



**MBA : SECOND YEAR**

**SEMESTER III**

**MARKETING GROUP**

## **ADVERTISING & SALES PROMOTION**

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**MKG 302**

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# Introduction

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Everyone in the contemporary world is influenced to some extent by advertising and other forms of promotion mix. Organizations in both the private and public sectors have learned that the ability to communicate efficiently and effectively with their target audiences is crucial to their success. Advertising and other forms of promotional messages are used to sell as well as to promote causes, market political candidates, and deal with societal problems. Consumers are finding it increasingly difficult to avoid the efforts of marketers, who are constantly searching for new ways to communicate with them.

Now the form of communicating with the customers has changes drastically as markets are using the integrated form of communication with lot of emphasis on crating intention among the customers regarding their product and services.

Hence, this book is based on the current requirement of the business world provides an easy to understand platform for the learners with an emphasis on the theoretical underpainting of advertising and sales promotion. In continuation of the objective of the course material the unit first deals with the introduction, concept, and objectives of the integrated marketing communication, which is currently one of the important aspect in promotional strategies, because now a days marketers are not using a single element of promotional mix to promote their good and services. Therefore, understanding the integrated marketing communication will definitely make the learner practical in real world industry situations. Thereafter the unit second provides an overview about the various elements of promotional mix that are used in the entire integrated marketing communication programs with an emphasis on the strategies that are helpful in determining the suitable promotional elements based on the market requirements of a specific goods and services.

Advertising is considered one of the major component of a promotional mix of an organization, therefore giving an additional weightage to the same the unit third and fourth of the book precisely explains the concept of advertising and its functions along with strategies for setting advertising objectives with a special focus on DAGMAR approach and five M's of advertising program. The unit six explores the concept of direct and database marketing, the modern tool and strategy for making the promotional efforts more personalized. Consequently unit seventh describes the personal selling with an emphasis on its integration with advertising and sales promotion.

Finally unit eights, ninth and tenth deals with the specialized concept of advertising agency and their role in marketing communication process, process of media planning and strategies related to media planning, and the another elements of promotional mix i.e. sales promotion.

The authors hope that all the contents on understanding of the advertising and sales promotion will definitely enhance the learner's capability and skills for outstanding management of the advertising and sales promotional activities they are expected to perform for the organizations.

**Dr. Vinay Sharma**  
**Dr. Sheetal Sharma**  
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## Message from the Vice-Chancellor

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Dear Students,  
Greetings!!!

I offer cordial welcome to all of you for the Master's degree programme of Yashwantrao Chavan Maharashtra Open University.

As a post graduate student, you must have autonomy to learn, have information and knowledge regarding different dimensions in the field of Commerce & Management and at the same time intellectual development is necessary for application of knowledge wisely. The process of learning includes appropriate thinking, understanding important points, describing these points on the basis of experience and observation, explaining them to others by speaking or writing about them. The science of education today accepts the principle that it is possible to achieve excellence and knowledge in this regard.

The syllabus of this course has been structured in this book in such a way, to give you autonomy to study easily without stirring from home. During the counseling sessions, scheduled at your respective study centre, all your doubts will be clarified about the course and you will get guidance from some experienced and expert professors. This guidance will not only be based on lectures, but it will also include various techniques such as question-answers, doubt clarification. We expect your active participation in the contact sessions at the study centre. Our emphasis is on 'self study'. If a student learns how to study, he will become independent in learning throughout life. This course book has been written with the objective of helping in self-study and giving you autonomy to learn at your convenience.

During this academic year, you have to give assignments and complete the Project work wherever required. You have to opt for specialization as per programme structure. You will get experience and joy in personally doing above activities. This will enable you to assess your own progress and thereby achieve a larger educational objective.

We wish that you will enjoy the courses of Yashwantrao Chavan Maharashtra Open University, emerge successful and very soon become a knowledgeable and honorable Master's degree holder of this university.

Best Wishes!

**- Vice-Chancellor**

# ADVERTISING AND SALES PROMOTION

## MKG-302

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### SYLLABUS

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**Unit 1 : Introduction, Concept and Objectives of Integrated Marketing Communication**

Introduction to Integrated Marketing Communication— The concept of Integrated Marketing Communication— Definition of Integrated Marketing Communication — The Need of Communication in Marketing— The Process of Marketing Communication— Marketing Communication Mix

**Unit 2 : Different Elements of Promotional Mix, Determining The Promotional Mix**

Introduction to Promotional Mix—Advertising— Direct marketing—Sales Promotion—Personal selling—Publicity—Public Relations—Determining Promotional Mix

**Unit 3 : The Concept, Role and Functions of Advertising, Setting Advertising Objectives**

Introduction to advertising.—Definition of Advertising—Advertising as a Tool of Communication—Objectives of Advertising—Role of Advertising —Functions of Advertising—Setting Advertising Objectives—DAGMAR Approach —Assessment and Criticism of DAGMAR Approach

**Unit 4 : 5M's of Advertising**

Introduction.—Mission—Money—Message—Message evaluation and selection —Message execution –Media—Measurement

**Unit 5 : Direct Marketing and Database Marketing: Role, Functions, Application and Comparative Advantages.**

Introduction & The Concept of Direct Marketing—Characteristics of Direct Marketing —Benefits of Direct Marketing —Channels of Direct Marketing —Introduction to Database marketing —History & Concept of Database marketing —Difference between Direct & Data Base Marketing—Growth and evolution of database marketing

**Unit 6 : Advertising Budget, Different Methods of Setting Advertising Budget**

Introduction of Advertising Budget—Procedure of Budgeting—Allocation of Advertising Budget—Approaches for Determine the size of Budget.—Top-Down Approach or Affordable Method.—Bottom-Up Approach or Build-Up Approach.

**Unit 7 : Personal Selling Role, Functions and Integration with Advertising and Sales Promotion.**

Introduction—The Nature of Personal Selling—The new role of personal selling—Relationship marketing—The Costs of Personal Selling—Personal Selling Responsibilities—The Scope of Personal Selling—The Role of Personal Selling in advertising and sales promotion—Determining the Role of Personal Selling—Advantages and Disadvantages of Personal Selling—Integration of personal selling with different tools—Combining of personal selling and public relation—Combining of personal selling and direct marketing—Combining of personal selling and sales promotion—Combining of personal selling and internet

**Unit 8 : Media/Advertising Agencies and Their Role in Integrated Marketing Communication**

Introduction—Advertiser—Media Organization—Advertising Agency—Types of Advertising Agency—Full Service Agency—Creative Services—Management and Finance—Other Types of Services

**Unit 9 : Media Planning and Strategy**

Introduction—Print Media —Newspapers —Magazines —Out of Home Media

**Unit10 : Sales Promotion**

Introduction—Concept of Sales Promotion—Purpose of Sales Promotion—Objectives of Sales Promotion—Rationale of Sales Promotion—Types of Sales Promotion—Consumer Promotion Tools—Trade Promotion Tools







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# UNIT 1: INTRODUCTION, CONCEPT AND OBJECTIVES OF INTEGRATED MARKETING COMMUNICATION

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*Introduction, Concept  
and Objectives of IMC*

NOTES

- 1.0 Unit Objectives
- 1.1 Introduction to Integrated Marketing Communication
- 1.2 The concept of Integrated Marketing Communication
- 1.3 Definition of Integrated Marketing Communication
- 1.4 The Need of Communication in Marketing
- 1.5 The Process of Marketing Communication
- 1.6 Marketing Communication Mix
- 1.7 Summary
- 1.8 Key Terms
- 1.9 Question and Exercise
- 1.10 Further Reading and References

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## 1.0 Unit Objectives

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After reading this unit, you should be able to:

- To familiarize the learners with the concept of integrated marketing communication.
- To foster the learning, how communication change the customer perception about company products.

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## 1.1 Introduction to Integrated Marketing Communication

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It is important for organizations to promote their goods and services well among the end-users not only to beat contenders but also

*Advertisement & Sales Promotions : 1*

## NOTES

survive in the long run, because the promotion creates and increases awareness of products and services among the consumers and eventually leadshigh sales growth, revenue and survival of the business.

To understand integrated marketing communication, let us first discussed about the promotion with the help of marketing mix?

- **Marketing Mix:** Marketing mix is a set of tools which is used by the marketer to (for) satisfying the need and wants of the customers'. It mainly includes; **Product; Price; Place and Promotion.**

- ✓ **Promotion:** Promotion is an activity of marketing through which the marketer try to promote their goods and services among the prospective group of customers. The promotional mix of an organization includes various elements through which the products are promoted among the consumers. These elements includes

- a. Advertisement
- b. Sales promotion
- c. Personal selling
- d. Publicity
- e. Public relation
- f. Direct marketing

When the marketer collectively uses all the tools or elements of promotional mix to promote the goods and services is termed as integrated marketing communication.

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## 1.2 The concept of Integrated Marketing Communication

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*Introduction, Concept and Objectives of IMC*

Marketing communications is a management process through which an organization engages with its various audiences. Through understanding an audience's communications environment, organizations seek to develop and present messages for their identified stakeholder groups, before evaluating and acting upon the responses. By conveying messages that are of significant value, they encourage audiences encouraged to offer attitudinal and behavioral responses.

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## 1.3 Definition of Integrated Marketing Communication

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In simple form, the integrated marketing communication can be defined as the integration of all the forms of communication and messages, so that the marketing organization can create an impactful promotional impact on their target and prospective customer groups.

Targeted interaction with customers and prospects using one or more media, such as direct mail, newspapers and magazines, television, radio, billboards, telemarketing, and the Internet. A marketing communications campaign may use a single approach, but more frequently combines several.

In linking the all forms of communications an organization may go for;

- a. Horizontal Integration: the integration of marketing mix with the functions of an organization.
- b. Vertical integration: whereby an organization integrates the communication objectives with the marketing objectives to support the corporate mission and objectives of the organization

### NOTES

#### Check Your Progress

What do you mean by Integrated Marketing Communication ?

**NOTES**

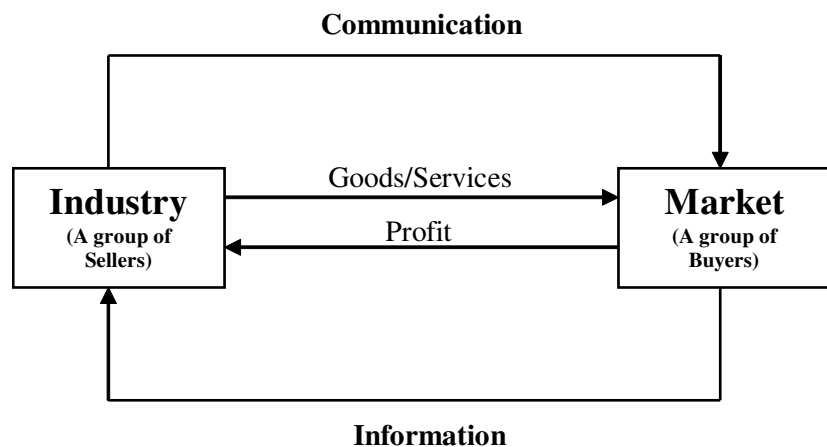
- c. Internal integration: it involves the internal staff of the organization, whereby they remain informed and motivated about the new development from new promotional efforts.
- d. External integrating: It involves the integration with all external promotional stakeholders such as advertising and personal relationship agencies in order to develop an effective promotional campaign for any product or services.

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## **1.4 The Need of Communication in Marketing**

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Why the communication is needed in marketing? To answer this question first we need to understand the simplest marketing system, through which the answer will be depicted itself.



**Figure 1 : A simple Marketing System**

*(Source: Kotler)*

The above figure demonstrates that an organization or a firm collects necessary information about customer needs and wants as well as demand with the help of marketing research and other means, then they produce

all such goods and services to sell them to the customers in the market place. This is the stage where the communication or marketing communication takes place a vital role. Through which the marketer inform the customers about the available goods and services and try to create an image for their product and services through positive association with customer's feelings with their products and services.

## NOTES

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## 1.5 The Process of Marketing Communication

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The process of marketing communication is an extension of the process of communication;

### 1.5.1 The process of communication

In general communication is a process of sharing idea, thoughts, message and suggestion by one person to another person, which involves following main elements :

- **Idea/ Message** : the idea or message is called the subject matter in the communication process, because without the subject matter the process of communication cannot be initiated.
- **Sender** : the person who initiate the process of communication is called sender. Sender usually send the message to the receiver.
- **Encoding** : is the process of converting the message into meaningful symbols is called encoding. Here the sender convert the message into words, picture, symbol or any other form, which could be easily understandable for the receiver. This element of communication is very much important for the both the sender and receiver.

NOTES

- **Medium** : medium refers to the channels or methods through which the sender send or pass the message to the receiver.
- **Decoding** : the process of understanding the message from the side of receiver is called decoding.
- **Receiver** : the person who receive the message send by the sender is called receiver.
- **Feedback** : the response of the receiver on the message of sender is called feedback.

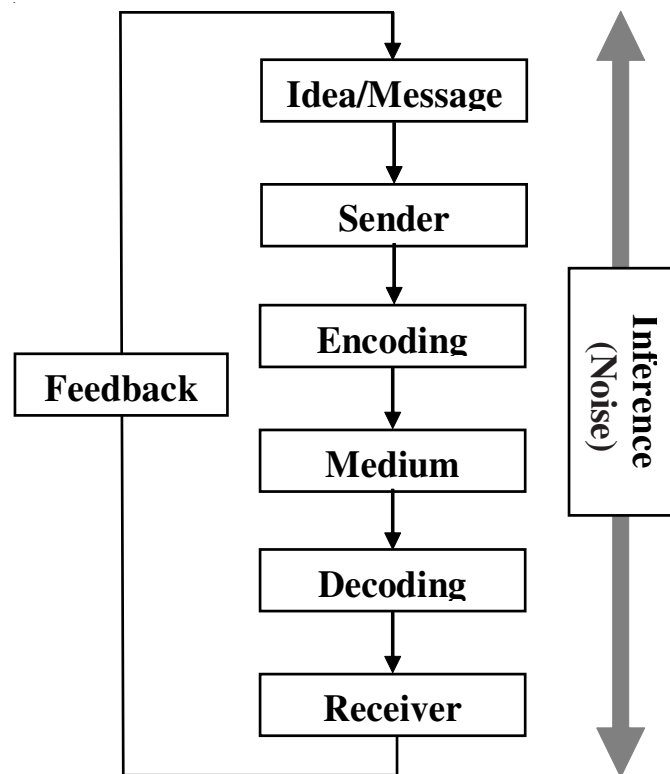


Figure 2 : The process of Communication

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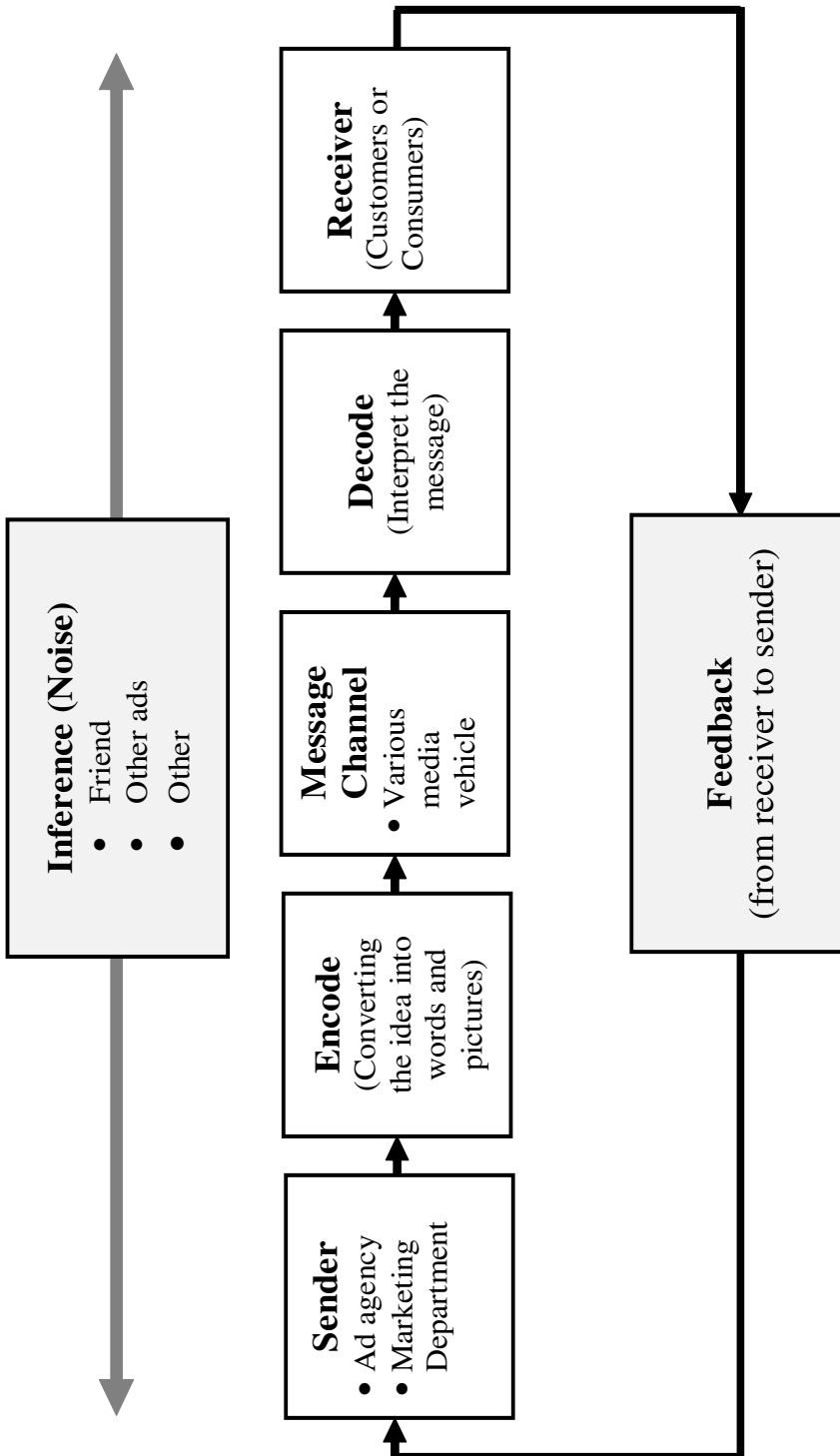
## 1.6 Marketing Communication Mix

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Generally, marketing communication mix is an integrated term that includes personal selling, direct response marketing, sales promotion, media advertisement, and public relations. These are

the tools associated with strategic activities to communicate with the target audience. The following table illustrates the common platforms of Marketing Communication mix –

*Introduction, Concept and Objectives of IMC*



**NOTES**

**Check Your Progress**

Discuss the process of Marketing Communication ?

**Figure 3 : The Process of Marketing Communication**

**NOTES**

<b>Sales Promotion</b>	<b>Personal Selling</b>	<b>Advertisement</b>	<b>Public Relat</b>
Programs	Sales meetings	Print media	Speech
Game, Contest, Lotteries, Coupons etc.	Sales Presentations	Electronic media, Motion pictures	Press Release, S
Gifts, Sampling	Incentive programs	Brochures, Booklets, Magazines, etc.	Charitable donatic Lobbying
Exhibition, Trade shows, Offers	Exhibition, Trade shows, Offers	Billboards, Displays, etc.	Sponsorships
Low interest financing	Brochure, mailing, etc.	Logos, Symbols, etc.	Publications, Cor magazine, etc.
Rebates	Digital shopping	Audio & Video materials	Community Relati
Entertainment	TV shopping	Point-of purchase display	Events

**Table 1 : Marketing Communication Mix**



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## 1.7 Summary

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This unit primarily deals with the introduction and concept of integrated marketing communication along with its definition and the process. The process of marketing communication is an extension of the general communication process whereby markets uses the various elements of promotional mix to promote and brand their goods and services for the prospective customers.

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## 1.8 Key Terms

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- **Communication** : Is the process of exchanging ideas, thought, messages between sender and receiver.
- **Integrated Marketing communication** : the integration of all the forms of communication and messages, so that the marketing organization can create an impactful promotional impact on their target and prospective customer groups.
- **Encoding** : The process of converting the message into meaningful symbols.
- **Medium**: medium refers to the channels or methods through which the sender send or pass the message to the receiver.
- **Decoding**: the process of understanding the message from the side of receiver is called decoding.

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## 1.9 Questions and Exercises

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1. Explain the concept of integrated marketing communication.
2. What do you mean by marketing mix?
3. What role does communication play in marketing programs?
4. What is the nature of the communication process?
5. How should the communications model be applied to marketing issues?
6. What are the characteristics of a fully integrated advertising and marketing communications approach?

## NOTES

7. How does the concept of integrated marketing communications pertain to international operations?

## NOTES

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### 1.10 Further Reading and References

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- Marketing Communications. Current edition. John Egan. London: Sage Publications.
- Marketing Communications. Current edition. Lynne Eagle, Stephan Dahl, Barbara Czarnecka, and Jenny Lloyd. NY: Routledge, Taylor & Francis.
- Advertising Promotion and Other Aspects of Integrated Marketing Communication. Current edition.
- Terence A. Shimp and J. Craig Andrews. Mason, OH : South-Western/Cengage.
- Integrated Advertising, Promotion and Marketing Communications. Current edition.
- Kenneth E. Clow and Donald Baack. Boston: Pearson/Prentice Hall.
- Advertising and Promotion : An Integrated Marketing Communications Perspective. Current edition.
- George E. Belch and Michael A. Belch. NY: McGraw-Hill.

