

BUS 214: PRINCIPLES OF MARKETING II

Study Session 3

1. TOPIC: PROMOTIONAL MIX STRATEGY

2. Introduction

In this study session you will learn that promotional mix is constantly used in connection with other concepts in marketing. The way, in which the promotional methods are used, and their weight and cost relative to each other and to the other ingredients of marketing mix, will vary from one situation to another. The group of methods to be used in a given situation and the weighting attached to each method is referred to as the promotional mix. As discussed in the previous sessions, they include advertising, personal selling, sales promotion and publicity. Promotional activity would be more effective if the mix is proportional. Arriving at the correct promotional mix is a very complex business; first and foremost, a manager should look at the kind of factors that influence the make-up of the promotional mix. Promotional mix could be understood better given the following explanations:

3. Learning Outcomes for Study Session 3

After studying this session, you should be able to:

- (a) define advertising and other promotional mix elements;
- (b) discuss the roles of advertising, personal selling, sales promotion and the need for public relations, as well as the tools involved in public relations
- (c) explain the different types of personal selling and the sales promotional tools
- (d) identify the stages involved in the advertising campaign, as well as criticisms of advertising

3. Definition of Advertising

The Institute of Practitioners in Advertising (IPA), the body which represents advertising agencies, defines advertising as; the means of providing the most persuasive selling message to the right prospects at the lowest possible cost. P. Kotler defined advertising as any paid form of non-personal presentation and promotion of ideas, goods and services through mass media such as newspapers, magazines, television or radio by an identified sponsor.

David J. Schwartz (1997) noted that “Advertising permeates almost all facts of our everyday life. Whenever we scan a newspaper, look at a magazine, listen to a radio, watch TV program, open our mail or walk down a city street, the chances are that we will be exposed to commercial messages”. It is virtually impossible for anyone to escape contact with some form of advertising.

4. The Reasons for Advertising

The following may be good reasons why marketers advertise:

1. To create awareness, customer interest or desire.
2. To boost sales (moving the demand curve to the right).
3. To build brand loyalty (or to maintain it at the existing level)
4. To launch a new product.
5. To change customer attitudes – perhaps trying to move a product more “up market” or to dispel some widely held perceptions about the product.
6. To support the activities of the distribution channel (e.g. supporting a “pull” strategy).
7. To build the company or brand image.
8. To remind and reassure customers
9. To offset competitor advertising – business may defend market share by responding to competitors’ campaigns with their own advertising.
10. To boost public standing: companies can boost their public standing with advertisements that link them with generally approved campaign such as care for the environment.
11. To support the sales force – advertising can make the job of the sales force easier and more effective by attracting leads from potential customers and perhaps motivate them by boosting the profile of the business.

5. Types of Advertising

There are six main categories of advertising, these are:

1. Consumer advertising
2. Industrial advertising
3. Trade advertising
4. Retail advertising
5. Financial advertising
6. Recruitment advertising

Consumer Advertising: There are two types of goods bought by the public, consumer goods and consumer durables, which together with consumer services are advertised through the media addressed to the appropriate social grades. Consumer goods are the numerous goods to be found in the shops, those goods, which enjoy repeat sales like foods, drinks, confectionery and toiletries. Consumer durables are usually more expensive, less essential, less frequently bought, and also of a more permanent nature than consumer goods. They include clothes, furniture, domestic appliances, radio, television, video, etc. The media of consumer advertising will tend to be those with wide appeal and even when more specialist journals such as women’s magazines are used, they will still have large circulations. The primary media of consumer advertising are the press, radio, television, exhibitions and sales promotion. Sponsorship of many popular sports supported by arena advertising at the sports venue is also important.

Industrial Advertising: This is aimed at promoting sales of equipment and services used by industry. Such equipment is machinery, tools, vehicles, specialist consultancy, finance and insurance. It is also aimed at promoting sales of raw materials, components and other items used in industrial production. Such items include; plastic, food ingredients, chemicals and parts for assembly, etc. The suppliers of service, equipment, raw materials and components will usually advertise in media seldom seen by the general or consumer public. The media used will consist of trade and technical journals, technical literature and catalogues, trade fairs or exhibitions, direct mail and technical demonstrations and seminars.

Trade Advertising: This is addressed to distributors, chiefly wholesalers, agents, importers/exporters and numerous kinds of retailers, large and small. Goods are advertised for resale. Under press or direct mail is commonly used here. Trade press is read by traders. The trade press advertising is to inform merchants and traders about goods available for resale. Through reminding them about well-established brands, introducing new lines, or as is often the case, announcing special efforts to help retailer sell goods e.g. price reductions, better trade terms, new packages, and consumer advertising campaigns or sales promotion schemes. Occasionally, commercial television time may be bought to tell retailers about new lines or retailers may be mailed to tell them that consumer-advertising campaigns are about to appear on TV.

