LECTURE NOTES

On

INTEGRATED MARKETING COMMUNICATION

II MBA I semester R 16 syllabus

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SYLLABUS

UNIT-I: **UNDERSTANDING INTEGRATED MARKETING COMMUNICATION**

Understanding marketing communication, integrated marketing communication, integrated marketing communication as an integral part of marketing, understanding consumer behavior, understanding the communication process, communication mix.

UNITII **BUDGETING, OBJECTIVES AND EVALUATION OF INTEGRATED MARKETING COMMUNICATIONS**

Setting communication objectives, Dagmar approach to setting objectives and measuring advertising effectiveness, allocating the marketing communication budget, conducting research to measure communication effectiveness, post testing tools and techniques, evaluating other promotional tools.

UNITIII **MARKETING COMMUNICATION MIX I**

Creative execution in advertising, decision in print, execution radio, execution on online and television, getting that 'big idea' of creativity.

UNITIV **MARKETING COMMUNICATION MIX II**

Sales promotion, direct marketing, personal public relations, publicity and corporate advertising, unconventional promotional media: sponsorships, mobile advertising, word of mouth, village farmers, out of home media, world wide web communications.

UNIT-V **REGULATION, SOCIAL AND ETHICAL ASPECTS OF ADVERTISING AND PROMOTION**

Federal regulation of advertising, regulations of advertising and promotion in India, regulation of other promotional areas, social and ethical criticisms of advertising, ethical aspects of advertising, truth in advertising, advertising to children, advertising controversial products, social aspects of advertising.

UNIT - I

UNDERSTANDING
INTEGRATED MARKETING COMMUNICATION

What is marketing:

Marketing is the study and management of exchange relations. Marketing is used to create, keep and satisfy the customer. With the customer as the focus of its activities, it can be concluded that Marketing is one of the premier components of business management the other being innovation

Definition:

Marketing is defined by the **American Marketing Association** as

"the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." The term developed from the original meaning which referred literally to going to market with goods for sale.

From a **sales process engineering** perspective, marketing is

"a set of processes that are interconnected and interdependent with other functions" of a business aimed at achieving customer interest and satisfaction.

Philip Kotler defines marketing as

"marketing is about Satisfying needs and wants through an exchange process"

Marketing Communication

Marketing communications (MC, marcom(s), marcomm(s)) uses different marketing channels and tools in combination: Marketing communication channels focuses on any way a business communicates a message to its desired market, or the market in general. A marketing communication tool can be anything from: advertising, personal selling, direct marketing, sponsorship, communication, promotion and public relations.[1]

Marketing communications are made up of the marketing mix which is made up of 4P's: Price, Promotion, Place and Product, for a business selling

goods, and made up of 7P's: Price, Promotion, Place, Product, People, Physical evidence and Process, for a service based business.[2]

Overview

Marketing communications includes advertising, promotions, sales, branding and online promotion.[3] The process allows the public businesses use to know or understand a brand. Successful branding involves targeting audiences who appreciate the organization's marketing program.

Advertising is a small but important part of marketing communications; the marketing communications mix is a set of tools that can be used to deliver a clear and consistent message to target audiences. It is also commonly called the promotional mix. Crosier (1990) states that all terms have the same meaning in the context of the 4ps: Product, price, place and promotion.[1] Price can send a message to the target audience. For example, comparing a $50 bag to a $10 bag, the former may be view as a luxury or more durable item.

The marketing plan identifies key opportunities and threats, set objectives and develops an action plan to achieve marketing goals. Each section of the 4P's sets its own object; for instance, the pricing objective might be to increase sales in a certain geographical market by pricing their own product or service lower than their competitors. This creates a significant change in the market because more people of the target market would aim to do business with your organization than your competitors, because pricing is one of the most significant aspects of marketing that can change the whole market positively and or negatively.

Communication

Communication is one important aspect of the marketing mix. Marketing communication is often the largest component of communication within a company, which may be to present company values, objectives or specific products and services to investors, customers or the general public. In the 21st century, communications objectives focus on more customized

messages, targeting customer groups or individuals to create high responses and greater brand interaction.

As business becomes increasingly global with greater access to Internet, mobile phones and social media, new challenges exist to inform people in targeted foreign markets. Shifts in the global economy and access to new markets lead also to greater demands for product shipping and associated services. To be effective, communication strategies must converge with marketing objectives while also accounting for local languages, dialects and cultural norms.

External communications might involve market research questionnaires, office website, guarantees, company annual report and presentations for investors. Internal communication can be the marketing materials, price list, product catalogues, sales presentations and management communications. On the other hand, each market demands different types of communications. For example, the industrial market demands a more personal communication but the consumer market demands non-personal communication.[5]

There are also 4 different fundamental types of communication.
- One-to-many: this kind of communication is the most original communication. It is "generated from a single broadcast point and then available over airwaves or in mass print runs[5]". This type of communication is usually adapted to news distribution that does not specific not even interactive. Such as in an urgent notice play over airwave from broadcast in an industry, it is helpful for the general announcement.
- Many-to-one: many-to-one is usually connected to the one-to-many communication.[5] For example, a reply button in your email box, a prepaid number bought from Spark. All the communication techniques proceeded to the public with bi-directional communication from mass communications.
- One-to-one: this is the most intensive and interactive communication at a one-to-one level.[5] There are so many examples like a sales presentation; a negotiation in the market or direct delivery is base on the

one-to-one communication. Most of this communication is face to face. But in the development of Internet, email and online shopping are taking place the chance to face to face of people. Which is provided the chance to sellers and buyers talk more directly. Another important is instant message 'chat' channel like Wechat and Facebook, which are becoming extremely popular in business.

- Many-to-many: on the background of highly developed Internet, the many-to-many communication has been growing up such as online chat rooms, 'blogging' websites.[5] The many-to-many communication stands for the participants are able to exchange their ideas and experiences.

One-to-one is more immediate, while the many-to-may channels tend to be less urgent but with greater longevity.

Transactional Model of Communication

Communication can be defined as process of using, word, sound or visual cues to supply information to one or more people. A communication process is defined as information that is shared with the intent that the receiver understands the message that the business intended to send.[7] The communication process was once thought of as having the source of the message, which is then encoded, put through the chosen communication channel, which is then decoded by the recipient and then received.[8] Throughout the middle of the channel there is the potential for noise to distort the message being sent. Once the receiver has the message they then give feedback to the original source, where they then find out whether the campaign has been successful or not.

With the prevalent use of technology, customers are seeking out information about brands, products and businesses prior to purchase. This means that there is a need for an additional channel within the communication process, so it is a more accurate representation of the current business environment. Businesses are now having to take into consideration that both opinion leaders and opinion formers who have a great influence over today's society and their perceptions. So they have to be included into the communication process before the recipient of the message receives it.

This model is more effective when there is common ground between the senders and receivers so they can communicate effectively. Choosing the appropriate source helps develop the message and appeal to the targeted audience. The source will be more effective if they are relatable to the target audience. This realm of understanding is represented by the overlapping circles. The more knowledge the source has about who they are targeting, the better they can understand how the receiver may interpret or react to the message.

The components of the transactional model are:

- **Source:** The source is an individual or organization that has information to share. The source (or sender) creates and sends the information to another person or group of people. The source maybe an individual (e.g. a sales person or spokesperson) or a non-personal identity (e.g. a corporation or organization). The communication process begins with the source, marketers must carefully choose a source as it affects how the message will be perceived by the target audience.

- **Encoding:** This is transposing the intended meaning of the message with words, symbols or pictures to show a message. Encoding is the development of the message that contains the information the source hopes to convey. It is putting together the thoughts, ideas and information into a symbolic form that can be transmitted and understood by the receiver. Encoding the message is the second step in the communication process. The encoding process leads to development of a message that contains the information or meaning the source hopes to convey. Encoding is extremely important, it is a brain activity that takes effect when the receiver makes sense of a brand message or idea used to convey meaning: words, colour, pictures, signs, symbols or even music. The message may be verbal or nonverbal, oral or written, or symbolic (e.g. the sound of a brass band being redolent of simpler times or heritage). or it can often include 'cues' such as the Nike 'swoosh' which indicates success. Often things can get in the way of the "correct" encoding and the interpretation of the intended message (decoding). There are methods the sender can use to make sure the receiver interprets the message

correctly, these methods include; channels, consumer insights, having similarities with the receiver and frame of reference (e.g. age, values, culture). Finally, it is extremely important for the sender to get to know its receiver and this is accomplished through research for targeting strategy. These concepts help craft the intended message in the minds of the consumer.

- **Message**: The message comes from the encoding process, it is the content, meaning or information the sources hopes to convey. The message can be in many forms such as verbal, non-verbal, oral, written or symbolic.

- **Channel**: The channel is the method by which the communication travels from the source or sender to the receiver.[8] There are two types of channels, personal and non-personal. Personal channels of communication are direct and target individual groups. Personal communication channels are connected with two or more persons who communicate directly with each other face-to-face, person-to-person through telephone, email or fax. Social channels also fall under the category of personal communications. Friends, neighbors, associates, co-workers, or family members are all means of social channels.[3] Carrying a message without interpersonal contact between sender and receiver is known as non-personal channels of communication. Mass media or mass communications are examples of non-personal channels, since the message is sent to many individuals at one time. Non-personal channels of communication are made up out of two main types, the first being print. Print media includes newspapers, magazines, direct mail, and billboards. The second type is broadcast; broadcast media includes radio and television.

- **Decoding:** The receiver unravels the symbols to interpret what is being communicated. Transforming the sender's message back into thought. This is influenced greatly by the receiver's frame of reference (or realm of understanding) which involves their values, attitudes and state of mind when receiving the message. For the model to be effective the decoding by the receiver would match the encoding by the source,

meaning they correctly understand the message that was sent.[11] Decoding is the process of interpreting messages and relies on correct encoding and the ability of the receiver to deconstruct transmitted meaning. Decoding occurs when the message reaches one or more of the receiver's senses. Consumers both hear and see television ads, others consumers handle (touch) and read (see) an advertising offer (e.g. coupon). According to Belch & Belch this process is deeply influenced by the receiver's frame of reference or field of experience, which refers to the experiences, perceptions, attitudes, and values he or she brings to the communication situation.[8] For effective communication to occur, the message decoding process of the receiver must match the encoding of the sender. Over this entire means the receiver comprehends and correctly translates what the source is trying to communicate. Effective communication is more likely to emerge when there is some common ground between the two parties. The more familiarity the sender has about the receivers, the better the sender can understand their needs, commiserate with them, and over all communicate more effectively.

- **Receiver**: The individual (s) that the source shares thoughts or information with. The receiver hears, sees or reads the message and decodes it.

- **Noise:** Noise is any external interference during this communication process. Any external factors that creates unplanned distortion. This distortion can make it difficult for the receiver to interpret or assign meaning to a message as it was intended by the source. Examples of noise in the encoding of the message could be lack of radio or television signal. Noise can also occur when the sender and receivers fields of experience do not overlap, if there is no common ground between them, which may result in a misunderstanding in the meaning of the message.[11] Throughout the communication process, the message is subject to irrelevant factors that can distort or interfere with its reception. Noise is the physical or Psychological fundamentals either from inside or outside of the process of communication. Noise acts as a barrier as it makes the message less accurate, less productive and unclear. It may even prevent the message from ever reaching the receiver. Physical

noise is often triggered by badly made images or messages (e.g. poor print quality) or elements of distraction (e.g. consumer scrolling through TV advertisements). Psychological noise could be mixed meanings, poor credibility of source or the insignificance of the message to the consumer requirements. Not having a connection with the receiver and lacking in common ground usually cause this. This may result in unsuitable encoding of the message such as; using a sign, symbol, or word that is unfamiliar or has different meaning to the receiver (e.g. sending a message in foreign language that is not understood by the receiver). The more common ground there is between the sender and the receiver, the less likely it is for noise and barriers to interrupt a message.

- **Response/Feedback**: The receiver's reaction to the message provides feedback to the sender. This is the set of reactions after seeing, hearing or reading the message. The receiver's response is the feedback and lets the sender know how the message was decoded and received. A form of feedback in an interpersonal selling situation could be questions, comments or any reactions (such as expressions) about the message. In mass media an indication of how the marketing communications were perceived is the amount of sales after the message has been sent. There are many different ways such as attitude change, store visits and inquires that provide feedback in mass media. Feedback can help to improve the communication process and the success of future messages.[11] The receiver's particular type of reactions after seeing, hearing, or reading a message is known as a response. Receivers' responses can range from either non noticeable actions or noticeable actions. Non noticeable responses can be storing their information in memory and noticeable responses are immediate action such as dialing the commercials number to order a product advertised on television. One of the main goals of communication is receiving appropriate receiver responses, feedback closes the loop in the communications flow and lets the sender monitor how the intended message is being decoded and received. To achieve this goal one can ask indirectly or directly for the response, or assist the receiver in giving the response.[3] Receiving feed back can be more difficult for parties that advertise through the channels of mass media, because advertisers are not in direct contact with their

customers so other methods must be obtained to determine how their messages have been received. While the critical form of feedback happens through sales, it is often hard to show a direct relationship between advertising and purchase behavior. So marketers; visit stores, check coupon redemption, use reply cards and listen to customer inquiries to achieve feedback. Once a significant amount of feedback/response study has been gathered advertisers would then have enough information to determine reasons for success or failure in the communication process and from there they can make appropriate adjustments.

Integrated marketing communications

Integrated marketing communications (IMC) is the use of marketing strategies to optimise the communication of a consistent message of the company's brands to stakeholders.[52] Coupling methods together improves communication as it harnesses the benefits of each channel, which when combined together builds a clearer and vaster impact than if used individually.[53] IMC requires marketers to identify the boundaries around the promotional mix elements and to consider the effectiveness of the campaign's message.[54]

In the mid to late 1980s, the marketing environment was undergoing profound environmental changes with implications for marketing communications. Media proliferation, audience fragmentation, globalisation of markets, the advent of new communications technologies, the widespread use of databases meant that the old methods, and practices used in mass marketing were no longer relevant. In particular, the rise of digital and interactive media meant that marketers were relying less on advertising as the dominant form of marketing communications. Amongst practitioners and scholars, there was an increasing recognition that new approaches to marketing communications were required. That new approach would become known as *integrated marketing communications.* A number of empirical studies, carried out in the early 1990s, found that the new IMC was far from a "short-lived managerial fad," but rather was a very clear reaction by advertisers and marketers to the changing external environment.

Integrated marketing communications is a holistic planning process that focuses on integrating messages across communications disciplines, creative executions, media, timing and stakeholders. An integrated approach has emerged as the dominant approach used by companies to plan and execute their marketing communication programs [55] and has been described as a *paradigm shift.*[56]

IMC unifies and coordinates the organizations marketing communications to promote a consistent brand message.[57] Coordinating the brands communications makes the brand seem more trustworthy and sound as it is seen as a 'whole' rather than a mixture of different messages being sent out.[58] The IMC perspective looks at the 'big picture' in marketing, advertising and promotions.[11]

History

The impetus to rethink marketing communications came from a number of environmental changes that were becoming increasingly apparent throughout the mid to late 1980s. Media was proliferating and at the same time converging, audiences were fragmenting and many new communications disciplines were emerging. Few advertising agencies provided the full suite of services in terms of the varied communications disciplines. Companies were reliant on a multiplicity of service providers for assistance with advertising, public-relations, branding, packaging, sales promotion, event organisers and other promotional activities. Each of these communications disciplines was treated as a "silo"; with little thought to the synergies between them,with the result that many different stakeholders involved in presenting the company's external image throughout the breadth and length of a campaign.[59] In that environment, both practitioners and theorists recognised the potential for confusing or inconsistent brand images to develop across media and across different communications disciplines.[60] The fragmentation of audiences presented marketers with particular challenges. No longer were they able to communicate with mass markets via mass media; instead they needed to communicate with increasingly tightly defined market segments, using

highly specialist media and communications disciplines. New media and the use of databases were enabling marketers to communicate with customers on a one-to-one basis.[61] The old methods and practices associated with mass communications were failing to serve the realities of the new era.[62] The imperative to present a clear, coherent and unified narrative in both internal and external communications was becoming increasingly apparent by the late 1980s.

In 1989, two discrete events served to draw attention to the fact that industry attitudes to marketing communications were shifting. Firstly, the consulting firm, Shearson-Lehman Hutton published a report on the subject of consumer advertising, signalling that a number of market-place changes would force packaged goods marketers to adopt a more integrated approach to marketing communications. Their report also noted that high-end manufacturers (e.g. automobiles) and up-market services (e.g. cruise vacations) were more inclined to use integrated promotions.[63] Secondly, the American Association of Advertising Agencies (4A's), instituted a task-force to investigate integrated marketing communications (IMC), with the result that the first official definition was published. The AAAA defined IMC as, "a concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines (e.g. general advertising, direct response, sales promotion, and public relations) and combines these disciplines to provide clarity, consistency, and maximum communication impact."[64] At this stage, the development of IMC, focused primarily on the need for organisations to offer more than just standard advertising and to integrate the various communications disciplines.[65] The 4As originally coined the term the "new advertising"; however, this title did not appropriately incorporate many other aspects included in the term "IMC" – most notably, those beyond traditional advertising process aside from simply advertising.

In 1991, the faculty of Medill School of Journalism, Northwestern University in conjunction with the AAAA, began the first empirical research study designed to investigate how IMC was being used.[67] The study focused around understanding the concept and the importance of IMC and

also to analyze the extent in which IMC was practiced in all major U.S advertising agencies. This initial study was then replicated by other studies with a view to examining how IMC was being used in other countries; New Zealand, UK, US, Australia, India, Thailand, South Africa and the Philippines, etc.[68] The findings from these studies demonstrated that the new IMC was far from a "short-lived managerial fad" but rather was "a very clear reaction by advertising agencies and their clients as they are affected by a multitude of factors such as new forms of information technology including development and usage of databases, media fragmentation, client desires for interaction/synergy, and global and regional coordination."[69] This was the second stage of IMC's development, where the focus shifted to documenting the practice of IMC as a global phenonenon. In other words, researchers were attempting to codify practices that had been used for some time.[70]

In 1993, Don Schultz and his team published the first text-book dedicated to IMC.[71] Their work, simply entitled, *Integrated Marketing Communications,* described IMC as a totally new way of looking at the whole of marketing communications, rather than looking at each of the parts separately. And, in the same year, the Medill School at Northwestern University changed their curriculum to include a focus on this new idea of integrated marketing communications rather than the traditional program which had emphasised advertising.[72] IMC emerged from an "academic department that, for several decades, had been recognized as the number one advertising program.[73] Since the mid-1990s, virtually every text-book on the subject of marketing communications has adopted an integrated perspective or has added chapters on IMC in new editions of standard works.[74] Collectively these books focus on the IMC planning processes and this represents the third distinct stage in the evolution of IMC – an emphasis on managing and organising IMC.[75]

Over time, scholars have advanced different definitions of IMC, with each definition exhibiting a slightly different emphasis. Yet, in spite of the variety of definitions in circulation, there is general consensus that integrated marketing communications should be viewed as a planning process.[76] Some scholars have pointed out that because IMC is both a process and a concept, it is exceedingly difficult to define.[77]

Some of the key definitions that have been advanced during IMC's evolution are outlined here:

- "IMC is the process of all sources and information managed so a consumer or prospect is exposed which behaviorally moves the customer more towards a sale." (Schultz, 1991)[78]

- "The strategic co-ordination of all messages and media used by an organisation to influence its perceived brand value." (Duncan and Everett, 1993) [79]

- "The process of strategically controlling or influencing all messages and encoring purposeful dialogue to created and nourish profitable relationships with consumers and other stakeholders." (Duncan & Caywood, 1996)[80]

Meaning of integration

Integrating the creative and the media can result in imaginative and powerful messages that grab attention and are noticed.

Within the literature there is no absolute agreement about the meaning of "integration" in the concept, "integrated marketing communications". The concept of IMC has evolved during its brief history, and with that different ideas around the meaning of integration have been advanced.[90] The diverse views surrounding IMC and its meaning can be explained by the early state of theoretical development and research on IMC which gives rise to a mulplicity of different perspectives. As the discipline matures, these different views are expected to converge.[91]

The marketing and advertising literature identifies many different types of integration:

Functional integration

Functional integration refers to the capacity of the different promotional tools to complement each other and deliver a unified, coherent message. Each of the communications disciplines (advertising, PR, personal selling, sales promotion etc.) has its own strengths and weaknesses. For instance, it is generally recognised that straight advertising is very effective at creating brand awareness, but much less effective at converting awareness into actual sales.[92] As consumers approach the actual purchase, they may turn to other types of promotion such as personal selling or direct marketing. A carefully planned communications program will include a

blend of tools in a way that the messages move the customer through the various stages of the purchase decision – from need recognition through to purchase and post-purchase stages. Integrating the communications disciplines addresses the question of how the strengths of one discipline can be used to overcome the weaknesses of a different discipline.

Message integration

Message integration is also known as *image integration* or *creative integration.* A key task for IMC is ensuring consistency in executions within and across the different types of marketing communications, as well as over time. Everything connected with an IMC campaign should have a similar 'look and feel', irrespective of the medium or tool. Message integration does not imply that messages need to identical. Rather it means that every piece of promotion – from advertising to direct mail to collateral materials to packaging to posters to corporate vehicles to business cards and office stationery – should be immediately recognisable as part of the same livery.

Clearly, media releases which are often part of a PR program are very different to persuasive messages used in advertising. However, messages should include a similar tone and at least some common elements so that each message looks like it is part of a coherent, integrated campaign. Every execution is part of the brand's identity. Consistent executions facilitate brand awareness. People associate the 'look' of the brand's marketing communication with the brand itself. Consistent executions are more of a 'feeling' that ties everything together; a unique look or feel so that the target audience recognizes a brand's marketing communication even before they see the brand name. The key to consistency is the visual feel. This is because the visual memory for the imagery associated with the brand actually elicits faster brand identification than the brand name itself.

Media integration

Much IMC planning is concerned with co-ordinating different media channels to optimize the effectiveness of marketing communications programmes. If brand communications "reflect implied brand values and imagery that are consistent throughout differing media channels, then

clearly these channels act in a mutually reinforcing way with each successive consumer engagement."[96] Certain messages may not translate into other media. For instance, messages containing 'sex appeals' may work well on TV because movement lends itself to eroticism, but may become "flat" in a static medium such as print. In such cases it is important that the secondary media support the primary media and that messages harmonise.

Research studies suggest that consumers learn more quickly when exposed to messages via different media. The explanation for this is that slight variations in execution create a slight mental perturbation which grabs attention, and results in more elaborate encoding of the main message argument. By exposing consumers to the same message through multiple media, there are more opportunities to engage with consumers. In short, a multi media strategy is more effective.[97]

Integration of timing

Integration of timing refers to the timing messages so that they operate to support each other and reach potential customers at different junctures, depending on when they are most receptive to different types of message or depending on the consumer's readiness to buy.

Other types of integration

Other types of integration include:

Coordinated integration refers to the ways that different internal and external agencies (e.g web designers, advertising agencies, PR consultants, graphic designers) coordinate to provide a consistent message.

Stakeholder integration refers to the way that all stakeholders (e.g. employees, suppliers, customers and others) cooperate to communicate a shared understanding of the company's key messages and values.

Relationship integration refers to the way that communications professionals (e.g. marketing managers, advertising managers) contribute to the company's overall corporate goals and quality management.

IMC Planning Process

The first step in the IMC planning process is to review the marketing plan and objectives. Before developing a promotional plan, marketers must understand where the company (or the brand) has been, its current position in the market, where it intends to go, and how it plans to get there. Most of this information should be contained in the **marketing plan,** a written document that describes the overall marketing strategy and programs developed for an organization, a particular product line, or a brand. Marketing plans can take several forms but generally include five basic elements:

1. A detailed situation analysis that consists of an internal marketing audit and review and an external analysis of the market competition and environmental factors.

2. Specific marketing objectives that provide direction, a time frame for marketing activities, and a mechanism for measuring performance.

3. A marketing strategy and program that include selection of target market(s) and decisions and plans for the four elements of the marketing mix.

4. A program for implementing the marketing strategy, including determining specific tasks to be performed and responsibilities.

5. A process for monitoring and evaluating performance and providing feedback so that proper control can be maintained and any necessary changes can be made in the overall marketing strategy or tactics.