#### *Some open educational resources*

- <https://archive.org/stream/ost-business-core-concepts-of-marketing/Core%20Concepts%20of%20Marketing#page/n229/mode/2up>
- <http://www.saylor.org/site/textbooks/Principles%20of%20Marketing.pdf>
- <http://www.saylor.org/site/textbooks/eMarketing%20-%20The%20Essential%20Guide%20to%20Online%20Marketing.pdf>
- <http://www.open.edu/openlearn/money-management/management/business-studies/the-market-led-organisation/content-section-0>.

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## **UNIT 2 : DIFFERENT ELEMENTS OF PROMOTIONAL MIX DETERMIN- ING THE PROMOTIONAL MIX**

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*Different Elements of Promo-  
tional Mix Determining  
Promotional Mix*

### **NOTES**

#### 2.0 Unit Objectives

#### 2.1 Introduction to Promotional Mix

2.1.1 Advertising

2.1.2 Direct marketing

2.1.3 Sales Promotion

2.1.4 Personal selling

2.1.5 Publicity

2.1.6 Public Relations:

#### 2.2 Determining Promotional Mix

#### 2.3 Summary

#### 2.4 Key Terms

#### 2.5 Question and Exercises

#### 2.6 Further Reading and References

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### **2.0 Unit Objectives**

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After studying this unit you will be able to understand and discuss the concept of promotion mix, different elements of promotional mix, strategies to determine the elements of promotional mix.

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### **2.1 Introduction to Promotional Mix**

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The promotion mix or element of marketing mix is concerned with activities that are commenced to communicate with customers and distribution channels to enhance the sales of the firm. These activities mainly includes:

## NOTES

1. Advertising
2. Direct marketing
3. Sales Promotion
4. Personal selling
5. Publicity
6. Public Relations

### **2.1.1 Advertising**

Advertising is defined as any paid form of non-personal communication about an organization, product, service, or idea by an identified sponsor.<sup>32</sup> The paid aspect of this definition reflects the fact that the space or time for an advertising message generally must be bought. An occasional exception to this is the public service announcement (PSA), whose advertising space or time is donated by the media. The non-personal component means that advertising involves mass media (e.g., TV, radio, magazines, newspapers) that can transmit a message to large groups of individuals, often at the same time. The non-personal nature of advertising means that there is generally no opportunity for immediate feedback from the message recipient (except in direct-response advertising). Therefore, before the message is sent, the advertiser must consider how the audience will interpret and respond to it. Advertising is the best-known and most widely discussed form of promotion, probably because of its pervasiveness. It is also a very important promotional tool, particularly for companies whose products and services are targeted at mass consumer markets such as automobile manufacturers, packaged goods, and drug companies. More than 200 companies spend over \$100 million on advertising and promotion in the United States each year. Several reasons explain why advertising is such an important part of many marketers' IMC programs. First, advertising is still the most cost-effective way to reach large audiences. The average

30-second commercial on the four major networks during evening prime-time programming reaches 6 million households.

The cost per thousand households reached in 2004 was \$19.85. Popular shows such as American Idol and Desperate Housewives can reach as many as 25 to 30 million viewers each week. Thus, for marketers who are interested in building or maintaining brand awareness and reaching a mass audience at one time, there is no effective substitute for network television.<sup>33</sup> Advertising is also a valuable tool for building company or brand equity as it is a powerful way to provide consumers with information as well as to influence their perceptions. Advertising can be used to create favorable and unique images and associations for a brand which can be very important for companies selling products or services that are difficult to differentiate on the basis of functional attributes. Brand image plays an important role in the purchase of many products and services, and advertising is still recognized as one of the best ways to build a brand. Exhibit 1-6 shows an ad from a campaign run by the American Advertising Federation promoting the value of advertising. The nature and purpose of advertising differ from one industry to another and/or across situations. Companies selling products and services to the consumer market generally rely heavily on advertising to communicate with their target audiences as do retailers and other local merchants. However, advertising can also be done by an industry to stimulate demand for a product category such as beef or milk. Advertising is also used extensively by companies who compete in the business and professional markets to reach current and potential customers. For example, business-to-business marketers use advertising to perform important functions such as building awareness of the company and its products, generating leads for the sales force, and reassuring customers about the purchase they have made.

## **2.1.2 Direct marketing**

One of the fastest-growing sectors of the U.S. economy is direct

### **NOTES**

#### **Check Your Progress**

What do you mean by the elements of Promotional Mix?

## NOTES

marketing, in which organizations communicate directly with target customers to generate a response and/or a transaction. Traditionally, direct marketing has not been considered an element of the promotional mix. However, because it has become such an integral part of the IMC program of many organizations and often involves separate objectives, budgets, and strategies, we view direct marketing as a component of the promotional mix.

Direct marketing is much more than direct mail and mail-order catalogs. It involves a variety of activities, including database management, direct selling, telemarketing, and direct-response ads through direct mail, the Internet, and various broadcast and print media. Some companies, such as Tupperware, Discovery Toys, and Amway, do not use any other distribution channels, relying on independent contractors to sell their products directly to consumers. Companies such as L.L. Bean, Lands' End, and J. Crew have been very successful in using direct marketing to sell their clothing products. Dell has become the market leader in the computer industry by selling a full line of personal computers through direct marketing. One of the major tools of direct marketing is direct response advertising, whereby a product is promoted through an ad that encourages the consumer to purchase directly from the manufacturer. Traditionally, direct mail has been the primary medium for direct-response advertising, although television and magazines have become increasingly important media. Direct response advertising and other forms of direct marketing have become very popular over the past two decades, owing primarily to changing lifestyles, particularly the increase in two income households. This has meant more discretionary income but less time for in-store shopping. The availability of credit cards and toll-free phone numbers has also facilitated the purchase of products from direct-response ads. More recently, the rapid growth of the Internet is fueling the growth of direct marketing. The convenience of shopping through

catalogs or on a company's website and placing orders by mail, by phone, or online has led the tremendous growth of direct marketing. Direct-marketing tools and techniques are also being used by companies that distribute their products through traditional distribution channels or have their own sales force. Direct marketing plays a big role in the integrated marketing communications programs of consumer-product companies and business-to-business marketers. These companies spend large amounts of money each year developing and maintaining databases containing the addresses and/or phone numbers of present and prospective customers. They use telemarketing to call customers directly and attempt to sell them products and services or qualify them as sales leads. Marketers also send out direct mail pieces ranging from simple letters and flyers to detailed brochures, catalogs, and videotapes to give potential customers information about their products or services. Direct-marketing techniques are also used to distribute product samples.

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### **2.1.3 Sales Promotion**

The next variable in the promotional mix is sales promotion, which is generally defined as those marketing activities that provide extra value or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales. Sales promotion is generally broken into two major categories: consumer-oriented and trade-oriented activities. Consumer-oriented sales promotion is targeted to the ultimate user of a product or service and includes couponing, sampling, premiums, rebates, contests, sweepstakes, and various point-of-purchase materials. These promotional tools encourage consumers to make an immediate purchase and thus can stimulate short-term sales. Trade-oriented sales promotion is targeted toward marketing intermediaries such as wholesalers, distributors, and retailers. Promotional and merchandising allowances, price deals, sales contests, and trade shows are some of the promotional tools used to encourage the trade to stock and promote a

## NOTES

company's products. Among many consumer packaged-goods companies, sales promotion is often 60 to 70 percent of the promotional budget.<sup>36</sup> In recent years many companies have shifted the emphasis of their promotional strategy from advertising to sales promotion. Reasons for the increased emphasis on sales promotion include declining brand loyalty and increased consumer sensitivity to promotional deals.

Another major reason is that retailers have become larger and more powerful and are demanding more trade promotion support from companies. Promotion and sales promotion are two terms that often create confusion in the advertising and marketing fields. As noted, promotion is an element of marketing by which firms communicate with their customers; it includes all the promotional mix elements we have just discussed. However, many marketing and advertising practitioners use the term more narrowly to refer to sales promotion activities to either consumers or the trade (retailers, wholesalers). In this book, promotion is used in the broader sense to refer to the various marketing communications activities of an organization.

### **2.1.4 Personal selling**

The final element of an organization's promotional mix is personal selling, a form of person-to-person communication in which a seller attempts to assist and/or persuade prospective buyers to purchase the company's product or service or to act on an idea. Unlike advertising, personal selling involves direct contact between buyer and seller, either face-to-face or through some form of telecommunications such as telephone sales. This interaction gives the marketer communication flexibility; the seller can see or hear the potential buyer's reactions and modify the message accordingly. The personal, individualized communication in personal selling allows the seller to tailor the message to the customer's specific needs or situation. Personal selling also involves more immediate and precise feedback because the impact of the sales



presentation can generally be assessed from the customer's reactions. If the feedback is unfavorable, the salesperson can modify the message. Personal selling efforts can also be targeted to specific markets and customer types that are the best prospects for the company's product or service. The various promotional mix elements are the major tools that marketers use to communicate with current and/or prospective customers as well as other relevant audiences. However, many companies are taking an audience contact perspective in developing their IMC programs whereby they consider all of the potential ways of reaching their target audience and presenting the company or brand in a favorable manner. They recognize that there are a variety of ways customers may come into contact with a company or brand. These contacts can range from simply seeing or hearing an ad for a brand to actually having the opportunity to use or experience a brand at a company-sponsored event. A key aspect of integrated marketing communications is that it encourages marketers to consider a variety of communication tools and how they can be used to deliver messages about their company or brands. Marketers must determine how valuable each of these contact tools are for communicating with their target audience and how they can be combined to form an effective IMC program. This is generally done by starting with the target audience and determining which IMC tools will be most effective in reaching, informing, and persuading them and ultimately influencing their behavior. IMC Perspective 1-3 discusses how companies such as American Express are moving away from media advertising and using a variety of other contact points. It is the responsibility of those involved in the marketing communications process to determine how the various contact tools will be used to reach the target audience and help achieve the company's marketing objectives. The IMC program is generally developed with specific goals and objectives in mind and is the end product of a detailed marketing and promotional planning process. We will now look at a model of the process that companies follow in developing and executing their IMC programs.

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## **2.1.5 Publicity**

Another important component of an organization's promotional mix is publicity/ public relations. Publicity refers to non-personal communications regarding an organization, product, service, or idea not directly paid for or run under identified sponsorship. It usually comes in the form of a news story, editorial, or announcement about an organization and/or its products and services. Like advertising, publicity involves non-personal communication to a mass audience, but unlike advertising, publicity is not directly paid for by the company. The company or organization attempts to get the media to cover or run a favorable story on a product, service, cause, or event to affect awareness, knowledge, opinions, and/or behavior. Techniques used to gain publicity include news releases, press conferences, feature articles, photographs, films, and videotapes. An advantage of publicity over other forms of promotion is its credibility. Consumers generally tend to be less skeptical toward favorable information about a product or service when it comes from a source they perceive as unbiased. For example, the success (or failure) of a new movie is often determined by the reviews it receives from film critics, who are viewed by many moviegoers as objective evaluators. Another advantage of publicity is its low cost, since the company is not paying for time or space in a mass medium such as TV, radio, or newspapers. While an organization may incur some costs in developing publicity items or maintaining a staff to do so, these expenses will be far less than those for the other promotional programs. Publicity is not always under the control of an organization and is sometimes unfavorable. Negative stories about a company and/or its products can be very damaging. For example, recently the packaged food industry has received a great deal of negative publicity regarding the nutritional value of their products as well as their marketing practices, particularly to young people. Companies such as Kraft Foods' General Mills, PepsiCo, and others have been the target of criticism by consumer

activists who have argued that these companies contribute to the obesity problem in the United States by advertising unhealthy foods to children.<sup>37</sup> McDonald's also had to deal with the negative publicity that was generated by the success of the documentary film *Super-Size Me*, in which filmmaker Morgan Spurlock chronicled his decline in health while eating all of his meals at McDonald's for 30 days in a row.

## **2.1.6 Public Relations**

It is important to recognize the distinction between publicity and public relations. When an organization systematically plans and distributes information in an attempt to control and manage its image and the nature of the publicity it receives, it is really engaging in a function known as public relations. Public relations is defined as “the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance.”<sup>39</sup> Public relations generally has a broader objective than publicity, as its purpose is to establish and maintain a positive image of the company among its various publics. Public relations uses publicity and a variety of other tools—including special publications, participation in community activities, fund-raising, sponsorship of special events, and various public affairs activities—to enhance an organization's image. Organizations also use advertising as a public relations tool. Traditionally, publicity and public relations have been considered more supportive than primary to the marketing and promotional process.

However, many firms have begun making PR an integral part of their predetermined marketing and promotional strategies. PR firms are increasingly touting public relations as a communications tool that can take over many of the functions of conventional advertising and marketing.

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## 2.2 Determining Promotional Mix

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Determining the right set of promotional mix is an important decision of marketing communication manager and whenever they go for determining the promotional mix they always considered following factors before that;

- **Type of Product:** Type of product plays an important role in deciding on promotion mix. Product can be categorized in terms of branded products, non-branded products, necessity products, luxury products, new products, etc. All these types of products need different promotional tools. For example, advertising is suitable for the branded and popular products. Personal selling may be fit for non-branded products. Advertising, personal selling, sales promotion and publicity – all four tools – are used for a newly launched product to get a rapid consumer acceptance.
- **Use of Product:** Product may be industrial product, consumable and necessity product, or may be luxurious product that affects selection of promotion tools and media. For example, advertising and sales promotion techniques are widely used for consumer goods while personal selling is used for industrial goods.
- **Complexity of Product:** Product complexity affects selection of promotional tools. Personal selling is more effective for complex, technical, risky, and newly developed products as they need personal explanation and observation. On the other end, advertising is more suitable for simple and easy-handled products.
- **Purchase Quantity and Frequency:** Company should also consider purchase frequency and purchase quantity while deciding on promotion mix. Generally, for frequently purchase product, advertising is used, and for infrequently purchase product, personal selling and sales promotion are preferred. Personal selling and advertising are used for heavy users and light users respectively.

- **Fund Available for Market Promotion:** Financial capacity of company is a vital factor affecting promotion mix. Advertising through television, radio, newspapers and magazines is too costly to bear by financially poor companies while personal selling and sales promotion are comparatively cheaper tools. Even, the company may opt for publicity by highlighting certain commercially significant events.
- **Type of Market:** Type of market or consumer characteristics determine the form of promotion mix. Education, location, income, personality characteristics, knowledge, bargaining capacity, profession, age, sex, etc., are the important factors that affect company's promotion strategy.
- **Size of Market:** Naturally, in case of a limited market, personal selling is more effective. When market is wide with a large number of buyers, advertising is preferable. Place is also an important issue. Type of message, language of message, type of sales promotion tools, etc., depend on geographical areas.
- **Stage of Product Life Cycle:** Product passes through four stages of its life cycle. Each stage poses different threats and opportunities. Each stage needs separate marketing strategies. Each of the promotional tools has got different degree of suitability with stages of product life cycle.

*It can be concluded that, in normal situations:*

- ✓ Advertising, personal selling, and, even, sales promotion are used during the introduction stage. However, advertising is given more priority.
- ✓ More intensive advertising and sales promotional techniques are used during the second stage.
- ✓ More rigorous advertising along with personal selling are followed in the third stage.

## NOTES

### Check Your Progress

Discuss the various determinants of Promotional Mix?

- ✓ Company prefers to curb the expenses in forth stage, and promotional efforts are reduced.

## NOTES

- **Level of Competition:** Promotional efforts are designed according to type and intensity of competition. All promotional tools are aimed at protecting company's interest against competition. Level of promotional efforts and selection of promotional tools depend on level of competition.
- **Promotional Objectives:** It is the prime factor affecting promotional mix. Different objectives can be achieved by using different tools of promotional mix. If company's objective is to inform a large number of buyers, advertising is advisable. If company wants to convince limited consumers, it may go for personal selling. Even, when company wants to influence buyers during specific season or occasion, the sales promotion can be used. Some companies use publicity to create or improve brand image and goodwill in the market.
- **Other Factors:** Over and above these factors, there are certain minor factors that affect promotion mix.

*These factors may include:*

- ✓ Price of Product
- ✓ Type of Marketing Channel
- ✓ Degree of Product Differentiation
- ✓ Desire for Market Penetration, etc.

The list of factors stated above is not complete. There may be more factors. Promotional strategy should be formulated only after considering the relevant factors. Marketing manager must be aware of these variables. Note that these factors affect different firms in varying degree depending upon its internal and external marketing environment.

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## 2.3 Summary

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Different types of promotional elements such as advertising, direct marketing, sales promotion, personal selling, publicity, and public relation are used in integrated marketing communication. Although the major aim of integrated marketing communication is to aware, inform, and to persuade the customers, but choosing a specific element or combination of elements for the same purpose is very important. Because the media habits, preferences, and timings, cultural background and impact of different elements varies customer to customer or segment to segment. For choosing the right combination for a successful marketing communication depends upon several factors, such as types of product, promotional budget expenditure, nature of products, life cycle of product, and market characteristics. As a result, a sound knowledge of each aspects is crucial for marketing managers, executives and students.

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## 2.4 Key Terms

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- **Advertising** : any paid form of non-personal communication about an organization, product, service, or idea by an identified sponsor.
- **Sales promotion** : Those marketing activities that provide extra value or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales.
- **Personal selling** : A form of person - to - person communication in which a seller attempts to assist and/or persuade prospective buyers to purchase the company's product or service or to act on an idea.
- **Publicity** : Publicity refers to non-personal communications regarding an organization, product, service, or idea not directly paid for or run under identified sponsorship.
- **Public Relations** : The management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action

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to earn public understanding and acceptance.

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## 2.5 Questions and Exercises

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1. What do you mean by elements of promotional mix?
2. Define the various elements of promotional in short?
3. What do you mean by product life cycle and who does the product life cycle of a product have an impact on choosing a right combination of promotional elements?
4. Discuss the various factors that takes into consideration while choosing the elements of promotional mix?

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## 2.6 Further Reading and References

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- Marketing Communications. Current edition. Lynne Eagle, Stephan Dahl, Barbara Czarnecka, and Jenny Lloyd. NY: Routledge, Taylor & Francis.
- Advertising Promotion and Other Aspects of Integrated Marketing Communication. Current edition.
- Terence A. Shimp and J. Craig Andrews. Mason, OH : South-Western/Cengage.
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## **UNIT 3 : THE CONCEPT, ROLE AND FUNCTIONS OF ADVERTISING; SETTING ADVERTISING OBJECTIVES**

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*The Concept Role and  
Functions of Advertising;  
Setting Advertising objectives*

### **NOTES**

#### 3.0 Unit Objectives

- 3.1 Introduction to advertising.
- 3.2 Definition of Advertising.
- 3.3 Advertising as a Tool of Communication
- 3.4 Objectives of Advertising
- 3.5 Role of Advertising
- 3.6 Functions of Advertising
- 3.7 Setting Advertising Objectives
- 3.8 DAGMAR Approach
- 3.9 Assessment and Criticism of DAGMAR Approach
- 3.10 Summary
- 3.11 Key Terms
- 3.12 Questions and Exercises
- 3.13 Further Reading and References

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### **3.0 Unit Objectives**

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This unit provide a detailed account of advertising, and how the advertising play an important role in marketing communication. Also focuses on the objectives of advertising along with approaches used for setting advertising objectives. After reading this unit you will be able to discuss the concept of advertng, its relevance in marketing communication and objectives of advertng.

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### 3.1 Introduction

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The simplest meaning of an advertisement is that it is a ‘public announcement’. In earlier times, to ‘advertise’ meant merely to announce or to inform. Advertising is the promotion of a company’s products and services carried out primarily to drive sales of the products and services but also to build a brand identity and communicate changes or new product /services to the customers. Advertising has become an essential element of the corporate world and hence the companies allot (portion) a considerable amount of revenues as their advertising budget.

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### 3.2 Definition of advertising

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*“According to American marketing Association, Chicago;”*

Advertising is, any, paid form of non-personal presentation of ideas, goods or services, and organization by an identified sponsor”.

*An analysis of each elements of the definition*

- **Any Form:** - means any form of presentation. It may be sign, a symbol, and an illustration, an ad message in a magazine or newspaper, a commercial on the radio or on television, a circular like mail or pamphlet, message on billboards or a poster.
- **Non-personal:-** means it includes mass media rather person to person presentation.
- **Paid Form:** - this means that advertising is openly and directly paid for as against publicity, which is not openly paid for. Publicity refers to stories and brand mentions in mass media without any payment but in case of advertising the fact that the space and time for an advertising must be bought.

- **Identified sponsor:** - means the sponsor, too, is identified.  
The sponsor is identified by his company's name or brand name or both. Means in case of advertising, the sponsor of ideas or opinions is known.