Retail Advertising: Here, we have a form of advertising which lies between trade and consumer advertising. The most obvious examples are those for department stores and supermarkets, but it can include the advertising conducted by any supplier including a petrol station, restaurant, or insurance broker. The purpose of retail advertising is to sell the establishment, attract customers to the premises, and increase the number of people passing through the shop (store traffic). If they can be encouraged to get inside the shop they may possibly buy things they wouldn't have bought. Retail advertising is also aimed at selling goods, which are exclusive to the shop. Some distributors are appointed dealers for certain makes, e.g., Peugeot cars, Coca Cola, etc. Retail advertising is confined to local media.

Financial Advertising: Financial advertising includes those banks savings, insurance and investments. In addition to advertising addressed to customers or clients it can also include company reports, prospectus for new share issues, records of investments in securities and other financial announcements. Some, like building society and national savings advertisements, may be addressed to the general public while others will appear in the financial and business press only, e.g. the Business Times, The Economist, Business Day etc. The object of financial advertising may be to borrow or lend money, conduct all kinds of insurance, sell shares or report financial results.

Recruitment Advertising: This form of advertising aims to recruit staff and may consist of run on classified advertisements or displayed classified, although other media such as radio and television are sometimes used. Recruitment advertisement is mainly of two kinds that inserted by employers, whether identified or using box number, and that placed by employment or recruitment agencies, which have been commissioned to fill vacancies. The media of recruitment advertising include national newspapers, magazines, trade and professional journals, etc. The aim of recruitment advertising is to attract the largest number of worthwhile applications at the lowest possible cost.

C.D. Schewe (1987) noted that advertising is undertaken by an almost limitless variety of sources. In addition, to manufacturers, these include intermediaries, especially retailers, and non-traditional markets. In general, he went further to classify advertising into three categories; product or primary demand advertising, institutional and professional advertising.

6. Roles of Advertising

The great advantage and role of advertising is that it carries the sales message to a very large number of people, possibly to people the advertiser does not know or cannot meet, and who may be scattered throughout a town, a state, country or may be the world. It is this broadcast effect, which is so valuable that it became the best means of reaching the market.

Advertising can influence product and brand selection when a natural or favourable frame of reference already exists. For instance, Revlon can influence women to buy “Charlie” perfume through advertising because society perceives a pleasant body odor as a desirable trait. On the other hand, Revlon would find it difficult to convince Nigerian women generally to purchase the “new Revlon nose ring” because our society does not view nose rings as acceptable jewelry.

Advertising influences consumer preferences. Advertising leads to increase sales returns. It influences not only sales of the advertising brand but also sales of other brands. It forces competing firms to raise their promotion budgets in order to maintain market share. The ultimate purpose of advertising is to create sales and unless there is a clear cut evidence regarding the relationship between communication and subsequent sales, it is not necessarily realistic to assume a high degree of brand awareness of the existence of a favourable attitude towards a product will lead to an increase in a company’s sales performance.

7. Stages in Advertising Campaign

There are five main stages in a well-managed advertising campaign:

Stage 1: Set Advertising Objectives

An advertising objective is a specific communication task to be achieved with a specific target audience during specified period of time. Advertising objectives fall into three main categories:

1. To inform – e.g. tell customers about a new product
2. To persuade – e.g. encourage customers to switch to a different brand
3. To remind – e.g. remind buyers where to find a product

Stage 2: Set the Advertising Budget

Marketers should remember that the role of advertising is to create demand for a product. The amount spent on advertising should be relevant to the potential sales impact of the campaign. This, in turn will reflect the characteristics of the product being advertised. For example, new products tend to need a larger advertising budget to help build awareness and to encourage consumers to try the product. A product that is highly differentiated may also need more advertising to help set it apart from the competition – emphasizing the points of difference. Setting the advertising budget is not easy – how can a business predict the right amount to

spend. Which part of the advertising campaign will work best and which will have relatively little effect? Often businesses use “rules-of-thumb” (e.g. advertising/sales ratio) as a guide to set the budget.

Stage 3: Determine the Key Advertising Messages

Spending a lot on advertising does not guarantee success. Research suggests that the clarity of the advertising message is often more important than the amount spent. The advertising message must be carefully targeted to impact the target customer audience. A successful advertising message should have the following characteristics:

1. Meaningful – customers should find the message relevant
2. Distinctive – capture the customer’s attention
3. Believable – a difficult task, since research suggests most consumers doubt the truth of advertising in general.

