

The Promotional Mix

- Advertising
- Sales Promotion
- Public Relation
- Personal Selling

Advtg -

372, 433, 425

Public Relations

372, 435, 4267

Sales Promo.

372-3, 438-9, 426

Pers. Selling

373-4, 437-8, 4256

Speaking from Experience



Dorothy Brazil Clark

Ralston Purina

Director, Market Research and Strategic Planning

Dorothy Brazil Clark, Director, Market Research and Strategic Planning, at Ralston Purina in St. Louis is well aware of the need to maintain close relationships with customers at a reasonable cost. Her previous experience

includes business development and sales with Norden Laboratories, a subsidiary of SmithKline Beecham. Dorothy earned her B.A. degree from the University of Iowa, and an MBA from the University of Missouri.

“Competitive leadership has never been more challenging than in today’s marketplace. Those who succeed in leading their respective fields will win the battle by directly linking the message (the objective), medium (all marketing communications components) and the target (minds of the intended consumers who must be receptive to the message), all at a cost compatible with bottom line objectives.”

public in a timely fashion is reinforced by a Priceline.com executive who states, “A lot of companies are saying ‘We have to make it big, fast, or we’re not going to make it at all.’”²

Persuading

Marketing communications may concentrate on persuading customers to purchase a firm’s market offering. For instance, producers of the Broadway rock musical *Footloose* used marketing communications to overcome stinging critical reviews such as “flavorless marshmallow” and “theatrical nowhereville.” To counter the negative publicity, an advertising campaign, developed specifically for MTV, was launched and consequently filled the theater, generating \$500,000 in weekly sales.³

Persuasive advertising is also used by nonprofit and government organizations. For example, Canada’s health ministry has run ads to persuade cigarette smokers to quit. The ad copy is blunt, with messages such as “Smoking can kill you” and “Cigarettes cause mouth cancer.” Focus groups of smokers say that such are helpful in persuading them to quit.⁴

Reminding

When consumers are aware of a firm’s brand and have positive attitudes toward it, a reminding objective may be appropriate. Although consumers may be sold on the product, they are still vulnerable to competitors’ appeals. Marketing communications can remind consumers of a product’s benefits and reassure them they are making the right choice. CDnow uses **permission marketing** to remind its on-line customers of new audio and video releases and special promotions. Permission marketing occurs when the customer grants the marketer permission to send regular updates of interest to the consumer. E-mail is typically used for permission marketing, but regular mail or a fax could also be employed for this purpose.

Personal selling is another way to remind buyers of the value of continuing the relationship and making repeat purchases. Among the best at using personal selling for all three objectives of marketing communications, including reminding, are Dell Computer, GE Capital, Pfizer, Xerox, America Online, and General Mills.⁵

The Marketing Communications Mix

To inform, persuade, and remind targeted consumers effectively, marketers rely on one or more of the five major elements of the marketing communications mix. We discuss these briefly here and in more detail in subsequent chapters.

Advertising

Advertising is nonpersonal, paid for by an identified sponsor, and disseminated through mass channels of communication to promote the adoption of goods, services, persons, or ideas. Marketers use media such as television, radio, outdoor signage, magazines, newspapers, and the Internet to advertise. Its ability to reach mass audiences often makes advertising an efficient method for communicating with a large target market.

Traditionally, advertising has been the most recognized form of marketing communications largely because of its high visibility. We cannot escape the advertising that surrounds us in our daily lives. This high visibility is achieved through enormous expenditures. Advertising expenditures are growing at less than 5 percent a year worldwide. The fastest-growing advertising markets include China, Taiwan, New Zealand, Australia, Italy, and Canada.⁶ Advertising via the Internet is growing rapidly, with leading advertisers including Microsoft, IBM, Compaq Computer, General Motors, and Excite.⁷ Some of the most creative advertising is being done by Internet marketers, as illustrated in "Being Entrepreneurial: Start-ups Show Creative Side."



This ad illustrates the combination of sales promotion and advertising. The sales promotion message (instant prizes) is part of a magazine ad for Gillette Mach3 razors.

Public Relations

The public relations function identifies, establishes, and maintains mutually beneficial relationships between an organization and the various publics on which its success or failure depends.⁸ Employees, customers, stockholders, community members, and the government are examples of various publics for many firms.

A key aspect of public relations is publicity. Publicity refers to non-paid-for communications about the company or product that appear in some media form, often the news media. Since the firm cannot completely control the message being disseminated, publicity may generate more believable messages than paid-for communications such as advertising. Many firms hire outside agencies to handle their public relations and publicity requirements.

Sales Promotion

Sales promotion includes communications activities that provide extra value or incentives to ultimate consumers, wholesalers, retailers, or other organizational customers and that can stimulate in-

Being Entrepreneurial

Start-ups show creative side

Ad-industry veterans still fondly recall the creative revolution that occurred in the 1960s. Now they claim that advertising is undergoing its second revolution, led by start-up Internet marketers. In the 1960s, the ad revolution was accompanied by social unrest and sexual liberation. The current revolution is fueled by the booming information-technology economy, which is also having a noticeable cultural impact.

Several start-up companies grabbed their share of the limelight with unusual advertising. Monster.com, a job-finding service, used solemn-faced children declaring their intention to spend their careers sucking up to the boss in dead-end, boring jobs. Outpost.com features an executive who fires gerbils from a cannon in an attempt to get

viewers to remember his company's name. E-Trade shows a stockbroker making cold calls trying to drum up business then asks, "If your broker is so good, why does he still have to work for a living?"

