

# CHAPTER 14

## Communication decisions

### LEARNING OBJECTIVES

After studying this chapter you should be able to:

- define and classify the different types of communication tool
- explain what is meant by 'mass customisation' and one-to-one marketing
- describe and explain the major steps in advertising decisions
- describe the techniques available and appropriate for setting the advertising budget in foreign markets
- discuss the possibilities of marketing via the Internet
- discuss which points should be considered when creating a website on the Internet
- explain how important personal selling and salesforce management are in the international marketplace
- discuss how standardised international advertising has both benefits and drawbacks

### 14.1 INTRODUCTION

Communication is the fourth part of the global marketing programme. The role of communication in global marketing is similar to that in domestic operations: to communicate with customers so as to provide the information that buyers need to make purchasing decisions. Although the communication mix carries information of interest to the customer, in the end it is designed to persuade the customer to buy a product, at the present time or in the future.

Marketers need to ensure that all elements of the marketing mix – product, price, promotion (communication) and place – are working together. This chapter deals with communication, which is broader than promotion but includes it within its scope.

Communication is the exchange of information between or among parties. It involves sharing points of view and is at the heart of forming relationships. You simply cannot connect with

### Integrated marketing communications (IMC)

A system of management and integration of marketing communication elements – advertising, publicity, sales promotion, internet marketing sponsorship marketing and point-of-sale communications – with the result that all elements adhere to the same message.

### Share of voice (SOV)

The communication expenditures (advertising, PR, sales force, etc.) for the firm's brand in percentage of the total communication expenditures for all brands in a product category.

customers unless you communicate with them. Promotion is the process whereby marketers inform, educate, persuade, remind and reinforce consumers through communication. It is designed to influence buyers and other groups. Although most marketing communications are aimed at consumers, a significant number also address shareholders, employees, channel members, suppliers and society. In addition, we will see that effective communication works in two directions: receiving messages is often as important as sending them. **Integrated marketing communication (IMC)** is the coordination of advertising, sales promotion, personal selling, public relations and sponsorship to reach consumers with a powerful unified effect. These five elements should not be considered as separate entities. In fact, each element of the communication plan often has an effect on the other.

The total amount of communication activities in the market is the so-called '**Share of voice**' (SOV). How to measure SOV more precisely? Secondary market research may be used to accumulate measured media expenditures and estimated costs for other communications activities. Information should be gathered for all competitors on an annual basis. Each competitor's percentage of the aggregate total is its share of voice.

For example, if five different brand names advertise in one product category and the percentage of advertising for one of them is 60 per cent of the total volume of advertising in that product category, that brand will have the greatest SOV (in that product category). A recession can provide opportunities for marketers, partly because of likely reduced marketing communication activity by rivals – which enables a brand to increase its share of voice, and consequently gain market share, if it simply maintains its marketing spending (see also Figure 14.1).

Clearly the Internet offers exciting new targeting opportunities that will increasingly affect the way marketers combine and orchestrate various communication activities to create the most effective IMC mix.

To communicate with and influence customers, several tools are available. Advertising is usually the most visible component of the promotion mix, but personal selling, exhibitions, sales promotions, publicity (PR) and direct marketing (including the Internet) are also part of a viable international promotion mix.

One important strategic consideration is whether to standardise the promotion mix worldwide or to adapt it to the environment of each country. Another consideration is the availability of media, which varies around the world.

For many years there has been considerable debate about how advertising works. Researchers agree that there can be no single all-embracing theory that explains how all advertising works.

One of the models is the frequently advocated **AIDA** model, where a person passes through the stages of awareness, interest, desire and action. According to this model, advertising is strong enough to increase people's knowledge and change people's attitudes and as a

### AIDA

Awareness, interest, desire, action – the stages through which a consumer is believed to pass before purchasing a product.



If the company's 'share of voice' in the market (compared to competitors) is bigger than the company's current market share, then it will lead to a gain in market share (all other things being equal).

This is a particularly relevant point in times of economic recession, when competitors are decreasing their promotion and communication budgets. Then the company should consider doing the opposite of its competitors, because even with a constant marketing budget, it might gain market share.

Figure 14.1

Share of voice compared to share of market

consequence is capable of persuading people who have not previously bought a brand. It is therefore a conversion theory of advertising: non-buyers are converted to buyers. Advertising is assumed to have a powerful influence on consumers.

Other hierarchy of effects models tend to describe the same processes from different viewpoints. After AIDA, the most quoted model within the advertising industry is DAGMAR (defining advertising goals for measuring advertising results) which splits the process into four steps of awareness, comprehension, conviction and action.

These models are all limited by certain forces. Although they may work in a cold sales call, in other complex marketing situations they do not take into account time and experience. One major weakness is that they fail to take into account the history of the brand. Buying decisions are rarely made in isolation. They are an accumulation of months, even years, of experience on the part of the buyer.

## 14.2 THE COMMUNICATION PROCESS

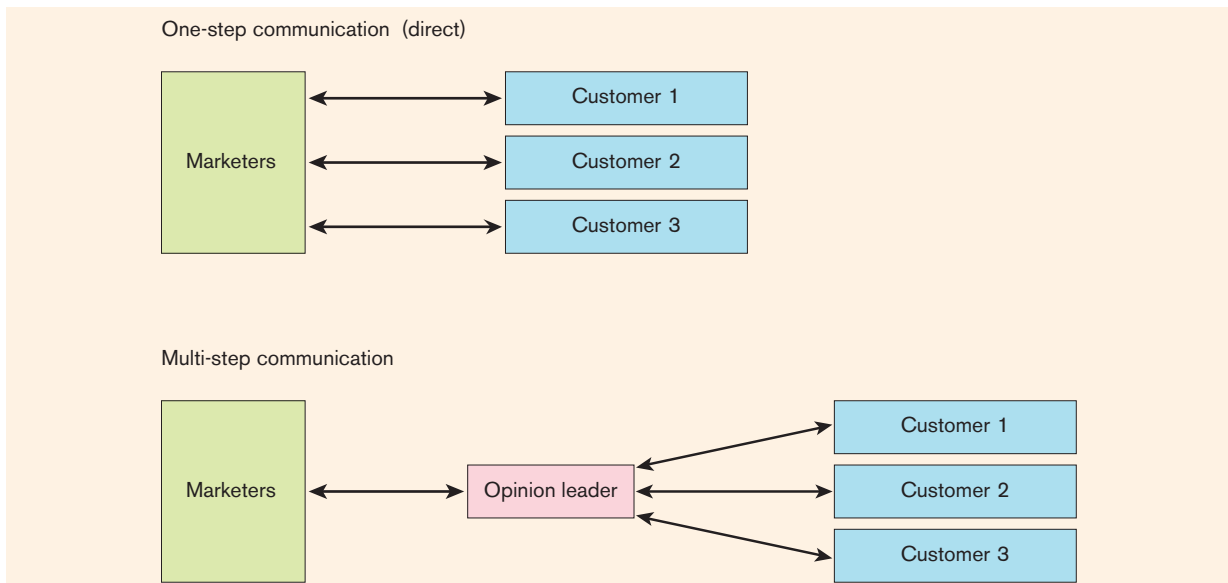
### Opinion leadership

Marketing communications reach customers directly and indirectly. Figure 14.2 illustrates both paths. In *one-step communication*, all members of the target audience are simultaneously exposed to the same message. *Multiple-step communication* uses influential members of the target audience, known as **opinion leaders**, to filter a message before it reaches other group members, modifying its effect positively or negatively for the rest of the group.

#### Opinion leader

Person within a reference group, who, because of special skills, knowledge, personality or other characteristics, exerts influence on others.

Because of their important role, opinion leaders have often been called gatekeepers to indicate the control they have over ideas flowing into the group. Marketers interested in maximising communication effectiveness nearly always attempt to identify opinion leaders. Opinion leaders are open to communication from all sources. They are more inclined to be aware of information regarding a broad range of subjects. They read a lot, talk with salespeople and other people who have information on products. Opinion leaders can intensify the strength of the message if they respond positively and pass it on to others, especially if it is



**Figure 14.2** Opinion leadership in the communication process

going on through the mass media. Consequently, the resources used to gain support from opinion leaders are probably well spent.

Public figures are often opinion leaders. Consider the sales boost after Oprah Winfrey introduced her book of the month club feature. She has influenced so many consumers with her highly regarded opinion that her selections have become bestsellers.

### Buyer initiative in the communication process

In considering the communication process we normally think about a manufacturer (sender) transmitting a message through any form of media to an identifiable target segment audience. Here the seller is the initiator of the communication process. However, if the seller and the buyer have already established a relationship, it is likely that the initiative for the communication process will come from the buyer. If the buyer has a positive post-purchase experience with a given offering in one period of time, this may dispose the buyer to buy again on later occasions; that is, take initiatives in the form of making enquiries or placing orders (so-called reverse marketing).

The likely development of the split between total sales volume attributable to buyer and seller initiatives is shown in Figure 14.3. The relative share of sales volume attributable to buyer initiative will tend to increase over time. Present and future buyer initiatives are a function of all aspects of a firm's past market performance; that is, the extent, nature and timing of seller initiative, the competitiveness of offerings, post-purchase experience and the relationships developed with buyers, as well as the way in which buyer initiative has been dealt with (Ottesen, 1995).

### Key attributes of effective communication

All effective marketing communication has four elements: a sender, a message, a communication channel and a receiver (audience).