Stage 4: Decide which Advertising Media to Use

There are a variety of advertising media from which to choose. A campaign may use one or more of the media alternatives. The key factors in choosing the right media include:

1. Reach – what proportion of the target customers will be exposed to the advertising?
2. Frequency – how many times will the target customer be exposed to the advertising message?
3. Media impact – where, if the target customer sees the message – will it have most impact? For example, does an advert promoting holidays for elderly people have more impact on Television (if so, when and which channels) or in a national newspaper or perhaps a magazine focused on this segment of the population?

Another key decision in relation to advertising media relates to the timing of the campaign. Some products are particularly suited to seasonal campaigns on television (e.g. Christmas hampers) whereas for other products, a regular advertising campaign throughout the year in media such as newspapers or special magazines is more appropriate.

Stage 5: Evaluate the Results of the Advertising Campaign

The evaluation of an advertising campaign should focus on two key areas:

1. The communication effects; is the intended message being communicated to the intended audience effectively?
2. The sales effects; has the campaign generated the intended sales growth? This second area is much more difficult to measure.

8. Criticisms of Advertising

Critics of advertising have attacked advertising in various perspectives. David J. Schwartz (1977) noted that advertising is frequently attacked on economic, sociological, aesthetic, and even moral grounds. Some major criticisms to advertising believed that:

The cost of advertising is not worth it: Overtime people have argued that the amount of money spent for advertising consumer products is more than necessary. But Schwartz maintained that the truth is that less is spent on advertising than most people are thinking.

Advertising are unnecessarily to the cost of products: *This argument has been on for a period of time, though scholars have tried to debunk this claim. Naturally, the size of market determines whether what is spent on advertising is adding to the cost of the product or not. It is obvious that the price paid by the consumer must include all cost of doing business, and advertising is certainly one of these costs.*

Much advertising is deceptive or downright dishonesty: *Among the many criticisms against advertising, this seems to hold a little water, despite the efforts of better business bureaus and various consumer groups, much advertising remains just a come-on. In other words, marketers use advertising as a deceptive tool.*

Advertising creates discontent: *Some critics claim that advertising over-emphasizes the happiness to be obtained from material things and induces people to want what they really do not need.*

9. Personal Selling

Personal selling is oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer, but will ultimately end with an attempt to “close the sale”. Personal selling is one of the oldest forms of promotion. It involves the use of a sale force to support a push strategy (encouraging intermediaries to buy the product) or a pull strategy (where the role of the sales force may be limited to supporting retailers and providing after-sales service). C.D. Schewe (1987) considered personal selling as a person-to-person communication in which the receiver provides immediate feedback to the sources message through words, gestures, expressions, and the like. Because of the nature of this communication, it is possible the message can be tailored to the audience. This allows more precise customer targeting than advertising, even though it limits the number of contacts to be made.

Types of Personal Selling

Personal selling can be classified according to the sales job performed by the sales force.

Account representative: This sales person also known as a sales representative, calls on a large number of already established customers. Selling is low-key, orders are taken, and there is little effort to develop new business. The account representative is frequently used in goods, textiles, etc.

Missionary salesperson: The task of this salesperson is primarily to introduce products and to perform promotional activities rather than to solicit orders. Among pharmaceutical manufacturers, the missionary salesperson are called 'detail salesperson', and their job is to call on doctors, distribute samples, and persuade them to write prescriptions that specify the brand being pushed. Actual sales are made through the wholesalers.

Sales engineer: When technical knowledge and ability to discuss technical problems is essential to the sale, the job usually calls for a sales engineer. This salesperson can identify, analyze and solve customer's problems to make the sale. The sales engineer is found most in the chemical, machinery and heavy equipments industries.

Non-technical/ industrial product salesperson: Firms that sell tangible products to industrial and other organizational purchasers, where no technical knowledge is necessary use this type of salesperson. Producers of packaging materials or standard office equipment like typewriters are apt to use this.

The Main Roles of the Sales Force

Kotler describes six main activities of a sales force:

1. Prospecting – trying to find new customers.
2. Communicating – with existing and potential customers about the product range.
3. Selling – contact with the customer, answering questions and trying to close the sale.
4. Servicing – providing support and service to the customer in the period up to delivery and also post sale.
5. Information gathering – obtaining information about the market to feed back into the marketing planning process.
6. Allocating – in times of product shortage, the sales force may have the power to decide how available stocks are allocated.