IMC Planning Model:

1.Review of Marketing Plan
- ➢ Examine overall marketing plan and objectives
- ➢ Role of advertising and promotion
- ➢ Competitive analysis
- ➢ Assess environmental influences

2. Analysis of Communications Process
- ➢ Analyze receiver's response processes
- ➢ Analyze source, message, channel factors
- ➢ Establish communications goals and objectives

3. Budget Determination
- ➢ Set tentative marketing communications budget
- ➢ Allocate tentative budget

4. Monitor, Evaluate, and Control Integrated Marketing Communications Program

- Evaluate promotional program results/effectiveness
- Take measures to control and adjust promotional strategies

5. Integrate and Implement Marketing Communications Strategies

- Integrate promotional-mix strategies
- Create and produce ads
- Purchase media time, space, etc.
- Design and implement direct-marketing programs
- Design and distribute sales promotion materials
- Design and implement public relations/publicity programs
- Design and implement interactive/Internet marketing programs

6. Develop Integrated Marketing Communications Program

- Advertising
- Set advertising objectives
- Determine advertising budget
- Develop advertising message
- Develop advertising media strategy
- Direct marketing
- Set direct-marketing objectives
- Determine direct-marketing budget
- Develop direct-marketing message
- Develop direct-marketing media strategy
- Interactive/Internet marketing
- Set interactive/Internet marketing objectives
- Determine interactive/Internet
- marketing budget
- Develop interactive/Internet message
- Develop interactive/Internet media strategy

7. Analysis of Promotional Program Situation

- Internal analysis
- Promotional department Consumer behavior analysis
- organization Market segmentation and target
- Firm's ability to implement marketing
- promotional program Market positioning
- Agency evaluation and selection
- Review of previous program results
- Sales promotion

- ➤ Set sales promotion objectives
- ➤ Determine sales promotion budget
- ➤ Determine sales promotion tools and develop messages
- ➤ Develop sales promotion media strategy
- ➤ Public relations/publicity
- ➤ Set PR/publicity objectives
- ➤ Determine PR/publicity budget
- ➤ Develop PR/publicity messages
- ➤ Develop PR/publicity media strategy
- ➤ Personal selling
- ➤ Set personal-selling and sales objectives
- ➤ Determine personal-selling/sales budget
- ➤ Develop sales message
- ➤ Develop selling roles and responsibilities

External Analysis The external analysis focuses on factors such as characteristics of the firm's customers, market segments, positioning strategies, and competitors, An important part of the external analysis is a detailed consideration of customers' characteristics and buying patterns, their decision processes, and factors influencing their purchase decisions. Attention must also be given to consumers' perceptions and attitudes, lifestyles, and criteria for making purchase decisions.

Analysis of the Communications Process

This stage of the promotional planning process examines how the company can effectively communicate with consumers in its target markets. The promotional planner must think about the process consumers will go through in responding to marketing communications. The response process for products or services for which consumer decision making is characterized by a high level of interest is often different from that for low-involvement or routine purchase decisions. These differences will influence the promotional strategy.

Communication decisions regarding the use of various source, message, and channel factors must also be considered. The promotional planner should recognize the different effects various types of advertising messages might have on consumers and whether they are appropriate for the product or brand. Issues such as whether a celebrity spokesperson should be used and at what cost may also be studied. Preliminary discussion of media-mix

options (print, TV, radio, newspaper, direct marketing) and their cost implications might also occur at this stage.

Communication objectives refer to what the firm seeks to accomplish with its promotional program. They are often stated in terms of the nature of the message to be communicated or what specific communication effects are to be achieved. Communication objectives may include creating awareness or knowledge about a product and its attributes or benefits; creating an image; or developing favorable attitudes, preferences, or purchase intentions. Communication objectives should be the guiding force for development of the overall marketing communications strategy and of objectives for each promotional-mix area.

Budget Determination

After the communication objectives are determined, attention turns to the promotional budget. Two basic questions are asked at this point: What will the promotional program cost? How will the money be allocated? Ideally, the amount a firm needs to spend on promotion should be determined by what must be done to accomplish its communication objectives. In reality, promotional budgets are often determined using a more simplistic approach, such as how much money is available or a percentage of a company's or brand's sales revenue. At this stage, the budget is often tentative. It may not be finalized until specific promotional-mix strategies are developed.

Developing the Integrated Marketing Communications Program

Developing the IMC program is generally the most involved and detailed step of the promotional planning process. As discussed earlier, each promotional-mix element has certain advantages and limitations. At this stage of the planning process, decisions have to be made regarding the role and importance of each element and their coordination with one another. each promotional-mix element has its own set of objectives and a budget and strategy for meeting them. Decisions must be made and activities performed to implement the promotional programs. Procedures must be developed for evaluating performance and making any necessary changes.

For example, the advertising program will have its own set of objectives, usually involving the communication of some message or appeal to a target audience. A budget will be determined, providing the advertising manager and the agency with some idea of how much money is available for developing the ad campaign and purchasing media to disseminate the ad message.

Two important aspects of the advertising program are development of the message and the media strategy. Message development, often referred to as *creative strategy,* involves determining the basic appeal and message the advertiser wishes to convey to the target audience. This process, along with the ads that result, is to many students the most fascinating aspect of promotion. *Media strategy* involves determining which communication channels will be used to deliver the advertising message to the target audience. Decisions must be made regarding which types of media will be used (e.g., newspapers, magazines, radio, TV, billboards) as well as specific media selections (e.g., a particular magazine or TV program). This task requires careful evaluation of the media options' advantages and limitations, costs, and ability to deliver the message effectively to the target market.

Once the message and media strategies have been determined, steps must be taken to implement them. Most large companies hire advertising agencies to plan and produce their messages and to evaluate and purchase the media that will carry their ads. However, most agencies work very closely with their clients as they develop the ads and select media, because it is the advertiser that ultimately approves (and pays for) the creative work and media plan.

Monitoring, Evaluation, and Control

The final stage of the promotional planning process is monitoring, evaluating, and controlling the promotional program. It is important to determine how well the promotional program is meeting communications objectives and helping the firm accomplish its overall marketing goals and objectives. The promotional planner wants to know not only how well the promotional program is doing but also why.

For example, problems with the advertising program may lie in the nature of the message or in a media plan that does not reach the target market effectively. The manager must know the reasons for the results in order to take the right steps to correct the program. This final stage of the process is designed to provide managers with continual feedback concerning the effectiveness of the promotional program, which in turn can be used as input into the planning process. information on the results achieved by the promotional program is used in subsequent promotional planning and strategy development.

Consumer behavior can be defined as the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and

services so as to satisfy their needs and desires. For many products and services, purchase decisions are the result of a long, detailed process that may include an extensive information search, brand comparisons and evaluations, and other activities. Other purchase decisions are more incidental and may result from little more than seeing a product prominently displayed at a discount price in a store. Think of how many times you have made impulse purchases in stores.

The Consumer Decision-Making Process

The consumer's purchase decision process is generally viewed as consisting of stages through which the buyer passes in purchasing a product or service. This model shows that decision making involves a number of internal psychological processes. Motivation, perception, attitude formation, integration, and learning are important to promotional planners, since they influence the general decision-making process of the consumer.

Problem Recognition

Problem recognition, which occurs when the consumer perceives a need and becomes motivated to solve the problem. The problem recognition stage initiates the subsequent decision processes. Problem recognition is caused by a difference between the consumer's *ideal state* and *actual state.* A discrepancy exists between what the consumer wants the situation to be like and what the situation is really like.

Out of Stock Problem recognition occurs when consumers use their existing supply of a product and must replenish their stock. The purchase decision is usually simple and routine and is often resolved by choosing a familiar brand or one to which the consumer feels loyal.

Dissatisfaction Problem recognition is created by the consumer's dissatisfaction with the current state of affairs and/or the product or service being used. For example, a consumer may think her ski boots are no longer comfortable or stylish enough. Advertising may be used to help consumers recognize when they have a problem and/or need to make a purchase

New Needs/Wants Changes in consumers' lives often result in new needs and wants. For example, changes in one's financial situation, employment status, or lifestyle may create new needs and trigger problem recognition. As you will see, when you graduate from college and begin your professional career, your new job may necessitate a change in your wardrobe

Related Products/Purchases Problem recognition can also be stimulated by the purchase of a product. For example, the purchase of a new camera may lead to the recognition of a need for accessories, such as additional lenses or a carrying case. The purchase of a personal computer may prompt the need for software programs, upgrades, printers, and so on.

Marketer-Induced Problem Recognition Another source of problem recognition is marketers' actions that encourage consumers not to be content with their current state or situation. Ads for personal hygiene products such as mouthwash, deodorant, and foot sprays may be designed to create insecurities that consumers can resolve through the use of these products. Marketers change fashions and clothing designs and create perceptions among consumers that their wardrobes are out of style

Examining Consumer Motivations

Marketers recognize that while problem recognition is often a basic, simple process, the way a consumer perceives a problem and becomes motivated to solve it will influence the remainder of the decision process. For example, one consumer may perceive the need to purchase a new watch from a functional perspective and focus on reliable, low-priced alternatives. Another consumer may see the purchase of a watch as more of a fashion statement and focus on the design and image of various brands. To better understand the reasons underlying consumer purchases, marketers devote considerable attention to examining **motives**—that is, those factors that compel a consumer to take a particular action.

Hierarchy of Needs One of the most popular approaches to understanding consumer motivations is based on the classic theory of human motivation popularized many years ago by psychologist Abraham Maslow. His **hierarchy of needs** theory postulates five basic levels of human needs, arranged in a hierarchy based on their importance.

The five needs are
(1) *Physiological*—the basic level of primary needs for things required to sustain life, such as food, shelter, clothing, and sex;
(2) *Safety*—the need for security and safety from physical harm;
(3) *social/love and belonging*—the desire to have satisfying relationships with others and feel a sense of love, affection, belonging, and acceptance;
(4) *Esteem*—the need to feel a sense of accomplishment and gain recognition, status, and respect from others; and

(5) *Self-actualization*— the need for self-fulfillment and a desire to realize one's own potential.

According to Maslow's theory, the lower-level physiological and safety needs must be satisfied before the higher-order needs become meaningful. Once these basic needs are satisfied, the individual moves on to attempting to satisfy higher-order needs such as self-esteem. In reality, it is unlikely that people move through the needs hierarchy in a stair step manner. Lower-level needs are an ongoing source of motivation for consumer purchase behavior. However, since basic physiological needs are met in most developed countries, marketers often sell products that fill basic physiological needs by appealing to consumers' higher-level needs. For example, in marketing its wipes, Pampers focuses on the love between parent and child (social needs) in addition to the gentleness of the product Selective Perception Selective exposure occurs as consumers choose whether or not to make them available to information. For example, a viewer of a television show may change channels or leave the room during commercial breaks.

Selective attention occurs when the consumer chooses to focus attention on certain stimuli while excluding others. One study of selective attention estimates the typical consumer is exposed to nearly 1,500 ads per day yet perceives only 76 of these messages. 11 Other estimates range as high as 3,000 exposures per day. This means advertisers must make considerable effort to get their messages noticed. Advertisers often use the creative aspects of their ads to gain consumers' attention.

Selective comprehension, interpreting information on the basis of their own attitudes, beliefs, Motives and experiences. They often interpret information in a manner that supports their own position. For example, an ad that disparages a consumer's favorite brand may be seen as biased or untruthful, and its claims may not be accepted.

selective retention, which means consumers do not remember all the information they see, hear, or read even after attending to and comprehending it. Advertisers attempt to make sure information will be retained in the consumer's memory so that it will be available when it is time to make a purchase. **Mnemonics** such as symbols, rhymes, associations, and images that assist in the learning and memory process are helpful. Many advertisers use telephone numbers that spell out the company name and are easy to remember. Eveready put pictures of its pink bunny.

Behavioral Learning Theory

Behavioral learning theories emphasize the role of external, environmental stimuli in causing behavior; they minimize the significance of internal psychological processes. Behavioral learning theories are based on the *stimulus–response orientation* (S–R), the premise that learning occurs as the result of responses to external stimuli in the environment.

Behavioral learning theorists believe learning occurs through the connection between a stimulus and a response. We will examine the basic principles of two behavioral learning theory approaches: classical conditioning and operant conditioning.

Classical conditioning assumes that learning is an *associative process* with an already existing relationship between a stimulus and a response. Probably the best-known example of this type of learning comes from the studies done with animals by the Russian psychologist Pavlov. Pavlov noticed that at feeding times, his dogs would salivate at the sight of food. The connection between food and salivation is not taught; it is an innate reflex reaction. Because this relationship exists before the conditioning process, the food is referred to as an *unconditioned stimulus* and salivation is an *unconditioned response.* To see if salivation could be conditioned to occur in response to another neutral stimulus, Pavlov paired the ringing of a bell with the presentation of the food. After a number of trials, the dogs learned to salivate at the sound of the bell alone. Thus, the bell became a **conditioned stimulus** that elicited a **conditioned response** resembling the original unconditioned reaction. Two factors are important for learning to occur through the associative process.

The first is contiguity, which means the unconditioned stimulus and conditioned stimulus Must be close in time and space. In Pavlov's experiment, the dog learns to associate the ringing of the bell with food because of the contiguous presentation of the two stimuli. The other important principle is *repetition,* or the frequency of the association.

Applying Classical Conditioning Learning through classical conditioning plays an important role in marketing. Buyers can be conditioned to form favorable impressions and images of various brands through the associative process. Advertisers strive to associate their products and services with perceptions, images, and emotions known to evoke positive reactions from consumers. Many products are promoted through image advertising, in which the brand is shown with an unconditioned stimulus that elicits pleasant feelings. When the brand is presented simultaneously with this unconditioned stimulus, the brand itself becomes a conditioned stimulus that elicits the same favorable response.

Operant Conditioning Classical conditioning views the individual as a passive participant in the learning process who simply receives stimuli. Conditioning occurs as a result of exposure to a stimulus that occurs before the response. In the **operant conditioning** approach, the individual must actively *operate* or act on some aspect of the environment for learning to occur. Operant conditioning is sometimes referred to as *instrumental conditioning* because the individual's response is instrumental in getting a positive reinforcement (reward) or negative reinforcement (punishment).

Reinforcement, the reward or favorable consequence associated with a particular response, is an important element of instrumental conditioning. Behavior that is reinforced strengthens the bond between a stimulus and a response. Thus, if a consumer buys a product in response to an ad and experiences a positive outcome, the likelihood that the consumer will use this product again increases. If the outcome is not favorable, the likelihood of buying the product again decreases.

Cognitive Learning Theory

Behavioral learning theories have been criticized for assuming a mechanistic view of the consumer that puts too much emphasis on external stimulus factors. They ignore internal psychological processes such as motivation, thinking, and perception; they assume that the external stimulus environment will elicit fairly predictable responses.

Many consumer researchers and marketers disagree with the simplified explanations of behavioral learning theories and are more interested in the complex mental processes that underlie consumer decision making. The cognitive approach to studying learning and decision making has dominated the field of consumer behavior in recent years.

Since consumer behavior typically involves choices and decision making, the cognitive perspective has particular appeal to marketers, especially those whose product/ service calls for important and involved purchase decisions. Cognitive processes such as perception, formation of beliefs about brands, attitude development and change, and integration are important to understanding the decision-making process for many types of purchases. The sub processes examined during our discussion of the five-stage decision process model are all relevant to a cognitive learning approach to consumer behavior.

Culture

The broadest and most abstract of the external factors that influence consumer behavior is **culture,** or the complexity of learned meanings, values, norms, and customs shared by members of a society. Cultural norms and values offer direction and guidance to members of a society in all aspects of their lives, including their consumption behavior. It is becoming increasingly important to study the impact of culture on consumer behavior as marketers expand their international marketing efforts. Each country has certain cultural traditions, customs, and values that marketers must understand as they develop marketing programs.

Marketers must also be aware of changes that may be occurring in a particular culture and the implications of these changes for their advertising and promotional strategies and programs. American culture continually goes through many changes that have direct implications for advertising. Marketing researchers monitor these changes and their impact on the ways companies market their products and services.

Subcultures

Within a given culture are generally found smaller groups or segments whose beliefs, values, norms, and patterns of behavior set them apart from the larger cultural mainstream. These **subcultures** may be based on age, geographic, religious, racial, and/or ethnic differences. A number of subcultures exist within the United States. The three largest racial/ethnic subcultures are African-Americans, Hispanics, and various Asian groups. These racial/ethnic subcultures are important to marketers because of their size, growth, purchasing power, and distinct purchasing patterns. Marketers develop specific marketing programs for various products and services for these target markets.

Situational Determinants

The final external factor is the purchase and usage situation. The specific situation in which consumers plan to use the product or brand directly affects their perceptions, preferences, and purchasing behaviors.34 Three types of **situational determinants** may have an effect: the specific usage situation, the purchase situation, and the communications situation.

Usage refers to the circumstance in which the product will be used. For example, purchases made for private consumption may be thought of differently from those that will be obvious to the public. The *purchase* situation more directly involves the environment operating at the time of the purchase. Time constraints, store environments, and other

factors may all have an impact. The *communications* situation is the condition in which an advertising exposure occurs (in a car listening to the radio, with friends, etc.). This may be most relevant to the development of promotional strategies, because the impact on the consumer will vary according to the particular situation. For example, a consumer may pay more attention to a commercial that is heard alone at home than to one heard in the presence of friends, at work, or anywhere distractions may be present. If advertisers can isolate a particular time when the listener is likely to be attentive, they will probably earn his or her undivided attention.

Alternative Approaches to Consumer Behavior

New Methodologies

Whereas psychologists often study consumer responses to advertising and other forms of communication in controlled settings, where environmental variables can be kept constant, sociologists and anthropologists study behavior in context. For this reason, they often employ qualitative methodologies such as individual interviews, participant observation studies, and/or ethnographies. These methods help capture the social, cultural, and environmental influences that may affect consumer behavior.

New Insights

These alternative perspectives and methodologies provide additional insights and expand our knowledge of consumers. For example, the cultural significance of advertising messages in shaping cultures and triggering communities is now better understood. Likewise, marketers now have a better understanding of how advertising campaigns like "Got Milk" become popular and help shape our culture. Thanks to the many interpretive analyses of advertisements over recent years, we are also more aware of the influence of advertising images on society.

Communication has been variously defined as the passing of information, the exchange of ideas, or the process of establishing a commonness or oneness of thought between a sender and a receiver

A Basic Model of Communication

Source Encoding

The sender, or **source,** of a communication is the person or organization that has information to share with another person or group of people. The source may be an individual (say, a salesperson or hired spokesperson, such as a celebrity, who appears in a

company's advertisements) or a nonpersonal entity (such as the corporation or organization itself). For example, the source of the ad shown in the opening vignette is the EDS company, since no specific spokesperson or source is shown

The communication process begins when the source selects words, symbols, pictures, and the like, to represent the message that will be delivered to the receiver(s). This process, known as **encoding,** involves putting thoughts, ideas, or information into a symbolic form. The sender's goal is to encode the message in such a way that it will be understood by the receiver. This means using words, signs, or symbols that are familiar to the target audience.

Message

The encoding process leads to development of a **message** that contains the information or meaning the source hopes to convey. The message may be verbal or nonverbal, oral or written, or symbolic. Messages must be put into a transmittable form that is appropriate for the channel of communication being used. In advertising, this may range from simply writing some words or copy that will be read as a radio message to producing an expensive television commercial. For many products, it is not the actual words of the message that determine its communication effectiveness but rather the impression or image the ad creates

Channel

The **channel** is the method by which the communication travels from the source or sender to the receiver. At the broadest level, channels of communication are of two types, personal and non personal. *Personal channels* of communication are direct interpersonal (face-to-face) contact with target individuals or groups. Salespeople serve as personal channels of communication when they deliver their sales message to a buyer or potential customer. Social channels of communication such as friends, neighbors, associates, co-workers, or family members are also personal channels. They often represent *word-of-mouth communication,* a powerful source of information for consumers.

Non personal channels of communication are those that carry a message without interpersonal contact between sender and receiver. Non personal channels are generally referred to as the **mass media** or mass communications, since the message is sent to many individuals at one time

Receiver/Decoding

The **receiver** is the person(s) with whom the sender shares thoughts or information. Generally, receivers are the consumers in the target market or audience who read, hear, and/or see the marketer's message and decode it. **Decoding** is the process of transforming the sender's message back into thought. This process is heavily influenced by the receiver's frame of reference or **field of experience,** which refers to the experiences, perceptions, attitudes, and values he or she brings to the communication situation. For effective communication to occur, the message decoding process of the receiver must match the encoding of the sender. Simply put, this means the receiver understands and correctly interprets what the source is trying to communicate

Noise

Throughout the communication process, the message is subject to extraneous factors that can distort or interfere with its reception. This unplanned distortion or interference is known as **noise.** Errors or problems that occur in the encoding of the message, distortion in a radio or television signal, or distractions at the point of reception are examples of noise. When you are watching your favorite commercial on TV and a problem occurs in the signal transmission, it will obviously interfere with your reception, lessening the impact of the commercial. Noise may also occur because the fields of experience of the sender and receiver don't overlap. Lack of common ground may result in improper encoding of the message— using a sign, symbol, or words that are unfamiliar or have different meaning to the receiver. The more common ground there is between the sender and the receiver, the less likely it is this type of noise will occur.

Response/Feedback

The receiver's set of reactions after seeing, hearing, or reading the message is known as a **response.** Receivers' responses can range from non observable actions such as storing information in memory to immediate action such as dialing a toll-free number to order a product advertised on television. Marketers are very interested in **feedback,** that part of the receiver's response that is communicated back to the sender. Feedback, which may take a variety of forms, closes the loop in the communications flow and lets the sender monitor how the intended message is being decoded and received.

The Response Process the most important aspect of developing effective communication programs involves understanding the *response process* the receiver may go through in moving toward a specific behavior (like purchasing a product) and how the promotional

efforts of the marketer influence consumer responses. In many instances, the marketer's only objective may be to create awareness of the company or brand name, which may trigger interest in the product. In other situations, the marketer may want to convey detailed information to change consumers' knowledge of and attitudes toward the brand and ultimately change their behavior.

Traditional Response Hierarchy Models

A number of models have been developed to depict the stages a consumer may pass through in moving from a state of not being aware of a company, product, or brand to actual purchase behavior. Four of the best-known response hierarchy models. While these response models may appear similar, they were developed for different reasons.

The **AIDA model** was developed to represent the stages a salesperson must take a customer through in the personal-selling process. This model depicts the buyer as passing successively through attention, interest, desire, and action. The salesperson must first get the customer's attention and then arouse some interest in the company's product or service. Strong levels of interest should create desire to own or use the product. The action stage in the AIDA model involves getting the customer to make a purchase commitment and closing the sale. To the marketer, this is the most important stage in the selling process, but it can also be the most difficult. Companies train their sales reps in closing techniques to help them complete the selling process.

Perhaps the best known of these response hierarchies is the model developed by Robert Lavidge and Gary Steiner as a paradigm for setting and measuring advertising objectives. Their **hierarchy of effects model** shows the process by which advertising works; it assumes a consumer passes through a series of steps in sequential order from initial awareness of a product or service to actual purchase. A basic premise of this model is that advertising effects occur over a period of time. Advertising communication may not lead to immediate behavioral response or purchase; rather, a series of effects must occur, with each step fulfilled before the consumer can move to the next stage in the hierarchy. As we will see in Chapter 7, the hierarchy of effects model has become the foundation for objective setting and measurement of advertising effects in
many companies.

The **innovation adoption model** evolved from work on the diffusion of innovations. This model represents the stages a consumer passes through in adopting a new product or

service. Like the other models, it says potential adopters must be moved through a series of steps before taking some action (in this case, deciding to adopt a new product). The steps preceding adoption are awareness, interest, evaluation, and trial. The challenge facing companies introducing new products is to create awareness and interest among consumers and then get them to evaluate the product favorably. The best way to evaluate a new product is through actual use so that performance can be judged. Marketers often encourage trial by using demonstration or sampling programs or allowing consumers to use a product with minimal commitment. After trial, consumers either adopt the product or reject it.

The final hierarchy is the **information processing model** of advertising effects, developed by William McGuire. This model assumes the receiver in a persuasive communication situation like advertising is an information processor or problem solver. McGuire suggests the series of steps a receiver goes through in being persuaded constitutes a response hierarchy. The stages of this model are similar to the hierarchy of effects sequence; attention and comprehension are similar to awareness and knowledge, and yielding is synonymous with liking. McGuire's model includes a stage not found in the other models: retention, or the receiver's ability to retain that portion of the comprehended information that he or she accepts as valid or relevant. This stage is important since most promotional campaigns are designed not to motivate consumers to take immediate action but rather to provide information they will use later when making a purchase decision.

