering is wholesale advertising.

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## **4.7 ADVERTISEMENT BASED ON TIMING OF RESPONSE IT EVOKES**

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Product advertising can induce consumers to take immediate action or may work on altering their overall attitude towards the product. Based on it, there are two different sub categories

a) Direct Action Advertising: An advertising campaign designed in such a manner that it works on motivating the customers for generating immediate response. Different Promotional methods that are targeted to potential consumers compels them in taking immediate action by responding to advertisers via, coupon to cut and mail, business reply card, toll-free telephone number, or, on the internet. Direct Action advertising generates the behavior directly through exposure and attention.

b) In-Direct Action Advertising: An advertisement campaign that does not bring an immediate change in behavior of the customers rather they tend to work with a long-term objective of altering the attitude of the customers. These advertisements tend to change the behavior of consumers by working on their attitude and comprehension. Changing the attitude of the consumers can enhance the probability of the purchase of a product but it is a time taking process.

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## **4.8 ADVERTISEMENT BASED ON GEOGRAPHICAL COVERAGE**

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Classification of advertisement can be on basis of geographical area they cover. They may be either (a) Global (b) National (c) Regional or (d) Local advertisements.

a) Global Advertising: Form of advertising utilized by an organization targeting audience at global level. In present business scenario of globalization, many firms are having their

operation in more than one country, catering to the requirement of consumers residing in those nations, example Pepsi, Coca Cola & General Motors etc.

b) National Advertising: An advertisement campaign designed by firms for targeting national audience. These advertisements act as a motivating factor for the consumer to buy the products wherever they are sold. Mostly national advertisements work on enhancing the overall image and desirability of the product.

c) Regional Advertising: Whenever firms are looking to target audience of a given region they will create an advertisement campaign suitable for that particular region. In addition, Manufacturers, wholesalers or retailers having their customer base in a give region follow regional advertisement.

d) Local Advertising: In Local advertising, a firm is involved in advertising the goods and services in one area or city. A retail outlet advertising its name and persuading customers to visit its outlet/ store is an example of local advertising

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## **4.9 ADVERTISEMENT BASED ON MEDIUM IT UTILIZES**

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One of the most common criteria used for classification of advertisement is medium of advertising like Television, Newspapers, and Radios etc. Different situation requires different mediums for carrying and disseminating the message. Success of any medium is dependent on various factors.

a) Audio Advertising: A form of advertising where audio systems like radios, loudspeakers are, utilized by firms for disseminating the message is audio advertisement.

b) Visual Advertising: A form of advertng involving the ability of a person to see is visual advertising. Usage of electronic hoarding, bill boards, leaflets and brochure etc. is an example of visual advertising.

c) Audio-Visual Advertising: A mode of advertising utilizing both sense organs eyes and ears for gaining the attention of the audience is audio-visual advertising. Medium like Television, Cinema are an example of audio-visual advertising.



**Check Your Progress-A**

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**Q1. What is Primary Demand Stimulation? How is it different from secondary demand stimulation?**

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**Q2. What is Primary Demand Stimulation? How is it different from secondary demand stimulation?**

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**Q3. Write a note on Consumer Advertising**

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**Q4. How is direct action advertising different from indirect action advertising?**

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**Q5. Fill in the Blanks:**

a) ..... advertising is used at introductory stage of a product

- b) All the companies selling the product come together and pool in their resources to create a campaign that is designed to generate the overall demand of the product is ..... advertising.
- c)..... advertisement is sponsored by stores selling goods and services to final consumers.
- d) ..... Advertising campaign designed in such a manner, that it works on motivating customers in generating immediate response.

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## 4.10 DAGMAR APPROACH

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In 1961, Russell H Colley wrote a book, under the sponsorship of Association of National Advertiser, named “Defining Advertising Goals for Measured Advertising Results.” This book gave a new approach known as DAGMAR approach of advertisement planning. It includes a defined and well-laid method for selecting and quantifying goals that act as yardstick for measuring the performances of an advertisement campaign.

DAGMAR approach revolves around the basic idea of “defining an advertisement goal”. An Advertisement goal is “A specific communication task that is to be completed in a given time period among the defined set of audience”. It clearly states following things

1. It deals with a narrow and specific set of task i.e. communication task rather than a broad array of marketing task.
2. It talks about setting specific goals with clearly defined task to accomplish.
3. The audience among which the task is to be completed is well defined.
4. The time involved is completion of task fixed.

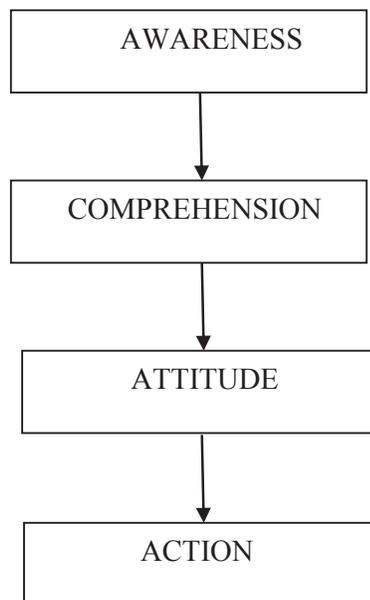
The two core points that act as the basis of DAGMAR approach are

- a) Generation of Communication task
- b) Designing Specific Advertisement Goals

### Generation of Communication Task

DAGMAR states that prime aim of advertisement is to move a consumer through four levels of understanding. Any company right from the word go cannot think of selling the product to the final consumers. Firstly, they need to tell consumers about the brand or product that they

are going to offer. In case, if a company is new then they must make consumers aware about the company and its offerings. In short, it is about taking the consumer from level of unawareness to the level of Awareness. After awareness, next thing is, having an understanding about the product and the benefits associated with it. This is the stage of bringing a sense of Comprehension about, what the product is and what are its benefits. After successfully going through this stage, next stage is of firm belief that in mind of customer regarding purchase the product. This is the stage of Conviction where consumer arrives at the point where he is mentally prepared and is confident to buy that brand. The last stage is Action where finally, he or she actually buys that product.



**Fig 4.1 Hierarchy of Effect Model of the Communication Process**

*(Hierarchy of Effect Model of the Communication Process: Source: Batra Rajeev, Mayer G. John & Aker A David; Advertising Management Fifth edition; Page number 131; Prentice Hall Of India Pvt. Limited)*

Now we will try to understand these four levels of understanding in detail.

a) Awareness: This is the first level of understanding. Awareness about the product or the organization is a prime thing before expecting any sort of purchase behavior from the side of consumer. The initial communication task of any brand or organization is to generate

consumer awareness about brand or organization facilitating brand, in moving a step ahead in the hierarchy.

b) **Comprehension:** This is the second step of communication task. In this step, focus is on providing information about the brand to the audience. In this stage, organizations tend to answer question like what the product is, what it will do for customers, how is it different from competitor's offering. The campaign is designed such, that it helps in establishing specific characteristics and appeals associated with the brand. Generating positive brand imagery and feelings is one of the ways of establishing the product in consumers mind. Information regarding potential benefits associated with the usage of the brand is also conveyed to the audience

c) **Attitude:** After making audience aware about brand benefits and offerings, next step is to establish a sense of assurance. Success of the initial two steps, have pushed audience to a point where he is convinced for trying the product in the next opportunity. Now the communication task of advertising activity is to mould the audience's beliefs about the product. To achieve this, advertising message either tries to draw parallel with the competing brands highlighting the points of superiority with rivals or it may project the rewards that are associated with the usage of brand.

d) **Action:** The last step of the communication task is to encourage buyers for purchasing the product. After successful completion of the first three phases, final step is to compel buyers to purchase the product immediately. This involves some sort of clear move on the part of the buyers such as trying a brand for the first time, visiting a showroom or requesting information.

### **Designing Specific Advertisement Goals:**

We have discussed before that DAGMAR approach emphasizes on the communication task of advertising rather than marketing objectives of the firm. The second important aspect of DAGMAR approach is that the advertisement goals must be specific. The advertisement designed must have written measurable task with a definitive starting point targeted to specific defined audience for a fixed time.

a) **Measurement Procedure:** DAGMAR approach needs to be specific while formulation of actual goals. It must give a clear-cut idea about aim of the campaign and must lay down the description for measuring its performance. Thus, there are two different aspects for any communication task. Firstly, the prime objective for which the message is designed, like

appeal or message, should be clearly stated. Advertisers must objectively and specifically, mention what to communicate to audience. This also helps in guiding the creative team in designing the content of the message clearly. Secondly, in DAGMAR approach it is important to have a specific measurement procedure. It emphasizes on having a way to ascertain whether intended message is, properly communicated to the audiences or not.

For example, a brand, let us say, X is selling sugar free soft drink. If they want to communicate to consumers about the benefits of the soft drink, first they must make sure that advertisement talks about the sugar free features of the product and the benefits arising from it. Next to check, whether the audience are able to perceive the message clearly or not, a questionnaire must be designed mentioning, “Name a brand selling sugar free soft drink” and distributed among audience. The responses of the respondents are quantified to mean the percentage of consumers who rated X as a sugar free drink.

b) Target Audience: A key aspect of DAGMAR approach is having a well-defined target audience. For designing an effective advertisement campaign, it is important to understand who the target audience is. Consumer of one specific brand, based on usage rate, tends to depict difference in their behaviour towards the product so we cannot design a campaign without understanding the target audience. For example, if a company is trying to enhance awareness, among non-users, about its services, it must first segment the total population into users and non-users than design the campaign that targets the desired population (non-users) effectively. Without proper understanding of the target audience, it is nearly impossible to design an effective campaign.

c) Benchmark: Benchmarking is the present level where the customer stands in term of response variables. Before setting the desired goals and selecting the campaign to achieve those goals, it is important to understand the present level of target audience with respect to response variables like awareness, knowledge, image, attitude or intention. An important key for the success of DAGMAR approach is to generate benchmark before designing the advertising goals.

Benchmarking is helpful because:

1. It helps in understanding the present level of target audience
2. A firm cannot design effective and optimal goal without benchmarking. It plays an important role in planning a program. Let us assume, that a firm without knowing the present status of the audience (whether they are aware about the product or not) designed a great

awareness campaign. Later they found that it is of no use as the level of awareness among target audience was very high from the beginning and the campaign needed for evoking comprehension rather than awareness.

3. Benchmarking also helps us in suggesting the ways of achieving the goals. For example, after benchmarking a firm can realise whether its image is effective or not. If the image is effective it may take decision for reinforcing the image, if it is not effective than it can think of changing the image or diffusing the image of the firm.

4. Measurement of results is not possible without benchmarking.

d) Time Period: An important aspect of setting the advertisement objective is to make them time bound i.e. establishing the time period which is required to accomplish these objectives. The length of time period may be short or long depending upon the objectives. Setting up of time period plays an important role in measuring the effectiveness of the campaign. After the stipulated time period is over results are available to evaluate the campaign. Evaluation of the results helps in checking the performance of the efforts. This can lead to either extension, contraction or change in the current efforts. The length of time period depends on the situation of advertiser and nature of response being sought. For example, a firm looking to enhance the awareness level requires less time than the time that is required in repositioning the brand.

DAGMAR Checklist: Russell H. Colley has provided a checklist of promotional task that act as a supporting document for the organizations that tend to implement DAGMAR. The suggestion was to rate each of the promotional task in terms if relative importance in context of product situation involved. The complete checklist consists of 52 items created to help in generating decision alternatives to for fulfilling a given objective. Few examples of the same are;

<b>TO WHAT EXTENT DOES THE ADVERTISING AIM AT CLOSING AN IMMEDIATE SALE?</b>	
1	Perform the complete selling function
2	Close sales to prospects already partly sold through past advertising efforts
3	Announce a special reason for “Buying Now”
4	Remind people to buy
5	Tie in with some special buying event

6	Stimulate impulse sales
<b>DOES ADVERTISEMENT AIM AT NEAR-TERM SALES BY MOVING THE PROSPECTS, STEP BY STEP, CLOSER TO SALES</b>	
7	Create awareness of existence of product or brand.
8	Create brand image or favorable emotions disposition towards the brand.
9	Combat or offset competitive claims
<b>DOES ADVERTISING AIM AT BUILDING LONG RANGE CONSUMER FRANCHISE</b>	
10	Build confidence in company and brand
11	Secure universal distribution
<b>HOW IMPORTANT ARE SUPPLEMENTARY BENEFITS OF END USE ADVERTISEMENT</b>	
12	Aid sales person in opening new accounts
13	Aid salesperson in getting preferred display space
14	Impress the trade

**Table 4.2**

(Source: Batra Rajeev, Mayer G. John & Aker A David; Advertising Management Fifth edition; Page number 135; Prentice Hall Of India Pvt. Limited. Only few points from the list are present in above table)

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## **4.11 ASSESSMENT OF DAGMAR APPROACH**

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DAGMAR approach had huge influence on advertising planning and objective setting. It gave huge importance to understanding of the present situation, i.e. benchmarking, before formulation of objectives. It changed the way of objective formulation and the measurement of results. DAGMAR approach introduced specific communication objectives like awareness, comprehension, attitude and action. It showed that these specific objectives are more appropriate for advertising than some other broad objectives like sales, which is dependent on multiple variables. Apart from setting objectives, it also emphasized on having a measuring mechanism in place that can measure the time bound performance of the campaign. Because of it there is a proper check and control mechanism, which provides scope for improvement.

No doubt, DAGMAR approach has been landmark in advertisement planning and measurement but not everyone associated with the field of advertisement has accepted it totally. Many questions have been raised about its relevance in advertisement planning. Four key criticisms of DAGMAR approach are as follows:

a) Usage of Hierarchy of Effects Model: The hierarchy of effect model is the backbone of DAGMAR approach. It states that consumer tends to move in a hierarchical sequence of communication effect, leading to purchase of the product. However, this is not true. No doubt, at times a consumer does follow the sequential order as in hierarchy effects model but in many cases action precedes attitude formation. In case of impulse buying, customer tends to purchase without comprehension. Most of the time this model does not hold true in case of purchase of low involvement products.

b) Sales as an Advertisement Goal: Many stakeholders feel that ultimate aim of any campaign is to enhance the sales and thus, it is the only relevant measure of advertisement. They feel that an advertisement campaign that is able to achieve communication objective but is not able to enhance the sale is irrelevant. For example if brand comprehension has no impact on sales positively than what is the point of measuring it. Moreover, if it tends to affect sales then why not to measure sales directly.

c) Practicability and Cost: Theoretically DAGMAR approach is quite relevant but practical implementation of it is quite difficult. Expensive research and tools are required to measure the changes in the response hierarchy. This approach is time taking and cost intensive. Many critics feel that DAGMAR approach is practical is for large firms who have huge research and advertisement budget at disposal and is beyond limits for small and medium firms.

d) Inhibits Creativity: DAGMAR is a rational approach that sets advertising objectives. It provides guidelines for the creative team in designing the advertisement campaign. Many a time advertisers plan to create a unique and creative campaign but it may not fit in accordance with the quantitative criteria laid down by DAGMAR. Too much emphasis on rigid structure, well laid performance measurement technique, stipulated time period may act as barrier in designing an advertisement campaign, which forces them to design a campaign in the given constraints compromising on the creative aspects.



***Check Your Progress- B***

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**Q1. What is DAGMAR approach?**

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**Q2. Is DAGMAR approach inconsistent with the hope of obtaining a truly brilliant creative advertisement campaign?**

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**Q3. Discuss Hierarchy of effect model of communication process?**

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**Q4. Critically analyze DAGMAR approach and its relevance in advertising?**

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## 4.12 SUMMARY

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Advertising is an integral part of promotional mix. Before understanding the usage impacts, planning and evaluation of advertisement, it is important to clarify different types of advertisement. Concrete evidence, about initiation of advertisement and its evolution to the present form are not available. As far as classification of advertisement is concerned, different scholars have various means of presenting different types of advertisements. Different criteria's for classification of advertisements are on basis of demand stimulation, objectives, target audience, timing of response, geographical coverage and the medium it utilizes for advertising. The above-mentioned criteria clubs homogenous advertisements in one category.

Apart from classification of advertisement, we also learnt about an important concept, i.e. DAGMAR approach. In 1961, Russell H Colley wrote a book, under the sponsorship of Association of National Advertiser, named "Defining Advertising Goals for Measured Advertising Results." This book gave a new approach known as DAGMAR approach of advertisement planning. It includes a defined and well-laid method for selecting and quantifying goals that act as yardstick for measuring the performances of an advertisement campaign. DAGMAR approach emphasizes on generation of communication task and designing specific advertisement goals. DAGMAR states that prime aim of advertisement is to move a consumer through four levels (Attention, Comprehension, Attitude and Action) of understanding. DAGMAR approach emphasizes on the communication task of advertising rather than marketing objectives of the firm. Another important aspect of DAGMAR approach is that the advertisement goals must be specific. The advertisement designed must have written measurable task with a definitive starting point targeted to specific defined audience for a fixed time. DAGMAR approach has been landmark in advertisement planning and measurement but not everyone associated with the field of advertisement has accepted it totally. Many questions have been raised about its relevance in advertisement planning. Key criticism of DAGMAR approach are usage of Hierarchy model, high cost, neglecting sales as an objective of advertisement and strict boundaries for advertisers to design the campaign.



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## 4.13 GLOSSARY

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**Consumer Advertising-** Advertisements specifically targeted towards an individual or a household who is the final consumer of that product.

**DAGMAR-** Defining Advertising Goals for Measured Advertising Results.

**Direct Action Advertising-** An advertising campaign designed for generating immediate response from customers.

**Indirect Direct Action Advertising-**An advertisement campaign that does not bring an immediate change in behavior of the customers rather they tend to work with a long-term objective of altering the attitude of the customers.

**Industrial Advertising-** A form of advertising used by institutions engaged in business to business selling

**Institutional Advertising-** An advertisement campaign to promote a given company or an organization or any business or institution rather than attempting to sell a given product.

**Primary Demand-** Primary demand is the demand of product or service in totality, rather than of a given particular brand.

**Product Advertisement-**Product advertising is an art of enhancing the level of awareness among the potential buyers and induces them to purchase the product.

**Retail Advertising-** Retail advertising deals with advertisement sponsored by stores selling the goods and services to the final customers.

**Secondary Demand-** It is the demand of a particular brand of a given category of product.

**Trade Advertising-** Advertising carried out by the intermediaries like wholesaler and retailer is trade advertising.

**Wholesale Advertising-** An Advertisement campaign designed by wholesalers for attracting buyers (like retailers) towards their product offering is wholesale advertising.



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## 4.16 TERMINAL QUESTIONS

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- Q1. Discuss Different Types of Advertising. How is Primary demand stimulation different from secondary demand stimulation?
- Q2. What are major differences between Informative, Persuasive and Reminder advertising?
- Q3. What is the need of Industrial advertising?
- Q4. Write a note of DAGMAR approach?
- Q5. Explain Hierarchy of effect model of Communication
- Q6. What are the drawbacks of DAGMAR approach?

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## **UNIT 5 ADVERTISING: CURSE OR CATALYST**

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### **5.1 Introduction**

### **5.2 Objectives**

### **5.3 Need for Advertising**

### **5.4 The Advertising Paradox**

### **5.5 Social Impact of Advertising**

### **5.6 Economic Impact of Advertising**

### **5.7 Roles and Objectives of the Advertising Standard Council of India (ASCI)**

### **5.8 Summary**

### **5.9 Glossary**

### **5.10 Reference/ Bibliography**

### **5.11 Suggested Readings**

### **5.12 Terminal & Model Questions**

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## **5.1 INTRODUCTION**

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Advertising is both, a form of communication and a form of promotion. It is the sum total of all activities involved in presenting to customers, potential customers and stakeholders, a paid, nonpersonal sponsor identified message about a product, service or organization. All organizations use advertising in some form or the other. A lot of money goes into advertising indicating its significance. Organizations must communicate with their audience, otherwise, how people will know that they exist and what they have to offer. It is essential for customers to understand the essence of business and the advantages of the enterprise's products and services. Enterprises, on their part are expected to be honest in their approach while advertising. Advertisements are often exaggerations and blown out of proportion. The use of technology sometimes projects unrealistic and impractical results of a product. Misleading advertisements harm the faith and trust of consumers who feel cheated. Consumer movement against such misleading and unfair practices has given rise to consumer forums. Even the government has set up redressal forums to protect the rights of the consumer. Advertising is praised but also criticized by critics in their own ways. Advertising has many positive impacts along with its negative consequences.

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## 5.2 OBJECTIVES

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After reading this unit you will be able to;

- Understand the significance of advertising
- Explain the need for advertising.
- Understand ethical issues related with advertising.
- Understand how advertisements may sometimes be misleading and the consequences thereof
- Understand the need for and the mechanism to counter unfair trade practices.

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## 5.3 NEED FOR ADVERTISING

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The global marketplace comprises a very complex set of players (competitors) trying to woo customers in a very dynamic environment. New firms are coming up in ever increasing numbers as small businesses and conglomerates expand through mergers, acquisitions and strategic alliances. These companies are trying to reach customers and potential customers in a variety of ways including print, digital and outdoor advertising. It is important for these firms to ensure that they are heard. Companies communication, therefore, must be clear and concise. There is a huge number of competitors in the complex marketplace, each with a message for potential customers. The task of advertising is quite challenging.

Communication is an essential part of advertising. A firm must talk to customers and potential customers. It is important to understand the process of communication. The process involves the following steps:

1. **Sender:** The process of communication begins with the sender who may be the manufacturer, middlemen, retailer or an advertising agency hired by the firm,
2. **Encoding:** the next step is encoding the message. A lot of creativity is involved in transforming the idea into attention getting, attractive advertisements designed for specific media with the help of media planning experts. The choice of media includes, Television, magazines, journals, newspapers, internet etc. The channel or medium that delivers the message to the intended audience is commonly referred to as the 'transmission device'.
3. **Decoding by Receivers/Customers:** The receivers/customers sensory organs decode the message. This could assume the form of hearing on radio, watching advertisements on television, reading offers etc. There is a possibility that a message may be interpreted in different ways by different people. This indicates failure of the communication process. It is important to ensure that the message is decoded/understood by receivers/consumers as it was intended by the sender.
4. **Feedback:** refers to the receivers/customers response to the message. Responses may take the form of inquiries, questions, complaints, website hits and purchases. The responses are an indication that the message has reached the receiver/customer. Marketers and others

involved in the process take all appropriate measures to ensure that the right message reaches the intended customers.

Advertising goes beyond just communication and seeks to favourably influence consumer perceptions of the firm and its products. Marketers are responsible for creating a good/quality image of the firm and brands in the minds of consumers. Messages are created with the intention to sell products in the immediate future and build and nurture the firm's and its offerings image in the long run. What consumers think or believe about the company, its image and offerings is far more important than what the company officials feel and think about the image.

Advertising seeks to promote brands. A strong brand serves to provide customers with assurances of quality and allows the company to charge more for products, which in turn enhances profitability. Building a strong brand and company image is, therefore, one of the most important purposes of advertising.

Advertising is needed to persuade and convince customers that a specific brand is better than competitors. Advertising is used to support other marketing functions especially the other elements of the promotional mix.

Action oriented advertising may encourage audiences to take action, sometimes, immediately. Infomercials, home shopping programs or dialing toll free numbers are some examples.

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## **5.4 THE ADVERTISING PARADOX**

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The significance of advertising cannot be underestimated. Advertising is an essential component of the promotion mix and marketers cannot imagine success in the marketplace without an effective advertising campaign. Advertisements are supposed to serve the purpose of communicating and stimulating consumers and potential consumers to make purchases. The messages must be practical and realistic. The shape, content and presentation of advertisements has changed dramatically in the recent past leaving the naïve viewer/reader baffled. Advertisements, sometimes tend to be unrealistic and misleading to attract potential customers in a fiercely competitive market. The race to win customers, sometimes, induces firms to resort to advertising that may not be in tune with the generally acceptable societal norms, values and beliefs. Consumers often complain about false claims made by firms in advertisements.

Let us briefly discuss the various types of advertising appeals used by advertisers:

**Sensual Appeal in Advertising:** Advertisements, all over the world use more visual sensual themes than they had used in the past. Sensual appeal, in most societies is no longer considered a taboo but advertisers continue to use sensuality in advertising in a variety of ways.

Sensual cues are placed by advertisers to influence the viewers' subconscious mind. Sensual suggestions in advertisements attract the attention of the audience. For examples advertisements of the products like perfumes, clothes and cologne.

Two important factors that must be considered are (a) The society's view and (b) the level of acceptance. The traditional values in relatively conservative societies may get eroded through the use of sensually provocative advertising.

Fear: is used by many advertisers to sell products. Life Insurance companies induce fear in the minds of people about the consequences of not having life insurance in case of death. The death of the primary earning member of a family is portrayed in a manner that is full of emotions and the inabilities of the surviving members to pay for education, marriage etc. Toothpaste and mouthwash ads invoke fears of bad breath. Shampoo ads scare people about the implications of dandruff. A person is shown as becoming a social outcast. It is very important to consider the strength of the appeal when using fear. A moderate level of fear is considered to be quite effective by advertisers. But, an advertisement with a high level of fear may cause feelings of anxiety among the audiences.

Humor: Humor is used in a large number of television advertisements and radio ads. Audiences enjoy advertisements that make them laugh. These ads attract the attention of the audience and they tend to remember humorous ads. Humor must be related to the product's benefits and advantages to customers. Though, some experts are of the opinion that humor is universal in application, it has been observed and felt time and again that humor is quite often culture based. It is sometimes extremely difficult or almost impossible to transfer wit from one culture to another. A humorous ad is not perceived in the same way by audiences from different cultural backgrounds. There have been cases when humorous ads were considered offensive and not funny.

Fantasy: is used in advertisements to transfer viewer experience away from the real world into a make believe one. Most of these fantasies are irrational. For example spraying a particular brand of perfume will cause women to flock to a man. The belief of the audience in these claims varies.



### *Check Your Progress-A*

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#### **Q1. What is the need for advertising?**

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**Q2. Do you support humour in advertising? Why?**

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## **5.5 SOCIAL IMPACT OF ADVERTISING**

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Advertising has both, positive and negative impacts on society. It serves to inform consumers about new products. Advertisements give consumers an opportunity to compare products and services to buy the best that suits them. It promotes healthy competition.

Charities can use media to advertise about the illnesses and encourage people for donations. Social organizations and NGOs can use advertising for promoting their campaigns. Seeking help through advertisement during epidemics or natural calamities can be of help in a variety of ways.

Advertising educates people about diseases and prepare them to take preventive and curative measures. Advertising can also be used to educate and motivate the public about non-commercial issues such as AIDS, TB, viral diseases, deforestation, family planning, etc. It is a powerful media which is capable of reaching to the far out masses. For example, polio ads, malaria and dengue ads are very informative and motivate people to take measures to minimize and eradicate these life threatening diseases. Some ads educate people about the harmful effects of excessive smoking or drinking. Emotional appeals are made through ads to smokers about how their children and other family members become victims of passive smoking.

Advertisements by government agencies like the Income Tax Department inform tax payers about paying their taxes and filing their returns on time. These ads also motivate people to pay taxes because emotional appeals are made through these messages about how these taxes would benefit the nation.

However, several criticisms levelled against advertising are as follows:

Consumption pattern: Advertising promotes consumption of goods and services. Marketers invest huge amounts on advertisements to create new markets. The enhanced consumption leads to increased production of products that use the scarce resources of our planet raising

genuine concerns about sustainability. Materialism is glorified through ads, tempting people to buy more.

**Health & Lifestyle:** Enterprises are selling lifestyles through advertisements that are not in tune with the consumers' culture. Revealing clothes promoted by skinny models influence the lifestyles of girls who are motivated to starve to maintain that kind of physique and wear dresses that may not gel with local culture. Such advertisements may cause anxiety among teenage girls who may feel dissatisfied with their bodies and feel outdated if they do not wear clothes that are promoted as 'in fashion'. 'Thinness' is idealized and 'fairness' is promoted as an essential prerequisite for 'beauty'. In an effort to become thin young girls and boys may have eating disorders and deficiencies. Dark skinned girls may get complexes and lose their self-esteem.

Fast food commercials sell us the idea, that if you are in a hurry or living life in the fast lane, then our fast delicious bite is your ideal meal. However, they always fail to mention that this fast delicious bite is loaded with tons of calories and unhealthy materials, and always lacking dietary fibre and essential micro-nutrients like vitamins and minerals that is essential for the body. They also fail to mention that fast food has been vastly linked with deadly diseases like hypertension, diabetes, high cholesterol, heart disease, and even many types of cancers. And as mostly teenagers form the largest number of fast food consumers, fast food is responsible for damaging the health of the next

**Adverse Impact on our value system:** The advertisers use puffing tactics, endorsements from celebrities, and play emotionally, which makes ads so powerful that the consumers like helpless preys buy those products.

These ads make poor people buy products which they can't afford, people picking up bad habits like smoking and drinking, and buy products just because their favorite actor endorsed that product. This affects in increased the cost of whole society and loss of values of our own selves.

**Deception/Misleading Advertisements:** The advertiser may intentionally mislead the consumer of believing some false claim about their product.

**The Subliminal Advertising:** Capturing the Minds of the consumers is the main intention of these ads. The ads are made in such a way that the consumers don't even realizes that the ad has made an impact on their minds and this results in buying the product which they don't even need. But "All ads don't impress all consumers at all times", because majority of consumers buy products on basis of the price and needs.

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## **5.6 ECONOMIC IMPACT OF ADVERTISING**

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Advertising is a powerful tool of competition. It provides valuable information about products and services in an efficient and cost-effective manner. In this way, advertising helps the economy to function smoothly - it keeps prices low and facilitates the entry of new

products and new firms into the market. U.S. advertising accounts for about 2.5% of the \$14 trillion Gross National Product. American consumers rely heavily on advertising to influence how they spend some \$9 trillion annually on various goods and services. A 1999 study by the WEFA Group, one of the country's premiere econometric modeling firms and the Nobel Laureate in economics Dr. Lawrence R. Klein, further underscored this economic impact. The study found that advertising played a key role in generating 18.2 million of the 126.7 million jobs in the United States in that year. The report further concluded that advertising expenditures contributed between 12 to 16 percent of private sector revenues throughout the country, in rural as well as urban areas. A later study, conducted in 2005 by Global Insight, demonstrated that advertising helps to generate more than \$5.2 trillion in sales and economic activity throughout the U.S. economy annually. That represents 20% of the nation's \$25.5 trillion in total economic activity. This economic stimulus provided support throughout the economy for more than 21 million jobs, or 15.2% of the U.S. work force. The purpose of the study was to quantify the economic and employment impacts of advertising. The study removed intervening effects (like consumers simply buying a product to replace an old one or a depleted one) to measure the role of advertising itself. Advertising plays such a strong role in the economy because it: Provides useful information to consumers that tells them about product and service choices as well as comparing features, benefits and prices. With more complete information, consumers and businesses often choose to purchase additional products and services. Advertising causes an economic chain reaction that generates a net gain in direct sales and jobs due to the promotion of the industries' products and services, generates indirect sales and jobs among the first level suppliers to the industries that incur the advertising expenditures, and generates indirect sales and jobs among all other levels of economic activity as the sales ripple throughout the economy. Advertising also plays a significant role in the business cycle. As the broader economy shifts between periods of growth and recession, advertising shifts its focus. During downturns, ads may focus on the price of a product or service. If one company curtails advertising in order to cut costs during a downturn, another company might boost ad spending to grab customers and grow its market share. Advertising helps stimulate economic growth. In a country in which consumer spending determines the future of the economy, advertising motivates people to spend more. By encouraging more buying, advertising promotes both job growth and productivity growth both to help meet increase demand and to enable each consumer to have more to spend. Companies spend money on advertising because it increases sales of existing products, helps grow adoption of new products, builds brand loyalty, and takes sales away from competitors. Although the exact return on investment (ROI) varies tremendously across industries, companies, campaigns and media channels, studies have found that a dollar spent on advertising returns \$3 to \$20 dollars in additional sales. To compete and grow in today's diverse, ever-changing marketplace, businesses must reach their target customers efficiently, quickly alerting them to new product introductions, improved product designs and competitive price points. Advertising is by far the most efficient way to communicate such information. The economics of advertising extend to the media channels that depend on advertising revenues. Many forms of advertising support the creation of content and make

that content available at a much lower price (or free). For example, roughly 75% of the cost of a newspaper is supported by advertising. If newspapers contained no advertising, they would cost four times as much to buy on the newsstand. Broadcast radio and TV rely exclusively on ads—people get news, music, and entertainment for free while advertisers get an audience. Forms of media that the public takes for granted would be extremely expensive to the reader or viewer or would simply be out of business without the revenues advertising produces. The demand created by advertising helps the economy to expand. Patis, S. William. *Careers in Advertising*. Blacklick, OH, USA: McGraw-Hill Professional, 2004. p. 9. Advertising supports the arts: musical artists visit ad agencies to meet with directors of music and pitch songs to them they can use in TV ads. Advertisers need music that calls attention to the brand. Artists come to agencies because they know that companies spend tens of millions of dollars on media buys. “The major record labels don't have that kind of money,” says Josh Rabinowitz, senior vice president and director of music at Grey Worldwide. What's more, “TV ads give you the kind of heavy rotation you can't get on MTV anymore. In the very near future, some of the best bands will produce jingles.” For example, Jonny Dubowsky, lead singer and guitarist for Jonny Lives! uses corporate sponsorships to get exposure for his Indie band. The band debuted a single on an EA video game and launched a video at 900 American Eagle stores. *Fast Company*, July/August 2007. For those with (slightly) different musical tastes, it's worth noting that “rock star” Barry Manilow wrote advertising jingles before he crossed over to recording songs. His credits include the Band-Aid song (“I am stuck on Band-Aids, and a Band-Aid's stuck on me”) and the theme for State Farm insurance (“Like a good neighbor, State Farm is there). <http://en.allexperts.com/q/Manilow-Barry-511/Manilow-TV-jingles.htm>, accessed July 17, 2008. The perspective called the economics of information shows how consumers benefit from viewing advertising. By providing information, advertising reduces consumers' search costs (time spent looking for products) and reduces disutility (unhappiness or lost value) from picking the wrong products. Advertising provides information such as: Describing new products and what they do Alerting consumers to product availability and purchase locations; Showing consumers what to look for on store shelves Helping them differentiate among competitive choices; Advising them of pricing information and promotional opportunities Ultimately, advertising also saves consumers money by encouraging competition that exerts downward pricing pressures. Advertising is a major industry. It contributes to the economy directly (via the jobs it creates to produce ad messages) but also indirectly as it stimulates demand and provides information about other products and services. Dog whistle advertising economics of information Advertising is “the glue that holds our culture together”. Evaluate this statement and decide whether you are in agreement with it or not. State and defend your position. Describe the economic rationale for creating, accepting, and using advertising. List and describe the six (6) information subjects relevant to consumers that are addressed by advertising.

## 5.7 ROLES AND OBJECTIVES OF THE ADVERTISING STANDARD COUNCIL OF INDIA (ASCI)

The Advertising Standards Council of India was established in 1985 for the purpose of overlooking the self-regulation and ensuring the protection of the interests of consumers. The council was formed with the support of all four sectors associated with advertising: Advertisers, Ad Agencies, Media as well as other significant groups such as PR Agencies, Market Research Companies, etc. The primary objective of this council is to promote responsible advertising; thus enhancing the public's confidence in Advertising. ASCI thus aims to achieve its own overarching goal i.e., to maintain and enhance the public's confidence in advertising. The Board of Governors (16 members) ensures equitable representation of Advertisers, Agencies, Media and other Advertising Services, the individual member firms being leaders in their respective industries or services.

The Consumer Complaints Council (CCC) (21 members) has 12 Non-Advertising professionals representing civil society, who are eminent and recognized opinion leaders in their respective disciplines such as Medical, Legal, Industrial Design, Engineering, Chemical Technology, Human Resources and Consumer Interest Groups; 9 are advertising practitioners from our member firms.

ASCI are represented in all committees working on advertising content in every Ministry of the Government of India. ASCI's Code for Self-Regulation in Advertising is now part of ad code under Cable TV Act's Rules. Violation of ASCI's Code is now treated as a violation of the government's rules. ASCI's membership of The European Advertising Standards Alliance (EASA) ensures that it gets valuable advice, learning and even influence at the international level.

The Consumer Complaints Council is ASCI's heart and soul. It is the dedicated work put in by this group of highly respected people that has given tremendous impetus to the work of ASCI and the movement of self-regulation in the advertising.



### *Check Your Progress-B*

#### **Q1. What are some criticisms levelled against advertising?**

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**Q2. What is meant by subliminal advertising?**

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**Q3. What role does the Advertising Standard Council of India play in advertising?**

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**Q4. The ASCI was formed with the support of which four sectors?**

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## **5.8 SUMMARY**

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Advertising is both, a form of communication and a form of promotion. It is the sum total of all activities involved in presenting to customers, potential customers and stakeholders, a paid, nonpersonal sponsor identified message about a product, service or organization. Companies communication, therefore, must be clear and concise. There is a huge number of competitors in the complex marketplace, each with a message for potential customers. Advertisements are supposed to serve the purpose of communicating and stimulating consumers and potential consumers to make purchases. The messages must be practical and realistic. The shape, content and presentation of advertisements has changed dramatically in

the recent past leaving the naïve viewer/reader baffled. Advertising has both, positive and negative impacts on society. It serves to inform consumers about new products. Advertisements give consumers an opportunity to compare products and services to buy the best that suits them. It promotes healthy competition. Further, you also learnt in the unit that the Advertising Standards Council of India was established for the purpose of overlooking the self-regulation and ensuring the protection of the interests of consumers. The council was formed with the support of all four sectors associated with advertising: Advertisers, Ad Agencies, Media as well as other significant groups such as PR Agencies, Market Research Companies, etc.



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## 5.9 GLOSSARY

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**Advertising:** A paid commercial message that seeks to promote products, services, organizations, events, and people.

**Advertorial:** An advertisement that resembles a news article or editorial in a print or electronic communication.

**Click fraud:** Also known as pay-per-click fraud, is the practice of artificially inflating traffic statistics for online advertisements, through automated clicking programs.



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## 5.12 TERMINAL QUESTIONS

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- Q1. Write a detailed note on the social impact of advertising.

Q2. “The primary purpose of The Advertising Standards Council of India is to promote responsible advertising”. Do you agree? Explain.

Q3. Suggest possible ways and means through which misleading /unethical advertising may be discouraged?

Q4. “Advertisements tend to exaggerate product attributes”. Do you agree? Explain with the help of examples

**Block II**  
**Advertising Planning and Strategy**

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## **UNIT 6 ADVERTISING BUSINESS: AGENCIES AND CLIENT RELATIONSHIP**

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**6.1 Introduction**

**6.2 Objectives**

**6.3 Advertising Industry**

**6.4 Functions of the Advertising Department**

**6.5 Advertising Agencies**

**6.6 Types of Advertising Agencies**

**6.7 Structure of Advertising Agency**

**6.8 Functions of an Advertising Agency**

**6.9 Revenue of Advertisement Agency**

**6.10 Working with Advertising Agency**

**6.11 Advantage of Using Agencies**

**6.12 Scope of Advertising Agency**

**6.13 Selecting an Agency**

**6.14 Setting Advertising Objectives: Bridge to Sound Client –Agency Relationship**

**6.15 Summary**

**6.16 Glossary**

**6.17 Answer to Check Your Progress**

**6.18 Reference/ Bibliography**

**6.19 Suggested Readings**

**6.20 Terminal Questions**

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## 6.1 INTRODUCTION

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From a situation analysis point of view, the advertiser needs to know what kinds of facilitating agencies exist and the nature of the services they provide. From a planning point of view much local advertising is done without the services of an advertising agency or a research supplier. On the other hand, a national advertiser may have under contract many different agencies and research suppliers, each serving one or more brands in a product line. Many advertising decisions involve choosing facilitating agency alternatives.

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## 6.2 OBJECTIVES

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Many advertising decisions involve choosing facilitating agency alternatives. After studying this chapter you would be able to understand

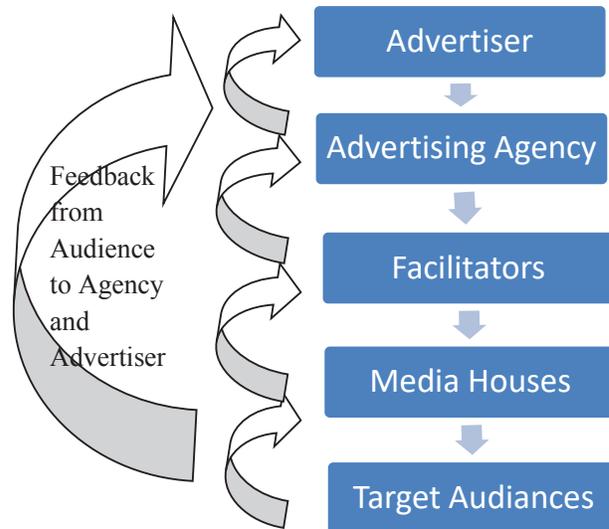
- What is advertising business?
- What is an advertising agency:
- What functions advertising agency perform should be chosen?
- What is structure of an advertising agency?
- How relation between agency and client be maintained?

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## 6.3 ADVERTISING INDUSTRY

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The advertising Industry is estimated about US dollar 529 billion worldwide. Indian advertising industry for 2017 is estimated to be Rs 63,000 crore comprising of both print and TV having a share of 38-40% each and rest for all other mediums. Worldwide advertising industry is going through a change. The most important change that is taking place is shift of advertising focus from print and TV to internet medium. Online advertising has shown highest growth in 2015 and 2016 due to heavy expenditure by advertisers and increased preference of online advertising. In spite of advertising industry is in transition the fundamental character of Advertiser, Agency and Media is still in place. Though the members at lower side give their input as feedback, the flow of advertising decision occurs in a top to bottom manner which is shown in figure 6.1 below. The advertisement industry has also witnessed function and structuring. Now a common phenomenon is creating business units that cater needs of large client's in dedicated manner. Another important shift that occurred in past few years is increased emphasis in viewing the media in holistic manner and developing sophisticated techniques that allows monitoring and measuring advertising across the media in integrated manner. However, though the advertising industry is witnessing such as strong growth yet the industry is dominated by few large agencies and they command the big share of advertising expenditure. This can be attributed to consolidation, acquisition and merger that occurred in last few years across the world.



**Figure 6.1: Flow of advertising decisions**

The advertising industry consists of three principal groups:

- (a) Sponsors, The clients
- (b) Media house
- (c) Advertising agencies or advertising departments.

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## 6.4 FUNCTIONS OF THE ADVERTISING DEPARTMENT

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Just as the organizational structure of an advertising department varies, the activity profile also is just to change from one organization to another. Otto Kleppner has identified certain activities which all most includes major functions of an advertising department from context of a manufacturing organization, though not limited only to them and extends to all other organizations as well. These functions are as follows:

1. Determine the advertising goal, the advertising budget, and the advertising plan in consultation with top management.
2. Help select the advertising agency that can best help to attain advertising objectives of company.
3. Explicitly defines the course of action and develop a plan of activity, allocation of work between the agency and advertiser. Establish with top management the internal division of such non commissionable duties as sales promotion, research and public relations.
4. Serve as interface between company and the agency. Share the policy and problems of management to the agency, keep it informed of changes in marketing strategies and other related areas.
5. Priorities e activities as per the requirements of marketing plan of the company.
6. Involve in consultation with agency and finalize advertising plan.

7. Organize advertising materials. Prepare, purchase and issue advertising materials. Scheduling point of purchase displays, direct mail, dealer advertising service etc.
8. Prepare issue and control billing of advertising done by the company.
9. Keep the sales force informed of the future advertising plans and schedule.
10. Designing advertising catalogue, detailing tools and prepare portfolios of advertising for the salesman's use in showing advertising to the trade and to the other distributors.
11. Monitor advertising performance and attainment of goals.
12. Handle marketing communication that directly comes to company such as mail enquiries originating from various sources.
13. Preparing advertising budget in consultation with top management. Ensure that all bills are properly checked, keep an account of funds and prepare proper reports for the management.



**Check Your Progress-A**

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**Q1. What is structure of advertising Industry?**

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**Q2. Briefly explain the shift taking place in advertising industry?**

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**Q3. How advertising decisions occur in the industry?**

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**Q4. List few important functions of advertising department.**

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**Q5. Choose the correct alternative.**

- i) Advertising industry consist of three principal groups, which among the options is **not** part of it:
- |                           |                         |
|---------------------------|-------------------------|
| a. The client             | b. Media house          |
| c. Financial institutions | d. Advertising agencies |
- ii) Advertising industry has gone through \_\_\_\_\_ last few years.
- |                   |                  |
|-------------------|------------------|
| a. Disintegration | b. Distress      |
| c. Retrenchment   | d. Consolidation |
- iii) The function of advertisement department is:
- |                                    |                    |
|------------------------------------|--------------------|
| a. Monitor advertising performance | b. Determine goals |
| c. Select agency                   | d. All of them     |

**6) Fill in the Blanks with appropriate word or words.**

- i) Advertisement department must keep the sales force informed of the future advertising \_\_\_\_\_.
- ii) Advertising decision making involves \_\_\_\_\_ from target audience and media house.
- iii) \_\_\_\_\_ advertising has shown highest growth in 2015 and 2016 due to heavy expenditure by advertisers on this medium.

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## **6.5 ADVERTISING AGENCIES**

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The term advertising agency is generally applied to a company whose main role is to provide advertisement services to any company that wants to run advertisement campaign. An advertising agency is an independent organization set up to render specialized services in advertising in particular and in marketing in general. Advertisement agencies conceive and implement large-scale marketing concepts for its clients. Traditionally, advertising agencies come up with the core idea for a marketing campaign and then create a series of advertisements which address that idea across different media. They tend to specialise in what is called above-the-line marketing where ads address a mass market through the

combination of media such as print, television, Online, radio and outdoor. Advertising agencies started as space brokers for the handling of the advertisements placed in magazines and newspapers. Today advertising agencies are increasingly being pushed by their clients to provide excellence in digital marketing.

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## 6.6 TYPES OF ADVERTISING AGENCIES

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Various types of advertising agencies exist in the industry. According to a major classification scheme advertising agencies are of two basic types, viz., Independent; and House. An independent agency is a business that is free to compete for and select its clients.

A house agency is owned by its major client. Depending upon the scope of services offered by advertising agency they can be classified into major groups. These major types of agencies are mentioned below.

1. **Full-Service Agencies:** Usually such agencies have worldwide operations and they offer host of end to end services, both advertising and non-advertising, to clients under one roof. Advertising services encompass planning, creating, and producing advertising campaigns for the clients. Full service agency perform almost all activities that a client looks for to meet its marketing objectives such as account planning, research, creative services, media planning, and productions of advertising material for print, broadcast, and out-door media. Non-advertising functions may include public relations, making corporate identity plans, packaging, organizing fairs, exhibitions and training material, etc. A full service agency can get involved with the client from marketing planning stage and may extend its services in related marketing functions of distribution and promotions.
2. **Limited service Agencies:** Limited service agency is one which can offer variety of services to its clients and they can choose and pick services that they want. These agency offer flexibility to clients and even small clients can get benefited from their services.
3. **Specialized service agency:** Such outfits specialize in or more aspects of advertising. Advertiser prefers them for their superior capabilities in certain area of advertising function. For example an agency may specialize in Out of Home campaign or Event based advertising. Their services are used by small and medium-size agencies which may not be in a position to afford highly cost creative writers or media planners.
4. **In-House Agencies:** Sometimes a company may have its own in-house advertising department to meet its advertising requirements. The in-house department performs the functions of an agency to the advertiser. An in-house agency is not completely free to serve other clients. The advertising department is an integral part such in-house agencies of the organization it serves. Such in-house agency can bring substantial cost saving in terms of commission to be paid to outside agencies. Though at first sight it may seem that in-house agency bring cost saving but not to forget that nurturing and sustain such in-house departments demands substantial cost and efforts.

Agencies can also be classified based on the geographical region that they cover. Following three types can be identified based on geographical coverage that an agency brings to its clients:

1. **Global Agencies:** These agencies have services around the world and have capability to execute the advertising requirements of clients in any part of the world. About a dozen such global agencies exist in the world such as BBDO, Ogilvy & Mather, McCann Erickson or Saatchi & Saatchi etc. Each of these operates a global network, comprising local branded offices in 100 or more different countries. The networks grew up primarily to serve multinational client companies such as Ford or Procter & Gamble, who wished to provide a consistent marketing message in all the countries in which they operate.
2. **Regional Agencies:** They are also called as "micro-networks", sometimes known as multi-hub creative networks. These are a comparatively recent invention, similar in most ways to the major networks, but operating a far smaller network, with perhaps only four or five worldwide offices. These agencies offer tailor made services to global companies. Examples include Bartle Bogle Hegarty and Wieden & Kennedy.
3. **Stand Alone Agency:** Such agencies are local to a country and have operations to only few local regions. They may exist independently and sometimes owned by one of the major groups. They mostly serve advertising requirement of local companies. The bigger of these standalone agencies are often able to offer a wide range of other marketing skills beyond creative advertising such as logistic support, media buying, directory services and son. Retaining creative and experiences talent is challenge to these agencies.

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## 6.7 STRUCTURE OF ADVERTISING AGENCY

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There are six departments in an advertising agency that make its function effective and produce valuable advertisements. The departments could name differently in various agencies yet they are designed around following major functions.

- **Account Services:** The major roles are to liaison with major clients and get business for the agency. They also serve as major interface between client's requirements and creative team of the agency. A solid creative brief is one of the main duties of account services.
- **Account Planning:** Conducting research and providing information needed to develop an advertisement is major function of account planning. Account planning department provides insight about consumer preferences, behavior, expectations etc. to keep advertising well target as per objectives. Chris Cowpe described account planning as "...the discipline that brings the consumer into the process of developing advertising. To be truly effective, advertising must be both distinctive and relevant, and planning helps on both counts."
- **Creative:** The appeal part of advertisement largely hinges upon the output of creative team of an agency. The final advertisement is designed and developed by creative team

that goes to media. Creative team may be comprised of Art designers, Copywriters, Production artist, Web page designers, Media experts etc. Department may bring in the talents of other designers and production artists as and when required. Everyone within creative services reports to the Creative Director who steer the creative product, making sure it is on brand positioning, on concept of marketing plan and on time.

- Finance and Accounts: The expenditure and revenue are handled by this department. Billing to clients, keeping track of payments, managing daily expenditure are important functions of this department. It ensures that funds are available to support the agency working and also keep a track of profitability of the agency.
- Media Buying: Purchasing of advertising time and/or space required for a successful advertising campaign is done by media buying department. This includes TV and radio time, outdoor (billboards, posters, guerrilla), magazine and newspaper insertions, internet banners and takeovers, including new and innovative places where an ad can be placed for a fee. This usually involves close collaboration with the creative department who came up with the initial ideas, as well as the client and the kind of exposure they want.
- Production: This department translated and creative idea in to real form. For example a creative brief for TV advertising can be converted in to an ad film by production department after shooting the advertisement. The function of production team can be anything from getting original photography or illustration produced, working with printers, hiring typographers and TV directors, and a variety of other disciplines needed to get an ad campaign ready.

In addition to above mentioned departments some supporting functions are also to be performed by the agency. The supporting functions are activities that involve Human Resources & Facilities, Research, Web technology and IT, Secretarial jobs etc. The scope and nature of these jobs vary from agency to agency depending upon size and scope of work.

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## **6.8 FUNCTIONS OF AN ADVERTISING AGENCY**

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The broad functions of an advertising agency are planning, preparing, and placing advertisements. An agency collects media information, such as the availability of time and space, offers creative skills, such as “campaign planning” and “appeal planning” and conducts research for client, such as providing brand preference data. The major functions of agency are explained through below mentioned points.

1. Planning begins with the advertiser, also known as client in advertising industry. The broad objectives of the advertising campaign are decided after talks with the client team during which the agency tries to find out about the various characteristics of the product and its strengths and weaknesses in relation to competitive brands. The people from the advertising agency should know about the client’s sale volume, distribution channels, competitive edge, and consumer insights.

2. **Brief to client:** After gathering insight about the brand, the agency is expected to bring about its recommendations to clients and put forward a strategy through which it could make the client achieve its marketing goals. Agencies are expected to verify the insights gathered from the client to be certain about various aspects of the product and related issues. It is here that the account planning team of the agency steps in to gather consumer insights, find out about the distribution chain, packaging and point of purchase, and to study the advertising agencies of competing brands. All the information and insights put together give the advertising agency an idea about developing a nice advertisement for the client..
3. **Developing and designing Advertisement:** The agencies one of the main function is to come out with nice advertisement. This job is done by creative and production teams of the agency.
4. **Media Planning:** Purchasing time and space to execute the advertisement is another function of advertisement agency. The media planning department along with clients marketing people design a mix of media through which the advertisement campaign is rolled out. The media planning involves interaction with media houses and deciding the schedule of advertisement appearance. The agency also does negotiations and set terms and conditions with media house.
5. **Miscellaneous functions:** Agency can perform many other functions for the client such as consulting the client on strategizing marketing, conceiving positioning and supporting point of sales communication and logistics design. These functions can be performed by an agency depending upon its size and scope of activities. All agencies may not indulge in these activities.

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## **6.9 REVENUE OF ADVERTISEMENT AGENCY**

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Main source of revenue for an agency is earning from commission paid by clients that used to be normally 15 percent. The agency may not receive a payment upfront from the client but it can mark-up the billing of third party services it purchase on behalf of clients and generate revenue. The commission would cover all the agency's in-house costs from research to creative concepts to media. Often, agency could charge some retainer fee from the client as upfront payment, this additional income for agency. In recent years commission earning started fluctuating where as earlier it was almost fixed to 15 percent. This shift occurred because agencies started competing fiercely and getting other's business by offering discount becomes order of business. The unbundling process that took place during the 1980s effectively put an end to commission-based remuneration advertisement agencies.

Under contemporary environment negotiated fees is main source of revenue for advertising agency business. The most common type is the labour-based arrangement; in which agency and client agree a business plan or "scope of work" (SOW) upfront. The agency calculates how many staff will be needed to execute that plan, often expressed as the number of full-

time equivalent employees, or "FTE"s, who will work on the account. A fee is agreed on that basis, ideally with an additional allowance on top for profit.



**Check Your Progress-B**

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**Q1. What is advertising agency?**

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**Q2. What is a full service advertising agency?**

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**Q3. What are global agencies? Give few examples.**

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**Q4. What is role of creative department in advertising agency?**

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**Q5. What is media planning function in advertising agency?**

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**Q6. Choose the correct alternative.**

i) Agencies offer host of end to end services are:

- |                           |                           |
|---------------------------|---------------------------|
| a. World centric agencies | b. international agencies |
| c. Full service agencies  | d. Selective agencies     |

ii) Advertiser prefers them for their superior capabilities in certain area of advertising function.

- |                          |                              |
|--------------------------|------------------------------|
| a. Specialized Agencies  | b. In-house agencies         |
| c. Full service agencies | d. Limited services agencies |

iii) Conducting research and providing information needed to develop an advertisement is major function of:

- |                          |                        |
|--------------------------|------------------------|
| a. Production department | b. Account Planning    |
| c. Account services      | d.. Financial research |

iv) For many years commission earning was almost fixed to

- |               |               |
|---------------|---------------|
| a. 15 percent | b. 10 percent |
| c. 12 percent | d. 20 percent |

**7) Fill in the Blanks with appropriate word or words.**

- i) An \_\_\_\_\_ agency is a business that is free to compete for and select its clients
- ii) The \_\_\_\_\_ department performs the functions of an agency to the advertiser
- iii) \_\_\_\_\_ roles are to liaison with major clients and get business for the agency
- iv) \_\_\_\_\_ is local to a country and have operations to only few local regions.
- v) Under contemporary environment \_\_\_\_\_ fees is main source of revenue for advertising agency business.

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## **6.10 WORKING WITH ADVERTISING AGENCY**

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Some organization does not employ advertising agencies because they may be eligible for the media discount of their own. Others feel that they can accomplish the advertising objectives more effectively than the agencies themselves. These marketers often employ their own advertising specialists. Various organizations use captive agencies that work primarily or solely for the organization.

Those organizations which do employ agencies are well-advised to establish a strong working relationship with them. It is especially important that the marketer fully inform the agency personnel of his marketing strategy and advertising objectives.

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## **6.11 ADVANTAGE OF USING AGENCIES**

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The advertiser gains a number of benefits by employing agencies. Some of these advantages are explained below:

1. An agency generally has valuable experience in dealing with various advertising and marketing issues.
2. The lessons which agency learned in working with other clients are useful inputs for the marketer.
3. An agency may employ specialists in the various areas of preparation and implementation of advertising plans and strategies.
4. The personnel are not members of the marketer's management team. They bring objective and unbiased viewpoints to the solution of advertising and other marketing problems.
5. The discounts that the media offer to agencies are also available to advertisers. This is a strong stimulus to them to use an agency, for the media cost is not much affected thereby.
6. The company normally does not have as many types of specialists as a large or medium-sized advertising agency has because an agency can spread the costs or its staff over many clients. It can do more for the same amount of money.
7. The company can also get an objective, outside viewpoint from an agency, assuming that the agency representatives are not acting as "Yes man" in order to keep the advertiser's account.
8. A related point is that the company can benefit from the agency's experience with many other products and clients.
9. Another advantage is that agency feels a greater pressure than the company's own department to produce effective results. The relations between an agency and a client are very easy to terminate; but it is difficult to get rid of an ineffective advertising department.
10. The manner in which agencies are compensated, the use of an agency may not cost the advertiser to much even some times no direct cost..

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## **6.12 SCOPE OF ADVERTISING AGENCY**

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The advertising agency varies in size. It may consist of one man who drafts an advertising copy and also recommends the advertising media. Large advertising agencies employ

specialists who are responsible for the operating of various agency activities. The scope of activities of an advertising agency can be explained through following points.

1. **Determination of Market:** The advertising agency makes a study of demand of the client's products in the market. It takes into consideration the class of buyers, the time of purchase made in bulk or in small quantities.
2. **Analysis of Potential Market:** The advertising agency carefully analysis the present position of the clients product and the prospectus of its growth in the future. Market research is thus an important part of the whole procedure of advertisement.
3. **Logistic consultation:** The advertising agency has also need to guide the client in the selection of the channel distribution for the sale of the product. For instance, it may recommend an opening of a factory's, sale branch or appointment of agents or wholesale distributor for the marketing of product.
4. **Media Planning:** It has also to determine the advertising media, which is most suited for the promotion of sale and also costs less per unit to the client.
5. **Policy formulation:** The advertising agency also formulates plans on scientific lines, and presents it to the client for his guidance and implementation. The advertising agency provides all possible help in the development and execution of plan.
6. **Creative work:** The advertising agency visualizes the consumer expectations, human desire and values, creatively develop an appealing message that is to be communicated to the audience, prepares the advertising copy, the tone of advertising etc. It selects the best medium of advertisement for the firm's product.

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## 6.13 SELECTING AN AGENCY

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Selection of good agency is critical for success of an advertisement campaign. While selecting an advertisement agency certain important characteristics must be taken care of such as the quality of personnel, reputation, integrity, mutual understanding, interpersonal compatibility and synergism were very important.

An agency takes a long time to grasp the problems and accumulate the facts that are necessary for the smooth functioning of a client. Though this investment period is long, it pays rich dividends. Therefore, an agency should not be frequently changed. Here are some points that can help the advertiser to choose an agency and get the best out of an agency.

Points are to be considered while selecting an agency is:

1. The agency should be able to think independently on various problems, and not solve them by pre-conceived notions which it is unwilling to change.
2. The agency should have experience in selling goods and ideas. It should be able to bring in more results than anticipated.
3. The agency should be financially sound and should be able to cover both local and national advertising campaigns.

4. The size of the agency should not be seriously taken into account. A big agency is not necessarily a better than a small agency.
5. The agency should not be one that hesitates to correct the advertiser if it feels that he is wrong.
6. The agency should be able to use both research and brains to solve problems.
7. An agency that plans to make a profit on an account should be chosen, rather than one that maintains that it will work on a no-profit-no-loss basis.

Getting best results from an agency demands careful analysis about its working and performance. Advertisers must consider following points while working with ad agency to get best out of them.

1. The agency should be given all possible information if good service is expected from it.
2. The advertiser should go as far as possible to keep the agency on its toes.
3. The agency should be challenged to produce results.
4. Criticism, when it is handed out, should help to understand drawback and allows to overcome.
5. Unnecessary details should not be fussed over.
6. The advertiser should appoint a special person for liaison work between his company and the agency, and not expect the agency to contact the junior staff.
7. The advertiser should allow the agency, where necessary, to break away from convention in its presentations.
8. The agency should be paid extra, if it does any extra work.
9. The advertiser should examine the work his agency does for other parties to get new ideas.

The top management at client's side looked upon 'Time' in advertising as a basic capital investment. In fact time taken by an advertisement to bring visible results is a long-term investment, which does not necessarily always bring in immediate returns. The management should realize that advertising has two functions to perform. It has to sell products today and sell the brand and name of the company, so that future products, too, sell well.

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## **6.14 SETTING ADVERTISING OBJECTIVES: BRIDGE TO SOUND CLIENT –AGENCY RELATIONSHIP**

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Without objectives, it is nearly impossible to guide and control decision making and manage client agency relationship without conflict. Absence of objectives can rarely be sustained by both client and agency.. The challenge today is to bring effective management to the

advertising process in such a way as to provide simulation as well as direction to the creative efforts of agency. The solution is the meaningful objective shared well by both the stake holders.

Advertising objectives, like organizational objectives, should be operational. They should be effective communication tools, providing a line between strategic and tactical decisions. A convenient and enticing advertising objective is immediate sales or market share.

However, an increase in immediate sales is not visible in many cases for two reasons:

(1) Advertising is one of many factors influencing sales, and it is difficult to isolate its contribution to sales. The other forces include price, distribution, packaging, product features, competitive actions, and changing buyer needs and tastes.

(2) The second reason involves the long-term effect of advertising on sales. If advertising generates a substantial lagged effect on sales, then the impact of an advertising campaign may not be known until an unacceptable length of time has passed. For example, an important contribution of a 6-month campaign might be its impact over 12 months hence. If immediate sales is not the basis of operational objectives, how does to proceed? The answer to the following questions will yield useful and effective objectives.

1. Who is the target segment?
2. What is the ultimate behavior that advertising is attempting to precipitate, reinforce, change, or influence?
3. What is the process that will lead to the desired behavior and what role can advertising play in the process?
4. Is it necessary to create awareness, communicate information about the brand, create an image or attitude, or associate feelings or a type of user personality with a brand?

While collectively client and agency look for answers for questions raised above, it is possible to nurture and sustain the relationship over a period of time. Collectively they could work by focusing on following things.

1. Identify the target audience. The specification of the target audience should be a part of the marketing objectives.
2. Understanding target consumer behavior: The analysis of the ultimate desired behavior such as trial purchases of new customers, maintenance of loyalty of existing customers, creation of a more positive use experience, reduction of time between purchases, or the decision to visit a retailer use experience, reduction of time between purchases, or the decision to visit a retailer.
3. Message and Appeal for advertising: An analysis of the communication and decision process the will affect the desired behavior. It might be that the key variable in inducing a new customer to try your brand is to inculcate high levels of brand awareness. The best way to maintain loyalty is to strengthen an attitude. Which intervening variables provide the best

link to the desired behavior and which can be influenced economically by advertising are to be determined.

4. Measuring Advertisement outcome: Setting criteria that could indicate success of advertisement is to be jointly agreed upon by both client and agency. An analysis of market dynamics can lead to behavioral measures that by themselves can provide the basis for operational objectives. For example if the advertising’s target is attracting new customers, the criteria may be to get measures on new customers who try a brand for the first time. The results would be measured by the number of new customers gained by the client.



**Check Your Progress-C**

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**Q1. Could a company do advertising without hiring an agency?**

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**Q2. List few advantages of using services of an agency.**

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**Q3. Briefly explain the scope of services of an agency.**

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**Q4. How to select a good advertising agency?**

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**Q5. How relationship of client and agency could be sustained?**

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**Q6. Choose the correct alternative.**

i) Setting criteria that could indicate success of advertisement is to be jointly agreed upon by both client and agency:

- |                                    |                  |
|------------------------------------|------------------|
| b. Measuring advertisement outcome | b. Setting goals |
| c. Planning                        | d. None of above |

ii) Advertising is \_\_\_\_\_ factor/s influencing sales,

- |                                  |                |
|----------------------------------|----------------|
| b. only                          | b. one of many |
| c. a factor along with promotion | d. only known  |

iii) Agency should be able to use \_\_\_\_\_ to solve problems:

- |             |                 |
|-------------|-----------------|
| b. research | b. creativity   |
| c. team     | d. both a and b |

iv) Which of the following could be among the scope of agency services?

- |                    |                               |
|--------------------|-------------------------------|
| a. Media planning  | b. Designing business process |
| c. Credit services | d. Procurement                |

**7) Fill in the Blanks with appropriate word or words.**

- i) The lessons which agency learned in working with other clients are \_\_\_\_\_ for the marketer.
- ii) The advertising agency makes a study of \_\_\_\_\_ of the client's products in the market.
- iii) A \_\_\_\_\_ agency is not necessarily a better than a \_\_\_\_\_ agency.
- iv) \_\_\_\_\_ in advertising as a basic capital investment.

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## 6.15 SUMMARY

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The advertising industry consists of three principal groups:

(a) Sponsors, The clients (b) Media house (c) Advertising agencies or advertising departments. Functions of the Advertising Department are determine the advertising goal, help select the advertising agency , explicitly defines the course of action and develop a plan of activity, designing advertising catalogue and monitor advertising performance. The term advertising agency is generally applied to a company whose main role is to provide

advertisement services to any company that wants to run advertisement campaign. An advertising agency is an independent organization set up to render specialized services in advertising in particular and in marketing in general.

Major types of agencies are Full-Service Agencies, Limited service Agencies, Specialized service agency, In-House Agencies. Further on the basis of coverage of region agencies could be Global Agencies, Regional Agencies, Stand Alone Agency. The broad functions of an advertising agency are planning, preparing, and placing advertisements. An agency collects media information, such as the availability of time and space, offers creative skills, such as “campaign planning” and “appeal planning” and conducts research for client, such as providing brand preference data.