The new wave of advertising offers entertainment value to some television viewers, and ad agencies across the country are enjoying the opportunity to be creative with a whole new set of clients. One industry observer sums it up this way: "I think people are getting away from commercials that are obscure and so subtle that nobody gets it and going back to the crazy, exaggerated nonsense that makes advertising fun and sells products."

Source: Greg Farrell, "Wacky Internet Ads Ride Creative Wave," *USA Today*, June 9, 1999, pp. 1-2B.



mediate sales.⁹ Sales promotion attempts to stimulate product interest, trial, or purchase. Coupons, samples, premiums, point-of-purchase displays, sweepstakes, contests, rebates, and trade show exhibits are all examples of sales promotion.

Consumer sales promotion is directed at ultimate users of the product or service; *trade sales promotion* is directed at retailers, wholesalers, or other business buyers. Marketers spend comparable amounts of money for consumer sales promotion and advertising. Expenditures for trade sales promotion are significantly higher than for either advertising or consumer trade promotion (see Exhibit 16-2). This may be surprising to most people, for the behind-the-scenes promotion activities to business buyers are not easily observable outside an industry.

Dorothy Brazil Clark points out the need to understand marketing communications as an integrated process focused on targeted consumers: "The requisite for good marketing communications in a world that demands end-to-end service is a total understanding of both communicator and the organizations involved as well as the place each occupies during all phases of the process. Successful management of the communication process then demands complete mastery of the process and its components, synchronization between existing components and a dismantling of the 'mass market' concept in favor of one emphasizing a family of segmented consumer groups."

Marketers typically use sales promotion in conjunction with other marketing communications elements. For example, sales promotion programs such as sweepstakes or contests may use advertising to spread the word to mass consumer markets. Marketers also frequently link sales promotion with many forms of direct marketing, especially direct mail, or include it as part of a trade show (product giveaways, merchandise imprinted with ad messages or logos).

Unlike some other forms of marketing communications, sales promotion is usually intended to produce immediate results. This probably explains why marketers have increasingly turned to sales promotion to improve sales volume and market share in a wide variety of highly competitive markets.



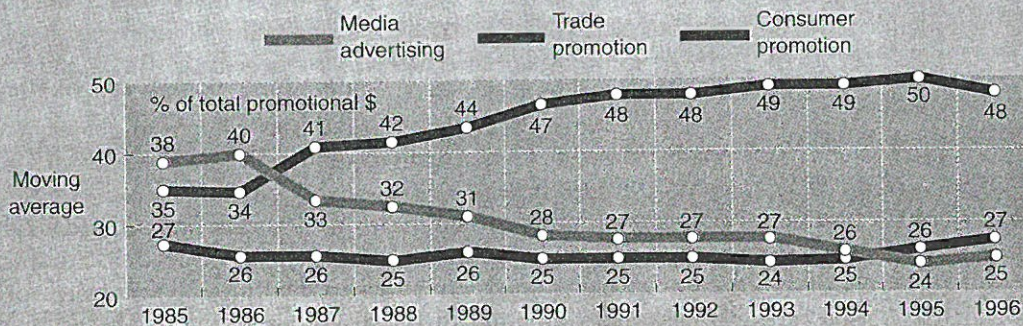
Professional salespeople play an important role in the marketing communications effort for complex products. Shown is a marketing representative for Health Images, Inc., who educates physicians on the use of MRI (magnetic resonance imaging) equipment.

Personal Selling

Personal selling involves interpersonal communications between a seller and a buyer to satisfy buyer needs to the mutual benefit of both parties. The personal nature of this method distinguishes it from nonpersonal forms of marketing communication. Personal selling

Exhibit 16-2

Spending for advertising versus consumer and trade sales promotion



Source: Cox Direct 20th Annual Survey of Promotional Practices, 1998.

Thinking Critically

Advertising, personal selling, sales promotion, public relations, and direct marketing can be used singularly or in combinations to achieve marketing communications objectives. For each of the following situations, specify which marketing communications tools would be most appropriate.

- Attempting to sell a foreign government a dozen cargo planes.
- Raising money to support academic programs at your college or university.
- Informing an existing set of customers about a product modification.
- Trying to convince a local Chevrolet dealer to donate a vehicle to be used as grand prize in a drawing to benefit United Way.
- Informing the general public of a product recall.

allows immediate feedback, enabling a message to be tailored to fit the buyer's individual needs. Its dynamic nature and flexibility make personal selling an excellent communications medium for establishing and nurturing customer relationships.

Personal selling is an important element of marketing communications when product is complex. The sale of medical equipment to hospitals and physicians would be practically impossible without well-informed salespeople who can provide the necessary details to prospective buyers.

Direct Marketing Communications

Direct marketing communications is a process of communicating directly with target customers to encourage response by telephone, mail, electronic means, or personal visit. Popular methods of direct marketing communications include direct mail, telemarketing, direct-response broadcast advertising, on-line computer shopping services, cable television shopping networks, infomercials, and in some instances, outdoor advertising.

Direct marketing communications are used by all types of marketers, including retailers, wholesalers, manufacturers, and service providers. A fast-growing segment of the marketing communications field, direct marketing often uses precise means of identifying members of a target audience and compiling customer prospect databases with postal addresses, telephone numbers, account numbers, e-mail addresses or fax numbers to allow access to the buyers.