To communicate in an effective way, the sender needs to have a clear understanding of the purpose of the message, the audience to be reached and how this audience will interpret and

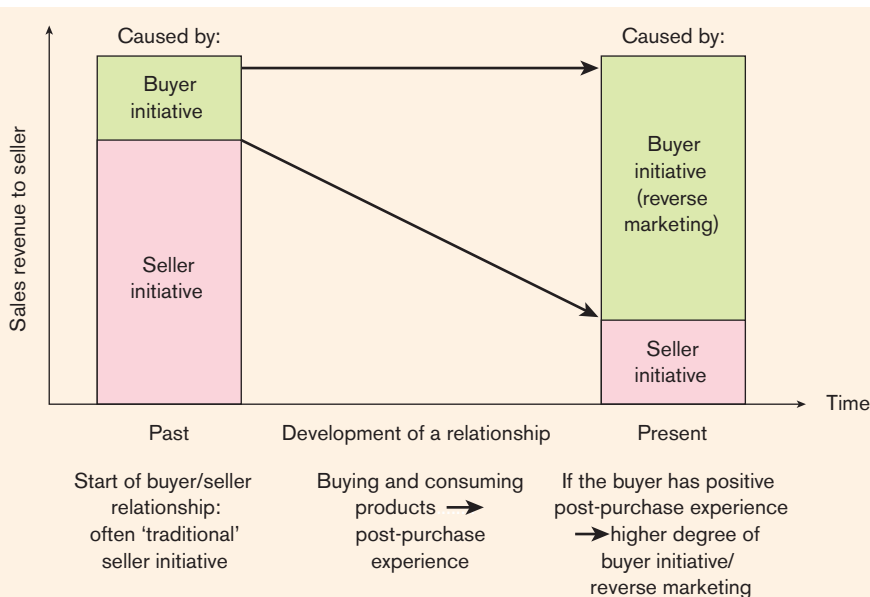


Figure 14.3

The shift from seller initiative to buyer initiative in buyer-seller relationships

Source: Hollensen, S. (2001) *Global Marketing: A Market Responsive Approach*, 2nd ed., Financial Times-Prentice Hall, Harlow, p. 516. Reproduced with permission.

respond to the message. However, sometimes the audience cannot hear clearly what the sender is trying to say about its product because of the 'noise' of rival manufacturers making similar and often contradictory claims about their products.

Another important point to consider is the degree of fit between medium and message. For example, a complex and wordy message would be better for the press than for a visual medium such as television or cinema.

## Other factors affecting communication

### Language differences

A slogan or advertising copy that is effective in one language may mean something different in another language. Thus, the trade names, sales presentation materials and advertisements used by firms in their domestic markets may have to be adapted and translated when used in other markets.

There are many examples of unfortunate translations of brand names and slogans. One of General Motors' models in the UK was called the Vauxhall Nova – in Spanish it means 'it does not go'. In Latin America, 'Avoid embarrassment – use Parker pens' was translated as 'Avoid pregnancy – use Parker pens'.

A Danish company made the following translation for its cat litter in the UK: 'Sand for cat piss'. Unsurprisingly, sales of the firm's cat litter did not increase! Another Danish company translated 'teats for baby bottles' as 'loose tits'. In Copenhagen Airport the following poster could be seen until recently: 'We take your baggage and send it in all directions'. A slogan thus used to express a wish of giving good service might give rise to some concern as to where the baggage might end up (Joensen, 1997).

### Economic differences

In contrast to industrialised countries, developing countries may have radios but not television sets. In countries with low levels of literacy, written communication may not be as effective as visual or oral communication.

### Socio-cultural differences

Cultural factors (religion, attitudes, social conditions and education) affect how individuals perceive their environment and interpret signals and symbols. For example, the use of colour in advertising must be sensitive to cultural norms. In many Asian countries, white is associated with grief; hence an advertisement for a detergent where whiteness is emphasised would have to be altered for promotional activities in, say, India.

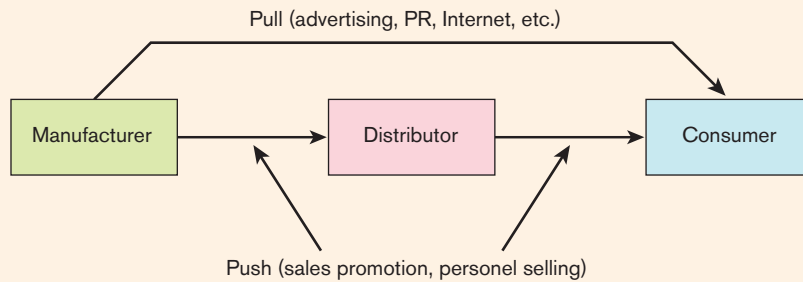
### Legal and regulatory conditions

Local advertising regulations and industry codes directly influence the selection of media and content of promotional materials. Many governments maintain tight regulations on content, language and sexism in advertising. The type of product that can be advertised is also regulated. Tobacco products and alcoholic beverages are the most heavily regulated products in terms of promotion. However, the manufacturers of these products have not abandoned their promotional efforts. Philip Morris engages in corporate-image advertising using its Marlboro man. Regulations are found more in industrialised economies than in developing economies, where the advertising industry is not yet as highly developed.

### Competitive differences

As competitors vary from country to country in terms of number, size, type and promotional strategies used, a firm may have to adapt its promotional strategy and the timing of its efforts to the local environment.





**Figure 14.4** Push versus pull strategies

## Push versus pull strategies

Where a marketer uses any form of distribution channel, he or she is faced with two extremes in terms of promotion. Marketers attempt to influence the market through either a **push strategy** or a **pull strategy**, as illustrated in Figure 14.4. In many cases they use both strategies.

### Pull strategy

A pull strategy attempts to influence consumers directly. Communication is designed to build demand so consumers will pull the product through the channel of distribution. In other words, consumers ask retailers for the product, who in turn ask wholesalers, who in turn contact the manufacturer. When pursuing this strategy, a manufacturer focuses primarily on building selective demand and brand loyalty among potential customers through media advertising, consumer promotion, extended warranties and customer service, product improvements, line extensions and other actions aimed at winning customer preference. Thus, by building strong consumer demand, the manufacturer increases its ability to promote economic rewards in the form of large sales volumes to its channel members in return for their cooperation.

### Push strategy

The push strategy involves communicating to distribution channel members, who in turn promote to the end user. This is particularly common in industrial or business-to-business marketing. Marketers often train distribution channel members on the sales techniques they believe are most suited to their products. The push technique is also used in retail marketing.

Smaller firms with limited resources, those without established reputations as good marketers, and those attempting to gain better channel support for existing products with relatively small shares and volumes often have difficulty achieving relationships with end customers.

In such situations firms usually adopt a push strategy in which much of the product's marketing budget is devoted to direct inducements to gain the cooperation of wholesalers and/or retailers. Typically, a manufacturer offers channel members a number of rewards, each aimed at motivating them to perform a specific function or activity on the product's behalf. The rationale is that by motivating more wholesalers or retailers to carry and aggressively sell the product, more customers are exposed and persuaded to buy it.

It thus tends to revolve around sales promotion and is sometimes referred to as '**below the line**'. This term is derived from the days when advertising agencies managed all promotional activity, and the items on the accounts that did not relate to advertising were put below the line that divided the agency's main activity on the expenditure reports. This technique is particularly favoured by organisations without strong brands that are involved in price competition.

Often, a combined push-pull strategy is appropriate. The combination approach sells to the channel and to the end user. This can speed product adoption and strengthen market

#### Push strategy

A promotional strategy whereby a supplier promotes a product to marketing intermediaries, with the aim of pushing the product through the channel of distribution.

#### Pull strategy

Involves a relatively heavy emphasis on consumer-oriented advertising to encourage consumer demand for a new brand and thereby obtain retail distribution. The brand is pulled through the channel system in the sense that there is a backward tug from the consumer to the retailer.

share. As we learned in Chapter 13, conflicts often occur between the marketing organisation and its distributors. For example, in the food industry, retailers want to carry products that yield the greatest profitability. Since these may not be brands with the strongest pull, retailers may charge marketers for shelf space. Essentially, they are being paid to push the product to the end user. Using a pull strategy to create strong demand at the consumer level makes channel members more willing to handle the product.

With a pull strategy the marketer aims promotional effort (typically advertising) at the end customer in the belief that he or she will be motivated to ‘pull’ the product through the channel (by demanding it from retailers, for example). Due to its association with advertising, it is sometimes referred to as ‘**above the line**’. This technique is usually favoured by the owners of strong, differentiated brands, such as Procter & Gamble or Nestlé.

#### Above-the-line advertising

Advertising in the mass media, including press, radio, television and posters.

## Mass customisation, one-to-one marketing and the push-pull strategy

As shown in the following, new trends in product manufacturing have a great impact on the way that firms communicate more and more directly to the customer.

The phrase mass customisation is striking, for it seems a contradiction in terms. Mass production implies uniform products, whereas customisation connotes small-scale crafts. Combining the best of both promises exciting choices for consumers and new opportunities for business.

The concept of mass customisation is about allowing companies to produce products tailored to customers’ requirements. It is really an extension of product differentiation. The traditional form of product differentiation involves changing the product characteristics to differentiate one firm’s product from another firm’s. Differentiation can also assume the role of distinguishing several of a single firm’s products from each other. The goal is to fit the product to the customer’s needs better. The ultimate goal of mass customisation is to fit the product and communication to the customer’s needs perfectly. This one-to-one marketing relationship is difficult to achieve because of its nature and complexity.

Pitta (1998) proposed four basic steps companies must go through to practise one-to-one principles.

### Identify customers

Companies must know their customers. It is vital to learn which are the heavy, medium, light and non-users of your products. When companies identify consumers who will never purchase their products at all, they can stop spending money and effort trying to win them over. They simply will not purchase. More important, it is vital to learn who are the loyal customers. They represent the best prospects for company success and are the company’s most valued asset. It is important for companies to take the right actions to ensure they keep their business, forever.

### Differentiate each customer

Identifying the most valuable customers, recognising their unique preferences and needs, and treating them differently is the essence of one-to-one marketing. Customers have different needs from the firm, and from each other. Moreover, they have different values to the organisation. The value of a customer determines how much time and investment should be allocated to that customer, and a customer’s needs represent the key to keeping and to growing that customer’s business. This applies both to individual consumers and to industrial customers.

### Interact with each customer

Interacting with your customers is another one-to-one marketing fundamental. Every contact with a customer represents the opportunity to learn more about his needs and his value to the organisation. In some cases, direct contact will be possible and considerable thought should go into how maximum learning can take place. In some cases, direct questions will be possible. In others, consumers will make choices and the firm can infer customer preferences.

### Customise products for each customer

This seems logical and apparent, but producing and delivering a product customised to an individual customer is the most difficult principle to put into practice. It is difficult. If it were not, everyone would already be doing it. The difficulty depends in part on successful completion of the previous three steps.

Customisation may create competitive advantages, but it is also a big challenge to implement it. It is only made possible by integrating the production process with the firm’s customer feedback. A company that has been able to implement successful mass customisation is Dell Computer. Dell’s story is by now a familiar one. Over the Web, customers select what they want from hundreds of different components to configure the computer of their choice, which Dell builds only when it has the money for it. The company has become the envy of manufacturers of all kinds.

But mass customisation is not necessarily feasible for all goods. Assembling cars, for example, is more complex and difficult than building computers. Still, car companies such as BMW, Ford and General Motors have high hopes for the build-to-order (BTO) approach (equivalent to one-to-one marketing), a variant of mass customisation.