Main source of revenue for an agency is earning from commission paid by clients that used to be normally 15 percent. Under contemporary environment negotiated fees is main source of revenue for advertising agency business. Selection of good agency is critical for success of an advertisement campaign. While selecting an advertisement agency certain important characteristics must be taken care of such as the quality of personnel, reputation, integrity, mutual understanding, interpersonal compatibility and synergism were very important. Deciding mutually agreed objectives is important for sound client and agency relationship.




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## 6.16 GLOSSARY

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**Advertising Agency:** This generally applied to a company whose main role is to provide advertisement services to any company that wants to run advertisement campaign.

**Full-Service Agencies:** Usually such agencies have worldwide operations and they offer host of end to end services, both advertising and non-advertising, to clients under one roof.

**Limited service Agencies:** Limited service agency is one which can offer variety of services to its clients and they can choose and pick services that they want.

**Specialized service agency:** Such outfits specialize in or more aspects of advertising.

**In-House Agencies:** Sometimes a company may have its own in-house advertising department to meet its advertising requirements.

**Global Agencies:** These agencies have services around the world and have capability to execute the advertising requirements of clients in any part of the world.

**Stand Alone Agency:** Such agencies are local to a country and have operations to only few local regions.

**Account Services:** The major roles are to liaison with major clients and get business for the agency.

**Account Planning:** Conducting research and providing information needed to develop an advertisement is major function of account planning.

**Creative:** The appeal part of advertisement largely hinges upon the output of creative team of an agency.

**Media Buying:** Purchasing of advertising time and/or space required for a successful advertising campaign is done by media buying department

**Production:** This department translated and creative idea in to real form.

**Brief to Client:** After gathering insight about the brand, the agency is expected to bring about its recommendations to clients and put forward a strategy through which it could make the client achieve its marketing goals.



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## 6.17 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

#### 5) MCQ

- i. c
- ii. d
- iii. d

#### 6) Fill in the blank

- i. plans and schedule
- ii. Feedback
- iii. Online

### Check Your Progress –B

#### 6) MCQ

- i. c
- ii. a
- iii. b
- iv. a

#### 7) Fill in the Blanks

- i. independent
- ii. in-house

- iii. Account Services
- iv. Stand Alone Agency
- v. negotiated

### **Check Your Progress –C**

#### **6) MCQ**

- i. b
- ii. b
- iii. d
- iv. a

#### **7) Fill in the Blanks**

- i. useful inputs
- ii. demand
- iii. big, small
- iv. Time



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## 6.19 SUGGESTED READINGS

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2. Kelley & Jugenheimer, Advertising Media Planning A Brand Management Approach, Prentice Hall, India. 2008
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## 6.20 TERMINAL QUESTIONS

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- Q1. Discuss the growth and development advertising Industry.
- Q2. Explain discussion making process in adverting industry.
- Q3. What are the functions of advertising agency?
- Q4. What are the sources of revenue for an advertising agency?
- Q5. How to select a good advertising agency?

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## **UNIT 7 ADVERTISING PLANNING AND STRATEGY**

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### **7.1 Introduction**

### **7.2 Objectives**

### **7.3 Advertising Planning**

### **7.4 Components of Advertisement Planning and Strategy**

### **7.5 Levels of Advertising Strategic Planning**

### **7.6 Message Strategy in advertising**

### **7.7 Strategic Planning: Circular Process**

### **7.8 Five Step Approach of Strategic Planning**

### **7.9 Advertising Budget Strategy**

### **7.10 Marginal Analysis Approach**

### **7.11 Advertising Budget Allocation by “Rule Of Thumb”**

### **7.12 Summary**

### **7.13 Glossary**

### **7.14 Answer to Check Your Progress**

### **7.15 Reference/ Bibliography**

### **7.16 Suggested Readings**

### **7.17 Terminal Questions**

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## **7.1 INTRODUCTION**

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Advertising planning is a crucial activity in advertising function. Setting right goals are key to the direction in which effort are to be made. It is wisely said that on organizational function without explicitly defined goals is like ship without rudder. Advertising strategy hinges upon idea of giving long term direction to the advertising function in order to achieve market competence. Advertising strategy planning is done in methodical manner which is explained in this unit.

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## 7.2 OBJECTIVES

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After reading this unit you would be able to understand;

- What is advertising strategic planning?
- What is the importance of Advertising Planning?
- The process of strategic planning
- Role of budgeting in advertisement planning

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## 7.3 ADVERTISING PLANNING

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It is well noted in history by authors in the discipline of management like Chester Barnard, Peter Drucker and others that business organizations exist in an environment that constantly puts forces on it which organizations have to respond to. The response should be such that organizations must be able to attain their objectives that are again set in conjunction with the environment. Since we cannot fulfill our needs alone, hence group efforts are required. The formal group effort where many people come together so that they can fulfill their individual objectives is the basis of organization. However, these people need to work together and perform certain complementary tasks. These organizations need to have certain rules and mechanisms for interaction as well as clearly defined directions where the effort of members of the group is directed. It implies that organizations must also have certain goals and guidelines for functioning. The attainment of individual goals is subject to fulfillment of organizational goals. So there is a need for a formal process of defining explicit organizational objectives and a course of action by organizational members to attain them. This embodies the concept of planning and strategy crafting.

The concept of planning hinges around the deciding future goals and objectives, course of action and activities to be undertaken and requirements of resources. There is a need for formal planning in advertising. The function of advertising also involves people and resources. No company would like to spend precious resources on advertising that does not bring specific benefits to it. Advertising should be seen as a necessity, not as a luxury. Due to the huge cost involved in advertising, it must be meticulously planned and executed with explicit objectives. Therefore, the need for planning in advertising is a must. Advertising planning could be defined as:

“An advertising plan is setting advertising goals and objectives, deciding media, message and budget required, communicating to its audience and identifying control and feedback mechanisms to ensure goals are attained.”

Advertising is both art and science. The art comes from writing, designing and producing exciting messages. The science comes from strategic thinking.

An advertising strategy is a game plan for an advertiser to ensure that the advertisement is able to offer long-term direction to the marketing communication and generate a competitive advantage for

the company in marketplace. It also tells what is to be done by the advertiser in environments where its business operates, so that advertising opportunities are exhausted to fullest by adequately deploying advertising resources.

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## 7.4 COMPONENTS OF ADVERTISEMENT PLANNING AND STRATEGY

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An advertising strategy must be derived in such a manner that it allows the organization to fulfil the objectives organization by gathering attention, desire and response from the consumer. The advertising strategy emerges through following path:



**Figure 7.1: Advertising planning and strategy flow chart**

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## 7.5 LEVELS OF ADVERTISING STRATEGIC PLANNING

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While developing an advertisement strategy it is recommended that marketer must focus on following components:

1. **Business Plan:** at this level managers define the activities that company does in the marketplace to serve its customers. It also defines who the potential customers are and how

company intends to serve them. Sometimes is for the whole business or for units or combinations of units. Business plan must include a Business Mission Statement. A business missions must clarify the broad goals and policies of the business unit. Some other questions that are deliberated under business plan are Does the business want to pursue long-term growth, short-term profits, or technological leadership?

The Business Plan examines opportunities and threats. An opportunity is an area where the company could develop an advantage over its competition. A threat is a trend or development that could erode business. A good business plan encompasses following things:

- The Business Plan defines specific objectives and goals.
- The Business Plan outlines specific strategies to meet the objectives/goals.
- The Business Plan lays out the tactics - the programs to implement the strategies.

2. **Marketing Plan:** What products and services company wants to offer in the market, what are the price and distribution structure company wants to follow and communication strategy that company wants to pursue makes the important components of marketing plan of the company. A marketing plan is a written document, usually updated once a year that proposes strategies to achieve marketing objectives. The marketing plan parallels the business plan. The marketing plan begins with a selection of objectives; they could be percentage of market share, unit sales, store traffic or profit. Using research and objectives, the plan must identify and evaluate market opportunities. The marketing plan defines and selects its target markets. It defines what segments - a group of people having one or more similar characteristics - it is going to target. The marketing plan includes the promotions/marketing communications plan. This year with this specific budget we are going to use public relations, advertising, special events and outdoor to accomplish our communications objectives.

3. **Advertising Plan:** what objectives are expected to be attained in terms of advertising such as creating awareness, reminder or inform the consumer are detailed in this component of advertising strategy. In short we can say advertising strategy is made of following sub strategies:

- Target Audience: Whom advertiser you trying to reach.
- Message Strategy: The message that is to be communicated to target audience.
- Media Strategy: Sound mix of media to deliver the message.

4. **Creative Plan:** The message and its delivery are considered under creative plan. The presentation of advertisement in such a manner that advertisement does what is expected by it to consumer is creative aspect of advertising planning.

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## 7.6 MESSAGE STRATEY INADVERTISING

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While planning individual advertisements copywriters use creative platform or blueprint to develop the message. The blueprint includes problems, objectives, and target markets. The message of an advertisement may focus on following strategies.

1. Information advertising: It is straightforward; fact filled and often focuses on news. This approach works for high involvement products or in a case where consumers are searching for information to make a decision.
2. Image building: With low involvement situation, advertising is more likely to focus on establishing an image or touching an emotion.
3. Selling premise: The message is expected to generate sales by attracting attention of prospects. This can be done either keeping the message product centered or prospect centered. Product centered messages center on the product itself. They emphasis at attributes, also called features and build a selling message around them. Sometimes they make a claim about the performance such as how long the product lasts, how much it cleans, how little energy it uses. In benefit messages the product is promoted on the basis of what it can do for consumers.
4. Customer benefit: The message focuses on highlights and promises valued benefits that will be available to buyer. A benefit statement that looks to the future is called a promise. It says something beneficial will happen if you use the advertised product. A reason why you should buy something is another form of benefit statement.



**Check Your Progress-A**

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**Q1. What is need of advertisement planning?**

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**Q2. What is business plan?**

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**Q3. What is information advertising?**

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**Q4. What is selling premise of advertising?**

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**Q5. Choose the correct alternative.**

- i) An advertising planning is setting advertising:
- |              |                         |
|--------------|-------------------------|
| a. Clients   | b. Goals and objectives |
| c. Structure | d. None of above        |
- ii) Which one of the following is not the component of advertising planning and strategy?
- |                         |                        |
|-------------------------|------------------------|
| a. Agency objectives    | b. Business objectives |
| c. Marketing objectives | d. All of them         |
- iii) Image building advertising strategy focuses on:
- |                              |                  |
|------------------------------|------------------|
| a. Keeping audience informed | b. Reason to buy |
| c. Touching an emotion       | d. All of them   |

**6) Fill in the Blanks with appropriate word or words.**

- i. \_\_\_\_\_ is the message that is to be communicated to target audience
- ii. Under selling premise, for advertising strategy the message is expected to generate \_\_\_\_\_ by attracting attention of prospects.
- iii. Advertising strategy is game plan advertiser to ensure that the advertisement is able to offer \_\_\_\_\_ direction.

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**7.7 STRATEGIC PLANNING: CIRCULAR PROCESS**

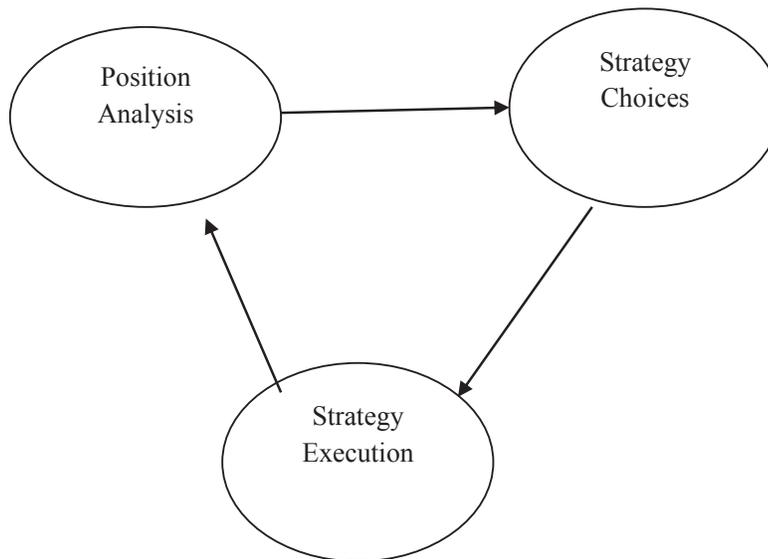
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The need and scope of planning varies drastically from one organization to another depending upon the nature of products offered by the company, life cycle of products, financial capability and aspirations and expectations of promoters of the company. While an advertising department enter into strategic planning it must make itself aware about the extent and scope of strategic planning that it could possibly under take. Advertising department should not over stretch nor underperform while strategic planning rather it must adequately balance strategic planning efforts that fits with organizational culture, managerial aspirations

and promoters expectations. An advertising strategic planning would comprise of following steps as depicted in figure 7.2.

1. **Position analysis:** Understanding of position of the advertiser is essential to sound strategy building. Position analysis is done through following three components:
  - a. Environment analysis: What are the various opportunities exist in the market that can be exploited through advertising. Here the regulatory framework as well as socio-political situation of the environment is analyzed. The potential threat is also understood by the advertising company.
  - b. Analysis of capability and competency: The advertising manager needs to understand what capabilities they enjoy in terms of brand image, distribution channel, technology of their products, managerial skills of sales and marketing department etc. Availability of resources to harness the opportunity in the market is also analyzed.
  - c. Shareholders values and expectations: In the process of understanding opportunities and threats swell as capabilities, the advertising department also needs to have a grip of what promoters and top management of the company expect from the advertising department. Their values, ethics and culture have deep impact on strategy building of the advertising department.

Through analyzing the position of the company and its products that are to be advertised it becomes easy to set objectives and goals that are to be achieved through advertising. Advertising can solve only message-related problems such as image, attitude, perception, knowledge of information. It cannot solve problems related to price, product, quality, availability. However a message can speak to the perception that the price is too high. It can portray a product with limited distribution as exclusive.



**Figure 7.2: Strategic Planning Process**

2. **Strategy Choices:** Once the position of the company and products that are to be advertised is understood the advertiser must start focusing on strategies that can be deployed. The choice of strategy can be looked upon from the context of whole organization as well as advertisement department.
  - a. Organization level advertising strategy: The advertising strategy at this level focuses on brand extensions for new products that company wants to introduce in future and markets to be targeted. The requirement of geographical expansion of brand being advertised also falls under scope of organizational level advertising strategy. The budget allocated impact of advertising budget on company and growth expected from the advertisement are important consideration at this level.
  - b. Department level advertising strategy: Advertising strategy at department level focuses on hiring agency, researching on perception of target market, identifying the optimal media mix, measuring advertisement outcome etc. The department may take in-house route or hire external agency. The managers at department level must carefully evaluate each of the available advertising strategy choices at departmental level and select the most appropriate one.
  - c. Strategy methods and techniques: The choices of strategy at organizational level and departmental level must be executed through established methods and techniques and keeping in mind what the advertising message must accomplish. For example to understand the preferences of consumer the department must hire a marketing research agency experience in conducting consumer surveys. The organizational level strategy regarding a future brand extension must be done for product that fits well with the positioning of existing product.
3. **Strategy Execution:** Once strategic choices of the organization are identified and decided upon there is need to focus on implementation of the strategy. While implementing strategy certain points must be kept in the mind that is elaborated below.
  - a. Resources and budgeting: In order to achieve the advertising strategy objectives of the organization and department it is necessary to ensure availability of funds to hire appropriate agency and buy media time and space. Resources such as skill manpower, technology, process etc. are to be arranged to attain advertising objectives.
  - b. The target audience: Create a profile of the typical audience characteristics, their personality and lifestyle. Market mapping is to be done by comparing your products with competitor products by relevant features. Identify the accessibility of target audience and availability of media mix required.
  - c. Creative and media engagement: Creatively develop the advertisement that is attractive and generates audience interest while being effective in achieving the advertisement objectives. Produce advertisement copy and test the efficiency of the advertisement. The advertisement must be released with media chosen in pre decided schedule. A feedback on performance of advertisement must be in place and corrective action must be taken as and when required. The goal attainment by the advertisement must be monitored and measured.

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## 7.8 FIVE STEP APPROACH OF STRATEGIC PLANNING

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### *Step 1: Select the Target Audience*

The first task in strategic planning is to decide upon the target audience. Whom we select must be consistent with the brand's marketing objectives. If part of the marketing strategy is to build the category, this means looking for new users. If the marketing strategy is to increase usage, this means focusing upon existing users. For strategic planning process we will consider three questions that should be addressed in the planning process.

#### **Where Sales or Usage to Come from?**

Here, we must decide if our primary emphasis should be users or non-users of our brand. While we obviously want a broadly based business, realistically it is either a trial or a repeat purchase target audience objective that will best satisfy a brand's marketing objectives. Communication strategy will differ significantly, depending upon which of these target audience action objectives is used.

#### **What do we know about the Target Audience?**

Once the appropriate users groups have been determined, the manager must build a profile of them. Too often this profile includes only demographic characteristics for example female 25-45 with children and psychographic or lifestyle descriptions like 'outgoing with an interest in cultural activities' are not enough. For marketing communication to be effective it is important also to know those target audience attitudinal and behavioral patterns that are relevant to a brand's marketing communication and media strategies. This means knowing what the proposed target audience's category behavior is now, or is likely to be in response to our campaign, and how their underlying brand attitudes and motivation affect choices.

#### **Where does the Trade Fit in:**

We must never lose sight of the fact that the trade is almost always a part of our target audience. It is easy to fall in to the trap of thinking only about consumers when considering a target audience. But our strategic planning requires a total look at the marketing communication task, and when advertising and promotion to the trade are used they must be integrated with advertising and promotion to the consumer.

### *Step 2: Understand Target Audience Decision Making*

Once the target audience has been selected, next step is to gain an understanding of how that target audience goes about making purchase decision in the category. This is important, because if you are to affect the purchase decision positively and increase the likelihood of your brand being selected, you must understand what is involved in the making of that decision.

### *Step 3: Determine the Best Positioning*

The third step in the strategic planning process is to determine how best to position your brand, While the basic brand positioning will no doubt already be established (except the new

products), the strategic planning process must address the particular communication positioning that will be adopted for your brand. We must decide whether we want to link the brand in the target audience's mind to the category need in which it already sees it competing, or reposition the brand by linking it to another category need where the brand will have a stronger competitive advantage.

#### ***Step 4: Develop Communication Strategy***

In developing a communication strategy we must first establish our communication objectives by selecting the desired communication effects. This is taking the first step in addressing what we want our marketing communication to say about our brand in order to motivate the target audience to take whatever action is required.

Communication objectives are quite simply the communication effects for which we are looking. The four communication effects are:

**Category Need:** It does not make much sense to try and sell a brand if there is no perceived need for the product. Most of the time this is not an issue, but for innovative new products, for example, until there is awareness of the new product as such, it is almost impossible to create interest in a brand of that new product.

Before there were television or CD players, there was really no 'need' in the market for such products. But, when they were developed, it was necessary to establish the 'need' by introducing the product category itself to the public. Once people understand what this new product category is all about, it is possible to talk about brands.

Category need may also be a communication objective where demand in a category seems to be slackening. This can happen for example, when something goes out of fashion for a period of time. If this occurs, it may be necessary to remind people of a latent category need. This is a particularly appropriate strategy for market share leaders, who should reap the benefit of any renewed interest in a category.

**Brand Awareness:** Brand awareness is always a communication objective, regardless of what type of marketing communication you may be using in your campaign. While this is an obvious point for advertising, it is also true for everything from promotion to packaging. Without this essential link between the message and the brand, there is no chance for effective marketing communication.

**Brand Attitude:** Like brand awareness, brand attitude is also a communication objective for every type of marketing communication used in a campaign. Brand attitude strategy is at the heart of developing a communication strategy and all other forms of marketing communication.

**Brand Purchase intention:** Too often managers feel that most important, perhaps the only objective for marketing communication is to generate sales or usage of their product or service. While this is almost always a marketing objective, it is not often a primary communication objective. Of course we want our marketing communication to help

contribute to an intention to buy or use the brand, but this is rarely the primary objective. Without brand awareness and brand attitude there can be no brand purchase intention.

### ***Step 5: Set a Media Strategy***

In this step the manager must select the best communication options to deliver the creative message. This is the first step in considering media selection, and one of the most important things the manager will need to think about at this point is the different relative strengths of advertising and promotion in satisfying the communication objectives. Basically both advertising and promotion should have a significant effect upon brand awareness, the primary strength of advertising is brand attitude, while the primary strength of promotion is brand purchase intention, and neither advertising nor promotion can have much of a direct effect upon category need.

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## **7.9 ADVERTISING BUDGET STRATEGY**

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The size of the advertising budget can have an impact upon the composition of the advertising mix. In general, a limited promotion budget may impel the management to use types of promotion that would not be employed otherwise, even though they are less effective than the others.

Industrial firms generally invest a larger proportion of their budgets in personal selling than in advertising, while the reverse is true of most producers of consumer goods.

Organizations with small budgets may be forced to use types of advertising that are less effective than others.

Some marketers find it necessary to restrict their efforts primarily to personal selling and publicity. There are organizations with small promotion budget which take the opposite course of action. They concentrate on advertising and sales promotion, and neglect other methods. Some marketers advertise in expensive ways (through classified advertisement in newspapers and magazines) and spend virtually nothing on personal selling.

There is universal difficulty of relating advertising expenditures to sales and profit results. Determining the results of advertising and consequently the amount of money to be allocated in advertising budget are complicated by several major difficulties as follows:

- (i) The effects of external variables such as population, or income, changes on economics conditions and competitive behavior;
- (ii) Variations in the quality of advertising;
- (iii) Uncertainty as to the time-lag effect of advertising; and
- (iv) The effect of the firm's other marketing activities, such as product Improvement and stepped-up personal selling.

The above complexities make the companies resort to more than one method of determining the size of their advertising budget. Advertising Budget involves the allocation of a portion of the total marketing resources to the advertising function in a firm. The size of the budget allocation should be based on the potential contribution that advertising can make. Advertising budgeting should be based on a careful analysis of the opportunity for using advertising.

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## 7.10 MARGINAL ANALYSIS APPROACH

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The marginal analysis approach to the allocation of resources provides a useful framework. How much should a firm spend on advertising? A firm may choose to spend promotion funds up to the point where marginal cost equals marginal revenue. Such analysis may be used for advertising budget decision.

The allocation procedure is to increase advertising expenditure until each rupee of advertising expense is matched by an additional rupee of profit. This marginal analysis results in the maximization of the productivity. The difficulty arises in the identification of this optimal point. The following table illustrates this point.

Marginal analysis relies on sales and profitability, which are important to assess the potential contribution of advertising expenditures. For advertising decisions for a new product introduction, the management may determine a minimum budget level and then assess the different levels above this. Implementing the marginal analysis is a difficult task. Advertising is not the only factor affecting product performance. It is also difficult to predict the time pattern of the contribution, for it cannot be assumed that advertising will have an immediate impact. All these factors make it difficult for us to assess precisely the net sales marginal revenues, or other performance contribution estimates. To cope with the realities of advertising budgeting, a variety of procedures have been adopted, which vary considerably when compared with the marginal analysis framework.

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## 7.11 ADVERTISING BUDGET ALLOCATION BY “RULE OF THUMB”

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Under this approach, the decisions on the amount to be spent are made by advertising managers in co-operation with advertising agency. Many companies resort to more than one method of determining the size of their advertising budgets. Some methods which are in common use are as follows:-

- 1. Profit Maximization:** The best method for determining advertising expenditure is to identify a relationship between the amount spent on advertising and profits, and to spend that amount of money which maximizes the net profits. Since the effects of advertising may be

reflected in future sales too, the advertiser maximizes the present value of all future profits at an appropriate rate. Therefore, a very few advertisers are able to implement the profit-maximizing approach to determine their advertising expenditure.

## 2. Advertising as a Percentage of Sales:

Advertising Allocation = % of Sales

A pre-determined percentage of the firm's past sales revenue (or projected sales revenue) is allocated to advertising. But the question is - What is the relationship between advertising expenditure and sales revenue? Though it looks simple, it is not an effective way of achieving the objectives. Arbitrary percentage allocation fails to provide for the flexibility.

This method ignores the real nature of the advertising job. It is not necessarily geared to the needs of the total marketing programme. But this method is widely used. Its wide use reflects the prevailing uncertainty about the measurement of advertising effectiveness. It is an easy way of minimizing the difficulties of annual budgeting negotiations. It is also safe method as long as competitors use a similar method. The fixed sum per unit approach differs from the percentage of sales approach in only one respect that it applies a pre-determined allocation to each sales or production unit.

**3. Objective oriented Approach:** The most desirable method is the objective and task approach. It is goal-oriented. The firm agrees on a set of marketing objectives after intensive market research. The costs of advertising are then calculated. When the resulting amount is within the firm's financial means, it is the advertising budget. It involves the following two steps:

(a) First, the organization must define the goals the promotional mix is to accomplish. For example, a 5 per cent increase in market share, or a 10 per cent rise in gross sales, or a 3 per cent addition to net profit, or more likely, a combination of several items.

(b) Second, it must determine the amount and the type of promotional activity required to accomplish the objectives set. The sum of these becomes the firm's promotion budget.

A crucial assumption underlies the objective and task approach is that the productivity of each advertising rupee is measurable. The task approach starts by asking what the objectives of the advertising campaign are. The "advertisability" of the product is more sharply defined. This approach requires that assumptions about media, copy, and all the other parts of a campaign be co-coordinated to achieve a specific set of objectives. The task approach has special merit in the introduction of a new product. The main problem with this approach is that it is not easy to determine the cost of fulfilling an objective or to decide whether an objective is worth fulfilling. The task method forces advertising managers to engage in advance planning.

**4. Competition driven Approach:** Looking competitor's action and budgeting is major input for advertisement budge. Under this approach company tries to keep parity in rupees or percentage of sales terms with the budget of its competitions. This approach tries to match the competitor's outlays and meet competition either on absolute or relative basis. It involves an estimate of industry advertising for the period and the allocation of an amount that equal to its

market share in the industry. Meeting competition's budget does not necessarily relate to the objective of promotion and is inappropriate for most marketing programs. It is a defensive approach. It assumes that the promotion needs of the organization are the same as those of its rival and makes it easy for analysing the realities of its own competitive situation and to ignore the possibility of other strategies. But the needs will never be the same. It also assumes that budgets arrived at by competitors are correct, but they may have arrived at in a haphazard manner. Besides, their marketing strategies may also be different from our organization. Therefore, this method may be recommended only as a supplement to others. However, the imitate-competitors strategy is most applicable in industries where competition is in order to prosper and even to survive. In a way, is better than the per cent of sales method as it recognizes that the competition as a key element in marketing and promotes stable relationships. Competitive parity budgets can be determined in several ways; but all are based on spending approximately the same amount or percentage of sales as one's competitors. Some of the ways include:

- (a) Spend the same rupee amount on advertising as a major competitor does.
- (b) Spend the same percentage of sales on advertising as a major competitor does.
- (c) Spend the same percentage of sales on advertising as the average for the entire industry.
- (d) Use one of these "rules of thumb" in a particular market.

All these have one common characteristic, that is, the actions of competitors determine the company's advertising budget. But under this situation, a company faces several risks. Sufficient information may not be readily available to estimate the competitor's advertising budget. Such information is derived from secondary sources for some products than others. When only partial information can be obtained, such as expenditure on media, competitive parity may be misleading. It implies that all firms in an industry have the same opportunities but not so in practice. For example, a company introduces a new product to compete with a competitor's already established brand; the opportunity for advertising for these two brands would be entirely different.

**5. Affordability Approach:** It involves the income statement and the balance sheet. It asks how much is available to the firm. This question is partially answered by anticipated sales and margins. The decisions based wholly on them ignore the requirements of the advertising. The basic weakness is that

it does not solve the problem of "how much should we spend" by asking: "What can we profitably spend?" In some instance, companies adopt pricing policies or others strategies intended to yield more advertising rupees. Some may spend whatever rupees are available for promotion, the only limit being the firm's need for liquidity. This approach does ensure that advertising expenditures are assessed in the light of the profit objectives. It does put advertising in perspective with other corporate functions as contributors to the achievements of objectives.

### 6. Experience and Judgment Approach

This method relays upon the judgment of experienced managers. Over the years, some of these individuals develop a feel for the market that permits them to arrive at appropriate decisions, given the organization’s objectives and limitations. It is a vital input for the determination of the budget. When the management uses other methods, it should temper them with the judgmental evaluations made by experienced managers. Judgment is subject to error and bias. Other methods should supplement this technique.

To conclude, promotion may be viewed as a long-run process. Joel Dean has indicated that advertising should be seen as a business investment, in the same sense as opening a new plant or spending additional funds on improved package design.



#### *Check Your Progress-B*

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**Q1. What is position analysis under strategic advertisement planning?**

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**Q2. Explain choice of strategy under strategic advertisement planning?**

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**Q3. What is relevance of selecting target audience for advertisement strategic planning?**

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**Q4. What are focuses of advertising communication?**

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**Q5. What is objective and task approach under advertising budgeting?**

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**Q6. What role judgment plays under advertising budgeting?**

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**Q7. Choose the correct alternative.**

i) Position analysis involves:

- a. Understanding environment
- b. Understanding strategies
- c. Department choices
- d. Business choices

ii) Strategy execution involves:

- a. Control and feedback
- b. Choice of strategy
- c. Shareholder values
- d. Business competency

iii) A pre-determined percentage of the firm's past sales revenue (or projected sales revenue) is allocated to advertising

- a. Thumb rule
- b. Competitive parity approach
- c. Percentage of Sales
- d. Profit maximization

iv) A firm may choose to spend promotion funds up to the point where marginal cost equals marginal revenue:

- a. Flexible budgeting
- b. Marginal cost analysis
- c. Percentage of Sales
- d. Profit maximization

v) Manager must select the best communication options to deliver the creative message:

- a. Creative strategy
- b. Targeting audience

- c. Business strategy
- d. Media Strategy
- vi) The need and scope of planning varies drastically from one organization to another depending upon the nature of:
- a. products offered by the company
- b. life cycle of products,
- c. financial capability
- d. All of them

**Q8. Fill in the Blanks with appropriate word or words.**

- i. Shareholders \_\_\_\_\_ has deep impact of advertising strategy.
- ii. Basically both advertising and promotion should have a significant effect upon \_\_\_\_\_.
- iii. The size of the \_\_\_\_\_ can have an impact upon the composition of the advertising mix.
- iv. Judgment method relays upon the judgment of \_\_\_\_\_ managers.
- v. Parity Approach ties its budget to the rupees or percentage of sales expended by its \_\_\_\_\_.

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## 7.12 SUMMARY

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Advertising planning is a crucial activity in advertising function. Setting right goals are key to the direction in which effort are to be made. It is wisely said that on organizational function without explicitly defined goals is like ship without rudder. The concept of planning hinges around the deciding future goals and objectives, course of action and activities to be undertaken and requirement of resources. There is need for formal planning in advertising. The function of advertisement also involves people and resources. No company would like to spend precious resources on advertisement that does not bring specific benefits to it. Advertising is both art and science. The art comes from writing, designing and producing exciting messages. The science comes from strategic thinking.

Advertising strategy is game plan advertiser to ensure that the advertisement is able to offer long term direction to the marketing communication and generate competitive advantage for the company in marketplace. While developing an advertisement strategy it is recommended that marketer must focus on following components: Business Plan, Marketing Plan, Advertising Plan, Creative Plan. The need and scope of planning varies drastically from one organization to another depending upon the nature of products offered by the company, life cycle of products, financial capability and aspirations and expectations of promoters of the company. The budget allocated for advertising has critical impact on the goals that advertising department can achieve.



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## 7.13 GLOSSARY

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**Planning:** It hinges around the deciding future goals and objectives, course of action and activities to be undertaken and requirement of resources.

**Advertising planning:** It is setting advertising goals and objectives, deciding media, message and budget required communicating to its audience and identifying control and feedback mechanism to ensure goals are attained.”

**Advertising strategy:** It is game plan advertiser to ensure that the advertisement is able to offer long term direction to the marketing communication and generate competitive advantage for the company in marketplace.

**Business Plan:** The planning level at which managers define the activities that company does in the marketplace to serve its customers.

**Marketing Plan:** What products and services company wants to offer in the market, what are the price and distribution structure company wants to follow and communication strategy that company wants to pursue makes the important components of marketing plan of the company.

**Image building:** With low involvement situation, advertising is more likely to focus on establishing an image or touching an emotion

**Advertising strategy:** It is game plan advertiser to ensure that the advertisement is able to offer long term direction to the marketing communication and generate competitive advantage for the company in marketplace.

**Position analysis:** Understanding of position of the advertiser is essential to sound strategy building.

**Marginal analysis approach:** The allocation procedure is to increase advertising expenditure until each rupee of advertising expense is matched by an additional rupee of profit.



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## 7.14 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

5. MCQ

- i. b
- ii. a
- iii. c

6. Fill in the blanks

- i. Message Strategy
- ii. Sales
- iii. long term

### Check Your Progress –B

7. Choose the correct alternative.

- i. a
- ii. a
- iii. c
- iv. b
- v. d
- vi. d

8. Fill in the blanks

- i. expectation
- ii. awareness
- iii. advertising budget
- iv. experienced
- v. competitors



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## 7.16 SUGGESTED READINGS

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## 7.17 TERMINAL QUESTIONS

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- Q1. Discuss the concept of advertising planning.
- Q2. What are the major components of advertisement planning and strategy?
- Q3. Explain the levels of advertising strategic planning.
- Q4. Discuss message strategy in advertising.
- Q5. How strategic planning is a circular process.
- Q6. Elaborate on five step approach of strategic planning.
- Q7. Discuss advertising budget strategy.

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## **UNIT 8 MEDIA PLANNING AND BUYING**

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### **8.1 Introduction**

### **8.2 Objectives**

### **8.3 Media Planning**

### **8.4 Advertising Media**

### **8.5 Types of Media**

### **8.6 Difficulties in Selection of Media**

### **8.7 Selection of Individual Media**

### **8.8 The Advertising Schedule**

### **8.9 Issue of Duplication of Media**

### **8.10 Frequency of Advertisement under Media Planning**

### **8.11 Media Buying**

### **8.12 Challenges of Media Buying**

### **8.13 Process of Media Buying**

### **8.14 Summary**

### **8.15 Glossary**

### **8.16 Answer to Check Your Progress**

### **8.17 Reference/ Bibliography**

### **8.18 Suggested Readings**

### **8.19 Terminal Questions**

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## **8.1 INTRODUCTION**

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Role of media is utmost important in affective execution of advertisement. There has to be sound plan in regard to the media that is to be deployed by the advertiser. It is to be ensured that media is able to help the advertiser to attain set objectives at a cost that justifies the expenditure. Planning media and buying of media along with related concepts are e discussed in this chapter.

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## 8.2 OBJECTIVES

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After reading this unit, you should be able to:

- Have an overview of the media scenario, various kinds of media, and their relative characteristics
- Understand the role of media planning in advertisement
- Delineate various media information sources that are crucial in the making of a media plan.

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## 8.3 MEDIA PLANNING

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Media planning and buying is the process of developing advertisement goal, defining a course of action, negotiating, and purchasing exposure slots also called inventory with media and placements of advertisement. Therefore while planning and buying media the managers focuses on what inventory to purchase, the product being advertised, target audience, and advertisement goals to be achieved. In addition, media buyers are not only responsible for making the initial purchase, but also for continuing to monitor performance throughout the entire campaign lifecycle. In nut shell media planning is selecting combination of media in such a manner that organizations goal for advertisement are obtained in efficient and effective manner. The steps of media planning are as follows:

The media planning process must result in answer to following question:

- What media mix is suitable to reach desired number of audience?
- Which media should be chosen to place the advertisement?
- What is the ideal advertisement frequency?
- What are budget required to use the desired media mix?

Hence to attain the required results sound media planning is required. Following steps through recommended while conducting media planning.

1. The first phase of any media plan is the initial market analysis, which consists of a situation analysis and the marketing strategy plan. This form the basis of information which the rest of the media plan depends upon. The purpose of a situation analysis is to understand the marketing problem, in relation to their competitors and customer expectations.
2. The second step in the media planning is to establishment of objectives to be achieved through media. This phase will result in explicit media objectives; such as creating a positive brand image,. Gaining market share information to audience or creating awareness. These objectives should be limited to those that can only be achieved through media strategies.

3. The third step is Media strategy development and implementation. The strategy must be developed directly in synchronization with the objective defined in previous step. Defining activities and action to be taken are integrated part of strategy development. The Actions that allows attaining media objectives are taken into consideration. Action pertaining to aspects of media such as media mix, target market, coverage consideration, geographic coverage, scheduling, reach, frequency, agility, creativity, and budget are generally decided. Some of important criteria are explained below briefly:
  - Media Mix: A combination of communication and media channels to attain advertising objectives.
  - Target Market: A specific group of consumers that has been identified to aim marketing and advertising campaigns towards, as they are the most likely to purchase the particular product.
  - Coverage Consideration: To alter the level of exposure of media to the target market, whilst minimizing the amount of overexposure and saturation into other demographics.
  - Geographic Coverage: Increased emphasis of exposure to a certain regions where potential customer exists, whilst reducing exposure to regions they have less.
  - Scheduling: The concept setting date and time for advertisement and aligning it to coincide with peak potential consumer exposure times, such as around a big sports game on television.
  - Reach and Frequency: The decision about how many audiences are to be covered makes reach and how many times, that is frequency, they must be exposed with the message.
  - Agility: In order to adapt to rapidly changing marketing environments it is important for strategies to be agile and changeable. This emphasis on shifting from one media to other as per requirement or altering the media mix.
  - Creativity: Different mediums for communication should be considered when developing a campaign. Social media might be more effective to generate emotion than a billboard poster on a main road.
  - Budget Considerations: The relationship between the effectiveness of a media campaign and the cost involved needs to be carefully managed. The cost involved in media should not outperform the potential benefits.
4. The fourth and final step in media planning is to evaluate the effectiveness of the plan. For this a good control and feedback system must be identified developed. It is important to assess whether desired marketing and media objectives are attained. The feedback serves as important input for taking corrective action while executing the media plan as well as future planning.

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## 8.4 ADVERTISING MEDIA

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It is important to understand what different media are available and how they could be utilized effectively. The vehicle that carries the advertisement and its message is the media for advertisement. Each medium has its merits and its drawbacks. The suitability and profitability of any one type varies from manufacturer to manufacturer and may vary for a single manufacturer too. Changes are the only rule. The buyers constitute his market; they are to receive his advertising coverage consists of the advertisers reaching the maximum number of these buyers include both his current and prospective customers. The advertiser has to determine how many there are and where they are. Then the selection process involves how to send an effective advertising message economically to the group of buyers, the length of the campaign period and the cost which he can afford-at a figure which will make the advertising effort profitable.

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## 8.5 TYPES OF MEDIA

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Media now a day comes in many different formats, such as print media, electronic media, outdoor media and the Internet. Each type of media involves both content, and also a device or object through which that content is delivered. Certain common media that are used for advertisement are given below.

1. **News Papers:** The newspaper are the principal mean of advertising medium as it is read by a large number of people. The advertisement may be classified or unclassified. News Paper Advertising is the most commonly used types of advertising media.
2. **Magazines:** Magazines are another important medium for advertisement. The advertisement in a magazine has a much larger life than the other advertisement media as they remain with the reader for the longer period of time. The magazine may be consumer magazines, business magazines, farmers' magazines etc.
3. **Radio and Television:** Radio and television has become the most important advertising media. Radio conveys message to the listening audience. An advertising demanding oral story telling is most suitable for radio medium. Television has the advantage that it combines sight, sound, motion and demonstration.
4. **Film Advertising:** Film advertising is also known as cinema advertising and work just like television advertising. With both visual and audible messages, they are much more effective than just audible messages like that of radio or telephonic. It is limited to local population only, where the cinema is located but it is of repetitive value and that's what makes it a good medium..
5. **Internet Advertising:** With the tremendous growth in the market in recent times, most of the advertisers think it is far more beneficial than other advertising media because of its extensive reach. Since there are more than millions and billions of internet user online and the number is growing immensely and that's something which is causing brands to

spend more and more of their budget by every passing year. The internet provides the advertisers with a large number of advertising options like emails, banners, posters, blogs, magazines, forums, e-newspapers, websites and much more. Moreover, targeting a particular group of people is a lot easier when one chooses to go forward with the internet as its advertising base. Furthermore, tracking the subscriber response is quite feasible for online advertising.

6. **Direct mail Service:** Direct mailing carries messages to the prospective buyers at home addresses thorough letters, postcards, pamphlets, booklets, folders, catalogues etc it is thus a media used for selective customers.
7. **Outdoor Advertising:** Outdoor advertising gives a geographical coverage. It consists of a wide variety of bill boards, painted signs, electrically illuminated displays, to attract the attention of pedestrians and motorists.
8. **Transportation Advertising:** This advertising media is used by the display of posters, sign boards etc. at the stations, trains, buses and taxis etc.
9. **Point at Purchase Advertising:** Point at Purchase advertising as the name suggest is made inside the departmental stores. The customers attracted by the advertisement are also induced to purchase the products.
10. **Product Sampling:** In order to promote sales, a small sample of product is distributed free either by house to house delivery or through mail. This also has become one sort of advertising media today.

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## 8.6 DIFFICULTIES IN SELECTION OF MEDIA

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The difficulties that are faced while selecting media are discussed in following points.

1. **Audience Measurement:** The media sell circulation or the opportunity to develop circulation. There is a gross aspect to circulation (how many products were bought last month) and a net aspect (how many of those purchasers are prospects for the product saw the advertisement in the broadcast media). Measurement of the same is not so easy as advertisers would think.
2. **Difficulty of Cost Comparisons:** There is a concept cost per thousand in every medium type such as cost per thousand homes or thousand viewers, cost per thousand passersby, cost per page per thousand copies sold. How does the reaction of a thousand housewives, who read a food advertisement about Maggi noodles, compare with that of a different thousand housewives who watch the same on TV?
3. **Suitability of Medium:** How much of his promotion effort should a manufacturer place in magazines and how much on TV, how much in outdoor or point of purchase? Which should be dominant and which are supplementary? These factors play a key role in selection of a particular type of media. Media costs, the costs of space and time, are the

largest single expense item in most advertising budgets. The selection of media types to be used in a critical decision, therefore, deserves the very best thought and judgment of on the part of the management involved in the media selection process. The points to be considered are:

(i) **Availability:** Regional markets may be so limited that national circulation of magazines should not be used. A product may have so small market share that a medium such as the radio would not be much suited for use.

(ii) **Selectivity:** Some ideas demand visual presentation and others demand oral presentation. The radio cannot accommodate stories requiring a physical form, and outdoor advertising cannot accommodate long stories.

(iii) **Competition:** It is a matter which the advertiser cannot ignore. A company may select media types not used by its competitors, based on distinctiveness and domination.

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## 8.7 SELECTION OF INDIVIDUAL MEDIA

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Selection of individual media to carry advertising requires the consideration of the points like circulation; the quality and quantity of a medium's circulation, Prestige, Influence, Readership, etc.

With an objective and a budget in place, the advertising campaign will next need to focus on developing the message. However, before effort is placed in developing a message the marketer must first determine which media outlets will be used to deliver their message since the choice of media outlets guides the type of message that can be created and how frequently the message will be delivered.

An advertising message can be delivered via a large number of media outlets. These range from traditional outlets, such as print publications, radio and television, to newly emerging outlets, such as the Internet and mobile devices. However, each media outlet possesses different characteristics and, thus, offers marketers different advantages and disadvantages.

The characteristics by which different media outlets can be assessed include the following seven factors:

1. **Creative Options:** An advertisement has the potential to appeal to four senses – sight, sound, smell and touch. (It should be noted that promotion can also appeal to the sense of taste but these efforts generally fall under the category of sales promotion). However, not all advertising media have the ability to deliver multi-sensory messages. An important aspect of selecting a media is the extent of creative options required under advertisement objectives.

2. **Creative Cost:** The media type chosen to deliver a marketer's message also impacts the cost of creating the message. For media outlets that deliver a multi-sensory experience (e.g., television and Internet for sight and sound; print publications for sight, touch and smell) creative cost can be significantly higher than for media targeting a single sensory experience.

But creative costs are also affected by the expectation of quality for the media that delivers the message.

3. **Media Market Reach:** How many audiences that could be covered by the media is an important attribute of media selection. Larger the coverage and reach of the media among the prospects more effective the media will be. Market reach can be measured along two dimensions the channels served and the geographic scope of a media outlet.

Channels Served implies whether a media outlet is effective in reaching the members within the marketer's distribution channel. Channels can be classified as:

- Consumer Channel – Does the media outlet reach the final consumer market targeted by the marketer?
- Trade Channel – Does the media outlet reach a marketer's channel partners who help distribute their product?
- Business-to-Business – Does the media outlet reach customers in the business market targeted by the marketer?

Geographic Scope implies to the geographic breadth of the channels served and includes:

- International – Does the media outlet have multi-country distribution?
- National – Does the media outlet cover an entire country?
- Regional – Does the media outlet have distribution across multiple geographic regions such as counties, states, provinces, territories, etc.?
- Local – Does the media outlet primarily serve a limited geographic area?
- Individual – Does the media outlet offer individual customer targeted?

4. **Message Placement Cost:** Certain medium has variable cost depending upon the timing and placement of advertisement. Prime time is famous on electronic media for high cost charged by the TV channels. Similarly web portals and Google search engine are known to charge differently depending upon where and how the product is placed. Media outlets set placement cost using several factors though the most important are determined by audience size, audience type and an advertisement's production characteristics:

**Audience Size:** Refers to the number of people who experience the media outlet during a particular time period. For example, for television outlets audience size is measured in terms of number of program viewers, for print publications audience is measured by number of readers and so on.

**Audience type:** When choosing a media outlet, selection is evaluated based on the outlet's customer profile (i.e., viewers, readers, website visitors) and whether these match the characteristics sought by the marketer's desired target market. The more selectively targeted the audience, the more valuable this audience is to advertisers since with targeted advertising promotional funds are being spent on those with the highest potential to respond to the advertiser's message.

5. **Length of Exposure:** Length of exposure required for different products or services vary. A simple product may get the message transmitted with short exposure where as a complicated product like technology product needs longer exposure. Media outlets vary in how much exposure they offer to their audience hence media has to be selected accordingly. Magazines and other publications provide opportunities for longer exposure times since these media types can be retained by the audience (i.e., keep old magazines) while exposure on television and radio are generally limited to the time the ad was broadcast.

6. **Advertising Clutter:** When large numbers of advertisements are shown/placed in little time/space than its chances of getting notices by prospects is less. If an advertisement is exposed to audience exclusively the impact is definitely going to be high. A large number of advertisements create an environment of advertising clutter through 'too many in too less' which makes it difficult for viewers to recognize and remember particular advertisements.

7. **Response Tracking:** The possibilities to know the benefits that an advertisement brings to advertiser are important in deciding the suitability of media. Tracking outcome of certain media is easier than others. Advertiser will always like to select the one which can offer better response tracking measures.

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## 8.8 THE ADVERTISING SCHEDULE

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What is the optimum schedule? There is no agreement; there is no formula; there is only judgment that has to be applied. It appears that more advertisers make the mistake of using too many mediums, frequency, and variety etc. than the mistake of using too few. The manufacturer's proposed advertising plans are consolidated into a schedule which contains the following information:

- List of publications, broadcast stations, markets;
- Dates of appearance of advertisements;
- Size of advertisements (space or time);
- Cost of advertisements.

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## 8.9 ISSUE OF DUPLICATION OF MEDIA

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The same message reaching to same audience through various media is classic mistake of duplication in media planning. An advertiser must have coverage or else his message will not reach as many buyers as he must reach. As an advertiser adds magazine after magazine to his list to increase his coverage; he finds duplication inevitable. One way of averting duplication is to use only one of the magazines; another is to run a different advertisement. The

duplication limits an advertiser's coverage. The points to be considered in handling issues of media duplication are repetition and frequency.

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## 8.10 FREQUENCY OF ADVERTISEMENT UNDER MEDIA PLANNING

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The term frequency refers to the number of advertisements of the same size appearing in an individual medium for a given period such as per day, per week, per month, or per campaign. There is no formula to determine the ideal frequency. The two factors are the size of the advertising fund and the size of the advertisement to be run. If these are known, frequency can be derived. The two other factors are the number of media and the advertising period. As the number of media increases, there is pressure for a lower frequency, or to shorten the advertising period. The other possibilities are to enlarge the fund, or to reduce the size of the advertisement. Manufacturers cannot ignore the fact that what the competitors are doing in respect of frequency. The more often a message is repeated, the greater the proportion of it the consumer remembers. Certain related concept that influences media planning and advertisement frequency are mentioned below.

1. **Size of advertisement:** The size of advertisement influences the frequency. The size of an advertisement can be derived if the advertiser:
  - Determines the size of the advertising fund,
  - Decides the numbers of individual media to be used, and
  - Decides the number of advertisements to appear during the advertising period.

The purpose of the advertisement may be the strongest influence in determining its size; a large space is used to announce, a small space is used to remain. The amount of copy, the number of products included in one advertisement and the illustration needs of the advertisement all help to determine size. Salesmen and dealers may also decide how large advertisements should be. Color is a factor which influences frequency. Color influences the size of the advertisement and size in turn determines frequency. Color commands a premium price in print or outdoor media.

2. **Re-run on Advertisement:** Repetition has a considerable effect on advertising costs, and its frequency. Re-run is considered worthy when it has performed well on its first appearance. It is most common in mail order business and advertising that uses small space. It is not common for large advertisements. Indirect action advertisements should be re-run. The reinforcement of consumer memory is another benefit of a re-run. There are savings on a re-run. New readers are added whenever an advertisement is re-run.
3. **Timing:** The crucial questions under timing is when should a campaign start, and when should it stop? For this purpose the seasonal angle and festival seasons should be considered. Advertising can be scheduled heavily just before and during the heavy

buying season. Off-season advertising is used profitably during the off-season to level out the. For example, tourists can be motivated through advertising to visit tourist areas during the off-season.

- 4. **Positioning:** It involves the development of a marketing strategy for a particular segment of the market by creating an image about the product advertised in the mind of consumers. It is primarily applicable to products that are not leaders in the field. These products are more successful if they concentrate on specific market segments than if they attack dominant brands. It is best accomplished through an advertising strategy, or theme, which positions advertisements in specified market segments.



*Check Your Progress-A*

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**Q1. What is media planning?**

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**Q2. What questions does media planning address?**

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**Q3. Write short note on advertisement media?**

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**Q4. What is print media?**

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**Q5. What points are to be considered while deciding suitability of advertising media?**

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**Q6. What is advertising clutter?**

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**Q7. Write a short note on frequency of advertisement.**

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**Q8. Choose the correct alternative.**

- i) Market analysis is \_\_\_\_\_ of advertisement planning.
  - a. First
  - b. Second
  - c. Third
  - d. Fourth
- ii) Inventory with media is:
  - a. Published copies
  - b. Space and time purchased with media
  - c. Stored media products
  - d. Advertisement copy
- iii) Advertisement in comparison to sales promotion has the potential to appeal to human senses except?

- a. Sound
  - b. Sight
  - c. Touch
  - d. Taste
- iv. Advertising media high on multi-sensory experience is/are:
- a. Television
  - b. Print
  - c. Hoardings
  - d. All of them
- v. The life of advertisement is high with
- a. Newspaper
  - b. Television
  - c. Internet
  - d. Magazine

**Q9. Fill in the Blanks with appropriate word or words.**

- i. \_\_\_\_\_ is famous on electronic media for high cost charged by the TV channels.
- ii. Re-run is considered worthy when advertisement has \_\_\_\_\_ on its first appearance.
- iii. \_\_\_\_\_ is selecting combination of media in such a manner that organizations goal for advertisement are obtained.
- iv. \_\_\_\_\_ refers to the number of advertisements of the same size appearing in an individual medium for a given period such as per day, per week, per month, or per campaign.

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## **8.11 MEDIA BUYING**

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Media buying is purchasing space, time, and place etc. usually called inventory for the advertisement. This function is mostly done by agency deployed by the advertiser but sometimes this could be done by the advertiser themselves. The people engaged in media buying are called as media buyers. Media buyers (also known as "practitioners in media") negotiate and purchase audience targeted time and advertising space to convey a marketing message.

Media buyers consider type of media, formats, pricing, demographics, geographic, and psychographics relating to the advertiser's particular product its target market. All media inventory needs to be optimized that means to maximize advertisement goal attainment with minimum cost, which is dependent on budget, type of medium (radio, internet, TV, print etc.), target audience and advertisement itself. Media buyers can purchase media inventory regionally or nationally.

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## 8.12 CHALLENGES OF MEDIA BUYING

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Due to variety of media available and complexity that each media poses managers face a lot of difficulty in buying media. Media buyers face challenges while ensuring that media mix purchased by the agency for the company justify the cost and attain advertising objectives. Certain challenges that managers buying media face are given below:

1. **Uncertainty of Outcome:** It is difficult to approximate the results of advertising run on media due to time delay between advertising run and consumer response. So there is natural uncertainty component involved in advertising process and media buyers get delayed and not much accurate information on media performance posing challenge to them.
2. **Price fluctuations:** Media time and space are sold at varying prices due many reasons such as Agency relations with media, bulk discounting, demand uncertainty etc. This fluctuation in price is another important challenge.
3. **Balancing Media Mix:** A company may need to run advertisement on few different media in a time frame to attain advertising objectives. It is challenge for media buyers to ensure media inventory available to advertiser as and when required while adhering to budget constraints.
4. **Competitor's Action:** An advertisement media may lose its worth due to competitions action that may occur in response or pre planned act constraining media effectiveness. The advertisement may ends up with confusion and lack of clarity among target group of the media chosen. The advertiser may have to hurriedly redesign its media mix due to such unanticipated moves of competitors.
5. **Challenges of Emerging Mediums:** Internet and social media has posed fresh challenges to media buyers. Internet as media has both controlled (in form of banners ads etc.) and uncontrolled components (blogs and consumer forums) which can put deep impact on consumers' choice and decision making. Media buyers are required to address the complexity and dynamics of emerging Medias.

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## 8.13 PROCESS OF MEDIA BUYING

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Typically following steps are involved in media buying:

- **Selection:** Selection of one or more media as per objectives of media planning.
- **Approval:** Getting approval from the concerned persons, usually the managers from the advertising company or brand manager.
- **Obtaining Expression of Interest:** From selected media the managers of the media house are requested to give their offer and price quotations. Meetings with the producers of

serials on electronic media etc. are scheduled by agency to get serial /program sponsored by its client.

- **Negotiations and Finalization:** Finalizing package deals from the media houses involved after possible negotiations on price, payment as well as other terms and conditions for engagement of the media. Negotiations may also take place to obtain premium positioning of the ads such as back cover, spread, repeat telecast inclusion etc.
- **Approval:** Final approval from the advertiser is obtained. According to schedule approved the agency books time and space in the media.
- **Execution:** The agency along with the advertiser makes all necessary arrangement to supply advertising material ad copy, audio tracks, art work copy, etc. to various media.
- **Control, Feedback and Payment:** The timely release of advertisement in desired and form and format is monitored. On successful execution of advertisement payment settlements are done among Media, agency and advertiser.



**Check Your Progress-B**

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**Q1. Who are media buyers and what they do?**

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**Q2. What is uncertainty of media outcome?**

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**Q3. What challenges does emerging media pose?**

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**Q4. What is role of negotiation in media buying?**

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**Q5. Choose the correct alternative.**

i. Media buying is purchasing:

- |          |                |
|----------|----------------|
| a. Space | b. Time        |
| c. Place | d. All of them |

ii. \_\_\_\_\_ can buy media inventory regionally or nationally.

- |                   |                    |
|-------------------|--------------------|
| a. Media planners | b. Client managers |
| c. Budget team    | d. Media buyers    |

iii. Media mix purchased by the agency for the company must:

- |                 |                                  |
|-----------------|----------------------------------|
| a. Justify Cost | b. Attain advertising objectives |
| c. Both a and b | d. Neither a nor b               |

iv. Internet is \_\_\_\_\_ media.

- |              |                |
|--------------|----------------|
| a. Emerging  | b. Unimportant |
| c. Expensive | d. All of them |

v. Clients meetings for sponsorship with the producers of serials on electronic media etc. are scheduled by \_\_\_\_\_.

- |               |                    |
|---------------|--------------------|
| a. Regulators | b. Agency          |
| c. Financers  | d. Production Team |

**Q6. Fill in the Blanks with appropriate word or words.**

- i. Media buying involves \_\_\_\_\_ of one or more media as per objectives of media planning.
- ii. Media time and space are sold at \_\_\_\_\_ prices causes challenge to media buyers.
- iii. Consumer forums are \_\_\_\_\_ component of internet media.
- iv. According to \_\_\_\_\_ approved the agency books time and space in the media.

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## 8.14 SUMMARY

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Media planning and buying is the process of developing advertisement goal, defining a course of action, negotiating, and purchasing exposure slots also called inventory with media and placements of advertisement. Media planning involves action pertaining to aspects of media such as media mix, target market, coverage consideration, geographic coverage, scheduling, reach, frequency, agility, creativity, and budget. Media planning also involves evaluating the effectiveness of the plan.

The vehicle that carries the advertisement and its message is the media for advertisement. Each medium has its merits and its handicaps. The suitability and profitability of any one type varies from manufacturer to manufacturer and may vary for a single manufacturer too.

Certain common media that are used for advertisement are given below.

News Papers, Magazines, Radio and Television, Film Advertising, Internet Advertising, Direct mail Service, Outdoor Advertising, Transportation Advertising, Point at purchase , advertising, Product Sampling. Selection of individual media to carry advertising requires the consideration of the points like circulation; the quality and quantity of a medium's circulation, Prestige, Influence, Readership, etc.

An important concept of media planning is frequency refers to the number of advertisements of the same size appearing in an individual medium for a given period such as per day, per week, per month, or per campaign. There is no formula to determine the ideal frequency. The two factors are the size of the advertising fund and the size of the advertisement to be run. If these are known, frequency can be derived. The two other factors are the number of media and the advertising period.

Determining the results of advertising and consequently the amount of money to be allocated in advertising budget are complicated by several major difficulties to which due consideration should be given.

Media buying is purchasing space, time, and place etc. usually called inventory for the advertisement. This function is mostly done by agency deployed by the advertiser but sometimes this could be done by the advertiser themselves. The people engaged in media buying are called as media buyers. Typically following steps are involved in media buying: Selection, Approval, Obtaining Expression of Interest, Negotiations and Finalization, Approval:, Execution, Control, Feedback and Payment.



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## 8.15 GLOSSARY

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**Media planning and buying:** It is the process of developing advertisement goal, defining a course of action, negotiating, and purchasing exposure slots also called inventory with media and placements of advertisement.

**Media buyers:** People not only responsible for making the initial purchase, but also for continuing to monitor performance throughout the entire campaign lifecycle.

**Advertising Media:** The vehicle that carries the advertisement and its message is the media for advertisement.

**Audience Measurement:** How many products were bought last month and how many of those purchasers are prospects for the product saw the advertisement in the broadcast media.

**Audience Size:** Refers to the number of people who experience the media outlet during a particular time period

**Audience type:** When choosing a media outlet, selection is evaluated based on the outlet's customer profile

**Length of Exposure:** How much exposure (measured in time unit) a media offers to their audience.

**Positioning:** It involves the development of a marketing strategy for a particular segment of the market by creating an image about the product advertised in the mind of consumers.

**Media Inventory:** It is space, time, and place etc. of media to be used for carrying advertisement.



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## 8.16 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

#### 8) MCQ

- i. a
- ii. b

iii. d

iv. a

v. d

**9) Fill in the blanks**

i. Prime time

ii. Performed well

iii. Media planning    4. Frequency

**Check Your Progress –B**

**5) MCQ**

i. d

ii. d

iii. c

iv. a

v. a

**6) Fill in the blanks**

i. Selection

ii. Varying

iii. Uncontrolled

iv. Schedule



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## **8.17 REFERENCES**

---

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## 8.19 TERMINAL QUESTIONS

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- Q1. Discuss media planning and its importance.
- Q2. Explain important types of advertising media
- Q3. What difficulties are generally felt while selection of media?
- Q4. What are considerations for deciding frequency of advertisement in media?
- Q5. Discuss budget considerations for media buying.
- Q6. Describe the process of media buying.

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## UNIT9 CREATIVE SIDE OF ADVERTISING

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### 9.1 Introduction

### 9.2 Objectives

### 9.3 What is Creative Advertising?

### 9.4 Factors of Creative Advertising

### 9.5 Levels of Influence on Sales

### 9.6 Summary

### 9.7 Glossary

### 9.8 Reference/ Bibliography

### 9.9 Suggested Readings

### 9.10 Terminal Questions

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## 9.1 INTRODUCTION

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Advertising is amongst the most crucial aspects of any business. It is carried out for the purpose of raising awareness about a product or service. Organisations devise budgets for the promotion of their products in order to ensure that people are enlightened about the existence and potential benefits of using their products and services. There's a strong correlation between the quality of advertisements and sales growth. Therefore, the primary aim of an advertising team is to make quality ads that generate mass appeal for a product or service. This involves the application of a **creative concept**. A creative concept is an overarching "Big Idea" that captures audience interest, influences their emotional response and inspires them to take action. It is a **unifying** theme that can be used across all campaign messages, calls to action, communication channels and audiences. Creativity is the soul of advertising and branding. Advertisements of well-established brands are known to have **fresh concepts** and **eye catching visuals** that enrapture a wide audience. The production of effective advertisements involves lots of brainstorming and is usually a lengthy process, because it isn't always easy to come up with an idea that can be transformed into something that catches the attention of potential customers. Creativity plays a major role in this process, for it gives life to messages about products and services that may otherwise be boring in the minds of consumers.

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## 9.2 OBJECTIVES

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After reading this unit you will be able to:

- Understand the concept of creative advertising
- Explain the need for creativity in advertising.
- Understand the significance of different roles in creative advertising
- Understand how important creativity is in advertisements

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## 9.3 WHAT IS CREATIVE ADVERTISING?

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The global marketplace comprises a very complex set of players (competitors) trying to woo customers in a very dynamic environment. New firms are coming up in ever increasing numbers as small businesses and conglomerates expand through mergers, acquisitions and strategic alliances. These companies are trying to reach customers and potential customers in a variety of ways including print, digital and outdoor advertising. It is important for these firms to ensure that they are heard. Companies communication, therefore, must be clear and concise. There is a huge number of competitors in the complex marketplace, each with a message for potential customers. The task of advertising is quite challenging. Therefore, it is essential that advertising teams are constantly on the lookout for ideas that make their advertisements as innovative as possible. So what exactly is creative advertising?

Creative advertising tries to deliver the right message to the right person at the right time and must have:

**Relevance:** ideas have to mean something to the audience.

**Originality:** one of a kind ideas that only one person thinks of. Original ideas are highly appreciated by consumers and help enhance the reputation of the organization.

**Impact:** a commercial with impact has the stopping power that comes from an intriguing idea, something you have never thought about before.

As mentioned previously, creativity leads to a Big Idea, which expresses an original advertising thought, and involves a mind shift.

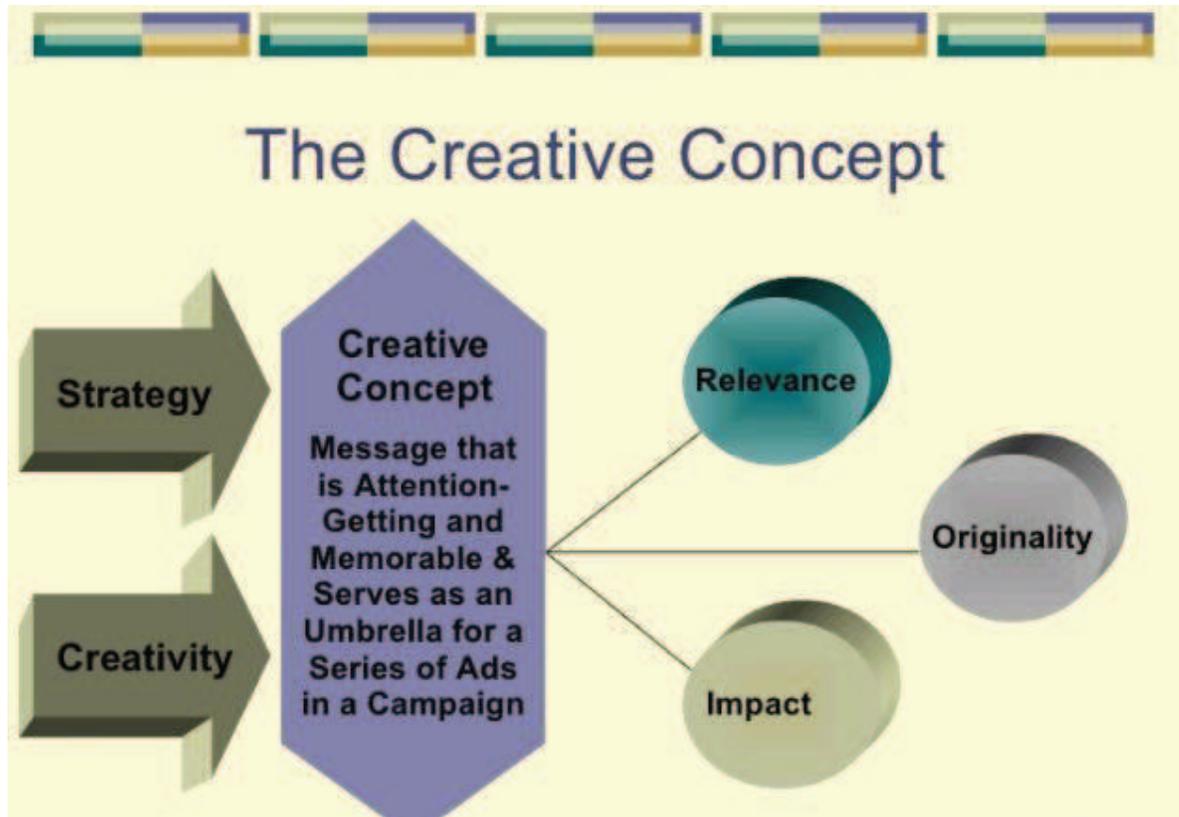


Fig 9.1 Creative Advertising-Creative Concept

Criteria for evaluating creative approaches:

- **Is the creative approach consistent with the brand's marketing and advertising objectives?**

It is essential for the approach to be consistent with the brand's objectives. The objectives provide the firm with a guideline that provides focus. The approach must be in tune with the brand's objectives to ensure that the results of the advertisement have an impact on the organization.

