

## PLANNING PROMOTIONS TO BENEFIT CUSTOMERS

### 14.1 INTRODUCTION

**Promotion** is the process of persuasively informing prospects about the availability of the product. Promotion is a controlled, integrated and planned program of communication methods and materials designed to present a company and its product to prospective customers; to communicate need-satisfying attributes of products toward the end of facilitating sales and thus contributing to long-term profit performance.

According to **Beem** and **Shaffer**<sup>10</sup>, the overall marketing function consists of three overlapping sets of activities (modes) whereby marketers seek to

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<sup>10</sup> Eugene R. Beem and H.Jay Shaffer, "Triggers to Customer Action -- Some Elements in a Theory of Promotional Inducement," Cambridge, MA: Marketing Science Institute, December 1981, Report No. 81-106,

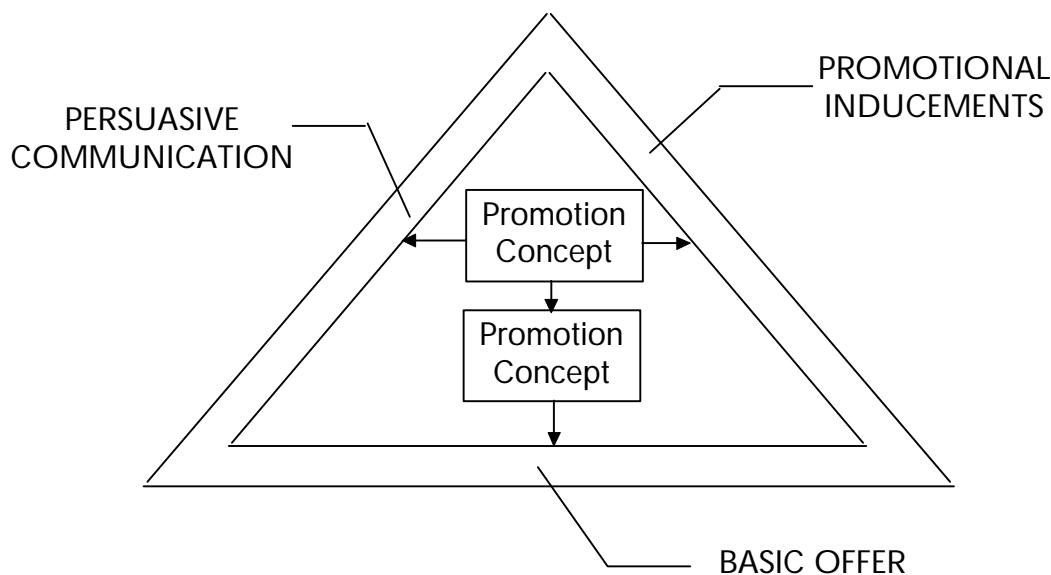
manage the demand for their offering. The three activities are: (1) the basic offer, (2) persuasive communication, and (3) promotional inducements.

As shown in (**Exhibit 14-1**), the traditional marketing concept is linked up with the **basic offer**, the regular or standard substantive benefits which the marketer offers to his targets as a possible solution to some problems. The basic offer has two components: (1) the product itself and (2) the associated terms of sale, i.e. price, credit terms, warranties, and availability and delivery promises. The role of the basic offer is to satisfy customer needs.

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### **Exhibit 14-1 : The Three Modes of Marketing**

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By comparison, the **promotion concept** attempts to adapt the customer to the marketer's needs and wants. This is accomplished by the other two modes, persuasive communication and promotional inducements. There must be a meaningful coordination of efforts to satisfy both the marketing and promotion concepts. Excessive emphasis on customer fulfillment (the marketing concept) may lead to unnecessary expenditures and lost profits. Similarly, excessive emphasis on marketer fulfillment (the promotion concept) can lead to disgruntled customers and lost business.

**Persuasive communication** consists of impersonal verbal messages (advertising and publicity), personal verbal messages (personal selling and word-of-mouth support), and nonverbal messages (packaging cues, retailer imagery, etc.). Persuasive communication is intended to stimulate wants by encouraging customers to imagine the benefits of the basic offer.

**Promotional inducements** comprise of extra substantive benefits beyond the benefits of the basic offer, intended to motivate particular customer actions. Marketers use three forms of promotional inducements: those representing the character of the basic offer (free sample, trial usage, extra goods at the same price, etc.), price-related inducements (discounts, money-off coupons, trade allowances, etc.), and inducements that are external to the basic offer (premiums, contests, trading stamps, etc.). The role of promotional inducements is to induce retailers and consumers to adopt the marketer's plan of actions.

Marketing communication represents the collection of all elements in an organization's marketing mix that facilitate exchanges by accomplishing shared meaning with the customers. Product quality, package cues, store image, and price are just some of the non-promotional variables that perform important marketing communication functions.