Agrawal *et al.* (2001) are very doubtful about the benefits of BTO in the car industry. Moving from a mass manufacturing (or push) system of production, which car makers have continually refined over the years, to a BTO (or pull) system would require numerous operational and organisational changes throughout the car industry value chain (see Figure 14.5).

The pay-off of a BTO strategy is unclear. Luxury-car buyers seem eager to specify their preferences in great detail. But it is still too early to tell whether mainstream customers want their vehicles built to order.

Yet, a true pull system would mean a massive reduction in finished goods (for both the manufacturers and the dealers) and in component inventories (for both the manufacturers

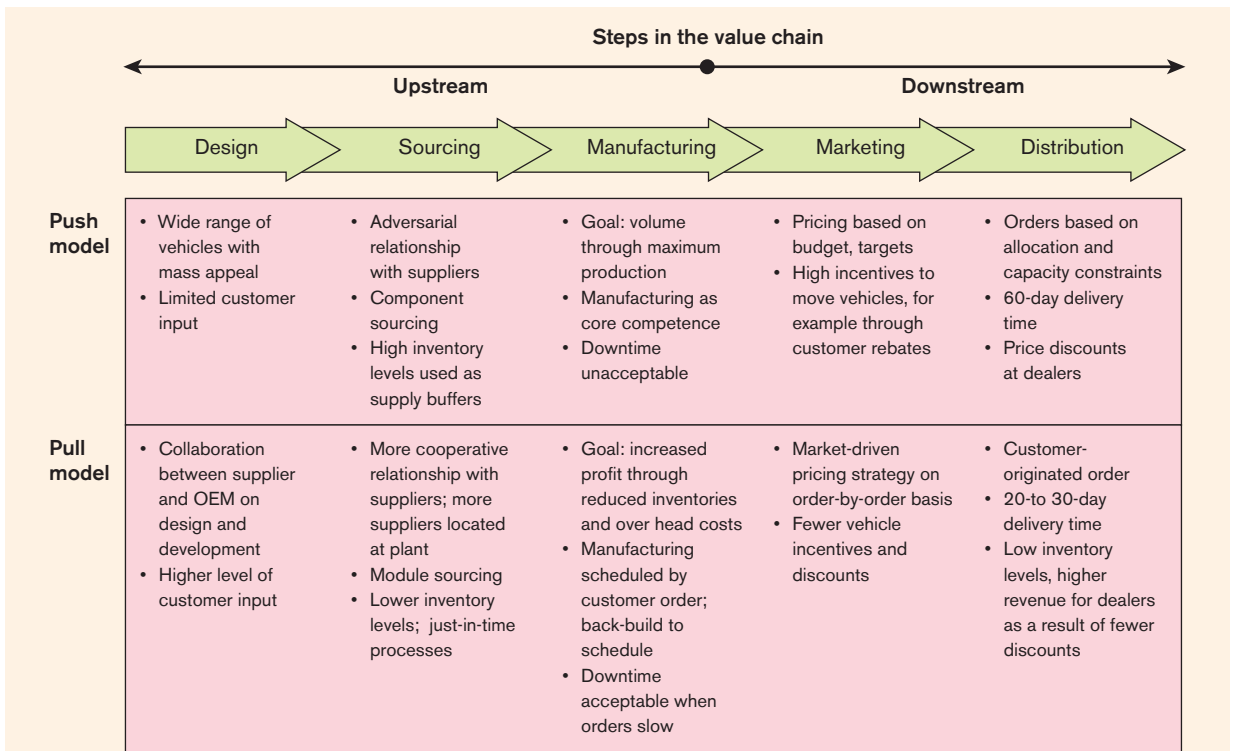


Figure 14.5

Push and pull strategies in the car industry value chain

Source: Agrawal, M., Kumaresh, T. V. and Mercer, G. A. (2001) The false promise of mass customization, *McKinsey Quarterly*, 3: 62–71. Reproduced with permission from McKinsey and Company.



and the suppliers). Industry analysts estimate that, if a majority of customers bought cars built to order, the industry could capture as much as 70 per cent of the capital lost or locked up in the present push system – lost when inventory becomes obsolete following a change in models, production processes and assembly structures, or locked up in components stored to meet unanticipated demand.

Already today some degree of BTO is a reality. At the lowest level, customers (or sometimes dealers) can (via the Internet) check the inventories of various dealers within a given area to see whether a car being sought already exists. Customers can also ask their dealers to order cars from the manufacturer.

Also car makers are trying to achieve BTO by modularising – that is, by fabricating individual cars not from thousands of distinct parts, but from mere dozens of larger mix-and-match modules. But car makers might have to carry a range of modules, some of which may vary slightly in colour, choice of fabric or even an individual part.

Thus it seems that a balanced selection would not be BTO, but rather locate-to-order. Customers should not care whether the car they purchased was built expressly for them or found for them somewhere in the supply chain, as long as it had the features they wanted and they got it in a reasonable amount of time. Certainly, Dell's customers do not know whether their PCs were actually made for them or pulled from an order queue. For car makers, this is a low-cost solution that is easier to implement than BTO yet likely to provide high customer satisfaction (Agrawal *et al.*, 2001).

## 14.3 COMMUNICATION TOOLS

Earlier in this chapter we mentioned the major forms of promotion. In this section the different communication tools, listed in Table 14.1, will be further examined.

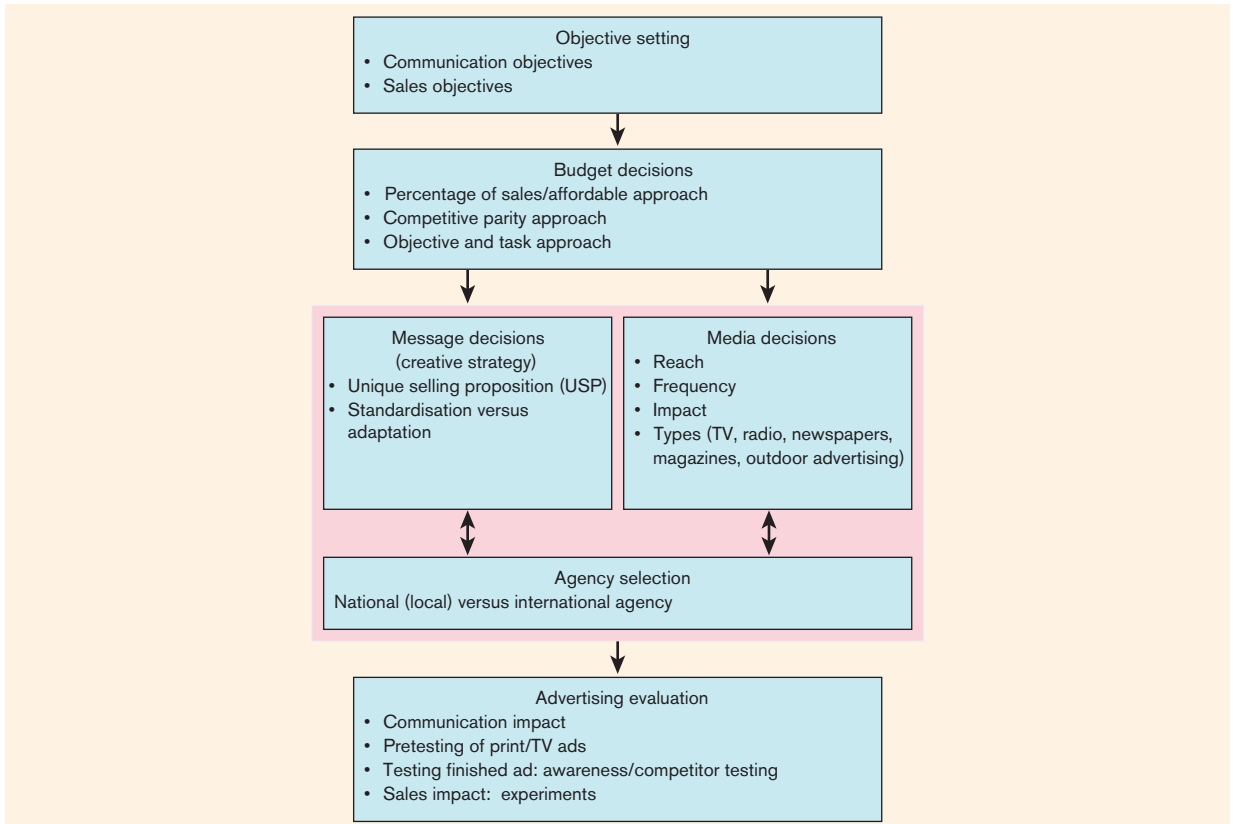
### Advertising

Advertising is one of the most visible forms of communication. Because of its wide use and its limitations as a one-way method of communication, advertising in international markets

**Table 14.1** Typical communication tools (media)

One-way communication				Two-way communication
Advertising	Public relations	Sales promotion	Direct marketing	Personal selling
<ul style="list-style-type: none"> <li>● Newspapers</li> <li>● Magazines</li> <li>● Journals</li> <li>● Directories</li> <li>● Radio</li> <li>● Television</li> <li>● Cinema</li> <li>● Outdoor</li> </ul>	<ul style="list-style-type: none"> <li>● Annual reports</li> <li>● Corporate image</li> <li>● House magazines</li> <li>● Press relations</li> <li>● Public relations</li> <li>● Events</li> <li>● Lobbying</li> <li>● Sponsorship</li> <li>● Celebrity endorsement</li> </ul>	<ul style="list-style-type: none"> <li>● Rebates and price discounts</li> <li>● Catalogues and brochures</li> <li>● Samples, coupons and gifts</li> <li>● Competitions</li> </ul>	<ul style="list-style-type: none"> <li>● Direct mail/database marketing</li> <li>● Internet marketing (WWW)</li> <li>● Telemarketing</li> <li>● Mobile marketing</li> <li>● SMS</li> <li>● Viral marketing</li> <li>● Social networking (Facebook, Twitter, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>● Sales presentations</li> <li>● Salesforce management</li> <li>● Trade fairs and exhibitions</li> </ul>

Source: Hollensen, S. (2001) *Global Marketing: A Market Responsive Approach*, 2nd ed., Financial Times-Prentice Hall, Harlow, p. 519. Reproduced with permission.