- **Is the creative approach consistent with the creative strategy and does it communicate what it is supposed to?**

Commercials and advertisements are made for the purpose of communicating a message on behalf of the company. The process of making an advertisement is lengthy and involves the transformation of ideas into something appealing. However, it is imperative that this "end product" or advertisement that consumers see communicates what it is supposed to. In a nutshell, what really matters here is how well the idea is executed when making an advertisement.

- **Is the creative approach appropriate for the target audience?**

The firm needs to ensure that the advertisement connects to the target audience. For example, the target audience for an animated adventure film would be children below the age of 12. Therefore, the advertising team needs to ensure that the commercials, trailers and posters for this movie have something in common – something that appeals to the aforementioned audience, which could include over the top action or light hearted comedy which kids understand and appreciate.

- **Does the creative strategy communicate a clear and convincing message to the consumer?**

Most importantly, the message being communicated needs to be clear and convincing. The advertisement shouldn't give mixed signals to consumers which generate a sense of uncertainty about the product or service. There's an abundance of ads that fail to convey the intended message, often doing the opposite.

- **Does the creative execution overwhelm the message?**

It isn't unusual to see advertisements and commercials loaded with aspects that enhance appeal. Say for instance, the trailer of an action movie has to convey a message regarding the plot and characters. However, it isn't unusual to see trailers that offer too much in terms of visuals and hype building cutscenes. Such loaded trailers fail to generate excitement among potential viewers. In such cases, it isn't necessary that the message in the trailer is inexistent. The execution (conveying the idea effectively) however, is poor in a sense that too much attention is given to the execution instead of the actual message.



**Fig 9.2 Creative Advertising**

- **Is the creative approach appropriate for the media environment in which it is likely to be seen?**

The approach has to be appropriate for the media environment in which it is seen. Say for instance, the advertisements of a movie are most likely to appear in videos (trailers and teasers) as well as in print form (posters). Radio advertisements for movies may not be as appropriate and effective as trailers.

- **Is the advertisement truthful and tasteful?**

Advertisements need to convey a clear and honest picture of the product or service, as well as all other factors associated with the product. Most importantly, it needs to have something unique and tasteful.



**Fig 9.3 Creative Pyramid**



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## 9.4 FACTORS OF CREATIVE ADVERTISING

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In coming up with dimensions along which to measure creativity, one could draw on social and educational psychology literature that defines creativity as divergent thinking—namely, the ability to find unusual and nonobvious solutions to a problem. One of the pioneers in the field was Ellis Paul Torrance, an American psychologist, who developed the Torrance Tests of Creative Thinking (TTCT), a battery of measures used to assess individuals' capacity for divergent thinking in the business world and in education. Torrance scored responses to test questions along five dimensions: fluency, originality, and elaboration (borrowed from the work of Joy Paul Guilford, another American psychologist) as well as abstractness and what he called resistance to premature closure.

Fluency refers to the number of relevant ideas proposed in response to a given question (such as “list as many uses as you can for a paper clip”), and originality measures how uncommon or unique the responses are. Elaboration refers to the amount of detail given in a response, and abstractness measures the degree to which a slogan or a word moves beyond being a label for something concrete. Resistance to premature closure measures the ability to consider a variety of factors when processing information.

In the early 2000s Torrance's measures were adapted for advertising by the Indiana University communications researcher Robert Smith and his colleagues. They adjusted the definition of creativity to refer to “the extent to which an ad contains brand or executional elements that are different, novel, unusual, original, unique, etc.” Their goal was to measure creativity using only those factors most relevant to an advertising context. They came up with five dimensions of advertising creativity, which form the basis for our survey.

### **Originality.**

An original ad comprises elements that are rare or surprising, or that move away from the obvious and commonplace. The focus is on the uniqueness of the ideas or features contained in the ad. An ad can diverge from norms or experiences by applying unique visual or verbal solutions, for instance. Many advertising campaigns are anything but original. The prototypical detergent spot shows a homemaker satisfied with an even whiter wash; perfumes feature picture-perfect models; and cars cruise through beautiful landscapes free of traffic. One campaign we studied that excelled in the originality dimension was the surprising visualization of the inside of a vending machine in the Coca-Cola commercial “Happiness Factory.”

### **Flexibility.**

An ad scoring high on flexibility smoothly links the product to a range of different uses or ideas. For example, a commercial for the Kraft Foods coffee brand Jacobs Krönung, which aired in Germany in 2011 and 2012, showed a man facing various domestic challenges (washing dishes, sewing a button on a jacket, dicing an onion, and making a bed) while a group of women enjoyed a cup of coffee together.

**Elaboration.**

Many ads contain unexpected details or extend simple ideas so that they become more intricate and complicated. One good example is an ad for Ehrmann fruit yogurt—one of the leading brands in Germany—in which a woman eating yogurt licks her lips to reveal that her tongue looks just like a strawberry (Ehrmann made different versions of the spot for different flavors), considerably deepening the idea of fruitiness in yogurt. In another example, an ad for Wrigley's 5 gum, a man is submerged in tiny metal balls that bounce off his skin to represent the tingle one feels while chewing the gum.

**Synthesis**

This dimension of creativity is about blending or connecting normally unrelated objects or ideas. For example, Wrigley aired a commercial that featured rabbits corralled like cattle and fed bananas, berries, and melon, making their buckteeth grow in as Juicy Fruit Squish chewing gum. The commercial combines unrelated objects (rabbits and chewing gum) to create a divergent story line.

**Artistic value**

Ads with a high level of artistic creativity contain aesthetically appealing verbal, visual, or sound elements. Their production quality is high, their dialogue is clever, their color palette is original, or their music is memorable. As a result, consumers often view the ads as almost a piece of art rather than a blatant sales pitch. One ad we studied, which scored among the highest in artistic value, was an animated commercial for Danone's Fantasia yogurt that aired at the end of 2009. It showed a woman floating on a flower petal through a sea of Fantasia yogurt, surrounded by flowers laden with fruits.

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## 9.5 LEVELS OF INFLUENCE ON SALES

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Companies have plenty of room for improvement in the creativity of ad campaigns. For instance, the types of creativity that agencies currently emphasize are often not the most effective ones at driving sales. In our research, we quantified the impact that each dimension has on sales. Although all of them had a positive impact, elaboration had by far the most powerful one (1.32 when indexed relative to the overall average creativity of 1.0), followed by artistic value (1.19). Trailing behind were originality (1.06) and flexibility (1.03), with synthesis a distant fifth (0.45). Yet the study shows that ad agencies use originality and artistic value more than they use elaboration. Possibly, companies think primarily of originality when trying to be creative.

We also looked at campaigns that scored above the median on at least two dimensions and found that the variation in sales impact among the combinations was even greater than the variation between individual dimensions. Research suggests that the most-used combination—flexibility and elaboration, accounting for nearly 12% of all combinations—is one of the lowest-performing: 0.41 indexed relative to the average of all pairs of 1.0. In sharp contrast, combining elaboration with originality (accounting for nearly 10% of all combos

identified) had almost double the average impact on sales (1.96), closely followed by the combination of artistic value and originality (1.89, accounting for almost 11% of all combos).

### *What Creativity Combinations Work Best?*

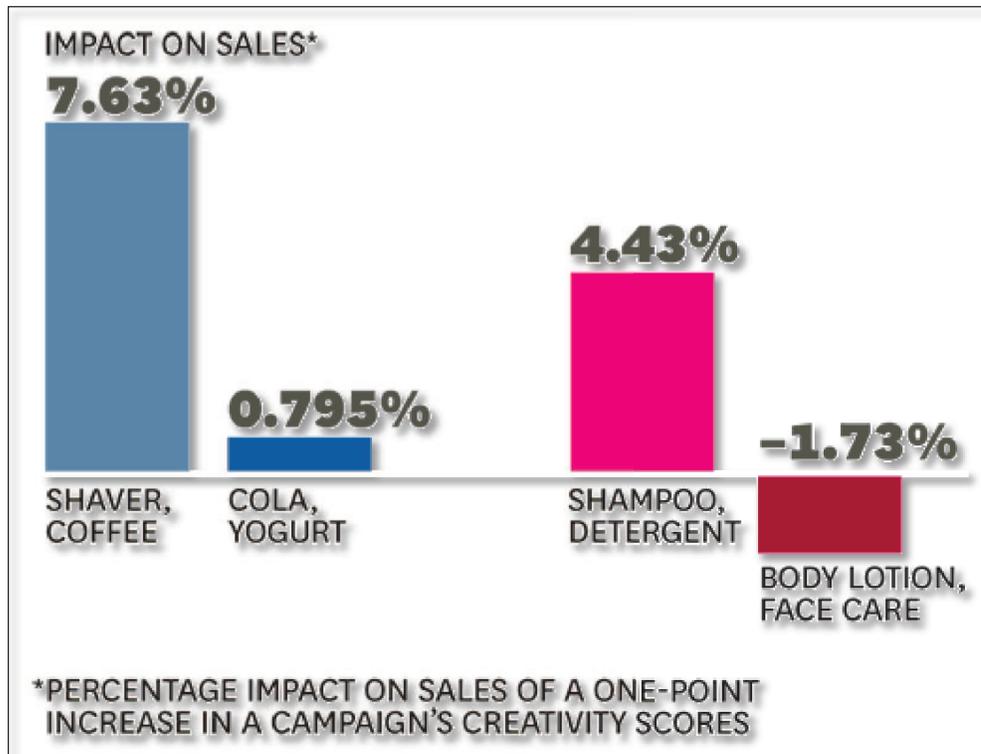


**Fig 9.4 What creativity combinations work best?**

Interestingly, originality is often part of the most effective combinations, suggesting that this type of creativity plays an important enabling role. In essence, being original is not enough—originality boosts sales only in the presence of additional creative dimensions. Indeed, originality’s power to enable may be another reason that so many companies use it in ad campaigns, despite its mediocre individual effectiveness.

### **Use of creativity differs by category**

Levels of creativity vary significantly across product categories, with the overall scores ranging from 2.62 for shampoo to 3.60 for cola. In categories such as cola and coffee, advertisers and customers tend to favor higher levels of creativity, whereas in categories such as shampoo, body care, and facial care, campaigns focus on showing the actual use of the product, albeit in an idealized environment. One reason could be that it is still important in certain categories to deliver factual proof points of performance features. When products are functional and oriented toward clear consumer goals (cleaning garments with detergents, protecting skin with body lotion), unorthodox approaches are less preferred. In contrast, when products are easily understood, similar, and tied to personal preferences (quenching thirst with a soda, for instance, or enjoying a cup of coffee), an out-of-the-ordinary approach can be more effective in stimulating sales.



**Fig 9.5 Is More Creativity Better?**

### MEASURING CAMPAIGN EFFECTIVENESS

This research has big implications for advertising agencies and the companies that engage them. Advertising professionals can use such methods to identify where to direct their creative energies to best effect. Companies can use the models to estimate the financial impact their creative investments will produce.

In many—indeed, most—cases, companies will find that they are underinvesting in creativity. Our research clearly shows that the conservative approaches adopted in many product categories are leaving money on the table. Increased investment will usually pay for itself: More-effective creative ads will allow other parts of the ad budget to be significantly reduced.

The conservative approaches adopted in many product categories are leaving money on the table.

For example, suppose a company plans to air two TV campaigns: Campaign A has a creativity index rating of 3, and it has allocated a TV budget of €500,000 per week. Campaign B has a rating of 3.5, but because it costs more to create the campaign, it plans to

spend only €400,000 per week for airtime. (The company establishes creativity ratings by asking consumer panels to evaluate campaign drafts and storyboards along the five dimensions.)

After feeding the scores and budgets into a hierarchical sales response model, the company estimates that the sales impact for Campaign B will be 1.07% higher in the first week of airing than that of Campaign A. In the subsequent weeks, the gap increases to 1.93% (week 2), 2.63% (week 3), and 3.19% (week 4), thanks to carryover and buildup of consumer knowledge and goodwill. That means that diverting money from the airtime budget to creative will in this case result in a more effective ad. In fact, the model shows that the company could cut airtime spending to €330,000 before the negative impact of reduced airtime outweighed the positive effect of creativity.

Companies can also use a survey approach to estimate the impact of particular creative choices. Let's say that your product category is coffee, and you have to choose between two creative pitches that both scored 4.0, each with a €400,000 weekly airtime budget. Campaign C emphasizes elaboration and originality, and Campaign D emphasizes artistic value and synthesis. Our findings suggest that Campaign C would be the better bet, since that combination of creativity dimensions produces a positive effect on sales nearly three times as great as that of the combo used in Campaign D. Creativity isn't easily engineered—and it is still largely measurable only after the fact. What's more, a focus-group assessment of an unaired campaign's creativity levels may well be off the mark.

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## 9.6 SUMMARY

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Advertising is essential to ensuring the longevity of products and services. It is done for the purpose of raising awareness about goods and services. Creativity plays an important role in advertising. Without unique ideas and good execution, advertisements can prove very effective. Creative advertising tries to deliver the right message to the right person at the right time.

- The criteria for evaluating creative approaches:

- **Is the creative approach consistent with the brand's marketing and advertising objectives?**
- **Is the creative approach consistent with the creative strategy and does it communicate what it is supposed to?**
- **Is the creative approach appropriate for the target audience?**
- **Does the creative strategy communicate a clear and convincing message to the consumer?**
- **Does the creative execution overwhelm the message?**
- **Is the creative approach appropriate for the media environment in which it is likely to be seen?**

- **Is the advertisement truthful and tasteful?**

Further, important factors of creative advertising include:

- **Originality**
- **Flexibility**
- **Elaboration**
- **Synthesis**
- **Artistic Value**

An organization can make use of many creativity combinations in order to make their ads more appealing.




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## 9.7 GLOSSARY

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**Creative Concept-** creative concept is an overarching “Big Idea” that captures audience interest, influences their emotional response and inspires them to take action. **Relevance-** Ideas have to mean something to the audience.

**Originality:** One of a kind ideas that only one person thinks of. Original ideas are highly appreciated by consumers and help enhance the reputation of the organization.

**Impact:** A commercial with impact has the stopping power that comes from an intriguing idea, something you have never thought about before.




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## 9.10 TERMINAL QUESTIONS

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- Q1. What do you mean by creative advertising?
- Q2. List and explain the significance of any 2 factors of creative advertising
- Q3. What is meant by a creative concept?
- Q4. What could the “Big Idea” mean in the production of an advertisement for a smartphone?
- Q5. What are the components of a Creative Pyramid?
- Q6. How would you describe a poor advertisement? Use terminology learnt in this unit to describe what could go wrong in the process of making an advertisement.

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# UNIT10 CONSUMER BEHAVIOR AND ADVERTISING

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- 10.1 Introduction
- 10.2 Objectives
- 10.3 Meaning of Consumer Behavior
- 10.4 Determinants of Consumer Behavior
- 10.5 Benefits of Advertising
- 10.6 Impact of Advertising on Consumer Behavior
- 10.7 Components of Marketing Communication
- 10.8 Communication Process
- 10.9 Cognitive Psychology
- 10.10 Advertising Appeals to Customers
- 10.11 Summary
- 10.12 Glossary
- 10.13 Answer to Check Your Progress
- 10.14 Reference/ Bibliography
- 10.15 Suggested Readings
- 10.16 Terminal & Model Questions

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## 10.1 INTRODUCTION

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In the previous unit you had learned the basic concept of advertising, advertising campaign planning types of advertising etc. In this unit you will learn about consumer behavior, communication process, benefits of advertising and impact of advertising on consumer behavior. You will also learn the impact of cognitive psychology on advertisement.

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## 10.2 OBJECTIVES

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The learning objectives of this unit are follows:

- To learn the concept of consumer behavior.
- To learn the benefits of advertising.
- To learn the process of communication in marketing

- To learn about the impact advertising on consumer behavior.
- To learn about cognitive psychology and advertising.
- To learn about the different emotional appeals in advertising.

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### 10.3 MEANING OF CONSUMER BEHAVIOR

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A study of the behavior of individuals' and organisations' during their purchase and use of products and services is known as consumer behaviour.

#### **According to Walter**

“Consumer Behavior is the process whereby individual decides what, where, when, how, from whom to purchase the goods and services.

#### **According to Webster**

“Consumer behavior is the psychological, social & physical behavior of potential consumers as they became aware of evaluation, purchase, consumes and tells others about product and services.

Consumer behavior is the result of the environmental influence. The environmental factors are further classified into factors like social, personal, cultural and psychological. These factors influence a great deal on customer purchase of goods and services. Thus the behavior is the result of combination of the consumer personal influences and outside environment forces.

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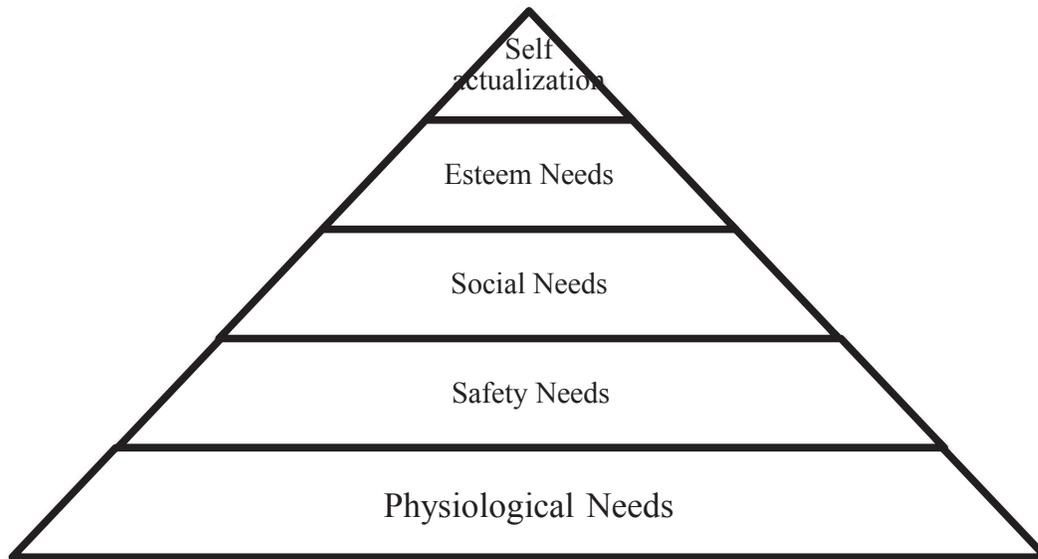
### 10.4 DETERMINANTS OF CONSUMER BEHAVIOR

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Determinants of consumer behavior are individual needs, drives or motives perception and attitude.

- **Individual Needs:** The purchase decision process starts with the point called problem recognition or need identification. The need is defined as the customer feeling of lacking of something valuable. Soon the need becomes motive and consumer feels motivated to fulfil the need arise. All individuals cannot act same to the all felt needs it is depend upon the nature of need and individual's social background.

In year 1943 Abraham Maslow proposed a theory called “Maslow hierarchy of needs theory” for human need classification.



**Fig 10.1 The Maslow hierarchy of needs theory**

### **The Maslow hierarchy of needs theory**

Maslow classified the basic need of an individual in the hierarchical order: (i) Physiological Need (ii) Safety Need (iii) Social Need (iv) Esteem Need (v) Self-actualization Need. The individual satisfy their needs strictly in the order. So the buying behavior of the individual may be determined from the basis the stage of the need.

- **Drives:** Drives are the state of tension which exists from unsatisfied need where an individual tries to find ways to satisfy it. A drive can be defined as strong stimulus that motivates individual. These drives result the specific consumer behavior pattern. A specific response of the customer is depend upon the cues and result for the past experience. The cues may be product, signs, advertisements and other stimulus related to the situation. The reinforcement in the learning process occurs when the response is followed by satisfaction and reduces the tension. The customers will response in the same way next time when same type of need arises and later that's developed in to habits. The phenomenon became buying motive (drive) when the need is satisfied through buying of something.
- **Perception:** Perception is an image exists in the mind of an individual about different brands, products, retailers or companies. Buying behavior is deeply influenced by perceptions of individuals. Advertisers consider these customer's perceptions while making promotional plan. There are generally two types of images comes in the mind of an individual i.e. (i) Self-image and (ii) Brand image.

A self-image is the picture of himself in his mind. A self-image is what a person's believe about himself to be or what he feels other persons think about him to be. Different people have different self-images and that leads to different market segments on the psychological aspects. Brand image is the impression of particular brand in consumers' mind. The specific image that is formed in the mind of the customer is due to companies marketing communication like advertisement, publicity or sales appeals. For example Surf as detergent powder, dairy milk as chocolate.

- Attitude: Attitude governs the response to a stimulus and leads to a behavior. A positive attitude means high involvement and ready to action. Attitude immediately defines relationship of person for or against the thing.

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## **10.5 BENEFITS OF ADVERTISEMENT**

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- Advertising provide information to consumers regarding products and their prices. Consumers can also choose the right product from the various products available in market. Advertising prevents consumers to be exploited by sellers.
- People get education regarding diverse uses of newly launched products.
- The utility of existing products are also increased through advertising and it enhanced the satisfaction of the customers.
- Advertising encourages companies to do research and development to improve the quality of their products and better quality products are supplied to customers.
- Advertising provides employment to the persons of various fields like designers, copy writers, actors & models, artists and technicians
- Standard of living of the people is increased through consumption of good quality products that are promoted through advertising.
- Advertising helps marketers to promote their product in overseas market this enable companies to expand their business in foreign and increase their customer base.
- Advertising helps press and other media to sustain. It provides necessary revenue to media industry like print media, radio and television channels. Advertisements help print media houses to sell their newspaper and magazines at low prices. This result large circulation of their publication.

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## **10.6 IMPACT OF ADVERTISING ON CONSUMER BEHAVIOIR**

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### **ENHANCE CONSUMER AWARENESS**

The basic idea of doing advertising is to inform consumers regarding products. Consumers by watching advertisement get information regarding new products and services available in market. Even sometime marketers advertise products even before the launching of product. An effective advertisement creates curiosity in mind of the consumers.

## ANALYSIS OF FEATURES

Advertising helps consumers to know products and services offered to them. It is the general tendency of the consumer to compare different products available in the market on the basis of product features. Customers tend to focus on functional aspect of product rather than emotional.

## EVALUATION OF BENEFITS

Benefits and values is what consumers are looking from the products. When consumers identify the benefits of products through advertisement they get fascinated towards products. This fascination leads eagerness in customers to buy the product and develop impulse buying behavior.

## REMINDERS

If product wants to be successful, it needs to find a place in the minds of consumer. The first purchase of the product is always based on the reminder effect of the advertisement at the time of purchase. The consistent and repetitive advertising serves as a reminder for the customer at the time of purchasing of product.

## PROMOTION OF LOYALTY

Regular advertisement enhances the recall effect of the product. Promotion through celebrity, regular information about new features of the product and information about new application increases the loyalty of the consumers towards product.



### *Check Your Progress-A*

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**Q1. Explain the meaning of consumer behavior.**

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**Q2. Explain benefits of advertising to consumers.**

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**Q3. What are the determinants of consumer behavior?**

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**Q4.Explain how advertising influence consumer behavior?**  
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**Q5. State whether the following statement are true (T) or false (F):-**

- i. Advertisement enhances consumer awareness regarding product.
- ii. Advertising influence consumer's selection regarding product.
- iii. Advertising has no relation with consumer needs.
- iv. Regular advertisement enhances brand recall value.

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## **10.7 COMPONENTS OF MARKETING COMMUNICATION**

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A process of transmission of message from sender to receiver through a channel or medium is called communication. The components used in the communication process are sender, receiver, channel message and feedback. Feedback is an important component of communication, it gives a clear idea that intended message was received.

**Sender:** A person who initiates the communication is called sender. The communication can be formal or informal in nature. The source of formal communication can be from profit making or non profit making organisations. The source of informal communication can be the information given by friend regarding a product or a purchase advice. Consumers often relay on informal communication sources for making purchase decision. It is because unlike formal communication in informal communication, the receiver perceived that the sender had no gains from the receiver's subsequent action. That is why word of mouth considered as strong tool for product promotion.

**Receiver:** The target customers for a company are the receiver of the formal type of communication. The intermediaries such as whole seller, distributors and retailers who also receive trade advertising from the marketers, it is designed to persuade to order the advertised stock. The other audience like professionals (Architects, Physicians and investment managers) were asked to prescribe the advertised product. The unintended receiver of the communication includes the general public, shareholders, bankers, government, creditors, suppliers and employees. It really does not matter how diverse the audience is the message is interpreted by an individual is by his or her own perception.

**Message:** The message is a verbal or non verbal type of communication. A verbal communication can be in written or spoken form, while non verbal communication can be a photograph or symbol. A verbal type of message contains more specific information regarding product as compared to nonverbal. The combination of both types of message provides more complete information to audience. Non-verbal communication in the form symbolic communication as logos, design and symbols associated with product. It provides more cognition to the product example Mc. Donald's, Coca cola etc.

**Medium:** A medium can be impersonal or interpersonal, the impersonal medium is the mass medium and interpersonal communication can be a formal communication with the company's representative on phone, by mail or online.

Mass media generally classifies in to three medium i.e. Print, broadcast and electronic.

Print medium advertisements' options are newspaper, magazines and billboards advertisement. Broadcast medium advertisement options are TV ads and radio ads. Electronic medium advertisement is generally through internet. New interactive medium of communication provide option to audiences to interact with company and give direct feedback. Interactive communications fade away the difference between interpersonal communication and impersonal communication. For examples most advertisers motivate consumers to visit their website and get information regarding product and give feedback. They also provide links to purchase product through their websites. Home shopping network through television also expand remarkably customers are purchasing products from this medium to.

**Feedback:** The feedback is an important component of communication process. An instant feedback enables advertiser to do necessary change and modification in the message. Generally it is easier to get feedback of interpersonal messages, because a good salesman is attentive gets non-verbal feedback from the customers during sales presentations. The feedback such as facial expression and body language provide them better idea about the impact of the message.

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## 10.8 THE COMMUNICATION PROCESS

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Advertising is the most prominent way of communicating with the target customer. It is a creative way to transmit the message to the target customers. Company's marketing department planned communication to aware customers regarding products. It is necessary to make a positive attitude towards product. To present the product in front of customers in such a way that it become a symbolic solution to the problem of customers, even better than the competitors. For example "Moov" for back pain.

### **The Initiator (Source)**

The person or sponsor who decides to whom the message should be delivered is called initiator. The sponsor decides what message needs to convey. Then the message is being encoded in such a way that it should be clearly understood by the target audiences. The most

used form of interpersonal communication is advertising. For example Oppo mobile phones use to advertise their mobile phones as special selfie camera phones with dual front camera.

**Credibility:** Credibility of the information's source affects the decoding of the message.

The message is deeply affected by the goodwill of the sponsor in the market. If the sponsor has high goodwill in the market than the target group are more likely to believe on the message. Credibility is built on the many factors such as the intension on the sender to the message, the perceived gain of the receiver and the past record of the sender. For example the message send by company like TATA likely to gain more response because the company has good credibility in market place.

**Credibility of Informal Sources:** When the information initiated from friends, relatives and neighbors such type of source is called informal source of information. Information gathered from informal source has a strong influence on the receiver's behavior. Because it is perceived messenger has no gain from the recommended product. That is why word of mouth communication is so effective in promotion of product. The information source is called opinion leaders.

**Credibility of formal Sources:** Customer perceived nonprofit sources more credibility than profit sources. The sources which customers perceived more credible are newspaper articles, expert advice and consumer reports. These found more credible than the commercial source because these are perceived neutral by the target group. That is why the editorial space is perceived more valuable than the paid advertisement by customer. For example the message communicated by an auto expert regarding features of new Maruti Suzuki Desire perceived more valuable by customer than paid advertisement by the company.

**Credibility of spokespersons and Endorsers:** Spokespersons or endorsers are the celebrities who appear on the television or on other commercials to promote the product. Customer sometimes admires the celebrities and influenced to purchase the product which they endorsed. The celebrity or person who appears in the advertisement commercial has a major influence the on the message credibility. Finding of the few studies conducted on relationship between effective of message and spokespersons.

- If the knowledge of the receiver is low regarding the product, the receivers rely on the spokespersons credibility for forming the attitude toward the products. If the knowledge regarding the product is high then the expertise of the spokesperson has less impact on receivers.
- If the synergy between of the product and the spokespersons is very high then that credibility of the message will be high. For example: If a well-known beautician endorsed the product range of personal care products than the message will be perceived high credible and receivers will have a positive attitude towards the advertisement.
- If the demographic characteristics (Such as Age, Social Class and Ethnicity) of the spokesperson is relatively same to the target group then the information perceived

more credible and persuasive. For example the educational institution endorses their successful ex-students in commercials or in advertisements to persuade aspirants.

- The corporate credibility needs to be strong impact on audiences. The celebrity's credibility cannot compensate on to that. The development of multiple measures to evaluate credibility of message such as attitude towards the brand, advertisement, and purchase intention.
- Marketers must evaluate the capabilities of endorser (celebrities) before endorsing them. The message's credibility gets hampered in case of any error in the evaluation.

**Message credibility:** The credibility of the message enhanced if message is endorsed by two brands. The goodwill of the retail brand who is selling the product to customer also adds value to the message credibility. The manufactures' advertise message enhanced by the retail advertising, which means products sold from the big retail stores perceived to be of good For example products sold from the retail brand Big Bazaar store perceived by customer as a good quality product and message communicated to the customer regarding product through advertisement found more credible.

**Effects of time on source credibility:** The persuasive effect of the high quality sources does not last very long. The research suggest the effect both high and low credible a sources tend to disappear within six weeks, the effect is called the sleeper effect. The advertiser need to continuously advertise the same message again and again in order to maintain recall to customer.

### **The Audience (Receivers)**

The message decoded by the receivers are on the basis of the past experience and personal characteristics. For example, if a customer ordered a product to the online store. The product received to him is not of desired quality as he expected. The level of his trust towards online communication is based on his past experience.

The factors that affect the decoding and understanding of the message depend on the receiver's personal characteristics, involvement to the product category and receiver's mood and congruency of the message and the medium.

**Personal characteristics and knowledge:** All the individual personal characteristics influence the accuracy of the receiver to decode the message. The demographic factors such as age, gender marital status, socio-cultural association such as social class, religion, family culture and lifestyle and personal psychological factors like motivation, learning and attitude all affects the message decoding.

The impact of illiteracy on comprehension and study reveals that one third of the recipients of direct mail advertising unable to understand the message written at the level of an eight standard.

**Involvement and congruency:** If a person has high interest in the advertise product category then he will pay more attention than the person who is having no interest in the

product category. For example a receiver having interest in cricket will pay more attention the advertised product range of cricket equipment's than the person having low interest, that show the level of involvement in the product influence the decoding of message.

The viewer recall of advertising will enhanced if there is congruency between the nature of the television program and advertisement. For example advertisement to travel agency telecasted with a travel show (a program based exploring tourist destination)

**Mood:** The decoding of the message depends on the mood if viewer. The way advertising is perceived is really depend on the mood of the customer. The advertiser's give importance to the emotions and feeling especially in image related products like perfume and fashion. Advertisers found that emotion appeals works in other product categories like automobiles for example Hero Moto Corp. (HF Deluxe) "Naye India Ka Mazboot Saathi".

### **Barriers to Communication**

The barriers in communication like selective perception and psychological noise affect the accuracy of message that consumer interpret.

**Selective perception:** Viewers tend to ignore the advertising which they feel that have no relevance to him. The technology provides viewer the facility to switch the channel in between commercial breaks of a program. It is the general tendency of a viewer to surf the channels available to check what they are offering.

**Psychological Noise:** A psychological noise is the compelling advertising messages and distracting thoughts. A viewer in the commercial break approximately faced clutter of nine commercial messages. Noise can be a student day dreaming during the class. The strategies an advertiser needs to plan to overcome psychological noise are follows.

- Repeated Exposure to viewer to the advertising message helps overcome psychological noise.
- Copywriters often use contras in their script such as featuring an unexpected outcome; increase the amount of sensory input such as color, scent and sound to beat psychological noise.
- Psychological noise can also be overcome by the use of teasers. For example in beginning of commercial break, asking questions to the viewers. The objective is to engaging the viewers with the channel during commercial break.
- Placed ad in the specialized media such as theaters and online games has better recall value.

An effective brand positioning and unique selling preposition strategy is the best way to ensure the promotional message to standout and received to the target group.

### **Feedback (The Receiver's response)**

Marketing communication is designed to persuade the target audience to act in a desired way. For example purchase the advertised product or subscribe the advertised services. The test of all types of marketing communication is the target group response. It is very vital for

advertisers to obtain feedback of the broadcasted communication in terms of customer response as accurately as possible.

To know how persuasive their message is can be found from the resulting actions of the target group whether they buy the advertised product or not. Other type of feedback the company is looking for the degree of satisfaction of customers with the product purchase. Many companies start 24 hours customer service hot lines and encourage customers to contact for every sort of query.

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## 10.9 COGNITIVE PSYCHOLOGY

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Cognition means knowledge of something. Cognitive Psychology is referred as the human desire to know something. The highlighted aspect of this theory is that the behavior is a function of cognition, which is nothing more other than ideas, bits of knowledge, values. The cognition is also defined as “Those processes by which any sensory input is transformed, reduced, elaborated, stored, recovered and used.”

The theory of cognitive is well explained by Mr. Markin. The human organism and specially customers are sensory processing and data gathering creature. The learning of a human being is a continuous process they learn and modify their behavior overtime. It is observed that once what was sufficient cause for motivation in a situation may not be sufficient to act in a similar way in subsequent situation. So we can say that motivation, learning, and perception lie at the core of the consumer cognitive process.

Cognitive structure and process provide two functions

**Purposive:** Used by individual for satisfaction of need.

**Regulatory:** Determine the direction taken by consumer for the satisfaction of his initiating need.

### **Cognitive Dissonance**

The feelings of post purchase psychological tension or anxiety a consumer often experiences. There are certain devices called defense Mechanism which are generally used to protect customers from anxiety.

**Repression:** It means denial of a motive or goal or anything involve in any anxiety situation. It is a method of dealing with motivational conflicts by excluding from conscious awareness, feelings that cause pain and shame.

**Sublimation:** It means an activity that satisfies a motive. It can be done by substituting any other activity in place that will help in relieving the tension of anxiety.

**Compensation:** It means offsetting the failure or self-esteem in one activity by fruitful efforts in another area.

**Rationalisation:** In this mechanism it is an acceptance of real reason when the person is not successful in fulfilling his motive.

## Cognitive Psychology and Advertising

Cognitive psychology and advertising are related to each other. Basically consumers are always ready to acquire knowledge and marketers are motivated to find out people's daily needs about product. This help to solve the problem of customers. Advertising is one medium to get such information. Advertising only be effective if information given are proper and in psychological terms. The customer gets information regarding product through advertising.

Cognitive dissonance theory is used for planning of advertising programs. Advertisers must know the behavior of customer. If the customer is not happy due to unfulfilled need through existing products and services. The advertisers must develop new product. Such new product launches must be communicated to customers effectively through proper advertising. Message of the advertisement must be designed in such a way that it accounts the idea of dissonance. In this way the Cognitive dissonance theory applied in the advertisement field.

An advertiser must study the group behavior of the customers' before reinforcing the change in the customers' attitude. The action or response advertiser desire must be as per the pattern of the consumer group that he belongs. Before forming an attitude the consumer takes group approval. In absence of group approval the desired action will not take place.

## Influence of culture and social groups

**Family** is the most influencing factor for an individual. An individual will evolve, acquire values and shape his personality in an atmosphere of socialization created by family. Development of opinion regarding various issues like society, politics and his own desire is the result of his upbringing. Buying behavior of an individual customers too deeply influence by the family. The consumer habits and perception towards brands and products are similar to the buying habits and consumption patterns that ones we had known in his family.

**Reference group** of an individual are the social group which he belong and which influenced him. The membership of these reference groups are usually related work, hobbies, age group, place of residence and social origins. It is generally observed that there is similar consumer pattern among the members of groups. The magnitude of influence may vary and solely depend on the individual.

## Different roles of reference group

- **The initiator:** The Initiator is the person who suggests purchasing of a product.
- **The influencer:** the person whose point of view or advice will influence the buying decision. It may be a person outside the group (singer, athlete, actor, etc.) but on which group members rely on.
- **The decision-maker:** the person who will choose which product to buy. In general, it's the consumer but in some cases it may be another person.
- **The buyer:** the person who will buy the product. Generally, this will be the final consumer.

Brands always look to target the opinion leaders (initiator or influencer) to spread the use and purchase of their product in a social group.

**Reference groups are classified in to three categories:**

**Standard Group:** Standard group are those with which a person compares himself. A person may feel poor when he compares himself with rich, or a customer may feel rich when he compares himself with poor.

**Aspiration group:** The individual does not belong to this group but they aspire to be one. He imitates the status symbol and buying behavior of the group which he desire to belong.

**Group who's Prospective are Assumed:** An individual may adopt the view and norms of the group without intending to belong to it. For Example an individual may adopt the ideas of a political party with joining it.

**Cultural Factors**

Consumer buying behavior Influenced deeply by the Cultural factors, which including the roles of buyers' culture, subculture and social class. Culture is the most basic cause of a person's wants and behavior. Human behavior is largely learned. Every group or society has a culture and cultural influences on buying behavior may vary greatly from country to country. Failure to adjust to these differences can result in ineffective marketing or embarrassing mistakes. (Kotler & Armstrong 2008)

The study of society is the study is culture it includes the language, knowledge, laws, and customs that give society its distinctive character and personality. With reference to the consumer behavior, the sum total of values and beliefs that control the behavior of an individual of a society is defined as culture.

**The culture may defined as**

- Continental Culture as Asian culture of European culture.
- National Culture as Indian Culture or Russian Culture
- Regional Culture as East and West Cultures.

**Subcultures** are groups of people who share the common values and experience or a similar lifestyle in general. Subcultures are can be categories as nationalities, religion, and age groups gender of the individuals. It is generally considered as a base of segmentation by the marketers, in order to frame the communication strategy.

Advertising is very much influenced by different cultures. A good advertiser need to identify these cultural and subculture differences and make different marketing segments and different communication and advertising strategies. For example Mc. Donald's in view of Indian culture introduced a big range of vegetarian burgers in India, they won't offer any burger contain pock meat or beef meat in India. They use to highlight Indian culture in their advertisement. Cadbury Dairy milk chocolates advertisements portray Indian values in their advertising like family love, Joint family culture, cricket craziness etc.

**Social Classes** are defined as the groups of people more or less homogeneous in nature. The group either small or large the individuals belonging to the same social class generally exhibits similarly values, lifestyles, interests and behaviors. Generally Social classes are categories in three categories lower middle and upper class. Individuals of different classes tend to different consumptions patterns. This is mainly due different purchasing powers.

The members of different social classes have different purchasing power and different sets of needs. The advertiser intelligently conveys message that the advertised product belongs to which target group. For Example P&G having two different detergent brands Tide and Ariel, the advertisement clearly indicates that Tide is a brand for middle and lower class segment whereas Ariel is a high class product. It was observed that almost all multi brand companies having different brands for their different segment customers.

**Lifestyle** of an individual includes all his daily life activities, values, interest and opinions. The lifestyle of a consumer will influence on his behavior and purchasing decisions. It is important for advertisers to understand the consumer lifestyle as two consumer of similar social class, similar demographic variable such as age, sex, income but tend to have different lifestyle. So it is important for advertisers to understand the consumer behavior for effective communication strategy.

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## 10.10 ADVERTISING APPEALS TO CUSTOMERS

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In advertising both factual appeals and emotional appeals are important. It really depend upon the target audience, the advertise product category and degree of involvement of the customers.

It is sometimes found that logical advertisement appeals more to the educated audience and emotional appeals more to the less educated audience. Following are the few emotional appeals which are effective on audience.

**Fear:** Fear in advertisement is one of the effective appeals used by advertisers. It was found that the mild fear appeals more than the strong fear. Strong fear appeal only effective on few situations like social campaigns example (Smoking Causes Cancer).

**Humour:** humour also appeals effective in most of the product categories. It increases the acceptance of persuasiveness in marketing communication. But using of humour is a risky affair it needs to be used intelligently. It should only be used after studying the behavior of target audience, and their involvement.

**Abrasive advertising:** Abrasive advertising use is of annoying in ad that looks unpleasant to consumers. Generally abrasive ad is used for toilet cleaners. For examples Ugly looking animated creatures are shown as germs in television commercials.

**Audience participation:** Feedback of the audiences changes the whole communication process. This is important for advertisers to check the audience interest to the advertised product. This enables advertisers to make effective advertising strategies.



**Check Your Progress-B**

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**Q1. Explain components of marketing communication.**

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**Q2. Explain process of communication.**

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**Q3. Explain relationship between advertising and cognitive psychology.**

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**Q4. Explain barriers in marketing communications.**

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**Q5. Fill in the blanks from the words given below:**

**Life Style, Initiator, Reference group, Cognitive dissonance**

- i) In the communication process the person who encode the message is called.....
- ii) The feeling of anxiety of customer after purchase of product is called .....

- iii) The social group which influenced the consumer behavior is called .....
- iv) An individual's all his daily life activities, values, interest is known as it's.....

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## 10.11 SUMMARY

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In this unit we have learned about the benefits are of advertising, advertising provide awareness and education to consumers, it provide better standard of living to customers and provide employment to actors and models, script writers, jingles makers and income to advertising agencies, and media houses.

Consumer receives and influenced by advertising or marketing communication. There are five basic components of marketing communication, sender receiver, the medium, message and feedback. The sender encodes the message by using words, pictures, symbols and spokesperson and sends it to the receiver. The receiver decodes the message based on the personal experience and characteristics. Selective perception and psychological noise are the barriers in communication in understanding the message.

The decoding of the message is affecting the credibility of the information source. Goodwill of the sponsor in the target market has an impact on the how the message is accepted by the receiver. Any informal information source such as friends, relatives and neighbors has a strong influence and it is considered as most credible source of information. Customers perceived print media articles, consumer reports and expert advice have more credibility than commercial source. Customer sometimes admires the celebrities and influenced to purchase the product which they endorsed.

Cognitive Psychology is refers as the human desire to know something "Those processes by which any sensory input is transformed, reduced, elaborated, stores, recovered and used.

The learning of a human being is a continuous process they learn and modify their behavior overtime. It is observed that once what was sufficient cause for motivation in a situation may not be sufficient to act in a similar way in subsequent situation. Cognitive Dissonance is the feelings of post purchase psychological tension or anxiety a consumer often experiences. There are certain devices called defense mechanisms which are generally used to protect customers from anxiety which are repression, compensation and rationalization.

The factual appeals and emotional appeals both influence customers. It depend upon the target audience, the advertise product category and degree of involvement of the customers. Few emotional appeals which are effective on audience are the fear in ad, humour in ad, abrasive advertising and audience participation.



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## 10.12 GLOSSARY

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**Reference Group-** A person or a group through which an individual used as comparison point for the formation of attitude and behavior.

**Sub culture-** A distinct cultural group that exists as an identifiable segment with in large and more complex society.

**Social Class-** The classification of society into hierarchy in to different status classes. Ex. High Class, Middle class and Low Class etc.

**Communication-** The process of transmission of message from a sender to a receiver through a medium or a channel.

**Cognitive Dissonance-** The discomfort or dissonance that consumers experience as a result from conflicting information.

**Feedback-** Communication either verbal or nonverbal. this is communicated back to the sender of a message by the receiver.

**Psychological Noise-** It is a barrier to the reception of message to the receiver.

Source: The initiator of a message.

**Source Credibility-** The customer's perception towards the honesty of the communication source.

**Spokesperson-** A celebrity or company executive who represents a product, brand, or company over the extended period of time often in print on television and in personal appearance.



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## 10.13 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

Answer Q5.

- i) True
- ii) True
- iii) False

iv) True

### **Check Your Progress –B**

Answer Q5.

- i) Initiator
- ii) Cognitive dissonance
- iii) Reference group
- iv) Life style



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## **10.14 REFERENCES**

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## **10.15 SUGGESTED READINGS**

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## 10.16 TERMINAL QUESTIONS

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- Q1. What is consumer behavior? Explain how study of consumer behavior is important for advertisers.
- Q2. What is reference group? Explain how it influences consumer behavior?
- Q3. Explain the importance of credibility of information in communication process.
- Q4. Explain how communication process influenced by psychology noise?
- Q5. What is the application cognitive psychology in advertising?
- Q6. Explain consumer behavior in detail? Explain its determinants.
- Q7. Explain how advertising can influence consumer behavior?
- Q8. What benefits would advertising give to consumers?
- Q9. Explain marketing communication process in detail.
- Q10. Explain different factors affecting consumer behavior.
- Q11. Explain Cognitive Psychology. What is cognitive dissonance?
- Q12. What are the different ways to create emotionally appealing advertisement?

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## **UNIT 11 EVALUATION OF ADVERTISING EFFECTIVENESS**

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### **11.1 Introduction**

### **11.2 Objectives**

### **11.3 Advertising Effectiveness**

### **11.4 Objectives of Measuring Advertising Effectiveness**

### **11.5 Time of Measurement**

### **11.6 Methods of Measuring Advertisement Effectiveness**

### **11.7 Summary**

### **11.8 Glossary**

### **11.9 References**

### **11.10 Suggested Readings**

### **11.11 Terminal & Model Questions**

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## **11.1 INTRODUCTION**

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Advertisement is any paid form of non-personal communication. Every advertisement campaign is designed to achieve specific aims like informing, gaining attention, influencing or reminding consumers about the offerings of the company. Properly designed and well-executed advertisement campaign is important for achieving the marketing objectives of any organization. With change in time, level of awareness among consumers and competition between different firms has enhanced drastically. Companies are putting huge efforts in different marketing activities to attract and convince consumers to try their product. As an outcome, budget allocated to advertisement and other marketing activities has increased. Creation of an advertisement campaign, apart from cost requires huge amount of time. Since time and money is involved in an advertisement campaign, it very much important to measure and evaluate its effectiveness. Measuring advertisement effectiveness means evaluating the performance of advertisement campaign in terms of attainment of pre designed objectives. For success of any program, it is important to have a proper planning and control mechanism in place. Evaluation of an advertisement program effectiveness acts as an important control mechanism. In this unit, we will try to find out ways of measuring effectiveness of an advertisement campaign.

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## 11.2 OBJECTIVES

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After reading this unit, you will understand;

- About Advertisement Effectiveness.
- Merits and Demerits of Measuring Advertisement Effectiveness.
- Sales and Communication Objectives for Measuring Advertising.
- Pre Post and Concurrent Testing Techniques Of Measuring Advertisement Effectiveness.

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## 11.3 ADVERTISEMENT EFFECTIVENESS

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Advertisement effectiveness means “the degree of achievement of advertisement objectives.” Advertisement effectiveness is, measured by its direct and immediate impact on consumer behavior. It is the responsibility of both advertiser and advertising agency to create and effective advertisement campaign. Many parameters are available to check, whether the campaign was effective in meeting out the desired objectives or not. Some of the common parameters to measure the effectiveness of an advertisement campaign are concept originality, creativity, message design, thought clarity and impact of campaign on consumer’s attitude and behavior.

### 11.3.1 MERITS OF MEASURING ADVERTISEMENT EFFECTIVENESS

In this section, we will try to list down all possible benefit of measuring advertisement effectiveness.

- a) To avoid Costly Mistakes: Advertisement is one the integral part of total promotional mix. Cost involved in any advertisement campaign is a substantial portion of total promotional budget. Firms before investing need to make sure that they are investing in a right campaign. Evaluation of advertisement effectiveness plays an important role in saving firms from committing these costly mistakes. In pretesting, an advertiser gets clear idea whether advertisement campaign will be effective in communicating the desired message or not, thus providing them scope for improvement. Post testing provides feedback about how effective an advertisement campaign was and the firms may take a lesson from these feedbacks for futures purposes. The cost involved in measurement of advertisement effectiveness is an investment that saves organization from huge financial losses that may arise from faulty advertisement campaign in future.
- b) Evaluation of Alternative Strategies: A firm has many options related message, media, copy etc. before finalizing an advertisement campaign. Out of these available options, a firm has to choose the most effective one. A well-designed evaluation program helps in measuring and evaluating the effectiveness of alternative advertisement strategies.
- c) Increasing Efficiency of Advertisement: In any communication process, it is important that the message send by the sender is as it is, received by the receiver. It means that an advertisement must be designed in such a manner that the receiver has no problem in

understanding it and the perception of the receiver is same as what senders wanted him to perceive. Many a times advertisers commit mistakes like usage of jargons, technical details, covering multiple aspects in one advertisement etc that reduces the efficiency of the message. A proper measurement of advertisement effectiveness helps in indentifying these loopholes in the campaign making it more efficient.

d) Attainment of Objectives: Every advertisement campaign has some objectives. The reasons to design ads are either to make costumer aware about the product or to generate interest or induce them to purchase the product. Evaluation of advertisement effectiveness is the way to identify whether an advertisement campaign is able to achieve its desired objectives or not. In case it fails in achieving these objectives, changes are made in the campaign for making it more effective.

### **11.3.2 DEMERITS OF MEASURING ADVERTISEMENT EFFECTIVENESS**

In the above section, we have discussed different reason for measuring advertisement effectiveness. Still, many a times, firm does not prefer to measure it. The reasons behind not measuring advertisement effectiveness are as follows:

a) Cost Involved in Measurement: Cost involved in measuring the effectiveness of advertisement program is major reason that repels firms from measuring advertisement effectiveness. Many firms believe that investing money in measurement exercise is waste of resources. Rather, this money can be utilized for creation of new advertisement campaign or can be invested in any other promotional tool with the hope of generating positive results.

b) Problem Associated with Research: Measuring advertisement effectiveness requires carrying out research. There are many problems associated with research that pose doubts in the minds of advertiser. First problem associated with research is sample size. A research is confined to few markets and they may not be representative of the actual population. Many things are collectively responsible for influencing the sale of any product. Many a times an important aspect is overlooked while conducting a research leading to faulty results. Another important problem associated with research is time and cost required in designing the research problem and collecting the information.

c) Disagreement among Different Stakeholders: Organizations sets up objectives that they try to achieve from a given campaign. As per objectives different tools are selected that may help in measuring the effectiveness of an advertisement campaign. Objectives of an advertisement campaign tend to differ at different stages of product life cycle. This means that at different stages of product life cycle the tools for measurement will change. Apart from it, different stakeholders in an organization have different expectation from an advertisement campaign. For example, a sales manager is more of concerned with impact of advertisement on sales whereas a brand manager is more concerned in strengthening of the brand image of the organization. This difference in individual priorities tend create confusion and disagreement on what to measure, how to measure and when to measure the effectiveness of an advertisement campaign.

d) Time Constraint: Measurement and Evaluation of an advertisement campaign is a time taking process. Huge amount of time is required in collection, analysis and interpretation of data. Due to this lengthy procedure many a times companies are satisfied with the visible impacts of an advertisement campaign avoiding the strenuous exercise of measuring the effectiveness.

After understanding merits and demerits associated with measurement of advertisement effectiveness, we will now discuss in detail the process of Measuring Advertisement Effectiveness.

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## **11.4 OBJECTIVES OF MEASURING ADVERTISING EFFECTIVENESS**

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Measuring advertisement effectiveness is a way of channelizing advertising expenditure in right direction. Apart from it, proper evaluation helps organization in eliminating the problems and difficulties associated with failure of an advertising campaign.

Effectiveness of any advertisement campaign is, measured for effect on both communication and sales objective.

Sales objective of advertisement is impact of advertisement on sales of any organization. This is important in following situations:

- a) Where advertisement plays an important role in sale enhancement
- b) When an advertisement campaign is designed to generate immediate response
- c) When different internal and external factors that affects the sales of organization are either constants or ineffective.

In real world, many factors, apart from advertisement play an important role in enhancement of sales. In addition, an advertisement necessarily does not induce immediate action. They tend to have a carryover effect for a long period. Sales of any organization are an outcome of many internal and external factors. Product design, Pricing, market condition and competitors offering are few factors that influence the sales of any product. So placing the total responsibility of sale on shoulders of an advertisement campaign is not, always, a right approach. Many scholars feel that measuring the effectiveness of a campaign just by looking to the sales figure is not that logical and scientific.

Primarily advertising is a communication process. For studying the effectiveness of communication objective, it is important to identify how much useful communication program was in motivating the customers. Communication objective like brand awareness, brand recall, enhancing brand images etc. are measures to bring an attitudinal change in the mindset of the customers. Measuring these changes is easy and the results are more realistic.

Different scholars have divergent views in terms of measuring sale and communication effect of an advertisement campaign. A section of scholars feels that, sales effect of any advertisement campaign is not visible in short run. They feel that in short run only communication effect of a campaign is visible. As far as sales are concerned, it is an outcome

of long-term change in the behavior of consumers towards offering of any organization. In short run, a campaign can only change the level of understanding a consumer. If a customer is aware about the product before the campaign than in short run, we can hope to see him/her move up the ladder and possess some knowledge about the offerings of the organization. On other hand, another section of scholars state that, an advertisement campaign has capability of generating immediate sales. They are of opinion that if an advertisement campaign is working on brand recall and persuasion it can motivate a consumer to purchase a product immediately. For example, an advertisement campaign highlighting on the discount offered to consumers will motivate a customer to purchase immediately. They argue that in long run an advertisement campaign is more or less important in reminding the customers about the product offerings. Therefore, in long run there must be evaluation of communication task rather than sales task of an advertisement campaign. It is upon an advertiser to decide which school of thought he/she prescribes.

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## 11.5 TIME OF MEASUREMENT

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We can measure advertisement's effectiveness any time from planning to final execution of the campaign. This gives rise to three different testing scenarios namely

- a) Pre test i.e. before implementation of an advertisement campaign
- b) Concurrent test i.e. at the time of running of advertisement campaign
- c) Post test i.e. after the advertising campaign

Pre testing is done before exposing the target audience to the advertisement. Advertisement planning and designing, as discussed before, is a cost intensive exercise. Therefore, every advertiser before launching an advertisement campaign must analyze how effective that advertisement campaign will be. They have a fair idea about what to expect from an advertisement campaign. A detailed list of all the desired outcome of the campaign is prepared. In pretesting, those methods are employed that can evaluate whether the campaign will achieve the desired outcome or not. This helps advertiser in making necessary changes in the campaign before finalizing it.

Post testing is carried out after an advertisement has ended. Every advertisement campaign is designed with the mindset of achieving one objective or other. Post testing techniques serve an important purpose of identifying whether the campaign was successful in achieving those desired objectives or not. Major objective of an advertisement campaign is to move consumer up in the hierarchy of effect model. This means it may work on generating awareness, interest, and desire in the minds of consumer. They may also help in developing the attitude of the customer towards the product.

Concurrent Testing: Concurrent Testing is carried out when the advertisement campaign is executed. These tests are useful in checking whether the advertisement campaign is moving in the right direction of achieving the objectives that were formulated before the start of campaign.



**Check Your Progress-A**

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**Q1. What do you understand by term advertisement Effectiveness?**

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**Q2. What are the reason for measuring Advertising Effectiveness?**

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**Q3. Discuss Pro and Cons for Measuring advertising Effectiveness.**

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**Q4. Fill in the Blanks**

- i) ..... testing is carried out before starting an advertisement campaign.
- ii) ..... Testing is carried out when an advertisement campaign is executed.
- iii) Effectiveness of any advertisement campaign is, measured for effect on both ..... and ..... objectives.

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## 11.6 METHODS OF MEASURING ADVERTISEMENT EFFECTIVENESS

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### 11.6.1 PRE-TESTING TECHNIQUES

These techniques are preferred as they give an idea about how effective an advertisement campaign will be. Before launching an advertisement, organizations need to make sure that they are heading in the right direction. Out of all the available message and media sources, an organization must choose only those that are most effective in producing the desired results. These pre-testing techniques also help an organization in identifying mistakes that occur in the planning process. Different Pre-testing techniques are as follows.

A) Consumer Jury: A method of testing that involves asking consumers to compare, rank, and evaluate an advertisement. Advertisers before finally using an advertisement campaign want to check the opinion of the consumers about the campaign. This test assists in learning from a typical group of prospective customers about their preference for one advertisement over one or for several advertisements out of a group. In comparison to non-consumers, the consumers concerned with the products can properly evaluate the copy, illustrations, filming techniques used in an advertisement. This method of evaluation is used for print, broadcast and direct mail media.

In case of Print Media advertisement, the respondents have to evaluate a given advertisement. They may also be asked to rate two or more than two advertisement on attention gaining power and believability of the content. Mostly advertisers tend to insert a questionnaire along with the copy of advertisement and present it to the respondent. Respondents have to fill that questionnaire and return it back to the advertiser. In case of an advertisement in a given magazine, respondents are provided with a copy of that magazine. They have to rate the advertisement and tell how and why advertisements have drawn their attention. Responses are gathered from multiple respondents. Any inconsistency, if present, is removed. When an advertiser is looking to find out best headline, image or graphic that can attract the customer, they provide different sets of headlines, images and graphics to the respondent and seek their opinion. They are looking to identify those headline and graphics that attract the consumers more.

Identifying the right set of costumers for the jury opinion method is an important task. For example, in case of designing an advertisement for home appliances house makers are right respondents. Likewise, in case of a sugar free products people with health ailments as well health conscious citizens are the right respondents.

In case of Broadcast Media, different advertisement campaign are shown and the responses regarding the same is recorded.

Benefits of Consumer Jury Method:

- a) The response of genuine consumers is taken
- b) This helps in segregation of weak advertisement from a strong advertisement
- c) The cost involved in jury opinion method is less

- d) The response are generated immediately (excluding direct mail test)
- e) The modifications on the basis of suggestion from respondents, helps in creation of a stronger advertisement campaign
- f) It flexibility helps advertisers to mould it as and when needed

#### Limitation of Consumer Jury Method:

- a) The responses from the customers are based on given options. Many a times, a customer is not at all impressed with any of the responses, thus he is forced to choose one that he hates least rather than like most.
  - b) Collected results are based on responses arising from conscious level of consumer. Sub conscious level of understanding is ignored.
  - c) The respondents while responding may become cautious and try to answer in a manner that makes him look smart. This will lead to faulty data thus wrong interpretation.
- B) Checklist Method: This is an important method to evaluate an advertisement in different parameter associated with effective advertisement. The main purpose of this method is to check whether all the traits associated with an effective advertisement are included in the campaign or not. Researcher who is responsible for conducting the test carries a detailed list of different features associated with an effective advertisement. The researcher starts evaluating the advertisement to identify good qualities that an advertisement must possess. He keeps on crossing all the items from the list that is part of the advertisement campaign. After evaluation, copywriter makes necessary changes for enhancing the effectiveness of the advertisement.
- C) Story Board method: Storyboard is a synchronized arrangement of different images and illustrations presented for pre-visualization of an advertisement. Researcher transfers the images, graphics and illustrations of any advertisement to a filmstrip and audio in a tape. The audio and video are synchronized in such a manner that it provides a real feel of the advertisement. Unnecessary parts are identified and eliminated. This helps advertiser in two ways: firstly, the advertisement becomes more effective by removal of unnecessary parts and secondly, the cost involved in advertisement goes down. Respondents view advertisement in a hall setting where other materials like new papers, magazines etc. are also available. After seeing the advertisement, respondents are interviewed and assessed in another room.
- D) Sales Area Test: Different markets are identified for testing an advertisement campaign. In this method, an advertisement campaign runs in different markets. Response of one market, towards the advertisement campaign, tends to differ from other markets. Data pertaining to actual sales in each market is collected to evaluate the performance of a give advertisement campaign. Market with highest sales is best and most effective for the advertisement campaign. In other markets, the advertisement campaign is made more effective by making desired changes.
- E) Questionnaire Method: Another method of measuring effectiveness of an advertisement campaign is questionnaire method. It utilizes a structured questionnaire with

space provided for writing down the responses. Many a times, a postcard, printed with an advertisement along with the response sheet is created. Selected target audiences fill these questionnaire and response sheets. On the basis of their feedback advertisement is evaluated and necessary changes are made in the campaign

F) Laboratory test: They are an important method for testing an advertisement response. Laboratory tests measure the physiological reactions, like heartbeat, blood pressure pupil dilation, emerging out as a response towards an advertisement. These tests are a good measure of attention gaining power of an advertisement. Different examples of laboratory test are given below:

a) Psycho galvanometer test: It is a mechanical device, which is used to measure amount of perspiration. It checks emotional response of respondents towards different advertisement based on sweating on palm. Electrodes are attached to the palm of respondents. After that, they are shown new advertisement and slogans. Electrodes fitted in the palm of respondent detect change in electrical resistance because of perspiration. If advertisement campaign is able to attract attention a low electrical resistance is seen.

b) Eye Camera: This technique is based on viewing behavior of the target audience. A camera is installed to record the eye movement of the respondent and shows what the respondent sees. A series of images are passed in front of the respondents. If they find anything attractive in the commercial, their eyes will be fixed to that. This is captured in the camera and will give an idea whether the advertisement was able to attract the attention of the respondent or not.

c) Pupil Dilation: Pupil of a person's eye is quite sensitive. Measuring the change in pupil size can help in deciding whether the advertisement was able to attract the respondent or not. The device used for measuring the pupil size is Pupilometer. Pupil dilation is an involuntary response. The size of pupil widens when there is an object of attraction in front of the respondent. Shrinking of pupil signifies respondent is not interested in the advertisement.

d) CONPAAD: Conjugated programmed Analysis for Advertising (CONPAAD) has either a hand or foot operated device for controlling the intensity of audio or video. The respondents are forced to exert efforts for sustaining the signals. These signals are pre-designed to get delayed. If respondents are making efforts in sustaining the signals than it means that he/she is interested in the advertisement campaign.

e) Voice Response: Change in the pitch of voice is an important indicator of excitement. Respondents are asked to respond towards the advertisement campaign. While they are explaining the advertisement, their voice is recorded and analyzed. If the tone of respondent deviated from the flat response, than the respondent is having an interest and is excited towards advertisement campaign.

f) Electroencephalographic Data: Electroencephalographic Data plays an important role in understanding the behavior of respondent towards an advertisement. Electrodes are placed in different portion of their head to record the impulse. Respondent are shown an advertisement and their brain activity is measured. In case an advertisement is able to generate interest,

brain activity tends to change. For example if respondent is able to recognize the advertisement, left activity of brain shows enhancement. Decrease in level of alpha signal indicate interest and the time duration required for alpha signal to reach to normal level is directly proportional to subjects interest.

G- Attitude test: One of the main reasons for designing an advertisement campaign is to change the attitude of customer towards a particular product. Before launching an advertisement campaign, it is important for an advertiser to find whether the advertisement campaign will be able to change the attitude of the customers or not. For analyzing the same respondent are asked different question based on bipolar scale, for measuring their feeling towards a given advertisement. This scale measure the attitude of the respondent on a continuum with favorable on one end to unfavorable on other. If an advertisement campaign looks to change the attitude of the respondent, it's considered effective.

H- Depth Interviewing: Designing an effective advertisement requires lot of efforts in understanding the mindset of customers, about the product, brand and organization.

Depth interviewing is an exploratory study where researchers ask series of question to the respondent. The questions are such that it brings out the unconscious reactions of the respondent. Unstructured questionnaire plays an important role in getting into the minds of respondent. An experienced researcher tends to identify the key points from the respondent response and generate meaningful and valid results. Depth Interview plays a significant role in understanding the customers, which can help in creating an effective advertisement campaign.

Above-mentioned are different pre testing technique used by organization. In next section, we will discuss post-testing techniques for measuring the effectiveness of an advertisement campaign.

Above-mentioned are different pre testing technique used by organization. In next section, we will discuss post-testing techniques for measuring the effectiveness of an advertisement campaign

### **11.6.2 POST TESTING TECHNIQUE**

Post-processing techniques are used after an advertisement campaign has ended. These techniques analyze how successful an advertisement campaign was in achieving the desired objectives. Different post-testing techniques and their explanation is given below:

Recognition Test: Danial Starch developed this test, for measuring the readership of a printed advertisement. He made an argument that mere presence of an advertisement in a newspaper does not serve the purpose until and unless someone reads it. This test is also known as "Readership Test". To check whether the people have recognized the advertisement or not, personnel interviews are conducted with respondents. A research, wherein magazines carrying the advertisement is send to selected candidates and after few days those candidates are contacted and asked whether they have read the advertisement or not. Number of respondents who have read the advertisement, out of the total contacted, gives the percentage

of readership of that particular advertisement. This data indicates percentage of people who have seen the advertisement or read some portions of it or have read almost full advertisement. Basic assumption of recognition test is that the purchase of any product and reading of advertisement is correlated. Advantage of recognition test is that it gives important information about readership of an advertisement. This test is easy and simple and does not require any specialist knowledge. It studies what is normally what realized under normal condition. There are also some limitations of this test. Reading an advertisement may not lead to purchase. It may be possible that an advertisement is created so beautifully that it attracts attention of the consumers but that doesn't mean it will compel them to buy the product. Respondents selected for the study may not provide accurate responses, may be they have not read the advertisement but just to please the respondents they answer affirmatively to the question. Researchers and respondent biases may also distort the results of the test.