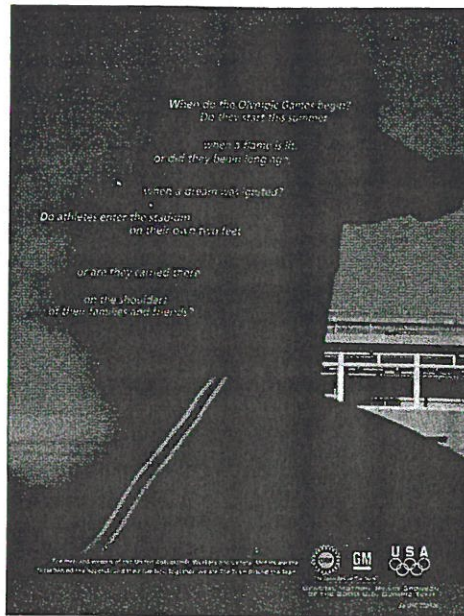
Integrated Marketing Communications

Today's highly competitive business environment puts considerable pressure on marketing communications to reach and spur busy, value-conscious consumers to buy. As a result, marketers are increasingly turning to **integrated marketing communications (IMC)**, which is the strategic integration of multiple means of communicating with target markets to form a comprehensive, consistent message. According to an expert in the field, this involves using new media along with more established forms of marketing communications: ". . . My cry is to integrate, not isolate. Yes, we need to explore and develop the new media and new approaches, but we need to do that within the context of what exists and what is likely to evolve. We need to integrate the new media with the old, melding e-commerce and across-the-counter commerce."¹⁰

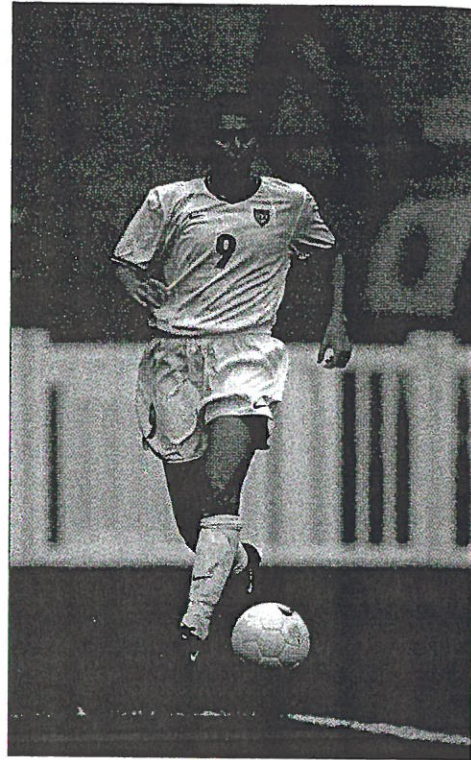
In one sense, marketing communications are integrated horizontally, or across various methods of communications. For example, the advertising message must be consistent with the personal selling message. But a campaign can also be integrated vertically, extending from the marketer down through the marketing channel. For example, salespeople are often dispatched to retailers to arrange for adequate inventory levels and to assist in setting up in-store displays.

Another aspect of integrated marketing communications is that it considers any contact with a brand, product, or company to be part of marketing communications. As a result of integrated marketing communications, consumers could see a product in a movie, a commercial message or brand name on a T-shirt, and a company name prominently displayed on a hot-air balloon. Television viewers see the cast of "Friends" sipping Diet Coke and moviegoers see BMW automobiles and motorcycles in James Bond movies. In addition, we notice that Dallas Cowboys football star Troy Aikman wears Logo brand hats when doing interviews and that sports arenas have names such as United Center, Pepsi Center, GM Place, and Canada Center.

These sorts of marketing communications are sometimes called **stealth marketing**, because their intent is not as blatant as some forms of marketing communications such as advertising. Such efforts are actually publicity generators and thus part of the marketing communications mix as we define it. These activities are increasing as marketers try to find new ways to reach audiences that may have



Sponsorship programs can be an important element of integrated marketing communications. In this ad, General Motors, an Olympics sponsor, suggests that its expertise was valuable for the Olympics and could benefit business customers.



Credibility is critical in marketing communications. Soccer phenom Mia Hamm is a highly credible presenter of marketing communications messages for Nike.

come jaded by too much advertising, sales promotion, and other traditional methods of communicating with a target audience.

Sponsorship programs, an investment in causes and events to support overall corporate objectives and marketing objectives,¹¹ may be an important part of an integrated marketing communications strategy. Sponsors may back a single event, such as the Olympics or the World Series, or multiple events, as Buick does with golf tournaments on the PGA tour. Sponsorships are also used quite effectively by small businesses.

Coca-Cola and Procter & Gamble are masters at integrating their marketing communications efforts. Both are well-known for consumer advertising. Their sales promotion efforts, in the form of coupons, sweepstakes, and contests are also familiar to millions of consumers. The average consumer, however, does not see their highly trained salespeople who call on wholesalers and retailers. Both P&G and Coke have used direct marketing effectively. Like many others, Coca-Cola and P&G also manage sophisticated public relations and publicity efforts to support their marketing communications campaigns.

The Marketing Communications Process

Communication is the process of establishing shared meaning, exchanging ideas, or passing information between a source and a receiver. Exhibit 16-3 shows how the marketing communications process works. Note that the intended target for any basic communication is the receiver. This could be a purchasing agent listening to a sales presentation, a consumer reading a magazine ad, or another of the various publics served by the marketer, such as stockholders or government officials.

Types of Promotion

15-2

GOALS

- Explain the advantages and disadvantages of advertising as a type of promotion.
- Describe the ways that public relations can be used to generate publicity.
- Identify the benefits and drawbacks of using personal selling to promote a product or service.
- Explain the advantages and disadvantages of using short-term incentives as sales promotions.