**Figure 14.6**

The major advertising decisions

Source: Hollensen, S. (2001) *Global Marketing: A Market Responsive Approach*, 2nd ed., Financial Times-Prentice Hall, Harlow, p. 520. Reproduced with permission.

is subject to a number of difficulties. Advertising is often the most important part of the communications mix for consumer goods, where there are a large number of small-volume customers who can be reached through mass media. For most business-to-business markets, advertising is less important than the personal selling function.

The major decisions in advertising are shown in Figure 14.6. We will now discuss these different phases.

### Objective setting

Although advertising methods may vary from country to country, the major **advertising objectives** remain the same. Major advertising objectives (and means) might include:

- increasing sales from existing customers by encouraging them to increase the frequency of their purchases; maintaining brand loyalty via a strategy that reminds customers of the key advantages of the product; stimulating impulse purchases;
- obtaining new customers by increasing consumer awareness of the firm's products and improving the firm's corporate image among a new target customer group.

### Budget decisions

Controversial aspects of advertising include determining a proper method for deciding the size of the promotional budget, and its allocation across markets and over time.

In theory, the firm (in each of its markets) should continue to put more money into advertising, as money spent on advertising returns more money than money spent on anything

#### Advertising objective

A specific communication task to be accomplished with a specific target audience during a specific period of time.

else. In practice, it is not possible to set an optimum advertising budget. Therefore, firms have developed more practical guidelines. The manager must also remember that the advertising budget cannot be regarded in isolation, but has to be seen as one element of the overall marketing mix.

### *Affordable approach/percentage of sales*

#### **Affordable approach**

Setting the promotion budget at the level management thinks the company can afford.

**Affordable approach** budgeting techniques link advertising expenditure directly to some measure of profits or, more commonly, to sales. The most popular of these methods is the percentage of sales method, whereby the firm automatically allocates a fixed percentage of sales to the advertising budget.

Advantages of this method:

- For firms selling in many countries, this simple method appears to guarantee equality among the markets. Each market seems to get the advertising it deserves.
- It is easy to justify in budget meetings.
- It guarantees that the firm only spends on advertising as much as it can afford. The method prevents wastage.

Disadvantages of this method:

- It uses historical performance rather than future performance.
- It ignores the possibility that extra spending on advertising may be necessary when sales are declining, in order to reverse the sales trend by establishing a 'recycle' on the product life cycle curve (see Chapter 11).
- It does not take into account variations in the firm's marketing goals across countries.
- The percentage of sales method encourages local management to maximise sales by using the easiest and most flexible marketing tool: price (that is, lowering the price).
- The method's convenience and simplicity encourage management not to bother investigating the relationships between advertising and sales or analysing critically the overall effectiveness of advertising campaigns.
- The method cannot be used to launch new products or enter new markets (zero sales = zero advertising).

### *Competitive parity approach*

#### **Competitive parity approach**

Setting the promotion budget to match competitors' outlays.

The **competitive parity approach** involves estimating and duplicating the amounts spent on advertising by major rivals. Unfortunately, determining the marketing expenditures of foreign-based competitors is far more difficult than monitoring home country businesses, whose financial accounts (if they are limited companies) are open to public inspection and whose promotional activities are obvious the moment they occur. Another danger in following the practice of competitors is that they are not necessarily right.

Furthermore, the method does not recognise that the firm is in different situations in different markets. If the firm is new to a market, its relationships with customers are different from those of existing companies. This should also be reflected in its promotion budget.

#### **Objective and task approach**

Developing the promotion budget by defining specific objectives, determining the tasks that must be performed to achieve these objectives, and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

### *Objective and task approach*

The weaknesses of the above approaches have led some firms to follow the **objective and task approach**, which begins by determining the advertising objectives and then ascertaining the tasks needed to attain these objectives. This approach also includes a cost-benefit analysis, relating objectives to the cost of achieving them. To use this method, the firm must have good knowledge of the local market.

Hung and West (1991) showed that only 20 per cent of companies in the USA, Canada and the UK used the objective and task approach. Although it is the theoretically correct way of determining the promotion budget, it is sometimes more important to be operational and to use a percentage of sales approach. This is not necessarily a bad method if company experience

shows it to be reasonably successful. If the percentage is flexible, it allows different percentages to be used in different markets.

### Message decisions (creative strategy)

This concerns decisions about what **unique selling proposition (USP)** needs to be communicated, and what the communication is intended to achieve in terms of consumer behaviour in the country concerned. These decisions have important implications for the choice of advertising medium, since certain media can better accommodate specific creative requirements (use of colour, written description, high definition, demonstration of the product, etc.) than others.

An important decision for international marketers is whether an advertising campaign developed in the domestic market can be transferred to foreign markets with only minor modifications, such as translation into appropriate languages. Complete standardisation of all aspects of a campaign over several foreign markets is rarely attainable. Standardisation implies a common message, creative idea, media and strategy, but it also requires that the firm's product has a USP that is clearly understood by customers in a cross-cultural environment.

Standardising international advertising can lead to a number of advantages for the firm. For example, advertising costs will be reduced by centralising the advertising campaign in the head office and transferring the same campaign from market to market, as opposed to running campaigns from different local offices.

However, running an advertising campaign in multiple markets requires a balance between conveying the message and allowing for local nuances. The adaptation of global ideas can be achieved by various tactics, such as adopting a modular approach, adapting international symbols and using international advertising agencies.

### Media decisions

The selection of the media to be used for advertising campaigns needs to be done simultaneously with the development of the message. A key question in media selection is whether to use mass media or a targeted approach. The mass media (television, radio and newsprint) are effective when a significant percentage of the general public are potential customers. This percentage varies considerably by country for most products, depending on, for example, the distribution of incomes in different countries.

The selection of the media to be used in a particular campaign typically starts with some idea of the target market's demographic and psychological characteristics, regional strengths of the product, seasonality of sales, and so on. The media selected should be the result of a careful fit of local advertising objectives, media attributes and target market characteristics.

Furthermore, media selection can be based on the following criteria:

- **reach:** total number of people in a target market exposed to at least one advertisement in a given time period ('opportunity to see', or **OTS**);
- **frequency:** average number of times within a given time period that each potential customer is exposed to the same advertisement;
- **impact:** depends on compatibility between the medium used and the message. *Penthouse* magazine continues to attract advertisers for high-value-added consumer durables, such as cars, hi-fi equipment and clothes, which are geared primarily to a high-income male segment.

High reach is necessary when the firm enters a new market or introduces a new product so that information about, for example, the new product's availability is spread to the widest possible audience. A high level of frequency is appropriate when brand awareness already exists and the message is about informing the consumer that a campaign is under way. Sometimes a campaign should have both a high frequency and extensive reach, but limits on the advertising budget often create the need to trade off frequency against reach.

A media's **gross rating points (GRPs)** are the result of multiplying its reach by the frequency with which an advertisement appears within the media over a certain period. Hence it

#### Unique selling proposition (USP)

A unique characteristic of a product or brand identified by the marketer as the one on which to base a promotional campaign. It is often used in a product-differentiation approach to promotion.

#### Reach

The number of people exposed to an advertisement carried by a given medium.

#### Frequency

Average number of times within a given timeframe that each potential customer is exposed to the same ad.

#### Impact

Depends on the compatibility between the medium used and the message (the 'impact' on the consumer's brain).

#### Gross rating points (GRPs)

Reach multiplied by frequency. GRPs may be estimated for individual media vehicles. Media planning is often based on 'cost per 1000 GRPs'.

contains duplicated exposure, but indicates the 'critical mass' of a media effort. GRPs may be estimated for individual vehicles, for entire classes of media or for a total campaign.

Hence it contains duplicated exposure, but indicates the critical mass of a media effort. GRPs may be estimated for individual vehicles, for entire classes of media or for a total campaign.

The cost of running a media campaign also has to be taken into consideration. Traditionally, media planning is based on a single measure, such as **cost per thousand (CPM)** GRPs. When dealing with two or more national markets, the selection of media also has to take into account differences in:

- the firm's market objectives across countries;
- media effectiveness across countries.

Since media availability and relative importance will not be the same in all countries, plans may require adjustment in cross-border campaigns.

As a way of distributing advertising messages through new communication channels, co-promotion now has a strong foothold.

Let us now take a closer look at the main media types.

### **Television**

Television is an expensive but commonly used medium in attempting to reach broad national markets. In most developed countries, coverage is no problem. However, television is one of the most regulated communications media. Many countries have prohibited the advertising of cigarettes and alcohol other than beer. In other countries (e.g. Scandinavia, the UK) there are limits on the number of minutes that TV advertising is permitted to be shown. Some countries also prohibit commercial breaks in TV programmes.

### **Radio**

Radio is a lower-cost broadcasting activity than television. Commercial radio started several decades before commercial television in many countries. Radio is often transmitted locally and therefore national campaigns have to be built up area by area.

### **Newspapers**

In virtually all urban areas of the world, the population has access to daily newspapers. In fact, the problem for the advertiser is not having too few newspapers, but rather having too many of them. Most countries have one or more newspapers that can be said to have a truly national circulation. However, in many countries newspapers tend to be predominantly local or regional and, as such, serve as the primary medium for local advertisers. Attempting to use a series of local papers to reach a national market is considerably more complex and costly.

Many countries have English-language newspapers in addition to local-language newspapers. For example, the aim of the *Asian Wall Street Journal* is to supply economic information in English to influential Asian business people, politicians, senior government officials and intellectuals.

### **Magazines**

In general, magazines have a narrower readership than newspapers. In most countries, magazines serve to reach specific segments of the population. For technical and industrial products, magazines can be quite effective. Technical business publications tend to be international in their coverage. These publications range from individual businesses (e.g. beverages, construction, textiles) to worldwide industrial magazines covering many industries.

Marketers of international products have the option of using international magazines that have regional editions (e.g. *Newsweek*, *Time* and *Business Week*). In the case of *Reader's Digest*, local-language editions are distributed.

### **Cinema**

In countries where it is common to subsidise the cost of showing films by running commercials prior to the feature film, cinema advertising has become an important medium. India, for

#### **Cost per thousand (CPM)**

Calculated by dividing the cost of an ad placed in a particular advertising vehicle (e.g. certain magazine) by the number of people (expressed in thousands) who are exposed to that vehicle.



example, has a relatively high level of cinema attendance per capita (few have television at home). Therefore cinema advertisements play a much greater role in India than in, for example, the USA.

Cinema advertising has other advantages, one of the most important being that it has a truly captive audience (no channel hopping!).