Promotion in its broadest sense means "**to move forward**" or "to motivate customers to action." Promotional mix refers to such communication activities like advertising, personal selling, sales promotion, publicity, and point-of-purchase communication. Promotional management is the practice of coordinating the various promotional mix elements, setting objectives, establishing budgets, designing specific programs to accomplish objectives, and taking corrective actions when results are not in accord with objectives.

A comprehensive inventory of promotional management includes the following activities:

- **Commercial Intelligence.** Collect information about customers, markets, distribution, competition, and the business

environment. Process and utilize the results for promotional planning and implementation.

- **Promotional Planning.** Formulate promotional objectives and strategies in concert with overall business and marketing objectives and strategies. Develop and communicate courses of action for sales, distribution, advertising, sales promotion, and merchandising programs.
- **Promotional Approach.** Develop approaches for taking products and services to market, including appropriate sales and distribution channels.
- **Market Development.** Formulate programs for expanding existing markets through the promotional approach.
- **Sales Administration.** Establish and manage suitable people for the operation of sales and promotion.
- **Customer Service.** Establish customer service programs to support the customers.
- **Advertising Administration.** Establish administrative and control procedures for effective operation of advertising, sales promotion, publicity, and other communications activities. Direct and coordinate the advertising agency relationship. Provide communication services to the other business functions.
- **Customer Relationship.** Establish and maintain contacts and relationships with customers and prospects.
- **Internal Marketing.** Provide for recruiting, selection, placement, training and development, motivation, compensation, and performance evaluation for all employees.

## 14.2 THE '3 Ms' OF PROMOTION : MISUSE, MISMANAGEMENT AND MISCONCEPTION

In the **United States** from 1981 to 1991, the percentage of packaged goods manufacturers' advertising and promotion budgets spent on advertising fell from about 44 percent to 26 percent. Promotions like cents-off coupons, special discounts, trade allowances, and price pack to distributors rose to make up the difference. These promotions have only a short-term positive impact on sales and once the event is over, sales volume falls significantly. This refers to **misuse** of promotion.

Promotions ensure that most of your units are sold not at the premium price you deserve, but at a discounted promotional price. Big, periodic promotions train customers to avoid buying your brands at your "regular" price and stock up at discounted prices. Thus, promotions not only reduce your net revenues, they also disrupt your distribution system by causing irrational surges and slack periods. That increases shipping and storage costs.

**Price promotion** is extremely prevalent towards the end of the financial year when marketers are striving to deliver the annual sales budget. Although this objective may be met, the huge sales upswing during the promotion often means scheduling overtime in the factory to meet sudden increased order levels. This is often followed by a period when sales are so slow it may be necessary to lay off production workers.

Yet for many years even Procter & Gamble tended to emphasize promotion. P&G started to learn how wasteful this was as top executives worked with Wal-Mart, a customer whose emphasis on consistently low prices discourages promotional discounting. Wal-Mart executives pointed out P&G had designed superior brands but put an unsustainably high price premium on them. Wal-Mart buyers had to concentrate buying when promotional prices were offered. This wasted both Wal-Mart's and P&G's resources. Under the

banner of "relationship marketing" P&G has worked closely with 190 of its largest 300 customers to reduce inventory and costs over the past seven years.

**P & G** cut back sharply on promotions and put part of the savings into lower regular prices - prices that included more realistic premiums over inferior competitors, and could be kept more stable. Much of the rest of the savings went into increased advertising. Mismanagement of promotions can be demonstrated in many organizations by the way marketing determines the advertising budget. The level of the promotional budget as a proportion of the total marketing budget is most difficult to determine in practice since sales response as a function of promotional input is one of the more elusive marketing phenomena. Each individual marketing action does not necessarily have an independent effect on the level of sales.

It is unlikely in practice that any single promotional input will consistently have a constant effect on sales volume. For example, a 10 percent increase in advertising level will not generate an equal increase in sales response. At some point, further increases in advertising outlays will increase sales at a decreasing rate. Thus, sales volume and attendant profitability will be expressed as a nonlinear function of all marketing variables acting in concert. This substitutability of one promotional and demand stimulating tool for another and the difficulty of predicting the joint effect on sales levels complicate the marketer's task of determining the total promotional budget.

However, there are a **number of guidelines** which can help marketers to decide the promotional budgets. These include:

- The required level of product differentiation.
- Position of the product in its life cycle.
- Number and types of intermediaries in the distribution channel.
- Carryover effects of current promotional expenditures.
- Number and similarity of products carried by the firm.

- Current economic climate.
- Indirect communication effects (such as preconditioning for future market cultivating) sought by the firm.
- Number of loyal customers.