A) Recall Test: In recognition test, emphasis is on knowing whether an advertisement was able to attract the respondents or not. It does not provide any information related to retaining or recalling power of an advertisement. For measuring the same recall test is used. It tries to measure the penetration of an advertisement or the impression created by the advertisement in the minds of respondents. There are two types of recall tests a) Aided recall b) Unaided recall.

a) Aided Recall: Aided method is used for measuring the reading memory of a magazine advertisement. "Aid" means help or assistance. In aided recall method, respondents are asked to recall whether they have seen an advertisement and what all features of an advertisement do, they remember. For example, researchers make respondents see some important marks/clues associated with a given brand and they asked to recall the product advertised using it. In aided method, researcher's assists respondents in recalling an advertisement by showing marks associated with the brand. Advertisers must conduct this test within two or three days after the exposure of advertisement.

b) Unaided Recall: In un-aided recall method, researchers do not provide any aid or assistance to the respondents while measuring the performance of an advertisement. For example, the researcher will ask directly to respondent, whether they have read the given issue of magazine (in which the advertisement was placed?). If they answer affirmatively, they ask them to list down different advertisement campaign they have seen in that magazine. They do not provide any aid or assistance to the respondent for recalling the campaign.

c) Combined Recall Test: Developed by Gallup and Robinson, it is a mix of both aided and unaided recall test. This is a multistep test helping researchers to analyze the respondent and their response effectively. In the first step, respondents must recall and identify at least one editorial in the magazine or newspaper. In the next step, researchers provide a list of different brand published in that issue, to the respondents and respondents have to tell how many brands they remember were published in that edition. After that, researchers provide magazine to the respondent and ask them to whether they have seen this advertisement only once or more than that. Those respondents are excluded who have more than one encounter

with the advertisement. The demographic information is required to establish the relation between factors and recalling capability.

This method is also known as impact method as it measures the depth of impression an advertisement has on readers.

C- Change in Attitude: Change in attitude is something that every advertiser hopes to bring out via an advertisement campaign. It is an important aspect for measuring the effectiveness of an advertisement campaign. Many techniques are available to measure the change in attitude of a person. Few important techniques are:

a) Semantic Differential: A commonly used rating scale for measuring the feelings an advertisement generates in the minds of consumers. It is highly used in advertisement research for studying the attitude of the consumer. It makes use of opposite statements about the subject used for evaluation. It is a two-way scale, used for measuring the response of the respondent. Midpoint of the scale is neutral with both sides providing degree of favorability and un-favorability. A series of bipolar adjectives are used at both ends of the scale. Five to seven level of gradations are put to separate these adjectives.

For example, we want to check whether the advertisement was able to meet out its objectives, than in semantic scale for measuring this attitude will be:

Advertisement was

	1	2	3	4	5	6	7	
GOOD	-	-	-	-	-	-	-	BAD

The respondents choose the option that they feel matches their opinion. Later on, data is compiled and results generated.

The test requires very less time and is quite cheap.

b) Likert Scale: It is another method to measure the attitude of audience towards an advertisement campaign. Here the respondents have to show their degree of agreement or disagreement with a statement. Different statements are used to measure the attitude of respondents with each statement having a (4, 5 or 6) point scale. For example:

	Completely Agree	Somewhat Agree	Slightly Agree	Slightly Disagree	Strongly Disagree	Completely Disagree
Dettol is effective in killing germs	6	5	4	3	2	1
Using dettol	6	5	4	3	2	1

handwash enhance healthy life						
-------------------------------------	--	--	--	--	--	--

The Respondents choose the option they agree to. Later, researchers analyze the collected data and draw inferences from it.

c) Ranking Technique: This technique helps in ranking of different advertisement. It helps in identifying where a particular brand stands with respect to its competitors. For example, if we are trying to measure the rank of Airtel with its competitors like Idea, Jio and BSNL on parameters like awareness, interest, attitude, usefulness etc, than we will collect responses from a suitable and appropriate sample size. The advertisement that is found best in a given parameter is given rank 1 followed by others advertisement. After that we analyze the data to check where Airtel stands in front of its competitor in different parameters or not.

D) Sales Test: Sales test, identify the impact of advertisement on sales of any organization. There is an impact of advertisement on sales of any organization, so for measuring the effectiveness of an advertisement campaign, sales act as an important measure. We will discuss three different methods that are used to measure advertisement effectiveness.

a) Measure of Past Sales Data: This method tends to correlate the advertisement expenses with sales of a given brand. Researchers collected sales data of different brand from a given region under study. Tabulation of sales data and its comparison with advertisement expenses helps in identifying the effect of advertisement on sales. Apart from advertisement, other factors that affect sales, are also used for calculating the correlation between sales and other factors. Multi correlation may show the degree of co-relation between sales and advertisement.

b) Field Experiment: Field Experiment helps us to identify the extent to which an advertisement campaign has affected the sales. For conducting the field experiments, divide total market into small units. These markets act as test and control areas. Randomly, researchers apply a treatment/ campaign in a given market that helps them to study the impact of that particular factor on sales of the area.

c) Matches Samples: In Match sample test, Researchers use homogenous lot of respondents for comparing the effectiveness of an advertisement campaign. The respondent chosen must be of same demographic background. Divide the respondents into two groups; one that has seen the advertisement campaign and another one have not seen it. Comparison of purchases of both the groups will display the difference between advertised groups to unadvertised group.

E) Enquiry Test: Measuring the effectiveness of an advertisement campaign with the help of queries it generates is enquiry test. Advertisers use couponed advertisements that invite

consumers to look for more details and demonstrations. In this method, organizations offer something complementary to the readers, if they write for it. For example, Goodlas Nerolac, offers a book “All about Paints” to those who put a request for it by filling the coupon. This act as an important measure of readability of an advertisement as the respondents who rights are the one who have seen that advertisement. One modification in this test is, split run test. Here an advertisement is prepared in two ways, and run in a given medium with fifty percent carrying one copy and another fifty percent carrying another copy. The difference in responses generated in each media for an advertisement will examine specific element of advertisement or variation on it.

### **11.6.3. CONCURRENT TEST**

A) Consumer Diaries: In consumer Diary method of concurrent testing, researchers provide a diary to the selected respondents for recording their detailed opinions about the advertisement whenever they encounter it. In periodic basis, these diaries are collected and the data analyzed. It provides a good insight about what goes in respondent’s mind while watching an advertisement.

B) Passersby Count Survey: This is an effective medium for measuring the effectiveness of signboard, billboard and poster advertising. Researchers count the total number of respondents who stop to view an advertisement, signboard, billboard and posters. This data will give an idea about the effectiveness of an advertisement in attracting the attention of respondents.

C) Telephonic Surveys: In this method, researchers select respondents chosen for the study and they are called when an advertisement is broadcasted. Researchers ask respondent about their feeling towards the ongoing advertisement campaign. The data collected is analyzed and interpreted to measure the effectiveness of an advertisement campaign.

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## **11.7 SUMMARY**

Advertisement is any paid form of non-personal communication. Any advertisement campaign is design to achieve specific aims like to inform, to gain attention, to influence or to remind consumers about the offerings of the company. Creation of an advertisement campaign, apart from cost requires huge amount of time. Since time and money is involved in an advertisement campaign, it very much important to measure and evaluate its effectiveness. Measuring advertisement effectiveness means evaluating the performance of advertisement campaign in terms of attainment of pre designed objectives. Few major benefits of Measuring Advertisement Effectiveness are as follows : It help to evaluate different strategies, reduces cost and time by eliminating those advertisement that doesn’t meet the desired criteria and an advertisement that is properly evaluated and changed according to the requirement helps in meeting the advertisement objectives. Apart from it there are some issues associated with measuring of advertisement effectiveness that goes

against measurement of advertisement effectiveness. Cost and time are two major constraints in measurement of advertisement effectiveness. Apart from it, difference of opinion among different stakeholders regarding outcome of an advertisement campaign and problems associated with data collection and analysis draws advertisers away from evaluation of advertisement. An advertisement can be evaluated in terms of attainment of sales and communication objectives. A section of scholars feels that, sales effect of any advertisement campaign is not visible in short run. They feel that in short run only communication effect of a campaign is visible whereas another section of scholars state that, an advertisement campaign has capability of generating immediate sales. They are of opinion that if an advertisement campaign is working on brand recall and persuasion it can motivate a consumer to purchase a product immediately. Effectiveness of an advertisement campaign can be measured any time from planning to final execution. This gives rise to three different testing scenarios namely Pre test i.e. before implementation of an advertisement campaign, Concurrent test i.e. at the time of running that advertisement campaign and Post test i.e. after implementation of advertising campaign. Few methods that are used for pretesting are Consumer Jury, Checklist Method, Story Board method, Sales Area Test, Questionnaire Method, Laboratory test, Attitude test and Depth interviewing. Methods of Post testing are Recognition Test, Recall Test, Change in Attitude test, Sales Test and Enquiry test.




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## 11.8 GLOSSARY

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**Advertisement Effectiveness-** Advertisement effectiveness means the degree of achievement of advertisement objectives.

**Concurrent Testing Technique-** Concurrent Testing Technique are those that are used while an advertisement campaign is running.

**CONPAAD:** Conjugated programmed Analysis for Advertising (CONPAAD) has either a hand or foot operated device for controlling the intensity of audio or video.

**Consumer Jury Test:** A method of testing advertisements that involves asking consumers to compare, rank, and otherwise evaluate the ads.

**Laboratory Test:** Laboratory tests measure the physiological reactions, like heartbeat, blood pressure pupil dilation, emerging out as a response of an advertisement.

**Post-Testing Techniques:** Post Testing Techniques are those, which measure advertising effectiveness, after an advertisement campaign is over.

**Pre-Testing Techniques:** Pre Testing Techniques are those, which measure advertising effectiveness, before launching an advertisement campaign.

**Recall or Impact Test:** Recall test is the one that measures the impression that viewer had about the advertisement.

**Recognition Test:** Recognition test involves the ability of viewers in correctly identifying an advertisement, brand or message that had encountered before.

**Sales Area Test:** A method of measuring advertising campaign where and advertisement is run in the test markets. Impact of advertisement campaign is measured by change in actual sales in the test.




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## 11.11 TERMINAL QUESTIONS

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- Q1. Measuring the effectiveness of an advertisement campaign is an investment not an expense. Comment
- Q2. What is pretesting? Why is it necessary? Discuss Different methods of pretesting.
- Q3. What is Post testing? Is it necessary to do posting testing if an advertisers has pretested the advertisement.
- Q4. Discuss Different types of Post testing Technique .
- Q5. Differentiate between Pre testing, Post testing and Concurrent testing techniques used for measuring the effectiveness of an advertisement campaign.

MS 502  
ADVERTISING AND SALES PROMOTIONS  
PART-I (BLOCK- I & II)

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## Advertising and Sales Promotion



**Block – III**

**Block Title- Issues in Advertising**

**Block – IV**

**Block Title- Sales Promotion**

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## **Course Contents**

**Course Name: Advertising and Sales Promotion**

**Course Code-MS 502**

**Course Objective:** This course aims at providing the students the understanding of advertising and sales promotion techniques for their effective application.

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**Unit I Introduction to Advertising**

**Unit II Advertising and Society**

**Unit III Advertising & the Marketing Process**

**Unit IV Various forms of Advertising**

**Unit V Advertising: Curse or Catalyst**

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**Unit VI Advertising Business: Agencies and Client Relationship**

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**Unit X Consumer Behaviour and Advertising**

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### **Unit XX Sales Promotion Budget**

### **Unit XXI Public Relations and Personal Selling in context to Advertising and Sales Promotion**

### **Unit XXII Sales Promotion Design Issues**

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## **Block- III**

### **Issues in Advertising**

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## **UNIT 12 ADVERTISING BUDGETING**

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### **12.1 Introduction**

### **12.2 Objective**

### **12.3 Meaning of Advertising Budgeting**

### **12.4 Importance of Advertising Budgeting**

### **12.5 Factors Affecting Advertising Budgeting**

### **12.6 Advertising Budgetary Process**

### **12.7 Methods of Advertising Budgeting**

### **12.8 Allocation of Advertising Budget**

### **12.9 Summary**

### **12.10 Glossary**

### **12.11 Answer to Check Your Progress**

### **12.12 Reference/ Bibliography**

### **12.13 Suggested Readings**

### **12.14 Terminal Questions**

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## **12.1 INTRODUCTION**

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As we all know that advertising plays a very important role in the promotion & growth of business. Advertising helps to establish and promote the brand in the existing market; persuade the customer to buy and use a particular product; create awareness about the brand and help to increase the demand for a product or services. So organization invests heavily on advertising. Before investing heavily on advertising, every organization makes a plan out how much to invest in advertising and make budget accordingly. Advertising budget has created a lot of interest especially after availability and rapid rise of digital media. The question of how much to spend on advertising budget has been arresting attention of marketing managers. Some of the industries which are heavy advertisers like FMCG, Consumer durables etc. take this question quite seriously and have also become conscious of result; advertising will give back to them. This in force has put pressure on advertising companies to put money in the right spot.

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## 12.2 OBJECTIVE

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After reading this unit you will be able to;

- Explain the concept of advertising budgeting.
- Define the meaning of advertising budgeting.
- Explain the importance of advertising budgeting.
- Understand the process of advertising budgeting.
- Factors affecting advertising budgeting.
- Understand various methods of calculating advertising budget
- Ways of Allocation of budget

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## 12.3 MEANING OF ADVERTISING BUDGETING

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Advertising budget is a plan which focuses on proper use of funds by the organization as a whole to have control over advertising. In a simply way we can say that advertising budget a money that is set by the company to achieve its marketing goals.

### Definition

Various authors have defined Advertising budget in the following ways;

“Advertising budget is an estimate of future advertising expenditure that will be used to implement managerial decision to maintain or improve profit results”

Or

“Advertising Budget is a estimated amount an organization decides to invests in its promotional expenditure over a period of time. An advertising budget is the money a company set aside to accomplish its marketing objectives”

Advertising budget is an investment not expenditure as if done in a proper way can bring huge return. Therefore the first and foremost thing of importance is to set the objective of advertising as it is influenced by the budget set.

Today the market is changing at a very high rate so to keep the pace with this dynamic market organization makes new objectives according to the market situation & decides advertising budget accordingly every time, therefore advertising budget is not a one time job.

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## 12.4 IMPORTANCE OF ADVERTISING BUDGETING

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Advertising affects the success business so advertising budget is very critical to the success of any business. It helps to understand the objectives; to formulate the strategies & to generate profit by increasing the overall sales. Various importance of advertising budget is given below;

### 1) Check on advertising expenditure-

Advertising budget is a tool that keeps check on advertising budget. Advertiser utilizes the funds depending upon the budget to achieve its advertising objectives. So through budget advertiser spend right amount of money to avail huge profit. Here objective is to avoid any unnecessary expenditure and spend the right quantity of money to achieve the desired goal.

### 2) Calibrated Focus -

By considering the requirement of the product to be advertised, advertising budget is prepared. Calibrated focus is on right product, right amount of money, right place & right period of advertisement.

### 3) Help in planned execution-

Balanced focused on right amount of money, right product, right place, and right period helps the advertiser to achieve their advertising objectives. A lot of money spent rightly provides great results thus how much to spend, on what product lines to spend; in which media to spend are the important variables for the same. It helps to achieve a balance which is quite desirable since all managers will attempt to get the maximum allocation for their own product lines.

### 4) Gives direction for drafting of ads-

Advertising campaign will be drafted depending upon the budget the advertiser has. If the budget is quite huge then agency can select a popular personality or celebrity, exclusive location, use of sophisticated computer graphics etc. So depending upon the advertising budget advertisement is drafted.

### 5) Media Selection-

Media is selected on the basis of budget if the budget is small, then the advertiser has to be very selective while choosing media if the budget is large then the advertiser have various option like TV channel, different magazines, newspapers ,outdoor media etc. This amount of budget is certainly an important decision variable for choosing media mix.

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## 12.5 FACTORS AFFECTING ADVERTISING BUDGET

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To maintain a competitiveness a new budget is formulated every year. The following factor are considered before setting the budget for advertising.

### 1) The PLC stages (Product Life Cycle)

#### A) Introductory stage

As per PLC theory this stage is launch stage where product is introduced thus in this stage of PLC large amount of money is required to advertise the product so that

awareness can be built for early adapter. In this stage requirement of advertising budget is huge.

### **B) Growth state**

In this phase consumer awareness spread in mass market so to take advantage of growing demand, heavy spending on ads is required. In this stage other rivals also compete in market and sometime quite vigorously as they try to create their brand with heavy advertising. Since in growth stage a lot of new competitors enter the market which creates a fight thus importance of communication gets center stage in marketing. Depending upon kind of products in some cases requirement of advertising budget could be biggest in this stage of PLC (even higher than introductory stage).

### **C) Maturity Stage**

In this stage money spend is less as compared to the above two stages since here market is mature and competitive spirit among the rivals is already settled. The costumers have already made their preferences and buying accordingly. Generally here in this stage companies just put enough money which is required for communication maintenance purpose.

### **D) Decline Stage**

In this stage budget for advertising is reduced very much to the level needed for retaining loyal customer only. Here the focus of the company is to get as much profit as they can since market is already on decline stage and there is no logic of putting higher spend on the advertising budget.

## **2. MARKET SHARE**

Low expenditure is required for those products which already have high or dominant market share and does not face high competition in market. Generally companies put that much money which is adequate to maintain market share although it depends upon the rivals whether they wish to increase market share since in that case company still need to put decent money on the table for not getting their own customers being poached away.

## **3. COMPETITION LEVEL**

A brand must advertise more heavily to be heard if there is heavier the competition in the market Exampe- coke and Pepsi

Since these two companies are part of Duopoly market structure so they both spend large amount of money on their advertising for giving strong competition to each other. One another reason for their exorbitant advertising budget is competitive dynamics as all actions of one company are easily matched by another company like advertng spends.

## **4. ADVERTISING FREQUENCY**

Large advertisement budget will be required for repetitive advertising like when frequencies of the product purchase is high then repetition of advertisement will be required. Thus is generally done by those companies who wish to maintain top of the mid recall of their

products. FMCG industry has a requirement to maintain product recall and since product is bought multiple times in a year create need for high frequency.

**EXAMPLE-** The product whose purchase frequency is high for those product company have to spend large amount of money on advertising so has to maintain top position in the market.

## **5. AVAILABILITY OF FUNDS**

Advertising budget is directly affected by the amount money available. A company can afford to have large ad. budget if there is availability of more funds and if there is less funds available, the company will have a small advertising. budget.

## **6. COST**

Advertisement budget is also affected by the cost of buying space or time in right media. If the company is launching a new product and attempts to enter in an overcrowded market then it has to find those slots which are generally attended by the biggest chunk of the target market, in that case cost requirement goes quite high since highest TRP slots have high cost. Cost of advertising budget is also higher if the advertisement is more complex and it is attempting to sell a concept in a market which has a need to first create a mental buy in for that product by the customers.

## **7. CONTINGENCY PLANING**

While planning the budget many external uncontrollable restraints are taken into consideration thus it is thought in advance to meet any exigencies coming in the market.

## **8. COMPANIES MARKETING MIX**

Marketing mix of the company is also an important factor that influences the amount to allocate an advertising budget since this is the superset from which advertising budget is carved out.

## **9. TYPE OF PRODUCTS**

Different types of product requires different advertng budgets. If the company wants to create a strong demand of the product by converting it into a brand and wish to create a strong pull factors from customers then it may allocate a heavy budget for the same. This is quite evident in some the FMCG new product launches which wish to achieve the same objectives. The advertising budget for industrial products will be limited to those industrial magazines which are often seen by purchase managers and here small amount will be allocated for the same. Thus type of product significantly influence advertising budget. One another reason for having limited advertisement for industrial products is its nature since it falls in rationale buying list. Companies generally calculate and compare detailed cost benefit analysis before giving any order.

## **10. THE SALES FORECAST**

Budget calculation require forecasting of sales as often these two things are found to have high co-relation. On the basis of past data and also changes happening in competitive landscape what kind of sales are going to happened needs to be forecasted. Generally firms

carry out forecasting to arrive at the following data; Sales in units, Sales by customer segments/class, Sales of product lines, Sales by geographical territories

- A. Sales in units- It is generally used to become precise in budget allocation to various items.
- B. Sales by customer segments/class- It is carried out to ascertain advertising cost to reach various segments/class.
- C. Sales of product lines- This is done to determine how much money is required to achieve the projected volume of the product lines.
- D. Sales by geographical territories- It is helpful to decide how much advertising budget shall be spent on the geography which subsequently help in finding the right media prevalent in that geography.

### 11. QUALITY OF CAMPAIGN

If the firm USP is quite recognised and also the campaign run is of high quality resulting in brand formation then a small budget can also do the work.

### 12. THE BUDGETING CYCLE

Budget is naturally adjusted to the cycle. If it is being made for full year it will be much more as compared to half yearly.

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## 12.6 ADVERTISING BUDGETARY PROCESS

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The marketing department in consultation with finance department designs the advertising budget. The advertising manager prepares at budget in consultation with marketing manager. The advertising budget process has the following steps:-

1. **Advertising objective setting-** In budget process setting of advertising objectives is the first step. The advertising objective like increasing ,sales, creating awareness about the product, building loyalty towards brand etc. advertising and marketing manager should be clear with the objectives to be achieved so that it can help them in determining and allocating the advertising budget. Thus objective setting is naturally the most important and first steps to start with.
2. **Task to achieve advertising objective-** This is the second step in any budget process. In this step task and activities are determined that are to be performed to achieve advertising objectives. Task may include things like ad agency selection, media selection, timing & frequency of ad & designing of ad copy.
3. **Advertising budget preparation-** After determining the task and activities; the next step is to find the cost of all such task & activities. A comparative study is done and then final amount is decided that is to be needed for achieving designed goals.

- 4. Top management approval-** After preparing advertising budget it is sent to the top management through marketing manager for the approval. If the top management is satisfied with the budget that is prepared then they pass the budget.
- 5. Allocation of advertising budget-** After the approval from the top management, the next step is to allocate the advertising budget. The allocation of budget mainly depends on many factors. Some of them are like PLC'S stages, companies' policies, competition policies etc.
- 6. Control of Budget-** These steps involve comparing desired advertising objectives with actual advertising objectives achieved for the purpose of knowing the effectiveness of advertising. Since planned objectives may or may not get achieved thus If any deviation is found then corrective action is taken accordingly. For example Honda while launching its mid-priced sedan Amaze in 2013 launched an advertising campaign to create demand with a given manufacturing capacity of the plant. The advertising budget was allocated for the same and the campaign ran was quite effective which helped company to achieve the desired sales volume. Since the plant capacity was fixed and could not be increased on a short notice thus company stopped the advertising campaign. This is an example of positive deviation but market is also full of negative deviation stories.

### **Budgetary Process**

1. Advertising Objective setting
2. Task to achieve advertising objectives
3. Preparation of advertising objective
4. Approval from top management
5. Budget allocation
6. Control of budget



### ***Check Your Progress-A***

#### **Q1. Define advertising budget?**

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**Q2. What is the importance of advertising budget?**

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**Q3. What are the various factors affecting advertising budget?**

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## **12.7 METHOD OF ADVERTISING BUDGETING**

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After going through the conceptual understanding and factors affecting advertising budget decision which gives an estimate of the size of the budget, the important big decision left for managerial task is how much money to be spent exactly on communication. The methods given below are the techniques generally employed by the companies to arrive at a value. Since marketing has to take decision on price, place, product and promotion and out of promotion how much weightage will be given to promotional mix is an important decision for the managers. Managers also are conscious of the fact that advertising budget is a subset of promotional budget which itself is a subset of marketing budget. Although due to changing customer taste and preference and rapid rise of digital economy, companies are now very much aware about the role advertising plays to create demand and also to create a powerful recallable brand. Thus focus on advertising budget and its various methods have taken importance in life of marketing managers. Companies generally use more than one method to arrive at a value of advertising budget which is also cross verified in this approach.

The goal of every advertiser is to minimize expenditure and maximize the return. Broadly there are two types of method for budgeting

1. Top down method.
2. Bottom up method.

**Top down method-** In this method any budgetary amount is decided at top executive level and budget that is arbitrary & then it is passed to the various departments of the organization. The different methods that come under top down approach are- the affordable method, percentage of sale, arbitrary allocation, competitive parity & return on investment.

**Bottom up method-** In this method advertiser determines the cost of performing specific task which are required to attain advertising goals and accordingly advertising and performances budget are made & final budget is improve by the top management.

### **Top down method of budgeting:-**

**1. Percentage of sales method-** This method is mostly used & it based on prediction. This method is mostly used by large business organization. Accordingly this method, budget is prepared by seeing previous year's sales, or by estimating sales for coming year or by determining both. This method is very popular among advertiser because it is very simple and it is relate advertising expenses directly to sales. On the basis of company's previous year's advertising expenditure or company's large budget percentage figure is determined by the management. In this a fixed percentage of anticipated sales revenue is allocated to advertising. This method is basically based on the assumption that sales cause advertising but the reality is exactly opposite of this.

This method required very little decision making which make it simplest method.

### **Advantages:-**

- 1) Financially safe method.
- 2) Simple to calculate.
- 3) Easy implementation

### **Disadvantage:-**

- 1) For new product introduction it is difficult to employ this method.
- 2) When the sale, decline the advertising budget also decline despite of the point that extra efforts is required here for stimulation of sales.
- 3) Advertising budget depending on level of sales.

**2. Affordable Methods-** This method is also known as "All You Can Afford Method". This method is commonly used by small organizations. Company after calculating all other expenses then allocate the left over money for advertising. New entrepreneurs use this method when they have shortage of funds.

### **Advantages:-**

Companies allocate money according to their affordability.

- 1) It is safe and in shorts achieves no overspending.

**Disadvantage:-**

- 1) Illogical & unambitious method as companies believe that advertising is not a strategy but a tactic & so it does not need much attention. So this method ignores need of advertising.
- 2) Companies believe that good product sells automatically without much advertisement which shows that companies lack understating of role of advertising in sales.

**3) Arbitrary method-** This method is called arbitrary method because here the budget is set arbitrarily. Here the advertising completely ignores the advertising purpose. Here the management allocate budget on basis on their need not on any systematically thinking basis. Companies just allocate any number arbitrary whatever comes in their mind and go for the same thus lack logical approach.

**Advantages-**

There is no such advantage of this method but some companies use it with their own understanding.

**Disadvantage-**

It is totally subjective to managerial decision and completely lacks any logical approach.

**Competitive parity methods-** This is very popular method. In this method advertiser set his advertising budget by seeing analyzing how much percentage of sale his major competitor is spending on advertising. This method is used by those companies who do not want to leave behind the competitors. They use their competitor's budget as bench mark.

**Advantages:-**

- 1) Long term effect of advertising are considered.
- 2) This method prevents promotional wars as advertise spends only that much amount of money on advertising that his major competitor spending.
- 3) This method is useful in competitive dynamics especially in oligopoly market structure. Hence companies believe that action like higher allocation of advertising budget can be easily matched by competition so they avoid increasing it.

**Disadvantage:-**

- 1) Advertising is not taken as a competitive tool to achieve the desired goals.
- 2) This is not considered accurate method because the company does not know everything absent their competitors.
- 3) No two companies are same nor they have same objective and goal, they differ greatly.
- 4) Competitor's budget for advertising is very difficult to determine.

- 5) This method does not provide certainty that in spite of using same set of expenditure of advertising competitor will not drastically increased or decreased it.
- 6) This method does not take into account the company and also change happening in the market. It's simply of advertising allocated by the competitor in last year's.

### **Return on investment (ROI) method-**

This method considered advertising as an investment that creates return which is seen form sales figure over a period of time. This method is also known as “Rate on investment or incremental method”. In this method return are measured in terms of sales increased by using advertising.

#### **Advantages-**

- 1) Simple and logical method.
- 2) Advertiser uses advertising and promotional tool to increase sales.
- 3) Concentration in on relation between sales and advertisement.

#### **Disadvantage-**

- 1) Difficult to articulate and apply.
- 2) The method of calculating ROI is vague as it in dependant on which criteria is being used by the company to gaze effectiveness through sales.
- 3) A sale does not happen only on account of advertising investment so it is difficult to calculate return.
- 4) One cannot accurately judge the rate of return as advertising investment so it in difficult to calculate return.
- 5) Companies now are very conscious in advertising so while treating advertising and promotion as an investment,attempts have to be made to calculate the return on these investment.
- 6) It is difficult to calculate return because generally sales are considered the only outcome of advertising.

### **Bottom up method of advertising budgeting**

**1. Objective and task method-** This method is also known as “ Research objective method”. Most large organization used this method of setting budget. Organizations carry out advertising objective setting for organization and budget setting simultaneously. In this method advertiser first of all establish task and advertising objective that has to be accomplished and after that set the budget i.e., whatever the cost incur on achieving objective performing task, will be the advertising budget.

#### **Advantages-**

- 1) Most logical in term of setting advertising budget.
- 2) Accurate method. Use only that much of fund in required accomplishing the task.

**Disadvantage:-**

The major limitation of this method is problem of task decision and enumeration of associated cost with it. It is always problematic that how much money will be required with kind of advertising for attainment of objective. This method is difficult to execute for those product which does not have any history. Thus method is not applicable for product which does not have any history. Thus this method is not applicable for product in the introductory stage of product life cycle.

**Steps of objective and task method**

1. Advertising objectives are set
2. Activities are planned to achieve the advertising objectives
3. Cost incurred in the activities are calculated and then budget is set
4. Approval of the total budget by top management

**2. Pay out planning method-** This method is used by companies when they introduce new product & make advertising budget for that new product. In this method marketing communication manager estimate the cost that will incur on advertising and the revenue that will be generated by this advertising for a future period like next 2 to 3 years, on this basis they set the budget.

**Advantage-**

- 1) It is a useful planning tool
- 2) Useful for new product that is introduced in the market.
- 3) It helps manager to establish the budget

**Disadvantage-**

- 1) It is dependent on the right & accurate forecasting which may not happen due to a lot of exogenous market factor.
- 2) In this method revenues are projected for a new product over a period of 2 to 3 yrs along with cost. Now on the basis of expected rate of return it is calculated to determine how much to spend. This method is largely used to calculate advertising budget for launching new product.

**3. Experimental method-**

It is conducted to test and calculate advertising budget in one or more predetermined market areas & then impact is measured to see whether it can be put to other market areas also. This method is used as an alternative to use numerical based method like statically &

mathematical models. The experimental data feedback is then used to calculate the advertising budget.

**Advantage-**

- 1) Trial and error method to determine budget.

**Disadvantage-**

- 1) Time consuming & expensive method
- 2) It is a costly way to calculate advertising budget.

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## 12.8 ALLOCATION OF ADVERTISING BUDGET

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After determining the advertising budget company allocates it in many ways like

- Departmental budgets
- Total budget
- Calendar periods
- Media
- Sales area.

**Departmental budget-**Biggest share of budget is received by those departments or product groups having large sales volume and subsequently other departments are allocated. In small business companies which have limited product range, same percentage is used throughout. Companies also use average sales values for allocation. This helps the company to break down the advertising budget department wise and also direct required amount of resources to those departments which needs it the most.

**Total Budget-** Combining all department or product budget gives you a total budget. Depending on the upper limit for advertising the departmental budget are sometimes pruned down smaller business. Generally divide the advertising budget on their product catering

**Calendar periods-** Budget is allocated on the basis of time period example yearly, monthly, weekly etc.This is done in order to gain better control. Generally companies use percentage of sales method for allocation of advertising budget in already decided time period. Months which give you highest sales in a year are generally allocated for higher advertising money. E.g. Consumer durable and paints co. put maximum allocation of advertising budget in the months nearing Diwali in India.

**Media-**Different advertising medium like digital, electronic, newspaper, radio etc. have different reach to your target segment. On the basis of preference of customer for using media of their choice advertising money is allocated for respective media in order of customer preferences. Generally Companies use same set of media as their rival do.

**Sales area-** The area which gives you maximum sales are generally allocated higher advertising budget. Companies generally do higher allocation to an existing market as compared to putting advertising budget to develop new market.



### ***Check Your Progress- B***

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#### **Choose the correct alternative**

1. All of the following is commonly recognized promotion budget format except?
  - a) The affordable method
  - b) The LIFO method
  - c) The percentage of sales method
  - d) The objective and task method
  
2. Setting of promotion budget so as to match the budgets of competition is characteristic of which method of the following budget method?
  - a) Competitive parity method
  - b) Pay out method
  - c) Objective and task method
  - d) Arbitrary method
  
3. The first step in using the objectives & task advertising budgeting method is to:-
  - a) Define specific advertising tools that can be affordable.
  - b) Analysis competitive budget for perceived weaknesses.
  - c) Calculate last year's sales percentage
  - d) Defines specific objectives.
  
4. Which of the following factor affect advertising budgeting?
  - a) Product life cycle stages.
  - b) Availability of funds
  - c) Competition level
  - d) All of above.
  
5. After preparing advertising budget it is sent to whom for approval.
  - a) Marketing manager.
  - b) Lower management
  - c) Middle management

d) Top management.

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## 12.9 SUMMARY

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Companies do advertising to increase their sales & to fulfill their business objectives . Performance standards are given by objectives. Budget is derived from objectives set.

A budget is a financial plan that company prepares for purpose of achieving their objectives. It is made for a definite period of time.

Advertising budget is planned by keeping in mind the future long term objectives.

The important decision in advertising process is setting of advertising budget .Here the advertising plans is converter into monetary terms.

Different method of advertising budgeting are commonly used in advertising situation like percentage of sales method, affordability method ,competitive parity method, objectives &task method etc.

Advertising budgeting method are influenced. by many factors like stages of product life cycle, promotion mix, availability of funds etc.

After determining advertising budget it is allocated in many ways like department budget, total budget, calendar period, media, sales area etc.




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## 12.10 GLOSSARY

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**Advertising budget-** A written plan that directs the distribution of the advertising expenditure.

**Advertising-** Any paid form of non personal presentation & promotion of ideas, good & services by an identified sponsor.

**Affordable Method-** A method of determining the budget for advertising & promotion where all other budget areas are converted & remaining monies are available for allocation

**Arbitrary Approach-** Method of budgeting in which a decision on level of advertising investment is made without the benefit of a guiding principle or rule.

**Competitive Parity-** Percentage of sales approach to determining the advertising budget combined with analysis of competitive environment.

**Objectives Task Method-** A building approach to budget setting involving step 1) determining objectives 2) determining the strategies & task required to attain these objectives 3) estimate the cost Associates with those strategies & task.



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## 12.11 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –B

Answer

1. b
2. a
3. d
4. d
5. d



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## 12.12 REFERENCES

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## 12.13 SUGGESTED READINGS

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3. Borden & Marshall : Advertising Management; MV Taraporevala Sons' Co Pvt. Ltd, Richard D Irwin Inc. Homewood, Illinois.
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## 12.14 TERMINAL QUESTIONS

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### Short Question

- Q1. Compare briefly top down method with bottom up method of advertising budgeting?
- Q2. Write the advantage of competitive parity method of advertising budgeting?
- Q3. Explain calendar period?
- Q4. Write the difference factors that affects an advertising budgeting?
- Q5. What is advertising budget process?
- Q6. Short notes on ;
  - a) Percentage of sales method
  - b) ROI method
  - c) Pay out planning method
  - d) Affordable method
  - e) Arbitrary method

### Long Questions.

- Q7. Describe how does one create an advertising budget?
- Q8. Describe top down method of advertising budgeting?
- Q9. Explain the factors that affect advertising budgeting?
- Q10. After determining the advertising budget explains how company allocates the advertising budget?
- Q11. What do you mean by bottom up method of advertising budget? Explain in detailed different methods that come under it?

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## **UNIT 13 OUTDOOR, TRANSIT, LOCAL AND NON-COMMERCIAL ADVERTISING**

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### **13.1 Introduction**

### **13.2 Unit Objectives**

### **13.3 Out of Home Advertising**

### **13.4 Outdoor Advertising**

### **13.5 Transit Advertising**

### **13.6 Local Advertising**

### **13.7 Non-Commercial Advertising**

### **13.8 Summary**

### **13.9 Glossary**

### **13.10 Reference/ Bibliography**

### **13.11 Suggested Readings**

### **13.12 Terminal Questions**

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## **13.1 INTRODUCTION**

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Media planning is an important and crucial part of advertising management. Media planning process is not an easy task, as one has to choose the right media based on advertising strategy. Options ranges from ‘mass media’ such as radio, newspaper and television to ‘out of home media’ such as outdoor, transit and other emerging media such as internet and mobile phones. The focus of our discussion in this unit is on ‘out of home’ media of advertising.

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## **13.2 UNIT OBJECTIVES**

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After reading this unit, you will be able to:

- Elaborate the concept of Out Door, Transit, Local advertising.
- Explain advantages and disadvantages of each type of advertising.
- Discuss the use and significance of each type of advertising.
- Understand the concept of Non-Commercial advertising.
- Identify the significance of Non-Commercial advertising.

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## 13.3 OUT OF HOME ADVERTISING

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Before deliberating on out of home media, let us first recall our learning from Unit VIII about media planning or medium. What is medium in advertising management? The medium is the general category of available delivery system, that includes print media (like newspapers, magazines etc), broadcast media (like radio, television, etc), direct mail, outdoor media and other support media such as direct marketing, interactive media and in-store point-of-sales material etc. Media vehicle is the specific carrier within a medium category. For example, times of India and Filmfare are print vehicles; Red FM and Aajtak are broadcast vehicles.

Out of home advertising, as the name suggest is outside ones' home, it comprises different advertising forms such as outdoor, transit, and a variety of other media. Let us discuss them in detail.

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## 13.4 OUTDOOR ADVERTISING

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Outdoor advertising form of advertising is more than 5000 year old. This form of advertising is visible even in Egyptian and Greek civilizations and remains the most common media even today. It is a potent media and is in considerable use worldwide.

Outdoor advertising consists of a display of advertisements out of door, which may be in the form of posters, painted signs, field signs, neon light signs, hoardings and billboards. The outdoor may be stationary (like hoarding and billboards) or mobile (like poster on an elephant or camel).

The exposure is likely to be short hence, the message carried by most outdoor media has to be brief also the effectiveness of such advertising materially depends on its positions. Therefore, outdoor advertisements are placed in such a way as can be seen by a large number of prospective customers with ample attention even with short exposure. As exposure is short, the content of the message and layout are designed accordingly.

Outdoor advertising acts as a reminder; it is used to create awareness of the brand name or its prominent features. The articles suited for such advertising are those that the masses can buy, such as food products, soaps, medicines, shoes, clothes and other domestic requirements.

### 13.4.1 MAIN CHARACTERISTICS OF OUTDOOR ADVERTISING

1. It is a widespread popular advertising media, which makes the goods and services of interest to mass appeal.
2. It has a comparatively longer life.
3. It has a high coverage.
4. Most outdoor advertisements are big and dominant.
5. It is the most noticeable media.
6. It is a very flexible advertising media so that the advertiser can retain sites where he needs them most.
7. It is the oldest advertising media.

8. It normally consists of suitable and popular a slogan that is easily remembered by the prospects.

### 13.4.2 TYPES OF OUTDOOR ADVERTISING

Outdoor advertising may take any of the following forms:

1. **Posters:** This is the most common and popular form of outdoor advertising. These are exhibited on a hoarding or on walls, roofs, fences, chimneys etc. Posters that cost less than any other advertising media can produce a commanding effect. Design is the basis of all poster advertising. In India, advertising for a movie is done primarily in this way. The posters should be simple, attractive and capable of telling its story at a glance. Posters also give considerable scope for the use of suitable and attractive colors. Humor can also be used with advantage in poster advertising.
2. **Advertising Board also known as Billboard:** These are big posters that are kept at certain fixed places especially at points where people frequently assemble, such as bus stops, railways crossings, and other busy interaction roads etc. Generally, these advertising boards were made of metallic sheet enclosed in a wooden frame and fixed with a panel having specified height at main junctions. Currently polyvinyl material also known as flexi is commonly used. These are fixed and floodlights used to illuminate them.
3. **Electric Displays and Signs:** Signs illuminated by electricity are today to be seen in large number in cities. This is the most modern and the most attractive form of outdoor display. It may consist of wooden letters studded with bulbs. Sometimes with a view to attract the attention, colored bulbs are used and the colors are changed at short intervals. Another device used to attract attention is to turn on the light on each letter at a time to give the impression of the sign being written by an invisible hand.
4. **Neon Signs:** There are brilliantly colored tubes available in various shades. These can be of the still or the flashing type. These signs are more attractive and interesting than the signs built up by a number of electric bulbs.
5. **Sky Advertising (Sky Writing):** Sky advertising is another modern form of outdoor advertising. In this form of advertising media, an airplane writes the name of the product or the producer in the sky. It is also known as “smoke writing” because the message is written in the sky by means of smoke. Large sized printed balloons are also dropped from the airplane in the sky. Usually, near the circus-tents, a large sized balloon is floated on which the name of the circus is written.
6. **Sandwich men:** They are hired persons and properly dressed who walk in the streets in a procession with boards, posters and notices placed about them. The idea is to attract the attention of the public. The cinema-theatres usually arrange this kind of advertising media when a new picture is released.
7. **Stickers:** It is also an important form of outdoor advertising. In this case, the advertiser enters in a contract with the popular players that whatever they will wear or use during the match will bear the sticker of the advertiser.
8. **Puppet Shows:** This is purely an Indian outdoor advertising media that provided entertainment while conveying a message.

The above are the most common forms of the outdoor advertising. However, there may be other forms of this type of advertising.

### **13.4.3 ADVANTAGES AND DISADVANTAGES OF OUTDOOR ADVERTISING**

Outdoor advertising offers a number of advantages:

1. **Audience Delivery:** With proper placement, a broad base of exposure is possible in local markets (the sheer size of outdoor ad makes it noticeable), with both day and night presence. A100 GRP (gross rating point) showing (the percentage of duplicated audience exposed to an outdoor poster daily) could yield exposure to an equivalent of 100 percent of the marketplace daily, or 3,000 GRPs over a month. This level of coverage is likely to yield high levels of reach. In addition, purchase cycles are typically for 30-day periods, consumers are usually exposed a number of times, resulting in high levels of frequency.
2. **Geographic flexibility:** Outdoor advertising is highly flexible and can be placed anywhere. It can be placed along highways, near stores, or on mobile billboards, almost anywhere that laws permit. Local, regional, or even national markets may be covered.
3. **Creativity and Awareness:** Outdoor advertising can be very creative. Large print, colors, and other elements attract attention. By combining color, art and short copy, outdoor advertising can quickly generate an association with a particular brand. Because of its impact (and the need for a simple message), outdoor can lead to a high level of awareness.
4. **Efficiency:** Outdoor advertisements are usually much less costly than the mass media. Outdoor usually has a very competitive CPM (cost per million) when compared to other media. The average CPM of outdoor is approximately one-half of radio and far less than that of TV, magazines, and newspapers. The cost varies with the location.
5. **Continuity:** Outdoor advertising provides 24 X 7 days coverage and cannot be ignored or turned off as the case is for other media. It does not depend on audience habits, there is no zapping or zipping; it cannot be put aside or left unopened. It is always working for the advertiser.
6. **Production capabilities:** Modern technologies have reduced production times for outdoor advertising to allow for rapid turnaround time.

### **13.4.4 DISADVANTAGES OR DEMERITS OR LIMITATIONS OF OUTDOOR ADVERTISING MEDIA**

Outdoor advertising media possess the following disadvantages thus is subject to criticism:

1. **Waste coverage:** While it is possible to reach very specific audiences, in many cases the purchase of outdoor results in a high degree of waste coverage. It is not likely that everyone driving past a billboard is part of the target audience.

2. Limited message capabilities: As the exposure time is short and the audience is mobile, the messages are limited to a few words and/or an illustration. Lengthy appeals are not likely to be effective.
3. Wear out: Because of the high frequency of exposures, outdoor may lead to a quick wear out. People are likely to get tired of seeing the same ad every day. Indian brand 'Amul' has overcome this wear out syndrome by renewing their advertisements on current topics.
4. Measurement problems: One of the more difficult problems of outdoor advertising lies in the accuracy of measuring reach, frequency, and other effects.
5. Public image problems: Outdoor advertising has suffered some image problems as well as some disregard among consumers. Various public interest and environmental groups criticize outdoor advertising especially billboards, claiming that they are an eyesore, nuisance, and cause of road accidents.

### **13.4.5 TEN COMMANDMENTS OF OUTDOOR CREATIVE**

1. The message should be brief consisting of 3-5 words.
2. The message should be legible. Capitals should be for display headings.
3. Colors should contrast each other. Red and green are not readily visible.
4. Build a uniquely recognizable format for layout. It should require briefest eye contact to identify the brand.
5. The brand name works harder if it precedes the slogan.
6. Use graphics to organize the text.
7. The key words or phrase should highlight in a color box.
8. The most effective pictures are that of ordinary people.
9. Teaser campaigns can be effective.
10. The more innovative, intriguing and humorous the creative execution of an outdoor ad is, the less media weight it needs

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## **13.5 TRANSIT ADVERTISING**

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Transit advertising is also out-of-home advertising, generally transit advertising is included in outdoor media, but it is a major medium in its own right. While similar to outdoor advertising in function and method of operation as transit advertising uses billboards and electronic messages. In India Transit Advertising is quite popular, it is targeted at the millions of people who are exposed to public transportation facilities, including buses, taxis, suburban trains, metro and planes. It is mainly advertising on the above-mentioned transport systems and on railway stations, metro stations, bus stands and air terminals.

Transit advertising has been around for a long time, Indian railways started transit advertising way back in 1927, when Central Publicity Bureau of the Indian State Railways was set up to raise revenue from this advertising. The BEST (Bombay Electric Supply and Transport Undertaking) buses are also among the oldest transport undertaking to have introduced commercial advertising.

Recent years have seen a renewed interest in this medium which can be acknowledge to the increased number of women in the work force (they can be reached on their way to work more easily than at home), audience segmentation, and the rising cost of TV advertising.

### **13.5.1 IMPORTANCE OF TRANSIT ADVERTISING**

Transit advertising is important because it can provide high visibility for your product on a daily basis. In addition, your audience may not necessarily be able to ignore your ads as they would, for example, by fast-forwarding through a television commercial or radio advertisement, or flipping past a magazine ad. Many times, it may be hard for a person to ignore an ad they are sitting across from on a train or bus, simply because it is in their direct line of view. Also, transit advertising guarantees your small business a varied audience by age and income.

### **13.5.2 TRANSIT ADVERTISING AND DEMOGRAPHIC PROFILE OF AUDIENCE**

When considering transit advertising, it is important to assess what demographic you are hoping to reach versus who you will actually be reaching. For example, the people riding public transportation do not just include those who do not own cars of their own. Many car owners park their cars at train or bus stations and use public transportation every day to commute to work.

Studying the demographics of riders who would be exposed to your transit ads would be beneficial to your advertising plan. For instance, if one wants to target daily commuters, certain train or bus lines may have more commuters than other lines. Depending on your product, you may want to target families, tourists, professionals or students with your advertising.

### **13.5.3 VARIED MEDIUMS OF TRANSIT ADVERTISING**

Transit advertising is quickly moving beyond only the traditional print advertisement. New technology has allowed advertisers to explore with different mediums in transit advertising. These mediums include digital advertising on plasma or LCD screens (individual plasma screen are installed in India's first superfast train 'Tejas'), interactive advertisements that allow you to scan a barcode with your smart phone, and "animated" advertisements set up in subway tunnels that "move" as the train whizzes past hundreds of images like a flip book.

### **13.5.4 TYPES OF TRANSIT ADVERTISING**

There are actually three forms of transit advertising: (1) inside cards, (2) outside posters, and (3) station, platform, or terminal posters.

1. **Inside Cards:** If you have ever ridden a commuter bus you have probably noticed the inside cards placed above the seats and luggage area advertising restaurants, TV or radio stations, or a myriad of other products and services. An innovation is the electronic message boards that carry current advertising information. The ability to change the message and the visibility provide the advertiser with a more attention-getting medium.

2. **Outside Posters:** Advertisers use various forms of outdoor transit posters to promote products and services. These outside posters may appear on the sides, backs, and/or roofs of buses, taxis, trains, and subway and trolley cars.
3. **Station, Platform, and Terminal Posters:** Floor displays, island displays, electronic signs, and other forms of advertising that appear in train or subway stations, airline terminals, and the like are all forms of transit advertising. Terminal posters can be very attractive and attention getting. Bus shelters often provide the advertiser with expanded coverage where other outdoor boards may be restricted.

### **13.5.5 ADVANTAGES OF TRANSIT ADVERTISING**

Advantages of using transit advertising include the following:

1. **Exposure:** Long length of exposure to an ad is one major advantage of indoor forms. The average ride on mass transit is 45 minutes, allowing for plenty of exposure time. As with airline tickets, the audience is essentially a captive one, with nowhere else to go and nothing much to do, as a result, riders is likely to read the ads—more than once. A second form of exposure transit advertising provides, be the absolute number of people exposed to it.
2. **Frequency:** Because our daily routines are standard, those who ride buses, subways, and the like, are exposed to the ads repeatedly. If you rode the same subway to work and back every day, in one month you would have the opportunity to see the ad 20 to 40 times. The locations of station and shelter signs also afford high frequency of exposure.
3. **Timeliness:** Many shoppers get to stores on mass transit. An ad promoting a product or service at a particular shopping area could be a very timely communication.
4. **Geographic selectivity:** For local advertisers in particular, transit advertising provides an opportunity to reach a very select segment of the population. A purchase of a location in a certain neighborhood will lead to exposure to people of specific ethnic backgrounds, demographic characteristics, and so on.
5. **Cost:** Transit advertising tends to be one of the least expensive media in terms of both absolute and relative costs. An ad on the side of a bus can be purchase for a very reasonable CPM.

### **13.5.6 DISADVANTAGES OF TRANSIT ADVERTISING**

Some disadvantages are also associated with transit advertising are:

1. **Image factors:** To many advertisers, transit advertising does not carry the image they would like to represent their products or services. Some advertisers may think having their name on the side of a bus or on a bus stop bench does not reflect well on the firm.
2. **Reach:** While an advantage of transit advertising is the ability to provide exposure to a large number of people, this audience may have certain lifestyles and/or behavioral characteristics that are not true of the target market as a whole. For example, in rural or suburban areas, mass transit is limited or nonexistent, so the medium is not very effective for reaching these people.

3. **Waste coverage:** While geographic selectivity may be an advantage, not everyone riding in a transportation vehicle or is exposed to transit advertising, is a potential customer. For products that do not have specific geographic segments, this form of advertising incurs a good deal of waste coverage. Another problem is that the same bus may not run the same route every day. To save wear and tear on the vehicles, some companies' alternate city routes (with much stop and go) with longer suburban routes. Thus, a bus may go downtown one day and reach the desired target group but spend the next day in the suburbs, where there may be little market potential.
4. **Copy and creative limitations:** It may be very difficult to place colorful, attractive ads on cards or benches. Moreover, while much copy can be provided on inside cards, on the outside of buses and taxis the message is fleeting and short copy points are necessary.
5. **Mood of the audience:** Sitting or standing on a crowded subway may not be conducive to reading advertising, let alone experiencing the mood the advertiser would like to create. Controversial ad messages may contribute to this less than positive feeling. Likewise, hurrying through an airport may create anxieties that limit the effectiveness of the ads placed there.

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## **13.6 LOCAL ADVERTISING**

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Retailers rather than manufacturers generally do it. These advertisements save the customer time and money by passing along specific information about products, prices, location, and so on. Retailer advertisements usually provide specific goods sales during weekends in various sectors.

### **13.6.1 IN-STORE MEDIA**

Advertisers promote their products in supermarkets and other stores with untypical media like displays, banners, and shelf signs. These point-of-purchase materials include video displays on shopping carts, kiosks that provide recipes and beauty tips, and coupons at counters and cash registers, LED (light emitting diode) boards, and ads that broadcast over in-house screens.

Point of Purchase Advertising Institute (POPAI) states that approximately two-thirds of consumers' purchase decisions are made in the store; some impulse categories demonstrate an 80 percent rate. Many advertisers are spending more of their money where decisions are made now that they can reach consumers at the point of purchase, providing additional product information while reducing their own efforts.

### **13.6.2 POINT-OF-PURCHASE (POP) MATERIAL**

The POP material also known as point of sales material is used to generate interest of prospects by providing them with information about the products, its major characteristics, specification and prices at the point of purchase.

Some storeowners or managers also use their own customized POP material, otherwise manufacturers or advertisers prepare POP material for use by all the stores selling their products.

### **13.6.2.1 Characteristics of Pop Material**

**Sales job:** POP material plays an important role in salesperson's job, as they use this material regularly to advertise and promote products.

**Customer Engagement:** POP material performs the function of keeping customers' attention engaged at the stage of physically making the purchase.

**Coordination with mass media:** There is always coordination between mass media, outdoor advertising and POP material for an effective campaign.

**Seasonality:** There is a marked degree of seasonality in the usage of POP material. During winters emphasis is on warm clothes, hot eatables etc., whereas during summer months, more POP material for talcum powder, squashes, etc. are used.

**Shelf Space:** The shelf space allotted to a brand depends on the business objective of the retailer. There is a great deal of competition between manufacturers of competing products, to get stores to accommodate their POP material and use it effectively.

**Dealers Incentives:** There are special incentives to dealers to prefer display POP material of one brand as against another, as advertisers provide higher margins.

**New Product Introduction:** POP material and display make a major contribution in helping launch a new product or brand.

### **13.6.3 SHOP SIGNS AND WINDOW DISPLAYS**

Shop signs are primarily a means of identification and have more of an urban association. Many shops in villages still do not have a sign as these shops are identified by owner's name or even family names. Companies are advertising their names and major brands on the shop signs; they provide financial incentives to shop keepers. Shop signs are of great importance for chain stores like Bata, Big Bazaar etc. Similar to shop signs, window displays also known as window-shopping is used as local advertising to attract the attention of shoppers as well as passersby. There is a large variety of merchandise displayed through window display, as these displays are directly instrumental in getting prospects interested and having them walk in to the store. As the number of large shops, department stores and malls increases, there is bound to be an increasing emphasis on professionally organized window display.

### **13.6.4 CINEMA HALLS**

Cinema is a popular source of entertainment in India, and is used as a medium of advertisement especially at the local level by advertisers. Many local advertisers use video or slides to advertise their products normally before the start of the film or during the interval. Like television, cinema also combines sight, sound, color and movement. People are more involved and attentive in a cinema hall. The size, picture clarity, sound effects are superior compared to television, which creates a powerful impact on the audience.



**Check Your Progress-A**

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**Q1. What do you mean by Out of Home Advertising?**

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**Q2. Identify the main characteristics of Outdoor Advertising.**

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**Q3. Write a note on transit Advertising and Demographic Profile of Audience.**

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**Q4. What are the various advantages of Transit Advertising.**

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## **13.7 NON-COMMERCIAL ADVERTISING**

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Advertising is mainly used in business and marketing strategies and has a commercial or profit orientation, or in other words advertising should contribute in profit of a company and thus justify the investment made in advertising. But the basic philosophy of advertising i.e. making skillful use of communication for achievement of specific objectives, is equally relevant to the non-business or non-profit objectives (non-commercial advertising) also.

The advertising techniques used to promote commercial goods and services, are used to inform, educate and motivate the public about non-commercial issues, such as AIDS, political ideology, energy conservation, religious recruitment, and deforestation.

Non-commercial advertising, public service advertising, public interest advertising, cause marketing, and social marketing are different terms for (or aspects of) the use of sophisticated advertising and marketing communications techniques (generally associated with commercial enterprise) on behalf of non-commercial, public interest issues and initiatives.

Non-Commercial advertisement is an advertisement broadcast on radio or television, for the public interest. A non-commercial advertisement modifies public attitudes by raising awareness about specific issues. The effectiveness of product service advertisements is measure in terms of the goodwill they generate in favor of the sponsoring organization. Advertisements on not mixing drinking and driving are a good example of public service advertising. In this type of advertising, the objective is to put across a message intended to change attitudes or behavior and benefit the public at large.

The basic difference between commercial and non-commercial advertising is the expectations of the advertiser from the investment or expenditure incurred on the advertising. The methods and techniques of advertising apply to both situations.

### **13.7.1 ORGANIZATIONS UNDERTAKING NON-COMMERCIAL ADVERTISING.**

Various organizations undertake non-Commercial advertising, such as government departments, concerned with health, social welfare and education as well as other non-profit organizations and associations. Non-Commercial advertisement that spend money to advertise items other than a consumer product or service include political parties, interest groups, religious organizations and government agencies.

Public bodies such as municipal corporations undertake public service advertising. It is also be undertaken by business concerns in the public interest. Companies under their CSR (Corporate Social Responsibility) activities do this type of advertising. A few organizations at their own with the intention to carry out their social responsibility of business come out and help the government propagating for a social cause also known as public service advertising.

The main objectives of companies involved in non-commercial advertisings are-

- (a) Image building
- (b) Action Inuring

(c) Giving Awareness

(d) Information of non-commercial things like disease, flood donation competes.

Non-Commercial advertisement campaigns are widespread around the world.

### **13.7.2 CHARACTERISTICS OF NON-COMMERCIAL ADVERTISING**

When the primary purpose of such advertising is to promote a social cause, it is non-commercial i.e. it is the basic motive which counts, some of the characteristics of such type of advertising are-

1. It is a type of public relations advertising and such has a non-product, non-service, non-profit perspective.
2. The focus of this advertising is on some matter of social importance.
3. The social economic or cultural issues dealt with in the advertising are worthy of public attention, and often, need public action.
4. Government, voluntary organizations and sometimes by business houses undertake this type of advertising.
5. It promotes those causes and activities that are desirable or about which there is consensus.
6. It is usually non-controversial.
7. It contains the idea of folk culture usually.
8. In India, rural concern is the main target of these advertisements.

### **13.7.3 TYPE OF SOCIAL ADVERTISEMENT**

#### **13.7.3.1 Political Advertisements**

The state elections of India in 2017 are the best example of political advertisement 'India Shining' and "Acche Din".

#### **13.7.3.2 Charitable Advertising**

It is different from social cause advertising, use to raise donation on regular or emergency basis. The money is used to help the needy, unfortunate or sick.

#### **13.7.3.3 Social Cause Advertising**

Many organizations advertise to promote social cause such as safe driving, aid to education etc under their CSR activities. Social cause organizations such as ecology groups, family planners and women's liberation organization have also stepped up their advertising budget to get their message out to the public.

#### **13.7.3.4 Government Advertising**

Government also advertises various issues frequently. For example encourage tourism, tax payment etc. Police departments issue message to public on safety issue.

#### **13.7.3.5 Private Non-Profit Advertising:**

Universities, museums, hospitals and religious organizations undertake direct mailing, classified advertisements, broadcast message and other forms of advertising.

### **13.7.3.6 Institutional Advertising**

It is one of the earliest types of public relation advertising. Very often used by the business corporation, its goal is to communicate to the public the activities of the organization that might otherwise go unreported through other media channels. A business form, for example, may want to let the public know about its extensive research facilities or its active role in community affairs. Some have referred to this type of Advertising as “image” advertising or even “Corporate image” advertising. Examples of this type of advertising are IRDA awareness about false insurance policies and AMFI advertising the importance of Mutual Funds.

### **13.7.3.7 Advocacy Advertising**

Unlike institutional advertising the advocacy advertising, is a usually argumentative, deal with controversial subject, and directed at either specific or general targets or opponents. The target can be political activities, the media, competitor’s consumer groups or even government agencies. SAHARA used this type of advertising against SEBI decisions.

## **13.7 4 AREAS COVERED UNDER SOCIAL ADVERTISING**

Some of the areas prominently covered under non-commercial or social advertising in India are-

Health Care

Family Welfare

Child Care

Nutrition Program

Dowry Prevention

Untouchability

Literacy

Women's Education

Drug abuse

Road Safety

National Integration

Energy Conservation

Girl Child

Women Safety

India’s success in Space Missions

Oil Conservation

Consumer Awareness

### **13.7.5 AGENCIES INVOLVED IN SOCIAL ADVERTISEMENTS**

In the India context, the foremost in advertising is the DAVP (Directorate of Audio Visual Publicity) and other such agencies, which are the part of the ministry of information and broadcasting.

As the central agency of the government the DAVP publicities the policies, program and performances of various ministries through the widest range of communication media such as, press advertising, printed publicity material like posters, folders brochures, booklets.

The Ministry of Information and Broadcasting, a branch of the Government of India is the apex body for formulation and administration of the rules and regulations and laws relating to information, broadcasting, the press and films in India.

The Ministry is responsible for the administration of Prasar Bharati-the broadcasting arm of the Indian Government. The Censor Board of India is the other important body under this ministry being responsible for the regulation of motion pictures.

#### **International Agencies**

1. The United Nations
2. United Nations International Children's fund
3. World Bank
4. World Health Organization
5. UNSECO
6. UNICEF

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## **13.8 SUMMARY**

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This unit introduced you to the vast number of support media available to marketers. These media, also referred to as nontraditional or alternative media, are just a few of the many ways advertisers attempt to reach their target markets. We have barely scratched the surface here. Support media include out-of home advertising (outdoor, in-store, and transit), promotional products, product placements in movies and on TV, and in-flight advertising, among many others.

Support media offer a variety of advantages. Cost, ability to reach the target market, and flexibility are just a few of those cited in this chapter. In addition, many of the media

discussed here have effectively demonstrated the power of their specific medium to get results.

However, each of these support media has disadvantages. Perhaps the major weakness with most is the lack of audience measurement and verification. Unlike many of the media discussed earlier in this text, most nontraditional media do not provide audience measurement figures. Therefore, advertiser takes decision without hard data or on information provided by the media. As the number and variety of support media continue to grow, it is likely the major weaknesses will overcome.

Non-Commercial advertising reflects the trend towards the use of advertising for social cause. With the help of non-commercial advertising business houses, government, profit and nonprofit organizations can contribute to the welfare and well-being of the masses. However, various terms and classifications (such as public service, institutional, social advertising, political advertisement, Advocacy, Advertorials etc.) are used and various reasons cited for the growth of such advertisements, fact remains that the focus of such advertising is welfare of human being.



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## 13.9 GLOSSARY

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**Audience:** The people reached by a particular medium. Persons who receive (view/hear) an advertisement; individuals, who read a newspaper or magazine, listen to a radio broadcast, view a television broadcast, and so on.

**Audience Reach:** The total number of different people or households exposed, at least once, to a medium (i.e., TV commercial, outdoor billboard, etc.) during a given period.

**Billboard:** An outdoor advertisement display/poster.

**Bus Shelter/Bus Bench Advertising:** Advertising posters positioned as an internal part of a freestanding covered structure or bench, often located at a bus stop. The shelters are most often backlit.

**Cost Per Thousand (CPM):** The M is from the Roman numeral for thousand, which has derived from the Latin "mille". The CPM is the price an advertiser pays for each 1000 displays of an ad. This term is in use for describing web advertising.

**Cost per rating point (CPP):** The cost, per 1 percent of a specified audience, of buying advertising space in a given media vehicle.

**Cost per thousand (CPM):** The cost, per 1000 people reached, of buying advertising space in a given media vehicle.

**Frequency:** The number of times an individual or household is exposed to a given ad message during a given period – usually expressed as an average. Also in broadcast and in print, the number of spots or insertions scheduled over a period. In outdoor, the average number of times an individual has the opportunity to be exposed to an ad message during a defined period of time, usually a calendar month.

**Gross Rating Points (GRPs):** The sum of all individual ratings of all elements in a broadcast advertising schedule. One rating point equals 1% of the total potential audience for a given medium. Also refers to the product of reach and exposure frequency ( $R \times F = GRPs$ ). Persons or households estimate expressed as a percentage of the appropriate estimated population.

Reach times average frequency. This is a measure of the advertising weight delivered by a vehicle or vehicles within a given time period.

**Local Advertising:** Advertising placed by organizations within their home area, the geography where they do business. Rates for local advertising are generally cheaper than rates for national or regional advertising.

(1) Advertising to a local merchant or business as opposed to regional or national advertising.

(2) Advertising placed at rates available to local merchants.

**Out-of-home advertising:** Exposure to advertising and mass media away from one's home. Included are outdoor, point-of-purchase, and radio.

**Point-of-Purchase (POP) displays:** Advertising display material located at the retail store, usually placed in an area where payment is done, such as a checkout counter.

**Public Service Announcement (PSA):** An ad that is aired (television or radio station) airs for a cause or a charity. Public service announcements are *not* paid advertising. A broadcaster donates the ad time as part of its commitment to serve the public interest.

**Reach:** The number or percent of a potential audience exposed to an advertisement, commercial, or specific vehicle one or more times within a given period.  $GRPs$  divided by the average frequency = Reach.

**Rating Point:** The percentage of a given population group consuming a medium at a particular moment. Generally used for broadcast media, but can be used for any medium. One rating point equals one percent of a universe.

**Target Demo:** The age and characteristic make-up of the group deemed to be target for reach by a media campaign.

**Target Market:** The geographic area or areas to which a campaign target.

**Vehicle:** A specific channel or publication for carrying the advertising message to a target audience. For example, one medium would be magazines, while one vehicle would be *Time* magazine.




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## 13.12 TERMINAL QUESTIONS

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- Q1. What do you mean by Out of Home advertising? Explain in brief different types of out of home advertising.
- Q2. Differentiate between Outdoor, transit and local advertising.
- Q3. Evaluate Outdoor, transit and local advertising on following parameters:
- a) Cost
  - b) Reach
  - c) Exposure Duration
  - d) Attention
  - e) Recall
- Q4. What do you understand by non-commercial advertising? Why do we need non-commercial advertising?
- Q5. Briefly discuss the various types of non-commercial advertising.
- Q6. Give details of areas covered under and agencies involved in non-commercial advertising.

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## **UNIT 14 CAMPAIGN PLANNING AND GLOBALIZATION IN ADVERTISING**

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### **14.1 Introduction**

### **14.2 Unit Objectives**

### **14.3 Understanding Advertising Campaign**

### **14.4 Three Phases of Campaign Creation**

### **14.5 Steps in Advertising Campaign Planning: Agency Viewpoint**

### **14.6 Factors Influencing the Planning of an Advertising Campaign**

### **14.7 The Structure of a Campaign Plan**

### **14.8 Approaches to Global Advertising**

### **14.9 The Global Advertising Plan**

### **14.10 International Advertising Agencies Management**

### **14.11 Special International Considerations**

### **14.12 Summary**

### **14.13 Glossary**

### **14.14 Reference/ Bibliography**

### **14.15 Suggested Readings**

### **14.16 Terminal Questions**

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## **14.1 INTRODUCTION**

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The term 'Campaign' is a series of related advertisements focusing on a common theme, slogan, and set of advertising appeals. A campaign is a systematic effort to accomplish some predetermined objective(s).