Alternative Response Hierarchies

Michael Ray has developed a model of information processing that identifies three alternative orderings of the three stages based on perceived product differentiation and product involvement. These alternative response hierarchies are the standard learning, dissonance/attribution, and low-involvement models

The Standard Learning Hierarchy In many purchase situations, the consumer will go through the response process in the sequence depicted by the traditional communication models. Ray terms this a **standard learning model,** which consists of a learn → feel → do sequence. Information and knowledge acquired or *learned* about the various brands are the basis for developing affect, or *feelings,* that guide what the consumer will *do* (e.g., actual trial or purchase). In this hierarchy, the consumer is viewed as an active participant in the communication process who gathers information through active learning.

Ray suggests the standard learning hierarchy is likely when the consumer is highly involved in the purchase process and there is much differentiation among competing brands. High-involvement purchase decisions such as those for industrial products and services and consumer durables like personal computers, printers, cameras, appliances, and cars are areas where a standard learning hierarchy response process is likely. Ads for products and services in these areas are usually very detailed and provide customers with information that can be used to evaluate brands and help them make a purchase decision

The Dissonance/Attribution Hierarchy A second response hierarchy proposed by Ray involves situations where consumers first behave, then develop attitudes or feelings as a result of that behavior, and then learn or process information that supports the behavior. This **dissonance/attribution model,** or do →feel→learn, occurs in situations where consumers must choose between two alternatives that are similar in quality but are complex and may have hidden or unknown attributes. The consumer may purchase the product on the basis of a recommendation by some non media source and then attempt to support the decision by developing a positive attitude toward the brand and perhaps even developing negative feelings toward the rejected alternative(s). This reduces any *post purchase dissonance* or anxiety the consumer may experience resulting from doubt over the purchase. Dissonance reduction involves *selective learning,* whereby the consumer seeks information that supports the choice made and avoids information that would raise doubts about the decision.

According to this model, marketers need to recognize that in some situations, attitudes develop *after* purchase, as does learning from the mass media. Ray suggests that in these situations the main effect of the mass media is not the promotion of original choice behavior and attitude change but rather the reduction of dissonance by reinforcing the wisdom of the purchase or providing supportive information.

Some marketers resist this view of the response hierarchy because they can't accept the notion that the mass media have no effect on the consumer's initial purchase decision. But the model doesn't claim the mass media have no effect—just that their major impact occurs after the purchase has been made. Marketing communications planners must be aware of the need for advertising and promotion efforts not just to encourage brand selection but to reinforce choices and ensure that a purchase pattern will continue.

The Low-Involvement Hierarchy Perhaps the most intriguing of the three response hierarchies proposed by Ray is the **low-involvement hierarchy,** in which the receiver is viewed as passing from cognition to behavior to attitude change. This learn → do → feel sequence is thought to characterize situations of low consumer involvement in the purchase process. Ray suggests this hierarchy tends to occur when involvement in the purchase decision is low, there are minimal differences among brand alternatives, and mass-media (especially broadcast) advertising is important. The notion of a low-involvement hierarchy is based in large part on Herbert Krugman's theory explaining the effects of television advertising.

Krugman wanted to find out why TV advertising produced a strong effect on brand awareness and recall but little change in consumers' attitudes toward the product. He hypothesized that TV is basically a low-involvement medium and the viewer's perceptual defenses are reduced or even absent during commercials. In a low-involvement situation, the consumer does not compare the message with previously acquired beliefs, needs, or past experiences. The commercial results in subtle changes in the consumer's knowledge structure, particularly with repeated exposure. This change in the consumer's knowledge does not result in attitude change but is related to learning something about the advertised brand, such as a brand name, ad theme, or slogan.

According to Krugman, when the consumer enters a purchase situation, this information may be sufficient to trigger a purchase. The consumer will then form an attitude toward the purchased brand as a result of experience with it.

Thus, in the low-involvement situation the response sequence is as follows:
 Message exposure under low involvement → Shift in cognitive structure →Purchase→ Positive or negative experience →Attitude formation

In the low-involvement hierarchy, the consumer engages in passive learning and random information catching rather than active information seeking. The advertiser must recognize that a passive, uninterested consumer may focus more on non message elements such as music, characters, symbols, and slogans or jingles than actual message content. The advertiser might capitalize on this situation by developing a catchy jingle that is stored in the consumer's mind without any active cognitive processing and becomes salient when he or she enters the actual purchase situation. Advertisers of low-involvement products also repeat simple product claims such as a key copy point or distinctive product benefit.

A study by Scott Hawkins and Stephen Hoch found that under low-involvement conditions, repetition of simple product claims increased consumers' memory of and belief in those claims. They concluded that advertisers of low involvement products might find it more profitable to pursue a heavy repetition strategy than to reach larger audiences with lengthy, more detailed messages. For example, Heinz has dominated the ketchup market for over 20 years by repeatedly telling consumers that its brand is the thickest and richest. Heinz has used a variety of advertising campaigns over the years. However, they all have communicated the same basic message that Heinz is the best and most preferred brand of ketchup

Unit-II

BUDGETING, OBJECTIVES AND EVALUATION OF INTEGRATED MARKETING COMMUNICATIONS

Communications Specific objectives

For the IMC program facilitate coordination of the various groups working on the campaign. Many people are involved in the planning and development of an integrated marketing communications program on the client side as well as in the various promotional agencies. The advertising and promotional program must be coordinated within the company, inside the ad agency, and between the two. Any other parties involved in the promotional campaign, such as public relations and/or sales promotion firms, research specialists, or media buying services, must also know what the company hopes to accomplish through its marketing communications program. Many problems can be avoided if all parties have written, approved objectives to guide their actions and serve as a common base for discussing issues related to the promotional program.

Marketing versus Communications Objectives

Marketing objectives are generally stated in the firm's marketing plan and are statements of what is to be accomplished by the overall marketing program within a given time period. Marketing objectives are usually defined in terms of specific, measurable outcomes such as sales volume, market share, profits, or return on investment. Good marketing objectives are *quantifiable;* they delineate the target market and note the time frame for accomplishing the goal (often one year). For example, a copy machine company may have as its marketing objective "to increase sales by 10 percent in the small-business segment of the market during the next 12 months." To be effective, objectives must also be *realistic* and *attainable.* have as their marketing objectives expanding distribution and sales of their product in certain market areas. Companies often have secondary marketing objectives that are related to actions they must take to solve specific problems and thus achieve their primary objectives.

Integrated marketing communications objectives

Integrated marketing communications objectives are statements of what various aspects of the IMC program will accomplish. They should be based on the particular communications tasks required to deliver the appropriate messages to the target audience. Managers must be able to translate general marketing goals into communications goals and specific promotional objectives. Some guidance in doing this may be available from the marketing plan, as the situation analysis should provide important information on

• The market segments the firm wants to target and the target audience (demographics, psychographics, and purchase motives).

• The product and its main features, advantages, benefits, uses, and applications.

• The company's and competitors' brands (sales and market share in various segments, positioning, competitive strategies, promotional expenditures, creative and media strategies, and tactics).

• Ideas on how the brand should be positioned and specific behavioral responses being sought (trial, repurchase, brand switching, and increased usage).

Communications Objectives

Some marketers do recognize the problems associated with sales-oriented objectives. They recognize that the primary role of an IMC program is to communicate and that planning should be based on communications objectives. Advertising and other promotional efforts are designed to achieve such communications as brand knowledge and interest, favorable attitudes and image, and purchase intentions. Consumers are not expected to respond immediately; rather, advertisers realize they must provide relevant information and create favorable predispositions toward the brand before purchase behavior will occur.

Communications Effects Pyramid Advertising and promotion perform communications tasks in the same way that a pyramid is built, by first accomplishing lower-level objectives such as awareness and knowledge or comprehension. Subsequent tasks involve moving consumers who are aware of or knowledgeable about the product or service to higher levels in the pyramid. The initial stages, at the base of the pyramid, are easier to accomplish than those toward the top, such as trial and repurchase or regular use. Thus, the percentage of prospective customers will decline as they move up the pyramid. Shows how a company introducing a new brand of shampoo targeted at 18- to 34-year-old females might set its IMC objectives using the communications effects pyramid.

The communications pyramid can also be used to determine promotional objectives for an established brand. The promotional planner must determine where the target audience lies with respect to the various blocks in the pyramid. If awareness levels for a brand and knowledge of its features and benefits are low, the communications objective should be to increase them. If these blocks of the pyramid are already in place, but liking or preference is low, the advertising goal may be to change the target markets' image of the brand and move consumers through to purchase.

Problems with Communications Objectives Not all marketing and advertising managers accept communications objectives; some say it is too difficult to translate a sales

goal into a specific communications objective. But at some point a sales goal must be transformed into a communications objective. If the marketing plan for an established brand has as an objective of increasing sales by 10 percent, the promotional planner will eventually have to think in terms of the message that will be communicated to the target audience to achieve this. Possible objectives include the following:

• Increasing the percentage of consumers in the target market who associate specific features, benefits, or advantages with our brand.
• Increasing the number of consumers in the target audience who prefer our product over the competitions.
• Encouraging current users of the product to use it more frequently or in more situations.
• Encouraging consumers who have never used our brand to try it.

DAGMAR: AN APPROACH TO SETTING OBJECTIVES

In 1961, Russell Colley prepared a report for the Association of National Advertisers titled *Defining Advertising Goals for Measured Advertising Results* (DAGMAR).13 In it, Colley developed a model for setting advertising objectives and measuring the results of an ad campaign. The major thesis of the **DAGMAR** model is that communications effects are the logical basis for advertising goals and objectives against which success or failure should be measured. Colley's rationale for communications- based objectives was as follows:
Advertising's job, purely and simply, is to communicate to defined audience information and a frame of mind that stimulates action. Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time and at the right cost.

Under the DAGMAR approach, an advertising goal involves a **communications task** that is specific and measurable. A communications task, as opposed to a marketing task, can be performed by, and attributed to, advertising rather than to a combination of several marketing factors. Colley proposed that the communications task be based on a hierarchical model of the communications process with four stages:
• *Awareness*—making the consumer aware of the existence of the brand or company.
• *Comprehension*—developing an understanding of what the product is and what it will do for the consumer.
• *Conviction*—developing a mental disposition in the consumer to buy the product.
• *Action*—getting the consumer to purchase the product.

Other hierarchical models of advertising effects can be used as a basis for analyzing the communications response process. Some advertising theorists prefer the Lavidge and Steiner hierarchy of effects model, since it is more specific and provides a better way to establish and measure results. While the hierarchical model of advertising effects was the basic model of the communications response process used in DAGMAR, Colley also studied other specific tasks that advertising might be expected to perform in leading to the ultimate objective of a sale. He developed a checklist of 52 advertising tasks to characterize the contribution of advertising and serve as a starting point for establishing objectives.

CHARACTERISTICS OF OBJECTIVES

A second major contribution of DAGMAR to the advertising planning process was its definition of what constitutes a good objective. Colley argued that advertising objectives should be stated in terms of concrete and measurable communications tasks, specify a target audience, indicate a benchmark starting point and the degree of change sought, and specify a time period for accomplishing the objective(s). Concrete, Measurable Tasks .The communications task specified in the objective should be a precise statement of what appeal or message the advertiser wants to communicate to the target audience. Advertisers generally use a copy platform to describe their basic message. The objective or copy platform statement should be specific and clear enough to guide the creative specialists who develop the advertising message. For example, Foster's Beer, after a successful introduction, saw sales decline significantly. Knowing that to reverse the downward trend something significant had to be done, Fosters developed an entirely new positioning campaign with the following objectives:

i. Strengthen the brand's image
b. Maximize brand presence
c. Broaden the market base beyond traditional import beer drinkers
d. Increase sales

Using a variety of tools including billboards, videos, point-of-sale promotions, and spot television, the program doubled its unaided awareness scores, tripled trial, and increased brand awareness by 40 percent. In addition, beer sales doubled in test markets, and overall beer sales increased by 12.1 percent in the first year of the campaign. According to DAGMAR, the objective must also be measurable. There must be a way to determine whether the intended message has been communicated properly. For example Midwest Express measured its communications objective by asking airline travelers whether they thought Midwest's airfares were higher than those of competing airlines.

ASSESSMENT OF DAGMAR

The DAGMAR approach to setting objectives has had considerable influence on the advertising planning process. Many promotional planners use this model as a basis for setting objectives and assessing the effectiveness of their promotional campaigns. DAGMAR also focused advertisers' attention on the value of using communications based rather than sales-based objectives to measure advertising effectiveness and encouraged the measurement of stages in the response hierarchy to assess a campaign's impact. Colley's work has led to improvements in the advertising and promotional planning process by providing a better understanding of the goals and objectives toward which planners' efforts should be directed. This usually results in less subjectivity and leads to better communication and relationships between client and agency.

Criticisms of DAGMAR While DAGMAR has contributed to the advertising planning process, it has not been totally accepted by everyone in the advertising field. A number of problems have led to questions regarding its value as a planning tool:

• *Problems with the response hierarchy.* A major criticism of the DAGMAR approach is its reliance on the hierarchy of effects model. The fact that consumers do not always go through this sequence of communications effects before making a purchase has been recognized, and alternative response models have been developed.

• *Sales objectives.* Another objection to DAGMAR comes from those who argue that the only relevant measure of advertising objectives is sales. They have little tolerance for ad campaigns that achieve communications objectives but fail to increase sales. Advertising is seen as effective only if it induces consumers to make a purchase. The problems with this logic were addressed in our discussion of communications objectives.

• *Practicality and costs.* Another criticism of DAGMAR concerns the difficulties involved in implementing it. Money must be spent on research to establish quantitative benchmarks and measure changes in the response hierarchy. This is costly and time-consuming and can lead to considerable disagreement over method, criteria, measures, and so forth. Many critics argue that DAGMAR is practical only for large companies with big advertising and research budgets. Many firms do not want to spend the money needed to use DAGMAR effectively.

• *Inhibition of creativity.* A final criticism of DAGMAR is that it inhibits advertising creativity by imposing too much structure on the people responsible for developing the advertising. Many creative personnel think the DAGMAR approach is too concerned with quantitative assessment of a campaign's impact on awareness, brand name recall, or specific

persuasion measures. The emphasis is on passing the numbers test rather than developing a message that is truly creative and contributes to brand equity.

Setting Objectives for the IMC Program

One reason so much attention is given to advertising objectives is that for many companies advertising has traditionally been the major way of communicating with target audiences. Other promotional mix elements such as sales promotion, direct marketing, and publicity are used intermittently to support and complement the advertising program.

Another reason is that traditional advertising-based views of marketing communications planning, such as DAGMAR, have dominated the field for so long. These approaches are based on a hierarchical response model and consider how marketers can develop and disseminate advertising messages to move consumers along an effects path. This approach, is what professor Don Schultz calls *inside-out planning.* He says, "It focuses on what the marketer wants to say, when the marketer wants to say it, about things the marketer believes are important about his or her brand, and in the media forms the marketer wants to use."

Schultz advocates an *outside-in planning* process for IMC that starts with the customer and builds backward to the brand. This means that promotional planners study the various media customers and prospects use, when the marketer's messages might be most relevant to customers, and when they are likely to be most receptive to the message.

A similar approach is suggested by Professor Tom Duncan, who argues that IMC should use **zero-based communications planning,** which involves determining what tasks need to be done and which marketing communications functions should be used and to what extent. This approach focuses on the task to be done and searches for the best ideas and media to accomplish it. Duncan notes that as with a traditional advertising campaign, the basis of an IMC campaign is a big idea. However, in IMC the big idea can be public relations, direct response, packaging, or sales promotion. Duncan suggests that an effective IMC program should lead with the marketing communications function that most effectively addresses the company's main problem or opportunity and should use a promotional mix that draws on the strengths of whichever communications functions relate best to the particular situation. Many of the considerations for determining advertising objectives are relevant to setting goals for other elements of the integrated marketing communications program.

ESTABLISHING AND ALLOCATING THE PROMOTIONAL BUDGET

Establishing the Budget

The size of a firm's advertising and promotions budget can vary from a few thousand dollars to more than a billion. When companies like Ford, Procter & Gamble, and General Motors spend over 2 billion dollars per year to promote their products, they expect such expenditures to accomplish their stated objectives. The budget decision is no less critical to a firm spending only a few thousand dollars; its ultimate success or failure may depend on the monies spent. One of the most critical decisions facing the marketing manager is how much to spend on the promotional effort.

Unfortunately, many managers fail to realize the value of advertising and promotion. They treat the communications budget as an expense rather than an investment. Instead of viewing the dollars spent as contributing to additional sales and market share, they see budget expenses as cutting into profits. As a result, when times get tough, the advertising and promotional budget is the first to be cut—even though there is strong evidence that exactly the opposite should occur.   Moreover, the decision is not a one-time responsibility. A new budget is formulated every year, each time a new product is introduced, or when either internal or external factors necessitate a change to maintain competitiveness. While it is one of the most critical decisions, budgeting has perhaps been the most resistant to change. A comparison of advertising and promotional texts over the past 10 years would reveal the same methods for establishing budgets. The theoretical basis for this process remains rooted in economic theory and marginal analysis. (Advertisers also use an approach based on **contribution margin**—the difference between the total revenue generated by a brand and its total variable costs. But, as Robert Steiner says, *marginal analysis* and *contribution margin* are essentially synonymous terms.) We begin our discussion of budgeting with an examination of these theoretical approaches. Theoretical Issues in Budget Setting Most of the models used to establish advertising budgets can be categorized as taking an economic or a sales response perspective.

Marginal Analysis graphically represents the concept of marginal analysis**.** As advertising /promotional expenditures increase, sales and gross margins also increase to a point, but then they level off. Profits are shown to be a result of the gross margin minus advertising expenditures. Using this theory to establish its budget, a firm would continue to spend advertising/promotional dollars as long as the marginal revenues created by these expenditures exceeded the incremental advertising/promotional costs. The optimal

expenditure level is the point where marginal costs equal the marginal revenues they generate (point *A*). If the sum of the advertising/promotional expenditures exceeded the revenues they generated, one would conclude the appropriations were too high and scale down the budget. If revenues were higher, a higher budget might be in order .While marginal analysis seems logical intuitively, certain weaknesses limit its usefulness. These weaknesses include the assumptions that (1) sales are a direct result of advertising and promotional expenditures and this effect can be measured and (2) advertising and promotion are solely responsible for sales

Sales Response Models the sales curve in sales leveling off even though advertising and promotions efforts continue to increase. The relationship between advertising and sales has been the topic of much research and discussion designed to determine the shape of the response curve.

Almost all advertisers subscribe to one of two models of the advertising/sales response function: the concave-downward function or the S-shaped response curve.

• *The concave-downward function.* After reviewing more than 100 studies of the effects of advertising on sales, Julian Simon and Johan Arndt concluded that the effects of advertising budgets follow the microeconomic law of diminishing returns. That is, as the amount of advertising increases, its incremental value decreases. The logic is that those with the greatest potential to buy will likely act on the first (or earliest) exposures, while those less likely to buy are not likely to change as a result of the advertising. For those who may be potential buyers, each additional ad will supply little or no new information that will affect their decision. Thus, according to the

Concave-downward function model, the effects of advertising quickly begin to diminish. Budgeting under this model suggests that fewer advertising dollars may be needed to create the optimal influence on sales.

• *The S-shaped response function.* Many advertising managers assume the **S-shaped response curve** which projects an S-shaped response function to the budget outlay (again measured in sales). Initial outlays of the advertising budget have little impact (as indicated by the essentially flat sales curve in range A). After a certain budget level has been reached (the beginning of range B), advertising and promotional efforts begin to have an effect, as additional increments of expenditures result in increased sales. This incremental gain continues only to a point, however, because at the beginning of range C additional expenditures begin to return little or nothing in the way of sales.

BUDGETING APPROACHES

The theoretical approaches to establishing the promotional budget are seldom employed. In smaller firms, they may never be used. Instead, a number of methods developed through practice and experience are implemented. This section reviews some of the more traditional methods of setting budgets and the relative advantages and disadvantages of each.

First, you must understand two things:

(1) Many firms employ more than one method, and (2) budgeting approaches vary according to the size and sophistication of the firm.

Top-down approaches because a budgetary amount is established (usually at an executive level) and then the monies are passed down to the various departments. These budgets are essentially predetermined and have no true theoretical basis. Top-down methods include the affordable method, arbitrary allocation, percentage of sales, competitive parity, and return on investment (ROI).

In the **affordable method** (often referred to as the "allyou- can-afford method"), the firm determines the amount to be spent in various areas such as production and operations. Then it allocates what's left to advertising and promotion, considering this to be the amount it can afford. The task to be performed by the advertising/promotions function is not considered, and the likelihood of under- or overspending is high, as no guidelines for measuring the effects of various budgets are established. Strange as it may seem, this approach is common among small firms. Unfortunately, it is also used in large firms, particularly those that are not marketing-driven and do not understand the role of advertising and promotion.

The logic for this approach stems from "We can't be hurt with this method" thinking. That is, if we know what we can afford and we do not exceed it, we will not get into financial problems. While this may be true in a strictly accounting sense, it does not reflect sound managerial decision making from a marketing perspective. Often this method does not allocate enough money to get the product off the ground and into the market. In terms of the S-shaped sales response model, the firm is operating in range A. Or the firm may be spending more than necessary, operating in range C. When the market gets tough and sales and/or profits begin to fall, this method is likely to lead to budget cuts at a time when the budget should be increased.

Arbitrary Allocation Perhaps an even weaker method than the affordable method for establishing a budget is arbitrary allocation**,** in which virtually no theoretical basis is

considered and the budgetary amount is often set by fiat. That is, the budget is determined by management solely on the basis of what is felt to be necessary. In a discussion of how managers set advertising budgets, Melvin Salveson reported that these decisions may reflect "as much upon the managers' psychological profile as they do economic criteria." While Salveson was referring to larger corporations, the approach is no less common in small firms and nonprofit organizations. The arbitrary allocation approach has no obvious advantages. No systematic thinking has occurred, no objectives have been budgeted for, and the concept and purpose of advertising and promotion have been largely ignored. Other than the fact that the manager believes some monies must be spent on advertising and promotion and then picks a number, there is no good explanation why this approach continues to be used. Yet budgets continue to be set this way, and our purpose in discussing this method is to point out only that it is used—not recommended.

Percentage of Sales Perhaps the most commonly used method for budget setting (particularly in large firms) is the **percentage-of-sales method,** in which the advertising and promotions budget is based on sales of the product. Management determines the amount by either (1) taking a percentage of the sales dollars or (2) assigning a fixed amount of the unit product cost to promotion and multiplying this amount by the number of units sold. A variation on the percentage-of-sales method uses a percentage of projected future sales as a base. This method also uses either a straight percentage of projected sales or a unit cost projection. In the straight-percentage method, sales are projected for the coming year based on the marketing manager's estimates. One advantage of using future sales as a base is that the budget is not based on last year's sales. As the market changes, management must factor the effect of these changes on sales into next year's forecast rather than relying on past data. The resulting budget is more likely to reflect current conditions and be more appropriate.

reveals that the percentage allocated varies from one industry to the next. Some firms budget a very small percentage (for example, 0.7 percent in lumber and wood products), and others spend a much higher proportional amount (12.0 percent in the games and toy industry). Actual dollar amounts spent vary markedly according to the company's total sales figure. Thus, a smaller percentage of sales in the construction machinery industry may actually result in significantly more advertising dollars being spent.

Proponents of the percentage-of-sales method cite a number of advantages. It is financially safe and keeps ad spending within reasonable limits, as it bases spending on the past year's sales or what the firm expects to sell in the upcoming year. Thus there will be sufficient monies to cover this budget, with increases in sales leading to budget increases and sales

decreases resulting in advertising decreases. The percentage- of-sales method is simple, straightforward, and easy to implement. Regardless of which basis—past or future sales—is employed, the calculations used to arrive at a budget are not difficult. Finally, this budgeting approach is generally stable. While the budget may vary with increases and decreases in sales, as long as these changes are not drastic the manager will have a reasonable idea of the parameters of the budget.

Competitive Parity If you asked marketing managers if they ever set their advertising and promotions budgets on the basis of what their competitors allocate, they would probably deny it. Yet if you examined the advertising expenditures of these companies, both as a percentage of sales and in respect to the media where they are allocated, you would see little variation in the percentage-of-sales figures for firms within a given industry. Such results do not happen by chance alone. Companies that provide competitive advertising information, trade associations, and other advertising industry periodicals are sources for competitors' expenditures. Larger corporations often subscribe to services such as Competitive Media Reporting, which estimates the top 1,000 companies' advertising in 10 media and in total. Smaller companies often use a **clipping service,** which clips competitors' ads from local print media, allowing the company to work backward to determine the cumulative costs of the ads placed.