Based on the above criteria, a firm can evaluate how much and what type of promotional activity is required to meet the following objectives:

- Finding prospects.
- Stimulating desire for ownership.
- Closing sales.
- Retaining customers.

Instead of using the **activity-based approach** for allocating promotional budget, many marketers simply allocate promotional budget by a certain percentage based on the estimated sales volume. Some simply spend what they feel is affordable. This usually means that marketing commits large sums when demand is buoyant and cuts back in a recession. For a long time, marketers seemed to believe that any product could be made to succeed by increasing the weight of promotional support. This fundamental misconception of promotion explains why so many products fail in the marketplace. Whether the objective is to launch a new product or relaunch an existing product, most promotional plans break down because marketers do not consider enough alternatives and cannot choose the optimal strategy.

The real **purpose of promotion** is to provide customers with the information that will assist their search to select the product most likely to satisfy their needs. If one heavily promotes an inferior product, or products with no customer value, there may be a period when sales increase. Having carried out post-purchase evaluation, however, customers will realize they were misinformed and will cease to buy in the future.

## 14.3 EFFECTIVE MARKETING COMMUNICATION

**Modern marketing** calls for more than developing a good product, pricing it attractively, and making it accessible to target customers. Companies must also communicate with their present and potential customers. What is communicated, however, should not be left to chance. To communicate effectively, companies hire advertising agencies to develop effective ads: sales promotion specialists to design sales - incentive programs: and public-relations firms to develop the corporate image. They train their sales people to be friendly and knowledgeable. The marketing communication mix, also called promotion mix, consists of four major tools (see **Exhibit 14-2**).

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### Exhibit 14-2 : Marketing Communication Mix

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Advertising	Sales Promotion	Public Relations	Personal Selling
-Print and broadcasts ads	-Contests, games, sweepstakes, lotteries	-Press kits	-Sales presentations
-Packaging	-Premiums & gifts	-Speeches	-Sales meetings
-Packaging inserts	-Sampling	-Seminars	-Telemarketing
-Mailings	-Fairs and trade shows	-Annual reports	-Incentive programs
-Catalogues	- Exhibits	-Charitable donations	-Samples
-Motion pictures	-Demonstrations	-Sponsorship	-Fairs and trade shows
-House magazines	-Couponing	-Publications	
-Brochures and booklets	-Rebates	-Community relations	
-Posters and leaflets	-Low interest financing	-Lobbying	
-Directories	-Entertainment		
-Billboards	-Trade-in allowances		
-Display signs	-Trading stamps		
-Point-of-purchase Displays	-Tie-ins		

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- ❑ **Advertising** : Any form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.
- ❑ **Sales Promotion**: Short-term incentives to encourage purchase or sale of a product or service.
- ❑ **Public Relations**: A variety of programs designed to improve, maintain, or protect a company or product image.
- ❑ **Personal Selling**: Oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales.

Marketers need to understand **how much communication works**. It can be broken down into five components: (1) who (2) says what (3) in what channel (4) to whom (5) with what effect. The major parties in a communication process are the sender and receiver. The major communication tools are message and media. In addition we have four major communication functions - encoding, decoding, response, and feedback. Senders must know what audiences they want to reach and what responses they want. Their task is to get the message through to the receiver.

## Advertising

**Advertising** has been an area of very different practice around the professions. Some have always been allowed to do it, others only more recently or in a restricted way (for example, only recruitment advertising or advertising an event, publication or seminar), and for some it is still not allowed under ethical rules. For most it is unlikely to be a major part of the communications mix. Anything that is done, however, must be done in the context of how the whole process works. Advertising is defined as being 'any paid form of non-personal communication directed at target audiences through various media in order to present and promote products, services and ideas'. More simply, it can be called 'salesmanship in print or film'.

The **role of advertising**, as one of a number of variable elements in the communication mix, is "to sell or assist the sale of the maximum amount of the service for the minimum costs". There are a variety of forms of advertising, depending upon the role it is called upon to play among the other marketing techniques employed, in terms of both types of advertising and the target to which it is directed. These include:

- National Advertising
- Retail or Local Advertising
- Direct Mail Advertising
- Advertising to obtain Leads for Salespeople
- Trade Advertising
- Industrial Advertising

A **more specific way** of understanding what advertising can do is to summarize some of the major purposes of advertising. A representative list, though not comprehensive, is as follows:

- To inform potential customers of a new product or service.
- To increase the frequency of use.
- To increase the use of a product/service.
- To increase the quantity purchased.
- To increase the frequency of replacement.
- To increase the length of the buying season.
- To present a promotional program.
- To bring a family of products together.

- To turn a disadvantage into an advantage.
- To attract a new generation of customer.
- To support or influence a franchise dealer, agent or intermediary.
- To reduce brand substitution by maintaining brand loyalty.
- To make known the organization behind the product/service (corporate image advertising).
- To increase the strength of the entire industry.
- To stimulate inquires.
- To give reasons why wholesalers and retailers should stock and promote the product.
- To provide technical information about the product/service.