KEY TERMS

- advertising, p. 433
- broadcast media, p. 433
- publicity, p. 435
- public relations, p. 435
- personal selling, p. 437
- sales promotion, p. 438

marketing matters

There are many different types of promotion marketers can use to communicate with customers. Some types of promotion are more appropriate than others, and marketers must know what factors to consider when deciding which types of promotion to use. The four common types of promotion are advertising, public relations, personal selling, and sales promotion.

Marketers strive to find the right mix of these four ingredients. In a good promotional mix, all the elements work together, complementing each other so that consumers get a consistent message about the product or service. In order to create the best promotional mix, marketers must understand the characteristics, strengths, and weaknesses of each form of promotion.

Think of a product that you like. Describe the types of promotions used for that product. Do the promotions all communicate the same thing about the product? Which form of promotional activity do you find most effective? Why?

Advertising

The most popular and familiar form of promotion is advertising. **Advertising** is any form of paid, nonpersonal communication that uses mass media to deliver a marketer's message to an audience. As shown in Figure 15-3 on the next page, the major types of media used for advertising are television, radio, print, direct mail, outdoor, ambient, and the Internet.

Television and radio are known as **broadcast media**, meaning that a signal is sent from a central transmitter to receivers in a geographic area. Ads on TV and radio take the form of commercials, or "spots."

Print advertising is any paid message run in a magazine or newspaper. Print advertisements can be several pages long, but they are more commonly one page or a part of a page.

Direct mail is any marketing message sent to an audience through the mail. It is sometimes referred to as "junk mail," but it can be a very effective way to efficiently target messages.

Outdoor advertising, also called "out-of-home" advertising, includes billboards, signs on buses or taxis, messages on the sides of buildings, posters, ads on bus

shelters or benches, signage at sporting events, or any other space designed specifically for ads outside the home.

Because marketers are always looking for ways to make their message stand out and get noticed, there has been a rise in recent years of *ambient advertising*. This type of advertising includes any nontraditional medium in the environment of the audience. Stickers on bananas, messages chalked onto sidewalks, hot-air balloons, stunts or “guerilla” advertising, and messages on bathroom stall doors all fall into the category of ambient advertising.

Internet advertising is the fastest-growing and most dynamic type of advertising. Marketers are developing new ways to use the Internet beyond the simple banner ad. The greatest benefit of Internet advertising is that it can be targeted by interest and location, and unlike most other forms of advertising, it provides marketers with instant feedback. Many experts believe the Internet is the future of advertising.

Advantages of Advertising

Because advertising has the ability to reach a wide audience, it is an efficient medium in terms of cost-per-viewer. Advertising is also a very controllable, repeatable form of promotion, delivering the exact same message again and again if necessary. Marketers know that an ad run at one time in Seattle and at another time in Atlanta will be exactly the same. The ad can be run multiple times in those places to reinforce the message.

This example also points out another advantage: many forms of advertising are not limited by geography. Ads can reach people anywhere in the country and most places in the world.

The final advantage of advertising, particularly television advertising, is that it

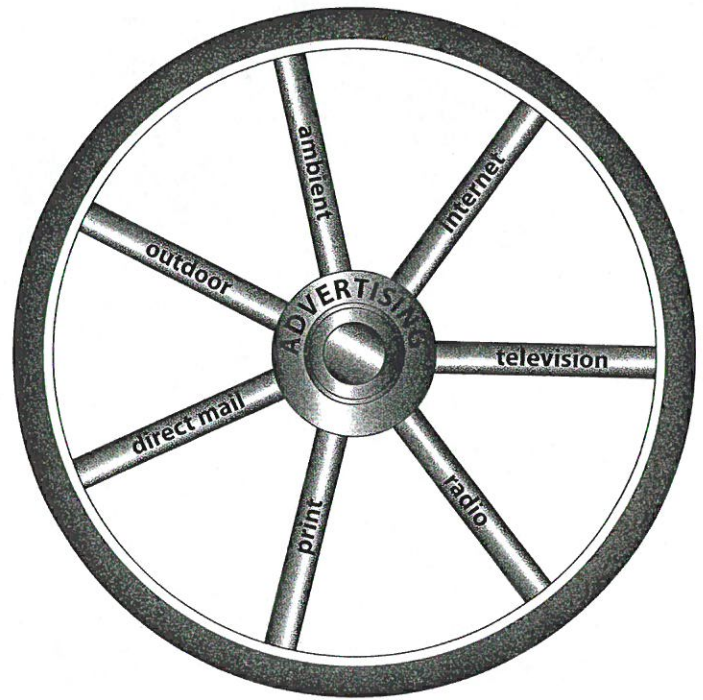


FIGURE 15-3
Marketers use various forms of advertising to send messages to consumers.

has great potential to move people emotionally because of the film style, music, and other production factors. When it comes to building strong brands, creating an emotional tie between a consumer and a product can be invaluable.

Disadvantages of Advertising

For all the advantages of advertising, there are also some disadvantages. First, even though advertising is very efficient in cost-per-viewer, the overall cost can be prohibitively expensive, especially for smaller companies. The average professionally produced television spot costs nearly \$400,000 not including the cost of running it on television. To run a 30-second commercial just once on a show like *American Idol* can cost more than \$700,000. A company with a national advertising plan will need to budget millions of dollars for it to be effective.

The second disadvantage is the impersonal nature of advertising. In most cases, there is no instant feedback, no ability to modify the message for the viewer, and no



Virtual Marketing

Big Advertisers Find Better Role for Internet

When the Internet was developed, it was obvious that it would present great opportunities for marketers. But early on, many companies simply used the Internet as they would use a billboard or magazine. They placed banner ads and put information on their web sites. But forward-thinking companies realized that the Internet differs greatly from other media. While television or print media allow only one-way communication (the company can send its message to the audience), the Internet allows a two-way flow of information.