In the **competitive parity method,** managers establish budget amounts by matching the competition's percentage-of-sales expenditures. The argument is that setting budgets in this fashion takes advantage of the collective wisdom of the industry. It also takes the competition into consideration, which leads to stability in the marketplace by minimizing marketing warfare. If companies know that competitors are unlikely to match their increases in promotional spending, they are less likely to take an aggressive posture to attempt to gain market share. This minimizes unusual or unrealistic ad expenditures.

Return on Investment (ROI) In the percentage-of-sales method, sales dictate the level of advertising appropriations. But advertising causes sales. In the marginal analysis and S-shaped curve approaches, incremental investments in advertising and promotions lead to increases in sales. The key word here is *investment.* In the **ROI budgeting method,** advertising and promotions are considered investments, like plant and equipment. Thus, the budgetary appropriation (investment) leads to certain returns. Like other aspects of the firm's efforts, advertising and promotion are expected to earn a certain return. Build-Up Approaches The major flaw associated with the top-down methods. is that these judgmental

approaches lead to predetermined budget appropriations often not linked to objectives and the strategies designed to accomplish them. Amore effective budgeting strategy would be to consider the firm's communications objectives and budget what is deemed necessary to attain these goals. As noted earlier, the promotional planning model shows the budget decision as an interactive process, with the communications objectives on one hand and the promotional mix alternatives on the other. The idea is to budget so these promotional mix strategies can be implemented to achieve the stated objectives

Objective and Task Method It is important that objective setting and budgeting go hand in hand rather than sequentially. It is difficult to establish a budget without specific objectives in mind, and setting objectives without regard to how much money is available makes no sense. For example, a company may wish to create awareness among *X* percent of its target market. A minimal budget amount will be required to accomplish this goal, and the firm must be willing to spend this amount.

The **objective and task method** of budget setting uses a **buildup approach** consisting of three steps:
(1) defining the communications objectives to be accomplished,
(2) determining the specific strategies and tasks needed to attain them, and
(3) estimating the costs associated with performance of these strategies and tasks. The total budget is based on the accumulation of these costs.

Payout Planning The first months of a new product's introduction typically require heavier-than-normal advertising and promotion appropriations to stimulate higher levels of awareness and subsequent trial. After studying more than 40 years of Nielsen figures, James O. Peckham estimated that the average share of advertising to sales ratio necessary to launch a new product successfully is approximately 1.5:2.0.35 This means that a new entry should be spending at approximately twice the desired market share, as shown in the two examples in Figure 7-19. For example, in the food industry, brand 101 gained a 12.6 percent market share by spending 34 percent of the total advertising dollars in this category. Likewise, brand 401 in the toiletry industry had a 30 percent share of advertising dollars to gain 19.5 percent of sales.

Quantitative Models Attempts to apply *quantitative models* to budgeting have met with limited success. For the most part, these methods employ **computer simulation models** involving statistical techniques such as multiple regression analysis to determine the relative

contribution of the advertising budget to sales. Because of problems associated with these methods, their acceptance has been limited Once the budget has been appropriated, the next step is to allocate it. The allocation decision involves determining which markets, products, and/or promotional elements will receive which amounts of the funds appropriated.

ALLOCATING THE BUDGET

Once the budget has been appropriated, the next step is to allocate it. The allocation decision involves determining which markets, products, and/or promotional elements will receive which amounts of the funds appropriated.

Allocating to IMC Elements As noted earlier, advertisers have begun to shift some of their budget dollars away from traditional advertising media and into sales promotions targeted at both the consumer and the trade. Direct marketing, the Internet, and other promotional tools are also receiving increased attention and competing for more of the promotional budget. Figure 7-22 reports the results of a survey conducted on 197 marketing executives, asking how they would allocate their dollars if the budget were not an issue. While no comparative figures were available from previous years, you can see how the monies would be spread around. Figure 7-23, from a different source, shows how some of these dollars were allocated. The advantage of more target selectivity has led to an increased emphasis on direct marketing, while a variety of new media have given marketers new ways to reach prospective customers. Rapidly rising media costs, the ability of sales promotions to motivate trial, maturing of the product and/or brand, and the need for more aggressive promotional tools have also led to shifts in strategy.

Client/Agency Policies Another factor that may influence budget allocation is the individual policy of the company or the advertising agency. The agency may discourage the allocation of monies to sales promotion, preferring to spend them on the advertising area. The agency position is that promotional monies are harder to track in terms of effectiveness and may be used improperly if not under its control. Market Size While the budget should be allocated according to the specific promotional tools needed to accomplish the stated objectives, the *size* of the market will affect the decision. In smaller markets, it is often easier and less expensive to reach the target market. Too much of an expenditure in these markets will lead to saturation and a lack of effective spending. In larger markets, the target group may be more dispersed and thus more expensive to reach.than others. Marketers of snow skis would find greater returns on their expenditures in Denver, Colorado, than in Fort Lauderdale, Florida. Imported Mexican beers sell better in the border states (Texas, Arizona, California)

than in the Midwest. A disproportionate number of imported cars are sold in California and New England. When particular markets hold higher potential, the marketing manager may decide to allocate additional monies to them. (Keep in mind that just because a market does not have high sales does not mean it should be ignored. The key is *potential*—and a market with low sales but high potential may be a candidate for additional appropriations.) Market Share Goals Two studies in the *Harvard Business Review* discussed advertising spending with the goal of maintaining and increasing market share.40 John Jones compared the brand's share of market with its share of advertising voice (the total value of the main media exposure in the product category). Jones classified the brands as "profit taking brands, or under spenders" and "investment brands, those whose share of voice is clearly above their share of market." His study indicated that for those brands with small market shares, profit takers are in the minority; however, as the brands increase their market share, nearly three out of five have a proportionately smaller share of voice.

Conducting Research to Measure Advertising Effectiveness

What to Test
Source Factors An important question is whether the spokesperson being used is effective and how the target market will respond to him or her. For example, Tiger Woods has proved to be a successful salesperson for Nike and Buick. Or a product spokesperson may be an excellent source initially but, owing to a variety of reasons, may lose impact over time.

Message Variables Both the message and the means by which it is communicated are bases for evaluation. For example, in the beer example discussed earlier, the message never provided a reason for consumers to try the new product. In other instances, the message may not be strong enough to pull readers into the ad by attracting their attention or clear enough to help them evaluate the product

Media Strategies Media decisions need to be evaluated. Research may be designed to determine which media class (for example, broadcast versus print), subclass (newspaper versus magazines), or specific vehicles (which newspapers or magazines) generate the most effective results.

Budgeting Decisions A number of studies have examined the effects of budget size on advertising effectiveness and the effects of various ad expenditures on sales. Many

companies have also attempted to determine whether increasing their ad budget directly increases sales.

When to Test

Virtually all test measures can be classified according to when they are conducted. **Pretests** are measures taken before the campaign is implemented; **posttests** occur after the ad or commercial has been in the field. A variety of pretests and posttests are available to the marketer, each with its own methodology designed to measure some aspect of the advertising program

Pretesting Pretests may occur at a number of points, from as early on as idea generation to rough execution to testing the final version before implementing it. More than one type of pretest may be used.

Post testing Post testing is also common among both advertisers and ad agencies (with the exception of testing commercials for wear out).

Post testing is designed to

(1) determine if the campaign is accomplishing the objectives sought

(2) serve as input into the next period's situation analysis.

An excellent example of using research to guide future advertising strategies is reflected in an experiment conducted by Lowe's, the nation's second-largest home improvement retailer.

Where to Test

In addition to when to test, decisions must be made as to *where.* These tests may take place in either laboratory or field settings.

In **laboratory tests,** people are brought to a particular location where they are shown ads and/or commercials. The testers either ask questions about them or measure participants' responses by other methods—for example, pupil dilation, eye tracking, or galvanic skin response

Field tests are tests of the ad or commercial under natural viewing situations, complete with the realism of noise, distractions, and the comforts of home. Field tests take into account the effects of repetition, program content, and even the presence of competitive messages.

How to Test

Our discussion of what should be tested, when, and where was general and designed to establish a basic understanding of the overall process as well as some key terms. In this section, we discuss more specifically some of the methods commonly used at each stage. First, however, it is important to establish some criteria by which to judge ads and commercials.

Conducting evaluative research is not easy. Twenty-one of the largest U.S. ad agencies have endorsed a set of principles aimed at "improving the research used in preparing and testing ads, providing a better creative product for clients, and controlling the cost of TV commercials." This set of nine principles, called **PACT (Positioning Advertising Copy Testing),** defines *copy testing* as research "which is undertaken when a decision is to be made about whether advertising should run in the marketplace. Whether this stage utilizes a single test or a combination of tests, its purpose is to aid in the judgment of specific advertising executions.

The Testing Process

Testing may occur at various points throughout the development of an ad or a campaign:
 (1) concept generation research,
(2) rough, prefinished art, copy, and/or commercial testing
 (3) finished art or commercial pretesting
 (4) market testing of ads or commercials (posttesting).

Concept Generation and Testing

 the process involved in advertising **concept testing,** which is conducted very early in the campaign development process in order to explore the targeted consumer's response to a potential ad or campaign or have the consumer evaluate advertising alternatives. Positioning statements, copy, headlines, and/or illustrations may all be under scrutiny. The material to be evaluated may be just a headline or a rough sketch of the ad. The colors used, typeface, package designs, and even point-of-purchase materials may be evaluated.

Rough Art, Copy, and Commercial Testing

Because of the high cost associated with the production of an ad or commercial (many network commercials cost hundreds of thousands of dollars to produce), advertisers are increasingly spending more monies testing a rendering of the final ad at early stages. Slides

of the artwork posted on a screen or animatic and photomatic roughs may be used to test at this stage

Pretesting of Finished Ads

Pretesting finished ads is one of the more commonly employed studies among marketing researchers and their agencies. At this stage, a finished advertisement or commercial is used; since it has not been presented to the market, changes can still be made.

Many researchers believe testing the ad in final form provides better information. Several test procedures are available for print and broadcast ads, including both laboratory and field methodologies. Print methods include portfolio tests, analyses of readability, and dummy advertising vehicles. Broadcast tests include theater tests and on-air tests. Both print and broadcast may use physiological measures.

Market Testing of Ads

The fact that the ad and/or campaign has been implemented does not mean there is no longer a need for testing. The pretests were conducted on smaller samples and may in some instances have questionable merit, so the marketer must find out how the ad is doing in the field.

Posttests of Print Ads A variety of print posttests are available, including inquiry tests, recognition tests, and recall tests.

Posttests of Broadcast Commercials A variety of methods exist for posttesting broadcast commercials. The most common provide a combination of day after recall tests, persuasion measures, and diagnostics. Test marketing and tracking studies, including single-source methods, are also employed.

Measuring the Effectiveness of Other Program Elements

Measuring the Effectiveness of Sales Promotions

Sales promotions are not limited to retailers and resellers of products. Sports marketers have found them a very effective way to attract crowds and have been able to measure their relative effectiveness by the number of fans attending games. Major League Baseball teams have seen their attendance increase for those games in which promotions are offered.

number of organizations measure sales promotions. One firm, Market Source, provides marketers with a basis for measuring the effectiveness of their sampling programs.

While too involved to discuss in detail here, the program calculates a breakeven rate by dividing the sampling investment by the profit for the user. If the conversions exceed the breakeven rate, the sampling program is successful. Promotion Decisions Inc. examines the impact of freestanding inserts (FSIs)

Measuring the Effectiveness of Nontraditional Media

One of the disadvantages of employing nontraditional media is that it is usually difficult to measure the effectiveness of the programs. But some progress has been made, as shown in these examples:

• *The effects of shopping cart signage*. Earlier we discussed sales increases that occurred when shopping cart signage was used. while increasing sales is a critical goal, many other factors may contribute to or detract from this measure. (It should be noted that these results are provided by

the companies that sell these promotional media.) At least one study has examined the effectiveness of shopping cart signage on data besides sales. This study used personal interviews in grocery stores to measure awareness of, attention to, and influence of this medium. Interestingly, it suggests shopping carts are much less effective than the sign companies claim.

• *The effectiveness of ski-resort-based media*. Advertising on ski chair lifts and other areas to attempt to reach selective demographic groups. Now the Traffic Audit Bureau (TAB) is tracking the effectiveness of this form of advertising to give advertisers more reliable criteria on which to base purchase decisions. The TAB data verify ad placements, while the media vendors have employed Simmons Market Research Bureau and Nielsen Media Research to collect ad impressions and advertising recall information. These measures are combined with sales tracking data to evaluate the medium's effectiveness.

• *The effectiveness of other media.* A number of companies provide effectiveness measures to determine the impact of package designs, POP displays, trade show exhibits, and the like. While it is not possible to list them all here, suffice it to say that if one wants to measure the impact of various IMC elements, the resources are available.

• *Exposure methods*. Exposure methods can be classified as those that monitor the quantity and nature of the media coverage obtained for the sponsored event and those that estimate direct and indirect audiences. While commonly employed by corporations, scholars have heavily criticized these measures.

• *Tracking measures*. These measures are designed to evaluate the awareness, familiarity, and preferences engendered by sponsorship based on surveys. A number of empirical studies have measured recall of sponsors' ads, awareness of and attitudes toward the sponsors and their products, and image effect including brand and corporate images.

Measuring the Effectiveness of Other IMC Program Elements

Many of the organizations mentioned in this chapter offer research services to measure the effectiveness of specific promotional program elements. the increased use of integrated marketing communications programs has led to more interest in determining the synergistic effects of all program elements. A review of the Ogilvy Award winners from 1993 to date demonstrates the increased integration of additional media (as opposed to specifically the best advertising campaign) and the value of measuring their contribution to the program's success. Also departing from the specific focus on advertising are the awards given by the London-based *Institute of Practitioners,* which in 2002 opened the competition for the first time to nontraditional media as well as public relations, sales promotions, and other entries.

A number of studies have been implemented to determine the combined effects of two or more media as well as their synergistic impact. Before we close, we would like to cite one final example of the impact of a combination of media. This case is particularly interesting because it demonstrates that companies do not have to be as large as Microsoft, spend millions of dollars on communications, or employ large research agencies to measure effectiveness. Heart-wear, a small jewelry manufacturer with almost no advertising budget, relies to a large degree on word of mouth and its Internet site as the primary means of creating awareness and interest in the brand. By tracking visitors to its site, Heart-wear was able to determine the impact of having its product appear in various publications, thus getting an indication of the value of publicity. In February 2002, Heart-wear page requests ranged from a low of 5 to as high as 726 per day, with an average of 199. In March, the average number dropped. Then the jewelry was shown in various magazines—not as an ad but with someone wearing the product or just with a small print name mention. As can be seen, the appearances in *Teen People, YM,* and *US Weekly* significantly increased the

number of hits to almost 4,000 each time the jewelry appeared. The actual exposures were minimal but still led to significant increases in visits, with lower numbers associated with no exposure periods. The August and September spikes were associated with appearances in *Victoria's Secret* catalog mailings, with each increase correlated with the mailing period. Sales figures also correlated highly with the site visits.

The Heart-wear example is just one more indication of the value of measuring the effectiveness of the impact of various IMC elements. Perhaps just as important, it indicates that the excuse of not measuring due to costs has little or no merit. All the advertising effectiveness measures discussed here have their inherent strengths and weaknesses. They offer the advertiser some information that may be useful in evaluating the effectiveness of promotional efforts. While not all promotional efforts can be evaluated effectively, progress is being made.

Unit-III

MARKETING COMMUNICATION MIX I

CREATIVITY

Creativity is probably one of the most commonly used terms in advertising. Ads are often called creative. The people who develop ads and commercials are known as creative types. And advertising agencies develop reputations for their creativity. Perhaps so much attention is focused on the concept of creativity because many people view the specific challenge given to those who develop an advertising message as being creative. It is their job to turn all of the information regarding product features and benefits, marketing plans, consumer research, and communication objectives into a creative concept that will bring the advertising message to life

Advertising creativity is the ability to generate fresh, unique, and appropriate ideas that can be used as solutions to communications problems. To be *appropriate* and effective, a creative idea must be relevant to the target audience. Many ad agencies recognize the importance of developing advertising that is creative and different yet communicates relevant information to the target audience

PLANNING CREATIVE STRATEGY

The Creative Challenge

Those who work on the creative side of advertising often face a real challenge. They must take all the research, creative briefs, strategy statements, communications objectives, and other input and transforms them into an advertising message. Their job is to write copy, design layouts and illustrations, or produce commercials that effectively communicate the central theme on which the campaign is based. Rather than simply stating the features or benefits of a product or service, they must put the advertising message into a form that will engage the audience's interest and make the ads memorable. The job of the creative team is challenging because every marketing

Situation is different and each campaign or advertisement may require a different creative approach. Numerous guidelines have been developed for creating effective advertising, but there is no magic formula.

Many creative people follow proven formulas when creating ads because they are safe. Clients often feel uncomfortable with advertising that is too different. Bill Tragos, former chair of TBWA, the advertising agency noted for its excellent creative work for Absolut vodka, Evian, and many other clients, says, "Very few clients realize that the reason that

their work is so bad is that they are the ones who commandeered it and directed it to be that way. I think that at least 50 percent of an agency's successful work resides in the client."

Creative Personnel

The image of the creative advertising person perpetuated in novels, movies, and TV shows is often one of a freewheeling, freethinking, eccentric personality. The educational background of creative personnel is often in non business areas such as art, literature, music, humanities, or journalism, so their interests and perspectives tend to differ from those of managers with a business education or background. Creative people tend to be more abstract and less structured, organized, or conventional in their approach to a problem, relying on intuition more often than Logic.

For example, Arthur Kover conducted a study of advertising copywriters and found that they work without guidance from any formal theories of communication. However, those interviewed in his study did have similar informal, implicit theories that guide them in creating ads. These theories are based on finding ways to break through the ad clutter, open the consciousness of consumers, and connect with them to deliver the message

THE CREATIVE PROCESS

Young's model of the creative process contains five steps:

1. *Immersion*. Gathering raw material and information through background research and immersing yourself in the problem.

2. *Digestion*. Taking the information, working it over, and wrestling with it in the mind.

3. *Incubation*. Putting the problems out of your conscious mind and turning the information over to the subconscious to do the work.

4. *Illumination*. The birth of an idea—the "Eureka! I have it!" phenomenon.

5. *Reality or verification*. Studying the idea to see if it still looks good or solves the problem; then shaping the idea to practical usefulness.

Young's process of creativity is similar to a four-step approach outlined much earlier by English sociologist Graham Wallas:

1. *Preparation*. Gathering background information needed to solve the problem through research and study.

2**.** *Incubation*. Getting away and letting ideas develop.

3. *Illumination.* Seeing the light or solution.

4. *Verification*. Refining and polishing the idea and seeing if it is an appropriate solution.

Account Planning

To facilitate the creative process, many agencies now use account planning, which is a process that involves conducting research and gathering all relevant information about a client's product or service, brand, and consumers in the target audience. Account planning began in Great Britain during the 1960s and 70s and has spread to agencies in the United States as well as throughout Europe and Asia

Inputs to the Creative Process: Preparation, Incubation, Illumination

Background Research Only the most foolish creative person or team would approach an assignment without first learning as much as possible about the client's product or service, the target market, the competition, and any other relevant background information. The creative specialist should also be knowledgeable about general trends, conditions, and developments in the marketplace, as well as research on specific advertising approaches or techniques that might be effective. The creative specialist can acquire background information in numerous ways. Some informal fact finding techniques have been noted by Sandra Moriarty:

• Reading anything related to the product or market—books, trade publications, general interest articles, research reports, and the like.

• Asking everyone involved with the product for information—designers, engineers, salespeople, and consumers.

• Listening to what people are talking about. Visits to stores, malls, restaurants, and even the agency cafeteria can be informative. Listening to the client can be particularly valuable, since he or she often knows the product and market best.

• Using the product or service and becoming familiar with it. The more you use a product, the more you know and can say about it.

• Working in and learning about the client's business to understand better the people you're trying to reach.

Product/Service-Specific Research In addition to getting general background research and preplanning input, creative people receive product/service-specific preplanning input. This information generally comes in the form of specific studies conducted on the product or service, the target audience, or a combination of the two. Quantitative and qualitative consumer research such as attitude studies, market structure and positioning studies such as

perceptual mapping and lifestyle research, focus group interviews, and demographic and psychographic profiles of users of a particular product, service, or brand are examples of product-specific preplanning input.

Qualitative Research Input Many agencies, particularly larger ones with strong research departments, have their own research programs and specific techniques they use to assist in the development of creative strategy and provide input to the creative process. In addition to the various quantitative research studies, qualitative research techniques such as in-depth interviews or focus groups can provide the creative team with valuable insight at the early stages of the creative process. **Focus groups** are a research method whereby consumers (usually 10 to 12 people) from the target market are led through a discussion regarding a particular topic. Focus groups give insight as to why and how consumers use a product or service, what is important to them in choosing a particular brand, what they like and don't like about various products or services, and any special needs they might have that aren't being satisfied. A focus group session might also include a discussion of types of ad appeals to use or evaluate the advertising of various companies.

Inputs to the Creative Process: Verification, Revision The verification and revision stage of the creative process evaluates ideas generated during the illumination stage, rejects inappropriate ones, refines and polishes those that remain, and gives them final expression. Techniques used at this stage include directed focus groups to evaluate creative concepts, ideas, or themes; message communication studies; portfolio tests; and evaluation measures such as viewer reaction profiles.

CREATIVE STRATEGY DEVELOPMENT
Advertising Campaigns

Most ads are part of a series of messages that make up an IMC or **advertising campaign,** which is a set of interrelated and coordinated marketing communication activities that center on a single theme or idea that appears in different media across a specified time period. Determining the unifying theme around which the campaign will be built is a critical part of the creative process, as it sets the tone for the individual ads and other forms of marketing communications that will be used. A **campaign theme** should be a strong idea, as it is the central message that will be communicated in all the advertising and other promotional activities.

Copy Platform

The written **copy platform** specifies the basic elements of the creative strategy. Different agencies may call this document a *creative platform* or *work plan, creative brief, creative blueprint,* or *creative contract.* The account representative or manager assigned to the account usually prepares the copy platform. In larger agencies, an individual from research or the strategic account planning department may write it. People from the agency team or group assigned to the account, including creative personnel as well as representatives from media and research, have input. The advertising manager and/or the marketing and brand managers from the client side ultimately approve the copy platform.

The Search for the Major Selling Idea

An important part of creative strategy is determining the central theme that will become the **major selling idea** of the ad campaign. As A. Jerome Jeweler states in his book *Creative Strategy in Advertising:*

The major selling idea should emerge as the strongest singular thing you can say about your product or service. This should be the claim with the broadest and most meaningful appeal to your target audience. Once you determine this message, be certain you can live with it; be sure it stands strong enough to remain the central issue in every ad and commercial in the campaign It is difficult to pinpoint the inspiration for a big idea or to teach advertising people how to find one. However, several approaches can guide the creative team's search for a major selling idea and offer solutions for developing effective advertising. Some of the best-known approaches follow:

• Using a unique selling proposition.

• Creating a brand image.

• Finding the inherent drama.

• Positioning.

Unique Selling Proposition

The concept of the **unique selling proposition**

(USP) was developed by Rosser Reeves, former chair of the Ted Bates agency, and is described in his influential book *Reality in Advertising.* Reeves noted three characteristics of unique selling propositions:

1. Each advertisement must make a proposition to the consumer. Not just words, not just product puffery, not just show-window advertising. Each advertisement must say to each reader: "Buy this product and you will get this benefit."

2. The proposition must be one that the competition either cannot or does not offer. It must be unique either in the brand or in the claim.

3. The proposition must be strong enough to move the mass millions, that is, pull over new customers to your brand.

Creating a Brand Image In many product and service categories, competing brands are so similar that it is very difficult to find or create a unique attribute or benefit to use as the major selling idea. Many of the packaged-goods products that account for most of the advertising dollars spent in the United States are difficult to differentiate on a functional or performance basis. The creative strategy used to sell these products is based on the development of a strong, memorable identity for the brand through **image advertising.**

Finding the Inherent Drama Another approach to determining the major selling idea is finding the **inherent drama** or characteristic of the product that makes the consumer purchase it. The inherent drama approach expresses the advertising philosophy of Leo Burnett, founder of the Leo Burnett agency in Chicago. Burnett said inherent-drama "is often hard to find but it is always there, and once found it is the most interesting and believable of all advertising appeals."34 He believed advertising should be based on a foundation of consumer benefits with an emphasis on the dramatic element in expressing those benefits.