There are clearly many reasons behind the advertising that we see around us. They are not mutually exclusive and many of those listed apply to professional services as well. Whatever specific objective the use of advertising seeks to achieve, the main purpose is usually to:

- Gain the customer's attention.
- Attract customer's interest.
- Create desire for the product or service.
- Prompt the customer to buy.

**Advertising** is, therefore, primarily concerned with attitudes and attitude changes. Creating favorable attitudes towards a product or service should be an important part of the advertising effort. Fundamentally, however, advertising also aims to sell, usually with the minimum of delay, but also over a longer period as in the case of informative or corporate (image-

building) advertising. Any advertisement should relate to the product or service, its market and potential market. As a communicator, it can perform a variety of tasks:

- ❑ **Provide information** - This information can act as a reminder to current users, or it can inform non-users of the product's existence. By doing so, it will create or increase awareness.
- ❑ **Attempt to persuade** - It can attempt to persuade current users to purchase again, non-users to try the product for the first time and new users to change brands or suppliers.
- ❑ **Create cognitive dissonance** - This means advertising can help create uncertainty about the ability of current suppliers to best satisfy a need. In this way, advertising can effectively persuade customers to try an alternative product or brand.
- ❑ **Create Reinforcement** - Advertising can compete with competitor's advertising - which itself aims to create dissonance - to reinforce the idea that current purchases best satisfy the customer's needs. Moreover, advertising aims to reduce the uncertainty felt by customers immediately following an important and valuable purchase, when they are debating whether or not they have made the correct choice.
- ❑ **Entertain** - In product arenas in which there is relatively little functional or rational reasoning in consumer motivation on which advertising could be based on, a more oblique approach is called for. Instead of focusing on negligible differences between one product and the next, it tries to establish an empathy between the brand and its consumers. By entertaining people - not directly selling them the product - the consumer's goodwill is obtained

which often seems to be translated into purchasing behavior.

## 14.4 TYPES OF ADVERTISING

There are **several basic types of advertising** and these can be distinguished as follows:

- ❑ **Primary** - This aims to stimulate basic demand for a particular product type, for example, insurance, tea or wool. This has already been the subject of some experiments in accountancy and other professions.
- ❑ **Selective** - This aims to promote an individual brand name, such as a brand of toilet soap or washing powder which is promoted without particular reference to the manufacturer's identity.
- ❑ **Product** - This aims to promote a 'family' branded product or range of related brands where some accounts must be taken of the image and interrelationship of all products in the mix.
- ❑ **Institutional** - This covers PR-type advertising which, in very general terms, aims to promote the company name, corporate image and the company services.

## 14.5 CORPORATE ADVERTISING

The **problem facing marketers** is not only 'can the media influence opinions', marketers also appear to be much more interested in communicating bad as opposed to good news. Should an organization makes a mistake it has to be certain that everyone will be told. To be successful, you will have to work very hard to get your message across, as good news is no news.

This, however, should not mean that the marketer should ignore the media. The problems associated with trying to get the media to communicate positive statements about organizations have led in the last few years to a massive increase in corporate advertising. The logic behind this move is quite simple - if the organization is paying for materials, space or airtime, it can have absolute control over what is to be communicated.

**Corporate advertisements**, however, are only successful in building up a strong organizational image if the organization can establish a reputation for consistent quality and a genuine desire to deliver customer satisfaction. A strong image cannot be created by corporate advertisements alone, but is founded on positive deeds that cause customer groups to develop a trust in the consistent capabilities of the provider.

## 14.6 SALES PROMOTIONS

**Sales promotions** such as coupons, price packs, and trade allowances offer the customer a temporary price reduction. They have only a short-term positive impact on sales and once the event is over, sales volume may fall significantly, compensated by a significant increase in volume in order to make a positive impact on a company's bottom line.

In addition, promotions may **actually increase** costs as the huge sales upswing often requires overtime in the factory and afterwards, when sales are unusually low, workers are being idled.

For understanding the real purpose of promotion it is necessary to examine buyer behavior. Customers move through the five stages of (1) recognizing need, (2) gathering information, (3) evaluating information, (4) deciding to buy and then, through (5) post-purchase evaluation, assessing whether the product has lived up to the expectations developed prior to purchase. Throughout this activity the customer is acquiring information from internal and external sources. Only when the internal sources such as family, friends, colleagues etc. cannot provide sufficient information, then the customer will

listen to the external data contained within the promotional messages of the suppliers.