“The placement of announcements and persuasive messages in time or space purchased in any of the mass media by business firms, nonprofit organizations, government agencies, and individuals who seek to inform and/ or persuade members of a particular target market or audience about their products, services, organizations, or ideas.” – Dictionary of AMA

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### **3.3 Advertising as a Tool of Communication**

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As we know that advertising is a powerful communication force, highly visible, and one of the most important tools of marketing communications that helps to sell products, services, ideas, and image, etc. many believe that advertising reflects the needs of the times. Whether one likes it or not, advertising are everywhere. They are seen on the walls, on the back of the buses, in play grounds, on the occasion of sports events, on roadsides, in the stores, and even on aero planes. Advertisements are seen in the newspapers, magazines, on the televisions, on Internet and are even heard on radio. The fact is that we are bombarded with advertisements day in and day out from all imaginable media. The average consumer is exposed to a very large number of advertisements every day, particularly the urban and semi-urban population. In spite of this, to the dismay (complete loss or absence of hope) and irritation of some and enjoyment of others, advertisement will continue to make their presence felt in our lives and influence our lives in many unsuspecting ways because of rapid changes in macro-environment and in our perceptions, impressions, feelings, attitudes, and behavior.

#### **NOTES**

#### **Check Your Progress**

Discuss The Concept of Advertising in Brief ?

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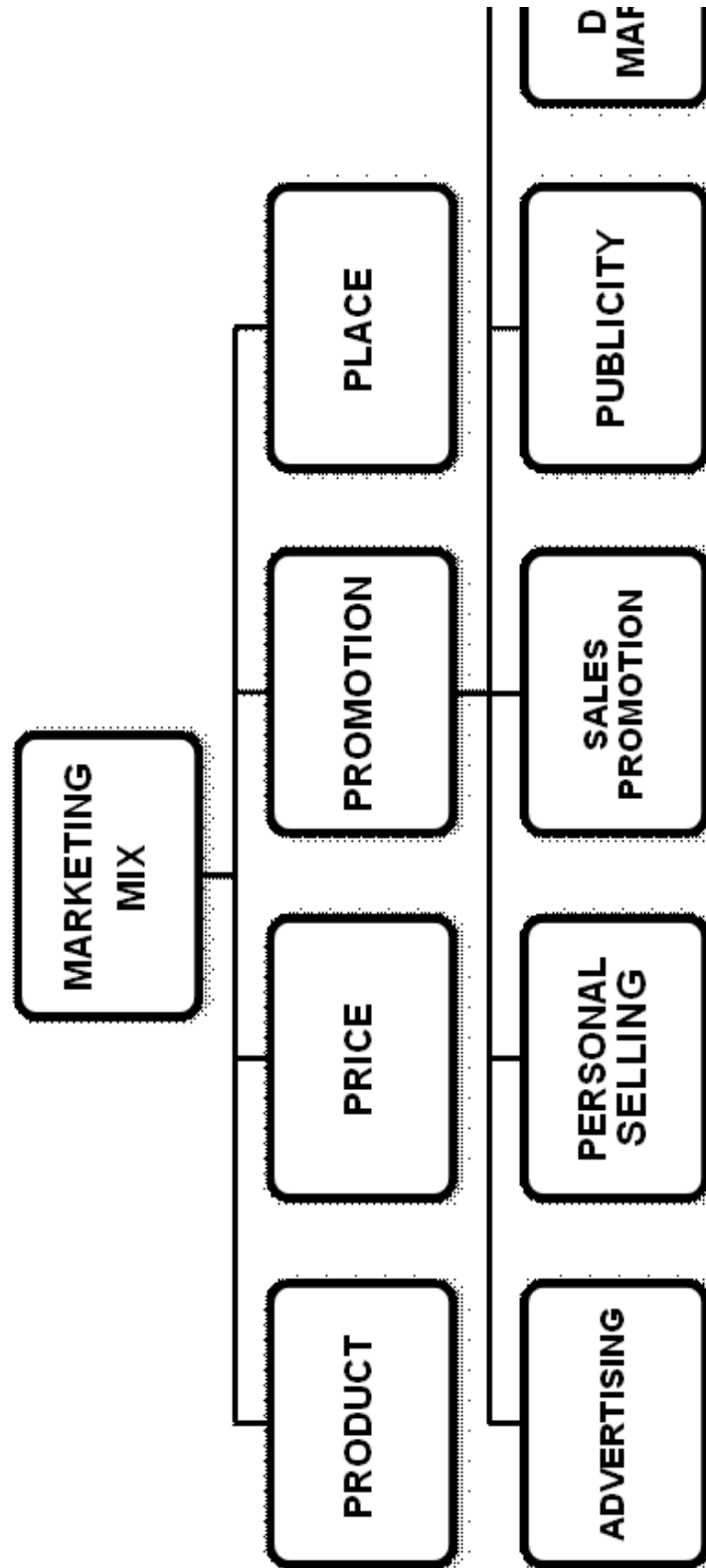


Fig: - 4 Ps of Marketing Mix, and five major elements of Promotional Mix.

So the advertising is an indicator of growth of civilization and a pointer of attempts at the betterment and perfection. It is a part of our social, cultural, and business environment. Not only does advertising mirror this environment but it also affects and gets affected by our style of life. It is not at all surprising that advertising is one of the most closely scrutinized of all business institutions. In today's environment, not only are advertisers closely examined by the target audience for who the advertisements are meant, but by the society in general.

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### 3.4 Objectives of Advertising

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Following are the main objectives behind the advertisement of any marketing communication process.

- Increasing the sales of the product/service or Stimulate Demand.
- Creating and maintaining a brand identity or brand image or Builds Brand Image.
- Communicating a change in the existing product line.
- Introduction of a new product or service.
- Increasing the buzz-value of the brand or the company or Develop brand preferences.

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### 3.5 Role of Advertising

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Advertising plays following major roles in the business world ;

- **Marketing Role** – advertising plays a big role in marketing the products, services, company. As we all know, marketing is a business process that aims to satisfy the consumer needs and wants through goods and services. And in order to do so, advertising lets the message out to take that big role in marketing

## NOTES

to promote the goods and services.

- **Communication Role** – no product and/or service can move without the proper dissemination of information. This is one role of advertising that transmits the needed information about the goods or services to the target market.
- **Economic Role** – advertising plays a big part in the price elasticity of products and services.
- **Societal Role** – shows what the trend in the society is or what could be the next big thing in the society. It can be both reflecting the society or start to engage what the society can expect in the near future. (<http://www.reybelen.com/advertising/4-roles-of-advertising/>)

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### 3.6 Functions of Advertising

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Jagdish N. Sheth has suggested a broader framework for advertising functions. He has described four primary sequential functions.

- (1) Precipitation
- (2) Persuasion
- (3) Reinforcement
- (4) Reminder

**1) Precipitation :** The ads perform precipitation functions by stimulating needs and wants and create general awareness. This is accomplished by educating consumers about new product and services and attempting to convince (persuade) that a product now exists that actually is capable of meeting their need more effectively.

**2) Persuasion :** Persuasion advertising may often lead consumers to purchase. The route to persuasion may be the outcome of emotional or rational appeals such as; humour (Brit.

English) or humor (U.S. English) (Means - comic), love, fear, shame, economy and quality etc.

- 3) **Reinforcement** : Ads are also designed to reassure consumers that they made the wise decision by buying a product or services. This make consumers feel good and serve the function of reinforcement. Many ads show consumer reports or other testimonials confirming the fuel economy and performance of the two-wheeler autos, or a well-known personality is using a certain brand.
- 4) **Reminder** : The aim of reminder ads is to keep the company or brand name always fresh in the target audience's memory. A good number of ads are repeated frequently to accomplish this function. E.g. ads of Pepsi, Coke, and Maggi, etc. are some examples.

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### **3.7 Setting Advertising Objectives**

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Although brand and promotion managers are well aware about the importance of setting objectives in the process of planning an ad campaign, there is often confusion about what objectives are appropriate for advertising. Advertising objectives are needed for a number of reasons that include communications function focusing on what the company wants its target customers to think, feel, and do; planning and decision making, and measurement and evaluation.

*“Advertising objectives (or goal) is a specific communication task and achievement level to be accomplished with a specific audience in a specific period of time.”*

Objectives provide a communications platform for the client, the ad agency account executive and the creative team members, and help coordinate the efforts of copywriters, media specialists, media buyers, and professionals involved in the advertising research. Advertising planning program must also be coordinated with other

#### **NOTES**

## NOTES

promotional mix elements within the company. In fact, many problems can be avoided if all the concerned parties have written objectives to guide their actions and serve as a common base for discussing related issues.

An important reason for setting specific objectives is to have a point of reference or standard against which the results can be measured. Actually, the measurability is one of the important characteristics of good objectives as they specify a method and criteria for determining how well the advertising is working.

The company's overall marketing plan determines promotional objectives and from these objectives advertising objectives are derived. Promotional objectives specify what is to be accomplished, and where the advertising fits in. The situation analysis should provide relevant information about :

- The target market segments and the target audience profile.
- The brand's main attributes and benefits.
- Market share of the company's and competing brands. Their positioning, strategies and other relevant information.
- Some ideas on how the company's brand should be positioned and what specific behavioral response is desired, such as brand trail, repeat purchase, increased usage rate etc.

A review of information by the promotion manager would determine where the advertising fit in the company's total promotion plan. The next step is to set specific advertising objectives.

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### **3.8 DAGMAR Approach**

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**Russell H. Colley (1961)** prepared a report for the **Association of National Advertisers** titled "*Defining Advertising Goals for Measured Advertising Results (DAGMAR)*". He developed a model (involve 52 task for advertising task) for setting advertising



objectives and measuring the result of an ad campaign. According to this model, communications effects are the logical basis for setting advertising objectives and goals against which result should be measured. In Colley's words:

*“Advertising’s job, purely and simply, is to communicate to defined audience information and a frame of mind that stimulates actions. Advertising succeeds or fails depends on how well it communicate the desired information and attitudes to the right people at the right time and at the right cost”*

According to DAGMAR approach, advertising objectives involve a communications task that is specific and measurable. Colley proposed that communications objectives be based on a hierarchical model with four stages:

- **Awareness** : Involves making target audience aware of the existence of brand or company.
- **Comprehension** : The purpose is to develop an understanding among audience of what the product is and what it would do for them.
- **Conviction** : The objective is to create a mental disposition among target audience members to buy the product.
- **Action** : To motivate the target audience to purchase the product or services.

Another important contribution of DAGMAR was its ability to clarify what constitutes a good objective. According to Colley, the objectives should have the following features or characteristics:

- Stated in terms of concrete (specific) and measurable communications task; in terms of strengthen brand image, maximize brand presence, maximize the market share, increase the sale.

## NOTES

### Check Your Progress

What is DAGMAR ?

## NOTES

- Specify a target audience, means well defined target audience.
- Indicate a benchmark or standard starting point and the degree of change sought(seek), and
- Specify a time period for accomplishing the objective or objectives.

There are no significant difference between Colley's proposed model and other important hierarchy-of-effects models.

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### 3.9 Assessment and Criticism of DAGMAR Approach

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The DAGMAR approach has had enormous influence on advertising planning process and objective setting. It focused advertiser's attentions on the importance and value of using communications-based objectives as against sales based objectives to measure the impact and success of an ad campaign.

The approach has not been totally accepted by everyone in the advertising field. A number of questions have been raised concerning its value as an advertising planning tool.

- **Problems with Response Hierarchy:** - DAGMAR approach is based on hierarchy of effects model and the fact that consumer do not always follow the sequence of communications effects leading to purchase.
- **Sales as the Advertising Goal:** - Many believe that sales is the only relevant measure of advertising objectives and shown little respect and tolerance for ad campaigns that otherwise may achieve communications objectives but fail to increase sales.
- **Practicality and Costs:** - Implementation of the DAGMAR

approach is difficult. Expensive research required to establish quantitative standards and measure changes in the response hierarchy. Some critics point out that DAGMAR is practical only for large firms with substantial research and advertising budget.

- **Inhibits Creativity:** - The DAGMAR approach is basically a planned and rational approach to setting advertising objectives. It imposes too much structure and may restrict creativity.

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### 3.10 Summary

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As we know that advertising is a powerful communication force, highly visible, and one of the most important tools of marketing communications that helps to sell products, services, ideas, and image, etc. many believe that advertising reflects the needs of the times. Advertising play variety of roles i.e. marketing, economical, and societal role, in marketing and business operations. In marketing communication process the advertng generally remains confined to three main objectives i.e. awareness, remaindering, and persuasion. For advertising planning process the DAGMAR approach is one of the most cited approach through which marketing organizations set their advertising goals, and objectives for creating positive impact on the prospective consumers.

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### 3.11 Key Terms

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- **Awareness :** Creating knowledge among customers regarding products and services.
- **Reminder :** The aim of reminder ads is to keep the company or brand name always fresh in the target audience's memory.
- **Persuasion :** Persuasion advertising may often lead consumers to purchase.

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

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### 3.12 Questions and Exercises

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1. What do you mean by advertising?
2. Discuss the role of advertising in marketing communication process as an important elements of integrated marketing communication.
3. Define the term advertising objectives?
4. What is DAGMAR approach and who it is useful for marketing communication managers in setting their advertising objectives?
5. In your opinion the critics of DAGMAR Approach are right or wrong? Justify your opinion.

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### 3.13 Further Reading and References

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- Advertising Management : Batra, Myers & Aaker. Fifth edition, 2009, Pearson Education.
- Integrated Advertising, Promotion, and Marketing Communications: Kenneth E. Clow, Donald Baack. Pearson Education, Limited, 2015.

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## **UNIT 4 : 5M'S OF ADVERTISING**

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### 4.0 Unit Objectives

4.1 Introduction.

4.2 Mission

4.3 Money

4.4 Message

4.4.1 Message evaluation and selection

4.4.2 Message execution

4.5 Media

4.6 Measurement

4.7 Summary

4.8 Key Terms

4.9 Questions and Exercises

4.10 Further Reading and References

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## **4.0 Unit Objectives**

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After reading this unit you will be able to understand the five significant M's of advertising, upon which the entire advertising planning process remains founded.

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## **4.1 Introduction**

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Every organizations or marketing communication firm handle their advertising in different ways. In small firms, advertising is handled by executives or account managers in the sales or marketing department, who works with an advertising agency. A large company often set up its own advertising department or hire an advertising

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agency to prepare their advertising programs.

In developing an advertising program, the marketing managers always start by identifying the target market and the buyer's intentions. Then they make the five major decisions in developing an advertising program, called as the five M's of Advertising, viz.

- **Mission:** what are the objectives of the advertising campaign?
- **Money:** how much budget they required to achieve the objectives?
- **Message:** what message and message strategy will be followed?
- **Media:** what type of media vehicle/s will be used to deliver the message?
- **Measurement:** how should be the results of the advertising campaign or programme will be evaluated?

The above mentioned each element of the advertising planning programme can be explained by the diagram given below:

<b>The 5Ms of Advertising</b>	
Checklist for planning of a marketing or advertising campaign.	
<b>Mission</b>	<ul style="list-style-type: none"> <li>• What are the objectives of the advertising campaign?</li> <li>• What will be the key elements?</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• How much is it cost to reach the desired objectives?</li> <li>• How much can be spent at current time?</li> </ul>
<b>Message</b>	<ul style="list-style-type: none"> <li>• What types of message should be sent?</li> <li>• Is the message is clear and sufficient to convey the prospects?</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• What are the types of media vehicles are available?</li> <li>• What media vehicles is appropriate and should be used?</li> </ul>
<b>Measurement</b>	<ul style="list-style-type: none"> <li>• How should the results will be measured?</li> <li>• How should the results be evaluated and followed up?</li> </ul>

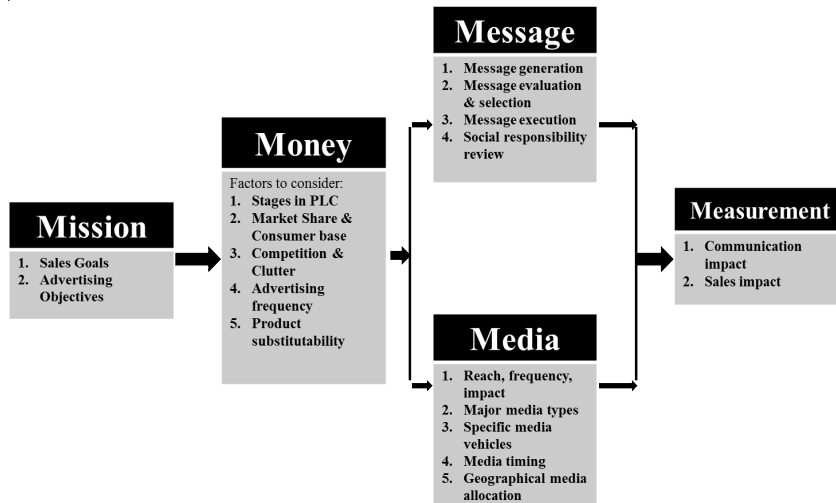


Figure: The Five M's of Advertising

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## 4.2 Mission

Advertising Objectives can be classified as to whether their aim is:

- a. **To inform:** This aim of Advertising is generally true during the pioneering stage of a product category, where the objective is building a primary demand. This may include :

- Telling the market about a new product
- Suggesting new uses for a product
- Informing the market of a price change
- Informing how the product works
- Describing available services
- Correcting false impressions
- Reducing buyers' fears
- Building a company image

- b. **To persuade:** Most advertisements are made with the aim of persuasion. Such advertisements aim at building selective brand.

**Check Your Progress**

What do you mean by Mission of Advertising ?

- c. **To remind:** Such advertisements are highly effective in the maturity stage of the product. The aim is to keep the consumer thinking about the product.

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### 4.3 Money

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‘This M deals with deciding on the Advertising Budget. The advertising budget can be allocated based on :

- Departments or product groups
- The calendar
- Media used
- Specific geographic market areas

There are five specific factors to be considered when setting the Advertising budget.

- **Stage in PLC:** New products typically receive large advertising budgets to build awareness and to gain consumer trial. Established brands are usually supported with lower advertising budgets as a ratio to sales.
- **Market Share and Consumer base:** high-market-share brands usually require less advertising expenditure as a percentage of sales to maintain their share. To build share by increasing market size requires larger advertising expenditures. Additionally, on a cost – per - impressions basis, it is less expensive to reach consumers of a widely used brand than to reach consumers of low-share brands.
- **Competition and clutter:** In a market with a large number of competitors and high advertising spending, a brand must advertise more heavily to be heard above the noise in the market. Even simple clutter from advertisements not directly



competitive to the brand creates the need for heavier advertising.

- **Advertising frequency:** the number of repetitions needed to put across the brand's message to consumers has an important impact on the advertising budget.
- **Product substitutability:** brands in the commodity class (example cigarettes, beer, soft drinks) require heavy advertising to establish a different image. Advertising is also important when a brand can offer unique physical benefits or features.

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### 4.4 Message Generation

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Message generation can be done in the following ways :

- **Inductive:** By talking to consumers, dealers, experts and competitors. Consumers are the major source of good ideas. Their feeling about the product, its strengths, and weaknesses gives enough information that could aid the Message generation process.
- **Deductive:** John C. Maloney proposed a framework for generating Advertising Messages. According to him, a buyer expects four types of rewards from a product :
  - 1 Rational
  - 2 Sensory
  - 3 Social
  - 4 Ego Satisfaction.

*Buyers might visualize these rewards from :*

- Results-of-use Experience
- Product-in-use Experience
- Incidental-to-use Experience

The Matrix formed by the intersection of these four types of

rewards and the three types of experiences is given below.

NOTES

	POTENTIAL TYPE OF REWARD (Sample Messages)			
	Rational	Sensory	Social	Ego Satisfaction
Result-of-Use Experience	1. Gets Clothes Cleaner	2. Settles Stomach upset completely	3. When you care enough to serve the best	4. For the skin you deserve to have
Product-in-Use Experience	5. The flour that needs no sifting	6. Real gusto in a great light beer	7. A deodorant to guarantee social acceptance	8. The store for young executive
Incidental-to-Use Experience	9. The plastic pack keeps the cigarette fresh	10. The portable television that's lighter in weight, easier to lift	11. The furniture that identifies the home of modern people	12. Stereo for the man with discriminating taste

### 4.4.1 Message evaluation and selection

Before deciding about the final message to be sent, a good advertiser always evaluates the various alternative messages. Often a good advertising campaign always focuses on the at least one core selling proposition of the organization/product or services.

The advertising message can be rated on its desirability, exclusiveness and believability. The message must and always first say something desirable or interesting about the product or services. And the message must also say something exclusive or distinct that does not apply to every brand in the product category. Above all, the message must be believable or provable.

## 4.4.2 Message execution

The impact of a message's depends not only upon what is said but also on how it is said. Some advertisement aim for rational positioning and others for emotional positioning. While executing a message the style, tone, words, and format for executing the message must be kept in mind.