Positioning The concept of *positioning* as a basis for advertising strategy was introduced by Jack Trout and Al Ries in the early 1970s and has become a popular basis of creative development.35 The basic idea is that advertising is used to establish or "position" the product or service in a particular place in the consumer's mind. Positioning is done for companies as well as for brands.

Appeals and Execution Styles

The advertising appeal refers to the approach used to attract the attention of consumers and/or to influence their feelings toward the product, service, or cause. An advertising appeal can also be viewed as "something that moves people, speaks to their wants or needs, and excites their interest."1 The **creative execution style** is the way a particular appeal is turned into an advertising message presented to the consumer.

Informational/Rational Appeals

Informational/rational appeals focus on the consumer's practical, functional, or utilitarian need for the product or service and emphasize features of a product or service and/or the benefits or reasons for owning or using a particular brand. The content of these messages emphasizes facts, learning, and the logic of persuasion.3 Rational-based appeals tend to be informative, and advertisers using them generally attempt to convince consumers that their product or service has a particular attribute(s) or provides a specific benefit that satisfies their needs.

Emotional Appeals

Emotional appeals relate to the customers' social and/or psychological needs for purchasing a product or service. Many consumers' motives for their purchase decisions are emotional, and their feelings about a brand can be more important than knowledge of its features or attributes. Advertisers for many products and services view rational, information-based appeals as dull. Many advertisers believe appeals to consumers' emotions work better at selling brands that do not differ markedly from competing brands, since rational differentiation of them is difficult.

Combining Rational and Emotional Appeals

In many advertising situations, the decision facing the creative specialist is not whether to choose an emotional or a rational appeal but, rather, determining how to combine the two approaches.

Additional Types of Appeals

Not every ad fits neatly into the categories of rational or emotional appeals. For example, ads for some brands can be classified as **reminder advertising,** which has the objective of building brand awareness and/or keeping the brand name in front of consumers. Well-known brands and market leaders often use reminder advertising.

Advertising Execution

Once the specific advertising appeal that will be used as the basis for the advertising message has been determined, the creative specialist or team begins its execution.

Creative execution is the way an advertising appeal is presented. While it is obviously important for an ad to have a meaningful appeal or message to communicate to the consumer, the manner in which the ad is executed is also important.

An advertising message can be presented or executed in numerous ways:
• Straight sell or factual message • Animation

• Scientific/technical evidence • Personality symbol

• Demonstration • Fantasy

• Comparison • Dramatization

• Testimonial • Humor

• Slice of life • Combinations

Creative Tactics for Print Advertising
The basic components of a print ad are the headline, the body copy, the visual or illustrations, and the layout (the way they all fit together). The headline and body copy portions of the ad are the responsibility of the copywriters; artists, often working under the direction of an art director, are responsible for the visual presentation. Art directors also work with the copywriters to develop a layout, or arrangement of the various components of the ad: headlines, subheads, body copy, illustrations, captions, logos, and the like.

Headlines
The **headline** is the words in the leading position of the ad—the words that will be read first or are positioned to draw the most attention.26 Headlines are usually set in larger type and are often set apart from the body copy or text portion of the ad to give them prominence. Most advertising people consider the headline the most important part of a print ad.

Body Copy
The main text portion of a print ad is referred to as the **body copy** (or sometimes just *copy*). While the body copy is usually the heart of the advertising message, getting the target audience to read it is often difficult. The copywriter faces a dilemma: The body copy must be long enough to communicate the advertiser's message yet short enough to hold readers' interest

Visual Elements
The third major component of a print ad is the visual element. The illustration is often a dominant part of a print ad and plays an important role in determining its effectiveness. The

visual portion of and must attract attention, communicate an idea or image, and work in a synergistic fashion with the headline and body copy to produce an effective message. In some print ads, the visual portion of the ad is essentially the message and thus must convey a strong and meaningful image.

Layout

While each individual component of a print ad is important, the key factor is how these elements are blended into a finished advertisement. A **layout** is the physical arrangement of the various parts of the ad, including the headline, subhead

Creative Tactics for Television

As consumers, we see so many TV commercials that it's easy to take for granted the time, effort, and money that go into making them. Creating and producing commercials that break through the clutter on TV and communicate effectively is a detailed, expensive process. On a cost-per-minute basis, commercials are the most expensive productions seen on television.

Video

The video elements of a commercial are what is seen on the TV screen. The visual portion generally dominates the commercial, so it must attract viewers' attention and communicate an idea, message, and/or image. A number of visual elements may have to be coordinated to produce a successful ad. Audio The audio portion of a commercial includes voices, music, and sound effects. Voices are used in different ways in commercials. They may be heard through the direct presentation of a spokesperson or as a conversation among various people appearing in the commercial. A common method for presenting the audio portion of a commercial is through a **voice-over,** where the message is delivered or action on the screen is narrated or described by an announcer who is not visible.

Planning and Production of TV Commercials

One of the first decisions that has to be made in planning a TV commercial is the type of appeal and execution style that will be used. Television is well suited to both rational and emotional advertising appeals or combinations of the two. Various execution styles used with rational appeals, such as a straight sell or announcement, demonstration, testimonial, or comparison, work well on TV.

Planning the Commercial

The various elements of a TV commercial are brought together in a **script,** a written version of a commercial that provides a detailed description of its video and audio content. The script shows the various audio components of the commercial—the copy to be spoken by voices, the music, and sound effects. The video portion of the script provides the visual plan of the commercial—camera actions and angles, scenes, transitions, and other important descriptions. The script also shows how the video corresponds to the audio portion of the commercial

Production

Once the storyboard or animatic of the commercial is approved, it is ready to move to the production phase, which involves three stages:

1. *Preproduction*—all the work and activities that occur before the actual shooting/ recording of the commercial.

2. *Production*—the period during which the commercial is filmed or videotaped and recorded.

3. *Postproduction*—activities and work that occur after the commercial has been filmed and recorded

Media Planning

Media planning is the series of decisions involved in delivering the promotional message to the prospective purchasers and/or users of the product or brand. Media planning is a process, which means a number of decisions are made, each of which may be altered or abandoned as the plan develops.

The media plan is the guide for media selection. It requires development of specific **media objectives** and specific **media strategies** (plans of action) designed to attain these objectives. Once the decisions have been made and the objectives and strategies formulated, this information is organized into the media plan.

The **medium** is the general category of available delivery systems, which includes broadcast media (like TV and radio), print media (like newspapers and magazines), direct mail, outdoor advertising, and other support media.

Problems in Media Planning

Insufficient Information While a great deal of information about markets and the media exists, media planners often require more than is available. Some data are just not measured, either because they cannot be or because measuring them would be too expensive. For example, continuous measures of radio listenership exist, but only periodic listenership studies are reported due to sample size and cost constraints. different media often vary and the standards of measurement used to establish these costs are not always consistent. For example, print media may present cost data in terms of the cost to reach a thousand people (cost per thousand, or CPM), broadcast media use the cost per ratings point (CPRP), and outdoor media use the number of showings. Audience information that is used as a basis for these costs has also been collected by different methods. Finally, terms that actually mean something different (such as *reach* and *coverage*) may be used synonymously, adding to the confusion

Time Pressures

It seems that advertisers are always in a hurry—sometimes because they need to be; other times because they think they need to be. Actions by a competitor—for example, the cutting of airfares by one carrier—require immediate response. But sometimes a false sense of urgency dictates time pressures. In either situation, media selection decisions may be made without proper planning and analyses of the markets and/or media.

Difficulty Measuring Effectiveness

Because it is so hard to measure the effectiveness of advertising and promotions in general, it is also difficult to determine the relative effectiveness of various media or media vehicles. While progress is being made in this regard, the media planner may have little more than an estimate of or a good guess at the impact of these alternatives

Developing media plan

Market analysis → Establishment of media objectives → Media → strategy development and Implementation → Evaluation and follow up

Evaluation of Television

Advantages of Television

TV has numerous advantages over other media, including creativity and impact, coverage and cost effectiveness, captivity and attention, and selectivity and flexibility.

Creativity and Impact Perhaps the greatest advantage of TV is the opportunity it provides for presenting the advertising message. The interaction of sight and sound offers tremendous creative flexibility and makes possible dramatic, lifelike representations of products and services. TV commercials can be used to convey a mood or image for a brand as well as to develop emotional or entertaining appeals that help make a dull product appear interesting.

Coverage and Cost Effectiveness

Television advertising makes it possible to reach large audiences. Nearly everyone, regardless of age, sex, income, or educational level, watches at least some TV. Most people do so on a regular basis. According to Nielsen Media Research estimates, nearly 270 million people age 2 or older live in the nation's 106.7 million TV households, nearly 76 percent of whom are 18 or older.

Captivity and Attention

Television is basically intrusive in that commercials impose themselves on viewers as they watch their favorite programs. Unless we make a special effort to avoid commercials, most of us are exposed to thousands of them each year. The increase in viewing options and the penetration of VCRs, DVDs, PVRs, remote controls, and other automatic devices have made it easier for TV viewers to avoid commercial messages. Studies of consumers' viewing habits found that as much as a third of program audiences may be lost during commercial breaks.

Selectivity and Flexibility

Television has often been criticized for being a nonselective medium, since it is difficult to reach a precisely defined market segment through the use of TV advertising. But some selectivity is possible due to variations in the composition of audiences as a result of program content, broadcast time, and geographic coverage. For example, Saturday morning TV caters to children; Saturday and Sunday afternoon programs are geared to the sports oriented male; and weekday daytime shows appeal heavily to homemakers.

Limitations of Television

Although television is unsurpassed from a creative perspective, the medium has several disadvantages that limit or preclude its use by many advertisers. These problems include high costs, the lack of selectivity, the fleeting nature of a television message, commercial clutter, limited viewer attention, and distrust of TV ads. Costs Despite the efficiency of TV in reaching large audiences, it is an expensive medium in which to advertise. The high cost of TV stems not only from the expense of buying airtime but also from the costs of producing a quality commercial

Lack of Selectivity

Some selectivity is available in television through variations in programs and cable TV. But advertisers who are seeking a very specific, often small, target audience find the coverage of TV often extends beyond their market, reducing its cost effectiveness

Fleeting Message

TV commercials usually last only 30 seconds or less and leave nothing tangible for the viewer to examine or consider. Commercials have become shorter and shorter as the demand for a limited amount of broadcast time has intensified and advertisers try to get more impressions from their media budgets.

Clutter

The problems of fleeting messages and shorter commercials are compounded by the fact that the advertiser's message is only one of many spots and other non programming material seen during a commercial break, so it may have trouble being noticed. One of advertisers' greatest concerns with TV advertising is the potential decline in effectiveness because of such *clutter*.

Advantages of Radio

Radio has many advantages over other media, including cost and efficiency, selectivity, flexibility, mental imagery, and integrated marketing opportunities.

Cost and Efficiency

One of the main strengths of radio as an advertising medium is its low cost. Radio commercials are very inexpensive to produce. They require only a script of the commercial to be read by the radio announcer or a copy of a prerecorded message that can be broadcast by the station

Selectivity

Another major advantage of radio is the high degree of audience selectivity available through the various program formats and geographic coverage of the numerous stations. Radio lets companies focus their advertising on specialized audiences such as certain demographic and lifestyle groups

Flexibility

Radio is probably the most flexible of all the advertising media because it has a very short closing period, which means advertisers can change their message almost up to the time it goes on the air.

Mental Imagery

A potential advantage of radio that is often overlooked is that it encourages listeners to use their imagination when processing a commercial message. While the creative options of radio are limited, many advertisers take advantage of the absence of a visual element to let consumers create their own picture of what is happening in a radio message.

Limitations of Radio

Several factors limit the effectiveness of radio as an advertising medium, among them creative limitations, fragmentation, chaotic buying procedures, limited research data, limited listener attention, and clutter. The media planner must consider them in determining the role the medium will play in the advertising program.

Creative Limitations

A major drawback of radio as an advertising medium is the absence of a visual image. The radio advertiser cannot show the product, demonstrate it, or use any type of visual appeal or information

Fragmentation

Another problem with radio is the high level of audience fragmentation due to the large number of stations. The percentage of the market tuned to any particular station is usually very small

Chaotic Buying Procedures

It should be readily apparent how chaotic the media planning and purchasing process can become for the advertiser that wants to use radio on a nationwide spot basis

Evaluation of Print Media

Classifications of Magazines

Consumer Magazines Consumer magazines are bought by the general public for information and/or entertainment. SRDS divides 2,700 domestic consumer magazines into 75 classifications, among them general editorial, sports, travel, and women's. Another way of classifying consumer magazines is by distribution: They can be sold through subscription or circulation, store distribution, or both. *Time* and *Newsweek* are sold both through subscription and in stores; *Woman's World* is sold only through stores. *People* magazine was originally sold only through stores but then added subscription sales as it gained in popularity

Farm Publications

The second major SRDS category consists of all the magazines directed to farmers and their families. About 300 publications are tailored to nearly every possible type of farming or agricultural interest. Standard Rate and Data Service breaks farm publications into 9 classifications, ranging from general-interest magazines aimed at all types of farmers (e.g., *Farm Journal, Successful Farming, Progressive Farmer*) to those in specialized agricultural areas such as poultry (*Gobbles*), hog farming (*National Hog Farmer*), or cattle raising

Business Publications

Business publications are those magazines or trade journals published for specific businesses, industries, or occupations. Standard Rate and Data Service breaks down over 9,300 U.S. magazines and trade journals into more than 180 market classifications

Advantages of Magazines

Magazines have a number of characteristics that make them attractive as an advertising medium. Strengths of magazines include their selectivity, excellent reproduction quality, creative flexibility, permanence, prestige, readers' high receptivity and involvement, and services they offer to advertisers.

Disadvantages of Magazines

Although the advantages offered by magazines are considerable, they have certain drawbacks too. These include the costs of advertising, their limited reach and frequency, the long lead time required in placing an ad, and the problem of clutter and heavy advertising competition.

Costs

The costs of advertising in magazines vary according to the size of the audience they reach and their selectivity. Advertising in large mass-circulation magazines like *TV Guide, Time,* or *Reader's Digest* can be very expensive

Limited Reach and Frequency

Magazines are generally not as effective as other media in offering reach and frequency. While nearly 90 percent of adults in the United States read one or more consumer magazines each month, the percentage of adults reading any individual publication tends to be much smaller, so magazines have a thin penetration of households.

Long Lead Time

Another drawback of magazines is the long lead time needed to place an ad. Most major publications have a 30- to 90-day lead time, which means space must be purchased and the ad must be prepared well in advance of the actual publication date. No changes in the art or copy of the ad can be made after the closing date. This long lead time means magazine ads cannot be as timely as other media, such as radio or newspapers, in responding to current events or changing market conditions

Clutter and Competition

While the problem of advertising clutter is generally discussed in reference to the broadcast media, magazines also have this drawback. The clutter problem for magazines is something of a paradox: The more successful a magazine becomes, the more advertising pages it attracts, and this leads to greater clutter

Types of Newspapers

The traditional role of newspapers has been to deliver prompt, detailed coverage of news as well as to supply other information and features that appeal to readers. The vast majority of newspapers are daily publications serving a local community. However, weekly, national, and special-audience newspapers have special characteristics that can be valuable to advertisers.

Types of Newspaper Advertising

The ads appearing in newspapers can also be divided into different categories. The major types of newspaper advertising are display and classified. Other special types of ads and preprinted inserts also appear in newspapers.

Display Advertising

Display advertising is found throughout the newspaper and generally uses illustrations, headlines, white space, and other visual devices in addition to the copy text. Display ads account for approximately 70 percent of the advertising revenue of the average newspaper.

The two types of display advertising in newspapers are local and national (general)

Classified Advertising

Classified advertising also provides newspapers with a substantial amount of revenue. These ads are arranged under subheads according to the product, service, or offering being advertised. Employment, real estate, and automotive are the three major categories of classified advertising

Special Ads and Inserts

Special advertisements in newspapers include a variety of government and financial reports and notices and public notices of changes in business and personal relationships.

Advantages of Newspapers

Newspapers have a number of characteristics that make them popular among both local and national advertisers. These include their extensive penetration of local markets, flexibility, geographic selectivity, reader involvement, and special services.

Limitations of Newspapers

While newspapers have many advantages, like all media they also have disadvantages that media planners must consider. The limitations of newspapers include their reproduction problems, short life span, lack of selectivity, and clutter.

Unit-IV

MARKETING COMMUNICATION MIX II

Sales Promotion

Sales promotion has been defined as "a direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the ultimate consumer with the primary objective of creating an immediate sale." sales promotion can be broken into two major categories: consumer-oriented and trade-oriented promotions.

Activities involved in **consumer-oriented sales promotion** include sampling, couponing, premiums, contests and sweepstakes, refunds and rebates, bonus packs, price-offs, frequency programs, and event marketing. These promotions are directed at consumers, the end purchasers of goods and services, and are designed to induce them to purchase the marketer's brand.

Trade-oriented sales promotion includes dealer contests and incentives, trade allowances, point-of-purchase displays, sales training programs, trade shows, cooperative advertising, and other programs designed to motivate distributors and retailers to carry a product and make an extra effort to push it to their customers.

Consumer-Oriented Sales
Promotion Techniques
Sampling

Marketers use various sales promotion techniques to meet the objectives just discussed. Figure 16-2 shows the extent to which these consumer promotions are used by packaged goods companies.

Sampling involves a variety of procedures whereby consumers are given some quantity of a product for no charge to induce trial. Sampling is generally considered the most effective way to generate trial, although it is also the most expensive. As a sales promotion technique, sampling is often used to introduce a new product or brand to the market

Couponing

The oldest, most widely used, and most effective sales promotion tool is the cents-off coupon. Coupons have been around since 1895, when the C. W. Post Co. started using the penny-off coupon to sell its new Grape-Nuts cereal. In recent years, coupons have become increasingly popular with consumers, which may explain their explosive growth among manufacturers and retailers that use them as sales promotion incentives. As Figure 16-2

showed, coupons are the most popular sales promotion technique as they are used by nearly all the packaged-goods firms.

Premiums

Premiums are a sales promotion device used by many marketers. A **premium** is an offer of an item of merchandise or service either free or at a low price that is an extra incentive for purchasers. Many marketers are eliminating toys and gimmicks in favor of value-added premiums that reflect the quality of the product and are consistent with its image and positioning in the market. Marketers spend over $4 billion a year on value-added premium incentives targeted at the consumer market.

The two basic types of offers are the free premium and the self-liquidating premium.

Contests and Sweepstakes

Contests and sweepstakes are an increasingly popular consumer-oriented promotion. Marketers spent nearly $2 billion on these promotions in 2001. These promotions seem to have an appeal and glamour that tools like cents-off coupons lack. Contests and sweepstakes are exciting because, as one expert has noted, many consumers have a "pot of gold at the end of the rainbow mentality" and think they can win the big prizes being offered.

A **contest** is a promotion where consumers compete for prizes or money on the basis of skills or ability. The company determines winners by judging the entries or ascertaining which entry comes closest to some predetermined criteria (e.g., picking the winning teams and total number of points in the Super Bowl or NCAA basketball tournament)

A **sweepstakes** is a promotion where winners are determined purely by chance; it cannot require a proof of purchase as a condition for entry. Entrants need only submit their names for the prize drawing. While there is often an official entry form, handwritten entries must also be permitted

Refunds and Rebates

Refunds (also known as *rebates*) are offers by the manufacturer to return a portion of the product purchase price, usually after the consumer supplies some proof of purchase. Consumers are generally very responsive to rebate offers, particularly as the size of the savings increases. Rebates are used by makers of all types of products, ranging from packaged goods to major appliances, cars, and computer software.

Bonus Packs

Bonus packs offer the consumer an extra amount of a product at the regular price by providing larger containers or extra units (Exhibit 16-22). Bonus packs result in a lower cost per unit for the consumer and provide extra value as well as more product for the money. There are several advantages to bonus pack promotions. First, they give marketers a direct way to provide extra value without having to get involved with complicated coupons or refund offers. The additional value of a bonus pack is generally obvious to the consumer and can have a strong impact on the purchase decision at the time of purchase.

Price-Off Deals

Another consumer-oriented promotion technique is the direct **price-off deal,** which reduces the price of the brand. Price-off reductions are typically offered right on the package through specially marked price packs, as shown in Exhibit 16-23. Typically, price-offs range from 10 to 25 percent off the regular price, with the reduction coming out of the manufacturer's profit margin, not the retailer's. Keeping the retailer's margin during a price-off promotion maintains its support and cooperation.

One of the fastest-growing areas of sales promotion is the use of **frequency programs** (also referred to as *continuity* or *loyalty programs*). American Airlines was one of the first major companies to use loyalty programs when it introduced its advantage frequent-flyer program in 1981. Since then frequency programs have become commonplace in a number of product and service categories, particularly travel and hospitality, as well as among retailers.

Event Marketing

Another type of consumer-oriented promotion that has become very popular in recent years is the use of event marketing. It is important to make a distinction between *event marketing* and *event sponsorships,* as the two terms are often used interchangeably yet they refer to different activities. **Event marketing** is a type of promotion where a company or brand is linked to an event or where a themed activity is developed for the purpose of creating experiences for consumers and promoting a product or service.

Marketers often do event marketing by associating their product with some popular activity such as a sporting event, concert, fair, or festival. However, marketers also create their own events to use for promotional purposes

Trade-Oriented Sales Promotion

Contests and Incentives Manufacturers may develop contests or special incentive programs to stimulate greater selling effort and support from reseller management or sales personnel. Contests or incentive programs can be directed toward managers who work for a wholesaler or distributor as well as toward store or department managers at the retail level. Manufacturers often sponsor contests for resellers and use prizes such as trips or valuable merchandise as rewards for meeting sales quotas or other goals.

Trade Allowances

Probably the most common trade promotion is some form of **trade allowance,** a discount or deal offered to retailers or wholesalers to encourage them to stock, promote, or display the manufacturer's products. Types of allowances offered to retailers include buying allowances, promotional or display allowances, and slotting allowances.

Displays and Point-of-Purchase Materials

The next time you are in a store, take a moment to examine the various promotional materials used to display and sell products. Point-of-purchase (POP) displays are an important promotional tool because they can help a manufacturer obtain more effective in-store merchandising of products. Companies in the United States spend more than $15 billion a year on point of- purchase materials, including end-of-aisle displays, banners, posters, shelf cards, motion pieces, and stand-up racks, among others

Sales Training Programs

Another form of manufacturer-sponsored promotional assistance is sales training programs for reseller personnel. Many products sold at the retail level require knowledgeable salespeople who can provide consumers with information about the features, benefits, and advantages of various brands and models. Cosmetics, appliances, computers, consumer electronics, and sporting equipment are examples of products for which consumers often rely on well-informed retail sales personnel for assistance.

Trade Shows

Another important promotional activity targeted to resellers is the trade show**,** a forum where manufacturers can display their products to current as well as prospective buyers. According to the Trade Show Bureau, nearly 100 million people attend the 5,000 trade shows each year in the United States and Canada, and the number of exhibiting companies exceeds 1.3 million. In many industries, trade shows are a major opportunity to display

one's product lines and interact with customers. They are often attended by important management personnel from large retail chains as well as by distributors and other reseller representatives.

Cooperative Advertising

The final form of trade-oriented promotion we examine is **cooperative advertising,** where the cost of advertising is shared by more than one party. There are three types of cooperative advertising. Although the first two are not trade-oriented promotion, we should recognize their objectives and purpose.

Horizontal cooperative advertising is advertising sponsored in common by a group of retailers or other organizations providing products or services to the market. For example, automobile dealers who are located near one another in an auto park or along the same street often allocate some of their ad budgets to a cooperative advertising fund. Ads are run promoting the location of the dealerships and encouraging car buyers to take advantage of their close proximity when shopping for a new automobile.

Ingredient-sponsored cooperative advertising is supported by raw materials manufacturers; its objective is to help establish end products that include the company's materials and/or ingredients.

Direct Marketing

Defining Direct Marketing

As noted in Chapter 1, **direct marketing** is a system of marketing by which organizations communicate directly with target customers to generate a response or transaction. This response may take the form of an inquiry, a purchase, or even a vote. In his *Dictionary of Marketing Terms,* Peter Bennett defines direct marketing as: the total of activities by which the seller, in effecting the exchange of goods and services with the buyer, directs efforts to a target audience using one or more media (direct selling, direct mail, telemarketing, direct-action advertising, catalogue selling, cable TV selling, etc.) for the purpose of soliciting a response by phone, mail, or personal visit from a prospect or customer.