Companies developed web pages that gave their customers helpful information but also invited them to engage in a dialogue with the company and with each other. Customers could ask questions about products, give the company feedback, and share tips and product uses with each other.

Companies also realized they could tap into the social potential of the Internet and create a community around a product or issue.

For example, Unilever launched a campaign for Dove that encouraged people to re-examine their concepts of beauty as defined by the media. The company used television and outdoor billboards, but much of the dialogue took place online where people could share their views with each other about an important topic.

Think Critically

1. What are the implications of this trend for Internet sites that rely on revenues from selling banner advertising? Will banner ads still have a place?
2. Think of a popular social networking web site like MySpace.com. How could this kind of site be used as a model by a company to promote a product?

way to make the personal connection that face-to-face communication allows.

Finally, with so much advertising clutter and other noise and with new technologies such as digital video recorders, it has never been easier for audiences to tune out or skip past ads. This is a major problem

for marketers—one they are constantly trying to solve.

Checkpoint

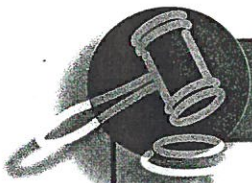
Name some advantages and disadvantages of advertising as a type of promotion.

Public Relations

Marketers often try to get their message to consumers by generating publicity through existing mass media, often news outlets. **Publicity** is any nonpaid communication about a product, service, company, or cause. The effort to reach consumers by generating positive publicity is known as **public relations**, or PR.

Working in Teams

As a team, select a school event or program that needs funding or supplies. For example, perhaps the school band needs to raise money for new uniforms. Discuss how publicity might benefit the cause. Develop a public relations campaign to create community awareness.



Judgment Call

Cause-Related Marketing Requires PR Savvy

Cause-related marketing refers to a company promoting itself by supporting a social cause or charity. It used to be that these partnerships were short-term. A company might fund a charity event in exchange for being mentioned during the event. The company and charity would then part ways. Recently, however, the trend has been for more long-term partnerships between companies and charities. Because a corporate sponsor can typically provide much more financial assistance to a charity than private donors can, it has become commonplace for charities to court corporate sponsors.

For their part, companies spend a lot of time analyzing which causes to attach themselves to. The hope is that people will have a

more favorable view of that company. Companies must ensure that the cause they are supporting matches their overall mission. For instance, the Clorox Company, which manufactures products that clean and disinfect, partners with the Red Cross. This partnership makes sense because both Clorox and the Red Cross share the mission of keeping people healthy.

Think Critically

1. If a company has engaged in unpopular practices in the past and now wants to improve its image to help repair the damage, would a cause-related marketing initiative be a good idea? Why or why not?
2. Is cause-related marketing good for society or just a way for a company to take advantage of a situation while appearing to exhibit corporate citizenship?

Although the actual media coverage of the product or service is nonpaid, companies often have a PR department or hire a PR firm to identify media opportunities. They will often write press releases to send to the news media about their product or service or contact talk shows, magazines, and other media outlets to try to get their product mentioned.

Sometimes PR is a response to negative publicity. If a product is faulty or unsafe or if there is a recall, a company may use public relations to control the amount of damage done to its image. The company will contact media outlets in the hope that any coverage of the issue will include the company's point of view and what it is doing to resolve the problem.

Advantages of Public Relations

Publicity generated through public relations is very valuable because a third-party

source such as a news program is perceived as being more objective than a commercial. When a product gets a favorable mention on a news program or a favorable review by a talk show host or celebrity, people are more likely to listen and try the product than if they had just seen a television commercial. When Oprah Winfrey, for example, mentions a product on her show or selects a book for her book club, those products fly off the shelves because so many people trust and respect Oprah. For that reason, many companies work to get their products on her show.

The second advantage of public relations is that it can be relatively inexpensive. If the release of a new product from a company becomes a big news story, it can be worth millions of dollars in free publicity. Apple, maker of the popular iPod music player, masterfully uses the news media to create buzz anytime a new iPod is released, and it has helped Apple lead the industry

Disadvantages of Public Relations

The biggest disadvantage of public relations is that it is hard to control. Because it relies on third-party media outlets, exactly what is said about a product is up to the media, not the marketer. While coverage of a product by one media outlet may lead to more coverage and create a big story, it is nearly impossible to predict or control what kind of coverage, if any, a product gets. If the news media covers a product but reviews it negatively, it can be disastrous for a company.

Checkpoint

What are some of the advantages and disadvantages of public relations?

Personal Selling

As the name suggests, **personal selling** is person-to-person communication with a potential customer in an effort to inform, persuade, or remind the customer to purchase an organization's products or services. It usually involves interaction with a salesperson.

Personal selling is most commonly used in business-to-business promotion, where salespeople from one company meet with the people in charge of making the purchasing decisions for another company. Business-to-business deals can sometimes involve large sums of money. These meetings can involve elaborate presentations and follow-up meetings before a sale is completed.

Other forms of personal selling include salespeople at a retail store, telemarketers, car dealers, real estate or insurance agents, or even customer service representatives available online or over the phone. Effective salespeople are trained and knowledgeable so that they can help inform customers about products, answer questions, and eventually lead them to a purchase decision.

Advantages of Personal Selling

An advantage of personal selling is the personal contact. It can be much more informative and persuasive than advertising because of the person-to-person interaction.