- **Style:** Any message can be presented in any of the following different execution styles, or a combination of them:
  - ✓ **Slice of life:** Shows one or more persons using the product in a normal setting.  
Coke 1litre ad, showed a family enjoying Coke, with a game of antakshari when there is a power failure.
  - ✓ **Lifestyle:** Emphasizes how a product fits in with a lifestyle. Asmi and Platinum ads, that focus on lifestyle of persons using their products.
  - ✓ **Fantasy:** Creates a fantasy around the product or its use. VIP Frenchie ads, showing a woman thinking of the Frenchie man saving her from a villain.
  - ✓ **Mood or image:** Evokes a mood or image around the product, such as beauty, love, or serenity. No claim is made about the product except through suggestion.
  - ✓ Kingfisher Beer ads, saying the King of Good Times.
  - ✓ **Musical:** Uses background music or shows one or more persons or cartoon characters singing a song involving the product. Nescafe, Bacardi usually use Music as the main theme of communication.
  - ✓ **Personality symbol:** Creates a character that personifies the product. The character might be animated Ronald McDonald for McDonald's

## NOTES

NOTES

**Check Your Progress**  
 Discuss the Process of Message Execution ?

- ✓ **Technical expertise:** Shows the company's expertise, experience, and pride in making the product. GE and Skoda advertisement.
- ✓ **Scientific evidence:** Presents survey or scientific evidence that the brand is preferred over or outperforms other brands. This style is common in the over-the-counter drug category. DuraCell Ads, claiming the battery lasts 6 times longer than ordinary batteries
- ✓ **Testimonial evidence:** This features a highly credible, likable, or expert source endorsing the product. It could be a celebrity or ordinary people saying how much they like the product. In ads for Sunsilk, they had hair expert Coleen, endorsing the product.

- **Tone:** The communicator must also choose an appropriate tone for the advertising. Procter & Gamble is consistently positive in its tone. The advertisement of P&G always say something superlatively positive about the product, and humor is almost always avoided so as not to take mention away from the message. Other companies use emotions to set the tone- particularly film, telephone, and insurance companies, which stress human connections and milestones.
- **Words:** Memorable and attention-getting words must be found. The following themes listed on the left would have had much less impact without the creative phrasing on the right:

Theme	Creative Copy
You won't have to stay at home because of bad hair	Get Out, Get Going

- **Format:** Format elements such as ad size, color, and illustration will make a difference in an ad's impact as well as its cost. A minor rearrangement of mechanical elements within the ad can improve its attention-getting power. Larger-size ads gain more attention, though not necessarily by as much as their difference in cost. Four-colour illustrations instead of black and white increase ad effectiveness and ad cost. By planning the relative dominance of different elements of the ad, optimal delivery can be achieved.

## NOTES

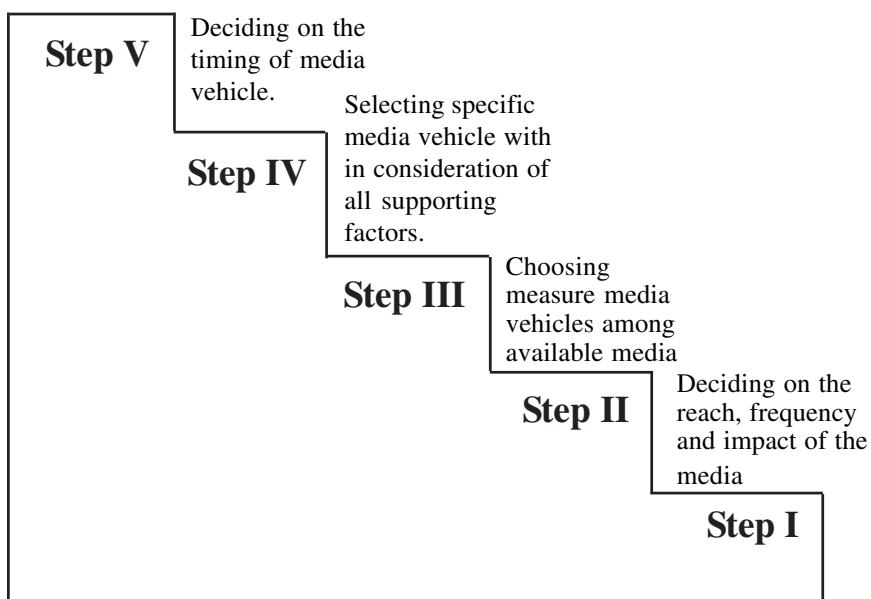
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### 4.5 Media

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The next 'M' to be considered while making an Advertisement Program is the Media through which the advertising message is communicated for the prospects. Following are the steps which generally considered at the time of deciding and choosing the advertising media or the media vehicle to transfer the advertising message.

Deciding on the geographical allocation of the media vehicle



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## 4.6 Measurement

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The evaluation of the effectiveness of the advertising campaign or advertising programme is very important as it always helps in preventing the further wastage of money and help in making necessary correction that are significant and vital for the further advertising programme. Researching the effectiveness of the advertisement is the most used method of evaluating the effectiveness of the Advertisement Program.

Research can be in the form of :

- Communication-Effect Research
- Sales-Effect Research

There are two ways of measuring advertising effectiveness. They are:

**a. Pre-testing :** It is the assessment of an advertisement for its effectiveness before it is actually used. It is done through.

- Concept testing – how well the concept of the advertisement is. This is done by taking expert opinion on the concept of the ad.
- Test commercials - test trial of the advertisement to the sample of people
- Finished testing

**b. Post-testing :** It is the assessment of an advertisement's effectiveness after it has been used. It is done in two ways

- Unaided recall - a research technique that asks how much of an ad a person remembers during a specific period of time
- Aided recall - a research technique that uses clues to

prompt answers from people about ads they might have seen

## *Examples (Case lets)*

## NOTES

### **The 5 M's Of Advertising With Respect To “The Sundrop Campaign”**

**1. Mission:** Sales goals: Leadership in the edible refined oil segment

**a. Advertising Goals & Communication task:**

- **Position** Sundrop as the healthy oil for healthy people
- Ensure that this did not erode the delivery of the taste benefit.
- Positioning had to be perceptually as far away from Saffola.
- Young, modern and premium feel
- Execution had to be distinct and original to stand out from the clutter

**2. Money:**

- Stage in PLC: Introductory, therefore relatively large expenditure
- Market share: new product
- Competitors: Saffola (Safflower oil) also used the health platform but was associated with heart patients and less taste Flora and Sunola (Sunflower oils).

**3. Message:** Health was chosen as the platform, along with a supporting claim for taste. People who were healthy and

## NOTES

energetic were concerned about the long-term prospects of their health. Thus 'Health'

- Was related to maintenance of good health
- Was applicable to all members of the family
- Was characterized by lively energetic people
- Thus the message and (positioning): '**The Healthy Oil for Healthy People**'

**4. Media:** Primary media: Television ad 30 seconds. Print ad

**5. Measurement:**

- Within 6 months, Sundrop became the largest selling refined sunflower oil.
- Redefined the category and expanded the Sunflower oil segment from 2.71% to 23% in 6 months, and 42% in 2016
- Still the largest selling sunflower oil brand holds 15% of branded oil market.
- The ad was shown for over 10 years as the main theme film.

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## 4.7 Summary

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For the success and effective advertising planning process each M's of advertising play an important role. The advertising mission (objectives) of a marketing organization creates foundation for deciding the advertising expenditure (budget) for meeting the objectives of advertising program. Further the money (budget) leads the selection of a particular media and types of message that should be reconnoitered with that media and finally the measurement is done through different means regarding the electiveness of the advertising program for measuring its impact and any future modification for



better outcomes. Each M's of advertising itself have distinctive strategies through which they may be generated and formulated for necessary executions.

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## 4.8 Key Terms

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- **Mission:** what are the objectives of the advertising campaign?
- **Money:** how much budget they required to achieve the objectives?
- **Message:** what message and message strategy will be followed?
- **Media :** what type of media vehicle/s will be used to deliver the message?
- **Measurement:** how should be the results of the advertising campaign or programme will be evaluated?

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## 4.9 Questions and Exercises

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1. What do you mean by 5 M's of advertising?
2. How the combination of 5 M's lead to the success of any advertising planning program to be executed?
3. Discuss the various strategies that are related to the message strategies of an advertising planning program?
4. How the measuring of any advertising program is done? Discuss the answer with the help of a case study about which you are aware.
5. Discuss the process of media selection in details.

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## 4.10 Further Reading and References

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- Advertising Management : Batra, Myers & Aaker. Fifth edition, 2009, Pearson Education.
- Integrated Advertising, Promotion, and Marketing Communications: Kenneth E. Clow, Donald Baack. Pearson Education, Limited, 2015.

## NOTES

*5M's of Advertising*

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# **UNIT 5 : DIRECT MARKETING AND DATABASE MARKETING : ROLE, FUNCTIONS, APPLICATION AND COMPERATIVE ADVANTAGES**

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## **NOTES**

### 5.0 Unit Objectives

- 5.1 Introduction & The Concept of Direct Marketing
- 5.2 Characteristics of Direct Marketing
- 5.3 Benefits of Direct Marketing
- 5.4 Channels of Direct Marketing
- 5.5 Introduction to Database marketing
- 5.6 History & Concept of Database marketing
- 5.7 Difference between Direct & Data Base Marketing
- 5.8 Growth and evolution of database marketing
- 5.9 Summary
- 5.10 Key Terms
- 5.11 Questions and Exercises
- 5.12 Further Reading and References

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## **5.0 Unit Objectives**

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After reading this unit you will be able to understand the concept of direct marketing, its characteristics, benefits and channel. Also this unit explains the overview of database marketing and its relevance in the contemporary business environment and business activities.

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## **5.1 Introduction and the Concept of Direct Marketing**

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Direct marketing is a form of advertising that allows businesses and other organizations to communicate directly to the prospects or customers through a variety of media. Direct marketing focuses on the customer, data, and analysis. Therefore, besides the actual communication, a direct marketing campaign incorporate actionable segments and use pre- and post-campaign analytics to measure results.

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## **5.2 Characteristics of Direct Marketing**

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Following are the some salient characteristics of direct marketing that differentiate the direct marketing from other types of marketing.

- In direct marketing a database of relevant information about prospects, customer and business is used to develop a target market with common interests, traits or characteristics. Generating such a database is often considered part of the direct marketing campaign.
- The advertising campaign or marketing messages are addressed directly to the identified customers or prospects.
- The addressability comes in a variety of forms including email addresses, phone numbers, fax numbers, postal addresses, and web browser cookies.
- Direct marketing always seeks to drive a precise “call to action.” For example, an advertisement may ask the prospect to call a free phone number, mail in a response or order, or click on a link to a website.
- Direct marketing emphasizes traceable, measurable responses. It also emphasizes maximizing response rates by

testing while minimizing advertising expenses when engaging prospective customers, regardless of the medium used.

Direct marketing is practiced by businesses of all sizes. A direct advertising campaign aims to deliver a good return on investment by showing how many potential customers responded to a clear call to action. This is in contrast to general advertising, which eschews calls for action in favor of messages that build prospects' emotional awareness or engagement with a brand.

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### **5.3 Benefits of Direct Marketing**

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- It has been observed that the direct marketing is an attractive mode of communication for many marketers, because the results of the direct marketing can be measured directly at the same time. For example, if a marketer sends out 1,000 solicitations by mail and 100 respond to the promotion, the marketer can say with confidence that campaign led directly to 10% direct responses. This metric is known as the 'response rate,' and it is one of many clearly quantifiable success metrics employed by direct marketers. In contrast, general advertising uses indirect measurements, such as awareness or engagement, since there is no direct response from a consumer. Measurement of results is a fundamental element in successful direct marketing.
- The significant benefits of Direct Marketing is, it enables promoting products or services that might not have a strong brand. Products or service with a sound value proposition, matched with an attractive offer, supported with effective communication, delivered through a suitable direct marketing channel and targeting the relevant customer segment can result in very effective cost of acquisition albeit the brand might be

### **NOTES**

**Check Your Progress**

Discuss the Concept of Direct & Database Marketing?

## NOTES

relatively unknown. Relative to other channels of distribution (say retailing) Direct Marketing as a practice principally relies on the proposition, offer, communication, choice of channel and the target customer and so less dependent on the brand strength.

- The Internet has made it easier for marketing managers to measure the results of a campaign. This is often achieved by using a specific website landing page directly relating to the promotional material. A call to action will ask the customer to visit the landing page, and the effectiveness of the campaign can be measured by taking the number of promotional messages distributed and dividing it into the number of responses. Another way to measure the results is to compare the projected sales or generated leads for a given term with the actual sales or leads after a direct advertising campaign.

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## 5.4 Channels of Direct Marketing

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Any medium of marketing communication, which can be used to transmit or deliver a message to a customer can also be used in direct marketing. Following are the some channels or mode of communication which can be used in direct marketing.

- a. Email marketing:** Email is the most widely used methods in the process of direct marketing. The basic reason for the popularity of email is that it is relatively inexpensive to design, test, and send an email message. It also allows marketers to deliver messages around the clock, and to accurately measure responses.
- b. Online tools:** with the expansion of digital technology and tools, direct marketing is increasingly taking place through online channels. Most online advertising is delivered to a focused group of customers and has a trackable response.
  - Display Ads are interactive ads that appear on the Web next to content on Web pages or Web services. Formats

include static banners, pop ups, videos, and floating units. Customers can click on the ad to respond directly to the message or to find more detailed information. According to research by eMarketer, expenditures on online display ads rose 24.5% between 2010 and 2011.

- Search: 49% of US spending on Internet ads goes to search, in which advertisers pay for prominent placement among listings in search engines whenever a potential customer enters a relevant search term, allowing ads to be delivered to customers based upon their already-indicated search criteria. This paid placement industry generates more than \$10 billion for search companies. Marketers also use search engine optimization to drive traffic to their sites.
  - Social Media Sites, such as Facebook and Twitter, also provide opportunities for direct marketers to communicate directly with customers by creating content to which customers can respond.
- c. Mobile :** Through mobile marketing, marketers engage with prospective customers and donors in an interactive manner through a mobile device or network, such as a cellphone, smartphone, or tablet. Types of mobile marketing messages include: SMS (short message service)—marketing communications are sent in the form of text messages, also known as texting. MMS (multi-media message service)—marketing communications are sent in the form of media messages.
- d. Telemarketing :** Another common form of direct marketing is telemarketing, in which marketers contact customers by phone. The primary benefit to businesses is increased lead generation, which helps businesses increase sales volume and customer base. The most successful

## NOTES

**NOTES**

telemarketing service providers focus on generating more “qualified” leads that have a higher probability of getting converted into actual sales.

- e. Voicemail marketing :** Voicemail marketing emerged from the market prevalence of personal voice mailboxes, and business voicemail systems. Voicemail marketing presented a cost effective means by which to reach people directly, by voice. Voice-mail courier is a similar form of voice-mail marketing with both business-to-business and business-to-consumer applications.
- f. Broadcast faxing :** Broadcast faxing, in which faxes are sent to multiple recipients, is now less common than in the past.
- g. Couponing :** Couponing is used in print and digital media to elicit a response from the reader. An example is a coupon which the reader receives through the mail and takes to a store’s check-out counter to receive a discount.
  - Digital Coupons: Manufacturers and retailers make coupons available online for electronic orders that can be downloaded and printed. Digital coupons are available on company websites, social media outlets, texts, and email alerts. There are an increasing number of mobile phone applications offering digital coupons for direct use.
  - Daily Deal Sites offer local and online deals each day, and are becoming increasingly popular. Customers sign up to receive notice of discounts and offers, which are sent daily by email. Purchases are often made using a special coupon code or promotional code. The largest of these sites, Groupon, has over 83 million subscribers.



- h. Direct response marketing :** Direct Response Marketing is designed to generate an immediate response from consumers, where each consumer response (and purchase) can be measured, and attributed to individual advertisements. This form of marketing is differentiated from other marketing approaches, primarily because there are no intermediaries such as retailers between the buyer and seller, and therefore the buyer must contact the seller directly to purchase products or services. Direct-response marketing is delivered through a wide variety of media, including DRTV, radio, mail, print advertising, telemarketing, catalogues, and the Internet.
- i. Direct response mail order :** Mail order in which customers respond by mailing a completed order form to the marketer. Mail order direct response has become more successful in recent years due to internet exposure.
- j. Direct response television :** Direct marketing via television (commonly referred to as DRTV) has two basic forms: long form (usually half-hour or hour-long segments that explain a product in detail and are commonly referred to as infomercials) and short form, which refers to typical 30-second or 60-second commercials that ask viewers for an immediate response (typically to call a phone number on screen or go to a website). TV-response marketing-i.e. infomercials - can be considered a form of direct marketing, since responses are in the form of calls to telephone numbers given on-air. This allows marketers to reasonably conclude that the calls are due to a particular campaign, and enables them to obtain customers' phone numbers as targets for telemarketing. One of the most famous DRTV commercials in India is Teleshopping and WOW TV.

**NOTES**

## NOTES

**k. Direct response radio:** In direct response radio, ads contain a call to action with a specific tracking mechanism. Often, this tracking mechanism is a “call now” prompt with a toll-free phone number or a unique Web URL. Results of the ad can be tracked in terms of calls, orders, customers, leads, sales, revenue, and profits that result from the airing of those ads.

**l. Direct response magazines and newspapers:** Magazine and newspaper ads often include a direct response call-to-action, such as a toll-free number, a coupon redeemable at a brick-and-mortar store, or a QR code that can be scanned by a mobile device—these methods are all forms of direct marketing, because they elicit a direct and measurable action from the customer.

**m. Other direct response media:** Other media, such as magazines, newspapers, radio, social media, search engine marketing and e-mail can be used to elicit the response. A survey of large corporations found e-mail to be one of the most effective forms of direct response.

- Direct mail
- Insert media
- Out-of-home
- Direct selling
- Grassroots/community marketing
- The door-to-door distribution

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## 5.5 Introduction to Database Marketing

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Database marketing is a form of direct marketing using databases of customers or potential customers to generate personalized communications in order to promote a product or service for marketing

purposes. The method of communication can be any addressable medium, as in direct marketing.

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## **5.6 History & Concept of Database Marketing**

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### **NOTES**

The data base marketing emerged in the 1980s as a new, improved form of direct marketing. During the period traditional “list broking” was under pressure to modernize, because it was offline and tape-based, and because lists tended to hold limited data. At the same time, with new technologies enabling customer responses to be recorded, direct response marketing was in the ascendancy, with the aim of opening up a two-way communication, or dialogue, with customers. Robert D. “Bob” and Kate Kestnbaum were trailblazing pioneers of the new direct marketing, who were credited with developing new metrics including customer lifetime value, and applying financial modelling and econometrics to marketing strategies. They founded Kestnbaum & Co, a consulting firm in 1967, and this was the training ground for many of database marketing’s leading thinkers, including Robert Blattberg, Rick Courtheaux and Robert Shaw. Bob Kestnbaum was inducted into the DMA Hall of Fame in October 2002. Kestnbaum collaborated with Shaw in the 1980s on several landmark online marketing database developments - for BT (20 million customers), BA (10 million) and Barclays (13 million). Shaw incorporated new features into the Kestnbaum approach, including telephone and field sales channel automation, contact strategy optimization, campaign management and co-ordination, marketing resource management, marketing accountability and marketing analytics. The designs of these systems have been widely copied subsequently and incorporated into CRM and MRM packages in the 1990s and later.

The earliest recorded definition of Database Marketing was in 1988 in the book of the same name (Shaw and Stone 1988 Database

## NOTES

Marketing):

“Database Marketing is an interactive approach to marketing, which uses the individually addressable marketing media and channels (such as mail, telephone and the sales force): to extend help to a company’s target audience; to stimulate their demand; and to stay close to them by recording and keeping an electronic database memory of the customer, prospect and all commercial contacts, to help improve all future contacts and to ensure more realistic of all marketing.”

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## 5.7 Difference between Direct & Data Base Marketing

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The distinction between direct and database marketing stems primarily from the attention paid to the analysis of data. Database marketing emphasizes the use of statistical techniques to develop models of customer behavior, which are then used to select customers for communications. As a consequence, database marketers also tend to be heavy users of data warehouses, because having a greater amount of data about customers increases the likelihood that a more accurate model can be built.

*There are two main types of marketing databases,*

- Consumer databases, and
- Business databases.

Consumer databases are primarily geared towards companies that sell to consumers, often abbreviated as [business-to-consumer] (B2C) or BtoC. Business marketing databases are often much more advanced in the information that they can provide. This is mainly because business databases aren’t restricted by the same privacy laws as consumer databases.

The “database” is usually name, address, and transaction history

details from internal sales or delivery systems, or a bought-in compiled “list” from another organization, which has captured that information from its customers. Typical sources of compiled lists are charity donation forms, application forms for any free product or contest, product warranty cards, subscription forms, and credit application forms. The communications generated by database marketing may be described as junk mail or spam, if it is unwanted by the addressee. Direct and database marketing organizations, on the other hand, argue that a targeted letter or e-mail to a customer, who wants to be contacted about offerings that may interest the customer, benefits both the customer and the marketer. Some countries and some organizations insist that individuals are able to prevent entry to or delete their name and address details from database marketing lists.