The Role of Direct Marketing in the IMC Program

Long the stepchild of the promotional mix, direct marketing is now becoming an important component in the integrated marketing programs of many organizations. In fact, direct-marketing activities support and are supported by other elements of the promotional mix.

Combining Direct Marketing with Advertising

Obviously, direct marketing is in itself a form of advertising. Whether through mail, print, or TV, the directresponse offer is an ad. It usually contains a toll-free or 900 number or a form that requests mailing information. Sometimes the ad supports the direct-selling effort. For example, Victoria's Secret runs image ads to support its store and catalog sales. Both Marlboro and Benson & Hedges advertise their cigarettes, achieving a carryover effect of their image to their direct-response merchandise catalogs. Direct-response ads or infomercials are also referred to in retail outlet displays. Sometimes an advertisement will be sent through direct mail. CBS has tied into a Blockbuster video mailer to advertise its new fall lineup and offer a sneak-preview CD.

Combining Direct Marketing with Public Relations

As you will see later in this text, public relations activities often employ direct-response techniques. Private companies may use telemarketing activities to solicit funds for charities or cosponsor charities that use these and other direct-response techniques to solicit funds. Likewise, corporations and/or organizations engaging in public relations activities may include toll-free numbers or website URLs in their ads or promotional materials. Direct mail has also been shown to be effective in recruiting job candidates.

Combining Direct Marketing with Personal Selling

Telemarketing and direct selling are two methods of personal selling (others will be discussed in Chapter 18). Nonprofit organizations like charities often use telemarketing to solicit funds. As you will see, for-profit companies are also using telemarketing with much greater frequency to screen and qualify prospects (which reduces selling costs) and to generate leads. Direct-mail pieces are often used to invite prospective customers to visit auto showrooms to test-drive new cars; the salesperson then assumes responsibility for the selling effort. The GM and BMW examples cited earlier in this text demonstrate effective use of this approach.

Combining Direct Marketing with Sales Promotions

How many times have you received a direct-mail piece notifying you of a sales promotion or event or inviting you to participate in a contest or sweepstakes? Ski shops regularly mail announcements of special end-of-season sales. Airlines send out mailers or emails announcing promotional airfares.

Combining Direct Marketing with Support Media

Adding a promotional product to a direct mailer has proved to increase response rates. One company included a promotional product in half of its 10,000 mailers and not in the other half. The former generated 65 percent more orders. 3M used a promotional product as an incentive for people responding to a direct-mail offer. The incentive generated a 23 percent response rate versus only 9 percent for the regular mailer.

Direct-Marketing Strategies and Media

direct marketing employs a number of media, including direct mail, telemarketing, direct-response broadcasting, the Internet, and print. Each medium is used to perform specific functions, although they all generally follow a one- or two-step approach. In the **one-step approach,** the medium is used directly to obtain an order. You've probably seen TV commercials for products like wrench sets, workout equipment, or magazine subscriptions in which the viewer is urged to phone a toll-free number to place an order immediately. Usually these ads accept credit cards or cash on delivery and give an address. Their goal is to generate an immediate sale when the ad is shown.

The **two-step approach** may involve the use of more than one medium. The first effort is designed to screen, or qualify, potential buyers. The second effort generates the response. For example, many companies use telemarketing to screen on the basis of interest, and then follow up to interested parties with more information designed to achieve an order or use personal selling to close the sale.

Direct Mail

Direct mail is often called "junk mail"—the unsolicited mail you receive. More advertising dollars continue to be spent in direct mail than in almost any other advertising medium—an estimated $46.5 billion in 2001.14 Mail-order sales exceeded $582 billion in 2001 ($359 billion in the consumer market).15 Direct mail is not restricted to small companies seeking our business. Respected large companies such as General Electric, American Express, and Citicorp have increased their expenditures in this area, as have many others. Sales through direct mail in the business-to-business market are expected to reach over $345 billion by the year 2006

Catalogs

Major participants in the direct-marketing business include catalog companies. The number of catalogs mailed and the number of catalog shoppers have increased significantly since

1984, with sales growing by an average of 11.4 percent each year between 1996 and 2001. Catalog sales are expected to reach $16.3 billion in 2006.

Broadcast Media

The success of direct marketing in the broadcast industry has been truly remarkable; over 77 percent of the U.S. population report that they have viewed a direct-response appeal on TV.21 Direct-response TV is estimated to have generated more than $79.3 billion in sales in 2002—with projections of $108.2 billion by 2006. However, forecasts are for slower growth in the next few years, averaging 8.8 percent through 2007

Infomercials

The lower cost of commercials on cable and satellite channels has led advertisers to a new form of advertising. An **infomercial** is a long commercial that ranges from 30 to 60 minutes. Many infomercials are produced by the advertisers and are designed to be viewed as regular TV shows. Consumers dial a tollfree or 900 number to place an order

TV Advertorials

In 1999, Peugot took its first step into TV programming by developing a series of **advertorials** to show the public its entire model range. Peugeot is the first auto manufacturer to use TV advertorials

Teleshopping

The development of toll-free telephone numbers, combined with the widespread use of credit cards, has led to a dramatic increase in the number of people who shop via their TV sets. Jewelry, kitchenware, fitness products, insurance, compact discs, and a variety of items are now promoted (and sold) this way

Print Media

Magazines and newspapers are difficult media to use for direct marketing. Because these ads have to compete with the clutter of other ads and because the space is relatively expensive, response rates and profits may be lower than in other media.

Telemarketing If you have a telephone, you probably do not have to be told about the rapid increase in the use of **telemarketing,** or sales by telephone. Both profit and charitable organizations have employed this medium effectively in both one- and two-step approaches.

Electronic Teleshopping Unlike infomercials and home shopping channels, which have relied on broadcast or cable TV, **electronic teleshopping** is an online shopping and information retrieval service accessed through personal computers. While we will discuss e-commerce in detail in the next chapter, it is important to reiterate that Internet shopping is a direct-response medium that traditional direct marketers are adding to their businesses as well An additional element of the direct-marketing program is **direct selling,** the direct, personal presentation, demonstration, and sales of products and services to consumers in their homes.

The three forms of direct selling are

1. *Repetitive person-to-person selling*. The salesperson visits the buyer's home, job site, or other location to sell frequently purchased products or services (for example, Amway).

2. *Nonrepetitive person-to-person selling*. The salesperson visits the buyer's home, job site, or other location to sell infrequently purchased products or services (for example, Encyclopaedia Britannica).

3. *Party plans*. The salesperson offers products or services to groups of people through home or office parties and demonstrations (for example, Tupperware and PartyLite Gifts).

Advantages and Disadvantages of Direct Marketing

Many of the advantages of direct marketing have already been presented. A review of these and some additions follow:

1. *Selective reach*. Direct marketing lets the advertiser reach a large number of people and reduces or eliminates waste coverage. Intensive coverage may be obtained through broadcast advertising or through the mail. While not everyone drives on highways where there are billboards or pays attention to TV commercials, virtually everyone receives mail. Agood list allows for minimal waste, as only those consumers with the highest potential are targeted. For example, a political candidate can direct a message at a very select group of people (those living in a certain Zip code or members of the Sierra Club, say); a music club can target recent purchasers of CD players.

2. *Segmentation capabilities*. Marketers can purchase lists of recent product purchasers, car buyers, bank-card holders, and so on. These lists may allow segmentation on the basis of geographic area, occupation, demographics, and job title, to mention a few. Combining this information with the geocoding capabilities of Prizm or VALS (discussed in Chapter 2), marketers can develop effective segmentation strategies.

3. *Frequency.* Depending on the medium used, it may be possible to build frequency levels. The program vehicles used for direct-response TV advertising are usually the most inexpensive available, so the marketer can afford to purchase repeat times. Frequency may not be so easily accomplished through the mail, since consumers may be annoyed to receive the same mail repeatedly.

4. *Flexibility*. Direct marketing can take on a variety of creative forms. For example, the Discovery Network sent 17-inch TV sets to media buyers through the mail. The only message accompanying the TV sets was one on the cord that said "Plug me in" and another on a videotape that read "Play me." Upon doing so, the recipient was greeted with a seven-minute promotional video. Direct-mail pieces also allow for detailed copy that provides a great deal of information. The targeted mailing of videotapes containing product information has increased dramatically, as companies have found this a very effective way to provide potential buyers with product information.

5. *Timing*. While many media require long-range planning and have long closing dates, direct-response advertising can be much more timely. Direct mail, for example, can be put together very quickly and distributed to the target population. TV programs typically used for direct-response advertising are older, less sought programs that are likely to appear on the station's list of available spots. Another common strategy is to purchase available time at the last possible moment to get the best price.

6. *Personalization.* No other advertising medium can personalize the message as well as direct media. Parents with children at different age levels can be approached, with their child's name included in the appeal. Car owners are mailed letters congratulating them on their new purchase and offering accessories. Computer purchasers are sent software solicitations. Graduating college students receive very personalized information that recognizes their specific needs and offers solutions (such as credit cards).

7. *Costs*. While the CPM for direct mail may be very high on an absolute and a relative basis, its ability to specifically target the audience and eliminate waste coverage reduces the actual CPM. The ads used on TV are often among the lowest-priced available, and a video can be delivered for less than $1 (including postage). A second factor contributing to the cost effectiveness of direct-response advertising is the cost per customer purchasing. Because of the low cost of media, each sale generated is very inexpensive.

8. *Measures of effectiveness*. No other medium can measure the effectiveness of its advertising efforts as well as direct response. Feedback is often immediate and always accurate.

Disadvantages of direct marketing include the following:

1. *Image factors*. As we noted earlier, the mail segment of this industry is often referred to as junk mail. Many people believe unsolicited mail promotes junk products, and others dislike being solicited. Even some senders of direct mail, including Motorola, GM, and Air Products & Chemicals, say they throw out most of the junk mail they receive. This problem is particularly relevant given the increased volume of mail being sent. (One study estimates the typical American receives 14 pieces of junk mail per week.)[39] Another predicts that by 2007 consumers will receive over 3,900 junk e-mails per year.[40] In 2002 over 205.7 billion pieces of mail were sent in the United States alone. Likewise, direct-response ads on TV are often low-budget ads for lower-priced products, which contributes to the image that something less than the best products are marketed in this way. (Some of this image is being overcome by the home shopping channels, which promote some very expensive products.) Telemarketing is found to be irritating to many consumers, as is "spam" or Internet junk mail. As you can see in Ethical Perspective 14-2, other factors have also created image problems for the direct-marketing industry.

2. *Accuracy*. One of the advantages cited for direct mail and telemarketing was targeting potential customers specifically. But the effectiveness of these methods depends on the accuracy of the lists used. People move, change occupations, and so on, and if the lists are not kept current, selectivity will decrease. Computerization has greatly improved the currency of lists and reduced the incidence of bad names; however, the ability to generate lists is becoming a problem.

3. *Content support*. In our discussion of media strategy objectives in Chapter 10, we said the ability of magazines to create mood contributes to the overall effectiveness of the ads they carry. In direct-response advertising, mood creation is limited to the surrounding program and/or editorial content. Direct mail and online services are unlikely to create a desirable mood.

4. *Rising costs*. As postal rates increase, direct-mail profits are immediately and directly impacted.

Public Relations,

the management function which evaluates public attitudes, identifies the policies and procedures of an organization with the public interest, and executes a program of action (and communication) to earn public understanding and acceptance

In this definition, public relations requires a series of stages, including:

1. The determination and evaluation of public attitudes.

2. The identification of policies and procedures of an organization with a public interest.

3. The development and execution of a communications program designed to bring about public understanding and acceptance.

Integrating PR into the Promotional Mix

Given the broader responsibilities of public relations, the issue is how to integrate it into the promotional mix. Philip Kotler and William Mindak suggest a number of alternative organizational designs: Either marketing or public relations can be the dominant function; both can be equal but separate functions; or the two can perform the same roles.6 While each of these designs has its merits, in this text we consider public relations an IMC program element. This means that its broad role must include traditional responsibilities. Whether public relations takes on a traditional role or a more marketing-oriented one, PR activities are still tied to specific communications objectives. Assessing public attitudes and creating a favorable corporate image are no less important than promoting products or services directly.

Marketing Public Relations (MPR) Functions

Thomas L. Harris has referred to public relations activities designed to support marketing objectives as **marketing public relations (MPR)** functions.7 Marketing objectives that may be aided by public relations activities include raising awareness, informing and educating, gaining understanding, building trust, giving consumers a reason to buy, and motivating consumer acceptance. MPR adds value to the integrated marketing program in a number of ways:

• *Building marketplace excitement before media advertising breaks*. The announcement of a new product, for example, is an opportunity for the marketer to obtain publicity and dramatize the product, thereby increasing the effectiveness of ads. When Volkswagen reintroduced the Beetle, a great deal of anticipation was created through public relations prior to the availability of the cars.

• *Creating advertising news where there is no product news*. Ads themselves can be the focus of publicity. There seems to be as much hype about the ads on the Super Bowl as there is for the game itself. The "Switch" campaign of Apple Computers has generated much publicity for the ads.

• *Introducing a product with little or no advertising*. This strategy has been implemented

successfully by a number of companies, including Hewlett-Packard, Kinetix, Ty, and Crayola. Gillette uses PR as the lead medium in every new product launch.8

• *Providing a value-added customer service*. Butterball established a hotline where people can call in to receive personal advice on how to prepare their turkeys. The company handled 25,000 calls during one holiday season. Many companies provide such services on their Internet sites. Chicken of the Sea provides recipes to visitors of its site (which of course suggest using Chicken of the Sea tuna).

• *Building brand-to-customer bonds*. The Pillsbury Bake-Off has led to strong brand loyalty among Pillsbury customers, who compete by submitting baked goods. The winner now receives a $1 million prize!

• *Influencing the influentials*—that is, providing information to opinion leaders.

• *Defending products at risk and giving consumers a reason to buy.* By taking constructive actions to defend or promote a company's products, PR can actually give consumers a reason to buy. Energizer's national education campaign that urges consumers to change the batteries in their fire alarms when they reset their clocks in the fall has resulted in a strong corporate citizen image and increased sales of batteries.

Developing and Executing the PR Program

Determining Relevant Target Audiences

The targets of public relations efforts may vary, with different objectives for each. Some may be directly involved in selling the product; others may affect the firm in a different way (e.g., they may be aimed at stockholders or legislators). These audiences may be internal or external to the firm.

Implementing the PR Program

Once the research has been conducted and the target audiences identified, the public relations program must be developed and delivered to the receivers. Anumber of PR tools are available for this purpose, including press releases, press conferences, exclusives, interviews, and community involvement.

Advantages of PR

Like the other program elements, public relations has both advantages and disadvantages. Advantages include the following:

1. *Credibility*. Because public relations communications are not perceived in the same light as advertising—that is, the public does not realize the organization either directly or indirectly paid for them—they tend to have more credibility. The fact that the media are not

being compensated for providing the information may lead receivers to consider the news more truthful and credible. For example, an article in newspapers or magazines discussing the virtues of aspirin may be perceived as much more credible than an ad for a particular brand of aspirin.

Automotive awards presented in magazines such as *Motor Trend* have long been known to carry clout with potential car buyers. Now marketers have found that even lesser media mean a lot as well. General Motors' Pontiac division played up an award given to Pontiac as "the best domestic sedan" by *MotorWeek* in a 30-minute program carried by about 300 public broadcasting stations. Likewise, Chrysler trumpeted the awards given to its Jeep Cherokee by *4-Wheel & Off Road* magazines.21 It has become a common practice for car companies to promote their achievements. News about a product may in itself serve as the subject of an ad. demonstrates how Olympus used favorable publicity from a variety of sources to promote its digital camera. Anumber of auto manufacturers have also taken advantage in their ads of high customer satisfaction ratings reported by J. D. Powers & Associates, an independent research firm specializing in automotive research.

2. *Cost*. In both absolute and relative terms, the cost of public relations is very low, especially when the possible effects are considered. While a firm can employ public relations agencies and spend millions of dollars on PR, for smaller companies this form of communication may be the most affordable alternative available

3. *Avoidance of clutter*. Because they are typically perceived as news items, public relations messages are not subject to the clutter of ads. Astory regarding a new product introduction or breakthrough is treated as a news item and is likely to receive attention. When Steven Jobs (the founder of Apple Computer) announced his return to Apple, after being with another firm for years, all the networks covered it, as did major newspapers and magazines. Some (like CNN) devoted two- to three-minute segments to the story.

4. *Lead generation*. Information about technological innovations, medical breakthroughs, and the like results almost immediately in a multitude of inquiries. These inquiries may give the firm some quality sales leads.

5. *Ability to reach specific groups*. Because some products appeal to only small market segments, it is not feasible to engage in advertising and/or promotions to reach them. If the firm does not have the financial capabilities to engage in promotional expenditures, the best way to communicate to these groups is through public relations.

6. *Image building*. Effective public relations helps to develop a positive image for the organization. Astrong image is insurance against later misfortunes. For example, in 1982,

seven people in the Chicago area died after taking Extra Strength Tylenol capsules that had been laced with cyanide (after they reached the store).

Disadvantages of PR

Perhaps the major disadvantage of public relations is the potential for not completing the communications process. While public relations messages can break through the clutter of commercials, the receiver may not make the connection to the source. Many firms' PR efforts are never associated with their sponsors in the public mind. Public relations may also misfire through mismanagement and a lack of coordination with the marketing department. When marketing and PR departments operate independently, there is a danger of inconsistent communications, redundancies in efforts, and so on

Publicity

Publicity refers to the generation of news about a person, product, or service that appears in broadcast or print media. To many marketers, publicity and public relations are synonymous. In fact, publicity is really a subset of the public relations effort. But there are several major differences. First, publicity is typically a *short-term* strategy, while public relations is a concerted program extending over a period of time. Second, public relations is designed to provide positive information about the firm and is usually controlled by the firm or its agent. Publicity, on the other hand, is not always positive and is not always under the control of, or paid for by, the organization. Both positive and negative publicity often originates from sources other than the firm.

Advantages and Disadvantages of Publicity

Publicity offers the advantages of credibility, news value, significant word-of-mouth communications, and a perception of being endorsed by the media. Beyond the potential impact of negative publicity, two major problems arise from the use of publicity: timing and accuracy.

Timing

Timing of the publicity is not always completely under the control of the marketer. Unless the press thinks the information has very high news value, the timing of the press release is entirely up to the media—if it gets released at all. Thus, the information may be released earlier than desired or too late to make an impact.

Accuracy

A major way to get publicity is the press release. Unfortunately, the information sometimes gets lost in translation—that is, it is not always reported the way the provider wishes it to be. As a result, inaccurate information, omissions, or other errors may result. Sometimes when you see a publicity piece that was written on the basis of a press release, you wonder if the two are even about the same topic.

Corporate Advertising

One of the more controversial forms of advertising is **corporate advertising.** Actually an extension of the public relations function, corporate advertising does not promote any one specific product or service. Rather, it is designed to promote the firm overall, by enhancing its image, assuming a position on a social issue or cause, or seeking direct involvement in something.

Why is corporate advertising controversial? A number of reasons are offered:

1. *Consumers are not interested in this form of advertising*. A Gallup and Robinson study reported in *Advertising Age* found consumers were 35 percent less interested in corporate ads than in product-oriented advertising.28 This may be because consumers do not understand the reasons behind such ads. Of course, much of this confusion results from ads that are not very good from a communications standpoint.

2. ***It's a costly form of self-indulgence***. Firms have been accused of engaging in corporate image advertising only to satisfy the egos of top management. This argument stems from the fact that corporate ads are not easy to write. The message to be communicated is not as precise and specific as one designed to position a product, so the top managers often dictate the content of the ad, and the copy reflects their ideas and images of the corporation.

3. ***The firm must be in trouble.*** Some critics believe the only time firms engage in corporate advertising is when they are in trouble—either in a financial sense or in the public eye—and are advertising to attempt to remedy the problem. There are a number of forms of corporate advertising, each with its own objectives. These critics argue that these objectives have become important only because the firm has not been managed properly.

4. *Corporate advertising is a waste of money.* Given that the ads do not directly appeal to anyone, are not understood, and do not promote anything specific, critics say the monies could be better spent in other areas. Again, much of this argument has its foundation in the fact that corporate image ads are often intangible. They typically do not ask directly for a purchase; they do not ask for investors

Types of Corporate Advertising

Image Advertising

One form of corporate advertising is devoted to promoting the organization's overall image. **Image advertising** may accomplish a number of objectives, including creating goodwill both internally and externally, creating a position for the company, and generating resources, both human and financial.

Event Sponsorships

As we noted in the last section, corporate sponsorships of charities and causes has become a popular form of public relations. While some companies sponsor specific events and/or causes with primarily traditional public relations objectives in mind, a separate and more marketing-oriented use of sponsorships is also on the increase. Such **event sponsorships** take on a variety of forms, as shown in Figure 17-9. Anything from golf apparel and equipment to concerts, stadiums, and college football bowl games is now a candidate for corporate sponsorship. Sometimes, however, this can prove to be a risky venture, as shown in IMC Perspective

Advocacy Advertising

A third major form of corporate advertising addresses social, business, or environmental issues. Such **advocacy advertising** is concerned with propagating ideas and elucidating controversial social issues of public importance in a manner that supports the

interests of the sponsor

Cause-Related Advertising An increasingly popular method of image building is **cause-related marketing,** in which companies link with charities or nonprofit organizations as contributing sponsors. The company benefits from favorable publicity, while the charity receives much-needed funds. Spending on cause-related marketing has increased more than 300 percent since 1990, reaching $828 million in 2002. Proponents of cause marketing say that association with a cause may differentiate one brand or store from another, increase consumer acceptance of price increases, generate favorable publicity, and even win over skeptical officials who may have an impact on the company.42 Cause-marketing relationships can take a variety of forms

Advantages of Corporate Advertising

1. *It is an excellent vehicle for positioning the firm*. Firms, like products, need to establish an image or position in the marketplace. Corporate image ads are one way to accomplish this objective. Awell-positioned product is much more likely to achieve success than is one with a vague or no image. The same holds true of the firm. Stop and think for a moment about the image that comes to mind when you hear the name IBM, Apple, Johnson & Johnson, or Procter & Gamble.

Now what comes to mind when you hear Unisys, USX, or Navistar? How many consumer brands can you name that fall under ConAgra's corporate umbrella? (Swiss Miss, Wesson, La Choy, and many others.) While we are not saying these latter companies are not successful—because they certainly are—we are suggesting their corporate identities (or positions) are not as well entrenched as the identities of those first cited. Companies with strong positive corporate images have an advantage over competitors
that may be enhanced when they promote the company overall .

2. *It takes advantage of the benefits derived from public relations*.
As the PR efforts of firms have increased, the attention paid to these events by the media has lessened (not because they are of any less value, but because there are more events to cover). The net result is that when a company engages in a public relations effort, there is no guarantee it will receive press coverage and publicity. Corporate image advertising gets the message out, and though consumers may not perceive it as positively as information from an objective source, the fact remains that it can communicate what has been done.

3. *It reaches a select target market*. Corporate image advertising should not be targeted to the general public. It is often targeted to investors and managers of other firms rather than to the general public. It doesn't matter if the general public does not appreciate this form of communication, as long as the target market does. In this respect, this form of advertising may be accomplishing its objectives.

Disadvantages of Corporate Advertising

1. *Questionable effectiveness.* There is no strong evidence to support the belief that corporate advertising works. Many doubt the data cited earlier that demonstrated a correlation between stock prices and corporate image advertising. Astudy by Bozell & Jacobs Advertising of 16,000 ads concluded that corporate advertising contributed to only 4 percent of the variability in the company's stock price, compared with a 55 percent effect attributable to financial factors.45Asecond study also casts doubts on earlier studies that concluded that corporate advertising worked.

2. *Constitutionality and/or ethics*. Some critics contend that since larger firms have more money, they can control public opinion unfairly. This point was resolved in the courts in favor of the advertisers. Nevertheless, many consumers still see such advertising as unfair and immediately take a negative view of the sponsor.