The campaign planning is the joint effort of both the advertiser and his ad Agency. Advertising campaign planning concerns many people in the advertising agency, but mainly concerns the advertising manager (for the client), account executive, marketing manager, creative director, media planner, and PR manager. In this unit, we will discuss the importance of campaign, its planning and different steps in campaign planning process.

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## 14.2 UNIT OBJECTIVES

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After reading this unit, you should be able to-

- Understand the concept of advertising campaign
- Identify the importance of advertising campaign
- Discuss the steps involved in campaign planning and management
- Understand the effect of globalization on advertising
- Discuss various aspects of globalization in advertising

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## 14.3 UNDERSTANDING ADVERTISING CAMPAIGN

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An advertising campaign is a uni-focus, short-term (or time bound) communication program, making use of various mass media, aimed at a defined target audience. The advertising campaign is a part of promotion and advertising plans, which evolve from marketing objectives and strategy. It is a mix of strategy and creativity as a promotional tool, strategy being the most important part of an advertising campaign.

The advertiser supplies much information about the product, the channel of distribution, competition the product, and the firm. The agency may collect other information from the market, in respect of target audience etc. They design and plan advertising campaign for the client.

An advertising campaign is a series of advertisement messages that share a single idea and theme which make up an integrated marketing communication (IMC). Advertising campaigns appear in different media across a specific time frame.

An advertising campaign is typically broadcast through several media channels. It may focus on a common theme and one or few brands or products, or be directed at a particular segment of the population. Successful advertising campaigns achieve far more than the sporadic advertising, and may last from a few weeks and months to years.

Companies that create one ad at a time and constantly change the core message are not involved in a campaign process. However, a great deal of national advertising is developed as part of a campaign with an umbrella theme that extends across time, different stakeholder audiences, and different advertising vehicles or marketing communication opportunities.

A campaign is an organized effort or course of action to achieve the objectives/goods of an organization. It is done in a systematic manner to include a series of ads placed in various media after making an analysis of the market. A campaign can be a time-bound programme.

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## 14.4 THREE PHASES OF CAMPAIGN CREATION

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There are three phases involved in the creation of any campaign.

Strategy Development Phase

The Briefing Phase

The Creative Phase

### **14.4.1 STRATEGY DEVELOPMENT PHASE**

This phase decides the objectives and contents of communication. It analyses the research data and decides positioning of a brand. The strategy formulation is in modern day's agencies a team effort. There is brain- storming sessions. The team throws up the ideas. These ideas ultimately make up the strategy. The brilliant in the team pick up one or two ideas from the total ideas generated and develop them. Our strategy should give us a competitive edge.

In late 1960's, Al Ries and Jack Trout were the first to focus on strategy and "positioning" (the term positioning was coined by Ries and Trout) in advertising, their philosophy was that advertising is much more than mere creativity. They also found that companies do not involve advertising agencies in their strategic decisions, which according to them was a must.

Right strategy and creative campaign is a winning combination. If the strategy is right, despite the poor creative work, we can sell due to right strategy, but if the strategy is wrong, no amount of creativity will help. Mere creativity and no strategy never work. As an advertising agency, you should tell your clients what you are trying to achieve in your communication.

The strategist is the left-brain oriented, very linear in thinking, very logical in deduction. The strategy formulation leads to an advertising brief. If you want to catch fish, you have to think like a fish. If you want to catch a consumer, you have to think like a consumer. That's the first principle. What most companies do is they think like themselves. They spend all their time with themselves' (Al Ries and Jack Trout).

### **14.4.2 ADVERTISING BRIEF TO THE CREATIVE TEAM**

As a matter of fact, the client has to brief the agency about the strategy. However most of the time this does not happen. The agency is supposed to brief itself. The strategy formulated is communicated to the creative people. They are briefed about how to create the advertising the product needs. The strategy should be communicated with clarity. The strategist should be a good motivator for the creative team. Proper briefing is going halfway as far as creativity is concerned. Bad brief to the creative team results into bad work. Good brief ensures good work.

Within the creative team, the copywriter and visualizer work together and it is difficult to attribute the final product to either of them. Yes, when they are working, there are sparks of creativity. Please appreciate that briefing completes half the job. Creative campaigns are creative due to a good brief.

It is critically very important to question the brief. Very often, a brief is a set of clichés. We have to get the real situation. Creative brief of strategy contains a key consumer insight. If the brief acquaints you with the consumer, and how his mind works, it has the seeds of creativity in it. It gives stimulus to creative team. Success or failure of the advertisement is largely

dictated by the brief. It is the job of a client to tell the agency what he wants to say and it is the agency's job to decide how to say it.

Great briefs inspire great work. Briefs should have clarity and single-minded objective. They should aim at a target person. The idea is to have the desired response. All briefs must suggest a benefit or a product plus.

### **14.4.3 THE CREATIVE PHASE**

Here the lateral thinkers come on the scene. They leap from a single unidirectional idea of the strategist to an advertising idea that will add value to the product/brand. The creative persons are supposed to be right-brained - lateral thinkers, irrational thinkers as against the accounts director who is left brained, i.e., logical. They make connections that had not existed before.

They rearrange the order of things. They create abruptions in the consumer mind. There should be a beautiful marriage between the strategy and the lateral thinking by the creative people.

The creative director's post has become a more responsible one. He does not remain content with a clever copy or stimulating visuals. He is required to understand the product and its market completely. He is now an overall ad man, an all-rounder. He participates in research and has active role in positioning. He does not follow a policy of art for the sake of art any more. He sits at briefings alongside the client servicing people. Creative are involved in the whole campaign - right from the concept to the commissioning stage.

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## **14.5 STEPS IN ADVERTISING CAMPAIGN PLANNING: AGENCY VIEWPOINT**

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The main steps in advertising campaign planning are as follows:

### **14.5.1 PROTOTYPE STAGE**

Let us assume that a manufacturer has the prototype of a new product. The basic product has been thoroughly tested, but the packaging has not been determined, it has no name, no price, and perhaps no defined market. In some respects this seems to contradict modern marketing principles. This situation is not uncommon. The company now wishes to advertise its new product and appoints an advertising agency and calls it to explore the possibilities to promote the sales.

### **14.5.2 INITIAL BRIEFING BY CLIENT**

The most likely procedure is for the managing director to ask his advertising manager to fix up a meeting with the account executive of the advertising agency. This first meeting may be held at the factory, at the company's head office, or at the advertising agency. Probably the best venue will be where the account executive can see the product and meet the people who

have been involved in its development. The factory might be the best place, but much depends on how the company is organized.

For this initial discussion, the right choice of venue can be important to the account executive's clear understanding of the proposition. It can be dangerous for the advertising agency to start off on the wrong foot because of inadequate or faulty interpretation of policy and problems. The need then is for best possible understanding at the beginning. This is the joint responsibility of the advertising manager and the account executive.

### **14.5.3 CONTACT REPORT**

Whenever a meeting has been held with a client a contact report should be written at once and circulated to all those present at the meeting, with additional copies for others not in attendance who should be informed, both inside the company and inside the agency.

The importance of a contact report lies in its confirmation of agreed action, so that nothing depends on people's memories, and if it is submitted directly after the event it serves to remind of necessary action that must be taken by people present at the meeting. Agreed contact reports, when placed in a file or binder as instructions to proceed, may be referred to as the facts book.

Should a dispute occur, reference can be made to the respective contact report: at the end of the year these reports form the basis of a report to the client on the year's work.

### **14.5.4 ACCOUNT EXECUTIVE'S REPORT TO AGENCY MANAGEMENT**

The account executive will also give his superiors - the account director and perhaps the agency managing director - a verbal report. If new business is coming into the agency it may be necessary to make changes in the deployment of staff, engage extra staff, and consider the use or expansion of equipment and premises.

### **14.5.5 ACCOUNT EXECUTIVE'S BRIEFING TO AGENCY DEPARTMENT HEADS**

The account executive now writes up a detailed, factual but as far as possible unbiased report on the assignment, setting out his understanding of the product and the client's requirements. In this report he should try to avoid expressing any personal observations because the object is to inform others whose ideas and opinions are being sought. Each department head is asked to study the report and to attend a plans board meeting.

### **14.5.6 PROPOSITION**

At this stage, the account executive invites the managing director of the client company to attend a meeting at which the scheme is presented in report form with a presentation of ideas in rough visual form. At this meeting the client party may consist of the managing director, marketing manager, sales manager and advertising manager and the members of the agency party may include the account director, account executive and the marketing director. Once

the scheme is approved and adopted in principle the agency will be instructed to prepare a full visual presentation at the client's expense.

Now, the agency will engage in actual copywriting, photography and drawing. Detailed media scheduling will now be done by the media buyer.

### **14.5.7 PRESENTATION TO CLIENT**

At this stage the complete campaign is demonstrated to the client. The campaign is presented visually. Advertising campaign planning must be flexible. Moreover, at such a meeting with the client there will be a number of company directors and executives present who disagree with one another as well as with the agency over what makes an advertising campaign.

Once the scheme has been approved, the account executive and his companions will return to the agency, ready to execute the campaign. At this stage when the media start buyers, creative staff, print buying production and traffic takeover, working under the direction of the account executive.

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## **14.6 FACTORS INFLUENCING THE PLANNING OF AN ADVERTISING CAMPAIGN**

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- The Organization its reputation, position in the market.
- The product e.g. Consumer (Perishable, durable or specialty) goods, or industrial goods etc.
- The market the nature of customers, their income, their buying behavior, and their location.
- The competition.
- The absolute price of the product, Competitor's price etc.
- The channels of distribution.
- The budget, the advertising theme, etc.
- The media, the advertising schedule etc.
- The Govt. regulations and controls, restriction on certain products, restriction on certain media to carry out certain ads. Etc.

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## **14.7 THE STRUCTURE OF A CAMPAIGN PLAN**

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A campaign may focus on one specific product attribute or one audience, or it may cover a variety of attributes and reach all the audiences. A campaign plan summarizes the marketplace situation, the underlying campaign strategy, the main creative strategies and tactics, media, and the other marketing communication. Let us discuss various stages of developing a Campaign:

### 14.7.1 STAGE I: SITUATION ANALYSIS

The first step in campaign plans is a situation analysis that summarizes all the relevant information available about the product, the company, the competitive environment, the industry, and the consumers. Sometimes called a business review, this information is obtained using primary and secondary research techniques. The six most important research areas are

- Product and company research,
- Consumer and stakeholder research
- Market analysis,
- Competitive analysis,
- Industry analysis, and
- Market place analysis

These factors are interdependent. In advertising campaign, the other Marketing Mix tools are also to be considered. Analyzing market opportunity for advertising exists. When there is a demand for the product or the product is in the growth or maturity phase of the PLC, Advertising is very effective in these stages, and however, Advertising is not very effective in the decline stage of PLC. It has to be supported with other promotional techniques.

Advertising is successful, if the product can be differentiated in terms of attributes. If there are hidden qualities in a product, they can be highlighted by advertising and the consumers get informed about them. *e.g.*, salt to iodized salt. Opportunity for advertising also exists in products having emotional appeals *i.e.*, dresses, garments, beauty products etc. Advertising opportunity is also related to the funds available by the company.

### 14.7.2 STAGE II: SWOT ANALYSIS

Situation analysis evaluates the significance of the research. During the situation analysis planners compile all the information they can about the brand and its competitive situation, marketplace factors such as the health of the category, and the behavior of consumers toward this brand and some recast this information in terms of internal factors (strengths and weaknesses) and external factors (opportunities and threats).

Once the information is gathered and sorted into SWOT categories, the analysis begins. In this stage, the key areas on which the campaign strategy has to be built are identified. Problem Identification focuses on a set of serious communication problems that this campaign must address. These problems differ from year to year and situation to situation.

For example in one year's marketing plan, a brand may be launching a line extension, which means the advertising will address the problem of launching a new product under a familiar brand name. The next year the marketing plan may focus on increasing distribution, so the advertising probably address opening up new territories where the brand is unknown. Each type of problem calls for a different advertising and marketing communication strategy. Different audiences are reached with different messages; different marketing communication tools may be used and different communication objectives are set.

### **14.7.3 STAGE III: CAMPAIGN AND COMMUNICATION STRATEGY**

After the situation analysis and the SWOT analysis, most advertising campaign plan focus on the key strategic decisions that will guide the campaign. The strategy section of a campaign plan identifies the objectives that will solve the key problems identified at the end of the SWOT analysis.

It will also specify the target stakeholder audiences and how the strategy will handle competitive advantage and the product's position. Other strategic decisions revolve around the scheduling and timing of the different phases of the campaign act.

#### **Objectives**

After gauging the opportunity and carrying out the market analysis, objectives have to be set. Whenever we talk of objectives we have to decide whether it is to communicate the benefits of the products, whether it is awareness advertising, repetitive advertising or advertising for boosting sales. As objectives provide the goal, they can then be used at the end of the process to measure the campaign's results. These objectives are established based on an understanding the hierarchy of effects and the various ways advertising can affect its audience.

The message has to be creative. It should hold the interest of the audience.

#### **Targeting**

While designing an advertising campaign, the target market has to be chosen or selected on which the campaign is to be directed. A lot of consumer research is to be done to find out

- Who buys the product?
- When do customers buy?
- What do they buy?
- How do they buy and how do they use these products.

Potential target markets are pinpointed and segmented into groups identified by certain demographic or psychographic characteristics, such as environmentalists, bike riders, or mall teens.

These target audiences (that is, groups of people to whom a marketing communication message is directed) shift with each campaign, its situation, key problems, and objectives.

For example, if you are launching a line extension, you will probably target current users of the brand. However, if you are opening up new territory there aren't current users, so you will have to target competitors' users. For both audiences, however, the objective may remain the same, which is to convince the target audiences to try a new product.

#### **Positioning**

Although objectives and targeting differ from campaign to campaign, the product's positioning remains the same.

Does the position mean the same thing to familiar brand users considering a new line extension? What would it mean to entirely new users in a new market territory who are unfamiliar with the brand?

They may not respond to the position in the same way, which means that the way the position is presented in the message strategy may need to be adjusted to the target audience's needs, interests, and level of knowledge.

### **Scheduling**

Timing and scheduling are an important part of the media plan and are also tied into the overall campaign strategy. Many campaigns have phases, such as the launch, the continuing campaign, and the close. In some cases, particularly with campaigns that continue for a number of years, the campaign may be launched with one strategy that evolves into another strategy as the campaign matures.

## **14.7.4 STAGE IV: THE APPROPRIATION AND BUDGET**

Budget or the money spent is the most important part of the advertising campaign which to be carried out for a specific period of time. Duration of the ad decides the budget. The budget can be fixed in a number of ways. These method could be the

- Comparative parity method
- Affordability
- A fixed percentage of turnovers
- Budget based on functions to be performed
- Regression analysis
- Adaptive control method
- Compromise method

The amount of money available from the client, or advertiser, governs all strategic decisions. Some sense of the amount of money that has been appropriated for the campaign is used at the beginning of the planning to determine the general scope and scale of the campaign effort.

Then, after the plan has been developed, a budget is developed that costs out the various recommendations. If this budget is much higher than the appropriation, either costs have to be shaved or the appropriation has to increase. The budget size for advertising and marketing communication programs has a tremendous range.

If you are working on a campaign for a major marketer, you may have plenty of money or the most expensive form of television advertising. Most campaigns are somewhere in between and their planners rarely have as much money as they feel they need to do the job right. Once the appropriation is set, the money can be allocated among the various advertising and marketing communication activities.

### **14.7.5 STAGE V: MEDIA PLAN**

The media plan and the creative plan are equally important and are developed simultaneously.

As discussed in stage IV, the overall appropriation or available money for the campaign, determines the media. Initial decisions about which media to use usually reflect the availability of a budget big enough to use television, which is the most costly of all media.

Deciding the Media is also a part of the advertising campaign. There are different kinds of media. A simple medium may be chosen or a combination of various media can be chosen. There can be varied choices from amongst the Television, Radio, Cinema, Magazines, Newspapers etc., while choosing a media we also have to decide the media vehicle e.g., Newspaper is one medium the media vehicle could be Hindustan Times or any other newspaper.

The media mix is created by selecting the best combination of media vehicle traditional media, and marketing communication tools to reach the targeted stakeholder audiences.

If a product has awareness problem, widespread mass media will probably use to increase the general level of awareness. If the problem is one of trial, Sales promotion may be the most important tool. However, if the product only appeals to a small target, direct mail and the Internet may be more effective ways to reach that target.

In fact, although there may be a lead tool, such as advertising, often a mix of supporting media is used to reach different stakeholder groups. Media planners allocate media budget to accomplish reach and frequency objectives.

The media plan includes media objectives (reach and frequency), media strategies (targeting, continuity, and timing), media selection (the specific vehicles), geographic strategies, schedules, and the media budget. Usually a pie chart is used to show how the budget is allocated to the various media activities.

### **14.7.6 STAGE VI: OTHER MARKETING COMMUNICATION ACTIVITIES**

The decision about which tools to use is based on an analysis of the strengths and weaknesses of the various marketing communication tools. The tools are then matched to the problem identified in the situation analysis.

In other words, which area can best reach a mass audience (advertising), involve an audience (events), or build credibility and believability (public relations)? This is a process called zero-based planning. Subsections of the plan are devoted to these other important marketing communication areas. A competitive sales campaign targeted business owners and managers during competitors' sales canvassing periods.

### 14.7.7 STAGE VII: CREATING AND EVALUATING THE CAMPAIGN PLAN

The creation of a Message is also a part of the campaign. A creative message is more effective than an ordinary message. While the purpose of the message is to communicate information, it is also a source of entertainment, motivation, fascination, fantasy and creativity.

The dramatization of the ad is very important and is exclusive to advertising. Creativity brings the message to life. Creativity is the ability to generate fresh, unique and appropriate ideas. It should be relevant to the target audience.

Before releasing the Ad it is necessary to pretest the message for its effectiveness, attractiveness and memorable value. As the preparation of ad requires a lot of time money and resources, pretesting of the Ad is necessary. This can be done by showing the Ad to a selected knowledgeable audience before release and changes are incorporated if necessary.

The final step in campaign plan is to prepare a proposal stating how the campaign will be evaluated. The key part of an evaluation plan is to measure a company or brand's effectiveness against its stated objectives. If not done formally through a research project, some sort of evaluation is always done informally to determine whether the effort was successful.

After the ad has been released marketer wants to see the effectiveness of the ad. This is done by the results of sales, the demand of the product and also by various tests such as day after recall (DAR) test etc.

This information is concerned with questions of effectiveness: Is the campaign working? What were the results? It is also concerned with questions of taste and judgment. Is the campaign fair and accurate? Is it building the brand or corporate reputation?

For a successful campaign, all the above points have to be followed and adhered to. A good ad is a treat for the eyes and always holds the interest of the audience.



#### *Check Your Progress-A*

#### **Q1. What do you mean by Advertising Campaign ?**

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**Q2. What are the steps in advertising Campaign Planning?**

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**Q3. What are the factors influencing the planning of an Advertising Campaign?**

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**14.8 APPROACHES TO GLOBAL ADVERTISING**

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A global brand is one that has the same name, design, and creative strategy everywhere in the world and is marketed in most of the major regional market blocs. Example: Coca-Cola, McDonald's, Henkel, Rolex, Nissan, Toyota, Gillette, and Avis.

There are three fundamental schools of thought for global advertising:

**Globalization (standardization):** This school of thought contends that differences between countries are more a matter of degree than direction, so advertisers must instead focus on the similarities of consumers around the world

**Localization (adaptation):** This school of thought argues that advertisers must consider differences among countries, including culture, stage of economic an: industrial development, stage of life cycle, media availability, research availability, and legal restrictions.

**Contingency (moderate):** This school of thought reasons that neither complete standardization nor compete adaptation is necessary and that a combination of the two approaches can guide advertising in different countries after a careful evaluation of factors that can affect the effectiveness of such advertising.

Most companies use the middle-of-the-road approach or lean toward localization. Starbucks uses this approach. Tea is offered in stores in the far-east, stronger coffees in Europe, and gourmet coffees in the United States. Furthermore individual elements often are standardized (product name, logo, and packaging).

No single approach is always the right one. In actuality no business has a completely global campaign. The reality of global advertising suggests that the contingency approach is best. Marketers are restricted by language, regulations, and a lack of completely global media.

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## 14.9 THE GLOBAL ADVERTISING PLAN

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The strategic advertising plan usually is prepared in conjunction with the budget. Basically, the plan outlines the marketing strategy, whereas the budget allocates the funds. Two major approaches to advertising in foreign cultures differ in their orientation: one is market oriented and the other is culture oriented.

### 14.9.1 THE MARKET ANALYSIS MODEL

This model is based on data and observation from several countries. It recognizes the existence of local, regional, and international brands in almost every product category. The two major variables are the share of market of brands within a category and the size of the category. For example, the brand's percentage share of the category market might vary substantially in four countries:

	Country 1	Country 2	Country 3	Country 4
Global Brand	18	25	55	25
Regional Brand	57	30	15	50
Local Brand	25	45	30	25

According to this example, Country 3 looks very valuable for the global brand. Considering the size of the market changes the picture, however. Assume that the size of the category market in the four countries is as follows:

	Country 1	Country 2	Country 3	Country 4
Global Brand	3,00,000	1,50,000	60,000	5,00,000
Regional Brand	30,000	35,000	50,000	50,000
Local Brand	30,000	35,000	40,000	50,000

According to this market analysis, Country 3 actually is much less important. Half of this smaller market is already in global brands. Country 4 not only is a larger global brand market but also is a much larger total market.

A marketing manager must look not only at share but also at market size, growth rates, and growth opportunities. For example even a small percentage of market-share in India results in huge volumes, because of large population.

### 14.9.2 THE CULTURE-ORIENTED MODEL

The second model of international advertising emphasizes the cultural differences among peoples and nations.

This school of thought recognizes that people worldwide share certain needs, but it also stresses the fact that these needs are met differently from culture to culture. Although the same emotions are basic to all humanity, the degree to which these emotions are expressed publicly varies.

The informal, first-name relationships common in North America are disliked in Germany, where co-workers often do not use first names. Like-wise, the ways in which we categorize information and the values we attach to people, places, and things depend on the setting in which we were raised.

How do cultural differences relate to advertising? According to the high-context/low-context theory, although the function of advertising is the same throughout the world, the expression of its message varies in different cultural settings.

The major distinction is between high-context cultures, in which the meaning of a message can be understood only within a specific context, and low-context cultures, in which the message can be understood as an independent entity.

It is observed that Japanese has the highest-context culture. This model helps explain the difficulties of advertising in other languages. The differences between Japanese and English are instructive.

English is a low-context language. English words have very clearly defined meanings that are not highly dependent on the words surrounding them.

In Japanese, however, a word can have multiple meanings. Listeners or readers will not understand the exact meaning of a word unless they clearly understand the preceding or following sentences, that is, the context in which the word is used.

Advertising messages constructed by writers from high-context cultures might be difficult to understand in low-context cultures because they may offer too much detail to make the point clearly. In contrast, messages authored by writers from low-context cultures may be difficult to understand in high-context cultures because they omit essential contextual detail.

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## **14.10 INTERNATIONAL ADVERTISING AGENCIES MANAGEMENT**

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Agencies have to develop techniques to advertise brands that are marketed around the world. Some agencies exercise tight control, whereas others allow more local autonomy. All of these techniques fall into three groups:

1. Tight central international control
2. Centralized resources with moderate control, and
3. Matching the client

The organizational structure for managing international advertising depends heavily on the globalization-versus-localization marketing and advertising strategy. For highly globalized

advertising efforts, there may be one advertising plan for each product regardless of the number of markets entered.

For a product using localized advertising, there probably will be a separate advertising plan for each foreign market. For globalized advertising plans, the business is more likely to centralize the development and control of the advertising. For example Colgate Palmolive Company decided to take a country-by-country approach in its advertising.

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## **14.11 SPECIAL INTERNATIONAL CONSIDERATIONS**

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International advertising, despite its glamorous image, is tough work because it poses formidable challenges. We have already discussed the problems that language creates. Other concerns relate to laws, customs, time, inertia, resistance, rejection, and politics.

### **14.11.1 LAWS AND REGULATIONS**

International advertisers do not fear actual laws; they fear not knowing those laws. For example, a marketer cannot advertise on television to children under 12 in Sweden or Germany cannot advertise a restaurant chain in France, and cannot advertise at all on Sunday in Austria. In Malaysia jeans are considered to be Western and decadent, and are prohibited. A commercial can be aired in Australia only if it is shot with an Australian crew. A contest or promotion might be successful in one country and illegal in another.

### **14.11.2 CUSTOMS AND CULTURE**

Customs can be even stronger than laws. When advertising to children age 12 and over was approved in Germany, local custom was so strong that companies risked customer revolt by continuing to advertise. In many countries, naming a competitor is considered bad form. Customs are often more subtle and, as a result, are easier to violate than laws.

Quoting an obscure writer or poet would be risky in the United States, whose citizens would not respond to the unknown author. In Japan the audience would respect the advertiser for using the name or become embarrassed at not knowing a name they were expected to recognize.

Companies that are starting to do business in the Middle East have to learn new selling methods because the region is so devoutly religious. For example, there are major restrictions on how women are presented in advertising. Many Asian cultures emphasize relationships and context. To be effective, the advertising message must recognize this cultural difference.

Marketing or cultural imperialism is a term used to describe what happens when Western culture is imposed on others, particularly cultures such as the Middle Eastern, Asian, and African cultures that are considerably different. Countries in Southeast Asia have advertising codes. Singapore has an ad code determined to prevent Western-influenced advertising from impairing Asian family values. Malaysia requires that all ads be produced in the country, which cuts back dramatically on the number of foreign ads seen by its public.

### **14.11.3 TIME**

Everything takes longer time internationally. The New York business day overlaps for only 3 hours with the business day in London, for 2 hours with most of Europe, and for 1 hour with Greece. Normal New York business hours do not overlap at all with those in Japan, Hong Kong, the Middle East, or Australia. Overnight parcel service is dependable to most of Europe, and other regions, if the planes are able to take off and land. For these reasons e-mail that permits electronic file transfer and telecopy transmission are popular modes for international communication.

Time is a problem in other ways also. France and Spain virtually close down in August for vacation. National holidays are also a problem. U.S. Corporation's average 14 to 15 paid legal holidays a year. The number is more than 20 in Europe, with more than 30 in Italy.

### **14.11.4 INERTIA, RESISTANCE, REJECTION, AND POLITICS**

Inertia, resistance, rejection and politics are sometimes lumped together as "not invented here" situations. Advertising is a medium for change, and change may frighten people. Every new campaign is a change.

A highly successful campaign from one country might or might not be successful in another country. (Experience suggests that the success rate in moving a winning campaign to another country is about 60 percent.) Creative directors often resist advertising that arrives from a distant headquarters rather than advertising created within the local agency.

This resistance is partially the result of a very real problem in local offices of international agencies: an inability to develop a good creative team or a strong creative reputation when most of the advertising emanating from the office originates elsewhere.

Government approval of television commercials can also be difficult to secure in some countries. Standards may seem to be applied more strictly to international than to national products.

Flat rejection or rejection by delay or lack of support must be anticipated with every global strategy and global campaign. The best solution is to test two ads that are both based on the global pattern advertising: a locally produced version of the advertising and an original ad.

As mentioned, the global strategy usually works 60 percent of the time. If the locally produced advertising of the global strategy wins, the victory must be decisive or the costs of the variation may not be affordable. Global companies must remain flexible enough to adopt the strategy that emerges as the winner.

At times the resistance and rejection are political. These may be the result of office politics or an extension of international politics. Trying to sell a U.S. campaign in a foreign country can be difficult if relations between the two nations are strained. To overcome local resistance and build consensus companies should have frequent regional and world conferences,

maintain a constant flow of communication, transfer executives, and keep their executives well informed through travel, videotapes, e-mail, teleconferences and consultation.

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## 14.12 SUMMARY

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In this unit we discussed in detail about advertising campaign planning, its characteristics, steps and its management. We also discussed the globalization of advertising and how companies and advertising agencies are dealing with globalization in advertising.

An advertising campaign is a series of advertisement messages that share a single idea and theme which make up an integrated marketing communication (IMC). Advertising campaigns appear in different media across a specific time frame.

A campaign, whether advertising or IMC, is a complex set of interlocking, coordinated activities. A campaign results from a comprehensive plan for a series of different but related marketing communication efforts that appear in different media and marketing communication areas across a specified time period. The campaign is designed strategically to meet a set of objectives and to solve some critical problem. It is short-term plans that usually run for a year or less.

For the most part, an advertising campaign will set specific goals that must be realized in a given period of time. In the event that the campaign does not quite meet the goals, the overall approach can be reworked slightly for the remainder of the campaign, or the information gained during the current campaign can be used to create a more effective follow-up advertising campaign strategy. Learning from the experience of past campaigns makes it possible to strengthen upcoming campaigns and move closer to achieving the goals set by the advertiser.

Global campaigns, like domestic campaigns, require ad work that addresses the advertising objectives and reflects the product's positioning. The opportunity for standardizing the campaign exists only if the objectives and strategic position are essentially the same.



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## 14.13 GLOSSARY

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**Advertiser:** The manufacturer, Service Company, retailer, or supplier who advertises their product or service.

**Advertising budget:** Money set aside by the advertiser to pay for advertising. There are a variety of methods for determining the most desirable size of an advertising budget.

**Advertising plan:** An explicit outline of what goals an advertising campaign should achieve, how to accomplish those goals, and how to determine whether or not the campaign was successful in obtaining those goals.

**Advocacy advertising:** Advertising used to promote a position on a political, controversial or other social issue.

**Client:** The ad agency's term for the advertisers it represents.

**Copy:** All spoken words or written text in an advertisement.

**Copy testing:** Research to determine an ad's effectiveness, based on consumer responses to the ad.

**Creative strategy:** An outline of what message should be conveyed, to whom, and with what tone. This provides the guiding principles for copywriters and art directors who are assigned to develop the advertisement. Within the context of that assignment, any ad that is then created should conform to that strategy. The written statement of creative strategy is sometimes called a "copy platform."

**Creatives:** The art directors and copywriters in an ad agency.

**DAGMAR:** This refers to a process of establishing goals for an ad campaign such that it is possible to determine whether or not the goals have been met. It stands for Defining Advertising Goals for Measured Advertising Results.

**Day-after recall test (DAR):** A research method that tests consumers' memories the day after they have seen an ad, to assess the ad's effectiveness.

**Demographics:** Basic objective descriptive classifications of consumers, such as their age, sex, income, education, size of household, ownership of home, etc. This does not include classification by subjective attitudes or opinions of consumers.

**Integrated Marketing Communication (IMC):** A management concept that is designed to make all aspects of marketing communication (e.g., advertising, sales promotion, public relations, and direct marketing) work together as a unified force, rather than permitting each to work in isolation.

**International advertising:** Advertising a product or service in a country other than where it originates.

**Layout:** A drawing that indicates the relative positions of the elements (e.g., headline, photo, logo, body copy, etc.) of an ad.

**Media plan:** A plan designed to select the proper demographics for an advertising campaign through proper media selection.

**Media strategy:** A plan of action by an advertiser for bringing advertising messages to the attention of consumers through the use of appropriate media.

**Payout planning:** Approach to advertising budgeting in which the dollars spent to advertise are represented as an investment toward sales and profits.

**Product life cycle (PLC):** A marketing theory in which products or brands follow a sequence of stages including: introduction, growth, maturity, and sales decline.

**Product positioning:** The consumer perception of a product or service as compared to its competition.

**Target audience:** A specified audience or demographic group for which an advertising message is designed

**Target market:** A group of individuals whom collectively, are intended recipients of an advertiser's message.



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## 14.16 TERMINAL QUESTIONS

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- Q1. What do you mean by advertising campaign? How are they planned?
- Q2. Explain and elaborate the structure of a campaign plan.
- Q3. How would you develop a campaign for selling of cell phones?
- Q4. Explain the objectives of measuring advertising campaign effectiveness
- Q5. What is global brand?
- Q6. Explain the market analysis model for international advertising.
- Q7. Explain various approaches to the International advertising campaign.

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## UNIT 15 MEDIA EVALUATION

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### 15.1 Introduction

### 15.2 Objectives

### 15.3. Types of Advertisement Media

### 15.4 Summary

### 15.5 Glossary

### 15.6 Reference/ Bibliography

### 15.7 Suggested Readings

### 15.8 Terminal Questions

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## 15.1 INTRODUCTION

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Media, singular medium, is a communication channel like television, radio, newspaper and magazines through which an advertiser conveys their message to large group of audience. Every advertiser relies heavily on different medium of advertising for delivering the intended message. It is very important that they critically analyze different advertisement mediums so that can choose the best medium for targeting the desired audience. In this unit, we will discuss different media sources and try to understand benefits and limitation of each of them.

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## 15.2 OBJECTIVES

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After going through this unit you will understand different types of media sources, their usage, advantages and limitations. It will also give you can idea about methods of placing an advertisement in different media.

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## 15.3 TYPES OF ADVERTISEMENT MEDIA

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An advertiser has plenty of options, in terms of choosing the carrier for carrying the message. In this section, we will list down different types of advertisement media that are available to an advertiser and evaluate those media choices

- A) Broadcast Media
  - a) Radio
  - b) Television
- B) Internet
- C) Print Media
  - a) News paper

- b) Magazines
- c) Poster
- d) Brochures
- e) Newsletter
- D) Outdoor and Transit Media
- E) Specialty Media

### 15.3.1 BROADCAST MEDIA:

Broadcasting deals with distributing different audio or video messages to fragmented audience using electromagnetic spectrum. Medium used for broadcasting are Radio and Television. In this section we will critically analyze Television and Radio advertisement.

- a. Television:** It is one of the most influential and effective medium of advertisement. In India, television was introduced in Sept 15, 1959 as a pilot project in Delhi. Two telecasts of one hour from Akashwani Vani Studio were, transmitted. For a very long time no one was aware about television. In August 1995, daily transmission started in Delhi. By 1972, television started spreading in different parts of the nation. Until 1975, only seven Indian cities had television services. First color television in India came in 1982. Initially only DD was broadcasted. 1981 UTV pioneered cable TV in India. CNN and STAR were pioneers in multichannel race that we see today. In year 1976-77, face of advertisement changed in India. It was the first time when DD accepted the advertisement. From that day, Television has played an important role. That time the advertisements were mostly, still with voice-overs or were shorter version of cinema advertisement. Initially, the choice of programmes was quite limited but with time, plenty options are available now a days for advertising their products. Television, presently is one of the major medium utilized by advertisers.

#### Advantages of Television:

1. **Creativity and Impact:** Television is a powerful medium, utilizing sight, sounds and motions. Usage of moving images, clubbed by sound effect tends to gain more attention of the customers. In addition, Television provides flexibility in presenting the message in most dramatic manner as possible. The television campaign can easily convey mood associated with the brand. Dramatic presentation of user, imagery, and brand personalities helps to draw a consumer towards the product offering. For example an advertisement campaign Apple created an advertisement campaign “Get a Mac”, many a times also recognized as battle between Mac and PC’s. Apple wanted to project Mac as a trendy and stylish looking product compared to other PC’s. They created an advertisement campaign with two actors; one hip looking (Mac) and another nerdy looking (PC) debating about their merits. This campaign clearly projected the image that apple wanted to have for Mac; a hip, trendy and smart looking. This campaign was a huge success in creating the brand image of Mac and was adopted in different languages and regions for marketing Mac. Another example

is of Havells Cable, where story of mother cooking chapatti and son making pliers from Havells cable for preventing her fingers from burning used an emotional appeal for creating an image in the minds of consumer and transferring the message of “wire that don’t catch fire.”

Some products require demonstrations for making the advertisement more effective. Television in this case is one of the most effective medium. While a print advertisement, of a microwave will give images of microwave and information about how and when to use it, Television advertisement can use benefit of both audio and visual effects. This will demonstrate in real life situation how a particular product is functioning. Proper demonstration tends to remove doubts from the minds of consumers and thus motivate them to purchase the product. People tend to weigh television as one of the most credible source of information.

2. **Coverage and Cost Effectiveness:** According to Broadcast Audience Research Council of India, from 3 June 2017 to 9 June 2017 (source: <http://www.barcindia.co.in/statistic.aspx>) Sun TV was the most watched channel in all genres closely followed by Star Sports Hindi. The viewership of sun TV during this time was 1055419 thousand customers. With such a large audience to cater to, television has emerged out as one of the most used advertisement medium. The reach of advertisement in television is quite high. With the change in times, rural areas now have a proper penetration of Televisions. It is a home and family entertainment medium. People regardless of their demographic background watch some sort of television. With such a large audience of base from different demographic segments, it can be easily inferred that the coverage of television is quite high. Being a mass media source with huge audience base, per unit cost of reaching out a customer’s comes out to be very less.
3. **Attention:** The advertisements placed in television are quite pushy in nature. They are placed between of different programmes forcing them to watch them. Apart from those who deliberately avoid advertisement, all others are exposed to hundreds of advertisement in a week. In period from 3 June to 9 June 2017, Hindustan Liver Ltd. Total insertions are 113465 advertisements, closely followed by Reckitt Benckiser (India) ltd. with 83081 insertions. This constant repetition of advertisement generates attention in the minds of audience.
4. **Selectivity and Flexibility:** Selectivity is one of the major drawbacks Television. Many people have criticized television advertisement for not providing selectivity. Been a mass media source, television offers limited selectivity and flexibility. However, this is not always true. There are different channels catering to specific audiences. For example, Disney Kids is dedicated to programs meant for small kids, whereas as Star Sports primarily, is sports based channel. This helps advertisers to select the target audience and place the advertisement there to enhance their visibility. Now a day’s advertisers are looking to refine their audience coverage by in those channels that meets the criteria of their customers.

#### **Limitations of Television:**

1. **Cost:** One of the biggest limitation of using television as a medium of advertisement is cost. The cost advertisement during a popular show of United States of America, “American Idol” was, between \$360,000 to \$490,000. On an average, a new show on television charged on an average \$100,000 for a thirty-second slot. This is just one part of the story. Another major expenses head is creation, designing and finalization of advertisement campaign. this huge amount of cost that is involved in advertisement on television, makes it an unattractive option for a small or medium sized company.
2. **Lack of Selectivity:** In the above section, we have shown that advertisements provide some sort of selectivity to the advertisers, but when we compare this with other medium like direct mail, regional magazines and newspapers, selectivity is quite less. A company, which is looking for delivering the message to a specific group of audience, will find advertising in television an expensive and over exposing. For a small narrow specific population television, a medium of mass communication is not at all selective or cost-effective.
3. **Short Lived Message:** Most of the advertisements designed for television are of 30 second or less. Within such a small time, a total message appeal is to presented to the customers. After an advertisement ends, there is nothing tangible to reexamine. It means impact of an advertisement is for a very small time period. As the cost of advertisement is high, advertisers tend to use shorter commercials so as to keep of the cost low. This will help them to use the saved money for buying additional slots.
4. **Clutter:** Many times, the viewers do not notice a television commercial. Mostly, an advertisement is shown between the breaks of any program. Viewers encounter a lot many advertisements in a shorter span of time thus forgetting few of the messages. Also, it is the main program that is center of attraction for the audience, they don't give much importance to the non program (advertisement).
5. **Limited Attention of Viewers:** Primary aim of watching television is entertainment not viewing advertisement. Placing an advertisement on television offers an opportunity to advertiser for communicate with audience, in any sense it is not the guarantee for exposure. Zapping refers to changing of channel for avoiding advertisement. It is quite common phenomena now- days. At give point of time there are multiple channel presenting different programs to the audience. Whenever there is a break in one program, audience tends to switch to another channel. Programs with large number of advertisement tend to lose audience. Whenever there are plenty of small cluttered commercial breaks during a given program, audience tend to become frustrated and may lose trek about the advertised product.
6. **Advent of Internet:** Usage of internet as a medium of entertainment has drastically changed the scenario of television advertisement. Many channels are available in internet, which attracts lots of audience, especially youth. Most of the programs that telecast in television are also available on internet that too with very less number of commercials.

### **Buying Television Time:**

Television is a heterogeneous medium reaching a wide variety of audience. For placing an advertisement on television, an advertiser must buy time slots in next few sections we will discuss this in detail.

### **Basic elements of buying network time:**

- **Negotiation:** Negotiation is an important feature of buying network time. In this, buying agency and network bargains with each other to arrive at amount for network schedule. The experienced negotiator from both sides, with their pre determined levels of costing come and discuss the costing.
- **Scatter Plans:** The network comes up with the list of program with different rating points and demographic profile of respondent. This gives the total schedule of the network about availability of spots. The rates vary with the popularity of the show. The advertising agency tries to fit in their campaign in the programs that meets their criteria of popularity and demographic profile.
- **Availability:** The time available for commercial in a television network is fixed. While negotiating with the agencies the major issue for networks is to provide prime spots to their largest, most important and premium clients. The availability of spots is a big issue for high rating programs. By the use of scatter plan network comes in an agreement with the advertiser for placing its campaign in different slots in the total schedule, where advertiser have to take up some slots with low rating but acceptable demographic features for getting the spots of their choice.

### **Upfront Buys Vs Scatter Buying**

In upfront buying the advertisers tends to buy a space in the television as much as a year in advance. The large advertisers, who are heavy into advertising, tend to buy the network spot much in advance. The upfront buyers receive benefits like reduced cost. On the other hand, scatter buying is means buying the spot on television in a shorter-term basis. Scatter buying slots, are ordered any time and may charge price premium from the advertisers. Seasonal advertisers looking to advertising for few week in a year prefer scatter buying.

### **Spot Television:**

Whenever a national advertiser buys a local station, it is spot buy or spot advertising or spot television. There are two types of spot buy. One, in which an advertiser uses spot advertising only and another where an advertiser use spot buying to substantiate the network buy. Spot buy, can be used by national companies to target a given geographical territory and for creation of local identity. It provides flexibility in program designing.

### **Syndication**

The advertisers using television as a medium may reach to the audiences by advertising on syndicated programs. These programs are distributed and sold on

station-to-station or market-by-market basis. In case of first run syndication, a program is originally aired and specifically produced for syndication market. Off-network syndication refers to those shows that initially ran on a given network and later aired by another stations. Advertisers supported barter means selling shows to station in return commercial spot during the show. The spots gained, in such a manner are sold to advertisers.

### **Methods of Buying Advertisement Time:**

- **Sponsorship:** In this case, the advertiser takes responsibility of production of the program and deciding on its content. Some programs running on television are sponsored programs. For example, Kaun bagena Karorepeti was a sponsored program. Sponsorship provides advertiser an opportunity to take benefit of prestige of the program. Advertisers have more control over the placing of the commercials. Since the cost associated with the sole sponsorship is high. This option is limited to few large spenders only.
- **Participants:** One of the biggest drawbacks of sponsorship is, high cost associated with it. Many advertisers don't find it as a profitable option. They tend to the commercial time or spot in a given program. The network or the station takes responsibility of producing the program with advertisers just paying for the spot they buy. It is a profitable scenario for small advertisers. Most of the big advertiser also, prefer participant than sponsorship. The disadvantage is lack of control over the content of program.

An important aspect of television advertising is selection of right time and program for advertising. Advertisers try to know the cost per rating point (CPRP) rather than the total number of spots, as the number of audience depends on rating of a program. The cost of a spot on television is depends on two things. First the time of the day and second the program. The time of a day is, divided into "dayparts", which constitute the specific period of broadcast day. The time segment classified as primetime attracts large amount of audience thus cost higher. Another important thing is demographic of customers viewing a given program. A family soap opera will attract homemakers and female more whereas a businessperson will be more interest in business news. Youth will be attracted more to music and adventure whereas the old age people will more inclined to religious programs. These things are kept in mind while designing an advertisement campaign.

### **Measuring Television Audience**

An important parameter for selecting a slot time is number of audience. Different techniques used for measurement of number of audience are as follows:

- **Television Household:** It means total number of households owning television sets.
- **Program Rating:** It measure number of household out of total tuned to a specific program during a specific time.

Rating= Household turned to a television program divided by total number of household owing a television set.

- **Household Using Television:** It measures the total number of household watching television out of the total number of household owing television. For example, at 9 pm city X has 1.5 lakh television sets open out of 2 lakh sets than  

$$\text{HUT} = (1.5 / 2) * 100 = 75 \text{ percent}$$
  - **Share of Audience:** It measure percent of household watching television in a specific time period for watching a specific program out of total Television sets turned on.  

$$\text{Share of Audience} = \frac{\text{Household tuned to a television program (let's say ABP news) at 9 pm}}{\text{total households watching television at 9 pm}}$$
- b. Radio:** Radio is a pervasive media. It is present everywhere. In past thirty to forty years, radio has undergone drastic changes. Before the popularization of television, radio was main source of entertainment for people across the country. A lot of legendary radio program like Cibica Geetmala, Eveready ke Humsafar and cricket commentaries use to attract a huge section of society. Most of the families in evening times used to gather near radio sets and listen to their favorite programs. With time, television replaced the position that once radio had in families. Now a day's families prefer to sit in front of televisions rather than listening to radio. Even then, radio is preferred by a huge section of society. In rural areas of India, radios still play an important role as the sole entertainer. A survey in United States of America showed that 93 percent of population older than 12 years listened radio daily at an average of fifteen hours per week, most of time in background. With advent of FM broadcasting, radio has taken a giant leap.

#### Advantages of Radio Advertising:

1. **Selectivity:** Radio offers a huge amount of selectively to advertisers. This is possible because of large number of radio stations at various geographical locations. Being a diversified nation having a broad advertising campaign is always not justified. Radio provides flexibility of broad and localized marketing coverage. The advertiser targeting rural areas with low literacy rate can design the message in local languages and telecast in different region. Radio offers local coverage on its medium wave channel.
2. **Reach** Cost of a radio set is much less than that of television thus it is a cheap and affordable source of entertainment. As mentioned above India has low literacy rate, making print media to an extent insignificant for a section society. For them radio plays an important role of providing knowledge and information.
3. **Cost Efficiency:** Cost associated with radio advertisement is quite less as compared to that of advertisement in television. The slot charges of radio are pretty less than television. In addition, the cost associated with creation of message for advertisement on radio is much less than that of television. Being a less costly medium of advertisement, Radio's are a good bet for smaller firms.
4. **Flexibility:** Among different media source radio is one of the most flexible for its short closing period. The time involved in designing the advertisement is quite low. The

message designed for the advertisement can be changed, as and when required, even just before telecasting the message. The message that is designed can be translated to other languages for using it in different geographical locations.

- 5. Mental Imagery:** One of the important aspects of radio is usage of audio only. The audience listening to the advertisement and hear what the advertisement is presenting. Back in his mind, he is creating a mental image of what to visual would look like. This helps in involving the customer with the advertisement. Many a times, radio and television reinforce each other. Whenever we hear an advertisement in radio that we have seen in television, we start to recreate the mental image of visuals from television. For example, whenever we listen to an advertisement campaign of Amul with the jingle of “Utterly Butterly Delicious Amul”, the face of Amul girl with polka dots comes to our mind because of television.

#### **Limitation of Radio:**

- 1. Lack of Visual Elements:** One of the fundamental drawbacks associated with radio is lack of visuals. Visuals play an important role in case of products that require demonstration. Because of lack of visuals, Radio advertisers have to be very careful in designing the advertisement campaign as the chances of audience losing the interest in campaign is much higher in case of radios. Apart from it, many a times, size, colour, texture and packaging material play an important role in attracting the audience or at times, assisting them in recalling or recognizing the product offering. In rural buying where level of literacy is quite low, role played by packaging material, colour and other physical features is quite important. Radios cannot provide assistance to advertisers in these terms due to lack of visual.
- 2. Audience Fragmentation:** The numbers of radio stations are quite high. More than forty stations for different languages are operating in India. Thus, the total number of audience tuned to a given channel is usually quite small. For reaching to a larger set of audience with different languages, advertisers need to buy slots in different radio stations.
- 3. Limited Attention of Listeners:** As discussed above due to lack of visuals, it is quite difficult for advertisers to attract attention of people for a long time. The listeners often miss out an advertisement, as there is a tendency of flipping different stations. The distortion of radio waves is quite high thus creating noise in the radio broadcasts. The noise arising in the broadcast irritates listeners and reduces their attention.
- 4. Clutter:** In present times, usage of advertisement by different organizations for promotion of their offering is on a rise. Most of the organizations are spending a huge amount of money in different mediums of broadcasting and radio is not an exception. There are large numbers of advertisements broadcasted on radio at a given point of time. This has made it quite difficult for advertisement message to attract and retain audience attention.

## Buying Radio Time

Like television advertising, radio advertising also requires advertiser to buy the time in radio for running their advertisement campaign. In the next section we will discuss different types of radio advertising and criteria buying the time.

**Sponsor Program:** An advertiser sponsor the whole program by itself and take the benefit of image of the program. It's a costly affair.

**Network Radio:** When an advertiser chooses a national radio networks to carry out the message to audience in different part of the nation is network advertisement. The message is carried to a large group of people in the nation's boundary. The biggest advantage apart from a large audience is low cost per station. But, this form of advertising suffers from lack of flexibility in choosing the station and geographical area. Many a times, message is transferred to an audience base larger than target audience.

**Spot Radio:** In this the national advertisers has a choice of stations, markets, airtime and copy. A customized message for the local market is created and broadcasted.

**Local Radio:** Local advertisers use local radio to reach out local audience. Like network radio, pre recorded message is broadcasted to reduce cost. Most of the advertisement in radio are local placed.

The time length on radio is divided into different dayparts. The rate card of stations are based on these dayparts. The heaviest radio use is during the morning and evening driving hours, making it most expensive. The advertisement spots are available in different time levels. For example, 10 second, 20 second, 60 second time slots.

### Dayparts Buying Options:

- **Buying Specific Dayparts:** The advertiser may choose to buy specific day parts depending upon the demographic factors of listeners.
- **Packages:** On the basis of rate card, advertisers choose which package to buy. For example, you buy a package of let's say advertising on news and the station will decide when to run your advertisement while news is read.
- **Sponsorship:** In this, the advertiser associates its name with the program running on radio.



### Check Your Progress-A

**Q1. What do you mean by term Media? What is its importance in advertising?**

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**Q2. What is Broadcast media?**

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**Q3. What are the advantages of Television with respect to radio?**

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**Q4. What are different ways of buying space in television?**

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**15.3.2 PRINT MEDIA:**

It is a form of advertising using physical printed media like newspapers and magazines for reaching to the consumers. Print media from a very long time plays an important role advertisement. It is the oldest and most common medium used for advertising. With the usage of broadcast media, the role of print media has reduced but then also it is an important

medium used for advertising. The print media are high involvement advertisement media, as it requires efforts from the side of readers in reading the advertisement message.

**1. Newspaper:** One of the most reliable sources of information, newspapers, is also one of the preferred media sources of advertisement. Newspaper are major form of print media and largest of all media source. First newspaper in India was Bengal Gazette, published in year 1780. Presently number of daily newspaper published in about one thousand with a circulation of more than 70 million. With such a huge readership base, newspapers are an attractive option for advertisement. Different types of newspapers are:

- **National Newspaper:** The papers circulated on national level in either English or Hindi language are characterized as national newspapers. Times of India, Hindustan Times, Nav Bharat Times are examples of few national Dailies in India. The newspaper have a nationwide circulation and attracts national and local advertisers.
- **Daily Newspaper Regional/ Local):** These newspapers have their focus more on regional or local news. They do cover important national and international news but more focus is on localized news coverage. Many regional newspaper have higher circulation than national newspaper, the reason behind it is local coverage attracts regional customers.
- **Special Audience Newspaper:** The newspaper dealing with the news for specific group of customers is regarded as special audience newspaper. For example Economic time deals with the news related to economy, industry, stock market finance etc.

### Types of News Paper Advertising

- **Classified Advertising:** The advertisement according to the product or service advertised is, classified advertising. For example, matrimonial, Job vacancies etc.
- **Display Advertising:** This type of advertisement uses images, illustrations, graphics, attractive headlines and other visual elements to attract consumers. This form of advertising may be done either on national level or at local level. In case of national advertising big branded products are promoted at national level. Large and medium size organization makes use of this sort of advertising. In case of local retail chains, schools, banks looking to attract local customers use this form of advertising.
- **Special Inserts:** Advertisements for tender notice, financial statement of an organization, public notices come under the category of special inserts. Apart from it advertisement for a social cause and public issue is also a part of it.

### Advantage of Newspaper Advertising

- **Penetration:** Newspapers are one of the highest reach advertising media. The large number of literate people living in both rural and urban areas read newspaper. A lot of household have a habit of having more than one newspaper in their houses.

Advertisers can make use of national and regional newspapers for communicating with the target audience.

- **Flexibility:** The time required for running an advertisement on newspaper is much less as compared to television. Many newspapers accept advertisement, barring advertisement requiring special edition or time slot, up-to 24 hours before publication. This provides a great opportunity for advertiser to design message as per the current market condition. An advertiser can present message in different formats allowing the creativity of the designing team. The colour combination, placing of advertisement, sizes and shapes can be varied to design an attractive campaign.
- **High Involvement of Readers:** Readers tend to devote a substantial amount of time in going through a newspaper. The level of involvement in reading a newspaper is quite high. The chances of influencing consumers are high. Readers tend to search of advertisement they are interested in. For example a person looking to purchase mobiles will try to search for advertisement from a mobile company or a local mobile stores. Consumers tend to see newspaper advertisement to learn about different offering.

#### **Limitation of Newspaper Advertising:**

- **Reproduction Quality:** One of the major drawbacks of paper advertising is quality of newspaper. Most of the newspapers have paper quality that is not suitable for printing images and colour reproduction. The fine details of the images and graphics required for proper advertisement are missing in the newspaper. Apart from special edition and supplements, the quality of paper used for printing is cheap. In case of an advertisement where visuals will play an important role in attracting the customers, advertiser will not prefer newspapers.
- **Short Life Span:** The life span of newspaper is very short. A newspaper that is fresh in early morning becomes obsolete for many people by evening. People are in habit of reading the newspaper as soon as they receive it and after few hours keep it aside. Next day the new newspaper arrives and old newspaper loses its relevance. The advertisement published in newspaper may become obsolete next day.
- **Limited Selectivity:** The people reading a given newspaper may belong to different backgrounds. People reading a given newspaper may belong to different demographic segment or may have different lifestyle. An advertisement in newspaper will reach a much wider audience, a section of which will not be the target audience of the advertiser.
- **Clutter:** Like any other form of mass media, newspapers also suffer from advertising clutter. A newspaper carries several advertisements in single edition. Most of the advertisements are in black and white format thus looks more or less similar, making it quite difficult for the advertiser to differentiate the advertisement from competitors. If an advertiser is looking to create an advertisement different from the competitors, they will choose the option of colour advertisement or buying a full page or half page space in the newspaper.

**Purchasing Newspaper Space:** Before purchasing a space of advertisement in newspaper, an advertiser must look for the size and nature of audience that a particular newspaper is catering too. The circulation of newspaper gives an indication about number of customers the paper will reach. Apart from it, an important criterion is characteristics of the readers reading the given newspaper. The space rates of newspaper vary with circulation, geographical areas covered, image and other factors. There are following advertisement space rates:

- **Open Rate:** Open rates are amount charged by the publishers without any discounts. The rates are for running an advertisement for one single time. Open rate is also called non-contract rate.
- **Contract Rate:** The discounted rates, that are charged by the by the publishers for a specified number of advertisement to be published in a specified time.
- **Flat Rate:** The rate of advertisement predetermined, based on advertisement size.

### Position of Advertisement

**Run of Paper (ROP):** In this sort of placement, the space where an advertisement will feature depends on newspaper. In this case newspaper decides the page and place in that page of the advertisement.

**Premium Placement:** Whenever an advertiser is looking for an opportunity of placing the advertisement in a specified location, they have to pay a premium rate. It is also called preferred position rate.

Apart from it, newspaper tends to charge a premium rate for publishing a colored advertisement.

**Magazines:** One of the important sources of advertisement in present day scenarios is magazines. Initially in early nineteenth century, magazines targeted a specific group of audience and carried very little advertising. With change in time the number of magazine and its usage as a medium of advertising has changed drastically. Now a day's different types of magazines dealing from masses appeal like India Today, Outlook to magazines targeted to specific audiences like Star Dust, Inside Cricket are available in the market. Having wide variety of magazines targeted to different sets of consumers makes magazines an effective medium of advertisement.

### Classification of Magazines:

- **Consumer Magazines:** Consumer magazines are designed for the large group of audience for information and entertainment. These magazines have a large reader base thus attracts advertisers for promoting the products. The advertisers looking to target general consumers of goods and services also make use of consumer magazines. Different types of consumer magazines are General Interest Magazines (e.g. India Today), Women/Lifestyle magazines (e.g. Women's Era), Film Magazines (e.g. Stardust). Advertiser's looks for the magazines that have reach in their target audience and put their advertisement on those magazines.

- **Business Publication:** Business Magazines includes publications like journals dealing with trade and specific businesses, industry or occupations. The time duration for publication varies from weekly to monthly or quarterly. The target audience is specific, dealing with or having an interest in a specific field, providing information on a relevant field. Examples of business publication are Indian Trade Journal, Chemical Product finder etc. The advertiser dealing with a specific product can use these magazines to pitch the advertisement for a specific set of audience, reading that magazine.

### Advantages of Magazine Advertising

- **Selectivity:** Magazines are of the most selective means of advertising. Most of the magazines are published for people with interest on specific subjects. Thus, its becomes easier for advertiser to target specific set of audience by advertising in a particular website. Magazines offer demographic selectivity ( e.g. Women's era is specific for females and Sports star targets readers interested in sports events) as well geographical selectivity ( magazines published in regional languages have strong regional hold).
- **Reproduction Quality:** The quality of magazines is superior to newspaper. The paper used for printing is of high quality. Apart from it, latest procedure for printing provides good reproduction in both colour and black and white advertisement. For successful advertisement it is quite important to have good visual effects in term of photographs, images etc. that is easily achieved in magazine advertising.
- **Creative Flexibility:** Magazines offers creative flexibility in terms of type, size and placement of advertisement material. An advertisement in magazines can be carried in multiple pages increasing the visibility of the advertisement. Gatefolds is a technique of multiple page insertions in which third page folds thus giving advertisement extra large spread. This option has been used by lot of advertisers like Canon in reader digest. The advertisers may also use the option of bleed page in which an advertisement extends up-to the edge of the page in magazine. This means that no white space or margin is left in the page giving an impression of being larger than it really is. Apart from it creates a dramatic effect. Another options like having an unusual size of page, different design, pop ups and three-dimensional advertisement giving a new and attractive look to the advertisement. Split run facility ( in which two or more versions of an advertisement are printed in alternate copies) gives an edge to the advertiser who wants to use the distinctive image of the advertisement in creating the desired response.
- **Longevity:** The life of a newspaper is quite small. In contrast, life of a magazine is much larger than that. Mostly readers take more than a day to read a magazine. Unlike newspaper that most of the time become obsolete the next day, reader retains magazines for a long time. Reading a magazine is a less hurried process, thus the chances of viewing an advertisement and going to it in detail is much higher.

- **Prestige:** Readers create a distinct image of magazines that they read. Many magazines enjoy credibility and hold a good reputation in the minds of consumers. Advertisers get an advantage of the image of magazines and try to cash on the name of magazines. Placing an advertisement in a reputed magazine provide an edge to the company in term of creating an image.

#### **Limitations of Magazines:**

- **High Cost:** The cost of advertisement in magazines is higher than most of the mass media mediums. It is among the most expensive medium of advertisement. Companies prefer to use magazines for targeting a specific set of customers.
- **Limited reach and Frequency:** India is a nation with diversified population. There are different languages spoken in different part of the nation. Apart from English and to an extent Hindi, a language read and understood by most of the literate mass from different regions, all other magazines from languages are confined to a region specific audience. No doubt, a regional magazine has a huge audience base but confined to a small geographical area. Advertiser trying to target a large geographical effectively, they have to buy space in many magazines. Use of magazines along with other media sources helps in creating an effective advertisement campaign. Another problem with magazines is frequency of publication. Mostly, magazines are published on weekly, fortnightly or monthly basis. Thus the frequency of advertisement of magazines is quite less, leading to reduction in quick recalls.
- **Long Lead Time:** The time involved in publishing an advertisement in magazines is a time taking task. Creation of advertisement for magazines requires lot of time. Creation of artwork and preparation of color plates is a time consuming process. Changes and revision in advertisement designed for a magazine is also time taking process.
- **Clutter:** As and when a magazine becomes popular, the number of advertiser looking for a space in that magazine increases. This enhances the number of advertisements in given edition, reducing the attention and interest of readers. To combat it, advertisers use unusual shapes, unique presentation and other creative methods for attracting attention of readers.

“Page size” of an advertisement shows type area of an advertisement rather than size of actual page. Standard size of magazines means an area of about 10\*8 inches and a smaller size is about 6.50\*4.75 inches. Advertisement space in a magazine is sold in different ways. An advertisement of full page, half page or quarter page or smaller fraction like one, two or three column. An advertisement that is displayed on right hand side of the front of magazine is ideal for advertisements placement. The first page of an advertisement is cover page, next page to it is second cover. The last page is referred as back cover page or forth cover and the inside of that page is called third cover. All these cover pages have high attention seeking power thus are sold in premium rates as compared to other normal pages. Another important

aspect of magazine advertisement is usage of color. A multicolor advertisement attracts more attention than a normal advertisement.

Circulation Figures of a magazine gives an idea about number of people purchasing a magazine. Apart from circulation figure, another important aspect is “pass-along readership”. Pass along readership means number of people reading a magazine without buying it. These are two important things for an advertiser for identifying the number of potential readers of a magazine.

Rates of advertisement in magazines depend mainly on circulation figure, size of advertisement, color, advertisement size and positioning of advertisement. Magazines offer volume discount to advertisers on the total space purchased. The rates also vary with number of times an advertisement runs in a magazine.

### 15.3.3 OTHER MEDIA SOURCES:

**A) Internet or Online Advertising:** In recent times, with advent of internet there is big change in advertisement. Internet has become of the major source of advertisement. In year 2010, the total advertisement via internet totaled \$26 billion and stood second to television leaving newspaper, magazines and radio behind. The influence of internet advertisement is increasing slowly making a distinctive place for itself. There are many ways of advertisement via internet. Emails, websites, use of social networking are few important means of advertisement. Ease of usage, convenience is the main reason behind success of internet advertisement. Basic types of internet advertisement are as follows:

1- **Website Advertising:** In this advertisement style, advertisers put an advertisement on fixed location of a website. They may put an advertisement on the top of the page or side of the page. The size of the advertisement also varies to great extent.

2- **Email or Direct mail Advertising:** In this form of advertising, an advertiser sends a mail to the receiver carrying information regarding usage of the product, discounts and offers.

3- **Blogs:** Blog is a continuously updated website or a webpage, run of an individual or a group of people. They are a good source of information provided to the target audience. The best part is, it can be an interactive forum that allows both ways transfer of information.

4- **RSS feeds:** It is a format for delivering the regular changes in website content.

### Advantages of Internet

- Internet is highly interactive medium with a wider reach
- Quick and efficient information flow, globally
- Provide instant feedback mechanism to advertiser.
- Provides an opportunity to target the right set of audience
- Websites with detailed information helps customers in weighing the product effectively.

- Youth rely more on internet for gathering information

### **Disadvantages:**

- The cost of targeting right audience precisely is a costly affair.
- Reach among common masses is still limited.

**Outdoor Media:** Outdoor medium is a supportive medium for lots of advertisers. Any advertising medium that reaches a consumer outdoor or reaches consumers when they are outside of their houses is outdoor advertising. Examples of Outdoor advertising are billboards, hoardings, posters, wall painting etc.

### **Advantages**

- A properly run outdoor advertisement campaign has high reach. The level of exposure achieved by outdoor advertisement is immense.
- Placing an outdoor advertisement is an important aspect. There are lots of options and plenty of flexibility for placing an advertisement. Any place, where law permits, outdoor advertisement is placed. Highways, subways, towers etc are different locations for placing an outdoor advertisement.
- A billboard stands where it is installed until and unless it is removed. It means an outdoor advertisement works continuously for a very long time.
- In terms of cost, outdoor advertisement is quite efficient.

### **Limitations**

- A billboard or hoardings have a less exposure time. A person driving a car will see a billboard for a very less time. This force advertisers to design campaign with as much less words as possible
- A lot of audience encountering the advertisement is not the target audience.
- While watching an outdoor advertisement, many things can distract a person. E.g. high traffic, tree or pole in front of hoarding can distract audience.
- Wear and tear is quite high in outdoor advertising.

In present times, billboards and hoarding in highway roads and busy traffic areas are in high demand. Changes in printing technology, has made it possible to print advertisement of any size and vibrant colors. A number of factors effect visibility of an outdoor advertising and thus preference of advertisers towards that location

- **Duration of Visibility:** For how long an advertisement is visible is a measure of its usefulness. In a curving road or at a traffic signal the duration for which an advertisement is visible to the audience is high.
- **Speed of Traffic:** Areas with slow traffic speed provide greater opportunity to see and read an advertisement.
- **Placement:** The billboards or hoarding near to the road and facing the ongoing traffic have higher chances of being visible.

### **Transit Advertising:**

**Advantages of Transit Advertising:** Mode of advertising where advertisement are placed in public transports or areas of public transport.

- Duration of exposure for transit advertising is long. For example, an advertisement printed in a bus stand is encountered many a times by passenger waiting for the bus. The exposure frequency of transit advertisement is higher.
- It provides geographical selectivity to the advertiser, for choosing from different locations available for advertising.
- Cost of advertising is very less.

**Limitations of Transit advertising:**

- The number of audience encountering an advertisement may not be the target audience. As transit advertisement occupy a place in public area, ratio of target audience to non target audience is quite high.
- The message has to be delivered to target audience in a short crisp manner, restricting, creativity.