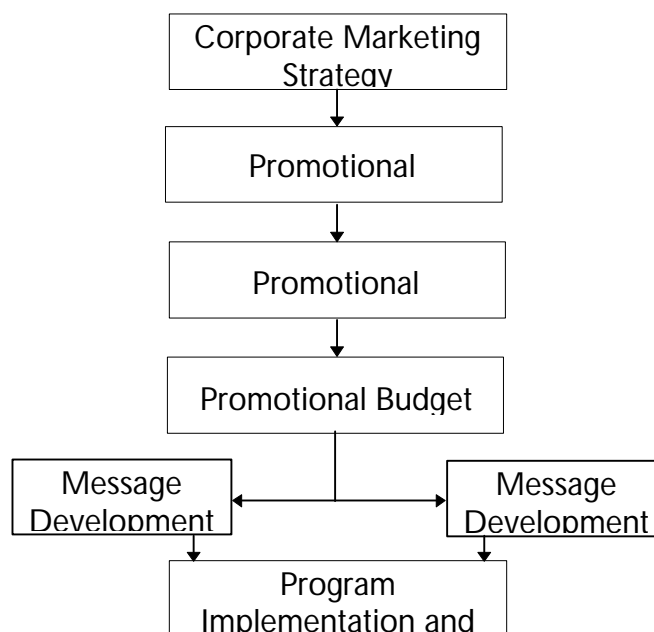
It can be concluded that the real purpose of promotion is not a reduction in price but to provide the customers with the information that will assist their search to select the product most likely to satisfy their current needs.

As the **purpose of promotions** is to communicate information relevant to organizational goals, it is the corporate marketing strategy that should provide the overall framework upon which program planning and implementation decisions should be based. (see **Exhibit 14-3**) The marketing strategy will determine the appropriate positioning for the promotional campaign. Two key dimensions of positioning are (1) whether price or product performance will form the main plank of the communication platform, and (2) the degree to which a performance superiority claim can be justified.

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**Exhibit 14-3 : The Promotional Management Process Model**

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In many mature, non-durable consumer goods markets, the actual tangible differences in product performance between brands is often quite small or non-existent. Under these circumstances, any desire for differentiation can only be achieved by creating some form of perceived difference by concentrating on the augmented features of the product. Where there is little to distinguish - even the attributes of the augmented product - it then falls to the promotional campaign to be the only mechanism through which marketers create perceived differences.

## 14.7 PUBLIC RELATIONS

**Public relations** can provide a planned, deliberate and sustained attempt to achieve understanding between a company and the public. Not only is public relations activity potentially a powerful ally in a company's promotional armory, it is also free. It is often compared with advertising, which is communication in bought space, but, of course, there is a catch. PR takes time, and in professional services time is certainly money. Therefore in too many organizations PR is neglected, staff are busy, even over-stretched, and opportunities are missed. Yet if the power of PR is constantly ignored, then at worst not only are opportunities missed, but the image that occurs by default may actually damage your business prospects. In many ways, therefore, time spent on PR is time well spent and often more a case of relationships rather than resources. By its nature public relations will do relatively little for brand awareness, but it can certainly help over a period of time in establishing understanding between a manufacturer and its public. It might be even more accurately termed media relations in so far as the business acknowledges and seeks to exploit the extent to which consumers are influenced by nominally impartial press TV and radio editorial coverage.

## 14.8 THE FUTURE ROLE OF MASS MEDIA

In many ways the **attributes of media** will be measured differently in the future. While some of this have to do with the changing objectives of

marketers, the majority has to do with the fact that we have left the era of mass marketing, passed through the era of segmented marketing, and arrived in the era of the niche market. It would be a strange irony if, just as the television invasion climaxes, the advertising world were to decide it did not need TV any more. This is not going to happen and we are not discussing whether the media are used, but for what they are used and what proportion of spending they will command. Many of the so-called below-the-line media, such as direct mail, have come to realize that they too can play a much greater role in both the brand and corporate-building process. Thus, whereas once they concentrated solely on their tactical objectives, they now spread across both planes - tactics and strategy. This duality of role makes good economic sense. And it makes powerful advertising too.

**Direct mail**, like many of the other marketing disciplines, can have a powerful effect on brand building, and an equally strong contribution to the process of loyalty building, which, as the marketing world re-focuses on relationships, will be thrown under a greatly increased spotlight. It can be seen that the media of targeted marketing can reach and address the niches, and can achieve their own objectives as well as some of those usually reserved for the mass media.

While this may result in a decrease in some areas for the mass media, a small consolation might be drawn from the increasing prominence of the corporate position behind the brand. The policies and practices of the corporations will be watched more closely, be discussed more intelligently, and be acted upon more aggressively; the 'Green Movement' is a perfect example.

The most important point to note for the future is that almost all media - particularly the mass media - will follow the fragmenting market and endeavor to reach tighter targets. For this they will expect to chase a premium - in other words, rates per thousand will undoubtedly increase. For marketers and advertisers among them, this means that markets will become more tightly definable, but more expensively available: the classic advertising media generally will become less cost-effective and will attract less spending.