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## **5.8 Growth and Evolution of Database Marketing**

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The growth of database marketing is driven by a number of environmental issues. Fletcher, Wheeler and Wright (1991) classified these issues into four main categories:

- a) Changing role of direct marketing
  - The move to relationship marketing for competitive advantage.
  - The decline in the effectiveness of traditional media.
  - The overcrowding and myopia of existing sales channels.
- b) Changing cost structures
  - The decline in electronic processing costs.
  - The increase in marketing costs.
- c) Changing technology
  - The advent of new methods of shopping and paying.
  - The development of economical methods for

## NOTES

### Check Your Progress

Write a note on the  
Growth of Database  
Marketing ?

differentiating customer communication.

#### d) Changing market conditions

- The desire to measure the impact of marketing efforts.
- The fragmentation of consumer and business markets.

Shaw and Stone (1988) noted that companies go through evolutionary phases in the developing their database marketing systems. They identify the four phases of database development as:

1. Mystery lists;
2. Buyer databases;
3. Coordinated customer communication; and
4. Integrated marketing.

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## 5.9 Summary

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The Direct marketing is a form of advertising that allows businesses and other organizations to communicate directly to the prospects or customers through a variety of media. Direct marketing focuses on the customer, data, and analysis. Therefore, besides the actual communication, a direct marketing campaign incorporate actionable segments and use pre- and post-campaign analytics to measure results. Any medium of marketing communication, which can be used to transmit or deliver a message to a customer can also be used in direct marketing. Database marketing is a form of direct marketing using databases of customers or potential customers to generate personalized communications in order to promote a product or service for marketing purposes. The distinction between direct and database marketing stems primarily from the attention paid to the analysis of data. The growth of database marketing is driven by a number of environmental

issues, such as changing role of direct marketing, cost structure, technology and diverse market conditions.

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## 5.10 Key Terms

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- **Direct Marketing** : Direct marketing is a form of advertising that allows businesses and other organizations to communicate directly to the prospects or customers through a variety of media.
- **Market Channels** : Any medium of marketing communication, which can be used to transmit or deliver a message to a customer are called market channel.
- **Email marketing** : Communication with the prospects through e-mail called e-mail marketing.
- **Data Base Marketing** : Database marketing emphasizes the use of statistical techniques to develop models of customer behavior, which are then used to select customers for communications.

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## 5.11 Questions and Exercises

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1. Discuss the concept of direct marketing?
2. What are the most effective direct marketing techniques that may be used in direct marketing?
3. How can direct marketing distinguish you from your competition?
4. How can a new business profit from creating a mail campaign?
5. Discuss your understanding on database marketing?
6. How the sufficient consumer data can be useful in database marketing?
7. Discuss the role of modern technology in database marketing? Also justify your answer with some examples that you have realize in any time of your shopping experience.

## NOTES

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## **5.12 Further Reading and References**

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- Marketing Communications. Current edition. Lynne Eagle, Stephan Dahl, Barbara Czarnecka, and Jenny Lloyd. NY: Routledge, Taylor & Francis.
- Advertising Promotion and Other Aspects of Integrated Marketing Communication. Current edition.
- Terence A. Shimp and J. Craig Andrews. Mason, OH : South-Western/Cengage.
- Integrated Advertising, Promotion and Marketing Communications. Current edition.
- Kenneth E. Clow and Donald Baack. Boston : Pearson/Prentice Hall.
- Advertising and Promotion: An Integrated Marketing Communications Perspective. Current edition.



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## **UNIT 6: ADVERTISING BUDGET; DIFFERENT METHODS OF SETTING ADVERTISING BUDGET**

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### **NOTES**

#### 6.0 Unit Objectives

#### 6.1 Introduction of Advertising Budget

#### 6.2 Procedure of Budgeting

#### 6.3 Allocation of Advertising Budget

#### 6.4 Approaches for Determine the size of Budget.

##### 6.4.1 Top-Down Approach or Affordable Method.

##### 6.4.2 Bottom-Up Approach or Build-Up Approach.

#### 6.5 Summary

#### 6.6. Key Terms

#### 6.7 Questions and Exercises

#### 6.8 Further Reading and References

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### **6.0 Unit Objectives**

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After reading this unit you will be able to understand the complete concept of advertising budgeting, the process of setting advertising budget and various approaches that are used in setting advertising budget in real world businesses.

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### **6.1 Introduction of Advertising Budget**

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The advertising budget of a business is typically a subset of the larger sales budget and, within that, the marketing budget. Advertising is a part of the sales and marketing effort. Money spent on advertising can also be seen as an investment in building up the business.

In order to keep the advertising budget in line with promotional and marketing goals, a business owner should start by answering several important questions:

## NOTES

Who is the target consumer? Who is interested in purchasing the product or service, and what are the specific demographics of this consumer (age, employment, sex, attitudes, etc.)? Often it is useful to compose a consumer profile to give the abstract idea of a “target consumer” a face and a personality that can then be used to shape the advertising message. What media type will be most useful in reaching the target consumer? What is required to get the target consumer to purchase the product? Does the product lend itself to rational or emotional appeals? Which appeals are most likely to persuade the target consumer? What is the relationship between advertising expenditures and the impact of advertising campaigns on product or service purchases? In other words, how much profit is likely to be earned for each dollar spent on advertising?

Answering these questions will help to define the market conditions that are anticipated and identify specific goals the company wishes to reach with an advertising campaign. Once this analysis of the market situation is complete, a business must decide how best to budget for the task and how best to allocate budgeted funds.

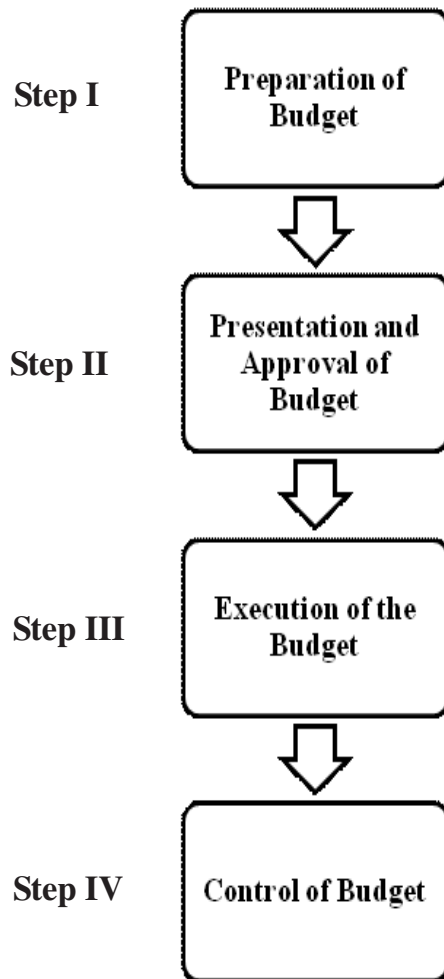
The budget is an estimation of future advertising expenditure that will be used to implement managerial decisions, to maintain or improve profit result.

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## 6.2 Procedures of Budgeting

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The advertising budgeting procedure involved following stages;



**NOTES**

- a. Preparation of Budget:** The advertising budget generally prepared by the advertising manager in consultation with marketing manager. The advertising budget mainly made on the basis of inputs such as; type of product, target market, demographic composition, advertising copy, and media; provided by the marketing research people.
- b. Presentation and Approval of Budget:** Once the advertising budget prepared by the advertising managers, it is presented in front of the top management for the approval.
- c. Execution of the Budget:** After approval the approval process, the advertising manager execute the overall budget. At the time of execution the budget allocation are to be considered for various activities.

**Check Your Progress**

Discuss the process of Advtising Budget?

**NOTES**

- d. Control of Budget :** Once the advertising department of organization execute the budget, the result come out. So in this stage of advertising budget process the management ensure the correct use of advertising budget by evaluating the overall effectiveness of advertising programme.

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## **6.3 Allocation of Advertising Budget**

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Following main aspects of a company which are considered by the management at the time of allocating the advertising budget on different activities.

- a. Marketing Mix of the Company:** Product, Price, Place, & Promotion.
- b. The sales forecast.**
- c. Affordability** (How much funds organization can invest )
- d. The product life cycle.**
- e. Type of the product.**
- f. Quality of the campaign:** If the advertising campaign is of high quality needed small budget.
- g. Level of competition.**
- h. The budgeting cycle:** (time period of budget), if budget made for six month, lesser money will be required then the budget for one year.
- i. Contingency Planning:** There are many external uncontrollable restraints that must be taken into consideration while planning the budget.

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## 6.4 Approaches for Determine the size of Budget

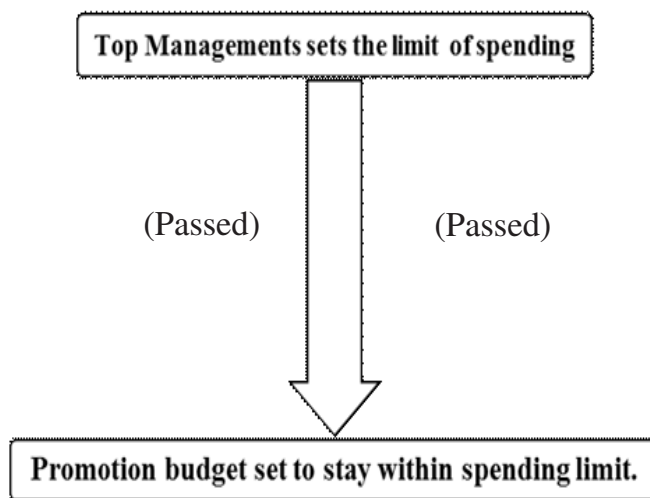
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Following are the main approaches used by the companies while setting the limit of advertising expenditure.

- Top-Down Approach or Affordable Method.
- Bottom-Up Approach or Build-Up Approach.

### 6.4.1 Top-Down Approach or Affordable Method

When the budget amount or expenditure limit for advertising is established by the top management of the organization and then passed down to the various department called top-down approach.



**Figure: Top-Down Approach**

The top-down approach of budget setting includes following methods.

- a) Percentage of Sales Method.
- b) Arbitrary Allocation Method.
- c) Competitive Parity Method.
- d) Return on Investment (ROI) Method.

### NOTES

**NOTES**

**a. Percentage of Sales Method:** This method is one of the most widely used method for setting the appropriation. “Percentage of sales method is based on the previous year’s sales, on estimated sales of coming year or on some combination of these two “ This method include following two;

- **Straight percentage of sales:** In this method sales are project for the coming year based on the marketing manager’s estimation.

2014 – Total Rs Sales - Rs 10,000,00

Straight percentage of sales at 10% - Rs 1,00,000

2015 – Advertising Budget - Rs 1,00,000

- **Percentage of unit cost.**

2014 - Cost per bottle to manufacture - Rs 4.00

Unit cost allocated to advertisement - Rs 1.00

2015 - Forecasted Sales Rs 10,000 units

2015-Advertising Budget (10,000x1)-Rs 10,000

**b. Arbitrary Allocation Method :** In this method, the budget is determined by the manager solely (alone) on the basis of his/her judgment, or without any rationality or rule.

**c. Competitive Parity Method :** While keeping one’s own objectives in mind, it is often useful for a business to compare its advertising spending with that of its competitors. The theory here is that if a business is aware of how much its competitors are spending to advertise their products and services, the business may wish to budget a similar amount on its own advertising by way of staying competitive. Doing as one’s competitor does is not, of course, always the wisest course. And matching another’s advertising budget dollar

for dollar does not necessarily buy one the same marketing outcome. Much depends on how that money is spent. However, gauging one's advertising budget on other participants' in the same market is a reasonable starting point.

- d. Return on Investment (ROI) Method :** This method, also referred to as 'rate on investment' or 'incremental method', considers advertising and promotion as investments, like plant and equipment. Therefore, investment in the budgetary appropriation i.e. expenditure on advertising and promotion is expected to bring certain returns. This method measures the return in terms of increased sales on spending advertisement appropriation in comparison to the sales on not spending anything.

## **6.4.2 Bottom-Up Approach or Build-Up Approach**

In this strategy the organization first determine all activities which are necessary for performing overall communication task and allocate funds on them, then the top management of the organization approve the limit as per needed task. The bottom-up approach includes following methods.

- a. Objective and task method :** The objective and task method includes following three steps.
- Defining the communication objectives to be accomplished.
  - Determining the specific strategies and task needed to attain them.
  - Estimating the costs associated with performance of these strategies and tasks.

### **NOTES**

#### **Check Your Progress**

Discuss the various Approches of Setting Advertising Budget?

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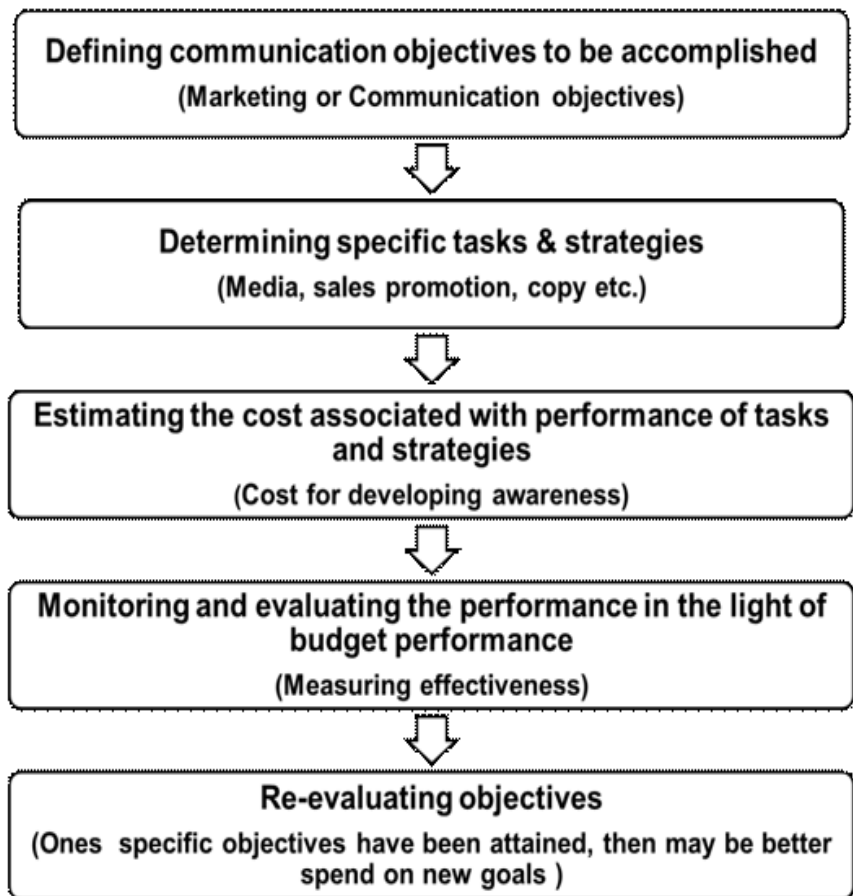


Figure: Objective and task method

**b. Payout planning method :** The method is widely used for making advertising budget for the new product. A payout plan is developed to determine how much to spend.”The basic idea behind payout planning method is to project the revenues the product will generate over two or three years, as well as the cost it will incur.”

This method is based on the expected rate of return. This method is helpful for determining how much advertising expenditures will be necessary when the return might be expected.

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## 6.5 Summary

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The advertising budget of a business is typically a subset of the larger sales budget and, within that, the marketing budget.



Advertising is a part of the sales and marketing effort. Money spent on advertising can also be seen as an investment in building up the business.

In order to keep the advertising budget in line with promotional and marketing goals, a business owner should start by answering several important questions. After answering all the questions the defined process is followed for the setting of future advertising expenditures (budget). And two basic approaches (i.e. top down and bottom up) than followed for the final budget.

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## 6.6 Key Terms

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- **Budget:** The budget is an estimation of future advertising expenditure that will be used to implement managerial decisions, to maintain or improve profit result.
- **Top down approach:** When the budget amount or expenditure limit for advertising is established by the top management of the organization and then passed down to the various department.
- **Bottom up approach:** When the budget amount or expenditure limit for advertising is established based on the objectives to be achieved by an advertising programme.

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## 6.7 Questions and Exercises

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1. What do you mean by advertising budget?
2. Discuss in detail the process of setting advertising budget along with examples?
3. What do you understand by the term “approaches” for setting the advertising budget?
4. Discuss in detail the different approaches of setting advertising budget? And also discuss their merits and demits in the context of present market conditions.

## NOTES

5. In your opinion which method of setting advertising budget is most suitable and why?

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## **6.8 Further Reading and References**

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- Advertising Management : Batra, Myers & Aaker. Fifth edition, 2009, Pearson Education.
- Integrated Advertising, Promotion, and Marketing Communications: Kenneth E. Clow, Donald Baack. Pearson Education, Limited, 2015.

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# UNIT 7 : PERSONAL SELLING

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## NOTES

### 7.0 Unit Objectives

#### 7.1 Introduction

#### 7.2 The Nature of Personal Selling

7.2.1 The new role of personal selling

7.2.2 Relationship marketing

7.2.3 The Costs of Personal Selling

7.2.4 Personal Selling Responsibilities

#### 7.3 The Scope of Personal Selling

#### 7.4 The Role of Personal Selling in advertising and sales promotion

#### 7.5 Determining the Role of Personal Selling

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7.7.1 Combining of personal selling and public relation

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7.7.3 Combining of personal selling and sales promotion

7.7.4 Combining of personal selling and internet

#### 7.9 Summary

#### 7.9 Key Terms

#### 7.10 Questions and Exercises

#### 7.11 Further Reading and References

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## 7.0 Unit Objectives

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After reading this unit you should be able to:

- To determine the nature and scope of personal selling.
- To discuss the role of personal selling in advertising and sales promotion.

- To explain the integration of personal selling with advertising and sales promotion.
- To know the advantages and disadvantages of personal selling as a promotional program element.

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## **7.1 Introduction**

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Personal selling is a direct communication process of selling. It is the only element of a marketing promotional mix that includes two-way communications. In which a sales representative try to assist or persuade potential buyers to purchase his company's produce. It involves communication of a customized message to a prospective customer by a sales man, usually in the form of face-to-face communication, direct mail correspondence, or a telephonic conversation. It has the unique feature of communication flexibility, i.e. the seller can understand the prospective buyer's reactions and modify the message accordingly right on the spot. Personal selling has a strong role in industrial firms, while, its role is not that strong in other firms such as manufacturers of low-end consumer non-durable goods. Personal selling is important in selling to final consumers and resellers. Personal selling efforts can also be designed to approach a particular target markets and group of customers for the company's product or service. Personal selling is where businesses use people (the "sales force") to sell their products after meeting face-to-face with the customer. The sellers promote the product through their attitude, appearance and specialist product knowledge. They aim to inform and persuade the customer to buy, or at least tryout the product. A good example of personal selling is found in departmental stores on the perfume and cosmetic counters. A customer can get advice on how to apply the product and can try different products. Products with relatively high prices, or with complex features, are often sold using personal selling. Great

examples include cars, office equipment (e.g. photocopiers) and many products that are sold by businesses to other industrial customers. Point-of-sale merchandising can be said to be a specialist form of personal selling. POS merchandising involves face-to-face contact between sales representatives of producers and the retail trade.

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## **7.2 The Nature of Personal Selling**

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Personal selling is a scientifically set and specialized body of knowledge and is a part of any marketing curriculum. It is both science and art. It is a science based on human psychology. The psychology of the customers has to be studied to gain knowledge about their behavior. The salesmen must have knowledge about the different parameters of consumer behavior and should also possess a systematic knowledge of goods he has to sell. It is a science since salesman should follow certain basic principles, techniques and approaches for concluding a sale and satisfying the customer. Personal selling is not a pure science as it is based on human relationship that is not perfect. The application of science or sales principles and techniques is based on situation faced by a particular salesperson. It is coined as sales art or sales skill. A salesman must have selling skills and must possess real interest in his profession. The art requires patience and application of correct methods. Thus the salesman must thoroughly master the science and the art of personal selling. Thus the Personal Selling is a science of developing harmonious personal relations and an art of communicating with people effectively so that sales resistance on the part of consumers can be minimized.

The personal selling task demands a variety of responsibilities. The personal selling area is constantly evolving as the marketing environment itself evolves. This is how any social science should behave on a constant evolution, changing in accordance with the changing needs and environment.

### **NOTES**

**Check Your Progress**

Discuss the concept and nature of Personal selling?

**NOTES**

To integrate the personal selling effort into the overall promotional program, we must understand the nature of this tool. Let us look at how personal selling has evolved over the years and then examine some of its characteristics. The personal selling task encompasses a variety of responsibilities. Like other aspects of the promotional mix, these responsibilities are constantly changing. As noted by Thomas Wotruba, the personal selling area is constantly evolving as the marketing environment itself evolves. Wotruba identifies five distinct stages of personal selling evolution.