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## 15.4 SUMMARY

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Television and Radio are important broadcast media having a wide reach and huge popularity. In a nation like India where literacy rate is still less, they are an effective medium for reaching to a larger audience. The growth of television is faster than any other media source and its enhanced popularity among masses has made it one of the most preferred source of advertisement. television was introduced in Sept 15, 1959 as a pilot project in Delhi. Two telecasts of one hour from Akashwani Vani Studio were, transmitted. Advantages of Television are creativity, coverage, cost effectiveness, whereas the limitations of it are high cost, selectivity, short message, clutter etc.

Radio is a pervasive media. It is present everywhere. In past thirty to forty years, radio has undergone drastic changes. Before the popularization of television, radio was main source of entertainment for people across the country. Its advantages are selectivity, reach, cost effectiveness, mental imagery etc whereas its major limitations are lack of visual graphics and less attention of listeners.

Apart for it, print media is form of advertising using physical printed media like newspapers and magazines for reaching to the consumers. Print media from a very long time plays an important role advertisement. It is the oldest and most common medium used for advertising. Major types of print media are newspapers and magazines. Newspapers are one of the most reliable sources of information, newspapers, is also one of the preferred media sources of advertisement. Newspaper are major form of print media and largest of all media source. Advantages are penetration and flexibility whereas major drawback is less literacy rate, low reproduction quality and shorter life span. Magazines are one of the important sources of advertisement in present day a scenario. Initially in early nineteenth century, magazines targeted a specific group of audience and carried very little advertising. Major advantages of

it are creativity flexibility, high reproduction quality and larger life span than newspapers whereas its disadvantages are high cost, and long time involved in printing an advertisement.

Few other media sources are internet, transit and outdoor advertising.

The advertisers must choose wisely among different media sources for disseminating the messages. None of the media source is effective in every situation. They must identify which media source will work for their benefit in different situation.




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## 15.5 GLOSSARY

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**Blogs-** Blog is a continuously updated website or a webpage, run of an individual or a group of people. They are a good source of information provided to the target audience. The best part is, it can be an interactive forum that allows both ways transfer of information.

**Broadcasting-** Distributing different audio or video messages to fragmented audience using electromagnetic spectrum is broadcasting.

**Classified Advertising-**The form of print, classified advertisement is according to the product or service advertised. For example, matrimonial, Job vacancies etc.

**Display Advertising-** This type of advertisement uses images, illustrations, graphics, attractive headlines and other visual elements to attract consumers.

**Email or Direct mail Advertising-** In this form of advertising, an advertiser sends a mail to the receiver carrying information regarding usage of the product, discounts and offers.

**Household Using Television-** It measures the total number of household watching television out of the total number of household owing television.

**Media-**Media, singular medium, is a communication channel like television, radio, newspaper and magazines through which an advertiser conveys their message to large group of audience.

**Outdoor Media-** Any advertising medium that reaches a consumer outdoor or reaches consumers when they are outside of their houses is outdoor advertising.

**Participants-** A form of advertisement time purchase where the network or the station takes responsibility of producing the program with advertisers just paying for the spot they buy.

**Program Rating-** A measure of number of household out of total tuned to a specific program during a specific time.

**RSS feeds-**It is a format for delivering the regular changes in website content.

**Special Inserts-** Advertisements for tender notice, financial statement of an organization, public notices come under the category of special inserts.

**Sponsorship-** Method of buying advertising time, where the advertiser takes responsibility of production of the program and on deciding its content.

**Spot Television-** Whenever a national advertiser buys a local station, it is spot buy or spot advertising or spot television.

**Television Household-** It means total number of households owning television sets.

**Upfront Buying-** Buying situation where an advertiser tends to buy a space in the television as much as a year in advance.

**Website Advertising-** In this advertisement style, advertisers put an advertisement on fixed location of a website. They may put an advertisement on the top of the page or side of the page. The size of the advertisement also varies to great extent.




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## 15.8 TERMINAL QUESTIONS

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- Q1. Differentiate between print and electronic media?
- Q2. Critically analyze the usage of Radio as an advertisement media?
- Q3. Critically analyze usage of newspapers and magazines for advertising?
- Q4. Do you feel that social media and internet more effective in targeting urban youth? Comment
- Q5. Discuss Different ways of buying time for television and space in magazines for advertising.

**Block IV**  
**Sales Promotion**

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## **UNIT 16 SALES PROMOTION**

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### **16.1 Introduction**

### **16.2 Objectives**

### **16.3 Definition**

### **16.4 Importance or Significance of Sales Promotion**

### **16.5 Reasons for Rapid Growth of Sales Promotion**

### **16.6 Sales Promotion Objectives**

### **16.7 Advantages and Disadvantages of Sales Promotions**

### **16.8 Effectiveness or Usefulness of Sales Promotion**

### **16.9 Types of Sales Promotion**

### **16.10 Summary**

### **16.11 Glossary**

### **16.12 Reference/ Bibliography**

### **16.13 Suggested Readings**

### **16.14 Terminal Questions**

### **16.15 Case study**

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## **16.1 INTRODUCTION**

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The process of persuading a potential customer to buy the product can be defined as Sales promotion. Sales promotion is designed to be used as a short-term tactic to boost sales and very rarely suitable as a method of building long-term customer loyalty. Sales promotion is generally defined as those marketing activities that provide extra values or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales. The only method that makes use of incentives to complete the `push-pull promotional strategy is Sales promotion which in turn results into motivating the sales force, the dealer and the consumer in transacting a sale.

Promotional mix mainly stresses on communicating the value to the customer and Sales promotion is one of the five aspects. (the other elements of the promotional mix are advertising, personal selling, direct marketing and publicity/public relations.) Media and non-media marketing communications are employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability.

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## 16.2 OBJECTIVES

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This unit gives you the understanding of the following after completion

- Understand the concept of sales promotion
- Meaning of sales promotion
- Significance of sales promotion
- Reasons for growth of sales promotion
- Objectives of sales promotion
- Different methods of sales promotion

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## 16.3 DEFINITION

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There is no single universally accepted definition for sales promotion. One can, however, gather its essence by perusing a few definitions. Let us look at some of the popular definitions of sales promotion.

“It refers to those activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as display shows and exhibitions, demonstrations, and various other non-recurrent selling efforts not in ordinary routine.”

--- American Marketing Association (AMA)

This definition gives the idea that sales promotion is a catch-all for all those promotion activities which do not fall clearly into advertising, personal selling or publicity.

“Sales promotions are short term incentives to encourage purchase or sale of a product or service.”

----- Roger A. Strang

“Sales promotion can be defined as all the marketing and promotional activities, other than advertising, personal selling, and publicity, that motivate and encourage the consumer to purchase by means of such inducements as premiums, advertising specialities, samples, cents-off coupons, sweepstakes, contests, games, trading stamps, refunds, rebates, exhibits, displays, and demonstrations. It is employed as well, to motivate retailers', wholesaler; the manufacturer's sales force to sell through the use of such incentives as awards or prizes (merchandise, cash and travel), direct payments and allowances, cooperative advertising, and trade shows.”

\_\_\_ Stanley M. Ulanoff in his Handbook of Sales Promotion

Thus it can be understood that sales promotion offers a direct inducement to react by providing extra worth over and above what is built into the product as its normal price. These

temporary inducements are offered usually at a time and place when the buying decision is made. Summing up, Sales promotion deals with encouragement of sales by the offer of incentives which are essentially non-recurring in nature. It is also known by the names of Extra-Purchase-Value (EPV) and Below-the-line selling.

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## **16.4 IMPORTANCE OR SIGNIFICANCE OF SALES PROMOTION**

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In marketing, the importance of sales promotion is gradually increasing. Marketing specialists have mentioned that use of sales promotion has dramatically increased in the past decade. The producers have spent more amounts on sales promotion than on advertisement. Sales promotion is equally important to producers, middlemen in selling their products and to consumers in getting the best deals in prices and offers on the product.

The major users of sales promotion are tea, coffee and beverages, soaps, toiletries, detergents and washing soaps, toothpaste, textiles, food products and baby foods, household remedies, and consumer durables like fans, refrigerators, sound systems television and household appliances when we consider Product group-wise.

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## **16.5 REASONS FOR RAPID GROWTH OF SALES PROMOTION**

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Just like in other market economies, the use of sales promotion is catching on in India. In terms of volume, the number of sales promotion schemes offered to the consumers alone has grown by over seven times in the first three years of the eighties as against the average in the seventies. The schemes offered at the dealer level by the firm also nearly doubled during the period 1978-79 and 1982-83. The large size companies are stated to be spending between 40 and 50 per cent of their promotion budget on advertising and sales promotion budget activity when looked from the expenditure incurred.

An inspection of the list of the product groups which emerged as the major users of sales promotion, and from the market feel, that a transformation from the seller's to the buyers' market is taking place and marketing has become more competitive in these product markets. In addition to increasing competition, the other reasons for rapid growth of sales promotion in India, as pointed out by ninety five large sized cooperating companies in survey are summarized below:

- Sales have an immediate effect because of Sales promotion
- When compared to other promotional methods, Measurement of the effectiveness of sales promotion is much easier.

- Channels of distribution are emerging as powerful entities and are demanding greater use of incentives to get desired results
- Products are becoming standardized and similar, resulting into need of increased support of non-price factors of which sales promotion is an important one
- As Impulse buying is on the increase so is the rise in the number of marginal, customers. Offer of attractive schemes help manufacturers to induce such customers to choose their product, with virtually no brand loyalty,

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## 16.6 SALES PROMOTION OBJECTIVES

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Sales promotion helps marketers to realize a variety of objectives, As it is a powerful method with a capability to complement and supplement the advertising function of marketing, These objectives could relate to the promotion of sales in general, or to a specific activity at a particular level i.e. consumer, dealer or sales force. Some of the commonly attempted objectives are to

- Increased sales (in general, and focusing on new uses, increased usage, upgrading unit of purchase, winning sales of fading brands etc.).
- Make the sale of slow-moving products faster
- stabilize a unpredictable sales pattern
- recognize and attract new customers
- Launch a new product quickly
- Educate customers regarding product improvements
- Reduce the perception of risk associated with the purchase of a product
- Motivate dealers to stock and sell more products (including complete product line)
- Attract dealers to participate in manufacturer's dealer display and sales contests
- Obtain more and better shelf space and displays
- fetch more customers to dealer stores
- Make goods move faster through dealers
- Improve manufacturer & dealer relationship
- Motivate sales force to take the achievement higher than targets

Organizations may use anyone or a combination of the above stated objectives in varying form to go with the product-market needs of their product. The integration of the sales promotion objectives set to be accomplished with that of promotion and marketing objectives pursued by the company is most important.

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## 16.7 ADVANTAGES AND DISADVANTAGES OF SALES PROMOTIONS

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Sales promotions are crucial for companies to increase sales and project their brand names. Sales promotion has its own advantages and disadvantages. When used moderately with careful planning, sales promotion increases sales, even after the promotion period is completed. When sales promotion is overdosed, the emotion or the need that surrounds them disappears.

### 16.7.1 ADVANTAGES OF SALES PROMOTION

- Create Urgency

Attention to a particular product or service being offered can be drawn through Sales promotions. They distinguish a company from the rest of other in the competition in terms of prices. When sales promotions are offered for a limited time, they create urgency among customers because they have to act before the promotion expires. As a result, the limited supply reduces the time before which the customers have to react. In most cases, they will cease to compare alternatives and purchase the item or service that is offered at the best price and quality.

- Maintain Trade Flows

Sales promotions keep the trade flow between distributors and retailers. This means products that have a certain lifespan, as well as things that do not. For business it means that items are regularly replenished with items that have been manufactured recently. It also supports distributors to buy more items and make sure that they always have an adequate supply of sales. Very frequently, suppliers or distributors purchase items according to need and how often a commodity is sold. Therefore, dealers or suppliers are less likely to buy the item regularly if sales of that item are particularly slow, so it is more likely to run out of reserves.

- Attention Value

A great number of buyers gets attracted to the promotional programme because incentives are offered to the customers purchasing products.

- Useful in New Product Launch

While launching new products, the tools of sales promotion like discount, free gift offer, coupons etc. are very useful because they convince the customers to use new products in place of the products which they may have been using regularly.

- Synergy in Total Promotional efforts

Sales promotion tools add to the overall effectiveness of the total promotional mix(advertising, sales promotion, personal selling, direct marketing, public relations) efforts.

- Creates a platform to cross-sell and upsell

If a promotion is based around giving money off a next order or something in a similar way, then it can hold valuable opportunity to get sales around another product.

- Creates a focused marketing approach

A sales promotion often turns into an event for the firm and then allows a company to focus all its channels of marketing. A focused approach can force a brand to change the way they market themselves thus creating brand identity through those changes.

- Generates greater revenue

More sales from the promotional campaign will create higher revenue. However, brands need to always calculate their costs of promotion and make sure they are aware of how many people may redeem the promotion and ensure that it is a profitable endeavor

- Source of information

When customers attempt to redeem, marketers can often retrieve data such as email addresses and their home address. This creates the opportunity to target a customer through direct mail or e-mail campaigns by creating personalized marketing campaigns. Sales promotions are indeed beneficial for driving revenue, creating brand identity and allowing brands to acquire new customers

## 16.7.2 DISADVANTAGES OF SALES PROMOTION

- Miscommunications

Sales promotion is a calculated risk, and needs to be carefully planned and managed to be truly effective. Sales promotions should be advertised to let the customers know of the special offer. If there is a discrepancy between what is advertised and the real deal, it will be viewed negatively by the public. Retailers and distributors must ensure that any sales promotion that is published should be honest, or the sales promotion itself will act against the company, possibly ruining its reputation.

- Price sensitivity

Sales promotions can be disadvantageous when they are offered quite frequently. The key to success with an effective sales promotion is its irregular supply, and when it is a surprise for the customer. If it is done too often, it creates price sensitivity among customers. Price sensitivity encourages the customers to buy things only when promoted into a sale rather than buy at the regular retail price.

For example, we can consider 'The Diwali Bonanza Offers' on electronic goods.

- Reflects crisis

If a firm uses sales promotion tools frequently, it may give the impression to the customers that the sales of the product are very less or a firm is unable to manage its sales.

- Spoils Product Image

The product image can also be affected because of continuous use of sale promotion tools. The customer may develop an impression that “products sold through sales promotion are overpriced & of poor quality etc.

- Merchandising support from dealers is doubtful

In many cases, the dealers do not cooperate in providing the merchandising support nor do they pass on any benefit to consumers. The retailer might not be willing to give support because he does not have the place, or the product does not sell much in his shop, or maybe he thinks the effort required is more than the commission/benefit derived.

- Temporary and Short-lived

Sales promotions are only supplementary devices to supplement selling efforts of other promotion tools. Sales promotion activities are having temporary and short life. The benefits are also short-lived for three or four months. Then the demand will fall down. They are non-recurring in their use.



### *Check Your Progress-A*

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#### **Q1. What do you mean by Sales Promotion?**

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#### **Q2. What are the objectives of sales promotion?**

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#### **Q3. What are the reasons for rapid growth of Sales Promotion?**

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**Q4. What are disadvantages of Sales Promotion?**

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**16.8 EFFECTIVENESS OR USEFULNESS OF SALES PROMOTION**

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Sales promotion is effective when;

- A new brand is introduced.
- Communicating a major improvement or attraction in the product.
- Increasing the number of retail stores in order to sell out products.
- Engaging upon aggressive sales campaign.
- Promoting seasonal products.

Sales Promotion is ineffective in the following situations;

- When there is a declining market for an established brand.
- When there is no product improvement.

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**16.9 TYPES OF SALES PROMOTION**

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Many methods of sales promotion are used by marketers. Depending upon the creativity level of their sponsors, their variety seems very large.

Promotional tools are nothing but tactics or activities you plan and execute to persuade consumers to buy your products or services. Any consumer, likely partake of these activities without realizing it; But as a businessperson on the selling side, finding effective tools is challenging. Business men can try a combination and make note of what works. If what you're selling is fairly generic, your promotional tools will typically be price-oriented, such as discounts. If you are a specialized seller, find tools other than price to persuade consumers to buy.

The accomplishments of the desired promotion and marketing objectives ultimately depend on the extent of the desired response received from consumers, dealers and members of the sales force. Hence various sales promotion methods are built around these three target groups. Further, in terms of the impact desired, the variety of sales promotion schemes

offered are grouped into two categories: One, aimed at producing immediate impact, and the other delayed impact i.e. carrying on the impact over a period of time. Immediate impact schemes are those schemes where the consumer, dealer or salesperson gets the incentive on first contact, purchase or on performing a one-time act. On the other hand, under the delayed impact schemes, the consumer, dealer or sales force is called upon to comply with the scheme over a period of time before receiving the full benefit of the scheme. Free samples or large quantity packs, Price discounts are the popular examples of immediate impact schemes, whereas coupons, trading stamps, and contests are examples of delayed impact category of sales promotion schemes.

Sales promotions are also used for promoting industrial-goods though ideal for consumer goods. The difference in both lies in the types of schemes offered, and in the frequency of their offer. Sales promotion schemes offered to industrial customers include product demonstration, training to customer staff, offer of interest-free installment payment plan, ready and regular availability of repairs and spares, and posting of trained staff to assist/supervise in the working of the equipment in the client's premises, besides the usual gifts, price-off coupons and contests, at the manufacturer's cost. The sales promotion schemes offered at the level of industrial distributors are provision of extended credit, and provision of specialized sales or technical staff at the manufacturer's cost, besides the usual cooperative advertising and sales promotion, gifts, and organization of distributors' contests. The sales promotion schemes popularly used to motivate industrial salesforce are prizes and awards on special achievements, sales contests, new accounts contests and prompt service awards. In spite of the growth in the Sales promotion activity, one of the survey of the company practices revealed that the managerial efforts put in to manage this function were unsatisfactory. Use of temporary approaches, neglect of sales promotion research, and lack of formal systems and procedures were found to be more prevalent in the case of 95 companies surveyed. Consequently, larger number of companies experienced less than expected success of their schemes. When asked specifically about forty per cent of the companies surveyed, admitted that one or more of their sales promotion schemes misfired during the last three years due to causes which could be categorized as:

- Faulty administration
- Failure to match the scheme to the objective
- Lack of proper planning
- Poor dealer relations
- Lack of creativity.

Sales Promotion is majorly broken down into two categories—Consumer oriented and Trade oriented sales promotion tools.

### **16.9.1 CONSUMER SALES PROMOTION TOOLS**

- Samples

One of the most important tools of sales promotion is samples. Samples are defined as offers to consumers of a small amount of a product for trial. Free samples are given to consumers to

generate their attention in the product. Samples help consumers verify the quality of the product. Samples are delivered at the doors of consumers. They are also sent by mail or given to customers in the retail store itself. Sometimes, samples are attached to another product.

Though sampling is effective, producing numerous samples of a product is quite costly. Moreover, distributing samples to customers also involves expenditure.

Sampling is not justified in case of

- A well established product
- A product that is not superior in some way to competing products(if unable to distinguish)
- A product with a slow turnover

Advantages of Samples

Exposure

The unfamiliarity of new products may make consumers weary of reliability, impact on lifestyle or effectiveness. By providing product samples, you eliminate the fear factor and allow them to test the product risk-free. Sample sizes are often small enough that if the consumer likes the product, he is inclined to purchase the full-sized version of the product and to share the product with friends and family members. Establishing consumer confidence is the first step toward developing brand loyalty.

Consumer Feedback

Organizations are also welcoming consumer feedback regarding the product by providing product samples. When consumers test a new product, they often make mental notes about what they love or hate about the new product, and quite often, they compare the product with a competitor's product. This serves as an opportunity to learn more about your target market and how you can improve the product so it exceeds consumer expectations and gives you a competitive edge.

Cost Effective

Incorporating product samples into the marketing plan is cost-effective because it saves money if mistakes are corrected during the promotional phase rather than when the product has launched and is available on store shelves (Avoids failure at customer site). Additionally, since the size of product samples are often smaller in scale, you have the ability to infuse a larger demographic for a fraction of the cost.

Considerations under Sample distribution

Although product sample distribution may be more cost-effective than a business plan without product sample distribution, a profitable business still requires a budget and a plan to be in place. Entrepreneurs must take into consideration the cost of developing and distributing the samples and also work on quality control and research and development into the budget. Also, samples should not be handed out carelessly with any focus. A target market should be defined so that you get good results.

## Disadvantages of Samples

### Target Market

Before distributing free samples target market should be defined and it will be effective only if samples are distributed to target market. If samples are distributed to each and everyone it would be costly and we can't expect good results.

### Lack of Control

The money spent on the samples would go in vain if the distribution of samples should not be exercised with utmost care and focus.

### Result in a Sale

After using the samples people should be ready to buy the product otherwise it is waste of time and money.

## Coupons

The coupons are certificates that fetch the buyers a saving when they purchase a specified product. Coupons are generally issued along with the product. They entitle the holder to either a specified saving on a product or a cash refund. Coupons are used for consumer convenience goods. They may be distributed by mail or they may be inserted in packages and sometimes put in newspapers and delivered at home.

### Coupons are designed

- For new product introduction
- To encourage the sale of an established product
- To sell the product in large sizes
- To motivate customers to switch brands; and
- To promote repeat sales.

### Advantages of Coupons

Coupons have their advantages as well as their problems like other sales promotional tools. On the plus side, they have the advantage of passing along savings directly to consumers, as opposed to trade allowances given to retailers by producers. Consumers perceive coupons as a short-term particular offer rather than a price reduction, so the withdrawal of coupons usually does not have an unfavorable effect on sales. In addition, coupons often create added traffic for retailers, who have the option of increasing the value of manufacturers-coupons at their own expense to create even more store traffic. Moreover, retailers often receive extra compensation from manufacturers for handling the coupons.

### Disadvantages of Coupons

However critics of coupon-oriented sales promotions, argue that coupon confusion has lessened their effectiveness. The question is whether coupons really generate incremental business from new users, pointing out that the increased quantity of distributed coupons has

been identified by falling redemption rates. In addition, excessive coupon distribution also increases the likelihood of fraud. Coupons that are issued for established brands, will be redeemed primarily by loyal users who would have purchased the product without a coupon.

### Demonstration

When the products are complex and of a technical nature demonstrations are required. In this customers are educated as to how to make proper use of the product. Demonstration induces the customers to buy the product. Demonstrations are provided free of cost.

### Contests

The promotion events that give consumers the chance to win cash, trips for different places or goods are called contests. They are conducted to attract new customers. They introduce new products by asking the prospects to state the reasons for the purchase of the product. The buyer purchases the product and submits the evidence of purchase with entry form for contest. Entry forms should be duly filled by the buyers. A panel of judges selects the best and buyers are given prizes.

### Cash refund offer

These are rebates that are given from the price of the product. It is an offer to refund part of the purchase price of a product to consumers who send a proof of purchase to the manufacturer. Moreover, if the purchaser is not satisfied with the product, the full price or part of it will be refunded. Cash refund offer is confirmed on the package.

### Premium

Premium refers to goods offered either free or at low cost as an incentive to buy a product. A premium is included inside the package or outside of it or received through mail. The reusable package itself serves as a premium. Premium is generally offered for consumer goods such as toothpastes, soaps, etc. Premium may be of several kinds — mail premium, direct premium, free reusable container, self-liquidating premium, trading stamps, etc.

Direct premium can be inside the pack or outside it. A reusable container can be again used after the product is used. Free in mail premium means a premium item will be sent by mail to consumers who present proof of purchase to the manufacturer. A self liquidating premium is the additional quantity offered at the normal price. Trading stamps are given by the seller to consumers. These are exchangeable at the stamp redemption centres.

### Membership Cards

Membership cards have of late become a very vital form of sales promotion. They encourage the customers to return to the retailer by giving them discounts based on the spending from a previous visit. Loyalty cards can balance the discounts they offer by making more sales and persuading the customers to come back. Information about the shopping habits of customers like where do they shop, when and what do they buy?

Example Retailers like Lifestyle, Shoppers stop give loyalty cards where customers earn points for buying that can later be redeemed for buying goods or other offers.

This is a very priceless marketing research and can be used in the planning process for new and existing products.

#### ‘Price off’ offer

Goods are sold at reduced prices during slump season. The sale of goods is stimulated by the reduction in prices.

#### Buy back allowances

Allowances granted to buyers on the basis of their previous purchases are buy back allowances and they are also given for new purchases, based on the quantity of goods bought previously.

#### Exchange scheme

In this scheme, the customer exchanges the old product for a new one where the old product's exchange value is deducted from the price of the new product. This sales promotion tool is used by several companies for consumer durables.

Example Panasonic company often advertises to exchange its old rice cooker with new rice cooker.

#### Discounts

The cutback in price on a particular item during a particular period is called discount. It is a regular practice during festival season or during off-season period. It is very much motivating for short-term sales particularly when the discount provided is a real one.

For example, the Prestige pressure cooker manufacturer announced an attractive price reduction, of Rs.150 off, on a new Prestige cooker in exchange for any old pressure cooker and it was also specified that the offer was open only up to a particular date.

#### Personality promotions

This type of promotion is used to attract the larger number of customers to a store and to promote sale of a particular item.

For example, TigerWoods a famous sports personality promoting Nike shoes.

#### Installment sales

Here consumers at first pay smaller amount of the price and the balance amount will be paid in monthly installments over a period of time. Many consumer durables such as refrigerators and cars are sold on installment basis.

For example, Bajaj Electronics is a electrical appliances dealer and it provides loans to customers to buy products in monthly installments.

#### Prizes (contests, sweepstakes, games)

Prizes offer consumers a chance to win cash, trips, or merchandise in return for purchasing something. A contest calls for consumers to submit an entry to be examined by judges who will select the best entries. A sweepstakes asks consumers to submit their names for a

drawing. A game presents consumers with something every time they buy—bingo numbers, missing letters—that might help them win a prize.

#### Product Warranties

Warranties are explicit or implicit promises made by sellers that the product will function as specified otherwise the seller will rectify the problem for the buyer or refund the customer's money during a specified period.

#### Tie-in Promotions

Two or more brands or companies team up on coupons, refunds, and contests to increase pulling power. For example when Nycil prickly heat powder is bought Glucon-D is given free.

#### Cross-Promotions

It can be understood as using one brand to advertise another non competing brand. For example when you buy Happy Meal in McDonalds, toys of Disney characters will be given free.

### **16.9.2 TRADE SALES PROMOTIONAL TOOLS**

Trade-oriented sales promotion programmes are intended for the dealer network of the company to motivate them to sell more of the company's brand than other company brands. It is also known as push strategy, which is directed at the dealer network so that they push the brand to the consumers by giving priority over other competitor brands. Some of the important trade-oriented promotion tools are as follows

#### •Cash bonuses

They can be in the form of one extra case for every five cases ordered, cash discounts or straight cash payments to encourage volume sales, product display, or in support of a price reduction to customers.

#### •Stock return

Some firms take back partially or completely the unsold stocks lying with the retailers, and distribute it to other dealers, where there is a demand for such stocks.

#### •Credit terms

Special credit terms such as part payments after certain amount of sales may be provided to boost bulk orders from retailers or dealers.

#### •Dealer conferences

In dealer conferences the dealers may be given information about the company's performance, future plans, and so on. The dealers can also provide precious suggestions to the company at such conferences.

- Dealer trophies

Most of the times companies may give away a special trophy to the highest-performing dealer in a particular period of time. Along with the trophy, the dealer may get a special gift such as a trip sponsored by the company within or outside the country.

- Push incentives

The incentives given to the dealer in the form of cash or in kind to push and promote the sale of a product particularly a newly launched one.

- Trade Shows and Conventions

Annual trade shows and conventions are organized by Industry associations. For this purpose Business marketers may spend as much as 35 percent of their annual promotion budget on trade shows.

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## 16.10 SUMMARY

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Companies use sales promotional tools to draw a stronger and quicker buyer response. Sales promotion can be used for short-run effects to highlight product offers and to boost sagging sales. In general sales promotion strategies cannot be used as an approach to increase long-term sales of the company.



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## 16.11 GLOSSARY

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**Sales Promotion-** sales promotion offers a direct inducement to react by providing extra worth over and above what is built into the product as its normal price. These temporary inducements are offered usually at a time and place when the buying decision is made.

**Samples-**Samples are defined as offers to consumers of a small amount of a product for trial.

**Premium-** Premium refers to goods offered either free or at low cost as an incentive to buy a product. A premium is included inside the package or outside of it or received through mail.

**Discounts-**The cutback in price on a particular item during a particular period is called discount.



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## 16.14 TERMINAL QUESTIONS

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- Q1. Explain sales promotion.
- Q2. Why sales promotion is the best promotional method for a new product. Explain by taking an example of your choice.
- Q3. List out the advantages of sales promotion
- Q4. Briefly discuss the sales promotional tools intended for consumers.
- Q5. Explain sales promotional tools which are intended for traders.

Q6. Explain why sales promotion is the best promotional method in the whole promotional mix? Support your answer with necessary examples.

Q7. Explain the reasons for growth of sales promotion in the present days.

Q8. What are the objectives of sales promotion?

Q9. Define sales promotion and discuss the disadvantages of sales promotion.

Q10. Do you think sales promotion is the fastest tool to achieve sales in the short-term. Support your answer with examples.



## 16.15 CASE STUDY

### 16.15.1 STARBUCKS

Starbucks changed the scene of coffee forever when it burst onto the scenes in 1971 by introducing customers to an impressive menu of gourmet coffee in a living room style setting. The success is clear with employment of 182,000 people, having stores in 21,536 locations and with revenue of \$14.89 billion.

Sales promotion: The loyalty program

You may be aware of the fact that it costs 7x more to acquire a new customer than it does to keep the existing ones.

A loyalty program is a great way to show your customers that you are truly grateful for their business. Typically, a loyalty program works by offering your customers a freebie, once they have spent a certain amount of money in your online store.

A loyalty program will provide an incentive for customers to keep shopping at your store obviously.

Starbucks has always gone against the grain, and their loyalty program is no exception. It's highly regarded as one of the best loyalty programs of all time, so let's take a look at what we can learn out of it.

#### How does it work?

Every time a person makes a purchase, they collect a star (point) on their loyalty card. Once they've collected a set amount of stars, they are then entitled to a number of coffee related rewards.

Customers can collect stars using a physical card, or via the app, and stars can be added from their coffee shops, or from products sold in local retailers. The loyalty program also comes in two tiers, depending on how often you shop at Starbucks.

### The Results

Starbucks saw a revenue increase of 11% which took profits to \$3.6 billion, in the first quarter of the loyalty program launch.

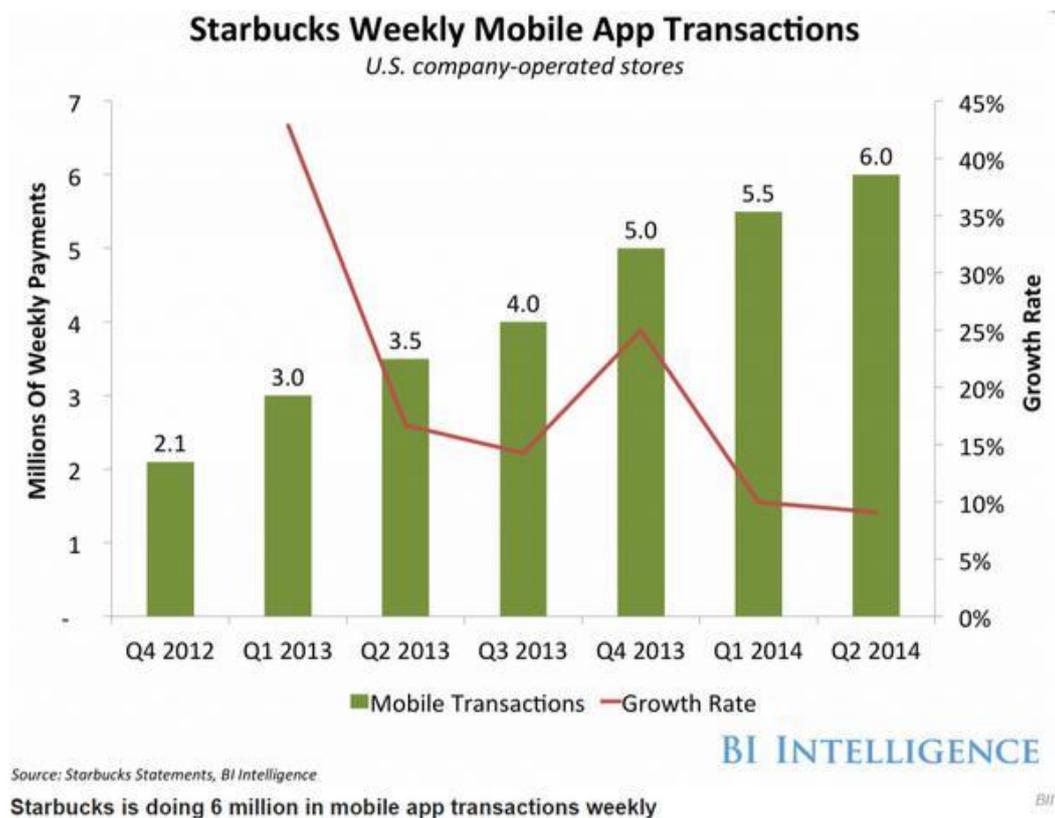
### What we are taught

**What are three aspects of the Starbucks loyalty program that we can learn from?**

### Make it accessible

Typically a coffee shop loyalty ‘card’ is exactly that – a piece of cardboard that is likely to get lost in your wallet and most definitely wouldn’t survive a rain-shower. Sure you can opt for a card, but you can also sign up to their app to pay for purchases and collect stars using your mobile device. In a multi-device world, this is certainly something worth noting.

According to this report from BI Intelligence, the Starbucks app accounts for 15% of the US franchise sales and receives over 6 million transactions a week!



### Make it exclusive

Exclusivity is the secret sauce to a successful loyalty points program. People want to feel like they are getting something extra, and they want to know that they matter to you.

“Pretend that every single person you meet has a sign around his or her neck that says, make me feel important. Not only will you succeed in sales, you will succeed in life.”

- Mary Kay Ash.

Starbucks offer customers an exciting chance for customers to collect more stars and achieve ‘gold level’ status. That person will then receive a gold card and can enjoy further perks including free drinks, syrups, custom offers via email, and more.

### **Make it available across other stores**

As Starbucks sell a number of their products in various retail stores, their customers are not limited to just collecting stars within the coffee shops. This goes to show that Starbucks understands the importance of multichannel marketing, in that every channel should be aligned with the same message, and it helps to motivate more purchases across their entire brand.

## **16.15.2 KELLOGG’S/STAR WARS**

### **Company Profile**

Kellogg’s which was founded in 1906, have 30,200 employees and have an impressive revenue of \$14.792 billion, is an American food manufacturer that produces a variety of cereals and convenience foods worldwide.

### **Sales Promotion: The Giveaway**

To bring more exposure to your brand which is similar to a contest a giveaway is a great way – and it’s the perfect way to let people try out your product before they buy more! Although Kellogg’s took the initiative of capitalizing in on the highly popular Star Wars franchise they didn’t ‘give away’ their own product . In the run up to the movie, Revenge of the Sith Kellogg’s decided to give away branded products in their cereal’s....

### **What did they do?**

30 million promotional packs of cereal with free Lightsabers inside, and the chance to win a Lightsaber that was signed by the actor Christopher Lee were released by Kellogs. Kellogs linked their own characters with the Star Wars characters and promoted it across all of their channels, including TV advertisements.

Does the promotion which costed \$385,000, worth the money spent?

### **The Results**

An extra 859,000 households purchased the Star Wars branded cereal during the promotion and the demand in cereal rose from 40% to 53%. Definitely we'd like to say that's a pretty successful sales promotion.

**What can we learn?**

Take advantage of upcoming events:

A highly anticipated event such as the release of the final Star Wars film, can help you attract more eye-balls on your brand which is almost similar to running competitions during the holidays. Think about what your audience like and come up with a fun theme to coincide with it.

**Brand up your freebies:**

If you are thinking of offering anything then make sure you stamp your brand onto something that's not directly related to your product so that people will be reminded of who you are, when they see it.

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# UNIT 17 TYPES AND TECHNIQUES OF SALES PROMOTION

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## 17.1 Introduction

## 17.2 Objectives

## 17.3 Meaning of Sales Promotion

## 17.4 Objectives of Sales Promotion

## 17.5 Relevance of Sales Promotion

## 17.6 Types of Sales Promotion

## 17.7 Designing a Sales Promotion Campaign

## 17.8 Summary

## 17.9 Glossary

## 17.10 Answer to Check Your Progress

## 17.11 Reference/ Bibliography

## 17.12 Suggested Readings

## 17.13 Terminal & Model Questions

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## 17.1 INTRODUCTION

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Sales Promotion is one of the five tools of Marketing Communication, the other four being Advertising, Publicity, Personal Selling and Public Relations. The five tools together constitute the Marketing Communication Mix which may also be referred to as Marketing Promotional Mix. The Marketing Communication tools are used by a marketer to communicate with the current and prospective customers and to influence their buying behaviour and decision making process in favour of the company or its offerings. Sales Promotion provides an incentive to the customer to buy the company's offerings.

In this unit, you will study about the meaning and relevance of sales promotion, the different types of sales promotion and the steps in designing an effective sales promotion campaign.

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## 17.2 OBJECTIVES

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After reading this unit you will be able to:

- Understand the meaning of Sales Promotion

- Appreciate the use and purpose of sales promotion.
- Differentiate between different type of sales promotion tools.
- Explain how and in which situations to use different sales promotion tools and activities
- Design a sales promotion campaign.

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### **17.3 MEANING OF SALES PROMOTION**

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Sales promotion consists of an assortment of tools that are designed to allure the customers and stimulate them to buy more of the company's products within a given period of time. As sales promotion activities incentivise the customers for buying the company's products, they often bring about a short term increase in sales of the company's products.

Some commonly used sales promotion tools are free gifts, discount vouchers, price discounts, 'buy on get one free' offers and 'extra quantity' offers.

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### **17.4 OBJECTIVES OF SALES PROMOTION**

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Companies may have different objectives behind initiating their sales promotion campaign. Some of the important reasons and objectives behind designing a sales promotion campaign may be:

- To encourage a greater number of consumers to try a newly launched product
- To draw competitors' customers to the company's products.
- To attract the attention of the consumers towards the product and create awareness.
- To bring about a short term increase in the sales.
- To attract more number of buyers during some specific and special occasions.
- To revive the falling demand of a product or to sustain the demand during lean periods.
- To penetrate into a particular market.

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### **17.5 RELEVANCE OF SALES PROMOTION**

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The market today is flooded with innumerable products and brand. The offerings from many of the companies are very similar in nature, function and value proposition. Such types of similar products from different companies can be called as 'me-too' products. Under such situation it is a challenge for a marketer to convince the consumer to buy his product. In certain situations it may also become difficult for the marketer to convince the consumer to at least give a try to the brand or product being offered by the marketer. To tide over such

difficulty a marketer realises the need of some meaningful and effective incentive which may stir up the consumer to buy the company's offerings.

Moreover, if the product is not well differentiated from the competitors' products, the incentives in the form of sales promotion may become reasons for the consumers, particularly the switchers (those who frequently switch brands), to buy more of the company's products, even if for a small period of time.



### *Check Your Progress-A*

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**Q1. What do you understand by sales promotion?**

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**Q2. Explain the objective of sales promotion activities.**

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**Q3. Explain the relevance of sales promotion in the current context.**

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**Q4. Choose the correct alternative.**

i. Which of the following is not a sales promotion tool?

- a) Advertising
- b) Free Gifts
- c) Gift Coupons
- d) Price Discounts

ii. Which of the following is true?

- a) Sales promotion activities are conducted for a long period of time

- b) Personal Selling is a type of sales promotion
- c) Sales promotion gives an incentive to the consumer to buy

**Q5. Fill in the Blanks with appropriate word or words.**

- i. Advertising, Publicity, Personal Selling, Sales Promotion and Public Relations together constitute the \_\_\_\_\_ Communication Mix.
- ii. Sales Promotion gives the consumer an \_\_\_\_\_ to buy.

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## **17.6 TYPES OF SALES PROMOTION**

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Sales promotion activities and tools may be directed at three different types of audiences: the consumers, the trade and the sales force. Depending on the audience towards whom the sales promotion is targeted the sales promotion may be referred to as Consumer Promotion, Trade Promotion and Sales Force Promotion respectively.

Consumer promotion tools directly motivate and encourage the consumers to buy more by offering them some immediate benefits and allurements. These benefits may be reduced price, extra quantity, free gifts or some other reward.

Trade promotion tools are directed towards the marketing middlemen like the distributors, wholesalers and retailers. These are designed to motivate these middlemen to sell more of the company's products. They are encouraged to stock more and to push more of the company's products in the market in return of which the company provides them some monetary or non-monetary benefits.

Sales force promotion activities are designed to motivate the sales team including sales executives and managers to increase the sale of the products in their sales territories. Those sales professionals who either meet or exceed their sales targets are rewarded and honoured within the company. Sales contests are held periodically to identify the best performers. Different tools which may be used for this purpose are monetary incentives, gifts, awards, company sponsored trips, etc.

### **17.6.1 CONSUMER PROMOTION**

As mentioned above, consumer promotion is directed towards the ultimate consumer and user of the product. It provides an incentive to the consumer to buy the product. A marketer has different consumer promotion techniques at his disposal to motivate the consumer to buy. Consumer promotion techniques when properly coordinated with the advertising message and advertising strategy for the brand enhances the effectiveness of marketing communication. Some commonly used consumer promotion techniques are:

- a) **Price Deals:** Price deals provide some immediate price benefits to the consumers on the product being purchased by him. These deals may be of different types.
- b) **Discounts/Price-Offs:** the product is offered to the consumer at some discount. The discounts last for a limited period of time. These types of price discounts can be commonly seen on FMCG brands. Even durable goods offer substantial discounts during festive seasons to boost their sales. One may find these types of discounts on products like automobiles, refrigerators, music systems and other electronic goods during the festival of Diwali.
- c) **Bonus Packs:** Quite often packs of breakfast cereals offer extra quantity within their regular packs at the same price. These types of offers can also be commonly found on products like detergents powder, detergent soaps and packaged foods like biscuits, noodles and ketchup.
- d) **Price Packs Deals:** A price pack deal provides the consumer an opportunity to win a prize or a surprise gift within the pack. For instance, Hindustan Unilever used to promise a gold coin within its brand of toilet soap 'LUX' to some lucky consumers.
- e) **Banded Packs:** In this technique, consumers are offered the product at a reduced price if they buy several units of the product together. The marketer may club together a specified number of units and offer it as a bundled pack. 'Cinthol', from Godrej was offering a pack of four bathing soaps, bundled together into one pack, at the price of three. Similarly Pantaloon often offers the consumers the opportunity to get one trouser 'free' if they buy two trousers.
- f) **Bundled Packs:** This technique is similar to that of the 'Banded Packs' with the exception that in this technique a different product may be bundled with the product being promoted. A small pack of antiseptic cream offered with a pack of hair oil or a toilet soap offered with a pack of talcum powder can be examples of this technique.
- g) **Coupons:** Coupons promising some benefit or reward (usually a discount on the price of the products) to the consumer may be handed over to the consumer directly by the marketer during some door to door campaign or during his visit to the mall. At times promotional coupons are also inserted in the news papers or are made a part of the ad copy published in the newspapers or magazines. Sometimes coupons are also inserted into the promotional packs. Such types of coupons may be offered by the manufacturers or even by individual retailers. Coupons. If the coupons are retailer sponsored, they have to be redeemed only at some specified stores. Manufacturer sponsored coupons can usually be redeemed at a large number of stores.
- h) **Sampling:** Providing free samples of products to the consumer, either at retail stores or during door to door campaigns, is a technique used to persuade the consumer to at least try and test the product. This technique is particularly helpful when the product is newly launched in the market. The technique helps in creating awareness as well as in inducing a trial for the product amongst the consumers which enhances the chances of repeat use of the new product amongst them. Besides the FMCG sector and the non durable consumer goods industry, the technique is commonly practiced by the pharmaceutical industry. The pharmaceutical companies regularly provide free

samples of oral medicines, topical medicines and injectables to the medical practitioners.

- i) Sweepstakes/Lucky Draw: Some retailers in the organised retail sector, some petroleum companies and some companies in the print media besides those in certain other sectors employ this technique of sales promotion to hold the interest of the buyers and to create an excitement in them.
- j) Premiums/ Free Gifts: The scope of getting premiums and free gifts generate an interest amongst the consumer to buy the product or to visit the retail store. The premium may be completely free or at reduced price. For instance a company selling cameras may offer a free wrist watch along with every camera that a consumer buys. Similarly, an airline may offer its guest some good quality consumer durable goods at highly subsidised price.
- k) Speciality Advertisements: Some companies or retail outlets may give a memento to the consumers at the point of purchase. The memento may have the company's name or the brand name and logo etched on it. Such mementoes not only leave a pleasant feeling amongst the consumers, they also act as brand reminders.

## **17.6.2 TRADE PROMOTION**

Besides encouraging the consumers to buy more of the company's products and services, the marketer must also make arrangements to keep the trade, consisting of distributors, wholesalers, retailers, franchisees and agents, sufficiently motivated to stock and sell the company's products. In the absence of efficient functioning of the distribution channel, demand can never get translated to sales. Thus it is important for the company and the marketer to devise certain strategies and techniques to keep these middlemen in high spirits. Trade promotion serves this very purpose. The different techniques of trade promotion that a company may use are:

(a) Point of Purchase Display: Point of Purchase display material consists of promotional material displayed at retail outlets to attract the consumers and to communicate the virtues of the products to the consumers. These material consists of banners, mannequins, demo sets and decorative items. The company provides these material to the retail outlets and stores so that these can be placed at appropriate places and appropriate time so as to influence the demand and sales.

(b) Merchandise Display: Merchandise display is also a type of Point of purchase display. These consist of materials which facilitate the display of merchandise. These materials may also add esthetic value to the display. Such merchandise display material may be display shelves, racks, refrigerators, display lights, etc. Merchandise display assistance by company makes the job of retailers and wholesalers easy.

(c) Dealer Kits: Dealer Kits or Retailer Kits may contain product specifications and directions for use, service or display of products. These types of aids provided by the company to the retailers support them in their sales efforts.

(d)Trade Incentives: Trade incentives may come in the form of various product purchase schemes for the retailers where the dealers, wholesalers and retailers are given discount on the price at which the purchase the product from the company. Incentives may also be in the form of free gifts to these middlemen on the products which they stock and sell.

(e)Advertising Allowance: In order to support the sales and promotion efforts of the trade, companies may share the advertisement and promotion burden of the dealers, wholesalers and retailers. Sharing of advertising cost at the local level by a manufacturer and wholesaler or by a manufacturer and retailer is known as cooperative advertising. In some cases, companies provide the marketing middlemen with advertising allowances.

(f)Contests: Dealers, distributors and wholesalers who exceed the sales target set by the company in their territories are rewarded. Rewards may be in the form of cash prizes, gifts and company sponsored vacations and trips.

(g)Trade Shows & Exhibitions: Several companies from a particular industry or sector may join hands and organize trade shows and exhibitions. Such trade shows and exhibition are helpful in showcasing the products and services of the companies, in communicating the uniqueness in their products and in enhancing the consumer awareness of the brands and products from the companies. Such types of shows make the job of resellers easy. These shows complement the promotional efforts of the resellers, create a pull force, draw more consumers to the sales outlets and facilitate the sales of the showcased brands and products.

### 17.6.3 SALES FORCE PROMOTION

Sales force promotion activities may broadly be categorized into two types. The first category consists of those activities which enhance the effectiveness of the sales professionals. These may include activities like general sales training and specialized training programmes, sales manuals, sales presentations, conferences and visual aids. The second category of activities consists of those that motivate the sales professional to work harder and to perform better. These activities are aimed at boosting the morale of the sales team. Such activities may include incentives to the sales executives, managers and to the best performing teams. Sales contests also fall into this category.



#### *Check Your Progress- B*

**Q1. To which types of audiences can sales promotion be targeted?**

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**Q2. What are the different categories of sales promotion?**

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**Q3. Give an account of the different techniques of consumer promotion.**

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**Q4. Explain the different techniques of trade promotion.**

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**Q5. Choose the correct alternative.**

i) Which of the following is not a consumer promotion technique?

- a) Advertising allowance
- b) Sampling
- c) Bonus Packs
- d) Coupons

ii) The following is a type of price deal

- a) Trade Shows
- b) Sales Contests
- c) Sampling
- d) Bundled Pack

**Q6. Fill in the Blanks with appropriate word or words.**

- i. Sales Promotion may be targeted to consumers, trade and \_\_\_\_\_ Force.
- ii. Advertising allowance is a trade promotion technique used to motivate the \_\_\_\_\_.
- iii. Sales \_\_\_\_\_ is a technique of sales promotion that can be used to motivate the trade and the sales personnel.

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## **17.7 DESIGNING A SALES PROMOTION CAMPAIGN**

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An important thing in designing a sales promotion campaign is that the sales promotion activities should be sporadic and not too frequent and regular. If sales promotion activities are too tightly spaced and regular, the effect of the promotion on sales would dilute as the consumers would not exhibit any urgency to buy and would tend to wait for the next promotion drive in hope that a better and more lucrative offer might be on way very soon. Sales promotion campaigns should be so spaced and timed by the company so as to create a sense of urgency amongst the prospective customers. For a sales promotion campaign to be effective it has to be well planned. The steps for designing a sales promotion campaign are as follows:

- Identifying the Target Audience
- Deciding the Objective of Sales Promotion
- Selecting the Sales Promotion Technique
- Designing the Sales Promotion Programme
- Implementing the Sales Promotion Programme
- Evaluating the Success of the Sales Promotion Campaign

### **17.7.1 STEPS IN DEIGNING A SALES PROMOTION CAMPAIGN**

A sales promotion campaign can be designed and implemented systematically through the following steps:

(1) Identifying the Target Audience:

The first job of a marketer designing a sales promotion campaign is to identify the audience for whom the sales promotion campaign is to be designed. Most of the sales promotion campaigns are designed for the trade to motivate the resellers to push the product into the market through the sales channel. However, with increasing competition, a number of these campaigns are also designed to directly motivate the consumers to buy. Depending upon the market situation, the demand of the company's products and that of the competitors' products, a marketer may decide to roll out a sales promotion campaign across the entire nation or in some selected states or regions. In some cases a marketer may decide to target the metro cities whereas in some other cases he may decide to influence the sales from the small towns and rural areas. So while identifying the target audience a marketer should choose between:

- Consumer, Trade and the Sales Force
- The Geography
- Regular buyers and Occasional buyers
- Brand Loyals or Switchers
- Existing customers or new customers

## (2) Deciding the Objectives of Sales Promotion:

Before launching a sales promotion campaign or before going for a sales promotion activity it is imperative to carefully ponder upon and peruse the objectives of sales promotion and the goals the company wants to reach through the sales promotion activities. Sales promotion objectives are derived from sales objectives of the company which may further be derived from the broader organizational objectives. Sales promotion activities designed to meet the objectives framed in this fashion are well integrated with the overall marketing plan of the company. Different objectives may require the use of different sales promotion tools, methods and techniques.

Some common objectives for launching sales promotion campaigns may be to induce the consumers to try a new product, to persuade the consumers to buy increased quantity of the products or larger packs of the product, to allure the competitors' consumers to switch brands, to increase consumer footfall in a particular store, to increase demand during lean periods, etc. Objectives may also be to mobilize the sales force for aggressively pushing a new product or that getting a less than desired response from the market or to encourage the trade to maintain bigger inventories of the company's products or to convince them to give greater shelf space to the company's products.

## (3) Selecting the Sales Promotion Technique:

There are a number of sales promotion techniques at the disposal of a marketer. Which technique should be used depends on the audience to be targeted and the objective behind sales promotion.

The tools which can be used to motivate the consumers are:

- (i) **Price Deals:** Price deals provide some immediate price benefits to the consumers on the product being purchased by him. These deals may be in the form of Discounts/Price-Offs, Bonus Packs, Price Packs Deals, Banded Packs and Bundled Packs.
- (ii) **Coupons:** Coupons may be offered by the manufacturers or even by individual retailers. Coupons. If the coupons are retailer sponsored, they have to be redeemed only at some specified stores. Manufacturer sponsored coupons can usually be redeemed at a large number of stores.
- (iii) **Sampling:** Providing free samples of products to the consumer, either at retail stores or during door to door campaigns, is a technique used to persuade the consumer to at least try and test the product. This technique is particularly helpful when the product is newly launched in the market. The technique helps in creating awareness as well as in inducing a trial for the product amongst the consumers which enhances the chances of repeat use of the new product amongst them.
- (iv) **Sweepstakes/Lucky Draw:** Some retailers in the organised retail sector, some petroleum companies and some companies in the print media besides those in certain other

sectors employ this technique of sales promotion to hold the interest of the buyers and to create an excitement in them.

(v) **Premiums/ Free Gifts:** The scope of getting premiums and free gifts generate an interest amongst the consumer to buy the product or to visit the retail store. The premium may be completely free or at reduced price.

(vi) **Speciality Advertisements:** Some companies or retail outlets may give a memento to the consumers at the point of purchase. The memento may have the company's name or the brand name and logo etched on it. Such mementoes not only leave a pleasant feeling amongst the consumers, they also act as brand reminders.

A different set of tools may be used to motivate the resellers and to mobilize their efforts. The tools which a marketer may opt for that purpose are:

(i) **Point of Purchase Display:** Point of Purchase display material consists of banners, mannequins, demo sets and decorative items. The company provides these materials to the retail outlets and stores so that these can be placed at appropriate places and appropriate time so as to influence the demand and sales.

(ii) **Merchandise Display:** These consist of materials which facilitate the display of merchandise. These materials may also add esthetic value to the display. Such merchandise display material may be display shelves, racks, refrigerators, display lights, etc. Merchandise display assistance by company makes the job of retailers and wholesalers easy.

(iii) **Dealer Kits:** Dealer Kits or Retailer Kits may contain product specifications and directions for use, service or display of products. These types of aids provided by the company to the retailers support them in their sales efforts.

(iv) **Trade Incentives:** Trade incentives may come in the form of various product purchase schemes for the retailers where the dealers, wholesalers and retailers are given discount on the price at which the purchase the product from the company. Incentives may also be in the form of free gifts to these middlemen on the products which they stock and sell.

(v) **Advertising Allowance:** In order to support the sales and promotion efforts of the trade, companies may share the advertisement and promotion burden of the dealers, wholesalers and retailers. In some cases, companies provide the marketing middlemen with advertising allowances.

(vi) **Contests:** Dealers, distributors and wholesalers who exceed the sales target set by the company in their territories are rewarded. Rewards may be in the form of cash prizes, gifts and company sponsored vacations and trips.

(vii) **Trade Shows & Exhibitions:** Several companies from a particular industry or sector may join hands and organize trade shows and exhibitions. Such trade shows and exhibition are helpful in showcasing the products and services of the companies, in communicating the uniqueness in their products and in enhancing the consumer awareness of the brands and products from the companies. Such types of shows make the job of resellers easy. These

shows complement the promotional efforts of the resellers, create a pull force, draw more consumers to the sales outlets and facilitate the sales of the showcased brands and products.

#### (4) Designing Sales Promotion Program:

At this stage the blueprint for conducting the sales promotion campaign is drawn. While designing the sales promotion program it is important to take certain decisions which include issues related to:

a. **Eligibility:** A marketer has to figure out who would be eligible for deriving the benefits of the sales promotion. A company may decide to allow everybody to reap the benefits or may lay down some criteria for participating in the sales promotion campaign. It may decide that customers who produce the cover flap of the box or a coupon printed on the pack of the product as an evidence of having used the product, will be eligible to participate to be a beneficiary of the campaign. In many instances a customer is given a discount on the product or services if he or she produces a copy of a specific print ad of the product.

b. **Geographic Coverage:** A company has to decide the geographic coverage of the promotional program. Some sales promotion campaigns cover the entire nation or the entire market where the company operates while some promotional campaigns are limited to certain market segments or geographies.

c. **Timing of the Sales Promotion Program:** Timing of a sales promotion campaign is crucial to the success of the campaign. Timing also depends on the objective of sales promotion. If the objective is to sustain the demand during lean periods or during off-seasons, promotional offers are made when the sale of the product is expected to be less and when consumers exhibit inertia to purchase. If the objective is to maximize the sale during those periods when the consumers are more willing to buy, promotional campaigns are timed during major festivals and celebrations.

d. **Time Duration of Sales Promotion Campaign:** Besides deciding an appropriate timing, a marketer also needs to decide the time duration for which the campaign would continue. Ideally, sales promotion campaigns should not drag on for a long period of time. Longer campaigns dilute the impact of the sales promotion on the consumers. Consumers start treating the promotional offers as regular features which then cease to draw the attention of the consumers. Conventionally it was believed that time duration of a sales promotion activity should not be too short either. However, with the advent of social media and with the growing popularity of e-commerce, some sales promotion activities are as short as few minutes or even few seconds. The sale, triggered by a promotional offer on an e-commerce portal, for such a short period of time is referred to as flash sales.

e. **Integrated Marketing Decisions:** When a promotional offer is launched in the market, the consumers need to be communicated about the offer. Use of advertisement is required for this purpose. A decision has to be taken regarding how the offers need to be announced, about the type of advertisements that have to be used, about the selection of media for

announcements and advertisements and about the specific media vehicles for the purpose. The advertisement messages should be in tandem with the sales promotion offers. Also there should not be any discrepancy between what the advertising messages claim and the actual sales promotion offers.

(5) Implementing the Sales Promotion Program:

After the sales promotion program has been decided and finalized, it is time that the offers are rolled out in the market. Implementation requires informing and educating the trade about the details of the promotional campaign, informing the prospective buyers and beneficiaries about the offers and making the offers available at the points of purchase.

(6) Evaluating the Success Of The Sales Promotion Campaign:

A marketer would like to know if the campaign has been able to achieve the desired results. He would be inquisitive to know whether the product awareness or brand awareness of the consumer has increased because of the sales promotional campaign. The marketer would also be eager to understand if the sales promotion campaign has been able to influence the demand of the promoted product and to what extent the purchase of the product or brand has been affected by the campaign. Different methods may be used by a marketer to evaluate the success of a sales promotion campaign. Some methods may be:

(i) Sales before, during and after the campaign: Comparison of sales data before and after conducting sales promotion campaign helps in estimating the effectiveness of the sales promotion campaign. An effective sales promotion campaign would result in a definite increase in sale. In situations where the demand is rapidly falling, a sales promotion campaign can be termed effective if it is able to reverse the trend or at least arrest it.

(ii) Consumer Panel Data: This method tracks the behavior of the consumers in response to sales promotion. Information is gathered about their change in purchase behavior, if any, as a result of sales promotion and their consumer behavior after the promotions. This method also helps in understanding what type of consumers responded to the sales promotion initiatives of the company and in what ways.

(iii) Brand Recall Tests: Brand recall tests may be conducted by marketers to judge the impact of sales promotion on the consumers' ability to identify and recall the brand. Effective promotional campaigns would generate a strong brand recall.



***Check Your Progress-C***

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**Q1. Enumerate the steps used in designing a sales promotion campaign.**

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**Q2. What need to be considered while identifying the target audience for a sales promotion campaign?**

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**Q3. What are the factors on which decision has to be taken while designing a sales promotion program?**

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**Q4. Choose the correct alternative.**

i. What is meant by flash sales?

- a) Sale of flash lights
- b) Promotion sale on e-commerce site lasting for a very short duration
- c) Sales promotions highlighted in electronic media
- d) Short duration sales in small retail outlets

ii. Which of the following is not the right method for evaluating the effectiveness of a sales promotion campaign?

- a) Sales Data Evaluation
- b) Seeking the opinion of an HR Manager
- c) Brand Recall Test
- d) Consumer Panel Data

**Q5. Fill in the Blanks with appropriate word or words.**

- a. Price Pack Deal is a technique of sales promotion that may be used to motivate the \_\_\_\_\_.
- b. \_\_\_\_\_ recall test may be used to evaluate the success of a sales promotion campaign.
- c. Ideally a sales promotion campaign should last for a \_\_\_\_\_ duration.

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## **17.8 SUMMARY**

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Sales Promotion is one of the five tools of Marketing Communication, the other four being Advertising, Publicity, Personal Selling and Public Relations. The five tools together constitute the Marketing Communication Mix which may also be referred to as Marketing Promotional Mix.

The objective behind launching a Sales promotion campaign by a company may be to encourage a greater number of consumers to try a newly launched product, to draw competitors' customers to the company's products, to attract the attention of the consumers towards the product and create awareness, to bring about a short term increase in the sales, to attract more number of buyers during some specific and special occasions, to revive the falling demand of a product or to sustain the demand during lean periods or to penetrate into a particular market.

### **Relevance of Sales Promotion**

The offerings from many of the companies are very similar in nature, function and value proposition. Under such situation it is a challenge for a marketer to convince the consumer to buy his product. In certain situations it may also become difficult for the marketer to convince the consumer to at least give a try to the brand or product being offered by the marketer. To tide over such difficulty a marketer realises the need of some meaningful and effective incentive which may stir up the consumer to buy the company's offerings. Moreover, if the product is not well differentiated from the competitors' products, the incentives in the form of sales promotion may become reasons for the consumers to buy more of the company's products, even if for a small period of time.

### **Types of sales promotion**

Sales promotion activities and tools may be directed at three different types of audiences: the consumers, the trade and the sales force. Depending on the audience towards whom the sales promotion is targeted the sales promotion may be referred to as Consumer Promotion, Trade Promotion and Sales Force Promotion respectively.

### **Consumer Promotion**

Consumer promotion is directed towards the ultimate consumer and user of the product. It provides an incentive to the consumer to buy the product. A marketer has different consumer promotion techniques at his disposal to motivate the consumer to buy. Some commonly used consumer promotion techniques are Price Deals, Coupons, Sampling, Sweepstakes/Lucky Draw, Premiums/ Free Gifts and Speciality Advertisements.

## **Trade Promotion**

Besides encouraging the consumers to buy more of the company's products and services, the marketer must also make arrangements to keep the trade, consisting of distributors, wholesalers, retailers, franchisees and agents, sufficiently motivated to stock and sell the company's products. Thus it is important for the company and the marketer to devise certain strategies and techniques to keep these middlemen in high spirits. Trade promotion serves this very purpose. The different techniques of trade promotion that a company may use are Point of Purchase Display, Merchandise Display, Dealer Kits, Trade Incentives, Advertising Allowance, Contests and Trade Shows & Exhibitions.

## **Sales Force Promotion**

Sales force promotion activities may broadly be categorized into two types. The first category consists of those activities which enhance the effectiveness of the sales professionals. These may include activities like general sales training and specialized training programmes, sales manuals, sales presentations, conferences and visual aids. The second category of activities consists of those that motivate the sales professional to work harder and to perform better. These activities are aimed at boosting the morale of the sales team.

## **Steps in Designing a Sales Promotion Campaign**

A sales promotion campaign can be designed and implemented systematically through the following steps:

### **(1) Identifying the Target Audience:**

The first job of a marketer designing a sales promotion campaign is to identify the audience for whom the sales promotion campaign is to be designed. Most of the sales promotion campaigns are designed for the trade to motivate the resellers to push the product into the market through the sales channel. However, a number of these campaigns are also designed to directly motivate the consumers to buy. Depending upon the market situation, the demand of the company's products and that of the competitors' products, a marketer may decide to roll out a sales promotion campaign across the entire nation or in some selected states or regions. In some cases a marketer may decide to target the metro cities whereas in some other cases he may decide to influence the sales from the small towns and rural areas.

### **(2) Deciding the Objectives of Sales Promotion:**

Before launching a sales promotion campaign or before going for a sales promotion activity it is imperative to carefully ponder upon the objectives of sales promotion and the goals the company wants to reach through the sales promotion activities. Sales promotion objectives are derived from sales objectives of the company.

### **(3) Selecting the Sales Promotion Technique:**

There are a number of sales promotion techniques at the disposal of a marketer. Which technique should be used depends on the audience to be targeted and the objective behind sales promotion.

The tools which can be used to motivate the consumers are Price Deals, Coupons, Sampling, Sweepstakes/Lucky Draw, Premiums/ Free Gifts and Speciality Advertisements.

A different set of tools may be used to motivate the resellers and to mobilize their efforts.

#### (4) Designing Sales Promotion Program:

At this stage the blueprint for conducting the sales promotion campaign is drawn. While designing the sales promotion program it is important to take certain decisions which include issues related to Eligibility, Geographic Coverage, Timing of the Sales Promotion Program and Time Duration of Sales Promotion Campaign.

#### (5) Implementing the Sales Promotion Program:

After the sales promotion program has been decided and finalized, it is time that the offers are rolled out in the market. Implementation requires informing and educating the trade about the details of the promotional campaign, informing the prospective buyers and beneficiaries about the offers and making the offers available at the points of purchase.

#### (6) Evaluating the Success of the Sales Promotion Campaign:

A marketer would like to know if the campaign has been able to achieve the desired results. He would be inquisitive to know whether the product awareness or brand awareness of the consumer has increased because of the sales promotional campaign. Different methods may be used by a marketer to evaluate the success of a sales promotion campaign. Some methods may be Sales before, during and after the campaign, Consumer Panel Data and Brand Recall Tests.



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## 17.9 GLOSSARY

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**Sales Promotion-**Sales promotion consists of an assortment of tools that are designed to allure the customers and stimulate them to buy more of the company's products within a given period of time. Sales promotion activities incentivise the customers for buying the company's products.

**Consumer Promotion-** Consumer promotion is directed towards the ultimate consumer and user of the product. It provides an incentive to the consumer to buy the product.

**Trade Promotion-** Trade promotion tools are directed towards the marketing middlemen like the distributors, wholesalers and retailers. These are designed to motivate these middlemen to sell more of the company's products. They are encouraged to stock more and to push more of the company's products in the market in return of which the company provides them some monetary or non-monetary benefits.

**Sales force promotion-** Sales force promotion activities are designed to motivate the sales team including sales executives and managers to increase the sale of the products in their sales territories.