### **Outdoor advertising**

Outdoor advertising includes posters/billboards, shop signs and transit advertising. This medium shows the creative way in which space can be sold to customers. In the case of transit advertising, for example, a bus can be sold as an advertising medium. In Romania transit advertising is very effective. According to a survey by Mueller (1996), in Bucharest 91 per cent of all consumers surveyed said they remembered the content of transit advertisements, compared with 82 per cent who remembered the content of print adverts. The use of transit media is expanding rapidly in China as well. Outdoor posters/billboards can be used to develop the visual impact of advertising. France is a country associated with the effective use of poster and billboard advertising. In some countries, legal restrictions limit the amount of poster space available.

## **Public relations**

Word-of-mouth advertising is not only cheap, but it is also very effective. Public relations (PR) seeks to enhance corporate image building and influence favourable media treatment. PR (or publicity) is the marketing communications function that carries out programmes which are designed to earn public understanding and acceptance. It should be viewed as an integral part of the global marketing effort.

PR activities involve both internal and external communication. Internal communication is important to create an appropriate corporate culture. The target groups for public relations are shown in Table 14.2.

The range of target groups is far wider in public relations than it is for the other communications tools. Target groups are likely to include the main stakeholder groups of employees,

**Table 14.2** Target groups for public relations

<b>Public or target groups: domestic markets</b>	<b>Extra factors: international markets</b>
<p><b>Directly connected with the organisation</b></p> <ul style="list-style-type: none"> <li>• Employees</li> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Wider range of cultural issues</li> <li>• The degree of remoteness of the corporate headquarters</li> </ul>
<p><b>Suppliers of raw materials and components</b></p> <ul style="list-style-type: none"> <li>• Providers of financial services</li> <li>• Providers of marketing services (e.g. marketing research, advertising, media)</li> </ul>	<ul style="list-style-type: none"> <li>• Is this to be handled on a country-by-country basis, or is some overall standardisation desirable?</li> </ul>
<p><b>Customers of the organisation</b></p> <ul style="list-style-type: none"> <li>• Existing customers</li> <li>• Past customers</li> <li>• Those capable of becoming customers</li> </ul>	<ul style="list-style-type: none"> <li>• May have less knowledge of the company</li> <li>• The country-of-origin effect will influence communications</li> </ul>
<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• The general public</li> <li>• Government: local, regional, national</li> <li>• Financial markets generally</li> </ul>	<ul style="list-style-type: none"> <li>• Wide range of general publics</li> <li>• Host governments</li> <li>• Regional grouping (e.g. EU), world groupings</li> </ul>

Source: Adapted from Phillips, C., Poole, I. and Lowe, R. (1994) *International Marketing Strategy: Analysis, Development and Implementation*, Routledge, Andover. Reproduced with permission from Cengage Learning.

customers, distribution channel members and shareholders. For companies operating in international markets, this gives a very wide range of communication tasks. Internal communications in different country subsidiaries, employing people from a number of different countries, with different cultural values, will be particularly challenging.

In a more market-oriented sense, the PR activity is directed towards an influential, though relatively small, target audience of editors and journalists who work for newspapers/magazines, or towards broadcasting aimed at the firm's customers and stakeholders.

Since the target audience is small, it is relatively inexpensive to reach. Several methods can be used to gain PR. Such methods include the following:

- contribution of prizes at different events;
- **sponsorship:** according to Meenaghan (1996), one of the fastest growing aspects of marketing and marketing communications is the practice of corporate sponsorship. Sponsorship takes two forms: event sponsorship (such as athletic and entertainment events) and cause-oriented sponsorship. Event marketing is growing rapidly because it provides companies alternatives to the cluttered mass media, an ability to segment on a local or regional basis, and opportunities for reaching narrow lifestyle groups whose consumption behaviour can be linked with the local event (Milliman *et al.*, 2007). Cause-related marketing, a form of corporate philanthropy with benefits accruing to the sponsoring company, is based on the idea that a company will contribute to a cause every time the customer undertakes some action. In addition to helping worthy causes, corporations satisfy their own tactical and strategic objectives when undertaking cause-related efforts. By supporting a deserving cause, a company can enhance its corporate or brand image, generate incremental sales, increase brand awareness, broaden its customer base and reach new market segments;
- press releases of news about the firm's products, plant and personnel;
- announcements of the firm's promotional campaign;
- lobbying (government);
- **celebrity endorsement:** a recent estimate indicates that approximately 25 per cent of American commercials use celebrity endorsers (Silvera and Austad, 2004). In support of this practice, research indicates that celebrity endorsements can result in more favourable advertisement ratings and product evaluations and can have a substantial positive impact on financial returns for the companies that use them. One possible explanation for the effectiveness of celebrity endorsers is that consumers tend to believe that major stars are motivated by genuine affection for the product rather than by endorsement fees. Celebrities are particularly effective endorsers because they are viewed as highly trustworthy, believable, persuasive and likeable. Although these results unequivocally support the use of celebrity endorsers, other research suggests that celebrity endorsements might vary in effectiveness depending on other factors such as the 'fit' between the celebrity and the advertised product (Seno and Lukas, 2007; Hosea, 2007). Case studies 9.1 (YouthAIDS) and 14.1 (TAG Heuer) describe further examples of celebrity endorsements.

The degree of control of the PR message is quite different. Journalists can use PR material to craft an article of so many words, or an interview of so many seconds. How material is used will depend on the journalist and the desired storyline. On occasions a thoroughly negative story can result from a press release that was designed to enhance the company image.

Hence, PR activity includes anticipating criticism. Criticisms may range from general ones against all multinational corporations to more specific ones. They may also be based on a market; for example, doing business with prison factories in China.

## Sales promotion

Sales promotion is defined as those selling activities that do not fall directly into the advertising or personal selling category. Sales promotion also relates to so-called below-the-line

### Sponsorship

A business relationship between a provider of funds, resources or services and an individual, event or organisation which offers in return some rights and association that may be used for commercial advantage.

### Celebrity endorsement

The use of famous spokespersons or celebrities in marketing communications.

**EXHIBIT 14.1**

## American Express uses celebrity endorsement



Source: © Carlsson Inc./Alamy

Since 2004, American Express has used the tagline 'My Life, My Card' with a group of celebrities including Robert De Niro, Tiger Woods and Kate Winslet, aiming to show that high-achievers of all types choose American Express. Director Martin Scorsese and photographer Annie Leibowitz worked on the campaign to achieve the brand's desired look and feel.

Source: Adapted from Mortimer (2007).

**Advertising agency**

A marketing services firm that assists companies in planning, preparing, implementing and evaluating all or portions of their advertising programmes.

**Point-of-sale displays**

Includes all signage – posters, signs, shelf cards and a variety of other visual materials – that are designed to influence buying decisions at the point of sale.

**Cross-selling**

Selling an additional product or service to an existing customer.

activities such as point-of-sale displays and demonstrations, leaflets, free trials, competitions and premiums such as 'two for the price of one'. Unlike media advertising which is above the line and earns a commission, below-the-line sales promotion does not. To an **advertising agency**, above the line means traditional media for which they are recognised by the media owners, entitling them to commission.

Sales promotion is a short-term effort directed primarily to the consumer and/or retailer, in order to achieve specific objectives such as:

- consumer product trial and/or immediate purchase;
- consumer introduction to the shop;
- encouraging retailers to use **point-of-sale displays** for the product;
- encouraging shops to stock the product.

When a manufacturer owns two or more brands, current loyal customers are excellent candidates for **cross-selling**, promoting another of the brands or using one product to boost sales of another, often an unrelated product. Different companies also may work together to cross-sell.

In the USA, the sales promotion budgets for fast-moving consumer goods (FMCG) manufacturers are larger than the advertising budgets. In Europe, the European Commission estimates that the rate of spending growth on sales promotions was double that for conventional advertising throughout the period 1991–4 (Bennett, 1995, p. 321). Factors contributing to the expansion of sales promotion activities include:

- greater competition among retailers, combined with increasingly sophisticated retailing methods;
- higher levels of brand awareness among consumers, leading to the need for manufacturers to defend brand market shares;
- improved retail technology (e.g. electronic scanning devices that enable coupon redemptions, etc., to be monitored instantly);
- greater integration of sales promotion, public relations and conventional media campaigns.

In markets where the consumer is hard to reach because of media limitations, the percentage of the total communication budget allocated to sales promotions is also relatively high. Some of the different types of sales promotion are as follows:

- *price discounts*: very widely used. A variety of different price reduction techniques is available, such as cash-back deals;
- *catalogues/brochures*: the buyer in a foreign market may be located at quite a distance from the closest sales office. In this situation, a foreign catalogue can be very effective. It must be able to close the gap between buyer and seller such that the potential buyer is supplied with all the necessary information, from prices, sizes, colours and quantities to packing, shipping time and acceptable forms of payment. In addition to catalogues, brochures of various types are useful for salespeople, distributors and agents. Translations should be done in cooperation with overseas agents and/or distributors;
- *coupons*: a classic tool for FMCG brands, especially in the USA. A variety of coupon distribution methods exists: door-to-door, on packs, in newspapers. Coupons are not allowed in all European countries;
- *samples*: gives the potential foreign buyer an idea of the quality that cannot be attained by even the best picture. Samples may prevent misunderstandings over style, sizes, models and so on;
- *gifts*: most European countries have a limit on the value of the premium or gift given. Furthermore, in some countries it is illegal to offer premiums that are conditional on the purchase of another product. The USA does not allow beer to be offered as a free sample;
- *competitions*: this type of sales promotion needs to be communicated to the potential customers. This can be done on the pack, in stores via leaflets or through media advertising (Friel, 2008).

The success of sales promotion depends on local adaptation. Major constraints are imposed by local laws which may not permit premiums or free gifts to be given. Some countries' laws control the amount of discount given at the retail level; others require permits for all sales promotions. Since it is impossible to know the specific laws of each and every country, international marketers should consult local lawyers and authorities before launching a promotional campaign.

## Direct marketing

According to Onkvisit and Shaw (1993, p. 717), direct marketing is all the activities by which products and services are offered to market segments in one or more media for informational purposes or to solicit a direct response from a present or prospective customer or contributor by mail, telephone or personal visit.