1. ***Provider stage*** : Selling activities are limited to accepting orders for the supplier's available offering and conveying it to the buyer.
2. ***Persuader stage*** : Selling involves an attempt to persuade market members to buy the supplier's offerings.
3. ***Prospector stage*** : Activities include seeking out selected buyers who are perceived to have a need for the offering as well as the resources and authority to buy it.
4. ***Problem-solver stage*** : Selling involves obtaining the participation of buyers to identify their problems, which can be translated into needs, and then presenting a selection from the supplier's offerings that corresponds with those needs and can solve those problems.
5. ***Procreator stage*** : Selling defines the buyer's problems or needs and their solutions through active buyer-seller collaboration and then creates a market offering uniquely tailored to the customer.

According to Wotruba, firms evolving through these five stages have to assume different market orientations, as well as different organizational designs, staffing, and compensation programs. The different stages require different promotional strategies, each integrated with personal selling to achieve the maximum communications effect.

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### **7.2.1 The New Role of Personal Selling**

As previously noted, the business world is going through a very rapid change as (1) individuals and corporations are gaining more knowledge and economic power, (2) value is being replaced by efficiency, and (3) industry boundaries are changing for example, competitors are joining sales forces to achieve more buying power. As a result, the role of the sales force will also significantly change, according to Kevin Hoffberg and Kevin Corcoran. Along with retaining their traditional roles, described by Wotruba, salespeople will have to acquire new roles to remain effective. That is, in addition to being information providers, influencers through proximity (i.e., through personal contact), and demonstrators, salespeople will engage in: Surveying, educating themselves more about their customers' businesses and regularly assessing these businesses and their customers to achieve a position of knowledgeable authority. Mapmaking outlining both an account strategy and a solutions strategy. This means laying out a plan, discussing it with the customer, and revising it as changes require. Guiding—bringing incremental value to the customer by identifying problems and opportunities, offering alternative options and solutions, and providing solutions with tangible value.

### **7.2.2 Relationship Marketing**

Also known as personal selling is evolving from a focus on

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influential techniques used to sell a product or service. This new role requires much broader thinking and expertise on the part of the seller and a more extensive use of the various promotional tools. The modern salesperson is attempting to establish a long-term, symbiotic relationship with customers, working with them as a solutions provider.

**Relationship marketing** is defined as “an organization’s effort to develop a long-term, cost-effective link with individual customers for mutual benefit.” Rather than focusing on a short-term sale, the sales representative tries to establish a long-term bond. Rather than just selling, the sales department works with marketing to use techniques like database marketing, message differentiation to different target markets, and tracking of promotional effects to improve the relationship. For example, customer relationship management (CRM) tools have been used by a number of companies. These companies, including Sony, Samsung and Nokia, among others, make extensive uses of their databases on purchase behavior and frequency and duration of customer interactions to estimate profitability at the individual account level. A number of companies are now offering software’s to assist in implementing CRM programs, including ERP, SAP, and PeopleSoft. Relationship building also requires trust, as noted by Pepper and Rodgers, if the customer does not trust the salesperson, there is no relationship and the sale will focus only on price. In a long-term relationship, the buyer and seller collaborate within the context of previous and future transactions.

Adoption of a CRM approach will require sales managers to develop nontraditional sales strategies, according to some observers. Ingram and colleagues note that companies will need to move to a more strategic, less tactical approach, using emerging technologies to support this effort. Bob Donath agrees, noting that traditional communications performance standards the number of



qualified and converted leads generated from a medium will be less important. Donath notes that a company's reliance on websites and banner ads, as well as ads in print publications, will need to be more strategic, direct marketing will assume a greater role, and the use of more sophisticated CRM programs will be required to be successful.

### **7.2.3 The Costs of Personal Selling**

In some industries, personal selling constitutes a considerable portion of the communication effort and may account for most of the promotional budget. This is true because.

- Extensive attention is being paid towards personal selling due to its advantages over other communication techniques and
- Personal selling is an expensive form of communication.

The average cost per sales call varies by industry, ranging from a low of in the food industry to high in electronics. Communication does not come cheap! When the cost per sales call is compared with the cost per message delivered through other media, these figures seem shocking. While evaluating the costs of personal selling, we must consider the nature of the call, the objectives required, and whether other program elements could deliver the message as effectively. It may be that the higher costs cannot be avoided. The costs of personal selling are even higher when you consider that one sales call is not likely to be enough to close a deal. This is particularly true in building and construction; while it may take only sales calls to close a deal in the building and construction industry, the same close in electronics and computer manufacturing may require visits. The industry average is as you can see through simple multiplication; the cost per sale is now even intimidating. Overall, personal selling is an

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expensive way to communicate. Yet it does usually involve more than just communicating, and the returns may be greater than those from the other program elements.

## NOTES

### 7.2.4 Personal Selling Responsibilities

Sales & Marketing Management uses three categories to classify salespeople :

**Order taking, creative selling, and missionary sales** Of course, not all firms treat each of these responsibilities the same, nor are their salespeople limited to only these tasks. Personal selling has evolved to include responsibilities beyond these. Job requirements may include (1) locating potential customers; (2) determining customers' needs and wants that are not being fulfilled; (3) recommending a way to assure these needs and/or wants; (4) demonstrating the capabilities of the firm and its products for providing this satisfaction; (5) concluding the sale and taking the order; and (6) following up and servicing the account. Let us discuss these job classifications and some of the responsibilities assigned to each:

- 1. Locating potential customers:** The process of locating new customers involves the search for and qualification of potential customers. Salespeople must follow up on **leads** and **prospects**. They must also find out whether these prospects are **qualified prospects** i.e., able to make the buying decision and pay for the product. Oracle is a software company in United States, which uses an automated lead tracking system to help in this regard. The system gathers all leads, and then with automated scripts and questionnaires the leads are qualified by phone, fax, or Internet. The system then arranges each lead by

“grade” and priority status and directs it to the appropriate salesperson.

2. ***Determining customers’ needs and wants*** : At this point, the sales representative gathers more information on the prospect and decides the best way to approach him or her. The representative must determine what are the needs and wants of the customer and make precise that the person being approached is capable of making the purchase decision. In some cases the salesperson may have to help the customer in determining what he or she needs.
3. ***Recommending a way to satisfy the customers’ needs and wants***: At this stage the salesperson suggests a probable solution to the problem and/or wants of the potential customer. This may involve providing information regarding the alternatives available to accomplish fulfillment of his/her needs and wants. As noted earlier, the salesperson acts as a systems provider.
4. ***Demonstrating the capabilities of the firm and its products***: This is the point at which, the sales representative demonstrates the potentiality of the organization and explain the prospect why this firm is the conspicuous choice.
5. ***Closing the sale***: The key element in any sales presentation is getting the prospect’s assurance. Many sales representatives, feel that this is the most difficult task. Most of the times the managers work with their sales forces to close the sale and help hesitant or unsure customers make a decision.

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**Following up and servicing the account** The responsibilities of the sales force do not end with the end of sales of the product.

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Maintaining customer reliability, generating repeat sales, and getting the opportunity to cross sell that is, sell additional products and services to the same customer are some of the advantages of keeping customers satisfied through follow-up activities. It is much easier to keep existing customers than to attract new ones. In relationship marketing follow-up is necessary and expected. A primary benefit a salesperson offers is the opportunity to assess the situation firsthand and adapt the sales message accordingly. No other promotional element provides this opportunity. The successful salesperson continuously examines the condition, reads the feedback provided by the receiver, and shapes the message to specifically meet the customer's needs. This is not an easy task as we generally assume to be one. Sometimes buyers will not be able to express their needs and wants precisely. This is the time, when the salesperson must become a problem solver for the customer. More and more, salespersons are being involved in the process of selling to assist the buyers' decision-making process. The more the salespeople involved, the more confidence the buyer gains from them, and the more the bonding becomes stronger among them. Sometimes the true motivation for purchasing is not the one the customer gives. Since it is generally believed these purchase situations involve less emotion and more rational thinking than many consumer purchases, this is an important insight. Consider the marketer's dilemma. If a firm provides advertising and promotions that speak only to the rational purchase motives, it may not be able to make the sale. On the other hand, how could an advertiser possibly know all the emotional or no rational criteria influencing the decision, let alone integrate this information into its messages? The personal sales effort may be the only way to uncover the many motivations for purchasing and address them. When you review this list of responsibilities, it becomes clear that the salesperson of today is no mere peddler. The importance of personal selling in the integrated marketing communications program should

now be clear. This program element provides opportunities that no other form of message delivery does. But while the tasks performed by salespeople offer some distinct advantages to the marketing program, they may also constitute disadvantages, as you will now see.

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## **7.3 The Scope of Personal Selling**

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The initial part of the unit demonstrates just a few of the ways organizations attempt to motivate sales representatives. Demonstrate how they are integrating the personal selling function into the overall marketing communications program through the use of product placements, sales promotions, and other IMC tools. The changing marketplace has had a significant impact on how personal selling activities are conducted and how successful firms will compete in the future. Personal selling is typically under the control of the sales manager, not the advertising and promotions department. A study conducted by Sales & Marketing Management showed that in 46 percent of the companies surveyed, sales and marketing are totally separate departments. But personal selling does make a valuable contribution to the promotional program. IMC tools are used in combination with personal selling, with the salespeople themselves often the receivers. To develop a promotional plan effectively, a firm must integrate the roles and responsibilities of its sales force into the communications program. Strong cooperation between the departments is also necessary. This unit focuses on the role of personal selling in the IMC program, the merits and demerits of this program element, and the basis for evaluating its contributions to attain communications objectives. In addition, we explore how personal selling is combined with other program elements, both to support them and to receive support from them. Personal selling involves selling through a person-to-person communications process.

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The emphasis placed on personal selling varies from firm to firm depending on a variety of factors, including the nature of the product or service being marketed, size of the organization, and type of industry. Personal selling often plays the dominant role in industrial firms, while in other firms, such as makers of low-priced consumer nondurable goods, its role is minimized. In many industries, these roles are changing to a more balanced use of promotional program elements. In an integrated marketing communications program, personal selling is a partner with, not a substitute for, the other promotional mix elements.

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## **7.4 The Role of Personal Selling in Advertising and Promotion**

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Manufacturing organizations may offer their products directly to consumers through advertising and promotions and/or direct-marketing efforts or indirectly through retailers and salespersons. Depending on the role defined by the organization, the responsibilities and specific tasks of salespersons may differ, but ultimately these tasks are designed to help attain communications and marketing objectives. Personal selling differs from the other forms of communication presented thus far in that messages flow from a sender to a receiver directly. This direct and interpersonal communication lets the sender immediately receive and evaluate feedback from the receiver. This communications process, known as **dyadic communication** (between two people or groups), allows for more specific designing of the message and more personal communications than do many of the other media discussed. The message can be changed to address the receiver's specific needs and wants. In some situations, this ability to focus on specific problems is mandatory; a standard communication would not be

sufficient. Think about an industrial buying condition in which the salesperson is an engineer. To promote the company's products and/or services, the salesperson must understand the client's specific needs. This may mean understanding the tensile strength of materials or being able to read blueprints or plans to understand the requirements. Or say a salesperson represents a computer graphics firm. Part of his or her responsibility for making a sale may involve the design of a software program to solve a problem unique to this customer. Mass communications cannot accomplish these tasks. Personal selling plays a critical role not just in industrial situation but in the consumer market as well. The great entrepreneur Marshall Field said, "The distance between the salesperson and the potential buyer is the most important three feet in business." Personal selling is important in selling to consumers and resellers. Consumer-product companies must secure distribution, motivate resellers to stock and promote the product, and so on.

*Check your progress?*

1. Why is personal selling so important? Let's examine its role with respect to other promotional program elements.

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## **7.5 Determining the Role of Personal Selling**

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The first question a manager needs to ask when preparing the promotional program is what the specific responsibilities of personal selling will be and what role it will assume relative to the other promotional mix elements. To determine its role, management should be guided by four questions:

1. What specific information must be exchanged between the firm and potential customers?

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2. What are the alternative ways to carry out these communications objectives?
3. How effective is each alternative in carrying out the needed exchange?
4. How cost effective is each alternative?

- ***Determining the information to be exchanged:*** In keeping with the objectives established by the communications models, the salesperson may have a variety of messages to communicate, such as creating awareness of the product or service offering, demonstrating product benefits for evaluation, initiating trial, and/or closing the sale. It may also be necessary to answer questions, counter misconceptions, and discover potentially unfulfilled needs.
- ***Examining promotional mix alternative:*** The advertising and sales promotion, direct marketing, and public relations each of these program elements offers specific advantages and disadvantages, and each need to be considered when the promotional mix is developed. Personal selling is an alternative that offers distinct advantages in some situations but is less appropriate in others.
- ***Evaluating the relative effectiveness of alternatives:*** The effectiveness of each program element must be assessed based on the target market and the objectives required. Personal selling is effective in many situations, but other program elements may be more attractive in other cases. For example, advertising may do a better job of repeating messages or reaching a large number of people with one distinct,



consistent message.

- **Determining cost effectiveness:** One of the major disadvantages of personal selling is the cost involved. The cost of a personal sales call may not be prohibitive in industrial settings where a single purchase can be worth millions of dollars, the same cost may be impracticable in a consumer market. Other media may be able to communicate the required message at a much lower cost.

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## 7.6 Advantages and Disadvantages of Personal Selling

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The nature of personal selling positions this promotional tool uniquely among those available to marketers. Its advantages include the following:

1. **Allowing for two-way interaction :** As it is a two way communication between the buyer and the promoter the queries whatever raised by the buyer can be unanimously solved. In case of mass communications this direct feedback is not available and such information cannot be obtained immediately.
2. **Tailoring of the message:** Due to direct interaction, messages can be customized to the receiver. This more precise message content lets the sender address the consumer's specific concerns, problems, and needs. The sales representative can also determine when to move on to the next selling point, ask for the sale, or close the deal.
3. **Lack of distraction :** In personal selling, a one-to-one presentation is conducted, hence the chance of

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distractions is minimized and the buyer is generally paying close attention to the sales message. Even when the presentation is made by a group of salespeople or more than one decision maker is present, the setting is less distracting than those in which no personal mass media are used.

4. ***Involvement in the decision process*** : Through consultative selling and relationship marketing, the supplier becomes more of a partner in the buying decision process, acting in combination with the buyer to solve problems. This makes the buyer to rely more on the sales representative and his or her products and services.
5. ***Source of research information*** : In personal selling the sales representatives can collect information on competitors' products and services, promotions, pricing, and so on, personally. In addition, they can learn about the buying behavior of customers and potential customers. As you can see, the advantages of personal selling focus primarily on the dyadic communications process, the ability to alter the message, and the opportunity for direct feedback. Sometimes, however, these potential advantages are not always realized. In fact, they may become disadvantages.

***Disadvantages associated with personal selling include the following***

1. ***Inconsistent messages***: We know that the ability to adapt the message to the receiver is a unique advantage of personal selling. But the lack of a standardized

message can become a disadvantage. The message to be communicated is generally designed by the marketing staff with a particular communications objective in mind. Once this message has been determined, it is communicated to all receivers. But the salespeople may alter this message in ways the marketer did not mean. Thus, the marketing staff is at the compassion of the sales force with respect to what exactly is communicated.

2. ***Sales force/management conflict:*** Unfortunately, there are situations in even the best companies when one wonders if the sales staff and marketing staff know they work for the same company and for the same goals. Failure to communicate among each others, corporate politics, and heap of other reasons, the sales force and marketing may not be working as a team. The marketing staff may not understand the problems faced by the sales staff, or the salespeople may not understand why marketing people do things the way they do. The result is that the sales force may not use materials provided from marketing, marketing may not be responsive to the field's assessment of customer needs, and so forth. The bottom line is that the communications process is not as effective as it could be due to faulty internal communications and/or conflicts.
3. ***High cost :*** As discussed earlier the high cost of personal selling. The cost per sales call continues to climb, the marketer may find mass communications a more cost-effective alternative.
4. ***Poor reach :*** Personal selling cannot reach as many members of the target audience as other elements.

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**Check Your Progress**  
Discuss the role of Personal selling over other element of Promotional Mix?

Even if money were no object, the sales force has only so many hours and so many people it can reach in a given time. Further, the frequency with which these accounts are reached is also low.

5. **Potential ethical problems** : Because the manager does not have complete control over the messages the salespeople communicate and because income and advancement are often directly tied to sales, sometimes sales representatives bend the rules. They may say and do things they know are not entirely unethical or in the best interest of the firm in order to get a sale. Other, perhaps more serious, problems can also occur. For example, many organizations are concerned about salespersons committing bribery.

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## **7.7 Integration of personal selling with advertising and sales promotion**

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Integration of personal selling with advertising and sales promotion refer to integrating various marketing tools such as advertising, online marketing, public relation activities, direct marketing, sales campaigns to promote brands so that similar message reaches to a wider audience. Products and services are promoted by effectively integrating various brand communication tools. A number of studies bear out this complementary relationship. A study by Theodore Levitt showed that sales representatives from well-known companies are better received than those from companies that do not spend advertising dollars to create awareness. If a salesperson from a lesser-known company can get in to see the buyer, he or she is as likely to make the sale. But in risky situations, the well-advertised company representative has the advantage.

Consider a new product introduction. Given an adequate budget, the initial objective might be to reach as many people in the target market as quickly and cost effectively as possible. Since the primary objective is awareness and a simple message will suffice, advertising will likely be the most appropriate medium. Now suppose specific benefits must be communicated that are not very obvious or easy to understand, and a product exhibition would be useful. Consider a situation in which the objective is to ask for the sale and/or to establish a relationship. Here personal selling is a more appropriate tool than advertising. In common marketing situations like these, you can see how well advertising and personal selling work together to attain the objectives sought.

The studies suggest that combining advertising and personal selling is likely to improve reach, reduce costs, and increase the possibility of a sale. Unfortunately, many salespersons do not understand the role that advertising plays and the contribution it can make to support their sales efforts. Some view the impact advertising makes with uncertainty and/or believe that the money would be better spent on commissions, price reductions, and so on.

### **7.7.1 Combining of personal selling and public relation**

The job descriptions presented earlier demonstrate that personal selling involves much more than just selling products and/or services. The personal selling agent is often the firm's best source of public relations. In their day-to-day duties, salespeople represent the firm and its products. Their personalities, servicing of the account, cooperation, and compassion not only influence sales potential but also reflect on the organizations they represent.

The salesperson may also be used directly in a Public Relation role. Many firms encourage sales representatives to participate in

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community activities like the fairs and public events. Sometimes sales representatives, in association with the company, devote time from their daily duties to help people in need. For example, after the Kutch Bhuj earthquake, local companies donated food and their sales forces' time to aid quake victims. After a catastrophic flood, an infrastructure development company Lafarge distributed tarpaulins to the flood affected victims in Bihar. These as well as other public relations activities result in goodwill toward both the company and its products while at the same time benefiting society.

### **7.7.2 Combining of personal selling and direct marketing**

Companies have found that integrating direct marketing, specifically telemarketing, into their field sales operations makes their sales efforts more effective. The cost of a sales call and the cost associated with closing the sale are already very high and on the increase. Many marketers have reduced these costs by combining telemarketing and sales efforts. A number of companies now offer consulting services to help organizations in the sales process including assisting in direct-marketing methods.

The telemarketing department is used to screen leads and after identifying potential buyers on the basis of interest, credit ratings, and the like pass them on to the sales force. The net result is a higher percentage of sales closings, less wasted time by the sales force, and a lower average cost per sale. For example, IBM teamed up with Zacson Corp. to open an integrated tele-services center for its Northern California territory. The group handles inquiries, lead generation, and qualification; develops promotional campaigns; distributes PR materials; and does problem solving for IBM clients. The new relationship reduced IBM's customer contact costs by 97 percent, lowered sales visit costs and exceeded customer expectations 78 percent of the time.

There has been a rapid growth in the use of the telemarketing/sales combination for other firms as well. They have determined the phone can be used effectively for service and follow-up functions as well as for growth-related activities. Supplementing personal selling efforts with phone calls frees the sales force to spend more time selling.

In addition to selling and supporting the sales efforts, the telemarketing staff provides a public relations dimension. Communicating with buyers more often creates goodwill, improving customer satisfaction and loyalty.

In addition to telemarketing, other forms of direct marketing have been combined successfully with personal selling. Direct mail and e-mail are commonly used methods for supporting sales. For example, many companies send out lead cards to screen prospective customers. The salesperson follows up on those who express a genuine interest, saving valuable time and increasing the potential for a sale. Other uses include database building and mining.

### **7.7.3 Combining of personal selling and sales promotion**

The program elements of sales promotion and personal selling also support each other. For example, many of the sales promotions targeted to resellers are presented by the sales force, which will ultimately be responsible for removing or replacing them as well.

While trade sales promotions are designed to support the reseller and are often targeted to the final consumer, many other promotional tools are designed to assist the sales staff. Flip charts, leave-behinds, and specialty ads may be designed to assist salespeople in their presentations, serve as reminders, or just create goodwill. The number of materials available may range from just a few to hundreds, depending on the company. Other forms of sales

## **NOTES**

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promotions like contests and sweepstakes are also used.

Likewise, many sales promotions are targeted at the sales force itself. Incentives such as free trips, cash bonuses, or gifts are often used to stimulate sales efforts. And, as we saw with resellers, contests and sweepstakes may also be used.