**Price Deals-** Price deals provide some immediate price benefits to the consumers on the product being purchased by him. These deals may be of different types like Discounts, Bonus Packs, Price Packs Deals, Banded Packs and Bundled Packs.

**Banded Packs-** In this technique of consumer promotion, consumers are offered the product at a reduced price if they buy several units of the product together.

**Bundled Packs-** In this technique of sales promotion, a different product may be bundled with the product being promoted and offered to the consumer free of cost.

**Coupons-** A promotional coupon is a ticket or documents promising some benefit or reward (usually a discount on the price of the products) to the consumer, which may be redeemed by him when purchasing a product. Coupons may be handed over to the consumer directly by the marketer during some door to door campaign or during his visit to the mall or the shop. At times promotional coupons are also inserted in the news papers or are made a part of the ad copy published in the newspapers or magazines. Sometimes coupons are also inserted into the promotional packs.

**Sampling-** Providing free samples of products to the consumer, either at retail stores or during door to door campaigns is a technique used to persuade the consumer to at least try and test the product.

**Flash Sales-** With the advent of social media and with the growing popularity of e-commerce, some sales promotion activities are as short as few minutes or even few seconds. The sale, triggered by a promotional offer on an e-commerce portal, for such a short period of time is referred to as flash sales.

**Cooperative Advertising-** Sharing of advertising cost at the local level by a manufacturer and wholesaler or by a manufacturer and retailer is known as cooperative advertising.



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## 17.10 ANSWERS TO CHECK YOUR PROGRESS

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### **Check Your Progress –A**

Q4. MCQs

- (i) a) Advertising
- (ii) c) Sales promotion gives an incentive to the consumer to buy

Q5. Fill in the Blanks with appropriate word or words.

- i. Advertising, Publicity, Personal Selling, Sales Promotion and Public Relations together constitute the Marketing Communication Mix.
- ii. Sales Promotion gives the consumer an incentive to buy.

### **Check Your Progress –B**

Q5. MCQs

- i) a) Advertising allowance
- ii) d) Bundled Pack

Q6. Fill in the Blanks with appropriate word or words.

- i. Sales Promotion may be targeted to consumers, trade and Sales Force.
- ii. Advertising allowance is a trade promotion technique used to motivate the Trade.
- iii. Sales Contest is a technique of sales promotion that can be used to motivate the trade and the sales personnel.

### **Check Your Progress –C**

Q4. MCQs

- i. (b) Promotion sale on e-commerce site lasting for a very short duration.
- ii. (b) Seeking the opinion of an HR Manager.

Q5. Fill in the Blanks with appropriate word or words.

- i. Price Pack Deal is a technique of sales promotion that may be used to motivate the consumers.

- ii. Brand recall test may be used to evaluate the success of a sales promotion campaign.
- iii. Ideally a sales promotion campaign should last for a short duration.



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## 17.11 REFERENCES

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## 17.13 TERMINAL QUESTIONS

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Q1. Give a detailed account of the different types of sales promotion. Also discuss the various tools used in the different categories of sales promotion.

Q2. Explain the process of designing a sales promotion campaign.

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# UNIT 18 RELATIONSHIP BETWEEN SALES PROMOTION AND ADVERTISING

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## 18.1 Introduction

## 18.2 Objectives

## 18.3 Role of Sales Promotion

## 18.4 Meaning of Advertising

## 18.5 Role of Advertising

## 18.6 Relevance of Sales Promotion

## 18.7 Relevance of Advertisement

## 18.8 Similarities between Sales Promotion and Advertising

## 18.9 Difference between Sales Promotion and Advertising

## 18.10 Relationship between Sales Promotion and Advertising

## 18.11 Summary

## 18.12 Glossary

## 18.13 Answer to Check Your Progress

## 18.14 Reference/ Bibliography

## 18.15 Suggested Readings

## 18.16 Terminal & Model Questions

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## 18.1 INTRODUCTION

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In the previous unit you learnt about the meaning and relevance of sales promotion. The different types of sales promotion tools and techniques were also discussed in the previous unit. The unit also talked about the method of designing an effective sales promotion campaign.

In marketing, advertising is also as important as sales promotion. However both these tools have different roles to play. It is important for a marketer to understand how these two tools should be used and in which type of situations these tools should be employed. Thus a marketer should be well versed with the use and implication of sales promotion and advertising and should understand the outcomes that can be derived by the effective use of these marketing communication tools.

In this unit you will understand the roles played by sales promotion and advertising in marketing of products or brands. You will also learn about the relationship between these two tools of the marketing communication mix. By the end of this unit you will be able to differentiate between advertising and sales promotion, their roles and uses in marketing,

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## 18.2 OBJECTIVES

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After reading this unit you will be able to:

- Understand the role of Sales Promotion
- Understand the role of Advertising
- Realise the relationship between Sales Promotion and Advertising
- Differentiate between Sales Promotion and Advertising
- Explain in which situations to use sales promotion and in which situations to use advertising

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## 18.3 ROLE OF SALES PROMOTION

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Sales promotion allures the customers and stimulates them to buy more of the company's products within a given period of time by providing them some meaningful incentives. As sales promotion activities incentivise the customers for buying the company's products, they are often meant to bring about a short term increase in sales of the company's products.

So role of sales promotion is to 'pull' the customers towards the company's offerings by providing them an incentive that is meaningful for them. The role of some sales promotion activities is to generate an effective 'push' for the company's offerings by encouraging the marketing middlemen to stock and sell the company's products. An important role of sales promotion is to bring about a short term increase in sales and to generate awareness about the company and its offerings amongst the customers.

The role of sales promotion can be summarised in the following points:

- To stimulate short term sale.
- To generate a 'pull' by incentivising consumers.
- To generate a 'push' by incentivising trade.
- To initiate trial purchase.
- To attract the attention of the consumers towards the product and create awareness.
- To attract more number of buyers during some specific and special occasions.
- To revive the falling demand of a product or to sustain the demand during lean periods.
- To penetrate into a particular market.

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## **18.4 MEANING OF ADVERTISEMENT**

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Advertisement is one of the tools of Marketing Communication Mix. Advertisement can be defined as a non-personal appeal generated by an identified sponsor (a company or an organisation), directed at the customers to persuade them to buy and use the company's products and services.

The objective of an advertisement may be to create awareness amongst the consumers about the company or its offerings, to remind them about the company's products and brands, to persuade them to buy the company's products and to compare the company's offerings with those of the competitors. An advertisement attempts to persuade the consumers to buy the company's products and remain loyal to its brands by giving them logical, rational, practical and emotional reasons.

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## **18.5 ROLE OF ADVERTISEMENT**

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Marketing Communication plays a very important role in marketing. It establishes a communication between the marketer and the consumer. Out of the various tools used in marketing communication, advertisement is the most visible and conspicuous one. It has the ability to influence the behaviour of the consumer and mould consumer attitude towards brands and products in a big way. The various roles of advertisement are:

- To influence the demand and generate a pull for the company's products and brands.
- To support the sales efforts and personal selling efforts of the company.
- To create awareness for the company, its products, policies and brands.
- To persuade the consumer to buy. (An advertisement which persuades a consumer to buy is known as Persuasive Advertisement)
- To inform about the sales promotion activities conducted by the company.
- To remind the consumers about the company, its products and brands.
- To provide information to the stakeholders, consumers and prospective consumers.
- To create a favourable image of the company in the eyes of the buyers and prospective buyers.
- To compare the company's products with those of the competitors. (If the purpose of an advertisement is to compare the company's products, with those of the competitors, the advertisement is known as a Comparative Advertisement)
- To add to the revenues of the company by enhancing its sale.

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## 18.6 RELEVANCE OF SALES PROMOTION

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The market today is flooded with innumerable products and brand. The offerings from many of the companies are very similar in nature, function and value proposition. Such types of similar products from different companies can be called as ‘me-too’ products. Under such situation it is a challenge for a marketer to convince the consumer to buy his product. In certain situations it may also become difficult for the marketer to convince the consumer to at least give a try to the brand or product being offered by the marketer. To tide over such difficulty a marketer realises the need of some meaningful and effective incentive which may stir up the consumer to buy the company’s offerings.

Moreover, if the product is not well differentiated from the competitors’ products, the incentives in the form of sales promotion may become reasons for the consumers, particularly the switchers (those who frequently switch brands), to buy more of the company’s products, even if for a small period of time.

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## 18.7 RELEVANCE OF ADVERTISEMENT

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After a company designs an appropriate solution to the problems of its target consumers of after coming up with a relevant product for the consumers, the company needs to communicate the presence and availability of such a solution to the targeted beneficiaries. In the absence of proper communication by the company, the consumers will never be aware of the company’s initiatives as a result of which they will not be able to reap the benefit of a good product or solution even if it is available. Hence there will be very little sale of the product and the product will not be successful despite all its merits. Here comes the role and relevance and marketing communication in general and advertisement in particular. Advertisement is the most conspicuous, impactful and powerful tool to communicate with the consumers, current and prospective. Advertisement helps to bring out the virtues and the unique characteristics of the products in front of the consumers and to create a favourable image of the product or brand in the minds of the consumers. Advertisement is also a tool that creates a distinctive and valued place for the product in the consumers’ mind. In other words it plays a very important role in brand positioning.



### *Check Your Progress-A*

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**Q1. Explain the role of sales promotion?**

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**Q2. What are the roles of advertisement?**

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**Q3. What is the relevance of sales promotion?**

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**Q4. What is the relevance of advertisement?**

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**Q5. Choose the correct alternative.**

- i. Which of the following statement is true?
- a) Advertisement can be used to remind the consumer about a product or a brand
  - b) Advertisement can be used to create awareness
  - c) Advertisement can be used to persuade a customer to buy
  - d) All the above

- ii. In an advertisement, who is the sponsor?
- a) The Company whose product is being advertised
  - b) The advertising agency
  - c) The media on which the product is being advertised
  - d) All the above

**Q6. Fill in the Blanks with appropriate word or words.**

- a. An advertisement that compares the company's products, with those of the competitors is known as a \_\_\_\_\_
- b. An advertisement which persuades a consumer to buy is known as a \_\_\_\_\_
- \_\_\_\_\_

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## **18.8 SIMILARITIES BETWEEN SALES PROMOTION AND ADVERTISING**

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Though sales promotion and advertisement are different tools that serve different objectives there are several points of similarity between these two tools. Some important similarities are:

- Both are elements of marketing communication
- Both are essential parts of marketing communication mix
- Both are used to persuade the consumer to go for the company's products
- Both can be used to create awareness for a product or brand
- Both can be used to create a 'Marketing Pull'
- Both can increase the sales of a company
- Both can be used to beat competition
- Both can be used to influence the purchase behaviour of the consumer
- Both can be used to influence the attitude of the consumer towards a brand.
- Both the instruments may be judiciously used to have an impact on consumer loyalty.

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## **18.9 DIFFERENCE BETWEEN SALES PROMOTION AND ADVERTISING**

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Despite some similarities between sales promotion and advertisement, these are two entirely different tools by virtue of their characteristics, operations and functioning. The objectives with which these promotional tools are used and the results sought from their use are also markedly different from each other. While advertisement persuades the consumer to go for a product by giving them reasons, rational or emotional, to buy, sales promotion attracts the consumers by giving them an incentive to buy. Advertisements are generally targeted towards the existing or prospective customers and consumers whereas sales promotion activities may be targeted towards consumers, trade or sales force. A sales promotion activity usually lasts for a short period of time and is meant to influence the demand for a short time span. But advertisement campaigns may last for long periods and are meant to impact the consumption pattern, purchase behaviour and consumer attitude over an extended period of time. An advertisement always uses a non-personal appeal while a sales promotion activity may be designed to create a personal appeal.

The differences between sales promotion and advertising are summarized below:

	<b>SALES PROMOTION</b>	<b>ADVERTISING</b>
1.	Sales promotion gives the consumer an incentive to buy.	Advertisement gives the consumer a reason to buy.
2.	Sales promotion activities may be targeted towards consumers, trade or sales force.	Advertisements are generally targeted towards the existing or prospective customers and consumers.
3.	A sales promotion activity usually lasts for a short period of time.	Advertisement campaigns may last for long periods.
4.	A sales promotion is meant to influence the demand for a short time span.	Advertisement campaigns are meant to impact the consumption pattern, purchase behaviour and consumer attitude over an extended period of time.
5.	A sales promotion activity may be designed to create a personal appeal.	An advertisement always uses a non-personal appeal.

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## **18.10 RELATIONSHIP BETWEEN SALES PROMOTION AND ADVERTISING**

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Advertising and sales promotion are complimentary to each other. When sales promotion campaigns and activities are launched and conducted, advertisements must take up the role of informing the audience and creating awareness amongst the masses about the promotional activities and their details like the eligibility criteria, the venue of the activities, proposed benefits and the time duration. Advertisements also do the job of motivating the consumers to participate in the sales promotion campaign and to avail the offers designed by the sponsoring company.

Similarly sales promotion activities also need to be designed in such a way that they are properly aligned with the theme and messages communicated through the advertisements. The content and format of sales promotion should match and conform to the claims made in the advertisements. For example the design, colour and theme of a promotional material displayed at the point of purchase should match and replicate the design, colour, theme and message of the advertisement aired on television or displayed on hoardings. In the absence of proper coordination between advertisements and sales promotion, the objectives of marketing communication cannot be achieved. Sales promotion and advertisements together help in attracting the consumers, creating an interest in them about the products and brands and

inculcate a desire in them to buy. Proper synchronization between sales promotion and advertising generates an effective marketing pull and creates as well as enhances the demand of the product in the market.

As a matter of fact all the tools of marketing communication mix, viz, Advertisement, Sales Promotion, Publicity, Public Relation and Personal Selling have to be coordinated and synchronized with each other so as to achieve the best results. A synchronized and well coordinated use of all the elements of marketing communication to achieve a pre determined marketing goal is referred to as Integrated Marketing Communication. This implies that a systematic and coordinated designing and implementation of advertising and sales promotion activities is an absolute essential requirement for Integrated Marketing Communication.



### ***Check Your Progress- B***

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**Q1. Enumerate the points of similarity between advertising and sales promotion.**

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**Q2. Differentiate between advertising and sales promotion.**

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**Q3. Explain the statement “Advertising and sales promotion are complimentary to each other”.**

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**Q4. Choose the correct alternative.**

- i) What is meant Integrated Marketing Communication?
- a) Communicating while marketing
  - b) Marketing of communication products

- c) Synchronized use of marketing communication tools to achieve a pre determined marketing goal.
- d) Integrating the results of marketing and communication

ii. Which of the following is not true?

- a) Advertisement is a non personal form of communication
- b) Advertisements are not required for industrial goods
- c) For best results advertisements and sales promotion need to be coordinated and synchronized
- d) A sales promotion activity can increase the demand for a short period of time.

**Q5. Fill in the Blanks with appropriate word or words.**

- i. Synchronized and well coordinated use of all the elements of marketing communication to achieve a pre determined marketing goal is referred to as \_\_\_\_\_.
- ii. Advertising gives the consumer a \_\_\_\_\_ to buy whereas Sales Promotion gives him an \_\_\_\_\_ to buy.

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## 18.11 SUMMARY

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Sales Promotion is one of the five tools of Marketing Communication, the other four being Advertising, Publicity, Personal Selling and Public Relations. The five tools together constitute the Marketing Communication Mix which may also be referred to as Marketing Promotional Mix.

The objective behind launching a Sales promotion campaign by a company may be to encourage a greater number of consumers to try a newly launched product, to draw competitors' customers to the company's products, to attract the attention of the consumers towards the product and create awareness, to bring about a short term increase in the sales, to attract more number of buyers during some specific and special occasions, to revive the falling demand of a product or to sustain the demand during lean periods or to penetrate into a particular market.

### Relevance of Sales Promotion

The offerings from many of the companies are very similar in nature, function and value proposition. Under such situation it is a challenge for a marketer to convince the consumer to buy his product. In certain situations it may also become difficult for the marketer to

convince the consumer to at least give a try to the brand or product being offered by the marketer. To tide over such difficulty a marketer realises the need of some meaningful and effective incentive which may stir up the consumer to buy the company's offerings. Moreover, if the product is not well differentiated from the competitors' products, the incentives in the form of sales promotion may become reasons for the consumers to buy more of the company's products, even if for a small period of time.

## TYPES OF SALES PROMOTION

Sales promotion activities and tools may be directed at three different types of audiences: the consumers, the trade and the sales force. Depending on the audience towards whom the sales promotion is targeted the sales promotion may be referred to as Consumer Promotion, Trade Promotion and Sales Force Promotion respectively.

### Consumer Promotion

Consumer promotion is directed towards the ultimate consumer and user of the product. It provides an incentive to the consumer to buy the product. A marketer has different consumer promotion techniques at his disposal to motivate the consumer to buy. Some commonly used consumer promotion techniques are Price Deals, Coupons, Sampling, Sweepstakes/Lucky Draw, Premiums/ Free Gifts and Speciality Advertisements.

### Trade Promotion

Besides encouraging the consumers to buy more of the company's products and services, the marketer must also make arrangements to keep the trade, consisting of distributors, wholesalers, retailers, franchisees and agents, sufficiently motivated to stock and sell the company's products. Thus it is important for the company and the marketer to devise certain strategies and techniques to keep these middlemen in high spirits. Trade promotion serves this very purpose. The different techniques of trade promotion that a company may use are Point of Purchase Display, Merchandise Display, Dealer Kits, Trade Incentives, Advertising Allowance, Contests and Trade Shows & Exhibitions.

### Sales Force Promotion

Sales force promotion activities may broadly be categorized into two types. The first category consists of those activities which enhance the effectiveness of the sales professionals. These may include activities like general sales training and specialized training programmes, sales manuals, sales presentations, conferences and visual aids. The second category of activities consists of those that motivate the sales professional to work harder and to perform better. These activities are aimed at boosting the morale of the sales team.

### Steps in Designing a Sales Promotion Campaign

A sales promotion campaign can be designed and implemented systematically through the following steps:

(1) Identifying the Target Audience:

The first job of a marketer designing a sales promotion campaign is to identify the audience for whom the sales promotion campaign is to be designed. Most of the sales promotion campaigns are designed for the trade to motivate the resellers to push the product into the market through the sales channel. However, a number of these campaigns are also designed to directly motivate the consumers to buy. Depending upon the market situation, the demand of the company's products and that of the competitors' products, a marketer may decide to roll out a sales promotion campaign across the entire nation or in some selected states or regions. In some cases a marketer may decide to target the metro cities whereas in some other cases he may decide to influence the sales from the small towns and rural areas.

(2) Deciding the Objectives of Sales Promotion:

Before launching a sales promotion campaign or before going for a sales promotion activity it is imperative to carefully ponder upon the objectives of sales promotion and the goals the company wants to reach through the sales promotion activities. Sales promotion objectives are derived from sales objectives of the company.

(3) Selecting the Sales Promotion Technique:

There are a number of sales promotion techniques at the disposal of a marketer. Which technique should be used depends on the audience to be targeted and the objective behind sales promotion.

The tools which can be used to motivate the consumers are Price Deals, Coupons, Sampling, Sweepstakes/Lucky Draw, Premiums/ Free Gifts and Speciality Advertisements.

A different set of tools may be used to motivate the resellers and to mobilize their efforts.

(4) Designing Sales Promotion Program:

At this stage the blueprint for conducting the sales promotion campaign is drawn. While designing the sales promotion program it is important to take certain decisions which include issues related to Eligibility, Geographic Coverage, Timing of the Sales Promotion Program and Time Duration of Sales Promotion Campaign.

(5) Implementing the Sales Promotion Program:

After the sales promotion program has been decided and finalized, it is time that the offers are rolled out in the market. Implementation requires informing and educating the trade about the details of the promotional campaign, informing the prospective buyers and beneficiaries about the offers and making the offers available at the points of purchase.

(6) Evaluating the Success of the Sales Promotion Campaign:

A marketer would like to know if the campaign has been able to achieve the desired results. He would be inquisitive to know whether the product awareness or brand awareness of the consumer has increased because of the sales promotional campaign. Different methods may be used by a marketer to evaluate the success of a sales promotion campaign. Some methods may be Sales before, during and after the campaign, Consumer Panel Data and Brand Recall Tests.



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## 18.12 GLOSSARY

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**Advertisement-** Advertisement is one of the tools of Marketing Communication Mix. Advertisement can be defined as a non-personal appeal generated by an identified sponsor (a company or an organisation), directed at the customers to persuade them to buy and use the company's products and services.

**Integrated Marketing Communication-** A synchronized and well coordinated use of all the elements of marketing communication to achieve a pre determined marketing goal is referred to as Integrated Marketing Communication.

**Me-Too Products-** The offerings from many of the companies are very similar in nature, function and value proposition. Such types of similar products from different companies can be called as 'me-too' products.

**Pull Marketing-** Pull Marketing is any of the methods used by a company to generate demand from the consumers. (Source: <http://www.marketing-schools.org/types-of-marketing/pull-marketing.html>)

**Push Marketing-** Push Marketing refers to that method of marketing in which the company or its middlemen convince or persuade the customer to buy the product stocked with the company.

**Persuasive Advertisement-** An advertisement which persuades a consumer to buy is known as A Persuasive Advertisement

**Comparative Advertisement-** An advertisement that compares the company's products, with those of the competitors is known as a Comparative Advertisement



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## 18.13 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

Q5. MCQ

- i. (d) All the above
  
- ii. (a) The Company whose product is being advertised

Q6. Fill in the Blanks with appropriate word or words.

- i. An advertisement that compares the company's products, with those of the competitors is known as a Comparative Advertisement
- ii. An advertisement which persuades a consumer to buy is known as a Persuasive Advertisement

### Check Your Progress –B

Q3. Choose the correct alternative.

- i. (c ) Synchronized use of marketing communication tools to achieve a pre determined marketing goal
- ii. (b) Advertisements are not required for industrial goods

Q4. Fill in the Blanks with appropriate word or words.

- i. Synchronized and well coordinated use of all the elements of marketing communication to achieve a pre determined marketing goal is referred to as Integrated Marketing Communication.
- ii. Advertising gives the consumer a reason to buy whereas Sales Promotion gives him an incentive to buy.

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## 18.16 TERMINAL QUESTIONS

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- Q1. Give a detailed account of the relationship between sales promotion and advertising.
- Q2. Discuss the role of advertising and sales promotion in marketing.
- Q3. Draw a comparison between advertising and sales promotion.

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## **UNIT 19 PROMOTIONAL STRATEGIES**

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### **19.1 Introduction**

### **19.2 Objectives**

### **19.3 Marketing Promotion as Part of Value Delivery Process**

### **19.4 Framework of Promotional Strategy**

### **19.5 Types of Sales Promotion Tools**

### **19.6 Promotional Strategy**

### **19.7 Summary**

### **19.8 Glossary**

### **19.9 Answer to Check Your Progress**

### **19.10 Reference/ Bibliography**

### **19.11 Suggested Readings**

### **19.12 Terminal & Model Questions**

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## **19.1 INTRODUCTION**

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In the last unit you have understood the relationship between sales promotion and advertising. The unit also discussed the role that both these promotional tools play in marketing and how these two marketing communication tools need to be coordinated with each other so as to effectively communicate with the consumer and to achieve the desired marketing results.

In order to use these two tools as well as the other tools in the marketing communication mix effectively, a marketer needs to draw a promotional strategy. The strategy provides a game plan to the marketer and guides him in designing and conducting promotional activities.

In this unit you will learn how to prepare a framework or blueprint for designing a marketing communication strategy. Further you will get an idea of the factors that need to be taken into account to draw a promotional strategy. By the end of the unit you will be able to prepare a promotional strategy.

## 19.2 OBJECTIVES

After reading this unit you will be able to:

- Prepare a framework for Promotional Strategy
- Understand the essentials of preparing a promotional strategy.
- Explain the elements of integrated marketing communication strategy.
- Design an effective promotional strategy.

## 19.3 MARKETING PROMOTION AS PART OF VALUE DELIVERY PROCESS

The role of a marketer is to deliver value to the customer. According to Philip Kotler, “Value is the customer’s estimate of the product’s ability to satisfy his or her need”. Thus value can be thought of as the benefit to be delivered to the customer, which would be able to solve the customer’s problems and satisfy his needs. In order to deliver the right value to the customer, the marketer has to undertake a systematic process. This process is termed as the value delivery process.

The value delivery process has three parts:

- Choosing a value
- Providing the chosen value and
- Communicating the value

While choosing the value to be delivered the marketer has to segment the market, target an appropriate market segment and develop an appropriate brand positioning or product positioning for the chosen market. In the second phase of the value delivery process, the marketer needs to design and prepare the value. Developing the value consists of developing the product or the service, manufacturing it, deciding its price and making the product or service available for the user. After the value has been developed, it needs to be communicated to the customer. Marketing promotion is used for this purpose.

CHOOSE VALUE			PROVIDE VALUE					COMM. VALUE
S	T	P	PRODUC T DEV.	SERV. DEV	PRICE	MAKE	Distr/ Serv.	Salesforce/ Adv/ Sales promo

**Fig 19.1 The value delivery process**

Source: Kotler, Philip (1996), Marketing Management Analysis, Planning, Implementation, and Control, 8th ed. New Delhi, PHI

Therefore while preparing a promotional strategy, it is important to understand and assess the value that he wants to deliver to the customer. Only then can a proper promotion strategy be prepared.

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## 19.4 FRAMEWORK OF PROMOTIONAL STRATEGY

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**Fig19.2 Framework for promotional strategy**

Source: West, et al. (2009), Strategic Marketing, Oxford University Press, New York, p. 18

To prepare an effective promotional strategy we need to chalk out a framework for preparing the strategy. This framework can be referred to as the blue print on which the strategy is developed. The framework for strategy consists of four essential elements which are:

1. **Where We Are**
2. **Where Do We Want To Be**
3. **How Do We Reach There**
4. **How Do We Know When We Reach There**

1. **Where We Are:** This refers to our present situation, position and status. At this stage a manager needs to assess the present status of the product or the brand in the consumers' mind as well as in the market. The strengths, weakness, opportunities and difficulties for the product, company and the brand are evaluated by the marketer at this stage. This evaluation gives the marketer an idea of the competitive strength of the company or the lack of it and provides a realistic picture of the company's competency and position.
2. **Where Do We Want To Be:** This refers to our vision and goal. This may include statements about the company's objectives, envisioned position in the market and desired image of the company and its products in the consumers' minds.
3. **How Do We Reach There:** This step comprises of the decisions and actions that need to be taken and performed in order to reach the desired goal. This includes an account of the various marketing promotional tools that the marketer plans to use and the way he wants them to be used. The details related to the frequency of use of the various tools, the media mix and media vehicles, the promotional messages and the decisions related to the message content and message themes are chalked out at this stage.
4. **How Do We Know When We Reach There:** This stage consists of the control activities needed to be performed to check the progress. The progress is evaluated and assessed at regular intervals so that any deviation from the planned result can be identified and necessary steps can be taken to rectify the anomalies and deviations.

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## 19.5 TYPES OF SALES PROMOTION TOOLS

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Before drawing a sales promotion strategy, a marketer needs to take stock of the various sales promotional tools at his disposal. There are several sales promotion tools which can be used to promote the product and to communicate with the consumers. Explanations of these tools are given in the following table:

<b>Types of Promotion</b>	<b>Explanation</b>
<b>Advertising</b>	Communication through mass media, the firm will usually pay for this type of communication.
<b>Public Relations</b>	Developing a positive relationship between the organisation and the media and the public. Good public relationships involves not only creating favourable publicity through the media but also involves minimising the impact of negative

	situations.
<b>Sales Promotion</b>	Promotions designed to create a short term increase in sales. Examples of sales promotion include money off coupons, discount codes and "flash sales".
<b>Personal Selling</b>	Sales interaction between the firm's representative and a consumer on a one to one basis.
<b>Direct Mail (post and e-mail)</b>	This involves sending marketing to a named individual or organisation. Firms often buy lists of names, e-mails and postal addresses for this purpose. This can be highly effective when the direct mail recipients are within the firm's target market.
<b>Internet Marketing</b>	Placing adverts on internet pages through programmes such as Google's AdWords.
<b>Social Media</b>	Firms place daily messages on social media such as Facebook and Twitter to keep customers interested in their organisation. They may even run promotions, flash sales and discounts just for their social media readers.
<b>Sponsorship</b>	An organisation or event is paid to use your branding and logos. Sponsorship is commonly used in sporting events; player's clothing and stadiums will be covered in the firm's branding and even the tournament may be named after the firm. Although effective sponsorship requires a large audience you may get smaller firms interested in local business sponsoring small events in their area e.g. school fairs.

**Fig 19.3 Types of Sales Promotion Tools**

Source: <http://www.learnmarketing.net/promotion.htm>



**Check Your Progress-A**

**Q1. Explain why marketing promotion can be considered as part of the value delivery process?**

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**Q2. How would you draw a framework for marketing promotion strategy?**

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**Q2. Give an account of the different types of sales promotion tools.**

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**Q3. MCQs**

i. The three stages of the value delivery process are.

- a. Choosing the value, Providing the Chosen Value and Communicating the value
- b. Choosing the value, Providing the Chosen Value and Changing the value
- c. Choosing the value, Providing the Chosen Value and Reducing the value
- d. None of the above

ii. Which of these steps of the strategic framework is a control measure?

- e. Assessing where we are now
- f. Determining where we want to reach
- g. Deciding how to reach there
- h. How do we know when we reach there

**Q4. Fill in the Blanks with appropriate word or words.**

- i. Marketing Promotion is used to \_\_\_\_\_ the value to the customer..
- ii. \_\_\_\_\_ helps in minimising the impact of negative publicity.

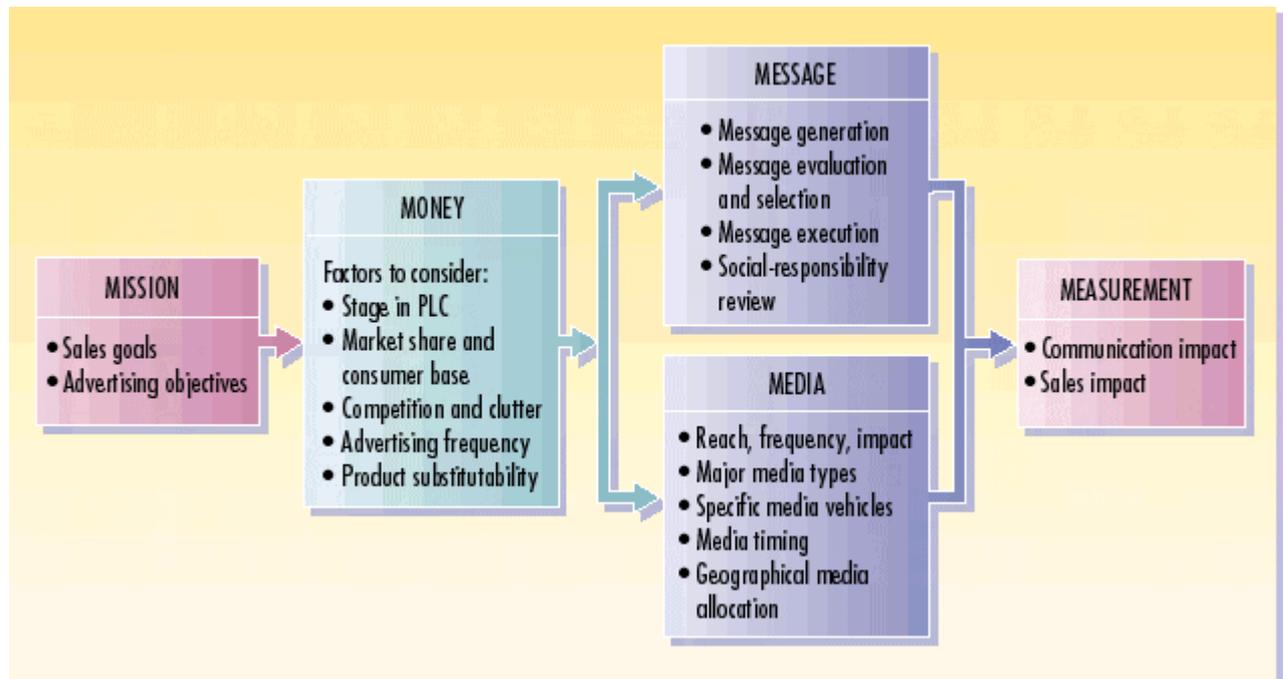
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## **19.6 PROMOTIONAL STRATEGY**

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The prerequisite of drawing a promotional strategy is to understand the objectives of the company, the characteristics of the targeted consumers and the market segment, the

characteristics of the media and media habits of the targeted consumers. Thus while formulating a promotional strategy, decisions have to be taken regarding the objectives to be achieved through promotion, the budget at the disposal of the marketer for promotions, the message that need to be communicated to the consumers, the media and the methods through which the message should be communicated and the method through which the effectiveness of the promotional activities should be measured.



**Fig 19.4 Promotional Strategy**

Source: Kotler, Philip, Keller, Kevin Lane, Koshy, Abraham, & Jha, Mithileshwar (2007), Marketing Management-A South Asian Perspective, 12th ed., Pearson Prentice Hall, New Delhi, p. 472

The following are the steps through which a promotional strategy should be formulated:

- 1. Deciding the Objectives**
- 2. Deciding the Promotional Budget**
- 3. Message Generation and Execution**
- 4. Choosing the Media Type and Media Vehicles**
- 5. Measuring the Effectiveness of Sales Promotion**

### 19.6.1 DECIDING THE OBJECTIVES

A company may have different objectives which a marketer may think of achieving promotions. A company may have objectives like increasing the market penetration, increasing market share, developing or expanding the market and to remain in the perceptual space of the consumers. Promotional objectives are derived from the broader objectives of the company. Some of the promotional objectives may be:

**To persuade the consumers:** A company may want to persuade the consumers to buy the company's products or to go for a trial purchase

**To create awareness:** A company may be interested in making more and more prospective consumers aware about their offerings and provide them knowledge about the company's products and services

**To create consumer preference:** At times the objective of a company may be to facilitate the consumers to compare the company's products with those of the competitors.

**To remind and reinforce:** One of the objectives behind formulating a sales promotion strategy may also be to remind the consumer about the brand and to reinforce the feeling that the choice of their brand or the decision to purchase was a right decision.

The choice of promotional tools by the marketer, the promotional mix to be used, the choice of media and media vehicles are primarily contingent on the promotional objectives and the target market.

### 19.6.2 DECIDING THE PROMOTIONAL BUDGET

Before a sales promotion campaign can be designed and structured, it is important to have an understanding of the amount of money that can be or has been allotted for promotions. Different factors play a role in determining the promotional budget. Important factors which have a bearing on the sales promotion budget are:

- 1. Stage of Life Cycle of the product:** A product in the early stages of its life cycle requires more promotional support so as to create awareness, knowledge and preference for the product. Thus a bigger budget is needed to promote a product during the introductory phase and during early growth phase. Once a product reaches the end of the growth phase or the maturity phase, it becomes popular and people become well aware of it. The promotional expenditure may be somewhat reduced at these stages. However even at these stages the company needs to keep on reminding the consumers about the brand and to keep some budget for conducting promotional activities so as to reward and retain the loyal consumers.
- 2. Market Share of the Company:** A company with smaller market share is required to spend a greater percentage of its revenue on promotion so as to remain in competition. A company with a bigger share of the market or a company having a monopoly on a market may afford to cut down on its promotional expenditure.

3. **Overall Size of the Market:** If the overall size of the market is big, the companies operating in that market need to spend more on promotional activities and hence should earmark a greater amount of money for the promotional expenditure.
4. **Competitors' Spend on Promotions:** In most of the situations competitor parity has to be maintained in case of advertisements and sales promotions. Thus if a company is operating in that industry where the competitors spend a huge amount on promotions, it will also be required to allocate a bigger amount to be spent on promotion of its products and brands.
5. **Nature of the product:** If the product sold by the company is highly differentiated, the company can manage with less promotions and advertisements. Hence relatively smaller spends on promotions are required for such differentiated products. However if the product is not significantly differentiated from those of the competitors, more money has to be spend on promoting it to the consumers.

### 19.6.3 MESSAGE GENERATION AND EXECUTION

At this stage an appropriate message has to be coined, designed and executed. Message generation and execution involves two types of decisions: “what is to be said” and how it has to be said”. What needs to be said or what needs to be communicated depends on the objective that has to be fulfilled and the sought result. A company may want to communicate the virtues of the products, the features of the product, the benefits to the consumer, the values being delivered or the values for which the company or the brand stands. If the company conducts any consumer sales promotion activity, the information about the activity should be an important content of the message in the advertisement.

The message to be communicated also depends on the target audience and the positioning of the brand.

After the message has been designed, it has to be decided how the message should be communicated. The message about the promotional campaign may be communicated through advertisements on mass media like television, newspaper or radio. Message may also be imprinted on the product packs or communicated personally to the target audience either through messages on their phone, emails or their social media accounts. To make the messages impactful and impressive decisions have to be taken about things like the type and colour of fonts for the text material, pictures to be used, the background, music, sound and jingles, type of voiceover, etc.

While designing and executing the messages, the marketer should be careful that the sales promotion message content do not violate the law and conform to the legal requirements.

## 19.6.4 CHOOSING MEDIA TYPE AND MEDIA VEHICLES

The next stage consists of decisions related to the type of media to be used for promotional activities and for communication about these activities. While taking decisions, it is important to consider two important factors, the reach of the media and frequency of communication or promotion.

Reach refers to the total number of households or individuals exposed to the media at least once during a specified time period. Frequency refers to the average number of times an individual or household is exposed to the promotional message within a specified time period.

### 19.6.4.1 Decisions Related to the Media Type

Which type of media has to be selected depends on the message to be communicated, product category, media habits of the target audience and the cost involved.

Factors which influence the selection of media type are:

- 1. Characteristics of the Target Audience:** It is a known fact that urban consumers are more technology friendly as compared to their rural counterparts. So while internet can be used as an effective media to communicate with the urban consumer, its use may be somewhat limited when communicating with the rural consumers. IT enabled media may be an appropriate media to reach out to high end business professionals, doctors, scientists and university professors but to communicate with the farmers Out-of-Home media which consists of hoardings and wall paintings may be a better media. Similarly Social Media may be an excellent media to promote a product or an idea to an educated youngster. However it may not yield the same response and result when the older generation is being targeted.
- 2. Product Characteristics:** Which type of media should be used to promote a product also depends on the characteristics of the product. For products which witness more impulsive buying, point-of-purchase promotion is important. So extensive use of impressive point-of-purchase display material is important for such products. For products which require lengthy description to be given, like certain innovative and technology oriented products, print media is a better media. Similarly for institutional products, promotional messages should be displayed in trade journals.
- 3. Geographical Characteristics of the Market:** If the market is such that availability of electricity is a challenge, use of electronic media, particularly television, will not be so effective. In places where penetration of internet is low or internet connection is poor, the marketer should refrain from using social media, emails and internet in general for promotional communications. To reach out to the suburban markets and rural markets, promotional messages should be carried on vernacular dailies.
- 4. Budget for Promotions:** Which type of media can be used for sales promotion depends on the cost to be incurred in the use of the media. The cost of buying space varies from one media to another. Thus if the budget for marketing promotion is not a

constraint television and other electronic media can easily be chosen, print media with nationwide circulation may also be a good option. If the budget is a constraint other media like Out of Home Media, local newspapers, newspaper insertions, etc. can be used.

- 5. Characteristics of the Message:** The characteristics of the message to be circulated also determine the type of media to be chosen. If a sales promotion campaign is to be launched across the country, it would be a good decision to select a media that would have a wider coverage and a national presence. Similarly if a discount sale has been scheduled for the next day or a promotional event is to be held tomorrow, television and radio will be a good media to use for such an announcement.

#### 19.6.4.2 Decisions Related to the Media Vehicle

After a decision has been made about the media to be used, the next task for the marketer is to decide the specific media vehicle within the media type. Media vehicle refers to a specific name within the media type. For example Newspaper is a media and 'Times of India' and 'Hindustan Times' are media vehicles. Similarly Magazine is a media and 'India Today' is a media vehicle; Television is a media and 'Zee News', 'Star Plus' and 'Discovery Kids' are media vehicles. Two important factors which determine the choice of specific media vehicles are circulation and audience.

'**Circulation**' of a media vehicle means the number of physical units of the vehicle being distributed. '**Audience**' means the number of individuals exposed to the media vehicle. Suppose a newspaper is reaching hundred households and on an average five people are reading that newspaper within each household, it will be said that the circulation is one hundred and the audience being reached is five hundred. Another important concept to be understood at this point is that of '**Effective Audience**'. In the above example all the five hundred people who were exposed to the media vehicle may not have been the targets for the promotional message and the promotional activity. Let us assume that only three hundred of these people actually had the characteristics of the audience targeted by the company. In other words, the promotional activity was actually meant for only three hundred out of these five hundred people. These three hundred people comprise the **effective audience**.

#### 19.6.4.3 Decisions Related To The Media Timing & Scheduling

After deciding the media vehicles to be used still another decision that has to be made is about the timing and spread of advertisement or promotional messages within a period of time. The concepts to be understood in this context are:

- **Continuity:** Continuity means that the messages are evenly spread over a period of time and there is a continuous exposure to the messages during the given time.

- **Concentration:** Concentration is a type of promotional scheduling in which the entire promotional budget is spent during a short span of time and all the promotional activities or advertisements are conducted only during a specified time period during the year, thus allowing the remaining year to go without any advertisements.
- **Flighting:** In this type of advertisement scheduling or promotional scheduling heavy promotions are conducted for some time followed by a period with no advertisements or promotional activities. This lull period is subsequently followed by another bout of heavy advertising and promotions.
- **Pulsing:** In pulsing there are subsequent phases of heavy promotions and low intensity promotions. A wave of heavy intensity promotion is followed by a wave of low intensity promotion which again is followed by heavy promotions. Thus promotions happen ceaselessly by the intensity changes.

#### 19.6.4 Measuring the effectiveness of sales promotion

Effectiveness of a promotional strategy is determined and assessed by its ability to influence the awareness, preference and perception of the consumers towards the promoted product. Sales Promotion effectiveness is also judged by the ability of the promotional activity to generate sales. Thus to judge the effectiveness of a promotional strategy two things are examined:

1. The Influence of Promotion on Consumer Awareness, Preference and Perception
2. The Influence of Promotion on Sales

- 1. The Influence of Promotion on Consumer Awareness, Preference and Perception:** The influence of sales promotions on consumers may be examined using several different methods. Some methods which may be employed for the purpose are:

(a) **Consumer Feedback Method:** In this method feedback about the promotional activities is collected from the consumers using questionnaires or with the help of interviews. Consumers are asked questions related to what they feel about the sales promotion campaign, what they liked about it, what they disliked about it, will they purchase the promoted product, will they recommend it to others, etc.

(b) **Recall Tests:** After the consumers are exposed to the promotional stimuli, their ability to recall and recollect things about the product or brand are tested. They are asked what they remember about the product, the packaging, features, colours, etc. if the consumers in general score high in the recall test, the sales promotion is considered to be effective.

(c) **Portfolio Tests:** After the consumers have been exposed to the promotional stimuli, they are either shown an array of similar products or several advertisements one after another. They are asked to identify the product or the advertisement which they saw when the promotional activity was conducted.

(d) **Laboratory Tests:** In Laboratory Tests the volunteers are shown several promotional activities or advertisements and their vital signs like blood pressure, pulse rate, rate of breathing, pupil dilation, etc. are measured.

**2. The Influence of Promotion on Sales:** The impact of sales promotions on sales is more difficult to calculate as sale of a product may be influenced by several factors. Besides advertising and sales promotion, the sale of a product may be affected by factors such as season, disposable income of the consumers, strategies by competitors, competitive products, price of new products, change in government policies, etc. Thus whether a change in sales figure is a result of the company's promotional strategy or not is difficult to ascertain. However efforts are made by marketers to judge the effect of promotions on sales. Two methods are worth mentioning.

(a) **Comparing Sales Before and After Promotions:** Making a comparative analysis of the sales data collected before conducting a sales promotion activity and another set of data from the same market after the sales promotion has been carried out, helps in gauging whether the sales promotion was effective or not.

(b) **Statistical Analysis of Historical Data:** Historical data related to the sales achieved following different kinds of sales promotion activities conducted at various times helps to give an idea about the effectiveness of different kinds of sales promotion tools and their impact on the sales figures obtained from different geographies, different consumer segments and different product categories.



### *Check Your Progress- B*

**Q1. Enumerate the steps used in designing a sales promotion strategy.**

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**Q2. Discuss the factors that have a bearing on the selection of media.**

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**Q3. How can one measure the effectiveness of sales promotion?**

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**Q4. MCQs**

i. Advertisement scheduling in which heavy promotions are conducted for some time followed by a period with no advertisements is known as:

- a. Pulsing
- b. Flighting
- c. Concentration
- d. Continuity

ii. Which of the following is not a part of the 5Ms of sales promotion strategy?

- e. Mission
- f. Message
- g. Media
- h. Method

**Q4. Fill in the Blanks with appropriate word or words.**

- i. In \_\_\_\_\_ there are subsequent phases of heavy promotions and low intensity promotions.
- ii. The number of physical units of the vehicle being distributed is known as the \_\_\_\_\_ of the media vehicle.

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## 19.7 SUMMARY

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The role of a marketer is to deliver value to the customer. Value can be thought of as the benefit, to be delivered to the customer, which would be able to solve the customer's problems and satisfy his needs.

The value delivery process has three parts: Choosing a value, providing the chosen value and communicating the value.

Marketing promotion is a part of this value delivery process. In the value delivery process, after the value has been developed, it needs to be communicated to the customer. Marketing promotion is used for this purpose.

Therefore while preparing a promotional strategy, it is important to understand and assess the value that he wants to deliver to the customer. Only then can a proper promotion strategy be prepared.

### **Framework of Promotional Strategy:**

This framework of promotional strategy can be referred to as the blue print on which the strategy is developed. The framework for strategy consists of four essential elements which are: *Where We Are, Where Do We Want To Be, How Do We Reach There and How Do We Know When We Reach There.*

To prepare an effective promotional strategy we need to chalk out a framework for preparing the strategy. Only after a carefully assessing the present situation and determining where the company wants to reach, can a marketer decide the types of promotion tools to be use and the way they should be used.

### **Types of Sales Promotion Tools:**

Before drawing a sales promotion strategy, a marketer needs to take stock of the various sales promotional tools at his disposal. The different sales promotion tools which can be used to promote the product and to communicate with the consumers are advertisement, publicity, sales promotion, public relation, personal selling and direct mail

### **Promotional Strategy:**

The steps through which a promotional strategy should be formulated are:

1. **Deciding the Objectives:** Promotional objectives are derived from the broader objectives of the company. Some of the promotional objectives may be to persuade the consumers, to create awareness, to create consumer preference and to remind and reinforce.
2. **Deciding the Promotional Budget:** Different factors play a role in determining the promotional budget. Important factors which have a bearing on the sales promotion budget are stage of life cycle of the product, market share of the company, overall size of the market, competitors' spend on promotions and nature of the product.

3. **Choosing the Media Type and Media Vehicles:** The next stage consists of decisions related to the type of media to be used for promotional activities and for communication about these activities. While taking decisions, it is important to consider two important factors, the reach of the media and frequency of communication or promotion.

Reach refers to the total number of households or individuals exposed to the media at least once during a specified time period. Frequency refers to the average number of times an individual or household is exposed to the promotional message within a specified time period.

Which type of media has to be selected depends on the message to be communicated, product category, media habits of the target audience and the cost involved.

4. **Message Generation and Execution:** At this stage an appropriate message has to be coined, designed and executed. Message generation and execution involves two types of decisions: “what is to be said” and how it has to be said”. What needs to be said or what needs to be communicated depends on the objective that has to be fulfilled and the sought result. The message to be communicated also depends on the target audience and the positioning of the brand. After the message has been designed, it has to be decided how the message should be communicated. The message about the promotional campaign may be communicated through advertisements on mass media. Message may also be imprinted on the product packs or communicated personally to the target audience either through messages on their phone, emails or their social media accounts. To make the messages impactful and impressive decisions have to be taken about things like the type and colour of fonts for the text material, pictures to be used, the background, music, sound and jingles, type of voiceover, etc.

5. **Measuring the Effectiveness of Sales Promotion :** To judge the effectiveness of a promotional strategy two things are examined:

- **The Influence of Promotion on Consumer Awareness, Preference and Perception:** The influence of sales promotions on consumers may be examined using methods like consumer feedback method, recall tests, portfolio tests and laboratory tests.
- **The Influence of Promotion on Sales:** The impact of sales promotions on sales is more difficult to calculate as sale of a product may be influenced by several factors. Two methods which are generally used are Comparing Sales Before and After Promotions and Statistical Analysis of Historical Data.



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## 19.8 GLOSSARY

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**Value:** “Value is the customer’s estimate of the product’s ability to satisfy his or her need” (Philip Kotler, 1996). Thus value can be thought of as the benefit to be delivered to the customer which would be able to solve the customer’s problems and satisfy his needs.

**Reach:** Reach refers to the total number of households or individuals exposed to the media at least once during a specified time period.

**Frequency:** Frequency refers to the average number of times an individual or household is exposed to the promotional message within a specified time period.

**Out-of-Home Media:** Out-of-Home Media refers to that advertising media which targets the consumers when they are out of their home or on the move. Examples of such media are hoardings, mobile billboards, mobile showrooms, etc.

**Media vehicle:** Media vehicle refers to a specific name within the media type. For example Newspaper is a media and ‘Times of India’ and ‘Hindustan Times’ are media vehicles. Similarly Magazine is a media and ‘India Today’ is a media vehicle; Television is a media and ‘Zee News’, ‘Star Plus’ and ‘Discovery Kids’ are media vehicles.

**Circulation:** Circulation of a media vehicle means the number of physical units of the vehicle being distributed.

**Audience:** Audience of a media vehicle means the number of individuals exposed to the media vehicle. Suppose a newspaper is reaching hundred households and on an average five people are reading that newspaper within each household, it will be said that the circulation is one hundred and the audience being reached is five hundred.

**Effective Audience:** Out of all the people exposed to a media vehicle, those people who have the characteristics of the consumers targeted by the company constitute the ‘Effective Audience’.

**Continuity:** Continuity means that advertisement or the promotional messages are evenly spread over a period of time and there is a continuous exposure to the messages during the given time.

**Concentration:** Concentration is a type of promotional scheduling in which the entire promotional budget is spent during a short span of time and all the promotional activities or advertisements are conducted only during a specified time period during the year, thus allowing the remaining year to go without any advertisements.

**Flighting:** In this type of advertisement scheduling or promotional scheduling heavy promotions are conducted for some time followed by a period with no advertisements or promotional activities. This lull period is subsequently followed by another bout of heavy advertising and promotions.

**Pulsing:** In pulsing there are subsequent phases of heavy promotions and low intensity promotions. A wave of heavy intensity promotion is followed by a wave of low intensity promotion which again is followed by heavy promotions. Thus promotions happen ceaselessly but the intensity changes.

**Recall Tests:** It is a type of test used in marketing research, to check what and how much of the company sponsored marketing inputs the consumers are able to remember after being exposed to some marketing stimuli.



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## 19.9 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

Q4. Choose the correct alternative.

- i. Ans: (a) Choosing the value, Providing the Chosen Value and Communicating the value
- ii. Ans: (d) How do we know when we reach there

Q5. Fill in the Blanks with appropriate word or words.

- a. Marketing Promotion is used to communicate the value to the customer..
- b. Public Relation helps in minimising the impact of negative publicity.

### Check Your Progress –B

Q3. MCQs

- i. (b) Flighting
- ii. (d) Method

Q4. Fill in the Blanks with appropriate word or words.

- i. In pulsing there are subsequent phases of heavy promotions and low intensity promotions.

- ii. The number of physical units of the vehicle being distributed is known as the circulation of the media vehicle.



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## 19.10 REFERENCES

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- <http://www.learnmarketing.net/promotion.htm>



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## 19.11 SUGGESTED READINGS

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6. “Strategic Marketing” Musadiq A. Sahaf (Phi)



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## 19.12 TERMINAL QUESTIONS

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- Q1. Discuss how the type of media and media vehicles should be chosen for sales promotion and advertising
- Q2. Give an account of how the effectiveness of sales promotion can be measured.

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## UNIT 20 SALES PROMOTION BUDGET

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### 20.1 Introduction

### 20.2 Objectives

### 20.3 Sales Promotion Budget

### 20.4 Sales Promotion Budgeting Process

### 20.5 Relevance of Sales Promotion Budget

### 20.6 Factors Influencing Budget Allocation for Sales Promotion

### 20.7 Budgeting Approaches/Methods for Sales Promotion

### 20.8 Summary

### 20.9 Glossary

### 20.10 Answer to Check Your Progress

### 20.11 Reference/ Bibliography

### 20.12 Suggested Readings

### 20.13 Terminal & Model Questions

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## 20.1 INTRODUCTION

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In the last unit you have understood how a framework for drawing promotional strategy should be prepared. You also learnt the meaning and relevance of sales promotional strategy and the different types of promotional tools that can be used by a marketer. The unit also taught you the method of formulating the promotional strategy

One of the important steps in formulating the promotional strategy is deciding the budget for the promotional strategy.

In this unit you will learn about the steps in designing the sales promotion budget. From this unit you will also come to know about the factors that influence the budget allocation for sales promotion. By the end of this unit you will be able to explain the different methods/approaches of budget appropriation for sales promotion.

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## 20.2 OBJECTIVES

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After reading this unit you will be able to:

- Understand the Budgetary Process
- Appreciate the factors that influence the allocation of budget for sales promotion.

- Explain the relevance of Sales Promotion Budget.
- Explain the Budgeting approaches for sales promotion.

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## **20.3 SALES PROMOTION BUDGET**

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Sales promotion budget refers to the estimation and allocation of money to be spent on the sales promotion activities over a period of time. The budgetary allocation depends on a number of factors including the affordability of the company, the industry in which the company operates, the size of the company, the stage of the product life cycle of its products, the promotional budget allocated by its competitors, etc.

The length of budget period over which a company does the budget appropriation may be different for different companies. For established companies which have a regular sales and a known sales pattern, sales promotion budget is usually an annual budget. However companies may also go for a budgetary period of three months or six months.

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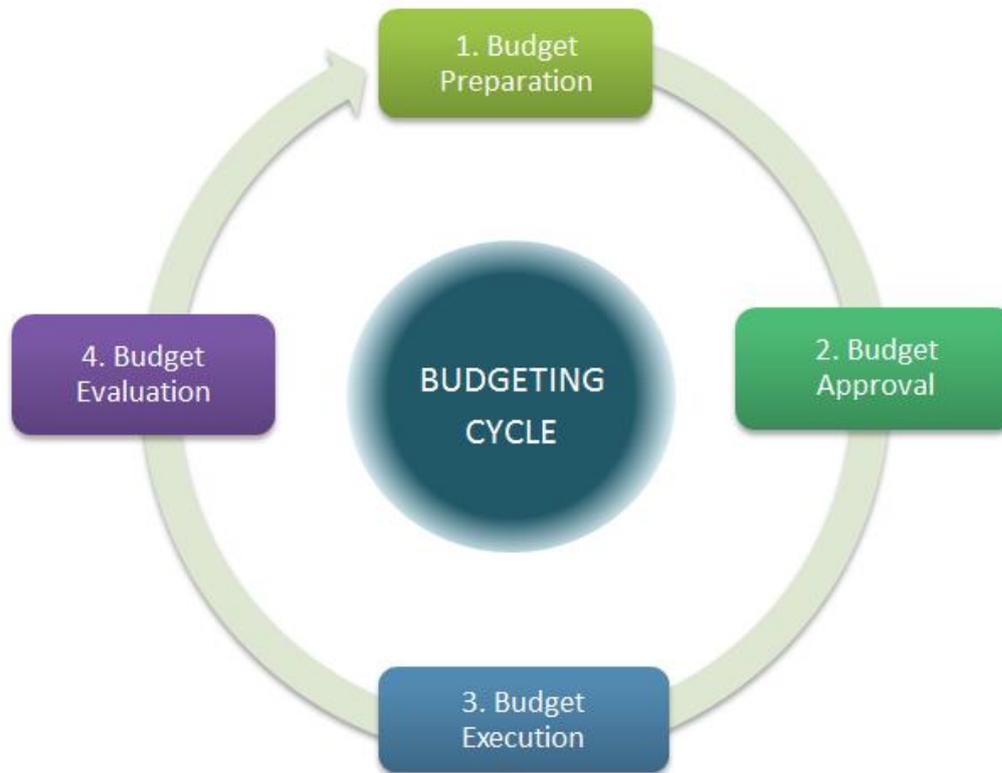
## **20.4 SALES PROMOTION BUDGETING PROCESS**

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The systematic process for deciding and executing the sales promotion budget is referred to as the budgetary process. The term 'budget cycle' is used to refer to the entire period over which the budgetary process is carried out. Thus budget cycle can be defined as the life of the budget from creation or preparation of budget, through its execution to the evaluation of the budget. (Source: <http://yourbusiness.azcentral.com/budget-cycle-2165.html>)

The budgetary process or budget cycle consists of four steps:

1. Budget Preparation
2. Budget Presentation and Approval
3. Budget Execution and
4. Budget Evaluation/Budget Control



**Fig 20.1 Budgeting Cycle**

Source: <http://ukraineseconomysector.com/topic/anti-corruption/budgeting>

- 1. Budget Preparation:** The budget is prepared by the marketing manager in association with the advertising. Inputs for preparation of the budget in terms of promotion required in the market, improvements in the current promotion activities, etc. is obtained from the Marketing Research Department of the company.
- 2. Budget Presentation and Approval:** After the budget has been prepared, the marketing manager presents it for approval to the top management of the company. If satisfied with the proposed budget, the management gives approval for its execution.
- 3. Budget Execution:** After the budget has been approved by the top management, it has to be executed. Execution of the budget involves deciding on the promotional tools, selection of the media types, finalizing the media vehicles to be used and scheduling the promotional activities. The promotional messages, sales promotion activities and campaigns and advertisement copies are also discussed and decided at this point. Services of an advertising agency may be availed by the company for planning and deciding the above mentioned issues.

- 4. Budget Evaluation/Budget Control:** after starting with the promotional activities, the results of the conducted campaigns and activities are evaluated, so as to judge their effectiveness, at regular intervals. During evaluation of the sales promotion campaigns the achieved results are compared with the expected outcome. The purpose is to know whether the allotted budget is sufficient to achieve the promotional objectives. In case of variation from the desired result, the budget is again reviewed and planned.

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## 20.5 RELEVANCE OF SALES PROMOTION BUDGET

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The sales promotion budget provides a guideline to the marketing manager and the advertising manager on the type of promotional activities to be planned, the way they have to be scheduled and executed and on the amount of money that has to be spent in advertising and sales promotion. It provides a framework to the managers and to the advertising agencies working for the company to effectively plan the promotional activities. Promotional budget also determines the type of media that has to be used for promoting the products and services of the company.



### *Check Your Progress-A*

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**Q1. What is sales promotion budget?**

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**Q2. Explain the budgetary process for sales promotion.**

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**Q3. Explain the relevance of sales promotion budget.**

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**Q4. Choose the correct alternative.**

- i. The length of budget period for sales promotion of a company has to be;
  - a. Three Months
  - b. Six Months
  - c. One Year
  - d. Any of the above
  
- ii. Which of the following is not a part of budget cycle
  - e. Preparing the budget
  - f. Seeking Approval for the budget
  - g. Executing the budget
  - h. Raising funds for investment
  
- iii. Which of the following is not true
  - i. Budget helps a manager in planning the sales promotion
  - j. Budget helps a manager in scheduling the advertisements
  - k. Budget helps a manager in choosing the media for sales promotion
  - l. Budget helps a manager in pricing the products

**Q5. Fill in the Blanks with appropriate word or words.**

- i. The period over which the Budgeting Process is carried out may also be referred to as budgeting \_\_\_\_\_.
- ii. In budgeting cycle, the step that comes after budget approval is budget \_\_\_\_\_.

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**20.6 FACTORS INFLUENCING BUDGET ALLOCATION FOR SALES PROMOTION**

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Allocation of budget for sales promotion depends on a number of factors. The factors which should be considered while planning and allocating budget for sales promotion are:

- 1. Stage of Life Cycle of the product:** A product in the early stages of its life cycle requires more promotional support so as to create awareness, knowledge and preference for the product. Thus a bigger budget is needed to promote a product during the introductory phase and during early growth phase. Once a product reaches the end of the growth phase or the maturity phase, it becomes popular and people become well aware of it. The promotional expenditure may be somewhat reduced at these stages. However even at these stages the company needs to keep on reminding the consumers about the brand and to keep some budget for conducting promotional activities so as to reward and retain the loyal consumers.
- 2. Budgeting Cycle:** The length of the budget period impacts the money allotted for the sales promotion budget. If the budget cycle is of one year the budget will be significantly more than that if the budget cycle is of six months.
- 3. Market Share of the Company:** A company with smaller market share is required to spend a greater percentage of its revenue on promotion so as to remain in competition. A company with a bigger share of the market or a company having a monopoly on a market may afford to cut down on its promotional expenditure.
- 4. Overall Size of the Market:** If the overall size of the market is big, the companies operating in that market need to spend more on promotional activities and hence should earmark a greater amount of money for the promotional expenditure.
- 5. Competitors' Spend on Promotions:** In most of the situations competitor parity has to be maintained in case of advertisements and sales promotions. Thus if a company is operating in that industry where the competitors spend a huge amount on promotions, it will also be required to allocate a bigger amount to be spent on promotion of its products and brands.
- 6. Sales Forecast:** The expected volume of sales calculated using historical data and past experience gives an idea about the amount of sales promotion required to achieve the desired results. Thus sales forecast has an important bearing on budget allocation for sales promotion.
- 7. Nature of the product:** If the product sold by the company is highly differentiated, the company can manage with less promotions and advertisements. Hence relatively smaller spends on promotions are required for such differentiated products. However if the product is not significantly differentiated from those of the competitors, more money has to be spent on promoting it to the consumers.
- 8. Affordability:** Affordability, in this context, refers to the ability of the company to spare money to be spent on sales promotion. Before preparing the budget, it is important for a company to contemplate and assess how much it can afford to spend on sales promotion.



### Check Your Progress- B

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**Q1. Enumerate and discuss the factors that influence the allocation of budget for sales promotion.**

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**Q2. How does Product Life Cycle of a company's product influence the sales promotion budget?**

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**Q3. How does Product Characteristics of a company's product influence the sales promotion budget?**

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**Q4. Choose the correct alternative.**

i. Which of the following is true

- a. Sales Promotion budget is influenced by the budgetary cycle
- b. Sales Promotion budget is influenced by the sales forecast
- c. Sales Promotion budget is influenced by the company's market share
- d. All the above

ii. A company can manage with a small sales promotion budget if

- e. The company's product is highly differentiated
- f. The company's product is a 'mee-too' product

- g. The product is a new product
- h. The consumers are not well aware of the product.

**Q5. Fill in the Blanks with appropriate word or words.**

- i. Bigger the length of the budgeting cycle, \_\_\_\_\_ should be the size of the budget.

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## **20.7 BUDGETING APPROACHES/METHODS FOR SALES PROMOTION**

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Deciding how much money should be earmarked for sales promotion is not an easy task. Different companies use different methods of appropriation. Moreover there is no fixed method that can be considered the best or most appropriate for all types of firms and in all types of situations. However there are a few methods which weigh high on merits as compared to others. Broadly speaking, there are two approaches for appropriation of sales promotion budget, the Top Down Method and Bottom Up Method.

- **Top Down Approach:** In the Top Down Method, the budget is first sanctioned by the top management and the promotional activities are decided according to the budget available.
- **Bottom Up Approach:** In the Bottom Up Method, the promotional activities required to be conducted are first determined, their cost is assessed and accordingly the budget is prepared and arrangements are made for getting it sanctioned.

Some specific methods of determining budget appropriation are:

- (1) Affordability Method
- (2) Percentage of Sales Method
- (3) Unit of Sales Method (Fixed Cost per Unit Method)
- (4) Competitive Parity Method
- (5) Objective Task Method
- (6) Arbitrary Allocation Method
- (7) Return on Investment Method

**(1) Affordability Method:** In this method, the amount that the company can afford to spend on advertising and sales promotion is determined and the budget is prepared according to its ability to spend. This method may be used by newer companies with small turnover.

**(2) Percentage of Sales Method:** In this method of budget appropriation, a specific percentage of the past sale or that of the forecasted sale is earmarked as the sales promotion method. If the budget is appropriated on the basis of historical sales data,

the disadvantage with this method is that the earmarked budget will be less than actually required. The advantage is that this method does not unnecessarily lead to advertising wars between the competitors. This method of budgeting is not a very feasible method for newly established companies as these companies do not have any historical sales figure and are may not immediately be in a position to forecast their sales.

- (3) **Unit of Sales Method (Fixed Cost Per Unit Method):** The fixed cost per unit method is a variation of the 'Percentage of Sales' method. In this method, the total number of units of the product to be sold is forecasted. A fixed amount per unit of the product is determined as the sales promotion cost. This amount is multiplied with the forecasted sales and the total budget is obtained.
- (4) **Competitive Parity Method:** The competitive parity method takes into account the percentage of sales revenue spent on sales promotion by the competitors. A similar percentage of the company's sales revenue is then assigned for the sales promotion budget. The disadvantage with this method of budget appropriation is the manager might overlook the actual promotional needs of company.
- (5) **Objective Task Method:** In the 'Objective Task Method' of budgeting, the objectives of sales promotion are determined followed by the assessment of the promotional needs for achieving the stipulated objectives. After figuring out the sales promotional activities and promotional tasks that need to be carried in order to achieve the objectives, an estimation of the cost is done and the budget is designed accordingly. This is a logical method of budget appropriation which can be employed by new companies as well as old and existing companies.
- (6) **Arbitrary Allocation Method:** This is not a scientific method of budget appropriation. In this method of budgeting, the managers concerned make use of their judgement and intuition to decide the budget. Whims and fancies of the managers responsible for allocation of funds for sales promotion may govern the allocation.
- (7) **Return on Investment Method:** In 'Return-on-Investment' method of budgeting, money spent on sales promotion is considered and treated as an investment. Thus like any other investment, the return expected on investment is calculated. Thus in this method, data related to sales and promotional expenditure is gathered and statistical analysis is done in order to ascertain how much amount of sales revenue can be generated on different levels of promotional expenditures. An amount of sales promotion expenditure that is likely to bring in a certain return on promotional money invested is earmarked as the budget.