Direct marketing covers direct mail (marketing database), telephone selling and marketing via the Internet. A number of factors have encouraged the rapid expansion of the international direct marketing industry (Bennett, 1995, p. 318):

- developments in mailing technology which have reduced the costs of distributing direct-mail literature;
- escalating costs of other forms of advertising and sales promotion;
- the increasing availability of good-quality lists of prospective customers;
- developments in information technology (especially database technology and desktop publishing) which enable smaller companies to produce high-quality direct marketing materials in-house;
- the increasing availability throughout the developed world of interactive television facilities, whereby consumers may order goods through a teletext system.

## Direct mail

Direct mail is a viable medium in many countries. It is especially important when other media are not available. Direct mail offers a flexible, selective and potentially highly cost-effective means of reaching foreign consumers. Messages can be addressed exclusively to the target market, advertising budgets may be concentrated on the most promising market segments, and it will be some time before competitors realise that the firm has launched a campaign. In addition, the size, content, timing and geographical coverage of mailshots can be varied at will: the firm can spend as much or as little as necessary to achieve its objectives. There are no media space or airtime restrictions, and no copy or insertion deadlines to be met. All aspects of the direct-mail process are subject to the firm's immediate control, and it can experiment by varying the approach used in different countries. Direct mail can take many forms – letters, catalogues, technical literature – and it can serve as a vehicle for the distribution of samples. A major problem in the effective use of direct mail is the preparation of a suitable mailing list (marketing database).

European marketers are still far behind the United States in exploiting the medium and also with regard to the response to direct mail in the form of mail order. Per capita mail-order sales in the USA are more than double those of any European country (Desmet and Xardel, 1996, p. 58).

The use of direct mail in Japan is also below that in the USA. One reason for this discrepancy is that the Japanese feel printed material is too impersonal and insufficiently sincere.

Direct mail is not only relevant for the consumer market. However, effective use of direct mail for business-to-business purposes requires the preparation of an accurate customer profile (marketing database), including industry classification, size of target company (measured, for example, by turnover, number of employees or market share), the people to approach in each business (purchasing officer, project development engineer, product manager, etc.), industry purchasing procedures and (where known) supplier selection criteria and the buying motives of prospective customers (Lester, 2008; Brand Strategy, 2006).

## Telemarketing

Telemarketing is today used for both consumer and business-to-business campaigns throughout the industrialised world. The telephone can be used both to obtain orders and to conduct fast, low-cost market research. Telemarketing covers cold calling (unsolicited calls) by salespeople, market surveys conducted by telephone, calls designed to compile databases of possible sales prospects, and follow-ups to customer requests for further information, resulting from print and broadcast advertisements. Currently, the majority of cross-border telemarketing campaigns focus on business-to-business contacts, essentially because of the combined telephone/database facilities that an increasing number of companies possess and, in consequence, the greater reliability of business-to-business communications.

The administration of international telemarketing normally requires the use of a commercial telemarketing agency. Language skills are required, plus considerable skills and experience in identifying decision makers in target firms.

In some European countries, cold calling consumers is receiving close scrutiny in the name of consumer protection and respect for privacy. For example, Germany has prohibited calls on the grounds of privacy invasion, and this ban even applies to an insurance salesperson's announcement of a visit.

## Mobile marketing

Mobile marketing or M-marketing is defined as the application of marketing to the mobile environment of smart phones, mobile phones, personal digital assistants (PDA) and telematics. M-marketing is characterised by both the interaction with the World Wide Web and the location-specific context which enhances communication and delivery of information.



M-commerce combines the power and speed of the Internet with the geographic freedom of mobile telephony in terms of receiving and transmitting data and, importantly, the ability to conduct transactions. The emerging capacity to communicate with any individual, from any place, over any network, and to any device, regardless of time or geographical location, provides enormous potential for marketers. For this reason, the impact on marketing strategies for direct marketers needs to be addressed (Ranchhod, 2007; Karjaluoto *et al.*, 2007).

In the light of the development within Internet technologies it is very relevant to consider the Web as a direct marketing tool.

## 14.4 PERSONAL SELLING

Because personal selling is relatively costly, a firm should devote a major portion of its promotional budget to the salesforce only when its communications objectives can be accomplished more effectively by face-to-face communication than by any other method. As Table 14.3 summarises, there are a number of strategic circumstances where personal selling is likely to play a major role in a business's promotional mix, circumstances which favour the unique advantages of one-to-one communication.

### The steps in personal selling

Personal selling can be divided into four main stages, as follows.

#### Pre-approach and planning

Pre-approach refers to preparing and planning for the initial meeting by learning about the potential customer. In this stage, territory management is extremely important. Salespeople must determine how the company's target marketing and positioning can best be applied in their territory. Because each area is different, it is important to make adjustments based on local conditions. Exceptional sales skills are of little use if calls are not made to the appropriate accounts with the right frequency and intensity. *Territory planning* determines the pool of customers, their sales potential and the frequency with which they will be contacted about various products. The fundamental objective is to allocate sales time and use company resources to obtain the best results. *Account planning* establishes sales goals and objectives for each major customer, such as the sales volume and profitability to be obtained. Increasingly, account objectives include customer satisfaction, often measured by loyalty (repeat business). Account plans are based on an understanding of the customer's business and how the seller's products contribute to it.

#### Approach

The approach is the first formal contact with the customer. The objective is to secure an initial meeting and gain customer interest. It is usually a good idea to schedule an appointment; that will save time and puts the prospect in the frame of mind for a sales call. Many times, a letter of introduction before calling will help in obtaining the first appointment.

Many techniques have been developed for the initial approach. The most successful ones focus on the potential customer's business, such as a brief explanation of how or why the seller's product can help. It is also important to determine not just when the meeting will take place but how long it will last and its objective. Organisations with a strong reputation generally have an advantage in the approach stage.

In the initial approach to a prospective customer, a sales representative should accomplish three things: develop a thorough understanding of the client's situation and the needs that the representative's products or services might help satisfy, determine who within

**Table 14.3** Personal selling functions

Functions	Activities involved	Conditions where appropriate
<b>Winning acceptance for new products</b>	Sales representatives build awareness and stimulate demand for new products or services among existing or potential customers.	Business pursuing prospector strategy; potential customers many or few; company's promotional resources limited; firm pursuing push distribution strategy.
<b>Developing new customers</b>	Sales representatives find and cultivate new customers and/or expanded distribution for business's products or services.	Target market in growth stage or firm wishes to increase share of mature market; potential customers many or few; company's promotional resources limited; firm pursuing push distribution strategy.
<b>Maintaining customer loyalty</b>	Sales representatives work to increase value delivered to customers by providing advice or training on product use, expediting orders and facilitating product service.	Business pursuing differentiated defender strategy, firm has large share of mature market and wants to maintain loyalty of existing customers; product technically complex and/or competition for distribution support is strong.
<b>Technical service to facilitate sales</b>	Sales representatives work to increase value to customers by helping integrate product or service with customer's other equipment or operations and by providing design, installation, and/or training.	Product technically complex; customers (or dealers) relatively few or many; product or service can be customised to fit needs of individual customers; products sold as parts of larger systems.
<b>Communicating product information</b>	Sales representatives work to increase understanding of product's features and applications as basis for possible future sales and to educate people who may influence final purchase.	Product technically complex and/or in introductory or at growth stage of life cycle; lengthy purchase decision process; multiple influences on purchase decision.
<b>Gathering information</b>	Sales representatives provide reports on competitors' actions, customers' requests or problems, and other market conditions, and conduct market research or intelligence activities.	Appropriate under all circumstances, but especially useful in industry introductory or growth stage, or when product technology or other factors are unstable; business implementing a prospector strategy.

Source: Adapted from Boyd, H. W., Walker, Jr, O. C., Mullins, J. W. and Larreche, J.-C. (1998) *Marketing Management*, 3rd ed., McGraw-Hill, New York. Reproduced with permission from the McGraw-Hill Companies.

the organisation is likely to have the greatest influence and/or authority to make a purchase, and obtain the information needed to qualify the prospect as a worthwhile potential customer.

### Building the relationship

The importance of a problem-solving sales approach as a basis for establishing an enduring relationship with a potential customer should be obvious. But, as we have seen, organisational buying centres often consist of multiple individuals who have somewhat different concerns

and play different roles in shaping the company's purchase decisions. Thus, it is important for salespeople to identify the key decision makers, their desires and their relative influence.

The sales presentation is a two-way process: the salesperson listens in order to identify customer needs and then describes how the product will fulfil them. The most important part of any good presentation is listening. In fact, it is often said that successful selling is 90 per cent listening and 10 per cent talking. Unfortunately, many salespeople believe their role is to tell prospects about products. Instead, by asking questions, they should put the customer first and demonstrate that they have the customer's best interests in mind. The first contact is the first opportunity to connect with a customer.

Organisations generally have to train their salesforce to be good listeners. This is a trait few people possess naturally. The training identifies ways to learn about the prospect's situation. It also teaches how to communicate that the salesperson is listening and is concerned about the customer's needs and wants. Empathy occurs when salespeople know precisely how prospects feel. Only when prospects know that the seller understands their wants and needs are they receptive to solutions the salesperson offers.

### Closing the deal and building loyalty

One of the most important sales skills is the ability to overcome a buyer's objections. Assertive salespeople do not let the first objection stop the dialogue; they use it to advance the discussion. Most organisations have training programmes to teach salespeople how to manage objections. **Closing** means getting the first order. In many cases this is simple, such as asking directly if someone wants to buy the product or whether they will use cash or credit. In other cases, it involves elaborate contracts. Good salespeople know how important it is to help the buyer towards the final decision. In business-to-business situations, the salespeople may ask if the purchaser is ready to make a decision or would like to discuss the issue more thoroughly. A caution is in order regarding closing. If a buyer is not ready to make the commitment, then asking for an order prematurely can make the salesperson appear pushy and unconcerned with the buyer's needs. A great deal of sensitivity is required for an accurate reading of the buyer's state of mind.

There is a big difference between making a sale and gaining customer loyalty. In order to maintain relationships and gain customer loyalty, salespeople have to spend significant time servicing customers. They make sure products are delivered on schedule and operate to the buyer's liking. When there is a problem, the salesperson makes sure that it is resolved quickly and satisfactorily.

*Follow-up* occurs when a salesperson ensures that there is after-sale satisfaction in order to obtain repeat business. Follow-up also offers a way to identify additional sales opportunities. After the first sale is made, the second is easier. The salesperson who continues to work closely with the buying organisation can uncover other needs to supply. Good service builds strong customer loyalty, which is the goal of relationship selling.