The only possible area increasing its use of mass media against the general trend is the area of corporate image and positioning.

To summarize the future media trends, we can look at the following factors and how they will affect us tomorrow and beyond:

- Media profusion is set to continue at explosion level for many years - particularly outside the conventional mass-media areas.
- Media will tend to follow the fragmenting markets to offer tighter geographic, demographic and sociographic definition. For a tighter economic price!
- Brand objectives can be successfully delivered by all media - as long as their strategic objectives are recognized along with the tactical. This is a realization sadly overlooked until the last few years - mostly by the marketing services community who controlled them.

The 'brand behind the brand' - the corporation - will take on an increasing prominence as the consumers become more sophisticated and informed. Expect the Green to take full advantage of this as they, and other consumer groups, gain in strength and influence at all levels of society.

- The 'right audience for your ad' will become more influential on the price an advertiser is prepared to pay. Quantity will be less influential.
- **Cable TV**, because of its aesthetic values (everything to the set and nothing on the roof) and its ability to offer computer and telephone services - all three at optimum-quality standards and without interference - could eventually become the predominant carrier, at least in urban and suburban areas of developed countries.
- As more advertisers seek unbiased strategic marketing counsel,

TV will find it difficult to retain favor and will probably lose out to those media who can deliver 'double-duty advertising', direct marketing and sales promotion, for example. Corporate advertising, at this stage, would appear to contradict this trend and increase its priority.

- It will generally get more expensive and need more organization to reach audiences on a mass basis - thus, many methods of advertising will become less cost-effective.

## **14.9 STEPS IN THE DEVELOPING OF EFFECTIVE COMMUNICATIONS**

### **1. Identify the Target Audience**

The audience can be potential buyers of the company's products, current users, decoders or influencers. The audience can be individuals, groups, particular publics, or the general public.

An image analysis will assess the audience's current image of the company and its products. Image is a set of beliefs, ideas, and impressions that a person holds of an object, and images are sticky! It is difficult to change an unfavorable current image into a desired image.

### **2. Determining the communication Objectives**

Once the target market is identified, the marketing communicator must decide on the desired audience response. He needs to know how to move the target audience to higher states of readiness to buy. Although there are four best known response hierarchy models, we only intend to look at the Hierarchy-of-Effects Model more in detail.

The **Hierarchy-of-Effects Model** describes the six stages of buyer-readiness:

- ❑ **Awareness** - If most of the target audience is unaware of the product, the communicator's task is to build awareness, perhaps just a name recognition.
- ❑ **Knowledge** - The target audience is aware of the product, but does not know much about it. The communicator may decide to select product knowledge as the first communication objective.
- ❑ **Liking** - If the target audience knows the product, how does the audience feel about it? If the feeling is unfavorable, the communicator has to find out why and then develop a communication campaign to shore up favorable feelings. If the unfavorable view is based on real problems with the product or service, then the communication campaign alone cannot do the job. The company will have to fix the problem first and then communicate its renewed quality. Good public relations call for 'good deeds followed by good words'.
- ❑ **Preference** - The target audience might like the product, but does not prefer it compared to others. In this case, the communicator must try to build consumer preference by promoting the product's quality, value, performance, and other features.
- ❑ **Conviction** - A target audience might prefer a particular product but not develop a conviction about buying it. The communicator's job is to build conviction that buying and using the product is the right thing to do.
- ❑ **Purchase** - Finally, some members of the target audience might have conviction but not quite get around to making the actual purchase. They may wait for more information or plan to act later. The communicator must lead these consumers to take the

final step. Actions might include offering the product at a low price, offering a premium, or letting consumers try it on a limited basis (see **Exhibit 14-4**).

**Exhibit 14-4 : Different Models of Promotion**

Models Stages	'AIDA' Model	'Hierarchy- of-effects' Model	'Innovation- Adoption' Model	'Comuni- ations' Model
Cognitive Stage	Attention ↓	Awareness ↓ Knowledge	Awareness	Exposure ↓ Reception ↓ Cognitive Response
Affective Stage	Interest ↓ Desire	Liking ↓ Preference ↓ Conviction	Interest ↓ Evaluation	Attitude ↓ Intention
Behavior Stage	↓ Action	↓	Trail ↓ Adoption	↓ Behavior

**3. Designing the Message**

Having defined the desired audience response, the communicator moves to developing an effective message. Ideally, the message should gain attention, hold interest, arouse desire, and elicit action (AIDA Model). Formulating the message will require solving four problems: (1) what to say (message content), (2) how to say it logically (message structure), (3) how to say it symbolically (message format), and (4) who should say it (message source).