**Check Your Progress-C**

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**Q1. Explain the Top Down Method and Bottom Up Method for appropriation of sales promotion budget.**

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**Q2. Enumerate the different methods of sales promotion budgeting.**

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**Q3. Differentiate between Affordability Method and Arbitrary Method of budgeting.**

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**Q4. Explain the 'Objective Task Method' of budgeting for Sales Promotion.**

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**Q5. Choose the correct alternative.**

i. Which of the following is a rational method of sales promotion budgeting?

- a. Objective Task Method
- b. Arbitrary Budget Allocation
- c. Affordability Method
- d. All the above

ii. Which of the following method of budgeting take into account the historical sales data?

- a. Arbitrary Method
- b. Objective Task Method

- c. Percentage of Sales Method
- d. All the above

**Q6. Fill in the Blanks with appropriate word or words.**

- i. Unit of Sales method is a variation of \_\_\_\_\_ method.
- ii. 'Objective Task Method' of budgeting is a type of \_\_\_\_\_ approach of budgeting.
- iii. The method of budgeting in which comparison is done with the budget allocation by the competitor is known as \_\_\_\_\_ method.

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## **20.8 SUMMARY**

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Sales promotion budget refers to the estimation and allocation of money to be spent on the sales promotion activities over a period of time. The budgetary allocation depends on a number of factors including the affordability of the company, the industry in which the company operates, the size of the company, the stage of the product life cycle of its products, the promotional budget allocated by its competitors, etc.

### **Relevance of Sales Promotion Budget:**

The sales promotion budget provides a guideline to the marketing manager and the advertising manager on the type of promotional activities to be planned, the way they have to be scheduled and executed and on the amount of money that has to be spent in advertising and sales promotion. Promotional budget also determines the type of media that has to be used for promoting the products and services of the company.

### **Factors Influencing Budget Allocation for Sales Promotion:**

Allocation of budget for sales promotion depends on a number of factors. The factors which should be considered while planning and allocating budget for sales promotion are stage of life cycle of the product, budgeting cycle, market share of the company, overall size of the market, competitors' spend on promotions, sales forecast, nature of the product and affordability.

## Sales Promotion Budgeting Process

The systematic process for deciding and executing the sales promotion budget is referred to as the budgetary process.

Budget cycle can be defined as the life of the budget from creation or preparation of budget, through its execution to the evaluation of the budget.

The budgetary process or budget cycle consists of four steps:

- 1. Budget Preparation:** The budget is prepared by the marketing manager in association with the advertising.
- 2. Budget Presentation and Approval:** After the budget has been prepared, the marketing manager presents it for approval to the top management of the company. If satisfied with the proposed budget, the management gives approval for its execution.
- 3. Budget Execution:** After the budget has been approved by the top management, it has to be executed. Execution of the budget involves deciding on the promotional tools, selection of the media types, finalizing the media vehicles to be used and scheduling the promotional activities.
- 4. Budget Evaluation/Budget Control:** During evaluation of the sales promotion campaigns the achieved results are compared with the expected outcome. The purpose is to know whether the allotted budget is sufficient to achieve the promotional objectives. In case of variation from the desired result, the budget is again reviewed and planned.

## Budgeting Approaches/Methods for Sales Promotion:

Broadly speaking, there are two approaches for appropriation of sales promotion budget, the Top Down Method and Bottom Up Method. In the Top Down Method, the budget is first sanctioned by the top management and the promotional activities are decided according to the budget available. In the Bottom Up Method, the promotional activities required to be conducted are first determined, their cost is assessed and accordingly the budget is prepared and arrangements are made for getting it sanctioned.

Some specific methods of determining budget appropriation are:

- (1) Affordability Method:** In this method, the amount that the company can afford to spend on advertising and sales promotion is determined and the budget is prepared according to its ability to spend. This method may be used by newer companies with small turnover.
- (2) Percentage of Sales Method:** In this method of budget appropriation, a specific percentage of the past sale or that of the forecasted sale is earmarked as the sales promotion method.

- (3) **Unit of Sales Method (Fixed Cost Per Unit Method):** A fixed amount per unit of the product is determined as the sales promotion cost. This amount is multiplied with the forecasted sales and the total budget is obtained.
- (4) **Competitive Parity Method:** The competitive parity method takes into account the percentage of sales revenue spent on sales promotion by the competitors. A similar percentage of the company's sales revenue is then assigned for the sales promotion budget.
- (5) **Objective Task Method:** After figuring out the sales promotional activities and promotional tasks that need to be carried in order to achieve the objectives, an estimation of the cost is done and the budget is designed accordingly.
- (6) **Arbitrary Allocation Method:** In this method of budgeting, the managers concerned make use of their judgement and intuition to decide the budget.
- (7) **Return on Investment Method:** An amount of sales promotion expenditure that is likely to bring in a certain return on promotional money invested is earmarked as the budget.




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## 20.9 GLOSSARY

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**Budget cycle:** Budget cycle can be defined as the life of the budget from creation or preparation of budget, through its execution to the evaluation of the budget.

**Top Down Approach:** In the Top Down Method of budgeting, the budget is first sanctioned by the top management and the promotional activities are decided according to the budget available.

**Bottom Up Approach:** In the Bottom Up Method of budgeting, the promotional activities required to be conducted are first determined, their cost is assessed and accordingly the budget is prepared and arrangements are made for getting it sanctioned.

**Percentage of Sales Method:** In this method of budget appropriation, a specific percentage of the past sale or that of the forecasted sale is earmarked as the sales promotion method.

**Unit of Sales Method (Fixed Cost Per Unit Method):** The fixed cost per unit method is a variation of the 'Percentage of Sales' method. In this method, the total number of units of the product to be sold is forecasted. A fixed amount per unit of the product is determined as the sales promotion cost. This amount is multiplied with the forecasted sales and the total budget is obtained.

**Competitive Parity Method:** The competitive parity method takes into account the percentage of sales revenue spent on sales promotion by the competitors. A similar percentage of the company's sales revenue is then assigned for the sales promotion budget.

**Objective Task Method:** In the 'Objective Task Method' of budgeting, the objectives of sales promotion are determined followed by the assessment of the promotional needs for achieving the stipulated objectives. After figuring out the sales promotional activities and promotional tasks that need to be carried in order to achieve the objectives, an estimation of the cost is done and the budget is designed accordingly.



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## 20.10 ANSWERS TO CHECK YOUR PROGRESS

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### **Check Your Progress –A**

Q4. Choose the correct alternative

- i. (d) Any of the above
- ii. (d) Raising funds for investment
- iii. (d) Budget helps a manager in pricing the products

Q5. Fill in the Blanks with appropriate word or words.

- i. The period over which the Budgeting Process is carried out may also be referred to as budgeting cycle.
- ii. In budgeting cycle, the step that comes after budget approval is budget execution.

### **Check Your Progress –B**

Q5. MCQs

- i. (d) All the above

ii. (a) The company's product is highly differentiated

Q6. Fill in the Blanks with appropriate word or words.

- a. Bigger the length of the budgeting cycle, bigger should be the size of the budget.

### **Check Your Progress –C**

Q5. MCQs

- i. (a) Objective Task Method  
ii. (c) Percentage of Sales Method

Q6. Fill in the Blanks with appropriate word or words.

- i. Unit of Sales method is a variation of Percentage of Sales method.  
ii. 'Objective Task Method' of budgeting is a type of Bottom Up approach of budgeting.  
iii. The method of budgeting in which comparison is done with the budget allocation by the competitor is known as Competitive Parity method.



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## 20.12 SUGGESTED READINGS

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3. “Modern Marketing: Principles and Practice” by RSN Pillai & Bagavathi (2007), S. Chand & Co., New Delhi
4. “Strategic Brand Management- Building, Measuring and Managing Brand Equity” 3rd ed., by Keller, Kevin Lane (2008), Pearson, New Delhi
5. “The New Strategic Brand Management: Creating and Sustaining Brand Equity” by, Jean Noel Kapferer (2004), 1st South Asian ed., Kogan Page India Pvt. Ltd., New Delhi



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## 20.13 TERMINAL QUESTIONS

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- Q1. Explain the meaning and relevance of sales promotion budget.
- Q2. Explain the process of sales promotion budgeting.
- Q3. Discuss the various approaches and methods that can be adopted by a company for allocating budget for sales promotion.

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## **UNIT 21 PUBLIC RELATIONS AND PERSONAL SELLING IN CONTEXT TO ADVERTISING AND SALES PROMOTION**

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### **21.1 Introduction**

### **21.2 Objectives**

### **21.3 Meaning of Public Relation and Personal Selling**

### **21.4 Relevance of Public Relation and Personal Selling**

### **21.5 Public Relation Process**

### **21.6 Personal Selling Process**

### **21.7 Difference between Advertising and Public Relation**

### **21.8 Difference between Advertising and Personal Selling**

### **21.9 Difference between Sales Promotion and Personal Selling**

### **21.10 Summary**

### **21.11 Glossary**

### **21.12 Answer to Check Your Progress**

### **21.13 Reference/ Bibliography**

### **21.14 Suggested Readings**

### **21.15 Terminal & Model Questions**

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## **21.1 INTRODUCTION**

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In the previous unit you understood the budgeting process and the steps in designing the sales promotion budget. The unit also discussed about the factors that influence the budget allocation for sales promotion and you learnt the different methods/approaches of budget appropriation for sales promotion.

Besides sales promotion and advertising, two other important tools of marketing communication are Public Relations and Personal Selling. While personal selling as a communication tool is used to communicate with the consumers, Public Relation is used to communicate with the various stakeholders of the company who are also referred to as the publics of the company.

In this unit you will learn about the specific use of Personal Selling and Public Relation as tools of marketing communication. This unit will help you understand the relevance of both

these tools from the marketing communication mix. After going through this unit you will be able to explain the difference between Sales Promotion and Personal Selling. You will also be able to explain the difference between Advertising and Public Relations.

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## 21.2 OBJECTIVES

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After reading this unit you will be able to:

- Understand the meaning of Public Relations.
- Understand the meaning of Personal Selling.
- Explain the relevance of Public Selling and Public Relations.
- Differentiate between advertising and public relations.
- Differentiate between sales promotion and personal selling.

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## 21.3 MEANING OF PUBLIC RELATIONS AND PERSONAL SELLING

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Public Relations and Personal Selling are two important tools of the marketing communication mix. The other marketing communication tools are advertising, publicity and sales promotion. Each of these tools has to be used in proper coordination and synchronisation with each other so as to result in 'Integrated Marketing Communication'. Like advertising, publicity and sales promotion, public relations and personal selling also serve some specific marketing purpose.

Public Relations is an impersonal communication initiated by a company directed towards the publics of the company with the objective of creating a favourable image of the company and its products in the minds of the publics or with the objective to dispel off any unfavourable image or the impact of some negative publicity against the company. 'Publics' refers to all the entities with whom the company interacts. They may include the following type of entities:

1. **Customers:** These include the current and prospective customers and consumers of the company.
2. **The Trade or Middlemen:** They include the members of the distribution channel of the company and may consist of dealers, distributors, wholesalers and retailers. Agents, franchisees and merchants of the company may also be included in this category.
3. **Suppliers:** Suppliers may be suppliers of raw materials, components and parts required for manufacturing.

4. **Government:** the various government agencies which work in close association with the company or the industry and the regulators which govern the industry or its functioning are included in this category.
5. **Industry Associations:** The industry association to which the company is affiliated or that formulates the policies for the industry and facilitate its functioning also form an important publics for the company.
6. **Non Government Organisations:** Certain NGOs working for a certain cause like environment conservation and preservation, labour rights, children and women welfare, etc are also the publics of the company.
7. **Financial Institutions:** Several banking and non-banking financial institutions are included in this category.
8. **Investors:** Individual or institutional investors who have invested in the company and are interested in the profitable functioning and growth of the company are also very important for the company.

The publics of the company may also be referred to as the stakeholders of the company.

Personal selling refers to the personal communication undertaken by the seller with the buyer with the objective of persuading and convincing the latter to buy the company's goods, services or ideas. This constitutes a very effective tool to be used at the final stages of the sales process wherein the seller gets into a face to face interaction with the buyer. Unlike Advertising or Public Relations, personal selling is a personal communication and at times it may be highly customised to the needs and psychology of the consumer or the buyer. Personal selling as a tool of marketing may be used in consumer markets as well as in institutional markets and industrial markets. Here the communication takes place between the seller and the buyer.

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## 21.4 RELEVANCE OF PUBLIC RELATIONS AND PERSONAL SELLING

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Public relation undertakes the job of strategic communication so as to establish a positive and favourable image of the company and its products in the minds of its stakeholders. It has a very important role to play during periods of crisis created by negative publicity and controversial situations. It takes up the job of damage control and image correction by clarifying its position in situations of controversy, conflict and crisis which otherwise may inflict a serious damage to the brand and the company.

In personal selling, a representative of the company interacts at an individual and personal level with the consumer. Thus it is a one to one communication between the company and the consumer. Many of the personal queries, objections and problems of the customer may be

handled effectively through this method, which other marketing communication tools may not be adept at. Many a times, this tool is essential to be used so as to incite purchase action in those consumers whose interest and desire may have been kindled by other tools of marketing communication.



### *Check Your Progress-A*

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**Q1. What do you understand by Public Relation?**

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**Q2. What is meant by Personal Selling?**

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**Q3. What do you understand by the term ‘Publics’?**

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**Q4. Give an account of the relevance of Public Relation and Personal selling in Marketing.**

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**Q5. Choose the correct alternative.**

i. Who among the following will not be considered as a part of the ‘Publics’ of a publishing company?

- a. Authors
- b. Book Sellers
- c. An illiterate farmer

d. Students

ii. Which of the following is not true?

- a. Public Relation makes a personal form of communication
- b. Public Relation undertakes the job of strategic communication
- c. Public Relation makes an effort to create a favourable image of the company
- d. Public Relation fights negative word-of-mouth

**Q6. Fill in the Blanks with appropriate word or words.**

- i. Personal Selling involves one to one \_\_\_\_\_ between the seller and the buyer.
- ii. The Public Relation department of a company considers its stakeholders as the \_\_\_\_\_ of the company.

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## 21.5 PUBLIC RELATION PROCESS

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The Public Relation process consists of four steps:

- **Research**
- **Action**
- **Communication and**
- **Evaluation**

Scott Cutlip and Alan Center used the acronym RACE to refer to and easily remember these four steps of Public Relation Process.

(Source: [https://www.nku.edu/~turney/prclass/readings/process\\_acronyms.html](https://www.nku.edu/~turney/prclass/readings/process_acronyms.html))

1. **Research:** The first step for effective Public Relation is to study and understand the situation facing the company, find out how the situation happened, know who is responsible for the situation and understand the nuances, intricacies and implications of the situation.
2. **Action:** After appreciating the situation, a Public Relation Manager or the Public Relation Officer is supposed to chalk out a plan of action and make arrangements for the implementation of the plan. The plan of action should include details about the issues that need to be handled and the method in which the issues would be handled. It should also include details about the target audience and how and when the target audience would be reached.

3. **Communication:** At this stage, the message to be communicated to the public has to be structured and designed. The available media has to be identified and the media which would be able to serve the objective is chosen. Decision has to be taken regarding the specific media vehicles and channels to be used.
4. **Evaluation:** After implementation of the Public Relation plan, the progress and result has to be evaluated. The preceding three steps are evaluation to find out how the process affected the public and their perception of the company. Completion of this step again takes the PR executive to the first step of the Public Relation process.

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## 21.6 PERSONAL SELLING PROCESS

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Personal selling involves grabbing the interest of the consumer, making him interested in the product being sold and finally convincing and persuading him to buy. To be able to sell effectively one needs to understand not only the products and its features but more importantly the consumer and his needs. Thus for a sales executive it is very important to understand the psychology of the buyer and the stages through which he goes before making a purchase decision.

A consumer goes through a series of cognitive (thought related) and affective (emotion related) stages before he finally purchases a product. A good sales executive always guides a prospective buyer through these different stages. These stages are generally expressed in the form of the acronym **AIDA** which stands for Attention, Interest, Desire and Action.

- **Attention:** At the outset of his sales presentation, the sales executive should be able to grab the attention of the consumer so that the consumer is attentive to what the sales person is going to say or demonstrate.
- **Interest:** Once the sales person has grabbed the attention of the consumer, he should make an effort to generate an interest in the sales talk and the product being sold. This can be done by quickly identifying the needs of the consumer or the problems faced by him and proposing a unique solution to his problem. The art of effective listening also helps at this stage.
- **Desire:** After creating an interest, an attempt should be made by the seller to inculcate a desire in the consumer for the product. The desire can be kindled by showing some unique benefits and advantages that the consumer would get by buying the product at that point of time.
- **Action:** If the consumer gets a genuine interest in the product and experiences a strong desire for it, the consumer goes for the purchase of the product. At this stage the assistance from the salesman and a positive reinforcement from him leads to the purchase action of the buyer.

(<http://changingminds.org/disciplines/sales/methods/aida.htm>)

To guide the buyer through the above mentioned stages of purchase decision, the sales professional has to move through a systematic process of selling. This systematic process of selling consists of seven steps:

1. **Prospecting:** The process of identifying and assessing who can be the customers of the company is known as Prospecting. This is the first requirement before making the preparations for sales. In this step, the characteristics of the 'suspects' (ie, people who might qualify to be the potential customers), their needs, their chances of being benefitted by the product and their ability and willingness to buy the product is assessed.
2. **Pre-Approach:** Before the prospects are approached by the sales professional for making a sales call or a sales presentation, he is expected to make some basic preparation which would make him ready for an effective sales presentation. The Pre-Approach includes making preparation related to the following:
  - a. **Company Knowledge:** Gathering relevant and useful information about the company which the sales person would be able to use in his presentation or in answering customers' queries. Having knowledge about the unique and distinctive features of the company, its values, mission, vision, history, achievements and contribution helps the sales person.
  - b. **Competitor Knowledge:** Knowing about the competitors and their offerings helps the sales professional to properly compare and position the products against the competitors. It gives him a ground from where to pitch the products.
  - c. **Product Knowledge:** Knowing the well make the sales professional better equipped to demonstrate the product and exhibit its benefits to the customer. Good product knowledge is absolutely essential for handling the queries of the customers. The sales professional must remain well informed about the following:
    - i. **Features:** The physical feature and characteristics of the product which make it different from the competitors and superior to the other products available to the customers.
    - ii. **Advantages:** What are the advantages of using the product and why it is functionally more useful than the competitors' products.
    - iii. **Benefits:** What benefits can the customer derive from the use of the product and what types of problems can he expect to be solved through its use.

In sales, **FAB** is often used as an acronym to refer to **Features, Advantages and Benefits** offered by the product.

- d. Customer Knowledge:** A good sales talk can only be planned when the sales professional knows the customer very well. Understanding the customer means knowing his demographic profile, understanding his lifestyle and values, knowing his needs, motives and attitude and understanding his purchase behavior and preferences and product preferences.
- 3. Approach:** Approach refers to the right and effective way of approaching the prospect before and during the sales call. It includes using an appropriate method of seeking an appointment, the right way to enter into the client's or the prospects room or meeting place, method of courteously addressing the prospect, proper method of starting the conversation and of opening the sales talk and the method of conducting oneself during the sales talk.
- 4. Presentation:** Presentation should essentially be in a lucid language with ample of illustrations and demonstrations whenever required. Presentation may be a simple verbal presentation or an audio-visual presentation. For sophisticated and technology intensive products, an audio-visual presentation is always more effective, useful and desirable. Before beginning a presentation, it is important to make the audience feel comfortable and relaxed. This can be done by talking about some common areas of interest, or things which interest the prospect or by encouraging the prospect to talk about his concerns and expectations.

At this stage also the **FAB Technique** discussed above can be used to the advantage of the sales professional.

- 5. Handling Objections:** Objections raised by the prospect during the presentation or after it, give the sales person an opportunity to tackle the concerns of the prospect and to modify his sales pitch and sales talk accordingly. Adept handling of objections and queries bring the prospect closer to the final purchase. Thus a good sales executive looks at an objection as more of an opportunity than a difficulty.
- 6. Closing the Sale:** Closing the sale refers to the confirmation and assurance to the sales person that the sales presentation has been understood properly by the audience. It implies that the customer is going to buy the product and the transaction is taking place.
- 7. Follow-Up:** Closing the sale is not the culmination of the sales process. After a product has been purchase by the customer, he might experience some dissatisfaction or dissonance. If his dissonance or dissatisfaction is not handled by the company at this stage it might aggravate the may decide not to buy from the company in the future and may even spread a negative word of mouth. Thus after the sale has been made, the sales person should remain in touch with the customer so as to get his feedback and resolve his problems, if any.

(Source: <http://www.redsmarketingtips.com/personal-sales/18-the-8-step-personal-selling-process>)



**Check Your Progress-B**

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**Q1. Explain the meaning and relevance of AIDA in the context of Personal Selling.**

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**Q2. Give a detailed account of the selling process.**

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**Q3. Explain the process of Public Relation.**

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**Q4. Choose the correct alternative.**

i. Which of the following is not a part of the Public Relation Process?

- a. Research
- b. Action
- c. Communication
- d. Closing the sale

ii. Which is meant by the acronym FAB?

- a. Feature, Association and Benefit
- b. Feature, Advantage and Benefit
- c. Facilities, Advantage and Benefit
- d. Feature, Advantage and Behaviour

**Q5. Fill in the Blanks with appropriate word or words.**

i. The acronym 'AIDA' stands for Attention, Interest, Desire and \_\_\_\_\_.

- ii. The process of identifying and assessing who can be the customers of the company is known as \_\_\_\_\_.
- iii. Pre-Approach includes making preparation related to Company Knowledge, Product Knowledge, Customer Knowledge and \_\_\_\_\_ Knowledge.

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## 21.7 DIFFERENCE BETWEEN ADVERTISING AND PUBLIC RELATIONS

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Advertising and Public relation are part of the marketing communication tools. Both are non-personal form of communication and both make use of the mass media. The differences between these two promotional tools are explained in the table 21.1 given below:

**TABLE 21.1: DIFFERENCE BETWEEN ADVERTISING AND PUBLIC RELATION**

	<b>ADVERTISING</b>	<b>PUBLIC RELATION</b>
1.	Advertisements are generally targeted towards current and prospective customers	Public Relation messaged may be targeted towards a wide variety of publics
2.	The objective of advertisements is to persuade the consumers to buy, to remind them about the company's product or brand and to make comparison with the competitors	The objective is to create a favourable image of the company or its brands or to dispel any unfavourable image or negative publicity against the company or its products or to clarify the position of the company.
3.	Advertisements may make use of a wide range of media types	Public Relation messages are usually broadcast using the print media (like newspaper and magazines) and electronic media (like radio and television)
4.	Advertisement messages make use of emotional, rational and hedonistic appeal	Public Relation messages generally make use of the rational appeal.
5.	An advertisement message is generally broadcasted for a long period of time.	A Public Relation message is broadcasted till the issue lasts.

## 21.8 DIFFERENCE BETWEEN ADVERTISING AND PERSONAL SELLING

Both advertising and personal selling play a very important role in communicating with the current and prospective consumers. Both are the part of communication mix. The differences between advertising and personal selling are explained in table 21.2 :

**TABLE 21.2: DIFFERENCE BETWEEN ADVERTISING AND PERSONAL SELLING**

	ADVERTISING	PERSONAL SELLING
1.	Advertisement is used to communicate to large group	Personal selling is used to communicate individually and to small groups
2.	It is a non-personal form of communication	It is a a personal form of communication
3.	It is difficult to measure the effectiveness of advertising	Sales people usually receive immediate feedback
4.	People may forget the advertisements	It is an intense and persuasive means of communication. Getting rid of sales people may at times be difficult for the prospective consumers
5.	It is not interpersonal and are considered to be effective when population is large and scattered	It is interpersonal in nature and is found to be more effective when population is concentrated

Source: Agarwal, P.K. (2007), Advertising Management An Indian Perspective, Pragati Prakashan, Meerut

## 21.9 DIFFERENCE BETWEEN SALES PROMOTION AND PERSONAL SELLING

The differences between sales promotion and personal selling are explained in table 21.3 :

**TABLE 21.3: DIFFERENCE BETWEEN SALES PROMOTION AND PERSONAL SELLING**

	SALES PROMOTION	PERSONAL SELLING
1.	Sales Promotion is generally a non-	Personal Selling is a personal form of

	personal form of communication	communication
2.	Sales promotion efforts may be targeted towards the consumers, marketing intermediaries or the sales force	Personal Selling efforts are targeted towards the consumers or marketing intermediaries.
3.	Sales Promotion campaigns usually last for a short duration of time.	Personal Selling is a continuous process.
4.	Sales Promotion tactics help in drawing the consumers to the point of purchase.	Personal Selling tactics are used on the consumers who have arrived at the point of purchase.
5.	Measuring Sales Promotion results are relatively difficult.	Personal selling efforts bring immediate feedback and results.



### *Check Your Progress-C*

#### **Q1. Differentiate between advertising and public relation.**

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#### **Q2. Differentiate between sales promotion and personal selling.**

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#### **Q3. Mention two points of similarity between advertising and public relation.**

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#### **Q4. Choose the correct alternative.**

- i. Which of the following is not true?
  - a. Advertisements are generally targeted towards current and prospective customers

- b. Advertisement messages make use of emotional, rational and hedonistic appeal
  - c. Public Relation messages generally make use of the rational appeal.
  - d. Public Relation messages make use of emotional, rational and hedonistic appeal.
- ii. Which of the following is not true?
- a. Sales Promotion is generally a non-personal form of communication
  - b. Personal Selling is a personal form of communication
  - c. Personal Selling tactics are used on the consumers who are present at the point of purchase
  - d. Personal Selling is a non personal form of communication

**Q5. Fill in the Blanks with appropriate word or words.**

- i. Personal selling is a \_\_\_\_\_ form of marketing communication.
- ii. Measuring advertising effectiveness is difficult but personal selling gives \_\_\_\_\_ feedback and results.
- iii. Advertising is used to communicate to \_\_\_\_\_ groups but personal selling is used to communicate to individuals or \_\_\_\_\_ groups.

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## **21.10 SUMMARY**

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Public Relations and Personal Selling are two important tools of the marketing communication mix.

Public Relations is an impersonal communication initiated by a company directed towards the publics of the company with the objective of creating a favourable image of the company and its products in the minds of the publics or with the objective to dispel off any unfavourable image or the impact of some negative publicity against the company. 'Publics' refers to all the entities with whom the company interacts.

The publics of a company may be its customers, the middlemen of the company, its Suppliers, the Government, various Industry Associations, Non Government Organisations, banking and non-banking financial institutions and the Investors. The publics of the company may also be referred to as the stakeholders of the company.

Personal selling refers to the personal communication undertaken by the seller with the buyer with the objective of persuading and convincing the latter to buy the company's goods,

services or ideas. This constitutes a very effective tool to be used at the final stages of the sales process wherein the seller gets into a face to face interaction with the buyer.

**Relevance of public relations:** Public relation undertakes the job of strategic communication so as to establish a positive and favourable image of the company and its products in the minds of its stakeholders. It takes up the job of damage control and image correction by clarifying its position in situations of controversy, conflict and crisis which otherwise may inflict a serious damage to the brand and the company.

**Relevance of personal selling:** Many of the personal queries, objections and problems of the customer may be handled effectively through the personal selling method, which other marketing communication tools may not be adept at. Many a times, this tool is essential to be used so as to incite purchase action in those consumers whose interest and desire may have been kindled by other tools of marketing communication.

## PUBLIC RELATION PROCESS

The Public Relation process consists of four steps: Research, Action, Communication and Evaluation.

- 1. Research:** The first finds out how the situation happened, know who is responsible for the situation and understand the nuances, intricacies and implications of the situation.
- 2. Action:** A Public Relation Manager or the Public Relation Officer chalks out a plan of action and make arrangements for the implementation of the plan.
- 3. Communication:** The message to be communicated to the publics is structured and designed at this stage.
- 4. Evaluation:** After implementation of the Public Relation plan, the progress and result is evaluated.

## PERSONAL SELLING PROCESS

Personal selling involves grabbing the interest of the consumer, making him interested in the product being sold and finally convincing and persuading him to buy.

A consumer goes through a series of cognitive (thought related) and affective (emotion related) stages before he finally purchases a product. A good sales executive always guides a prospective buyer through these different stages. These stages are generally expressed in the form of the acronym **AIDA** which stands for Attention, Interest, Desire and Action.

To guide the buyer through the above mentioned stages of purchase decision, the sales professional has to move through a systematic process of selling. This systematic process of selling consists of seven steps:

1. **Prospecting:** The process of identifying and assessing who can be the customers of the company is known as Prospecting.
2. **Pre-Approach:** Before the prospects are approached by the sales professional for making a sales call or a sales presentation, he is expected to make some basic preparation which would make him ready for an effective sales presentation. The Pre-Approach includes making preparation related to **Company Knowledge, Competitor Knowledge, Product Knowledge and Customer Knowledge.**
3. **Approach:** It includes using an appropriate method of seeking an appointment, the right way to enter into the client's or the prospects room or meeting place, method of courteously addressing the prospect, proper method of starting the conversation and of opening the sales talk.
4. **Presentation:** Presentation should essentially be in a lucid language with ample of illustrations and demonstrations whenever required. Presentation may be a simple verbal presentation or an audio-visual presentation.
5. **Handling Objections:** Adept handling of objections and queries bring the prospect closer to the final purchase. Thus a good sales executive should look at an objection as more of an opportunity than a difficulty.
6. **Closing the Sale:** Closing the sale refers to the confirmation and assurance to the sales person that the sales presentation has been understood properly by the audience. It implies that the customer is going to buy the product and the transaction is taking place.
7. **Follow-Up:** After the sale has been made, the sales person should remain in touch with the customer so as to get his feedback and resolve his problems, if any.



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## 21.11 GLOSSARY

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**Public Relation:** Public Relations is an impersonal communication initiated by a company directed towards the publics of the company with the objective of creating a favourable image of the company and its products in the minds of the publics or with the objective to dispel off any unfavourable image or the impact of some negative publicity against the company.

**Publics:** Publics refers to all the entities with whom the company interacts. They may include customers, the middlemen of the company, its Suppliers, the Government, various Industry Associations, Non Government Organisations, banking and non-banking financial institutions and the Investors.

**Personal selling:** Personal selling refers to the personal communication undertaken by the seller with the buyer with the objective of persuading and convincing the latter to buy the company's goods, services or ideas.

**RACE:** RACE is an acronym used to refer to the four steps of Public Relation Process which are Research, Action, Communication and Evaluation

**AIDA:** A consumer goes through a series of cognitive (thought related) and affective (emotion related) stages before he finally purchases a product. These stages are generally expressed in the form of the acronym **AIDA** which stands for Attention, Interest, Desire and Action.

**Prospecting:** The process of identifying and assessing who can be the customers of the company is known as Prospecting.

**FAB:** In sales, **FAB** is often used as an acronym to refer to **Features, Advantages and Benefits** offered by the product.

**Closing the Sale:** 'Closing the sale' refers to the confirmation and assurance to the sales person that the sales presentation has been understood properly by the audience.



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## 21.12 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

Q5. Choose the correct alternative.

- i. (c) An illiterate farmer
- ii. (a) Public Relation makes a personal form of communication.

Q6. Fill in the Blanks with appropriate word or words.

- i. Personal Selling involves one to one communication between the seller and the buyer.
- ii. The Public Relation department of a company considers its stakeholders as the publics of the company.

### Check Your Progress –B

Q4. MCQs

- i. (d) Closing the sale
- ii. (b) Feature, Advantage and Benefit

Q5. Fill in the Blanks with appropriate word or words.

- i. The acronym 'AIDA' stands for Attention, Interest, Desire and Action.
- ii. The process of identifying and assessing who can be the customers of the company is known as Prospecting.
- iii. Pre-Approach includes making preparation related to Company Knowledge, Product Knowledge, Customer Knowledge and Competitor Knowledge.

### **Check Your Progress –C**

Q4. Choose the correct alternative.

- i. (d) Public Relation messages make use of emotional, rational and hedonistic appeal
- ii. (d) Personal Selling is a non personal form of communication

Q5. Fill in the Blanks with appropriate word or words.

- i. Personal selling is a personal form of marketing communication.
- ii. Measuring advertising effectiveness is difficult but personal selling gives immediate feedback and results.
- iii. Advertising is used to communicate to large groups but personal selling is used to communicate to individuals or small groups.



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## **21.13 REFERENCES**

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- Agarwal, P.K. (2007), *Advertising Management*, 5<sup>th</sup> ed., Pragati Prakashan, Meerut
- Kotler, Philip (1996), *Marketing Management Analysis, Planning, Implementation, and Control*, 8<sup>th</sup> ed. New Delhi, PHI, pp. 444-445

- Kotler, Philip, Keller, Kevin Lane, Koshy, Abraham, & Jha, Mithileshwar (2007), *Marketing Management-A South Asian Perspective*, 12<sup>th</sup> ed., Pearson Prentice Hall, New Delhi, pp. 254-257, 288-295
- <http://changingminds.org/disciplines/sales/methods/aida.htm>
- <http://www.redsmarketingtips.com/personal-sales/18-the-8-step-personal-selling-process>
- [https://www.nku.edu/~turney/prclass/readings/process\\_acronyms.html](https://www.nku.edu/~turney/prclass/readings/process_acronyms.html)




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## 21.14 SUGGESTED READINGS

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1. “The New Rules of Marketing and Pr: How To Use Social Media, Online Video, Mobile Applications, Blogs, News Releases, And Viral Marketing To Reach Buyers Directly” Ed. 5, By David Meerman Scott, Publisher: Wiley
2. “Crystallizing Public Opinion” By Edward Bernays, Publisher: Ig Pub
3. “The Art of Crisis Leadership: Save Time, Money, Customers and Ultimately Your Career” By Rob Weinhold (2016), Publisher: Apprentice House
4. “The Tipping Point: How Little Things Can Make A Big Difference” By Malcolm Gladwell, Publisher: Little, Brown Book Group
5. “Advertising and Public Relations Research” Ed. 2, By Donald W. Jugenheimer, Publisher: Routledge
6. “Sales Management”, Ed. 5, By Richard R. Still , Edward W. Cundiff & Norman A.P. Govoni, Publisher: Phi Learning Pvt. Ltd
7. “Personal Selling” By M. C. Cant And C.H. Van Heerden, Publisher: Juta Legal and Academic Publishers
8. “Marketing Management: Analysis, Planning & Control” By Philip Kotler (1996), Phi, New Delhi




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## 21.15 TERMINAL QUESTIONS

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- Q1. Give a detailed description of the role that Personal and Public Relation play in marketing.
- Q2. Explain the process of Personal Selling.
- Q3. Explain the process of Public Relation.

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## **UNIT 22 SALES PROMOTION DESIGN ISSUES**

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### **22.1 Introduction**

### **22.2 Objectives**

### **22.3 The Promotion Mix**

### **22.4 Determination of the Promotion Mix**

### **22.5 The Promotion Budget**

### **22.6 Role of Communication in Promotion in Marketing**

### **22.7 Planning Sales Promotion**

### **22.8 Towards Promotional Strategy**

### **22.9 Legal Issues in Sales Promotion**

### **22.10 Summary**

### **22.11 Glossary**

### **22.12 Reference/ Bibliography**

### **22.13 Suggested Readings**

### **22.14 Terminal Questions**

### **22.15 Case study**

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## **22.1 INTRODUCTION**

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In marketing, promotion has a very important place. It is that function of marketing which is charged with the job of informing the target customer about the different type of the firm's products and services, their distinctive benefits, uses and features as well as the price and place where they would be available in the market-place. Notwithstanding the continuing debate whether promotion is the former element of the marketing mix or the last, the fact remains that sound management of the marketing function is dependent on the effective management of its promotion function. With the increasing competition in the market place as well as the customers becoming very well informed and becoming choosier it is very important now that marketing promotions of the exact kind only are made to the accurate group of target buyers. In order to understand how the promotion function can be managed effectively the planning and design of sales promotion should be done carefully.

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## 22.2 OBJECTIVES

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After finishing this unit you will be able to comprehend

- Promotion mix
- Promotion budget
- Sales promotion design
- Planning strategy of sales promotion
- Legal issues in sales promotion

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## 22.3 THE PROMOTION MIX

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In our daily lives we are all open to the various elements of promotion aimed at communicating one thing or the other. To exemplify this while at home we come across various advertisements while watching TV, reading a newspaper, listening to radio or even examining the water, electricity or telephone, bills. We come across various promotions while we are travelling like communications on bus panels, posters and banners, roadside hoardings, etc. At the retail stores these take the shape of traffic builders, product displays, hangers, etc, all giving out information concerning to a specific product of a company.

The above mentioned examples are just a few types of the different promotion tools available to the marketer. Before going on further, let us take a look at the definitions of the four major methods of promotion. These are: advertising, personal selling, sales promotion and publicity. The committee on Definitions of the American Marketing Association defined these components as follows

**Advertising:** Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. It includes the use of such media as magazines, newspapers, outdoor posters, direct mail novelties, radio, television, bus posters, catalogues, directories, programmes and circulars.

----- American Marketing Association

**Personal selling:** Oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales.

----- American Marketing Association

**Sales promotion:** Those marketing activities--other than personal selling, advertising, and publicity--that stimulate consumer purchasing and dealer effectiveness such as displays,

shows and exhibitions, demonstrations, coupons, contests, and other non-routine selling efforts. These are usually short-term activities.

----- American Marketing Association

Publicity: Non-personal stimulation of demand for a product, service or business unit by generating commercially significant news about it in published media or obtaining favourable presentation of it on radio, television or stage. Unlike advertising, this form of promotion is not paid for by the sponsor.

----- American Marketing Association

The below mentioned table lists the advantages and disadvantages of the a variety of components of promotion.

**Table 1: Relative Advantages and Disadvantages of Promotional Components**

Promotional Component	Scope	Cost	Advantages	Disadvantages
Advertising	Mass	Relatively inexpensive per contact	Allows expressiveness & control over message	Hard to measure results
Personal selling	Personal	Expensive per contact	Permits flexible presentation and gains immediate response	Costs more than all other forms per contacts
Sales promotion	Mass	Can be costly	Gains attention and has immediate effect	Easy for others to imitate
Publicity	Mass	Inexpensive	Has high degree of credibility	Not as easily controlled as other forms

Source: Adapted from David J. Rachman and Elaine Romano, *Modern Marketing* (Dryden, 1980), p. 450.

**Table 22.1 Relative advantages and disadvantages of Promotional Components**

Packaging, public relations and function of other elements of marketing mix in promotion: Although definitions differ about the number of components that constitute promotion, marketing practice brings out that almost all marketing activities persuade the promotion function. Especially, packaging performs the promotion function in addition to providing protection to the product. By introducing creativity in package design, the product can enhance the 'pick-me-up' appeal and also facilitate to converse its features, uses and benefits more efficiently. With the introduction of innovative packages in the field of consumer goods the promotion aspect of packaging is on the upsurge of revolution in India in the present days. For example, the tetra pack of milk, a fruit juice etc is an innovative idea which enhances the shelf life of the product.

Public relations also perform an essential role in promotion as it helps to create a favorable image of the firm and allow the public to experience better satisfaction in dealing with the firm. The other ways which contribute to the promotion function of the firm are high and reliable product quality, provision of better customer service and price promotions. These are a way of increasing short-term sales and improving the compatibility between the character of distribution outlets and the product.

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## **22.4 DETERMINATION OF THE PROMOTION MIX**

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Marketers hardly ever rely on only one type of promotional method. They make use of two or more methods to achieve promotion and marketing objectives. When a firm makes use of more than one promotion method for one product, the diverse promotion methods used constitute the promotion mix for that product. For example, prime time advertisements in TV, newspaper and fashion magazines, various social networking sites like Facebook and Twitter constitute the promotion mix of Pochampally handlooms, and various industry magazines, participation in national and international exhibitions of automobile spare parts constitute the promotional mix of Sundaram Motors .

Promotion function being associated with the ever varying market environment is a very active and dynamic function. The promotion mix, thus, acquires the aspects of vitality and varies from product to product and over a period of time. The problems faced in the determination of the promotion mix are quite similar to the problems faced by a marketer in the determination of the best possible marketing mix. The task involved is rather more difficult due to cross-substitutability of a range of promotion methods (i.e., each method is able to achieve what the other method may attain) thereby making the measurement of promotional effectiveness more complex. In spite of these difficulties, the factors which are mentioned below act as the major determinants of the promotion mix.

1. The different types of the products
2. The dynamics of the Market
3. The stage of the product in Product life-cycle
4. Budget availability, and
5. Company strategy.

These determinants are briefly discussed.

The different types of the products: In terms of the promotion task involved the type of product has the major control on the promotion-mix. For example, a low priced and regularly purchased consumer convenience products like detergents, face creams or moisturisers need repeat messages that influence and remind the existing consumers, and persuading the new consumers, to use in a mass manner and at a very high frequency. Newspaper, magazine, TV

advertisements, and Cinema Slides, offer of incentives to consumers and organisation of contests will, therefore, compose the 'promotion mix' of such consumer goods. Now let us think of an industrial-product say a special purpose conveyor belt, which has a high unit value, is highly technical in nature, is purchased infrequently and requires demonstration and assurance before it gets sold. Personal selling, quite obviously, becomes essential for such a product along with organising product demonstrations and exhibitions, holding seminars, etc. These then form the promotion mix in the case of an industrial good with newspaper advertising playing only the partial role of keeping the public informed about the company's activities and accomplishments. Publicity however, to the extent it projects the desired image of the company plays a more significant role.

**The dynamics of the Market:** The characteristics of the customers, the requirements of wholesalers and retailers, and the seriousness of competition in the market place influence the promotion mix relating to the product in their own way. For example, if the target audience of a consumer product is both huge as well as widely spread in different parts of the country, sales promotion and advertising emerge to be more useful and economical promotional methods than the others. That is why advertising and sales promotions are very much leading among consumer goods companies. Personal selling also has a part to play among consumer goods companies but partial mainly to wholesalers and retailers who receive greater focus for activities such as pushing inventories, conducting displays, etc.

**The stage of the product in Product life-cycle:** The promotional mix of the product changes with its progress from one stage to the other in its life-cycle. For example, when the product is in the introductory and early growth stages, the tasks involved are that of building and encouraging trials of the product, the promotion mix consists of publicity, informative advertising, consumer sales promotions and trade deals. Later, as the product reaches the maturity stage, the goals of maintaining brand loyalty and creating brand preferences become more significant, aggressive brand advertising and dealer promotions become the main elements of the promotion mix.

**Budget availability:** Every method of promotion has certain costs associated with it. The promotion budget of the firm, the level at which each promotion method is to be used is dependent on the selection of the promotion mix. Firms with little promotional budgets have to be satisfied with more localised area activity, using dealer displays, writings on walls, personal selling, and other less refined methods. The minimum threshold level must always be exceeded which needs to be emphasised for the promotion function to be effective.

**Company strategy:** In the final analysis an aggregate, consideration of the above four determinants combined with the company's own marketing and promotion policy determines

the mix of promotion. The conviction of the top management in the role of promotion and its different components, the product market strategy, and the type of corporate image it wants to project are the important factors to be included in the company policy. For example, a company which uses push strategy might still believe in keeping a high profile in public and thus may go for extensive publicity and advertising programmes. Yet another company in the same industry may rely more on personal selling, and continue to develop by maintaining its promotions at low key.

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## 22.5 THE PROMOTION BUDGET

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The budget set for promotion influence the level of promotional activity as well as the promotion mix used by the firm. Budgeting for promotion is yet another area where a lot of prejudice prevails regarding what is the right amount to be spent on the promotion function. A clear cut relationship between the expenditure spent on promotion and the achievement of promotion objectives is made according to certain rules of the thumb. These are:

- Incremental promotional expenditure leads to increasing sales to a certain extent.
- A minimum level of promotion activity must be exceeded for promotion to have a significant effect. Often such a minimum level of promotion is set by the competitor or more aptly by an average player in the industry.
- When Promotional activities are well integrated with other elements of the marketing mix they produce more than the expected results.

In the area of promotion budgeting many attempts have been made to shed light on the inherent uncertainty surrounding the cause-effect relationship of the promotion objectives set and sales achieved. A few noteworthy attempts have been made by the economists in terms of application of marginal cost and marginal revenue principle (additional promotional expenditure and additional revenue and profits made) and also by market researchers through experimentation and model building approaches. The findings suggest that results of the promotion function need to be constantly monitored in order to establish more reliable parameters of cost-benefit relationships. Further, cost-benefit analysis should be done before finalizing the promotion budget is by using any one of the following methods. These methods include percentage-of-sales method, fixed-sum per unit, affordable funds, competitive parity, and objective and task method.

**Percentage-of-Sales:** In this method promotion budget is determined based on the appropriation to a fixed percentage of sales of the company products. The sales may relate to the previous year, or an average of sales of the previous few years, projected sale of the next year or years. Though this method is simple to use it fails to account for the changing promotional costs, and relating to the product-market needs. If the sales curve of a company is not even, difficulties are faced resulting in lower outlays for the years that follow the bad sales years. The forecasted sales realizations remain uncertain. This have been made by the

adjustment provision of a fixed percentage to the average expenditure of the past (that is last year plus 20%), or use of this method in combination with the others are discussed below.

**Fixed-sum per unit:** Very much like the percent-of-sales, in this method the promotion budget is determined by allocating a fixed amount of money per unit of product for either past or future sales or a combination of the two. The only In this method the base for budgeting, is the number of product units sold or targeted to be sold instead of being rupee sales, which is the only differentiating point from the percentage-of-sales method. This method thus, has almost the same strengths and weaknesses as the ones associated with percent-of-sales method, namely, simplicity in the determination but there is uncertainty in arriving at the percentage or per unit allocation.

**Affordable funds:** In this method it is necessary to think that promotion expenditure is one of those business costs which the top management thinks that it is desirable or avoidable as per the ease of the top management, the funds for promotion are appropriated on discretionary basis under this method. No wonder that companies adopting this method find their promotion budget changing from year to year depending on how the top management thinks for the year.

**Competitive parity method:** In this method, the budget determination is based on what the competitors are likely to allocate in terms of funds. Being a little more market-oriented method than the ones' discussed so far, it becomes a good norm to moderate the promotion expenditure of the company based on the average of the industry promotion expenditure.

**Objective and task method:** This is one of the most technical methods of determining the budget. It approaches the budget exercise by first setting the exact objectives to be achieved. It then identifies the tasks involved in achieving the said objectives followed by taking the costs involved in the performance of each task required. The result of the exercise is an estimation of the amount required for accomplishing the set promotion goals.

For example: Typical objectives might be to increase awareness by 15% or increase recall of the message by 25%. Indeed, it is a good method as far as promotion budgeting for new products is concerned, or when a new thrust to the image of a company and its products is to be provided.

This method presupposes that realistic objectives are set and promotion results can be measured precisely. These assumptions continue to be the focus of never-ending debate at one end, and of quest to research on the other. It is as a result of the continuing research that some models for promotion budgeting has been developed and is now being refined to be of practical utility to the marketer.

**The practice:** Most companies make use of more than one method for determining the promotion budget. The research into the practices of these companies in India in this

perspective revealed the above finding. Among the individual methods used "affordable funds" method has come out as the most popular one. On the other hand there were quite a few companies which had started using the objective and task method in setting their promotion budget either exclusively or in combination with other methods. The companies which are practicing this approach were dealing in consumer goods.

The practices of the companies using a combination of these methods for setting promotion budget pointed to the efforts they were putting in to gather cutthroat promotion outlays and its apportioning to various promotion components.

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## **22.6 ROLE OF COMMUNICATION IN PROMOTION/ IN MARKETING**

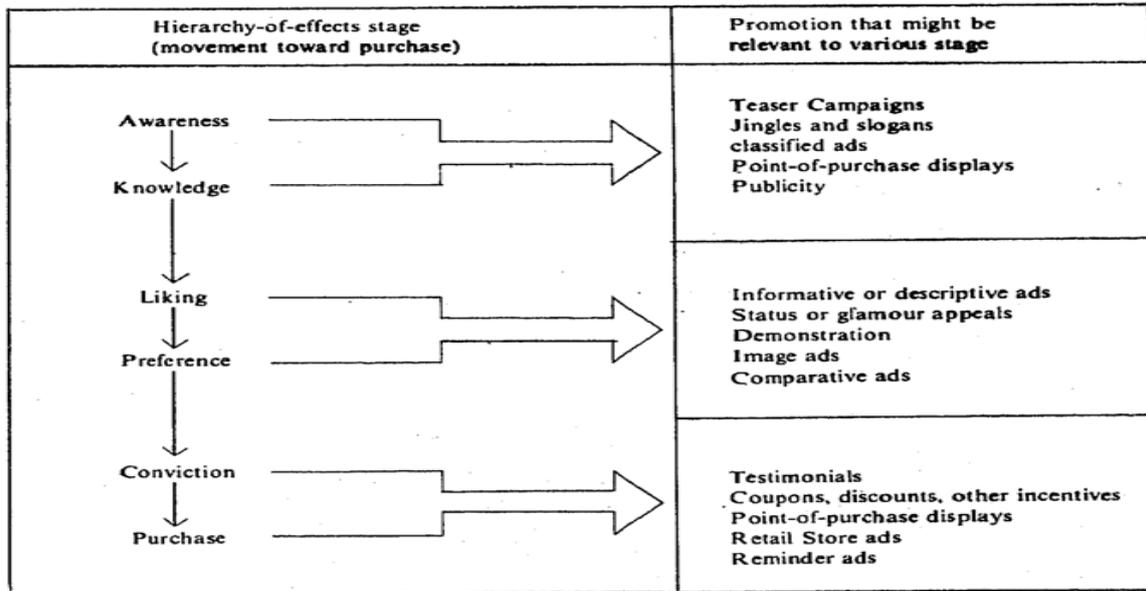
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The ultimate objective of marketing in the role of promotion, therefore, is to encourage mutually satisfying exchange through linking communications with the product adoption process of the buyer. Encouraging the acceptance of the promoted product as well as carrying out the desired change in the consumer behavior is the goal of the promotion function. The accomplishment of these goals presupposes that product purchase process be understood by the marketers before marketing communications are planned. Though there are a lot of models that help to conceptualise the buying process two very particular models that help in understanding the buying process as well as in framing communications are 'AIDA' and 'Hierarchy-of-effects' models.

The AIDA acronym stands for: Attention (also called awareness), Interest, Desire and Action. According to this model, a marketer must begin by winning attention or gaining awareness, creating interest, inspiring desire and precipitating the action for purchase, in the projection in order to facilitate its product to be adopted by the target public.

In the hierarchy-of-effects model, the buyer's purchase decision is preceded by steps such as conviction regarding the product benefits, preference for the brand, liking for the brand, knowledge connecting to the benefits and features of the product, after an awareness of the product has been gained.

The basic inference of these models is that the function of influential communication or promotion is to be handled cleverly at every stage of the buyer's adoption process. Based on Lavidge and Steiner research, Gaedeke and Tootelian exemplify that the various promotional tools that might be applicable to each stage of the hierarchy-of-effects model which has been given in Figure 1



**Figure 22.2 Hierarchy-of-effects model**

Source: Adapted Robert J. Lavidge and Gary A. Steiner, "A model for Predictive Measurement of Advertising Effectiveness" *Journal of Marketing*, 25 (October 1961) p. 61, Quoted in Ralph M. Gaedeke and Dennis H. Tootelian, *Marketing Principles and Applications* p. 385.



**Check Your Progress-A**

**Q1. What do you mean by the Promotion Mix ?**

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**Q2. What is the role of the Promotion Budget?**

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**Q3. List three factors that act as major determinants in deciding the communication mix of the company.**

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**Q4. What is the role of communication in Promotion?**

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## **22.7 PLANNING SALES PROMOTION**

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A successful sales promotion gives you the way to attract customers while introducing and building your brand. Sales promotion programs need to be periodic events so that the customers feel as if they're getting a genuine deal and need to jump on it immediately. Otherwise, if you put on too many sales events, customers may come to a decision to just wait till the next sale to buy the company's offerings and then you'll see a turn down in your overall profit.

With increasing competition in the marketplace and the need to comprehend full benefits of the exclusive method of promotion it is mandatory that the sales promotion function is to be managed professionally. Systematic planning of this function should commence the managerial process. The following steps are recommended for successful planning and organization of the sales promotion function.

The first step is to evaluate and examine the current situation of the brand in terms of market share, major competitors and brand performance of brands users, non-users and lapsed users. This benchmark must then be connected to the market size and the potential of the estimated market. It will at present pave the way for determining the role of sales promotion in carrying out the preferred change in the market share of the brand. The result of this work out will be the availability of preferred information to lay down measurable and attainable goals. After the goals intended for sales promotion of the brand are set, further planning is done.

The second step deals with the identification of the alternative schemes and the selection of the most suitable sales promotion schemes, capable of accomplishing the goal set, within the existing budget.

The third step relates to inducing creativity into the plans to be offered. This is, making the scheme new, attractive and challenging from the perspective of its target group i.e. consumer, trade or sales force.

The fourth step relates to the lawful validity of the sales promotion schemes to be offered. For example, much before a consumer contest can be open, permission from the licensing authority of the State, usually permission from the Collector of the District is essential under the Prize Competition Act, 1955. Similarly, with the revision of MRTP Act and the incorporation of Unfair Trade Practices within, the sponsor must make sure that their schemes do not attract the provisions of the Act. The latest judgments of the MRTP Act against the Sales Promotion Schemes offered (by a leading footwear company of India relating to children footwear; a dentifrice company relating to the toothbrush offer; and of a popular fan company relating to announcement of special off-season reduction in price) point to the tough purpose of the commission to protect consumers from unfair trade practices.

The fifth step covers most important decisions relating to timing and duration of the schemes to be offered area wise, selection of dealers and conviction of the trade and sales force about the appropriateness of the scheme. It would be valuable to quote here the findings of a recent study of Kenneth G. Hardy on main accomplishment factors for manufacturer's sales promotions. Other important decisions relate to development for procurement of scheme related premiums, manufacture of the brand, advertising, P.O.P. materials and other logistics related aspects.

The sixth step includes the improvement of the assessment criteria in relation to the sales promotion goals set. The decision areas include what to measure, when to measure, how to measure and for how long to measure.

Effectiveness of Sales promotions is usually measured with regard to sales achieved, cost effectiveness, redemption rate of coupons and trading stamps, turnover of special packs or special liquidators, number of entries received to the contest etc. In order to do an excellent job special emphasis must be laid on measuring the increased sales springing out of sales promotions. Before going on to the final two steps involved in management of sales promotions let us take a glance of the particular findings from the literature survey relating to the helpfulness of sales promotion which are discussed below

- It is very difficult to get increased sales for high market share brands.

- Rather than a coupon alone, a coupon with a sample can be more effective.
- High redemption rates can be very costly
- The incremental sales are from the earliest redemptions.
- Short term effects indicate short purchase cycles.

As the sales promotion offer begins, the seventh step relates to monitoring the offer and collecting the related data and knowledge for future use as well as mid-period corrections.

The eighth and last step relates to evaluating the success of sales promotions in the perspective of their goals. Perfect efforts should also be put into the measurement methodologies in conducting research on aspects like deal prone consumers, incentive schemes and gift selection factors, attitudes of consumers towards the use of sales promotion schemes. Documentation of corporate experiences on sales promotions, the loopholes in the existing system and procedures, and the mishaps that happened eventually help in improving the state of the art of managing the sales promotion role professionally.

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## **22.8 TOWARDS PROMOTIONAL STRATEGY**

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Promotion constitutes one of the key elements of the marketing mix of a firm. Each firm has a need to perform its promotion (marketing communication) function effectively. Further each of the five promotion methods (sales promotion, advertising, direct marketing, personal selling, PR) has its own unique place in the communications mix of a firm marketing its products. The question facing marketers, therefore, is not which promotion method to use to meet today's complex marketing tasks. Rather the real question is which promotion method should be emphasized, how intensively it should be used, and how it can be integrated with the other promotional methods.

Decisions on determination of promotion mix take us back to the promotion objectives which must emanate out of the marketing objectives of the firm. A promotional strategy aims at accomplishing the promotion objectives in the allocated funds and within a scheduled period of time.

Promotional objectives, generally speaking, relate to sales and the marketing communication tasks required to be performed as per the needs of the product market scenario. Expressed in specific measurable terms these can be put as increasing sales, improving market share, creating product awareness and comprehension, developing positive attitude of the public towards the product, building favorable image of the product, or gaining competitive advantage.

In this contest Leonard M. Lodish suggests 'vaguely right' criteria, the relevant part of which is as follows:

Promotion Decision Area	Vaguely Right Criteria for evaluation
Advertising Budget	Changes in buyer behaviour—long term or short term—and its resulting profitability.
Media Planning Promotion Management	Changes in buyer behaviour per dollar and resulting long and short term profits
Trade Promotion Management Consumer Coupons	Changes in buyer behaviour of the ultimate consumer Sales and profit changes (both short and long term) caused by the coupons

**Fig 22.3 'Vaguely right' criteria for Promotion Decision**

## 22.9 LEGAL ISSUES IN SALES PROMOTION

While marketing a product the companies must be very careful about the legal and political issues of the country in which they are launching the product. The sales promotion should take into account the country image in which they are launching and at the same time should not harm the product image and the country image. Every country has a legal body which approves the product and the sales promotion advertisements before they are viewed by the public. The issues that need to be taken care of are

- The sales promotion should not directly hint at any competitors or should not compare their products directly with the competitors.
- The sales promotion must be created keeping in mind the sensitivity of the people.
- The sales promotion must be clear and it should at no point deceive the people.
- The sales promotion must not be explicit and must follow the code of conduct laid down by the target country. Also the advertisement of the product must not encourage any kind of hatred, violence or should not show any sexual content.

Example: Sales promotion tools effective in one country may create unwanted surprises when used in other countries, because of cultural, regulatory and legal differences. Coupons when issued in Malaysia will likely backfire, because Malaysians find coupons embarrassing. You'll likely meet cultural resistance by running sweepstakes promotions in Islamic countries, because gambling is discouraged. Countries with less-developed economies can challenge your promotional options, as can host-country laws and regulations. Similarly, many countries regulate "standard" retail prices and the frequency such prices can be reduced by way of price promotions. Because of host-market idiosyncrasies, evidence suggests to tailor the promotions to specific host markets.

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## 22.10 SUMMARY

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The Promotional Planning is a process of optimizing the utilization of marketing tools, strategies, resources to promote a product and service with the intent to generate demand and meet the set objectives. First, it is dependent on the promotional objectives, then, on the characteristics of the target public, their psychology, and the allocated funds. Attaining synergistic advantage arising out of the use of diverse promotional methods like PR, advertising, sales promotion, personal selling, direct marketing, etc is the hall-mark of an effective promotional strategy.



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## 22.11 GLOSSARY

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**Percentage-of-Sales:** In this method promotion budget is determined based on the appropriation to a fixed percentage of sales of the company products. The sales may relate to the previous year, or an average of sales of the previous few years, projected sale of the next year or years.

**Affordable funds:** In this method it is necessary to think that promotion expenditure is one of those business costs which the top management thinks that it is desirable or avoidable as per the ease of the top management, the funds for promotion are appropriated on discretionary basis under this method

**The AIDA acronym stands for:** Attention (also called awareness), Interest, Desire and Action. In the hierarchy-of-effects model, the buyer's purchase decision is preceded by steps such as conviction regarding the product benefits, preference for the brand, liking for the brand, knowledge connecting to the benefits and features of the product, after an awareness of the product has been gained.



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## 22.14 TERMINAL QUESTIONS

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- Q1. Create a sales promotional strategy to promote Nike shoes.
- Q2. Briefly discuss the sales promotion planning phase.
- Q3. What are the factors that act as major determinants in deciding the communication mix of the company?
- Q4. Briefly discuss the various methods by which the promotional budget can be set?
- Q5. Do you think legal issues play a very important role in sales promotion? Discuss with examples.
- Q6. Briefly discuss the steps involved in sales promotion design.
- Q7. Discuss hierarchy of effects model.
- Q8. Discuss AIDA model.
- Q9. What are the elements in promotion mix?
- Q10. Percentage-of-sales method.



## 22.15 CASE STUDY

### 22.15.1 KFC SALES PROMOTION CAMPAIGN

Kentucky Fried Chicken has been a delayed entrant in the Indian market. KFC faces stiff competition though it has a unique offering with “Crispy Chicken”, in the fast food segment from established players like McDonalds which competes with its range of value meals and Dominos which is portrayed by its delivery of Pizza in 30-minutes. In fact, in all main markets across the globe, KFC competes with these two companies. The products that suited to Indian tastes were offered by KFC and McDonalds. KFC also has included items such as Rizo (Rice) which is served in South-East Asian countries only. The company is owned by Yum Brands! And it has numerous licensees in India including KFC Malaysia with Kolkata forming a major sourcing destination.

Criticality of Indian market for KFC in long run

Major market for KFC is China from which 50% of KFC’s sales and profits are generated. However, the latest food scandal in China has affected KFC badly, where an emphasis is put on the need to grow into other markets. India forms the correct answer to this obligation with young population and increasing spending power.

KFC Sales Promotion Campaign

KFC has a tie-up with FreeCharge.in through which it offers food coupons currently. The various offers that it has are

1. Any meal with three piece hot wings free.
2. On purchase of Rs 300 get a Chocó cake free.
3. Value Snacker meal for veg at INR 70 and non-veg at INR 80.

In terms of coming up sales promotion, KFC gives a special offer to promote breakfast sales. If a food (meal) is ordered in the breakfast slot, the customer can get another piece of crispy chicken for an added INR 20 instead of INR 75 in regular case. This can be seen in straight response to McDonald which is promoting its breakfast menu relatively seriously with its loyalty cards that give free McMuffin during breakfast. Both the FreeCharge promotion and the in-store campaign are not applicable for home delivery order. However, there is a minor fallacy in this supposition on KFC’s part as Indians are not likely to consume chicken in breakfast.

If we closely look at the three offers above, the third coupon is unnecessary as the snacker meals are obtainable at these rates even without the coupons. The second coupon ensures a least ticket size of INR 300 in order to get the offer, which is promising only in groups of 2 or

more generally. The only value coupon appears to be three piece hot wings free (INR 59) which can be procured with meals starting from INR 70 (Taxes extra in both cases).

KFC started its home delivery service in India recently, for which it has similar offers. INR 150, however has to be the minimum order size for home delivery. In case of home delivery, KFC was also giving 2 Litres Pepsi free with Chicken buckets. After the home delivery offers got discontinued in January, the Free Charge offers were introduced. As a consumer, there is huge value in the deals as KFC is often supposed as a premium product due to its exclusive offering.

In fact, the price deals can as well be perceived as targeting the college students and the family market to transform its perception from a fast food to family food. If we analyse the financial value of the deals, KFC has got a significant cushion as margins are quite high due to the price variation between the final product and the raw materials. The only trouble for KFC though will be who redeems it and how it is being redeemed. For example, the coupon for three piece hot wings at no cost might pose severe challenge towards the profitability in case it is redeemed with the low priced meals. However, there is little doubt that the strategy is bound to improve the market share for KFC in the fast food segment in short run.

## Questions

**1. Do you think KFC can compete with McDonalds as the breakfast destination in India?**

## 22.12.2 PEPSI

### Company Profile

Producing and manufacturing a carbonated soft drink since 1893, this brand needs no introductions. They are renowned for their stand out promotions that receive a lot of publicity worldwide.

Sales Promotion: The billion dollar giveaway

So this case study is a little different from all the rest, but we couldn't have a list of best promotions of all time, without including one of the boldest campaigns to date.

Never before had a company given away so much money as a cash prize, until Pepsi decided to make one lucky fan, the world's next billionaire in a summer long promotion. Now, we don't expect you to be the next company to offer such an extravagant prize, but let's see how it played out to see what we can learn...

The campaign goals

Pepsi had three clear goals in mind when they embarked on their huge campaign.

1. To increase product sales.

2. To increase brand awareness by offering the largest cash prize in history.
3. To gain sponsorship support by partnering with United Airlines, Marriott Hotels and WB Network.

### **What did they do?**

They printed unique codes on bottle caps to coincide with a live game show on the WB channel. Customers would then need to enter their code and 1,000 contestants were then selected to play live on the WB game show for a chance to win a billion dollars.

The contestants then had to battle it out to win the money, until graphic designer, Richard Bay, took home the grand prize! Other prizes were also given away during the show, which included around-the-world trips from United Airlines, Mitsubishi cars and a life-long membership to Marriot Hotels.

### **The Results**

The promotion saw four million consumers enter more than 20 million game entries, helping secure leads for future marketing promotions.

### **What can we learn?**

Bold campaigns will bring high exposure. Sure, you may not be able to give away a billion dollars, but there are companies out there that can help you execute a large prize fund without the risk. Pepsi partnered with SCA, a leading provider of promotional risk coverage, to cover the cost of the redemption rate.

### **Create strategic partnerships**

Partnering with other store owners can really help your prize fund become a lot more attractive. You can then all market the campaign together to help build further brand awareness for everyone involved.

### **Choose a period of time to run your promotion**

As you'd expect with such a large giveaway, Pepsi decided to run this contest throughout Summer. This further increased exposure of the contest and their brand, as fans were talking about it across social all Summer long.

### **Conclusion**

If there is a need to run a successful promotion then you need to take an every day promotion such as 10% off, and make it your own. Make it personal to your brand. Make it relevant to your products. And most importantly, make it resonate with your customers. Sure, a promo like these may take a little longer to execute, but the results are most absolutely significant the time it takes to put it into action. Planning, testing and execution can be the distinction between 10 sales, and 10,000 sales, so make sure you create an effective strategy.