Out of home media

Out-of-home advertising encompasses many advertising forms, including outdoor (billboards and signs), transit (both inside and outside the vehicle), skywriting, and a variety of other media. While outdoor advertising is used most often,

Outdoor Advertising

Outdoor advertising has probably existed since the days of cave dwellers. Both the Egyptians and the Greeks used it as early as 5,000 years ago. Outdoor is certainly one
of the more pervasive communication forms, particularly if you live in an urban or suburban area. Even though outdoor accounts for only about 2.3 percent of all advertising expenditures and the number of billboards has decreased, the medium has grown steadily in terms of dollars billed. In 1982, approximately $888 million was spent in this area; in 2001, expenditures reached $5.3 billion.

Advantages and Disadvantages of Outdoor Advertising

Outdoor advertising offers a number of advantages:

1. *Wide coverage of local markets*.With proper placement, a broad base of exposure is possible in local markets, with both day and night presence. A100 GRP **showing** (the percentage of duplicated audience exposed to an outdoor poster daily) could yield exposure to an equivalent of 100 percent of the marketplace daily, or 3,000 GRPs over a month. This level of coverage is likely to yield high levels of reach.

2. *Frequency*. Because purchase cycles are typically for 30-day periods, consumers are usually exposed a number of times, resulting in high levels of frequency.

3. *Geographic flexibility*. Outdoor can be placed along highways, near stores, or on mobile billboards, almost anywhere that laws permit. Local, regional, or even national markets may be covered.

4. *Creativity*. As shown in Exhibit 13-1, outdoor ads can be very creative. Large print, colors, and other elements attract attention.

5. *Ability to create awareness*. Because of its impact (and the need for a simple message), outdoor can lead to a high level of awareness.

6. *Efficiency.* Outdoor usually has a very competitive CPM when compared to other media. The average CPM of outdoor is approximately one-half of radio and far less than that of TV, magazines, and newspapers.

7. *Effectiveness*. Outdoor advertising can often lead to sales, as demonstrated in Figure 13-3. In a study reported by BBDO advertising, 35 percent of consumers surveyed said they had called a phone number they saw on an out-of-home ad.4 Astudy reported by Mukesh Bhargava and Naveen Donthu showed that outdoor advertising can have a significant effect on sales, particularly when combined with a promotion.5

8. *Production capabilities*. Modern technologies have reduced production times for outdoor advertising to allow for rapid turnaround time. At the same time, however, there are

limitations to outdoor, many of them related to its advantages:

1. *Waste coverage*. While it is possible to reach very specific audiences, in many cases the purchase of outdoor results in a high degree of waste coverage. It is not likely that everyone driving past a billboard is part of the target market.

2. *Limited message capabilities*. Because of the speed with which most people pass by outdoor ads, exposure time is short, so messages are limited to a few words and/or an illustration. Lengthy appeals are not likely to be effective.

3. *Wearout*. Because of the high frequency of exposures, outdoor may lead to a quick wearout. People are likely to get tired of seeing the same ad every day.

4. *Cost*. Because of the decreasing signage available and the higher cost associated with inflatables, outdoor advertising can be expensive in both an absolute and a relative sense.

5. *Measurement problems*. One of the more difficult problems of outdoor advertising lies in the accuracy of measuring reach, frequency, and other effects. (As you will see in the measurement discussion, this problem is currently being addressed, though it has not been resolved.)

6. *Image problems.* Outdoor advertising has suffered some image problems as well as some disregard among consumers.

Additional Out-of-Home Media

Several other forms of outdoor advertising are also available. As you read about them, keep in mind the advantages and disadvantages of outdoor in general mentioned earlier and consider whether these alternatives have the same advantages and/or provide a possible solution to the disadvantages

Aerial Advertising

Airplanes pulling banners, skywriting (in letters as high as 1,200 feet), and blimps all constitute another form of outdoor advertising available to the marketer: **aerial advertising.** Generally these media are not expensive in absolute terms and can be useful for reaching specific target markets. For example, Coppertone has often used skywriting over beach areas to promote its tanning lotions, beer companies (among others) commonly employ aerial advertising at sporting events, and local advertisers promote special events, sales, and the like. Exhibit 13-4 shows one of the many products, services, and/or events that have used this medium. Perhaps one of the more interesting examples of aerial advertising is that shown in Exhibit 13-5. PizzaHut paid about $1 million to have a 30-foot version of its new logo on an unmanned Russian Proton rocket. The logo was visible for only a few seconds, but Pizza Hut felt the exposure was well worth the investment

Mobile Billboards

Another outdoor medium is **mobile billboards**. Some companies paint Volkswagen Beetles with ads called Beetleboards; others paint trucks and vans. Still others put ads on small billboards, mount them on

trailers, and drive around and/or park in the geographic areas being targeted (Exhibit 13-6). Costs depend on the area and the mobile board company's fees, though even small and large organizations have found the medium affordable. One small company in California found that its five mobile cars account for 25 percent of its earnings, and a study conducted jointly by 3M and the American Trucking Association estimated that one truck traveling about 60,000 miles a year would create about 10 million viewer impressions of the ad placed on it.6 In a study employing tracking methodology, the Traffic Audit Bureau (TAB) estimated that three trucks with a Seiko watch ad on them were seen by an average of 121,755 people per day in the Chicago area.7 America Online, Lexus, Wolfgang Puck, and numerous dot-com companies are some of the advertisers that have used this medium

In-Store Media

Advertisers spend an estimated $17 billion to promote their products in supermarkets and other stores with untypical media like displays, banners, and shelf signs. These point-of-purchase materials include video displays on shopping carts, kiosks that provide recipes and beauty tips, and coupons at counters and cash registers, LED (lightemitting diode) boards, and ads that broadcast over in-house screens. At one time, Miller Brewing Co. used 30 to 40 agencies to provide these services (it now uses 10). Much of the attraction of point-of-purchase media is based on figures from the Point of Purchase Advertising Institute

(POPAI) that state approximately two-thirds of consumers' purchase decisions are made in the store; some impulse categories demonstrate an 80 percent rate.8 Many advertisers are spending more of their dollars where decisions are made now that they can reach consumers at the point of purchase, providing additional product information while reducing their own efforts.

Transit Advertising

Another form of out-of-home advertising is **transit advertising.** While similar to outdoor in the sense that it uses billboards and electronic messages, transit is targeted at the millions of people who are exposed to commercial transportation facilities, including buses, taxis, commuter trains, elevators, trolleys, airplanes, and subways. Transit advertising has been around for a long time, but recent years have seen a renewed interest in this medium. Due in part to the increased number of women in the work force (they can be reached on their way to work more easily than at home), audience segmentation, and the rising cost of TV advertising, yearly transit ad spending increased from $43 million in 1972 to over $900 million in 2001.

Types of Transit Advertising There are actually three forms of transit advertising:
 (1) inside cards,
(2) outside posters, and
(3) station, platform, or terminal posters.

Advantages and Disadvantages of Transit
Advertising Advantages
of using transit advertising include the following:
1. *Exposure.* Long length of exposure to an ad is one major advantage of indoor forms. The average ride on mass transit is 45 minutes, allowing for plenty of exposure time.12 As with airline tickets, the audience is essentially a captive one, with nowhere else to go and nothing much to do. As a result, riders are likely to read the ads—more than once. Asecond form of exposure transit advertising provides is the absolute number of people exposed. About 9 million people ride mass transit every week, and over 9.4 billion rides were taken in 2001, providing a substantial number of potential viewers.13
2. *Frequency.* Because our daily routines are standard, those who ride buses, subways, and the like are exposed to the ads repeatedly. If you rode the same subway to work and back every day, in one month you would have the opportunity to see the ad 20 to 40 times. The locations of station and shelter signs also afford high frequency of exposure.

3. *Timeliness.* Many shoppers get to stores on mass transit. An ad promoting a product or service at a particular shopping area could be a very timely communication. 4. *Geographic selectivity.* For local advertisers in particular, transit advertising provides an opportunity to reach a very select segment of the population. Apurchase of a location in a certain neighborhood will lead to exposure to people of specific ethnic backgrounds, demographic characteristics, and so on.

5. *Cost.* Transit advertising tends to be one of the least expensive media in terms of both absolute and relative costs. An ad on the side of a bus can be purchased for a very reasonable CPM. Some disadvantages are also associated with transit:

1. *Image factors.* To many advertisers, transit advertising does not carry the image they would like to represent their products or services. Some advertisers may think having their name on the side of a bus or on a bus stop bench does not reflect well on the firm.

2. *Reach.* While an advantage of transit advertising is the ability to provide exposure to a large number of people, this audience may have certain lifestyles and/or behavioral characteristics that are not true of the target market as a whole. For example in rural or suburban areas, mass transit is limited or nonexistent, so the medium is not very effective for reaching these people.

3. *Waste coverage.* While geographic selectivity may be an advantage, not everyone who rides a transportation vehicle or is exposed to transit advertising is a potential customer. For products that do not have specific geographic segments, this form of advertising incurs a good deal of waste coverage. Another problem is that the same bus may not run the same route every day. To save wear and tear on the vehicles, some companies alternate city routes (with much stop and go) with longer suburban routes. Thus, a bus may go downtown one day and reach the desired target group but spend the next day in the suburbs, where there may be little market potential.

4. *Copy and creative limitations.* It may be very difficult to place colorful, attractive ads on cards or benches. And while much copy can be provided on inside cards, on the outside of buses and taxis the message is fleeting and short copy points are necessary.

5. *Mood of the audience.* Sitting or standing on a crowded subway may not be conducive to reading advertising, let alone experiencing the mood the advertiser would like to create. Controversial ad messages may contribute to this less than positive feeling. Likewise, hurrying through an airport may create anxieties that limit the effectiveness of the ads placed there.

WORLD WIDE WEB COMMUNICATIONS.

The **Internet** is a worldwide means of exchanging information and communicating through a series of interconnected computers. It was started as a U.S. Defense Department project, but it is now accessible to anyone with a computer and a modem

Developing an Internet Program

Web Participants

The Web, like all other media, has both customers (users) and those trying to reach these users (advertisers, sponsors, e-commerce). As with other media, target markets include consumers and the business-to-business (b-to-b) markets. Let's start our discu sion with the users—the target markets.

Web Objectives

When major corporations first began to conduct business on the Internet, they put up websites primarily for information purposes. Companies like United Airlines and Maytag had sites that were really not much more than online catalogs designed for information purposes only. The role of the website quickly changed, however; sites have become much more creative, promoting brand images, positioning, and offering promotions, product information, and even products and services for sale. With the introduction of Java in 1995, it became possible to create fancier graphics, audio, an animation online. This resulted in marketers' utilizing the Internet in an entirely new way, moving beyond the purely informational role. As you will see, the objective of disseminating information still remains, but additional communications and sales objectives are now being pursued.

Developing and Maintaining a Website

Before we discuss marketers'Web objectives in detail, it is important that you understand the role of the **website**—the place where information is made available to users of the Internet by the provider. Developing and maintaining a successful website requires significant time and effort. To attract visitors to the site and have them return to it requires a combination of creativity, effective marketing, and continual updating of the site. In addition, other media must be integrated with the website

Communications Objectives

Unlike other media discussed thus far in the text, the Internet is actually a hybrid of media. In part, it is a communications medium, allowing companies to create awareness, provide information, and influence attitudes, as well as pursue other communications objectives. But

for some it is also a direct-response medium, allowing the user to both purchase and sell products through e-commerce.

The Internet and Integrated Marketing Communications

Advertising

Advertising on the Internet Like broadcast or print, the Internet is an advertising medium. Companies and organizations working to promote their products and services must consider this medium as they would television, magazines, outdoor, and so on. Advertising on the Internet employs a variety of forms, **Banners** The most common form of advertising on the Web is **banner ads.** Banner ads may be used for creating awareness or recognition or for direct-marketing objectives.

Sponsorships Another common form of advertising is **sponsorships.** There are two types of sponsorships. *Regular sponsorships* occur when a company pays to sponsor a section of a site,

Pop-Ups/Pop-Unders When you access the Internet, have you ever seen a small window appear on Netscape advertising AOL's "Instant Messenger"? Such windows are known as **pop-ups,** and they often appear when you access a certain site. Pop-ups are usually larger than a banner ad but smaller than a full screen. **Pop-unders** are ads that appear underneath the web page and become visible only when the user leaves the site.

Interstitials Interstitials are ads that appear on your screen while you are waiting for a site's content to download. Although some advertisers believe that interstitials are irritating and more of a nuisance than a benefit,

Push Technologies Push technologies, or **webcasting** technologies, allow companies to "push" a message to consumers rather than waiting for them to find it. Push technologies dispatch web pages and news updates and may have sound and video geared to specific audiences and even individuals

Links While considered by some as not a type of advertising, **links** serve many of the same purposes as are served by the types.

Sales Promotion on the Internet

Companies have found the Internet to be a very effective medium for disseminating sales promotions. As noted earlier, Huggies ties in the use of sales promotions with its website. Other examples such as GMC's special financing offers, Pontiac Vibe's announcements of events, and PepsiCo's use of sweepstakes and contests are just a few of many. Levis has used

Personal Selling on the Internet

The Internet has been both a benefit and a detriment to many of those involved in personal selling—particularly those in the business-to-business market. For some, the Internet has been a threat that might take away job opportunities. Companies have found that they can remain effective—even increase effectiveness—by building a strong Web presence. The high-cost and poor-reach disadvantages of personal selling are allowing these companies to reduce new hires and even cut back on their existing sales forces.

Public Relations on the Internet

As with other media, the Internet is a useful medium for conducting public relations activities. Many sites devote a portion of their content to public relations activities, including the provision of information about the company, its philanthropic activities, annual reports, and so on. Shel Holtz, in his book *Public Relations on the Internet,* notes that the public relations industry has been slow to adopt the Internet. Some of the more traditional public relations organization do not use the Net at all, while most others use it primarily as a tool for disseminating information.

Holtz notes that the Web offers a number of opportunities to public relations practitioners, including:

(1) the development
of media relations websites, (2) the ability to provide
customized information dissemination, and (3) the
development of positive e-mail relationships.

Direct Marketing on the Internet

Our discussion of direct marketing and the Internet will approach the topic from two
perspectives: the use of direct-marketing tools for communications objectives   and e-commerce. As we stated previously, many directmarketing
tools like direct mail, infomercials, and the like, have been adapted to the
Internet, as you will see. At the same time, e-commerce—selling directly to the consumer
via the Internet—has become an industry of its own.

Unit-V

REGULATION, SOCIAL AND ETHICAL ASPECT OF ADVERTISING AND PROMOTION

FEDERAL REGULATION OF ADVERTISING

Current Status of Federal Regulation by the FTC

By the end of the 1970s, the FTC had become a very powerful and active regulator of advertising. However, Congress was concerned about the FTC's broad interpretation of unfairness, which led to the restrictive legislation of the 1980 FTC Improvements Act. During the 1980s, the FTC became less active and cut back its regulatory efforts, due in large part to the Reagan administration's laissez-faire attitude toward the regulation of business in general. Some feared that the FTC had become too narrow in its regulation of national advertising, forcing companies and consumer groups to seek relief from other sources such as state and federal courts or through self-regulatory groups such as the NAD/NARB.

In 1988–89, an 18-member panel chosen by the American Bar Association undertook a study of the FTC as a 20-year follow-up to the 1969 report used by President Richard Nixon to overhaul the commission. The panel's report expressed strong concern over the FTC's lack of sufficient resources and staff to regulate national advertising effectively and called for more funding.

After more than a decade of relative inactivity, the Federal Trade Commission has once again become active in the regulation of advertising. The commission has shown particular interest in cracking down on misleading advertising in areas such as health, nutrition, weight loss, and environmental claims as well as advertising directed to children and the elderly. The FTC has also become more involved with potential fraud and deception through various other promotional methods such as telemarketing, 900 numbers, infomercials, and the Internet. In addition to monitoring deceptive claims made over the Internet, the FTC has become very involved in privacy issues and the collection of personal information on websites.

Robert Pitofsky, who served as FTC chairman during the Clinton administration, focused the commission's attention on developing new policies, particularly as the growth of the Internet created the need for laws and regulations regarding online privacy and ways of protecting children online. However, under the Bush administration the FTC is focusing its attention on the enforcement of existing regulations, particularly in areas such as telemarketing and Internet privacy. Tim Murris, who took over as FTC chairman in 2001, has expressed concern about marketers that significantly alter privacy policies after consumers log on to their websites. The FTC also plans to eliminate false e-mail advertising and has stepped up its enforcement against senders of deceptive or misleading claims via e-mail. The commission also is scrutinizing

the use of testimonial ads more carefully, particularly with respect to the use of a "results not typical" disclosure in situations where the outcomes are more likely to vary substantially than be typical for most consumers.

While the FTC is the major regulator of advertising for products sold in interstate commerce, several other federal agencies and departments also regulate advertising and promotion.

ADDITIONAL FEDERAL REGULATORY AGENCIES

The Federal Communications Commission The FCC, founded in 1934 to regulate broadcast communication, has jurisdiction over the radio, television, telephone, and telegraph industries. The FCC has the authority to license broadcast stations as well as to remove a license or deny renewal to stations not operating in the public's interest. The FCC's authority over the airways gives it the power to control advertising content and to restrict what products and services can be advertised on radio and TV. The FCC can eliminate obscene and profane programs and/or messages and those it finds in poor taste. While the FCC can purge ads that are deceptive or misleading, it generally works closely with the FTC in the regulation of advertising. For example, in 1999 the Federal Communications Commission and the FTC held a joint workshop and publicly accused long-distance phone marketers of deceiving consumers in their advertising. Officials of both commissions expressed concern over per minute ads for long distance and so-called dial-around long-distance services. They also warned long-distance marketers that they would take action if steps were not taken to clean up their advertising.

Many of the FCC's rules and regulations for TV and radio stations have been eliminated or modified. The FCC no longer limits the amount of television time that can be devoted to commercials. (But in 1991 the Children's Television Act went into effect. The act limits advertising during children's programming to 10.5 minutes an hour on weekends and 12 minutes an hour on weekdays.)

Under the Reagan administration, the controversial *Fairness Doctrine,* which required broadcasters to provide time for opposing viewpoints on important issues, was repealed on the grounds that it was counterproductive. It was argued that the Fairness Doctrine actually reduced discussion of important issues because a broadcaster might be afraid to take on a paid controversial message in case it might be required to provide equal free exposure for opposing viewpoints. It was under this doctrine that the FCC required stations to run commercials about the harmful effects of smoking before passage of the Public Health Cigarette Smoking Act of 1970, which banned broadcast advertising of cigarettes. Many stations still provide time for opposing viewpoints on controversial issues as part of their

public service requirement, not necessarily directly related to fairness. Several pieces of legislation passed in recent years

Involve the FCC and have an impact on advertising and promotion. The Cable Television Consumer Protection and Competition Act, passed in 1992, allow the FCC and local governments to regulate basic cable TV rates and forces cable operators to pay licensing fees for local broadcast programming they retransmit for free. One purpose of this bill is to improve the balance between cable rates and rapidly escalating advertising revenue.

Important issues now facing the FCC are the growth of broadband Internet access and interactive television (ITV), both of which offer new communications opportunities for marketers. Under the Bush administration, the FCC is giving the free markets more rein to expand these new telecommunication technologies. The FCC plans to open more doors for small businesses to get involved in the broadband arena, which is now dominated by large companies. The FCC is also looking for new ways to expand ITV services, which are expected to reach over 18 million U.S. households by 2003 (Exhibit 21-10). ITV enables consumers to request product information or make a purchase without having to dial an 800 number or write down a mail-order address. A major hurdle to the growth of ITV is incompatibility among different service providers' technologies. The FCC plans to develop standard criteria for ITV services that will address the problem of incompatible platforms and help facilitate the growth of this technology.

The Food and Drug Administration Now under the jurisdiction of the Department of Health and Human Services, the FDA has authority over the labeling, packaging, branding, ingredient listing, and advertising of packaged foods and drug products. The FDA is authorized to require caution and warning labels on potentially hazardous products and also has limited authority over nutritional claims made in food advertising. This agency has the authority to set rules for promoting these products and the power to seize food and drugs on charges of false and misleading advertising.

Like the FTC, the Food and Drug Administration has become a very aggressive regulatory agency in recent years. The FDA has cracked down on a number of commonly used descriptive terms it believes are often abused in the labeling and advertising of food products—for example, *natural, light, no cholesterol,* and *fat free.* The FDA has also become tougher on nutritional claims implied by brand names that might send a misleading message to consumers. For example, Great Foods of America was not permitted to continue using the Heart Beat trademark under which it sold most of its foods. The FDA argued the trademark went too far in implying the foods have special advantages for the heart and overall health. Many changes in food labeling are a result of the Nutritional Labeling and

Education Act, which Congress passed in 1990. Under this law the FDA established legal definitions for a wide range of terms (such as *low fat, light,* and *reduced calories*) and required straightforward labels for all foods beginning in early 1994. In its current form the act applies only to food labels, but it may soon affect food advertising as well. The FTC would be asked to ensure that food ads comply with the new FDA standards.

Another area where the Food and Drug Administration is being asked to become more involved is the advertising of prescription drugs. IMC Perspective 21-3 discusses the tremendous growth in direct-to-consumer drug advertising that has occurred since the FDA issued new guidelines making it easier for pharmaceutical companies to advertise prescription drugs to consumers.

The U.S. Postal Service Many marketers use the U.S. mail to deliver advertising and promotional messages. The U.S. Postal Service has control over advertising involving the use of the mail and ads that involve lotteries, obscenity, or fraud. The regulation against fraudulent use of the mail has been used to control deceptive advertising by numerous direct-response advertisers. These firms advertise on TV or radio or in magazines and newspapers and use the U.S. mail to receive orders and payment. Many have been prosecuted by the Post Office Department for use of the mail in conjunction with a fraudulent or deceptive offer.

Bureau of Alcohol, Tobacco, and Firearms The Bureau of Alcohol, Tobacco, and Firearms (BATF) is an agency within the Treasury Department that enforces laws, develops regulations, and is responsible for tax collection for the liquor industry. The BATF regulates and controls the advertising of alcoholic beverages. The agency determines what information can be provided in ads as well as what constitutes false and misleading advertising. It is also responsible for including warning labels on alcohol advertising and banning the use of active athletes in beer commercials. The BATF can impose strong sanctions for violators. the advertising of alcoholic beverages has become a very controversial issue, with many consumer and public-interest groups calling for a total ban on the advertising of beer, wine, and liquor.

THE LANHAM ACT

While most advertisers rely on self-regulatory mechanisms and the FTC to deal with deceptive or misleading advertising by their competitors, many companies are filing lawsuits against competitors they believe are making false claims. One piece of federal legislation that has become increasingly important in this regard is the Lanham Act. This act was originally written in 1947 as the Lanham Trade-Mark Act to protect words, names, symbols, or other devices adopted to identify and distinguish a manufacturer's products.

The **Lanham Act** was amended to encompass false advertising by prohibiting "any false description or representation including words or other symbols tending falsely to describe or represent the same." While the FTC Act did not give individual advertisers the opportunity to sue a competitor for deceptive advertising,
civil suits are permitted under the Lanham Act. More and more companies are using the Lanham Act to sue competitors for their advertising claims, particularly since comparative advertising has become so common.

For example, a court ordered Ralston Purina to pay Alpo Petfoods $12 million for damages it caused by making false claims that its Purina Puppy Chow dog food could ameliorate and help prevent joint disease. The court ruled that the claim was based on faulty data and that the company continued the campaign after learning its research was in error. Alpo was awarded the money as compensation for lost revenue and for the costs of advertising it ran in response to the Puppy Chow campaign.

Wilkinson Sword and its advertising agency were found guilty of false advertising and ordered to pay $953,000 in damages to the Gillette Co. Wilkinson had run TV and print ads claiming its Ultra Glide razor and blades produced shaves "six times smoother" than Gillette's Atra Plus blades. This case marked the first time an agency was held liable for damages in connection with false claims made in a client's advertising. Although the agency was later found not liable, the case served as a sobering reminder to agencies that they can be drawn into litigation over advertising they create for their clients. To deal with this problem, many agencies insist on indemnification clauses in contracts with their clients.

Under the Lanham Act you are required to prove five elements to win a false advertising lawsuit containing a comparative claim. You must prove that:

• False statements have been made about the advertiser's product or your product.

• The ads actually deceived or had the tendency to deceive a substantial segment of the audience.

• The deception was "material" or meaningful and is likely to influence purchasing decisions.

• The falsely advertised products or services are sold in interstate commerce.

• You have been or likely will be injured as a result of the false statements, either by loss of sales or loss of goodwill.