### 3.1 **Message Content**

The communicator has to figure out what to say to the target audience to produce the desired response. This process has been variously called the appeal, theme, idea, or unique selling proposition (USP). It amounts to formulating some kind of benefit, motivation, or reason why the audience should think about or investigate the product. Three types of appeals can be distinguished:

- **Rational Appeal** - Appeals to the audience's self-interest and gives rational reasons why the audience should buy the product. Most industrial buyers are responsive to rational appeals.
- **Emotional Appeal** - Attempts to stir up some negative or positive emotions that will motivate the purchase such as fear, guilt, shame, love, pride, joy, etc.
- **Moral Appeal** - They are directed to the audience's sense of what is right and proper and are often used to exhort people to support social causes.

### 3.2 **Message Structure**

A message's effectiveness depends on its content as well as its structure. The structural design can be conclusion drawing or one- versus two-sided arguments, whereby the order of presentation has a certain influence on the desired response as well.

- **Conclusion Drawing** - The communicator draws a definite conclusion for the audience. However, recent research indicates that the best ads ask questions and allow their readers and viewers to

come to their own conclusions.

- **One- or Two-Sided Arguments** - The question is whether the communicator should only praise the product or also mention some of its shortcomings. This is more effective with better educated audiences or if counter-propaganda from competitors can be expected.
- **Order of Presentation** - This involves the question whether the communicator should present the strongest arguments first or last. In the case of a one-sided message, presenting the strongest argument first has the advantage of establishing attention and interest. However, if the audience is initially opposed, the communicator might start with the other side's argument. This will disarm the audience and allow concluding with the communicator's strongest arguments.

### 3.3 Message Source

Messages delivered by attractive sources achieve higher attention and recall. Advertisers often use celebrities as spokes-people. They are likely to be effective when they personify a key product attribute. But what is equally important is that the spokes-person has credibility. Messages delivered by highly credible sources are more persuasive. Pharmaceutical companies, therefore, often use doctors to testify about their product's benefits, while a tennis racket, for example, is usually presented by one of the world's top tennis stars.

## 4. Selecting the Communication Channels

#### 4.1 **Personal Communication Channels**

This involves two or more persons communicating directly with each other face to face, person to audience, over the telephone, or through mail. A further distinction can be drawn between various communication channels. Advocate channels consist of company sales-people contacting buyers in the target market.

Expert channels consist of independent experts making statements to target buyers. Social channels consist of neighbors, friends, family members talking to target buyers. This last channel, known as word-of-mouth influence, is the most persuasive in many product areas.

#### 4.2 **Non-Personal Communication Channels**

Here messages are carried without personal contact or interaction by media, atmospheres, and events.

- **Media:** consist of print media (newspapers, magazines, direct mail), broadcast media (radio, television), electronic media (audiotape, videotape, computer diskettes), and display media (billboards, signs, posters).
- **Atmospheres** are 'packaged environments' that create or reinforce the buyer's leaning toward product purchase. Thus luxury hotels have elegant chandeliers, marble columns, and other tangible signs of luxury.
- **Events** are occurrences designed to communicate particular messages to target audiences. Public-relations departments arrange news conferences, grand openings, and sport sponsorships to achieve

specific communication effects with a target audience.

## 5. **Establishing the Total Promotional Budget**

One of the most difficult marketing decisions facing companies is how much to spend on promotion? Most of the time, one half of the advertising is wasted, however, it is not easy to find out which half. We will describe three common methods used to set a promotion budget.

### 5.1 **Affordable Method**

Many companies set the promotion budget at a level they think the company can afford, thereby completely ignoring the role of promotion as an investment and the immediate impact of promotion on sales volume.

### 5.2 **Percentage-Of-Sales-Methods**

Many companies set their promotion expenditures at a predetermined percentage of turnover, revenue or expected sales price. The advantage of this method is that the promotion expenditures will vary with what the company can afford and encourages competitive stability as competing firms spend roughly the same percentage of their sales on promotion. The disadvantage, however, is that this method leads to a budget set by the availability of funds rather than by market opportunities. There is also no logical basis for choosing a specific percentage.

### 5.3 **Objective-And-Task Method**

Promotion budgets are set by defining their specific objectives, determining the tasks that must be performed to achieve these objectives, and estimating the costs of

performing these tasks. We look at the individual steps, using as an example the introduction of a new cigarette, called XO, to the American market.

**a. Establish the Market-Share Goal**

The company wants 8% of the US market with 50 million cigarette smokers, targeting 4 million smokers to switch to XO.

**b. Determine the Percent of the Market that should be reached by XO Advertising**

The company hopes to reach 80% (40 million smokers) with the advertisement.

**c. Determine the Percent of Aware Smokers that should be persuaded by the Brand**

The company hopes that 25% of aware smokers (10 million) will try XO and that 40% of all triers (4 million) become loyal users. That is the market goal.