When the purchase decision is likely to be very complex, involving many people within the customer's organisation, the seller might adopt a policy of multi-level selling or **team selling**. Team selling involves people from most parts of the organisation, including senior executives, who work together to create relationships with the buying organisation. In a high-technology business such as aircraft manufacturing nearly every function is involved in the sales process. At Boeing it is the salesperson's job to coordinate contact between the company and the technical, financial and planning personnel from the airline. Even if the CEO is brought in, it is not unusual for the salesperson to remain in charge of the sale using the CEO where appropriate. The salespeople perform the leadership function because they know all aspects of their customers' business. They must also be thoroughly familiar with Boeing's services.

There are some differences between advertising and personal selling. Advertising is a one-way communication process, whereas personal selling is a two-way communication process

#### Closing

The step in the selling process in which the salesperson asks the customer for an order.

#### Team selling

Using teams of people from sales, marketing, engineering, finance, technical support and even upper management to service large, complex accounts.

with immediate feedback and less ‘noise’. Personal selling is an effective way to sell products, but it is expensive. It is used mainly to sell to distribution channel members and in business-to-business markets. However, personal selling is also used in some consumer markets – for example for cars and for consumer durable products. In some countries, labour costs are very low. In these instances, personal selling will be used to a greater extent than in high-cost countries.

If personal selling costs in business-to-business markets are relatively high, it is relevant to economise with personal selling resources and use personal selling only at the end of the potential customer’s buying process. Computerised database marketing (direct mail, etc.) is used in a customer screening process, to point out possible customers for the salesforce. Their job is to turn good customer candidates into real customers.

New technologies – particularly telemarketing systems – can help salespeople identify and qualify potential new customer leads.

The Internet is also proving to be a useful technology for providing leads for potential new customers. While increasing numbers of firms are soliciting orders directly via a home page on the Internet, many – particularly those selling relatively complex goods or services – use their Internet sites primarily to provide technical product information to customers or potential customers. These firms can then have their salespeople follow up technical enquiries from potential new accounts with a more traditional sales call.

### Assessing salesforce effectiveness

There are five essential questions to ask in assessing salesforce effectiveness:

- *Is the selling effort structured for effective market coverage?* You should think about organisation, size of salesforce and territory deployment.
- *Is the salesforce staffed with the right people?* You should think about the type of international salesforce: expatriates/host country/third country, age/tenure/education profile, interpersonal skills, technical capabilities and selling technique.
- *Is strong guidance provided?* You should think about written guidelines, key tasks/mission definition, call frequency, time allocation, people to be seen, market/account focus, territory planning and control tools, and on-the-job coaching.
- *Is adequate sales support in place?* You should think about training, technical back-up, in-house sales staff, and product and applications literature.
- *Does the sales compensation plan provide the proper motivation?* You should think about total compensation, split of **straight salary/straight commission**, incentive design/fit with management objectives and non-cash incentives.

In the following we will go into further detail with the first two questions.

### Own or outsourced salesforce?

One important aspect involved in ‘getting the salesforce right’ is the crucial decision of whether to outsource it. In the language of outsourcing, firms can choose to ‘own’ their own sales force; that is, use a salesforce comprised of employees as salespeople, which is also known as going direct. On the other hand, firms can choose to ‘rent’ a salesforce by contracting with an independent sales organisation, also known as a manufacturers’ representative, to act as its salesforce. At first glance, it might seem strange for a firm to rent a function as important as its salesforce, but both research and practical experience have shown that, in many cases, opting for manufacturers’ representatives is an appropriate way to organise the salesforce, although this is not to suggest that all firms should choose to do so. There are many reasons to go with one’s own salesforce, and those reasons may sometimes outweigh the reasons for going with rep agencies (see Figure 14.7).

#### Straight salary

Compensation at a regular rate, not immediately tied to sales performance.

#### Straight commission

Remuneration based strictly on sales performance.

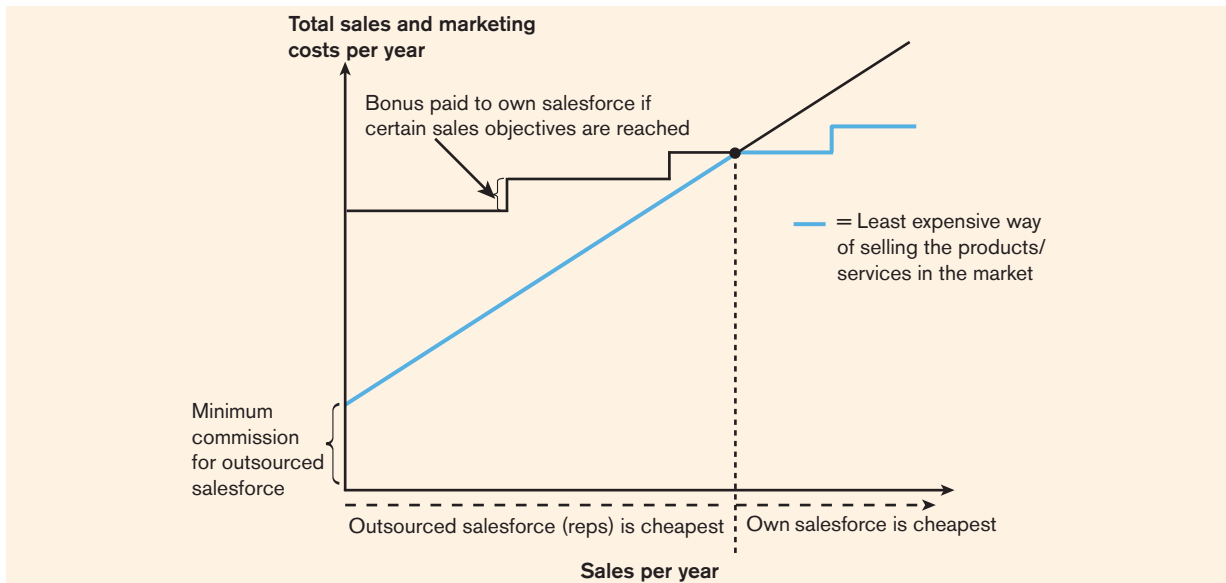


Figure 14.7

Own or outsourced salesforce

One of the most interesting decisions for a firm to make is when to switch from an outsourced salesforce to having its own salesforce. Figure 14.7 shows the total sales and marketing costs associated with using the two different distribution ways:

- *Outsourced salesforce (sales reps)*: This curve is based on a contract where the salesperson gets a minimum annual commission independent of annual sales. The salesforce will get the same percentage in commission independent of how much they will generate in annual sales.
- *Own salesforce*: This curve is based on the assumption that the salesforce will get a fixed salary per annum (independent of the annual sales), but will be paid an extra bonus if they fulfil certain sales objectives.

Under these circumstances there will be a certain break-even point from where it is most advantageous (from a financial standpoint) to switch from sales reps to own salesforce.

In reality, the most appropriate system often combines own salesforce and sales reps, with the choice being determined by other issues such as control, flexibility, territory, product class or even particular tasks that the salesforce must perform (Ross *et al.*, 2005; Crittenden and Crittenden, 2004).

### Organisation of the international salesforce

In international markets, firms often organise their salesforces in a similar way to their domestic salesforce, regardless of differences from one country to another. This means that the salesforce is organised by geography, product, customer or some combination of these (Table 14.4).

A number of firms organise their international salesforce along simple geographical territories within a given country or region. Firms that have broad product lines and a large sales volume, and/or operate in large, developed markets may prefer more specialised organisations, such as product or customer assignment. The firm may also organise the salesforce based on other factors such as culture or languages spoken in the targeted foreign markets. For example, firms often divide Switzerland into different regions reflecting French, Italian and German language usage.



**Table 14.4** Salesforce organisational structure

Structure	Factors favouring choice of organisational structure	Advantages	Disadvantages
<b>Geographic</b>	<ul style="list-style-type: none"> <li>• Distinct languages/cultures</li> <li>• Single product line</li> <li>• Underdeveloped markets</li> </ul>	<ul style="list-style-type: none"> <li>• Clear, simple</li> <li>• Incentive to cultivate local business and personal ties</li> <li>• Travel expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Breadth of customers</li> <li>• Breadth of products</li> </ul>
<b>Product</b>	<ul style="list-style-type: none"> <li>• Established market</li> <li>• Broad product lines</li> </ul>	<ul style="list-style-type: none"> <li>• Product knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Travel expenses</li> <li>• Overlapping territories/customers</li> <li>• Local business and personal ties</li> </ul>
<b>Customer*</b>	<ul style="list-style-type: none"> <li>• Broad product lines</li> </ul>	<ul style="list-style-type: none"> <li>• Market/customer knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Overlapping territories/products</li> <li>• Local business and personal ties</li> <li>• Travel expenses</li> </ul>
<b>Combination</b>	<ul style="list-style-type: none"> <li>• Large sales volume</li> <li>• Large/developed markets</li> <li>• Distinct language/cultures</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum flexibility</li> <li>• Travel expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Complexity</li> <li>• Sales management</li> <li>• Product/market/geography overlap</li> </ul>

\*By type of industry, size of account, channel of distribution, individual company.

Source: Hollensen, S. (2001) *Global Marketing: A Market Responsive Approach*, 2nd ed., Financial Times-Prentice Hall, Harlow, p. 538. Reproduced with permission.

## 14.5 TRADE FAIRS AND EXHIBITIONS

Trade fairs, exhibitions or trade shows are major communication tools for marketers today. They account for about 20 per cent of the total communication budget for US industrial firms and about 25 per cent of the budget for European firms (Shoham, 1999).

A trade fair or exhibition is an event at which manufacturers, distributors and other vendors display their products and/or describe their services to current and prospective customers, suppliers, other business associates and the press. Figure 14.8 shows that trade fairs (TFs) are multi-purpose events involving many interactions between the TF exhibitor and numerous parties.

As TFs are very often annual affairs and have a mix of business and quasi-social events, buyers can maintain their contacts with sellers and other users. This is a long-term motive for a current buyer to attend and exhibit. Although they will not be repeating their purchase in the near term, it is important for them to maintain a relationship with sellers and others whom they may call upon for solutions to future problems.

TFs can enable a company to reach a group of interested prospects in a few days which might otherwise take several months to contact. Potential buyers can examine and compare the products of competing firms in a short period at the same place. They can see the latest developments and establish immediate contact with suppliers (Fowdar, 2004).