### **7.7.4 Combining of personal selling and internet**

The Internet has been used to provide product information, generate leads, screen prospects, and build and market from databases. While many marketing managers see the Internet taking business away from channel members and direct sales, few are ready to surrender their sales forces. Even though at least one study predicts that 98 percent of all large companies would be on the Internet by 2002, and that the ROI for direct sales on the Web is five times that for traditional direct marketing, most companies still see the sales force as an integral part of the IMC process particularly for relationship building. Many managers feel that the Web will be used to fulfill the more routine tasks of order fulfillment and providing information. This in turn will allow the sales force to be more effective in closing orders, doing close selling, and focusing more attention on high-value and new customers.

Rapid growth of the Internet usage is leading towards online meetings of the sales force and/or clients and potential clients participate. Some companies have found that they can save both time and money by conducting their sales meetings online rather than at a central location. More involved presentations often referred to as “webinars” may include a variety of purposes, from conducting job training for employees to making presentations and providing in-depth product information to existing and potential customers.



It is important that the elements of the promotional program work together, as each has its specific advantages and disadvantages. While personal selling is valuable in accomplishing certain objectives and supporting other promotional tools, it must be supported by the other elements. Ads, sales promotions, and the like may be targeted to the ultimate user, resellers, or the organization's sales force.

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## **7.8 Summary**

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This unit deals with the nature of personal selling and various other methods of selling along with personal selling this program plays an important role in the promotional mix. The role of personal selling and the integrated advertising varies depending on the nature of the industry, competition, and market conditions. In many organizations the personal selling would be of utmost importance, while in other organizations it may be of least importance. However, top level management bodies in most industries believe the importance of this personal selling and integrated advertising will continue to increase over the next few years. Personal selling offers the marketer the opportunity for a dyadic communications process. The salesperson can instantly assess the situation and the effects of the communication and adapt the message if necessary. While this exchange lets the sales representative tailor the message specifically to the needs and wants of the receiver, its disadvantage is a no standardized message, since the final message communicated is under the sales-person's control.

In an attempt to develop a standard communication, marketers provide their representatives with flip charts, leave-behinds, and other promotional pieces.

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## 7.9 Key Terms

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- **Personal Selling** : Face to face selling in which seller attempts to persuade a buyer to make a purchase.
- **Dyadic Communication** : When two people are conversing directly to one another.
- **Relationship Marketing** :Form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction.

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## 7.10 Questions and Exercises

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1. Explain why the combination of personal selling and advertising may provide benefits that exceed just personal selling alone.
2. What is personal selling? What are its advantages and disadvantages?
3. What is the role of a sales person in each of the selling process?
4. What are the qualities of a successful sales person?
5. How do you as an industrial marketer select the sales personnel?
6. What are the contents of good training program?
7. What are the various compensations offered to the sales person?
8. How do you control the expenses of sales force?
9. How is an industrial sales force deployed?
10. Explain work load method of determining sales force size with an example?

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## 7.11 Further Reading and References

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*Personal Selling*

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*5M's of Advertising*

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# **UNIT 8 : MEDIA/ADVERTISING AGENCIES AND THEIR ROLE IN IMC**

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*Media/Advertising Agencies  
and Their Role in IMC*

## **NOTES**

- 8.0 Unit Objectives
- 8.1 Introduction
- 8.2 Advertiser
- 8.3 Media Organization
- 8.4 Advertising Agency
- 8.5 Types of Advertising Agency
  - 8.5.1 Full Service Agency
  - 8.5.2 Creative Services
  - 8.5.3 Management and Finance
  - 8.5.4 Other Types of Services
- 8.6 Summary
- 8.7 Key Terms
- 8.8 Questions and Exercises
- 8.9 Further Reading and References

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## **8.0 Unit Objectives**

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After reading this unit you will be able to understand the concept of advertising agency, their role and structure, functions and types of service they provide for their clients.

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## **8.1 Introduction**

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Without any regards to who or what we are, all of us are consumers, in this common role we generally do not give much thought to the individuals, and organizations involved in the detailed and

## NOTES

complex process that leads to the creations of clever advertisements that capture our attention and influence our choice. Some important players in the system are **clients or advertisers, advertising agency, media organizations, marketing communications, and providers of collateral services.**

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### **8.2 Advertisers (Clients)**

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Are the key participants in this process? They are the ones who want to communicate with the target audience about products, services, ideas, or causes with persuasive intent. They also provide necessary funds that go into media buying and creating the advertisements. Clients have the major responsibility of developing the marketing programme and making the final decisions regarding the advertising and other promotional aspects. The company may handle most of these functions through its advertising department or by setting up an in-house advertising agency. For most companies, advertising planning and execution is handling by an outside advertising agency, in the present scenario.

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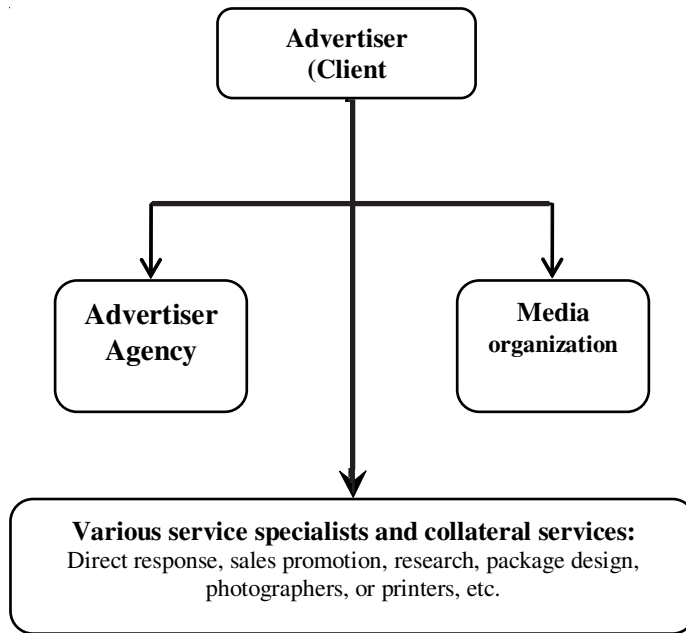
### **8.3 Media Organizations**

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Media organizations perform a vital function in the advertising communication process by providing information or entertainment to their audience and thereby provide an environment for the advertiser's message. The media must possess those attributes that attract audiences so that clients and their advertising agencies want to buy space or time with them to reach their target markets with advertising message in a cost effective manner.

Another important group of participants includes various services specialists and providers of collateral services. They include direct-response agencies, sales promotion agencies, and marketing

research providers, package design specialists, video production houses, printers, and photographers, etc.



**Figure: -Important Players in Advertising**

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## **8.4 Advertising Agencies**

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Advertising agency is an independent organization that provides one or more specialized advertising and promotion related services to assist companies in developing, preparing, and executing their advertising and other promotional programs. Most large and medium sized companies usually use an advertising agency. Probably the main reason why companies use outside ad agencies is because they provide the clients with services of highly skilled specialists in their chosen fields.

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## **8.5 Types of Advertising Agency**

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### **8.5.1 Full-service agency**

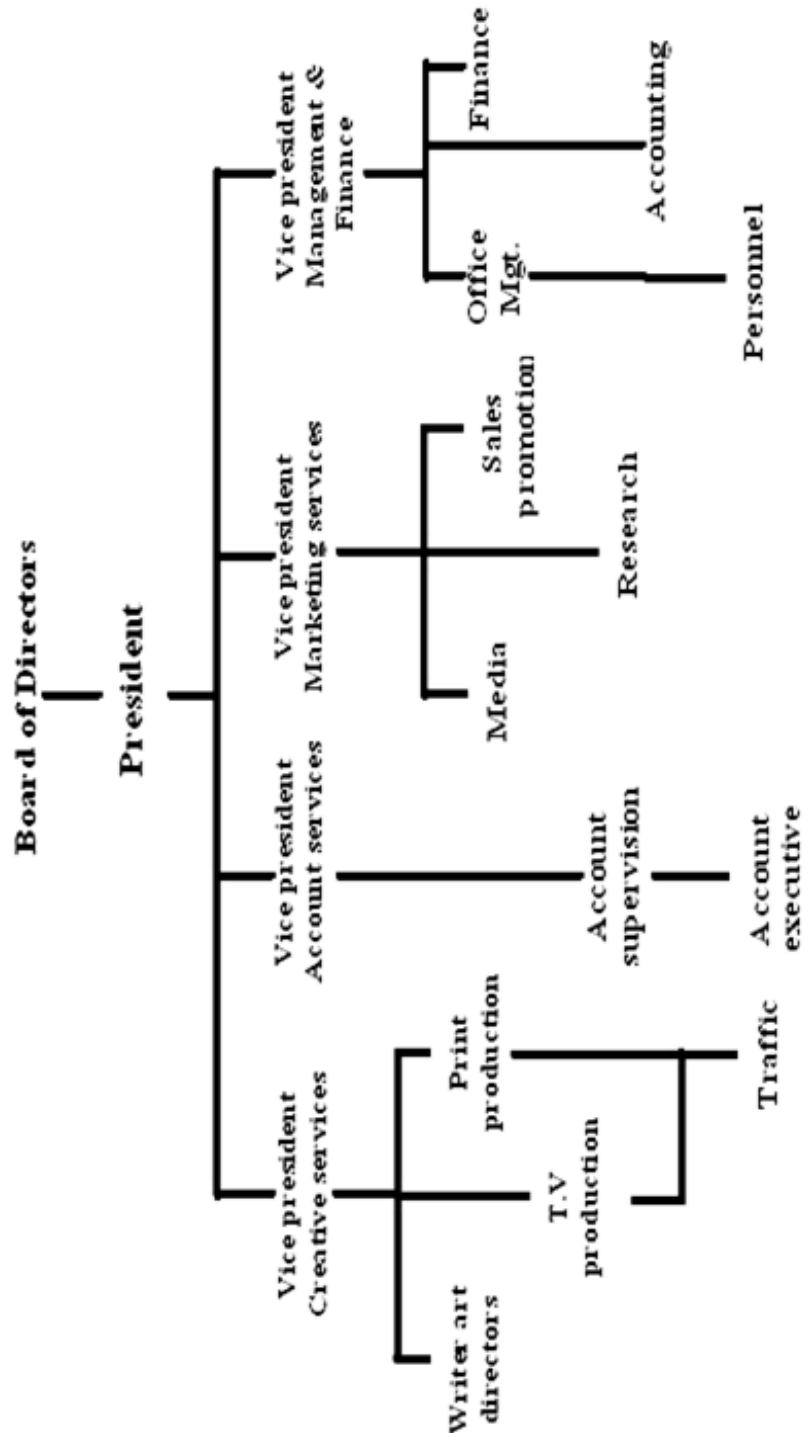
The full service agencies are usually large in size and they

**Check Your Progress**

What do you mean by Advertising Agency?

**NOTES**

offer their clients a full range of services in the area of marketing, communications, and promotions. These include planning, creating, and producing the advertising; media selection; and research. A typical organizational structure of a full-service agency is shown in the following figure :



**Figure: A typical Organizational chart of a full-service agency**



The full-service agency is composed of various departments, each responsible for providing needed inputs to perform various functions to serve the client. Such an agency often tends to have five functional areas: account management, creative, media, support services, and finance and administration.

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**I. Account services:** -Account services or account management is responsible for the relationship between the agency and the client. One or more account executives are assigned to serve as liaison, depending on the client's size and the advertising budget. The account executives job requires a high degree of diplomacy and tact, as misunderstandings may lead to loss of the account. She/he represents the client by explaining the firm's point of view to all the agency personnel working on the account, and also represents the agency point of view to the client. The account executive is responsible for gaining knowledge about the client's business, profit goals, marketing problems, and advertising objectives.

**II. Marketing services :** The use of marketing services has dramatically increased in the last couple of decades.

- **Research department:** - research has gained considerable attention because agencies are most concerned about the need to communicate effectively with the target audience of the client. The research department is maintained by a full-service agency to gather and interpret data for situational analysis, which is useful in developing advertising for their clients.

## NOTES

### Check Your Progress

What is full service  
Advertising Agency?

- **Media department:** - the responsibility of **agency's media department** is to develop a media plan to reach the target audience effectively in a cost effective manner. The staff analyses, selects, and contracts for media time or space that will be used to deliver the ad message. This is one of the more important decision areas as a significantly large part of client's budget is spent on media time/space. Media specialists must considered the media reach and frequency, their rates, and how well the media match the target audiences' media preferences and habits before actually purchasing the time and space.
- **Sales promotion department:** - some full-service agencies offer additional marketing services and have departments, such as sales promotion department that specializes in contests, premiums, and POP materials, etc. and PR/publicity department, interactive media departments to create web-sites for clients. The agency may have specialists in the area of direct marketing and package design.

## 8.5.2 Creative services

To a large extent, the success of an advertising agency depends on creative service department, responsible for the creation and execution of the advertisements. The creative specialists are known as copywriters. They are the ones who conceive (formulate)

the ideas for the advertisements and write the headlines, subheads, and body copy. They are also involved in determining the theme or basic appeal of the advertising campaign.

Creation of ad message is the responsibility of copywriters and the art department decides how the ad should look. After completion and approval of the copy, layout, illustrations, and mechanical specifications, the ad is handed over the production department; the production department may supervise the casting of actors to appear in the ads. Creation of an ad may take several months and may involve several people. A major problem with large agencies is handling many accounts and coordinating the creative and production process. The responsibility of traffic department is coordinate all phases of production and ensure that the ads are completed on time to meet the media deadlines.

### **8.5.3 Management & Finance**

An advertising agency is in the business of providing services and must be managed that way. There is an administrative head and takes charge of functions such as, finance, accounting, human resource, and office management.

### **8.5.4 Other Types of Agencies**

A number of other advertising agencies are also working in the field of specialized services.

- **Media buying services** : These are independent agencies specializing in media buying services and have been experiencing strong growth. The advertising media buying has become complex with the increase in specialized media. Clients and ad agencies generally develop their own media strategies and contract media buying services to execute them.

## **NOTES**

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- **Creative boutiques :** (small shop, esp. fashionable cloths.)  
Such an agency provides only creative services. These creative boutiques have grown in response to advertisers' desire to use only the high quality creative talent of an outside service provider and rest of the functions are completed within the advertisers' organizations. Many full-service agencies too, subcontract work to creative boutiques when they want to avoid increasing full-time employees or are very busy.
- **Sales promotion services :** Such agencies design and manage sales promotion programmes, such as contests, sweepstakes, lucky draws, scratch cards, premium offers, displays and in-house merchandising materials etc.
- **Event management services:** These service providers specialize in planning, organizing and managing events on behalf of marketers and brands.
- **Public relations services:** - Public relation agencies advice marketers about how to manage their relationship with various target groups and build company image and earn their trust in the company. They manage favorable publicity for creating visibility for a brand.
- **Design studios :** These firms specialize in offering graphic design services for brands, corporate identity materials, and packaging etc.
- **Website design services :** These firms specialize in designing website and online advertising.
- **Production houses :** These firms act as suppliers of artists, photographers, producers, film directors, costume designers, and music producers to advertising agencies.
- **Research companies :** These research firms conduct market and consumer research, test ad message and advertising effectiveness.

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## 8.6 Summary

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An advertising agency is a service based on advertising business dedicated to creating, planning, and handling advertising and sometimes other forms of promotion and marketing in a promotion for its clients. An ad agency is generally independent from the client; it may be an internal department or agency that provides an outside point of view to the effort of selling the client's products or services, or an outside firm. An agency can also handle overall marketing and branding strategies and sales promotions for its clients.

Typical ad agency clients include businesses and corporations, non-profit organizations and private agencies. Agencies may be hired to produce television commercials, radio commercials, online advertising, out-of-home advertising, mobile marketing, and AR advertising, as part of an advertising campaign.

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## 8.7 Key Terms

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- **Advertiser:** Are the key participants in this process? They are the ones who want to communicate with the target audience about products, services, ideas, or causes with persuasive intent.
- **Advertising Agencies:** Advertising agency is an independent organization that provides one or more specialized advertising and promotion related services to assist companies in developing, preparing, and executing their advertising and other promotional programs. Full Services
- **Media buying services:** - These are independent agencies specializing in media buying services and have been experiencing strong growth.
- **Design Studio :** These firms specialize in offering graphic design services for brands, corporate identity materials, and packaging etc.

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## **8.8 Questions and Exercises**

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1. What do you understand by advertising agency?
2. How the advertising agency is helpful in creating and designing the advertisement of a particular organization?
3. Discuss the organizational structure of a full services advertising agency?
4. Advertising agencies play crucial role in advertising formation, creative design and implementation of the advertising planning process of an organization. Discuss?

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# UNIT 9 : MEDIA PLANNING AND STRATEGY

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## NOTES

9.0 Unit Objectives

9.1 Introduction

9.2 Print Media

9.2.1 Newspapers

9.2.2 Magazines

9.3 Out of Home Media

9.4 Summary

9.5 Key Terms

9.6 Questions and Exercises

9.7 Further Reading and References

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## 9.0 Unit Objectives

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After studying this unit, you will be able to understand the print media and the outdoor media.

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## 9.1 Introduction

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In the last nearly 200 years, newspapers and magazines have remained a very important mass media for advertising. With the appearance of radio, and subsequently television, there has been some change in the reading habits of people. TV presented a combination of some very desirable characteristics, not offered by any other media, and became a primary source of entertainment, news, and other types of information for a very large number of people. Print media has successfully met the challenge posed by television because it has

## NOTES

certain advantages not offered by broadcast media. In spite of tremendous popularity of TV as an advertising medium, newspapers and magazines command a position of significance among advertisers.

Newspapers and magazines are an important part of our everyday life and a major source of information for a large number of readers. Newspapers and magazines are available to masses at a fraction of their cost because advertising revenues from large to small advertisers support them. Without such tremendous advertising support from business firms and others, newspapers and magazines would not survive.

The role of newspapers and magazines is different in the media plan of the advertiser than television or radio. They allow the presentation of detailed messages that can be processed at the readers' own convenient pace. According to Herbert E. Krugman, newspapers and magazines are high-involvement media, because the reader is generally required to devote some effort in reading the advertising message to have some impact.

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## 9.2 Print Media

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### 9.2.1 Newspapers

Newspapers are the major form of print media, and the largest of all advertising media. Newspapers are quite important to national advertisers, and an especially important advertising medium to local advertisers. The primary role of newspapers is to promptly deliver detailed coverage of news and other information, and incorporate interesting features for readers. Newspapers can be classified in different ways. The following classification of newspapers is convenient.

- National Newspapers: Newspapers with national circulation in India are either in English or Hindi.



- Daily Newspapers (regional/local): These newspapers are published daily and in some cases the circulation figures of these regional newspapers are much higher than national newspapers. They provide only brief coverage of important national news and events. There is detailed coverage of news, events, and issues concerning regional/local geographic area. Besides this, they cover business, sports, and other relevant information and entertainment. These newspapers are more popular than national dailies among both urban and rural readers because of their nearer-to-home focus.
- Special Audience Newspapers: Some papers cater to the needs of specific audience groups with specialized editorial content.

#### ***Different Types of Newspaper Advertising***

- Classified Advertising: Classified advertising refers to advertising arranged according to product or service advertised. The ads are arranged under different heads.
- Display Advertising: This type of advertising is seen both in newspapers and magazines and uses illustrations, photos, white space, headlines, sub-headlines, and other visual elements besides copy text. Display advertisements are the major source of revenues and may account for approximately 70% of the total advertising revenues for an average newspaper. There are two types of display advertising, national or general advertising and local advertising.

National or general advertising refers to display advertising by marketers of branded products or services, who sell on a national or regional level. The objective of such ads is to help create and stimulate customer demand for the product or service, augment resellers' promotional efforts and encourage them to stock marketer's products. Large and medium-sized

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### **Check Your Progress**

What is Media Planning ?

**NOTES**

companies dealing in consumer products and services make heavy use of national newspaper advertising.

Local advertising is often referred as retail advertising and is used by local business establishments, individuals, and other organizations to reach the consumers in the local market area served by the newspaper. Supermarkets, departmental stores, retailers, banks, schools, computer education centers and others use local display advertising.

- **Special Inserts:** A variety of special inserts and advertisements appear in newspapers, such as tender notices, public notices, financial reports, and shifting of office etc. Before elections, political parties release ads promising many things. Ads related to social causes or public interest issues are placed in newspapers.

***Purchasing Newspaper Space***

- Newspapers do an excellent job of reaching a very large number of households in a market area. The media planner must understand the size and nature of the audience reached by a newspaper in evaluating its suitability for a particular campaign. Circulation figures alone help assess the value of newspapers and their ability to cover various market areas. But the media planner is also interested in matching the characteristics of a particular newspaper's readers with the profile of the potential customers of the advertiser's product or service.
- Depending on the newspaper's image and circulation figures, space rates vary. Generally, the rates of national dailies are higher than local newspapers. Newspaper advertisers have three basic ad space rate options:
  - Open rates
  - Contract rates, and

- Flat rates

Among all the three rates, Open rates are the highest quoted for national advertisers and are applicable only for a single insertion. Contract rates are lower than open rates and are offered to advertisers who plan to run a series of advertisements in a particular newspaper over a period of time, which is usually one year. For some reason, if the advertiser or the advertising agency entering such a contract fails to meet the schedule of ads, the newspaper charges the higher open rates for the used ad space instead of the contracted rates. The Flat rates of newspaper space refer to a standard advertising rate, where no discounts are offered for large-quantity or repeated space buys.