Also, with person-to-person contact, feedback from the customer is immediate, and the sales presentation is flexible. A salesperson in a computer store can ask and answer questions, demonstrate features, and make a good product recommendation based on a customer's needs.

Disadvantages of Personal Selling

The major disadvantage of personal selling is the per-person cost. Though the cost

NET Bookmark

Businesses often sponsor individuals or teams in a number of sports, such as cycling, tennis, and automobile racing. Access school.cengage.com/marketing/marketing and click on the link for Chapter 15. The auto racing organization NASCAR maintains a list of corporate sponsors on its web site. View the list of sponsors and identify three that seem surprising or unlikely in some way. Explain your reaction. Why might a company that does not have a direct relationship to auto racing sponsor a NASCAR driver? Can you think of any risks involved in corporate sports sponsorship?

school.cengage.com/marketing/marketing

of advertising is high, advertising reaches millions of people. Personal selling reaches one customer at a time and makes one sale at a time, so the cost per customer can be quite high. Sometimes, especially in business-to-business marketing, the selling

process can go on for months and ultimately may not result in a sale.

Checkpoint

Name an advantage and a disadvantage of personal selling as a type of promotion.

Sales Promotion

Sometimes marketers will want to boost sales through the use of short-term incentives with the hope that consumers will repeat the purchase later without the incentive. Any activity or material that gives consumers a direct incentive to buy is called **sales promotion**. The use of sales promotions is a common tactic when a company introduces a new product and wants to entice consumers to try it or when a company needs to increase the short-term sales of a product. An ice cream brand may want consumers to try a new flavor or a car dealership may want to sell last year's model before the newer model arrives.

Common types of sales promotions include price promotions through sales, coupons, or rebates; product incentives such as limited-time models or free product features and options; or giveaways like sweepstakes, contests, free product samples, or free toys with purchase. Special in-store or point-of-purchase displays provided by a manufacturer to encourage sales are also types of sales promotion.

Advantages of Sales Promotion

The greatest advantage of sales promotion is that it can generate short-term sales. A

Companies will often use price promotions and contests to boost short-term sales of a product.

company can use a sales promotion for a boost that can also create loyal customers. Another advantage is that sales promotion results are usually measurable. Stores know how effective a coupon program is because they can count how many coupons were redeemed, or the traffic during a contest can be compared with normal store

traffic. This information can be used to improve future sales promotions.

Disadvantages of Sales Promotion

The biggest advantage of sales promotion can also be one of its drawbacks. Most successful businesses strive to create and maintain loyal customers. Sales promotion, on the other hand, focuses on the short-term. It builds customer relationships motivated by incentives rather than a true preference for the brand. Once the promotion has ended, the business hopes

that the customers will return, but often they do not.

Other disadvantages of sales promotion can be the cost of providing the incentives, the loss in profit by cutting the price of products, and the cost of advertising the promotion. A promotional program that nobody knows about does not work, so companies must run ads promoting the promotion.

Checkpoint

List common types of sales promotion.

15-2 Assessment

Xtra!
Study Tools

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Key Concepts

Determine the best answer.

1. Which form of advertising has the best chance of emotionally moving a viewer?
 - a. print
 - b. direct mail
 - c. television
 - d. radio
2. Which is the biggest disadvantage of public relations?
 - a. cost
 - b. speed
 - c. limited impact
 - d. difficult to predict and control
3. What product would be the best candidate for personal selling?
 - a. bar soap
 - b. a piano
 - c. chocolates
 - d. movie tickets
4. The short-term nature of a sales promotion can be
 - a. an advantage
 - b. a disadvantage
 - c. both an advantage and a disadvantage
 - d. neither an advantage nor a disadvantage

Make Academic Connections

5. **Language Arts** Create a fictional person and write a one-page account of his or her day. Describe how the person comes into contact with each of the four types of promotion during the normal activities of a day and how he or she reacts to them. The promotions can be for the same product or for different products.
6. **Math** A grocery store usually makes a 10 percent profit on a box of detergent that sells for \$5.00. In an average week, it sells 30 boxes of detergent. The store runs a coupon promotion for 25 cents off each box of detergent. How many boxes does it need to sell per week to break even on the reduced product price during the promotion?

Connect to



7. You own a high-end clothing store in the mall. Determine how each type of promotion might be used to attract customers to your store and produce sales once they are there. Create a chart outlining your promotional choices and how each would be used. Present the chart to your teacher (judge) and discuss your decisions.

competitive stability because competing firms tend to spend about the same percent of their sales on promotion.

In spite of these claimed advantages, the percentage-of-sales method has little to justify it. It uses poor logic in viewing sales as the *cause* of promotion rather than as the *result*. The budget is based on availability of funds rather than on opportunities. It prevents the increased spending sometimes needed to turn around falling sales. Because the budget varies with year-to-year sales, long-range planning is difficult. Finally, the method does not provide any basis for choosing the specific percentage, except what has been done in the past or what competitors are doing.

Competitive-Parity Method

Some companies use the **competitive-parity method**, setting their promotion budgets to match competitors' outlays. They watch competitors' advertising or get industry promotion spending estimates from publications or trade associations, and then set their budgets based on the industry average.

Two arguments support this method. One is that competitors' budgets represent the collective wisdom of the industry. The other is that spending what competitors do helps prevent promotion wars. Neither argument is valid. There are no grounds for believing that the competition has a better idea of what a company should be spending on promotion than the company itself does. Companies differ greatly, and each has its own special promotion needs. And there is no evidence that budgets based on competitive parity prevent promotion wars.