STATE REGULATION

In addition to the various federal rules and regulations, advertisers must also concern themselves with numerous state and local controls. An important early development in state

regulation of advertising was the adoption in 44 states of the *Printers Ink* model statutes as a basis for advertising regulation. These statutes were drawn up in 1911 by *Printers Ink,* for many years the major trade publication of the advertising industry. Many states have since modified the original statutes and adopted laws similar to those of the Federal Trade Commission Act for dealing with

false and misleading advertising. For example, in California, the Business and Professional Code prohibits "unlawful, unfair, or fraudulent" business practices and "unfair, deceptive, untrue, or misleading advertising."

In addition to recognizing decisions by the federal courts regarding false or deceptive practices, many states have special controls and regulations governing the advertising of specific industries or practices. As the federal government became less involved in the regulation of national advertising during the 1980s, many state attorneys general (AGs) began to enforce state laws regarding false or deceptive advertising.

For example, the attorneys general in New York and Texas initiated investigations

of Kraft ads claiming the pasteurized cheese used in Cheez Whiz was real cheese. The well-publicized "monster truck" deceptive advertising case involving Volvo and its advertising agency that occurred in the early 90s was initiated by the attorney general's office in the state of Texas.

The **National Association of Attorneys General** (NAAG) moved against a number of national advertisers as a result of inactivity by the FTC during the Reagan administration. In 1987, the NAAG developed enforcement guidelines on airfare advertising that were adopted by more than 40 states. The NAAG has also been involved in other regulatory areas, including car-rental price advertising as well as advertising dealing with nutrition and health claims in food ads. The NAAG's foray into regulating national advertising raises the issue of whether the states working together can create and implement uniform national advertising standards that will, in effect, supersede federal authority. An American Bar Association panel concluded that the Federal Trade Commission is the proper regulator of national advertising and recommended the state Ags focus on practices that harm consumers within a single state. This report also called

for cooperation between the FTC and the state attorneys general.

Advertisers are concerned about the trend toward increased regulation of advertising

at the state and local levels because it could mean that national advertising campaigns would have to be modified for every state or municipality. Yet the FTC takes the position those businesses that advertise and sell nationwide need a national advertising policy. While

the FTC recognizes the need for greater cooperation with the states, the agency believes regulation of national advertising should be its responsibility.

REGULATION OF OTHER PROMOTIONAL AREAS

This section examines some of the rules, regulations, and guidelines that affect sales Promotion, direct marketing, and marketing on the Internet.

Sales Promotion

Both consumer- and trade-oriented promotions are subject to various regulations. The Federal Trade Commission regulates many areas of sales promotion through the Marketing Practices Division of the Bureau of Consumer Protection. Many promotional practices are also policed by state attorneys general and local regulatory agencies. Various aspects of trade promotion, such as allowances, are regulated by the Robinson- Patman Act, which gives the FTC broad powers to control discriminatory pricing practices.

Contests and Sweepstakes

Numerous legal considerations affect the design and administration of contests and sweepstakes, and these promotions are regulated by a number of federal and state agencies. There are two important considerations in developing contests (including games) and sweepstakes.

First, marketers must be careful to ensure their contest or sweepstakes is not classified as a *lottery,* which is considered a form of gambling and violates the Federal Trade Commission Act and many state and local laws. A promotion is considered a lottery if a prize is offered, if winning a prize depends on chance and not skill, and if the participant is required to give up something of value in order to participate. The latter requirement is referred to as *consideration* and is the basis on which most contests, games, and sweepstakes avoid being considered lotteries. Generally, as long as consumers are not required to make a purchase to enter a contest or sweepstakes, consideration is not considered to be present and the promotion is not considered a lottery.

The second important requirement in the use of contests and sweepstakes is that the marketer provides full disclosure of the promotion. Regulations of the FTC, as well as many state and local governments, require marketers using contests, games, and sweepstakes to make certain all of the details are given clearly and to follow prescribed rules to ensure the fairness of the game.80 Disclosure requirements include the exact number of prizes to be awarded and the odds of winning, the duration and termination dates of the promotion, and the availability of lists of winners of various prizes. The FTC also has specific rules governing the way games and contests are conducted, such as requirements that game

pieces be randomly distributed, that a game not be terminated before the distribution of all game pieces, and that additional pieces not be added during the course of a game.

Premiums Another sales promotion area subject to various regulations is the use of premiums. A common problem associated with premiums is misrepresentation of their value. Marketers that make a premium offer should list its value as the price at which the merchandise is usually sold on its own. Marketers must also be careful in making premium offers to special audiences such as children. While premium offers for children are legal, their use is controversial; many critics argue that they encourage children to request a product for the premium rather than for its value. The Children's

Advertising Review Unit has voluntary guidelines concerning the use of premium offers. These guidelines note that children have difficulty distinguishing a product from a premium. If product advertising contains a premium message, care should be taken that the child's attention is focused primarily on the product. The premium message should be clearly secondary. Conditions of a premium offer should be stated simply and clearly. "Mandatory" statements and disclosures should be stated in terms that can be understood by the child audience. However, a recent study of children's advertising commissioned by CARU found the single most prevalent violation involved devoting virtually an entire commercial message to information about a premium. CARU guidelines state that advertising targeted to children must emphasize the

Product rather than the premium offer.

Trade Allowances Marketers using various types of trade allowances must be careful not to violate any stipulations of the Robinson-Patman Act, which prohibits price discrimination. Certain sections of the Robinson-Patman Act prohibit a manufacturer from granting wholesalers and retailers various types of promotional allowances and/or payments unless they are made available to all customers on proportionally equal terms. Another form of trade promotion regulated by the Robinson-Patman Act is vertical cooperative advertising. The FTC monitors cooperative advertising programs to ensure that co-op funds are made available to retailers on

a proportionally equal basis and that the payments are not used as a disguised form of price discrimination. Another trade promotion area where the FTC is becoming involved is the use of slotting fees or allowances paid to retailers for agreeing to handle a new product. In 1999 the Senate Committee on Small Business charged retailers in the grocery, drugstore, and computer software industries with illegally using slotting fees to lock out competitors and prevent consumers from having their choice of the best products. Packaged-goods marketers and retailers have argued that examining slotting fees alone is unfair since they are just part of a wide variety of inducements marketers use to secure the best shelf space.

The FTC is investigating the use of slotting fees as anticompetitive weapons that make it difficult for small-size companies to secure retail shelf space.

In 2000 the FTC launched its first direct attack on slotting fees when it accused McCormick & Co., the leading spice maker, of offering discriminatory discounts on its products to several grocery chains. McCormick agreed to settle a complaint that the discounts were a way of paying some retailers disproportionately more in slotting fees than others. The FTC charged that the slotting fees were a way for McCormick to gain more shelf space at the expense of smaller rivals. The practice that was deemed illegal by the FTC is a standard way of doing business in the grocery trade as well as other industries, and some legal experts have argued that this case
Could impact the use of slotting fees in the future.

Direct Marketing

Direct marketing is growing rapidly. Many consumers now purchase products directly from companies in response to TV and print advertising or direct selling. The Federal Trade Commission enforces laws related to direct marketing, including mail-order offers, the use of 900 telephone numbers, and direct-response TV advertising. The U.S. Postal Service enforces laws dealing with the use of the mail to deliver advertising and promotional messages or receive payments and orders for items advertised in print or broadcast media.

A number of laws govern the use of mail-order selling. The FTC and the Postal Service police direct-response advertising closely to ensure the ads are not deceptive or misleading and do not misrepresent the product or service being offered. Laws also forbid mailing unordered merchandise to consumers, and rules govern the use of "negative option" plans whereby a company proposes to send merchandise to consumers and expects payment unless the consumer sends a notice of rejection or cancellation.

FTC rules also encourage direct marketers to ship ordered merchandise promptly. Companies that cannot ship merchandise within the time period stated in the solicitation (or 30 days if no time is stated) must give buyers the option to cancel the order and receive a full refund.

Recently there has been another significant development that has major implications for the telemarketing industry. In mid-2002 the FTC began taking comments on a proposal to develop a national "do-not-call" registry. Under this proposal, consumers could pay a small fee to sign up on a registry that would bar calls from telemarketers. While the Direct Marketing Association has its own do-not-call registry, as do several states, the FTC's registry would be easier to join and would cover a much broader spectrum of telemarketing calls. The development of such a registry is likely to receive strong opposition from the

direct-marketing industry. Opponents argue that a do-not-call list would hurt nonprofit organizations as well as have a negative impact

on the economy.

Marketing on the internet

The rapid growth of the Internet as a marketing tool is creating a new area of concern for regulators. Currently marketing on the Internet is subject to only limited government regulation, and many consumer and industry groups are concerned that some marketers will use the new medium to get around regulations and restrictions on other promotional areas. Following a Federal Trade Commission hearing in 1996, then Chairman Robert Pitofsky issued a plea for voluntary industry codes rather than FTC rules and regulations. He argued that the FTC's legal authority is limited to there as of unfair or deceptive advertising and promotional practices and that many potential abuses of the Internet may not fall into these categories. Extending the

FTC's legal authority would require congressional action. However, the results of the FTC's call for self-regulation of the Internet have been mixed. Two major areas of Concern with regard to marketing on the Internet is privacy issues and online marketing To children. With regard to privacy, several consumer and industry groups have proposed significant restrictions in the way marketers use the World Wide Web to get information from consumers, the types of information they can get, and what they do with this Information. The restrictions that have been proposed include:

• Banning unsolicited e-mail that cannot be automatically screened out. The Direct Marketing Association and the Interactive Services Association propose requiring marketers who send unsolicited e-mail messages to use coding that will allow mail systems to automatically remove such messages. Disclosing fully and prominently both the marketer's identity and the use for

Which information is being gathered in every communication?

• Giving consumers the right to bar marketers from selling or sharing any information collected from them as well as to review the personal information collected. As the use of the Internet as a commercial medium increases, the need for ethical standards by marketers and voluntary industry codes and guidelines will become greater. If they fail to respond, stronger intervention by the FTC or other regulatory agencies is likely.

Another Internet-related area that is receiving more regulatory attention is the use

Of spam, or unsolicited e-mail. More than 20 states have enacted some type of antispam

Laws, although they vary in content. For example, California's antispam law prohibits sending unsolicited e-mail unless it includes opt-out instructions and the sender's contact

information. Antispam legislation is at the top of the list of the regulatory issues currently being considered by Congress and passage of legislation at the federal level is likely. The Anti-Spamming Act will make it unlawful for anyone to intentionally, and without authorization, transmit bulk unsolicited e-mail without a valid return e-mail address. Laws are also being considered that would outlaw sending unsolicited e-mail after a consumer has sent an unsubscribe message. As the use of the Internet as a commercial medium increases, the need for ethical standards by marketers and voluntary industry codes and guidelines will become greater. If they fail to respond, stronger intervention by the FTC or other regulatory agencies is likely.

Social and Ethical Criticisms of Advertising:

Ethics are moral principles and values that govern the actions and decisions of an individual or group. A particular action may be within the law and still not be ethical. A good example of this involves target marketing. No laws restrict tobacco companies from targeting advertising and promotion for new brands to African-Americans. However, given the high levels of lung cancer and smoking-related illnesses among the black population, many people would consider this an unethical business practice.

Advertising stems from the ways many companies use it as a selling tool and from its impact on society's tastes, values, and lifestyles. Specific techniques used by advertisers are criticized as deceptive or untruthful, offensive or in bad taste, and exploitative of certain groups, such as children. Criticisms concerning the influence of advertising on values and lifestyles, as well as charges that it perpetuates stereotyping and that advertisers exert control over the media.

Advertising as Untruthful or Deceptive

One of the major complaints against advertising is that many ads are misleading or untruthful and deceive consumers. A number of studies have shown a general mistrust of advertising among consumers. A study by Banwari Mittal found that consumers felt that less than one-quarter of TV commercials are honest and believable. Sharon Shavitt, Pamela Lowery, and James Haefner conducted a major national survey of over 1,000 adult consumers to determine the general public's current attitudes toward and confidence in advertising. They found that Americans generally do not trust advertising, although they tend to feel more confidence in advertising claims when focused on their actual purchase decisions.

The problem of untruthful or fraudulent advertising and promotion exists more at the local level and in specific areas such as mail order, telemarketing, and other forms of direct

marketing. Yet there have been many cases where large companies were accused of misleading consumers with their ads or promotions. Some companies test the limits of industry and government rules and regulations to make claims that will give their brands an advantage in highly competitive markets.

While many critics of advertising would probably agree that most advertisers are not out to deceive consumers deliberately, they are still concerned that consumers may not be receiving enough information to make an informed choice. They say advertisers usually present only information that is favorable to their position and do not always tell consumers the whole truth about a product or service.

ADVERTISING AS OFFENSIVE OR IN BAD TASTE

Another common criticism of advertising, particularly by consumers, is that ads are offensive, tasteless, irritating, boring, obnoxious, and so on. In the recent study by Shavitt and her colleagues, about half of the respondents reported feeling offended by advertising at least sometimes. A number of other studies have found that consumers feel most advertising insults their intelligence and that many ads are in poor taste.

Sources of Distaste Consumers can be offended or irritated by advertising in a number of ways. Some object when a product or service like contraceptives or personal hygiene products is advertised at all. Most media did not accept ads for condoms until the AIDS crisis forced them to reconsider their restrictions. The major TV networks gave their affiliates permission to accept condom advertising in 1987, but the first condom ad did not appear on network TV until 1991, when Fox broadcast a spot.

Sexual Appeals The advertising appeals that have received the most criticism for being in poor taste are those using sexual appeals and/or nudity. These techniques are often used to gain consumers' attention and may not even be appropriate to the product being advertised. Even if the sexual appeal relates to the product, people may be offended by it. Many people object to both nudity in advertising and sexually suggestive ads. A common criticism of sexual appeals is that they can demean women (or men) by depicting them as sex objects. Ads for cosmetics and lingerie are among the most criticized for their portrayal of women as sex objects. Some ads have even been criticized for being implicitly suggestive.

Shocks advertising with the increasing clutter in the advertising environment, advertisers continue to use sexual appeals and other techniques that offend many people but catch the

attention of consumers and may even generate publicity for their companies. In recent years there has been an increase in what is often referred to as **shock advertising,** in which marketers use nudity, sexual suggestiveness, or other startling images to get consumers' attention. Shock advertising is nothing new; companies such as Benetton and Calvin Klein have been using this tactic in their ads since the 1980s. However, a number of other marketers have been criticized for using shock techniques in their ads as well as in other promotional materials.

TRUTH IN ADVERTISING COMMISSION, which is the main self-regulatory body, has issued new standards regarding the presentation of human beings in advertising. However, several of the French fashion houses such as Dior and Yves Saint Laurent set off a new controversy in 2002 with the use of provocative sexual imagery in ads for their perfumes. YSL was criticized for using full-frontal nudity in a print ad featuring martial-arts-champion-turned-male-model Samuel de Cubber. International marketers sometimes find they can change consumer purchasing patterns by taking a creative risk. For example, Häagen-Dazs broke through cultural barriers in Britain, where ice cream consumption is only a third as great as in the United States and consumers usually purchase low-grade, low-priced local brands. A sexy
Advertising campaign showing seminude couples feeding each other the ice cream helped get British consumers to pay premium prices for Häagen-Dazs. The company also used an avant-garde billboard campaign in Japan showing a young couple kissing in public, a near-taboo. The posters were so popular that many were stolen

MEDIA SELECTION

 Local Media Many advertisers choose the local media of a country to reach its consumers. Print is the most used medium worldwide, since TV commercial time and the number of homes with TV sets are limited in many countries. Many countries have magazines that are circulated nationwide as well as national or regional newspapers that carry advertising directed to a national audience. Most countries also have magazines that appeal to special interests or activities, allowing for targeting in media selection.

International Media The other way for the international advertiser to reach audiences in various countries is through international media that have multimarket coverage. The primary focus of international media has traditionally been magazines and newspapers.

ADVERTISING AND CHILDREN

One of the most controversial topics advertisers must deal with is the issue of advertising to children. TV is a vehicle through which advertisers can reach children easily. Children between the ages of 2 and 11 watch an average of 21.5 hours of TV a week and may see between 22,000 and 25,000 commercials a year.32 Studies show that television is an important source of information for children about products.33 Concern has also been expressed about marketers' use of other promotional vehicles and techniques such as radio ads, point-of-purchase displays, premiums in packages, and the use of commercial characters as the basis for TV shows

Critics argue that children, particularly young ones, are especially vulnerable to advertising because they lack the experience and knowledge to understand and evaluate critically the purpose of persuasive advertising appeals. Research has shown that preschool children cannot differentiate between commercials and programs, do not perceive the selling intent of commercials, and cannot distinguish between reality and fantasy. Research has also shown that children need more than a skeptical attitude toward advertising; they must understand how advertising works in order to use their cognitive defenses against it effectively. Because of children's limited ability to interpret the selling intent of a message or identify a commercial, critics charge that advertising to them is inherently unfair and deceptive and should be banned or

Severely restricted.

At the other extreme are those who argue that advertising is a part of life and children must learn to deal with it in the **consumer socialization process** of acquiring the skills needed to function in the marketplace. They say existing restrictions are adequate for controlling children's advertising. Arecent study by Tamara Mangleburg and Terry Bristol provided support for the socialization argument. They found that adolescents developed skeptical attitudes toward advertising that were learned through interactions with socialization agents such as parents, peers, and television. They also found that marketplace knowledge plays an important role in adolescents' skepticism toward advertising. Greater knowledge of the marketplace appears to give teens a basis by which to evaluate ads and makes them more likely to recognize the persuasion techniques used by advertisers.

In 1996 broadcasters, children's advocates, and the federal government reached an agreement requiring TV stations to air three hours of children's educational shows a week. Many believe advertisers will play a major role in implementing the new initiative by providing financial backing for the educational shows—which have long had trouble luring sponsors.

Children are also protected from the potential influences of commercials by network censors and industry self-regulatory groups such as the Council of Better Business Bureaus'

Children's Advertising Review Unit (CARU). CARU has strict self-regulatory guidelines regarding the type of appeals, product presentation and claims, disclosures and disclaimers, the use of premiums, safety, and techniques such as special effects and animation.

Advertising to children will remain a controversial topic. Some groups feel that the Government is responsible for protecting children from the potentially harmful effects of advertising and other forms of promotion, while others argue that parents are ultimately responsible for doing so. Various consumer groups have also urged the media, particularly television broadcasters, as well as marketers to assume responsibility for the programs and advertising and promotional messages they offer to children.

A study comparing the attitudes of business executives and consumers regarding children's

Advertising found that marketers of products targeted to children believe advertising to them provides useful information on new products and does not disrupt the parent-child relationship. However, the general public did not have such a favorable opinion. Older consumers and those from households with children had particularly negative attitudes toward children's advertising. A recent survey of 12,500 young people up to 18 years of age was conducted for *Advertising Age* regarding their attitudes toward advertising and various media. The study found that two-thirds of those surveyed believed the main goal of advertising is to make them buy things while only

11 percent felt that its objective is to provide information. It is important to many companies to communicate directly with children. However, only by being sensitive to the naiveté of children as consumers will they be able to do so freely and avoid potential conflict with those who believe children should be protected from advertising and other forms of promotion.

Social and Cultural Consequences

Concern is often expressed over the impact of advertising on society, particularly on values and lifestyles. While a number of factors influence the cultural values, lifestyles, and behavior of a society, the overwhelming amount of advertising and its prevalence in the mass media lead many critics to argue that advertising plays a major role in influencing and transmitting social values. Ronald Berman says: The institutions of family, religion, and education have grown noticeably weaker over each of the past three generations. The world itself seems to have grown more complex. In the absence of traditional authority, advertising has become a kind of social guide. It depicts us in all the myriad situations possible to a life of free choice. It provides ideas about style, morality, behavior.

Advertising Encourages Materialism Many critics claim advertising has an adverse effect on consumer values by encouraging materialism**,** a preoccupation with material things rather

than intellectual or spiritual concerns. The United States is undoubtedly the most materialistic society in the world, which many critics attribute to advertising that

• Seeks to create needs rather than merely showing how a product or service fulfills them.

• Surrounds consumers with images of the good life and suggests the acquisition of material possessions leads to contentment and happiness and adds to the joy of living.

• Suggests material possessions are symbols of status, success, and accomplishment and/or will lead to greater social acceptance, popularity, sex appeal, and so on.

Advertising Makes People Buy Things They Don't Need A common criticism of advertising is that it manipulates consumers into buying things they do not need. Many critics say advertising should just provide information useful in making purchase decisions and should not persuade. They view information advertising (which reports price, performance, and other objective criteria) as desirable but persuasive advertising (which plays on consumers' emotions, anxieties, and psychological needs and desires such as status, self-esteem, and attractiveness) as unacceptable. Persuasive advertising is criticized for fostering discontent among consumers and encouraging them to purchase products and services to solve deeper problems. Critics say advertising exploits consumers and persuades them to buy things they don't need.

Advertising and Stereotyping Advertising is often accused of creating and perpetuating stereotypes through its portrayal of women, ethnic minorities, and other groups.

Women The portrayal of women in advertising is an issue that has received a great deal of attention through the years. Advertising has received much criticism for stereotyping women and failing to recognize the changing role of women in our society. Critics have argued that advertising often depicts women as preoccupied with beauty, household duties, and motherhood or shows them as decorative objects or sexually provocative figures. The various research studies

Conducted through the year's show a consistent picture of gender stereotyping that has varied little over time. Portrayals of adult women in American television and print advertising have emphasized passivity, deference, lack of intelligence and credibility, and punishment for high levels of efforts. In contrast, men have been portrayed as constructive, powerful, autonomous, and achieving

Blacks and Hispanics African-Americans and Hispanics has also been the target of stereotyping in advertising. For many years, advertisers virtually ignored all nonwhite ethnic groups as identifiable subcultures and viable markets. Ads were rarely targeted to these ethnic groups, and the use of blacks and Hispanics as spokespeople, communicators, models, or actors in ads was very limited

Other Groups While the focus here has been on women and ethnic minorities, some other groups feel they are victims of stereotyping by advertisers. Many groups in our society are battling against stereotyping and discrimination, and companies must consider whether their ads might offend them. It is increasingly difficult not to offend some segment of the public. Creative personnel in agencies are feeling restricted as their ideas are squelched out of concern that they might offend someone or be misinterpreted. However, advertisers must be sensitive to the portrayal of specific types of people in their ads, for both ethical and commercial reasons.

Advertising and the Media The fact that advertising plays such an important role in financing the media has led to concern that advertisers may influence or even control the media. It is well documented that *economic censorship* occurs, whereby the media avoid certain topics or even present biased news coverage, in acquiescence to advertiser demands.80 In fact, Professors Lawrence Solely and Robert Craig say, "The assertion that advertisers attempt to influence what the public sees, hears, and reads in the mass media is perhaps the most damning of all criticisms

of advertising, but this criticism isn't acknowledged in most advertising textbooks." We will address this important issue by considering arguments on both sides.

Arguments Supporting Advertiser Control Advertising is the primary source of revenue for nearly all the news and entertainment media in the United States. And because advertising pays the bills, newspaper and magazine publishers, as well as TV and radio networks and station executives, must keep their advertisers happy. Some critics charge that the media's dependence on advertisers' support makes them susceptible to various forms of influence, including exerting control over the editorial content of magazines and newspapers; biasing editorial opinions to favor the position of an advertiser; limiting coverage of a controversial story that might reflect negatively on a company; and influencing the program content of television.

Arguments against Advertiser Control The commercial media's dependence on advertising means advertisers can exert influence on their character, content, and coverage of certain issues. However, media executives offer several reasons why advertisers do not exert undue influence over the media.

ECONOMIC EFFECTS OF ADVERTISING:

Effects on Consumer Choice Some critics say advertising hampers consumer choice, as

Large advertisers use their power to limit our options to a few well-advertised brands. Economists argue that advertising is used to achieve (1) differentiation, whereby the products or services of large advertisers are perceived as unique or better than competitors', and (2) brand loyalty, which enables large national advertisers to gain control of the market, usually at the expense of smaller

Brands.

Effects on Competition

One of the most common criticisms economists have about advertising concerns its effects on competition. They argue that power in the hands of large firms with huge advertising budgets creates a barrier to entry, which makes it difficult for other firms to enter the market.

This results in less competition and higher prices. Economists note that smaller firms already in the market find it difficult to compete against the large advertising budgets of the industry leaders and are often driven out of business.

Effects on Product Costs and Prices

A major area of debate among economists, advertisers, consumer advocates, and policymakers concerns the effects of advertising on product costs and prices. Critics argue that advertising increases the prices consumers pay for products and services

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