**d. Determine the Number of Advertising Impressions per 1 Percent Trial Rate**

The company estimates that 40 advertising impressions (exposures) for every 1% of the target population would bring about a 25% trial rate.

**e. Determine the Number of Gross Rating Points that would have to be purchased**

A gross rating point is 1 exposure to 1% of the target population. Since the company wants to achieve 40 exposures to 80% of the target population, it will have to buy 3,200 gross rating points.

**f. Determine the necessary Advertising Budget on the Basis of the Average Cost of buying a Gross Rating Point**

To expose 1 percent of the target population to 1 impression costs an average of US\$ 4,000. Therefore 3,200 gross rating points would cost US\$ 12,800,000.

**6. Deciding on the Promotion Mix**

Companies face the task of distributing the total promotion budget over the four promotion tools of advertising, sales promotion, public relations, and sales-force. The relative importance of these tools varies considerable with different industries.

**7. Measuring Promotion's Results**

After implementing the promotional plan, the communicator must measure its impact on the target audience. This involves asking the target audience whether they recognize or recall the message, how many times they saw it, what points they recall, how they felt about the message, and their previous and current attitudes toward the product and the company. The communicator would also want to collect behavioral measures of audience response, such as how many people bought the product, liked it, and talked to others about it.

**8. Managing the Marketing Communication Process**

The wide range of communication tools and messages makes it imperative that they be coordinated. Otherwise, the messages might be ill timed in terms of availability of goods; they may lack consistency; or they might not be cost effective. Today, modern companies are moving toward the concept of Integrated Marketing Communications. This concept calls for:

- Appointment of a Marketing Communications Director who has overall responsibility for the company's persuasive communication efforts.
- Working out a philosophy of the role and extent to which the different promotional tools are to be used.
- Keeping track of all promotional expenditures by product, promotional tool, stage of product life cycle, and observed effect as a basis for improving further use of these tools.
- Coordination of promotional activities and their timing when major campaigns take place.

Integrated marketing communications will produce more consistency in the company's meaning to its buyers and publics. It places a responsibility in someone's hand to unify the company's image. It leads to a total marketing communication strategy aimed at showing how the company and its products can help customers solve their problems.

## **14.10 BUSINESS-TO-BUSINESS MARKETING**

Marketing to businesses differs from marketing to consumers in three fundamental respects:

1. The buyers are using their company's money, not their own.
2. Potential customers in a business market are typically numbered only in hundreds or even dozens within one country.
3. Any non-trivial buying decision is taken not by one person but by a large group, the Decision Making Unit (DMU). Each member of that unit has a different role to play and different degree of influence on the outcome.

In a typical consumer market where the potential customers are numbered in millions, they have to be dealt with at distance through the intermediaries of market researchers, retail distributors and mass-advertising.

By contrast, business-to-business or Industrial Marketing is about **interactive personal relationships** between the personnel of suppliers and of their relatively small number of identifiable present and potential firms. Such relationships, initiated and fostered by relationship marketing techniques, are often stable, complex and long-lasting. Consequently, some of the classic techniques of consumer marketing such as blind product testing, point-of-sale promotion or mass-television advertising are usually not applicable to business markets.

It is not sufficient to target individual potential customer companies. Within each of them the marketer has to identify the members of the relevant DMU, by role, by job title, and ideally by name.

Sales forces are well aware that most companies have Purchasing Officers or complete Purchasing Departments who has the task of locating and contacting possible suppliers. They may often conduct all the negotiations, and will certainly try to give the suppliers' representatives the impression that they are the only arbiters of the final decision. However, while such Purchasers are indeed part of the DMU, their actions are influenced and even directed by others. Most of these others can be designated as Authorizers, Specifiers, and Users.

**Authorizers** tend to be Senior Management especially Finance Directors or CEOs, who set budgets and agree whether or not a given purchase can be made against them. Final authorizers are involved in large number of decisions, but only at a strategic level, in effect ratifying or vetoing plans worked out in detail by others.

**Specifiers** may sometimes be the ultimate users, but are more often R&D staff, engineers or external technical analysts able to summarize the

company's needs and the characteristics of the goods or services that will satisfy them.

The final **Users** will certainly be consulted both at the specification stage and after the purchase has been made, and may well have identified the need in the first place.

Each of these roles is likely to be taken by a different department, and often not by an individual but by a group, including senior and junior members of staff. Interactions between them can be complex, and while few may have the power to say 'yes' to a proposition, all are important to a supplier because many may have effective powers of veto. The customer for a supplier is not really another firm but a group of its employees who take its buying decisions. The ability to design an effective and cost-effective marketing campaign depends on the supplier first seeking out firms which already buy and use the product category and then identifying in each case the members of the DMU, understanding the triggers of their buying behavior and the means by which they can be influenced.