10. Sales Promotion

Sales promotion is an activity designed to boost the sales of a product or services. It may include an advertising campaign, increased PR activity, a free-sample campaign, offering free gifts or trading stamps, arranging demonstrations or exhibitions, setting up competitions with attractive prizes, temporary price reductions, door-to-door calling telemarketing personal letters on other methods”.

More than any other element of the promotional mix, sales promotion is about “action”. It is about stimulating customers to buy a product. It is not designed to be informative – a role which advertising is much better suited to. However, sales promotion can be defined as a non- recurring promotional activity between the producer, the marketing intermediary and the end user. Rather than competing with either advertising or personal selling, sales promotional activities are complimentary to them.

Sales Promotional Techniques

There are various sales promotional techniques available to marketers, these include:

Price promotion: Price promotions are also commonly known as “price discounting.” This involves offering either (1) a discount to the normal selling price of a product, or (2) more of the product at the normal price.

Coupons: Coupons are another very versatile, way of offering a discount. Consider the following examples of the use of coupons.

1. on a pack to encourage repeat purchase.
2. in coupon books sent out in newspapers allowing customers to redeem the coupon at a retailer.
3. A cut-out coupon as part of an advert.
4. on the back of till receipts.

One problem with coupon is that they may simply encourage customers to buy what they would have bought anyway. Another problem occurs when retailers do not hold sufficient stocks of the promoted product causing customer disappointment. Use of coupon promotions is, therefore often best for new products or perhaps to encourage sales of existing products that are slowing down.

Gift with Purchase: The “gift with purchase” is a very common promotional technique. It is also known as a “premium promotion” in that the customer gets something in addition to the main purchase. This type of promotion is widely used for:

1. Subscription – based products (e.g. magazines)
2. Consumer luxuries (e.g. perfumes)

Competitions and Prizes: Another popular promotion tool with many variants. Most competition and prize promotions are subject to legal restrictions.

Money Refunds: Here, a customer receives a money refund after submitting a proof of purchase to the manufacturer. Customers often view these schemes with some suspicion – particularly if the method of obtaining a refund looks unusual or onerous.

Frequent User/Consumer Promotion: Repeat purchases may be stimulated by frequent user incentives. Perhaps the best examples of this are the many frequent user schemes used by airlines, train companies, car hire companies, etc.

Contest: This is an old type of sales promotion; it involves the consumer participation in a contest. Though recently, it has lost much of its appeal. This is because of the legal implication.

Sweepstakes: This is the type of sales promotion that encourages consumers to purchase a particular item. However, here again legal considerations are involved. To avoid prosecution under lottery laws, sweep takes sponsors no longer require entrants to actually purchase the product.

Samples: Another common consumer sales promotion is sampling, which is offering the product free or at a great reduced prices. Sampling puts the product in the consumer's hands. A trial size is generally offered that is smaller than the regular package size. If consumers like the sample, it is hoped that they will remember and buy the product.

Point-of purchase displays: This type of sales promotion involves displaying products in form of advertising signs, which sometimes actually hold or display the product. It involves the use of some eye catching materials such as wall signs, posters, shelves etc.

Objectives of Sales Promotion

The objectives of sales promotion vary widely. Marketers may use consumer promotions to increase short-term sales or to help build long-term market share. The objective here would be to entice consumers to try a new product, lure consumers away from competitors' products. The objectives of trade promotions include getting retailers to carry new items and more inventories, getting them to advertise the product and give it more shelf space, and getting them to buy ahead.

The objective of a sales promotion may also include getting more sales force support for current or new products or getting sales people to sign up new accounts. It has been noticed that price promotion achieves the objective of building the customers relationship. Sampling may stimulate consumer trial where as a free management-advisory service may achieve a good long term relationship with the retailer.

11. Public Relations

The institute of Public Relation defines public relations as the planned and sustained efforts to establish, maintained goodwill and mutual understanding between an organization and its public.” Berkowitz etal states that public relation is a form of communication management that seeks to influence the feelings, opinions, or beliefs held by customers, prospective customers, stock holders, suppliers, employees and other publics about a company and its product or services. P. Kotler sees public relations as building good relations with the company’s various publics by obtaining favorable publicity, building up a good “corporate image”, and handling or heading off unfavorable rumors, stories and events. To succeed in its operations a company must not only relate constructively to it customers, suppliers and dealers, but it must also relate to a large number of interested public. Public relations in this case, could be defined as any group that has an actual or potential interest in or impact on a company’s ability to achieve its objectives. Therefore, public relations involve a variety of programs designed to promote or protect a company’s image or its individual products. A scholar once noted that public relations could facilitate or impede a company’s ability to achieve its objectives. Public relation has often been treated as a marketing stepchild, an afterthought to more serious promotion planning.