Objective-and-Task Method

The most logical budget setting method is the **objective-and-task method**. Using it, marketers develop their promotion budget by (1) defining specific objectives, (2) determining the tasks that must be performed to achieve these objectives, and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

The objective-and-task method makes management spell out its assumptions about the relationship between dollars spent and promotion results. But it is the most difficult method. It is often hard to figure out which specific tasks will achieve specific objectives. For example, suppose Sony wants 95 percent target market awareness for its new Walkman-size personal videocassette player during the six-month introductory period. What specific advertising messages and media schedules would Sony need to attain this objective? How much would these messages and media schedules cost? Sony management has to think about such questions even though they are hard to answer. With the objective-and-task method, the company sets its promotion budget based on what it wants to accomplish with promotion.

The overall answer to how large the promotion budget should be depends on where the company's products are in their life cycles, how much they differ from competing products, whether they are routinely sought out by consumers or have to be "sold," and other factors.

Setting the Promotion Mix

The **promotion mix** is the specific mix of advertising, personal selling, sales promotion, and public relations a company uses to pursue its advertising and marketing objectives. Companies within the same industry differ a lot in how they design their promotion mixes. Avon spends most of its promotion funds on personal selling and catalog marketing (its advertising is only 1.5 percent of sales), whereas Revlon spends heavily on consumer advertising (about 8 percent of sales). Electrolux sells 75 percent of its vacuum cleaners door-to-door, whereas Hoover relies more on

advertising. Thus a company can achieve a given sales level with various mixes of advertising, personal selling, sales promotion, and public relations.

Companies are always looking for ways to improve promotion by replacing one promotion tool with a more economical one. Many companies have replaced a portion of their field sales activity with telephone sales and direct mail. Other companies have increased their sales promotion spending in relation to advertising to gain quicker sales.

Designing the promotion mix is even more complex when one tool must be used to promote another. Thus when McDonald's decides to run Million Dollar Sweepstakes in its fast-food outlets (a sales promotion), it has to run ads to inform the public. When General Mills uses a consumer advertising and sales promotion campaign to back a new cereal, its salesforce must promote this campaign to the resellers to win their support.

Many factors influence the marketer's choice of promotion tools. We will now look at these factors.

Nature of Each Promotion Tool

Each promotion tool—advertising, personal selling, sales promotion, and public relations—has unique characteristics and costs. Marketers need to understand these characteristics in selecting the tools.

ADVERTISING. Because of the many forms and uses of advertising, it is hard to generalize about its unique qualities as a part of the promotion mix. Yet several qualities can be noted. Advertising's public nature suggests that the advertised product is standard and legitimate. Because many people see ads for the product, buyers know that purchasing the product will be publicly understood and accepted. Advertising lets the seller repeat a message many times, and it lets the buyer receive and compare the messages of various competitors. Large-scale advertising by a seller says something positive about the seller's size, popularity, and success.

Advertising is also very expressive, letting the company dramatize its products through the artful use of print, sound, and color. On the one hand, advertising can be used to build up a long-term image for a product (such as Coca-Cola ads), and on the other it can be used to trigger quick sales (as when Sears advertises a weekend sale). Advertising can reach masses of geographically spread out buyers at a low cost per exposure.

Advertising also has some shortcomings. Though it reaches many people quickly, advertising is impersonal and cannot be as persuasive as a company salesperson. The audience does not feel that it has to pay attention or respond. Advertising is able to carry on only a one-way communication with the audience. And advertising can be very costly. Some forms, such as newspaper and radio advertising, can be done on a small budget; but other forms, such as network TV advertising, require a very large budget.

PERSONAL SELLING. Personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyers' preference, conviction, and action. The reason is that personal selling, as compared with advertising, has several unique qualities. Personal selling involves personal interaction between two or more people, so each person can observe the other's needs and characteristics up close and make quick adjustments. Personal selling lets all kinds of relationships spring up, ranging from a matter-of-fact selling relationship to a deep personal friendship. The effective salesperson keeps the customer's interests at heart in order to build a long-run relationship. And with personal selling, the buyer feels a greater need to listen and respond, even if the response is a polite "no thank you."



With personal selling, the customer feels a greater need to listen and respond, even if the response is a polite "no thank you."

These unique qualities come at a cost. A salesforce requires a longer-term commitment than advertising—advertising can be turned on and off, but salesforce size is harder to change. And personal selling is the company's most expensive promotion tool, costing industrial companies an average of \$179 per sales call in 1986.⁷ American firms spend up to three times as much on personal selling as they do on advertising.

SALES PROMOTION. Sales promotion includes a wide assortment of tools—coupons, contests, cents-off deals, premiums, and others—and these tools have many unique qualities. They attract consumer attention and provide information that may lead the consumer to buy the product. They offer strong incentives to purchase by providing inducements or contributions that give value to consumers. And sales promotions invite and reward quick response. Where advertising says "buy our product," sales promotion says "buy it now."

Companies use sales promotion tools to create a stronger and quicker response. Sales promotion can be used to dramatize product offers and to boost sagging sales. Sales promotion effects are usually short-lived, however, and are not effective in building long-run brand preference.