The basic rates of newspaper space are quoted as run of paper (ROP) rates. ROP means the paper can place the advertisement on any page or in any position it likes. Newspaper space rates may vary with an advertiser's request for preferred position or colour. Most newspapers try to place an ad as requested by the advertiser, but to ensure that the ad is placed in a specific section and/ or position on a page the advertiser has to pay a higher preferred position rate. Likewise, the rates for colour advertising are much higher which is available on a ROP basis with many national and regional/local newspapers.

## **9.2.2 Magazines**

The magazines published in the later-half of the nineteenth century were targeted at special interest audiences and carried very little advertising. Most magazines of this time were either literary, or religious in content. Before the advent of radio, magazines were an important advertising medium for many businesses.

Magazines are considered as the most specialized of all the advertising media. The magazine industry has often been described

## **NOTES**

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as “survival of the discriminating.” The number of magazines has increased steadily to serve the educational, informational, entertainment and other specialized needs of consumers, business, and industry. As pointed out earlier, the role of magazines is different in the media plan of an advertiser. Magazines allow the presentation of detailed ad messages along with beautiful reproduction of photographs, graphics, and colours. Magazines are comparatively a more high-involvement form of print medium than newspapers, as they are read in a leisurely manner and are not dumped or thrown after reading as happens in case of newspapers.

As pointed out earlier, the role of magazines is different in the media plan of an advertiser. Magazines allow the presentation of detailed ad messages along with beautiful reproduction of photographs, graphics, and colours. Magazines are comparatively a more high-involvement form of print medium than newspapers, as they are read in a leisurely manner and are not dumped or thrown after reading as happens in case of newspapers.

- **Consumer Magazines :** These magazines are bought and read by general public for entertainment or information. Consumer magazines represent the major part of the magazine industry and attract the largest share of total money spent in magazine advertising. This group of magazines is particularly suited to advertisers who want to reach general consumers of products and services and are also very suitable to reach specific target audiences. The most frequently advertised product categories include cosmetics and toiletries, laundry products, dress materials, fashion garments, consumer durable goods, and business and consumer services. Magazines of this class can also be put under categories, such as:

- ✓ General interest magazines (India Today, Reader's Digest, Front Line, Outlook)
- ✓ Women/life-style magazines (Famine, Savvy, Women's Era, New Woman)
- ✓ Glamour magazines (Gentleman, Debonair, Fantasy)
- ✓ Film magazines (Film fare, Stardust, Cine Blitz, Screen)
- ✓ Special interest magazines (Auto India, Digit, Competition Success Review)

Advertising scene in consumer magazines is dominated mostly by large national advertisers, but they are also important to smaller firms dealing in specialized products and services, such as mosquito repellents, hand-made paper, specialized protective lighting equipment for computer users, slimming and beauty care services etc. Special interest magazines target groups of audience with similar interest or life-style and attract advertisers who desire to reach them efficiently with little waste circulation. For example, developers of computer games would do well by advertising in Computer Gaming World. Marketers of herbal beauty care products would find women and glamour magazines more suited for advertising. The editorial content of such specialized magazines is very appropriate in creating a suitable advertising environment for related products and services.

- **Business Publications :** Business magazines include publications such as trade journals meant for specific businesses, industries, or occupations. They are different from consumer publications and are distinguished by the editorial focus. The readership is mainly composed of

## NOTES

### Check Your Progress

Define outdoor media?

**NOTES**

business managers and executives, businessmen, and business schools, etc. Business publications can be grouped in the following categories:

- ✓ General business publications
- ✓ Professional publications
- ✓ Trade publications
- ✓ Industrial publications
- ✓ Institutional publications.

The issue frequency ranges from weekly to monthly, or even quarterly. These publications are focused on professional people within a particular field of interest and provide relevant information about occupation, careers, or industry. These business publications are important to advertisers in reaching a precisely defined target market, such as decision-makers in business and industry, or industrial buyers.

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### **9.3 Out of Home Media**

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Outdoor advertising is usually used as a supportive medium by most national advertisers and includes billboards, hoarding, posters, wall paintings, and transit advertising, etc. Outdoor advertising can generate considerable reach and frequency levels at a fraction of the cost of mainstream media. Outdoor medium combines high levels of reach and frequency at low CPM costs, and a colorful presentation of products to audiences already in the marketplace. It offers the advertisers the last opportunity to remind and influence the consumer prior to purchase.

The audience of outdoor advertising doesn't have to spend either the money or the effort to see the ad. They are there, inviting anyone and everyone to come and see them, not just once but repeatedly as long as they are there.

- a. Audience Delivery: Outdoor advertising maximizes both reach and frequency. It is estimated that with proper placement, a moderate outdoor campaign reaches 75% adults in a market at a minimum of 15 times in a 30-day period. This level of exposure is beyond any other medium. The sheer size of outdoor ad makes it noticeable.
- b. Geographic Flexibility: Outdoor advertising is highly flexible and can be placed almost anywhere the law permits. It can be placed near stores, on buildings, along city roads, on mobile billboards, and highways etc. Outdoor can conveniently cover local, regional, or national markets.
- c. Continuity: Outdoor advertising provides 24-hour coverage and cannot be turned off or ignored like any other media. Exposure to outdoor media is not dependent on audience habits, there is no zapping or zipping; it cannot be put aside or left unopened. The outdoor ad message is always working for the advertiser.

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### 9.4 Summary

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TV presented a combination of some very desirable characteristics, not offered by any other media, and became a primary source of entertainment, news, and other types of information for a very large number of people. Print media has successfully met the challenge posed by television because it has certain advantages not offered by broadcast media. In spite of tremendous popularity of TV as an advertising medium, newspapers and magazines command a position of significance among advertisers. Newspapers are the major form of print media, and the largest of all advertising media. Newspapers are quite important to national advertisers, and an especially important advertising medium to local advertisers.

## NOTES

National, Daily/regional and special audience newspapers from the types of newspaper media. There are different types of newspaper advertising like classifieds, display ads and special inserts. Newspapers have a greater coverage, flexibility, and penetration and reader involvement. However, it also suffers from few limitations like limited selectivity, limited life span and poor reproduction quality. The media planner must understand the size and nature of the audience reached by a newspaper in evaluating its suitability for a particular campaign. Magazines are considered as the most specialized of all the advertising media. The magazine industry has often been described as “survival of the discriminating.” The number of magazines has increased steadily to serve the educational, informational, entertainment and other specialized needs of consumers, business, and industry. Consumer magazines represent the major part of the magazine industry and attract the largest share of total money spent in magazine advertising. This group of magazines is particularly suited to advertisers who want to reach general consumers of products and services and are also very suitable to reach specific target audiences. Business magazines include publications such as trade journals meant for specific businesses, industries, or occupations.

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## 9.5 Key Terms

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- **Classifieds Advertisements :** Classified advertising refers to advertising arranged according to product or service advertised.
- **Open rates:** Open rates are the highest quoted for national advertisers and are applicable only for a single insertion.
- **Display Advertising :** This type of advertising is seen both in newspapers and magazines and uses illustrations, photos, white space, headlines, sub-headlines, and other visual elements besides copy text.
- **Run of Paper Rates (ROP) :** ROP means the paper can place the advertisement on any page or in any position it likes.



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## 9.6 Questions and Exercises

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1. “With the appearance of radio, and subsequently television, there has been some change in the reading habits of people”. Comment. What changes have you seen in yourself and your family members?
2. “In spite of tremendous popularity of TV as an advertising medium, newspapers and magazines command a position of significance among advertisers”. Do you agree? Give reasons for your answer.
3. Suppose you are the advertising manager of a pharmaceutical firm. How will you go about giving your ads in newspapers, if you want to cover the entire Northern India?
4. The magazine industry has often been described as survival of the discriminating. Why do you think it is so? What benefits can you see as an advertiser if you want to give your ad in magazines?
5. What do you think can be the reason behind the gatefold, bleed page and pop up ads in magazines? Are they more effective than simple ads?
6. How is advertising in newspapers different from advertising in magazines? Which one is more effective?
7. Suppose you have to promote a rock concert which is going to take place in your city soon. You are required to place an ad in newspapers informing people about the event. Which type of newspaper would you choose to promote the event and why?

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# **UNIT 10 : SALES PROMOTION**

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## **NOTES**

10.0 Unit Objectives

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## **10.0 Unit Objectives**

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After reading this unit you will be able to understand the concept of sales promotion, its purpose, objectives and rationale of sales promotion.

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## **10.1 Introduction**

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Sales promotion is one of the most loosely used terms in the marketing vocabulary. We define sales promotion as demand-stimulating devices designed to supplement advertising and facilitate personal selling. In other words, sales promotion signifies all those activities that supplement, co-ordinate and make the efforts of

personal selling and advertising more effective. It is non recurrent in nature which means it can't be used continuously.

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## 10.2 Concept of Sales Promotion

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Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and / or greater purchase of a particular product by consumers or the trade. Whereas advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (for example samples, coupons, prizes, cash refund, warranties, demonstrations, contest); trade promotion (for example buying allowances, free goods, merchandise allowances, co-operative advertising, advertising and display allowances, dealer sales contests); and sales-force promotion (for example bonuses, contests, sales rallies).

Sales promotion efforts are directed at final consumers and designed to motivate, persuade and remind them of the goods and receives that are offered. Sales persons adopt several techniques for sales promotion. Creative sales promotion can be very effective. It is the marketing manager's responsibility to specify promotion objectives and policies.

According to American Marketing Association “ Those marketing activities other than personal selling advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions,demonstrations and various non-recurrent selling efforts not in the ordinary routine.”W.J. Stanton defines sales promotion as all those activities other than advertising, personal selling, public relations and publicity that are intended to stimulate customer demand and improve the marketing performance of sellers.

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## **10.3 Purpose of Sales Promotion**

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Sales promotion tools vary in their specific objectives. A free sample stimulates consumer trial, while a free management advisory service cements a long-term relationship with a retailer. From the marketer's perspective, sales promotion serves three essential roles it informs, persuades and reminds prospective and current customers and other selected audiences about a company and its products. The relative importance of those roles varies according to the circumstances faced by a firm.

The most useful product or brand will be a failure if no one knows it is available! Because distribution channels are often long, a product may pass through many hands between a producer and consumers. Therefore, a producer must inform middlemen as well as the ultimate consumers or business users about the product. Wholesalers, in turn must inform retailers and retailers must inform consumers. As the number of potential customers grows and the geographic dimensions of a market expand, the problems and costs of informing the market increase.

Another purpose of sales promotion is persuasion. The intense competition among different industries, puts tremendous pressure on the promotional programmes of sellers. In India, even a product designed to satisfy a basic physiological need requires strong persuasive promotion, because consumers have many alternatives to choose from. In the case of luxury product, for which sales depend on the ability to convince consumers that the products benefits exceed those of other luxuries, persuasion is even more important.

Consumers also must be reminded about a product's availability and its potential to satisfy. Sellers bombard the market place units hundreds of messages every day in the hope of attracting new consumers and establishing markets for new products. Given the intense competition for consumers attention, even an established

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**Check Your Progress**

Discuss the concept and purpose of Sales Promotion ?

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firm must constantly remind people about its brand to retain a place in their minds. Much of a firm's sales promotion may be intended simply to offset competitors marketing activity by keeping its brand in front of the market.

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## 10.4 Objectives of Sales Promotion

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The basic objectives of sales promotion are;

- a. To introduce new products: To induce buyers to purchase a new product, free samples may be distributed or money and merchandise allowance may be offered to business to stock and sell the product.
- b. To attract new customers: New customers may be attracted through issue of free samples, premiums, contests and similar devices.
- c. To induce present customers to buy more: Present customers may be induced to buy more by knowing more about a product, its ingredients and uses.
- d. To help firm remain competitive: Sales promotions may be undertaken to meet competition from a firm.
- e. To increase sales in off season: Present customers may be induced to buy more by knowing more about a product, its ingredients and uses.
- f. To help firm remain competitive: Sales promotions may be undertaken to meet competition from a firm.
- g. To increase sales in off season: Buyers may be encouraged to use the product in off seasons by showing them the variety of uses of the product.
- h. To increase the inventories of business buyers: Retailers may be induced to keep in stock more units of a product so that more sales can be effected.

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## 10.5 Rationale of Sales Promotion

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Rationale of sales promotion may be analyzed under the following points.

- a. **Short-term results:** Sales promotion such as coupons and trade allowances produce quicker, more measurable sales results. However critics of this strategy argue that these immediate benefits come at the expense of building brand equity. They believe that an over emphasize on sales promotion may undermine a brand's future.
- b. **Competitive Pressure:** If competitors offer buyers price reductions, contest or other incentives, a firm may feel forced to retaliate with its own sales promotions.
- c. **Buyers' expectations:** Once they are offered purchase incentives, consumers and channel members get used to them and soon begin expecting them.
- d. **Low quality of retail selling:** Many retailers use inadequately trained sales clerks or have switched to self-service. For these outlets, sales promotion devices such as product displays and samples often are the only effective promotional tools available at the point of purchase.

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## 10.6 Types of Sales Promotion

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In using sales promotion, a company must fulfill the objectives of the organization. Sales promotion objectives are derived from broader promotion objectives, which are derived from more basic marketing objectives developed for the product. The specific objectives set for sales promotion will vary with the type of target market.

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For consumers, objectives include encouraging purchase of larger-size units, building trial among non-users and attracting switches away from competitors brands. For retailers objectives include inducing retailers to carry new items and higher levels of inventory, encouraging off-season buying, encouraging, stocking of related items, offsetting competitive promotions, building brand loyalty of retailers and gaining entry into new retail outlets. For sales force, objectives include encouraging support of a new product or model, encouraging more prospecting and stimulating off-season sales.

Many sales promotion tools are available to accomplish these objectives at the consumer level, and at the middle men level. For the purpose of convenience, the types of sales promotion methods may be grouped under three categories:

- Types of sales promotion directed at consumers.
- Types of sales promotion directed at dealers and distributors.

### **10.6.1 Consumer Promotion Tools**

The main consumer promotion tools include samples, coupons, cash refund offers, price packs, premiums, prizes, patronage rewards, free trials, product warranties, tie-ins, and point of purchase displays and demonstrations.

- **Samples :** Samples are offers of a free amount or trial of a product to consumers. The sample might be delivered door to door sent in the mail, picked up in a store, found attached to another product or featured in an advertising offer. Sampling is the most effective and most expensive way to introduce a new product.
- **Coupons :** Coupons are certificates entitling the bearer



to a stated saving on the purchase of a specific product. Coupons can be mailed, enclosed in or on other products or inserted in magazine and newspaper advertisements. Coupons can be effective in stimulating sales of a mature brand and inducing early trial of a new brand.

- **Cash Refund Offers or Rebates :** These are like coupons except that the price reduction occurs after the purchase rather than at the retail shop. The consumer sends a specified “proof of purchase” to the manufacturer, who in turn „refunds part of the purchase price by mail. Cash refunds have been used for major products such as automobiles as well as for packaged goods.
- **Price Packs :** These are offers to consumers of savings off the regular price of a product, flagged on the label or package. They may take the form of a reduced-price pack which is single packages sold at a reduced price (such as two for the price of one) or a banded pack, which is two related products banded together (such as a tooth brush and tooth paste). Price packs are very effective in stimulating short term sales, even more than coupons.
- **Premiums or Gifts :** These are merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. Sometimes the package itself, is a reusable container may serve as a premium. A self-liquidating premium is an item sold below its normal retail price to consumers who request it.
- **Prizes :** These are offers of the chance to win cash, trips or merchandise as a result of purchasing something. Pepsi cola offered the chance to win cash by matching numbers under the bottle cap with numbers

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announced on television. Sometimes the prize is a person, offering the winner either cash or dinner with actor Sharuk Khan.

- **Patronage Awards :** These are values in cash or in other forms that are proportional to one's patronage of a certain vendor or group of vendors. Most airlines offer "frequent flyer plans" providing points for miles traveled that can be turned in for free airline trips. Cooperatives pay their members dividends according to their annual patronage. Le Meridian adopted an "honored guest" plan that awards points for users of their hotels.
- **Free Trials :** Free trials consist of inviting prospective purchasers to try the product without cost in the hope that they will buy the product. Thus, often we see, auto dealers encourage free test drives to stimulate purchase interest.
- **Product Warranties :** These are an important tool, especially as consumers become more quality sensitive. When My TVS offered a two year car warranty, substantially longer than other competitors customers took notice. They inferred that My TVS quality must be good or else the company would be in deep trouble. Companies must carefully estimate the sales-generating value against the potential costs of any proposed warranty programme.
- **Tie-in Promotions :** These are becoming increasingly popular. In a tie in promotion two or more brands or companies team up on coupons, refunds and contests to increase their pulling power. Companies pool funds with the hope of broader exposure, while several sales forces push these promotions to retailers, giving them a

better shot at extra display and ad space.

- **Point-of-Purchase Displays :** These take place at the point of purchase or sale. Display of visible mark or product at the entrance of the store is an example. Unfortunately many retailers do not like to handle the hundreds of displays, signs and posters they receive from manufacturers. Hindustan Lever often use this tool to promote its products in the retail market.
- **Product Demonstrations :** Products are being shown in action. Consumers can visit the store and see the usage of product in live action so that doubts of the consumers can be clarified in the store itself. When a new product is introduced in the market, the sales promotional tool is often used. For example ultra-modern grinder Maxie being used by the company to demonstrate its specialty than the other product.

## 10.6.2 Trade Promotion Tools

More sales promotion rupees are directed to the trade than to consumers. Manufacturers seek the following objectives in awarding money to the trade:

- Trade promotion can persuade the retailer or wholesaler to carry the brand.
- Trade promotion can persuade the retailer or wholesaler to carry more than it normally carries.
- Trade promotion can induce the retailers to promote the brand through featuring, display, and price reduction.
- Trade promotion can stimulate retailers and their sales clerks to push the product.

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#### Check Your Progress

Discuss the Tools of Trade Promotion ?

*Manufacturers use several promotion tools. Some of which are mentioned below:*

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- **Price-Off :** Manufacturers may offer a price – off, which is straight discount off the list price on each case purchased during a stated period of time. The offer encourages dealers to buy a quantity or carry a new item that they might not ordinarily buy. The dealers can use the buying allowance for immediate profit or price reductions.
- **Allowance :** Manufacturers may offer an allowance in return for the retailer’s agreeing to feature the manufacturer’s products in some way. An advertising allowance compensates retailers for advertising the manufacturer’s product. A display allowance compensates them for carrying a special display of the product.
- **Free Goods :** Manufacturers may offer free goods, which are extra cases of merchandise to middlemen who buy a certain quantity of items.
- **Push Money :** Manufacturers may offer push money which is cash or gifts to dealers or their sales force to push the manufacturer’s goods.
- **Specialty Advertising Items :** Manufacturers may offer free specialty advertising items to the retailers that carry the company’s name such as pens, pencil, calendars, paper weights, and memo pads.

As the number of competitive sales promotions have increased, friction has been created between the company’s sales force and its brand managers. The sales force says that the retailers will not keep

products on the shelf unless they receive more trade promotion money, while the brand managers want to spend their funds on consumer promotion and advertising.

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## 10.7 Summary

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Sales promotion is one of the most loosely used terms in the marketing vocabulary. Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and / or greater purchase of a particular product by consumers or the trade. Whereas advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (for example samples, coupons, prizes, cash refund, warranties, demonstrations, contest); trade promotion (for example buying allowances, free goods, merchandise allowances, co-operative advertising, advertising and display allowances, dealer sales contests); and sales-force promotion (for example bonuses, contests, sales rallies). Sales promotional is useful in introducing new products, induce the present customers to buy more, helps organizations to maintain the competition, and to increase the sales in off seasons.

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## 10.8 Key Terms

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- **Free Goods :** Manufacturers may offer free goods, which are extra cases of merchandise to middlemen who buy a certain quantity of items.
- **Push Money :** Manufacturers may offer push money which is cash or gifts to dealers or their sales force to push the manufacturer's goods.

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- **Competitive Pressure:** If competitors offer buyers price reductions, contest or other incentives, a firm may feel forced to retaliate with its own sales promotions.
- **Prizes:** These are offers of the chance to win cash, trips or merchandise as a result of purchasing something.

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## **10.9 Questions and Exercises**

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1. Discuss the concept of sales promotion in detail?
2. How the objectives of sales promotion are significant for marketing organization
3. Discuss the rationales of sales promotion?
4. What do you mean by the techniques of sales promotion? Discuss in detail the various techniques of sales promotion with some examples?

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## **10.10 Further Reading and References**

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- Batra, Aaker and Myers, Advertising Management, Pearson Education.
- Kruti Shah and Alan D'Souza, Advertisement and Promotions – An IMC Perspective, Tata McGraw Hill.
- SHH Kazmi and Satish K Batra, Advertising and Sales Promotion, Excel Books, New Delhi.