The Needs for Public Relations

Public relations are used to promote products, people, places, ideas activities, organization and even nations. Public relation influence on the life of the business and is most appreciated from the fact that it reduces the amount of money to be spent on other forms of communication. Public relation can have a strong impact on public awareness at a much lower cost than advertising. The public relation department monitors the attitudes of the organization’s public and distributes information and communications to build good will. When negative publicity happens the public relation department acts as a trouble-shooter. The best public relation departments spend time counseling top management to adopt positive programs and to eliminate questionable practices so that negative publicity does not arise in the first place.

However, the public relations department contributes the following to the organizations survival and growth:

Builds Awareness the public relations can place stories in the media to bring attention to a product, service, person, organization or idea.

Builds credibility the public relation can add credibility by communicating the message in an editorial context.

Stimulates the sales force the public relation can boost sales force and dealer enthusiasm. This can be achieved by publishing stories about the product before it is launched.

Holds down promotion cost costs of sales promotion can be cut down if the public relation effectively disseminates information about the company and its product.

The Role of Public Relations

Public relations performed the following roles:

1. Identify the relevant publics
2. Influence the opinions of those publics by reinforcing favourable opinions
3. Transforming perhaps neutral opinions into positive ones.
4. Changing or neutralizing hostile opinion.

Public Relations Techniques/Tools

There are many techniques available to influence public opinion, some of which are more appropriate in certain circumstances than other this can be achieved through Consumer communication such as the use of: Press releases, Trade press, Promotional videos, Consumer exhibitions, Competitions and prizes, Product launch events, Celebrity endorsements, Web sites etc. public opinion can also be influenced through Internal/employee communication such as newsletters and magazines, Intranet, Notice boards, Employee conferences, Email, External corporate communication, Company literature (brochures, videos etc), Community involvement programs, Trade, local, national and international media relations. Others include financial communication which can be conducted through financial media outfits, Annual report, meetings with stockholders or finance managers etc.

Given the wide range of techniques used in public relations, how is it possible to measure the effectiveness of public relations? It is actually quite difficult to measure whether the key messages have been communicated to the target public. In any event, this could be quite costly since it would involve a large amount of regular research. There are many public relation tools opened to public relations practitioners for the effective discharge of their responsibilities, these include:

News several tools are devised by professionals in carrying out the public relation activities. According to Kotler “one of the major tools is news.” In his view, public relations practitioners find or create favourable news about the company and its products or people. Most at times news items comes naturally and sometimes the public relations person can suggest events or activities that would create news.

Speeches another tool used in creating publicity are speeches. It has become necessary that chief executives must field questions from the media or give talks at trade associations or sales meetings, and these events can either build or hurt the company’s image.

Special events also have been found useful as a tool in public relation. These event include conferences, press tours and grand openings to laser shows, hot air balloon releases,

multimedia presentations and star-studded spectacles, or educational programs designed to reach and interest target publics.

Written materials Public relation practitioners also prepare written materials to reach and influence their target markets. These materials include annual reports, brochures, articles, and company newsletters.

Audio-visual materials such as films, slide and sound program and audio-cassette, are being used increasingly as tools of public nation. Corporate identity materials can also help create a corporate identity that the public immediately recognizes. Logos, stationery, brochures, uniforms etc all become public relation tools when they are attractive, distinctive and memorable.

Finally, companies can also improve public good will by contributing money and time to public service activities.

12. Summary of Study Session 3, 'Promotional Plan'

Now that you have completed this study Session 3, you have learnt that marketers must always communicate information about their products or services and this is achieved through aggressive promotional activities backed-up by good promotional plan. Without a good promotional plan, the potential customer will never be informed about the products or services. In view of this, marketers must employ the business communication language, such as advertising, personal selling, sales promotion, and public relations to achieve their marketing communication objectives.

13. Self-Assessment Questions (SAQs) for Study Session 3

Now that you have completed this study session, you can assess yourself with the following questions:

- (a) Discuss the importance of promotion in Marketing
- (b) What are the determinants of any promotional activity?
- (c) Do you agree with the assertion that most advertising are deceptive and misleading?
- (d) Briefly discuss the public relations tools opened to public relations practitioners for the effective discharge of their responsibilities.

14. Notes on SAQs for Study Session 3

15. References

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