PUBLIC RELATIONS. Public relations offers several unique qualities. It is very believable—news stories, features, and events seem more real and believable to readers

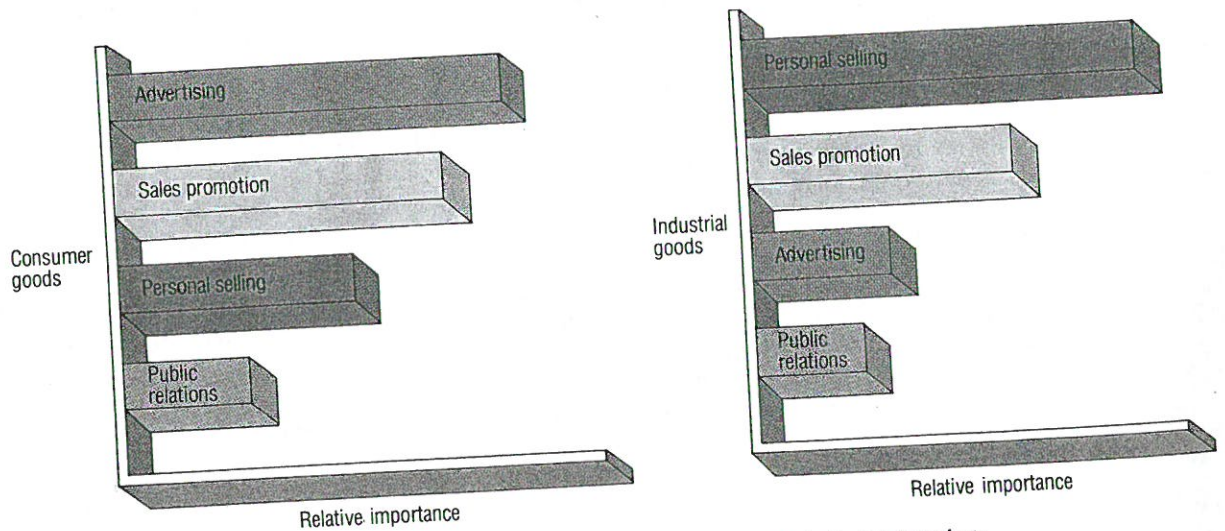


FIGURE 16-5 Relative importance of promotion tools in consumer versus industrial markets

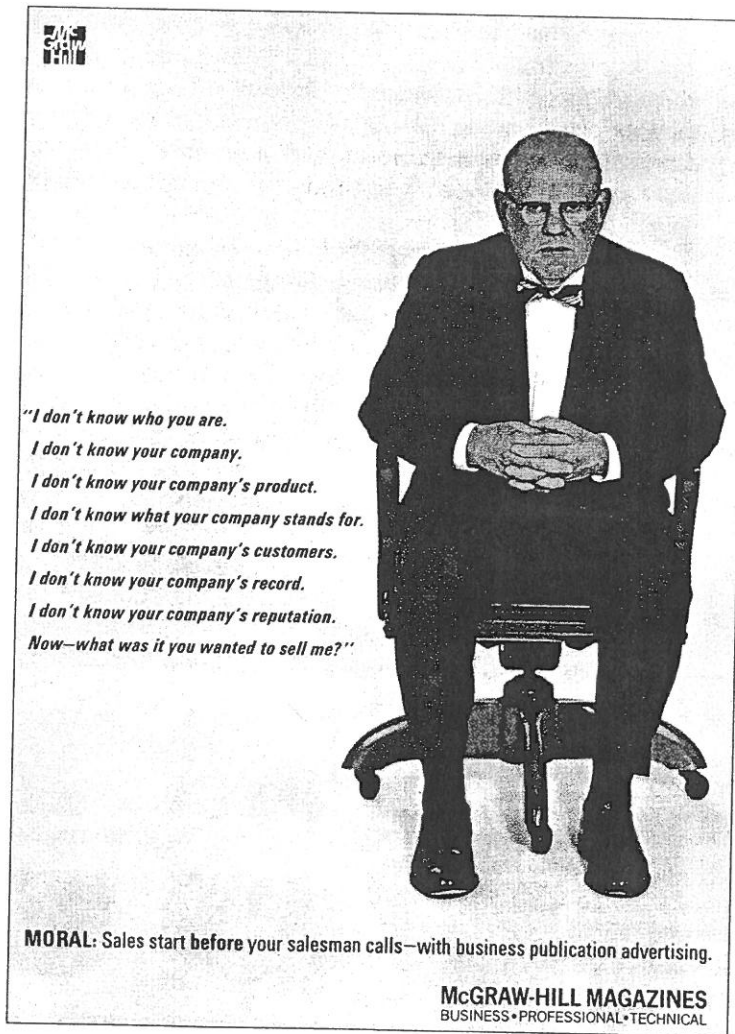
than do ads. Public relations can reach many prospects who avoid salespeople and advertisements—the message gets to the buyers as news rather than as a sales-directed communication. And like advertising, public relations can dramatize a company or product.

Marketers tend to underuse public relations or use it as an afterthought. Yet a well-thought-out public relations campaign used with other promotion mix elements can be very effective and much less costly.

Factors in Setting the Promotion Mix

Companies consider many factors when developing their promotion mixes. We look at these factors below.

TYPE OF PRODUCT AND MARKET. The importance of the different promotion tools varies between consumer and industrial markets. The differences are shown in Figure 16-5. Consumer goods companies usually put more of their funds in advertising, followed by sales promotion, personal selling, and then public relations. Industrial goods companies put most of their funds in personal selling, followed by sales promotion, advertising, and public relations. In general, personal selling is more



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*"I don't know who you are.
I don't know your company.
I don't know your company's product.
I don't know what your company stands for.
I don't know your company's customers.
I don't know your company's record.
I don't know your company's reputation.
Now—what was it you wanted to sell me?"*

MORAL: Sales start *before* your salesman calls—with business publication advertising.

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BUSINESS • PROFESSIONAL • TECHNICAL

Advertising can play a dramatic role in industrial marketing as shown in this classic McGraw-Hill ad.