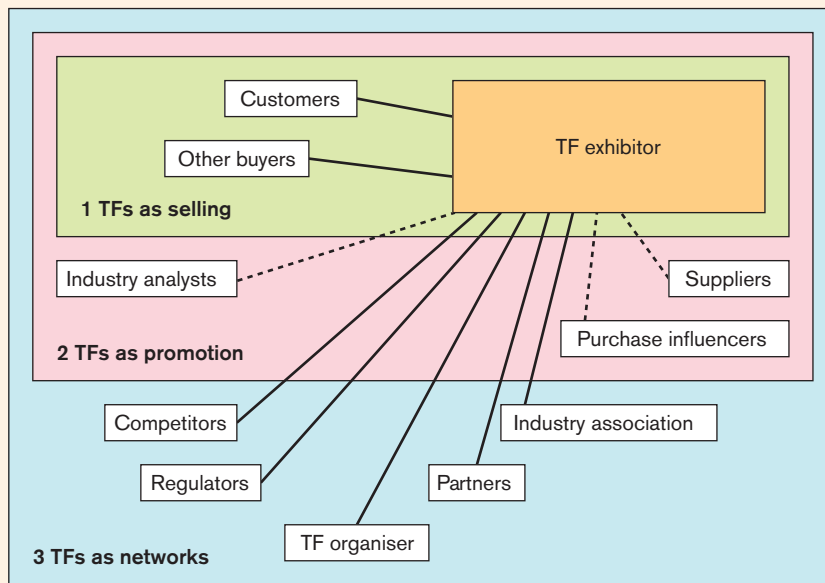


Figure 14.8

Three concepts of trade fairs: major interactions for a local exhibitor

Source: Adapted from Rosson, P. J. and Seringhaus, F. H. R. (1995), Visitor and exhibitor interaction at industrial trade fairs, *Journal of Business Research*, 32(1): 81–90. Reproduced with permission from Elsevier and P. J. Rosson.

Traditionally, TFs have been regarded as a personal selling tool, but Sharland and Balogh (1996) conclude that TFs are an excellent environment for non-selling activities such as information exchange, relationship building and channel partner assessment. TFs offer international firms the opportunity to gather vital information quickly, easily and cheaply. For example, within a short period a firm can learn a considerable amount about its competitive environment, which would take much longer and cost much more to get through other sources (e.g. secondary information).

Attendance at TFs is often viewed by a company as a reward to its employees. This motivation is consistent with the motive ascribed to selling companies in prior research: the use of exhibitions as a tool to build the morale of the salesforce (Godar and O'Connor, 2001).

We conclude this section by listing the arguments for and against participation in TFs.

### Arguments for participation in TFs

- Marketers are able to reach a sizeable number of potential customers in a brief time period at a reasonable cost per contact. Orders may be obtained on the spot.
- Some products, by their very nature, are difficult to market without providing the potential customer with a chance to examine them or see them in action. TFs provide an excellent opportunity to introduce, promote and demonstrate new products.
- SMEs without extensive salesforces have the opportunity to present their products to large buying companies on the same face-to-face basis as large local rivals.
- Finding an intermediary may be one of the best reasons to attend a TF. A show is a cost-effective way to solicit and screen candidates to represent the firm, especially in a new market.
- Although many technical specialists and company executives refuse to see or take telephone calls from outsiders who try to sell them things at their places of work, these same managers often attend trade exhibitions. The customer goes to the exhibition in order to see the seller. This is also an important aspect in the concept of reverse marketing or buyer initiative (see, for example, Figure 14.3).

- An appearance also produces goodwill and improves the corporate image. Beyond the impact of displaying specific products, many firms place strong emphasis on ‘waving the company flag’ against competition. This facet also includes supporting the morale of the firm’s sales personnel and intermediaries.
- TFs provide an excellent chance for market research and collecting competitive intelligence. The marketer is able to view most rivals at the same time and to test comparative buyer reactions.
- Visitors’ names and addresses may be used for subsequent mailshots.

### Arguments against participation in TFs

- There is a high cost in terms of the time and administrative effort needed to prepare an exhibition stand in a foreign country. However, a marketer can lower costs by sharing expenses with distributors or representatives. Furthermore, the costs of closing a sale through TFs are estimated to be much lower than those for a sale closed through personal representation.
- It is difficult to choose the appropriate TFs to attend. This is a critical decision. Because of scarce resources, many firms rely on suggestions from their foreign distributors on which TFs to attend and what specifically to exhibit.
- Coordination problems may arise. In LSEs with multiple divisions, more divisions may be required to participate in the same TF under the company banner. In SMEs coordination is required with distributors and agents if joint participation is desired, and this necessitates joint planning.
- Furthermore, the firm faces a lot of practical problems. For example, most people visit exhibitions to browse rather than to buy. How does the exhibiting firm obtain the names and addresses of the visitors who influence major buying decisions within their companies? Second, gimmicks may be highly effective in attracting visitors to a stand, but they can attract the wrong people. An audience may be greatly impressed by the music, dancing, demonstration or whatever is provided, yet not be remotely interested in the product. Third, how can the employees who staff a stand be prevented from treating the exercise as a holiday, paying more attention to the social aspects of their involvement with the exhibition than to finding customers? What specific targets can the staff be given and how can the attainment of targets be measured?

Whether a marketer should participate in a trade fair depends largely on the type of business relationship it wants to develop with a particular country. A company looking only for one-off or short-term sales might find the expense prohibitive, but a firm looking to build long-term relationships may find the investment worthwhile.

Trade fairs enable exhibitors to deliver their selling message to a large number of people at one time, thus providing an opportunity for face-to-face contact that is lacking in most other promotions and advertising media. This advantage is more important for internationally active firms, given the prohibitive costs of sales visits to foreign markets.

## 14.6 IMPLICATIONS OF THE INTERNET FOR COMMUNICATION DECISIONS

In the physical marketplace different communication tools are used in the buying process of customers (see Figure 14.9). Traditional mass communication tools (print advertising, TV and radio) can create awareness and this can result in consumers’ identification of new needs. From then on other elements of the communication mix take over, such as direct marketing (direct marketing, personal selling) and in-store promotion. Unlike marketing in the physical

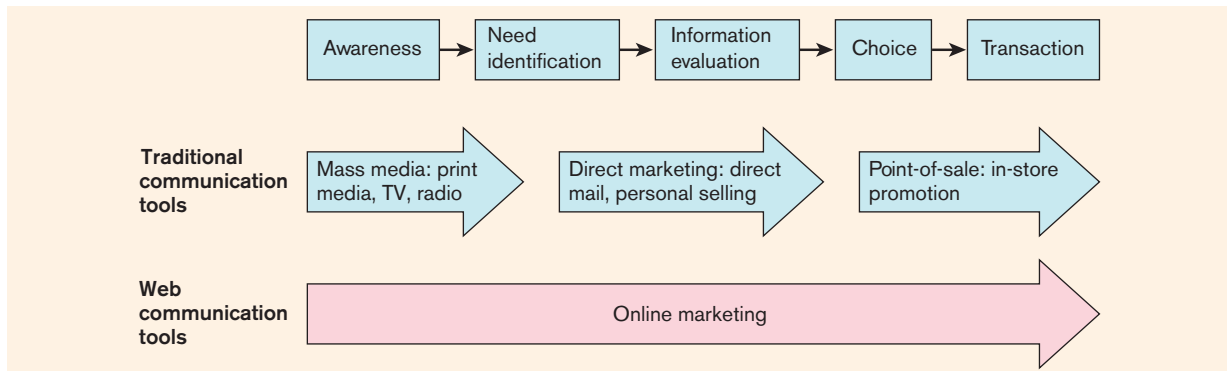


Figure 14.9

The role of Internet communication in the buying process of customers

Source: Hollensen, S. (2001) *Global Marketing: A Market Responsive Approach*, 2nd ed., Financial Times-Prentice Hall, Harlow, p. 545. Reproduced with permission.

marketplace the Internet/e-commerce encompasses the entire 'buying' process. Of course, the online markets also make use of traditional mass advertising in order to get potential customers into the online buying process (from the left in Figure 14.9)

Market communication strategies change dramatically in the online world. On the Internet it is easier than ever to actually *communicate* a message to large numbers of people. However, in many cases it is much harder for your message to be heard above the noise by your target audience. Various strategies for conducting online marketing have been developed in the past several years – from the most common (website linking) to the most expensive (banner advertising) to the most offensive (e-mail spamming), and everything in between. It is almost certain that a continual stream of new market communication strategies will emerge as the Internet medium evolves.

How, then, can a Web audience be created? One of the new possibilities in this field is viral marketing.

## Viral marketing

Global selling and buying is part of a social process. It involves not only a one-to-one interaction between the company and the customer but also many exchanges of information and influence among the people who surround the customer.

For example, diffusion occurs when an innovation is communicated through certain channels among members of a social system. An innovation is an idea, practice or object that an individual or unit of adoption perceives as new (Rogers, 1995). According to Rogers, mass media channels are relatively more important for learning about an innovation, whereas interpersonal communication is especially important for persuasion. Thus, consumers communicating via e-mail may be persuaded more readily than those via mass media advertising.

Passing along e-mail is even easier than writing comments. Beyond this, pass-along e-mail seems particularly well suited for the spread of images and/or verbal content that is too detailed to be disseminated via word of mouth (Chiarelli, 2006).

The Internet has radically changed the concept of word-of-mouth, so much so that the term **viral marketing** was coined by venture capitalist Steve Jurvetson in 1997. The term was used to describe Hotmail's e-mail practice of appending advertising for itself to outgoing mail from its users. In the Hotmail case each e-mail sent arrived with the appended message, 'Get your private, free e-mail from Hotmail at <http://www.hotmail.com>.'

The assumption is that if such an advertisement reaches a 'susceptible' user, that user will become 'infected' (i.e. sign up for an account) and can then go on to infect other susceptible users.

### Viral marketing

Online word-of-mouth is a marketing technique that seeks to exploit existing social networks to produce exponential increases in brand awareness.

## Definition

Viral marketing can be defined as a marketing technique that seeks to exploit pre-existing social networks to produce exponential increases in brand awareness through viral processes similar to the spread of an epidemic. It is word-of-mouth delivered and enhanced online; it harnesses the network effect of the Internet and can be very useful in reaching a large number of people rapidly. From a marketing perspective, it is the process of encouraging individuals to pass along favourable or compelling marketing information they receive in a hypermedia environment: information that is favourable or compelling either by design or by accident.

## Motives for viral marketing

The creation of technologies such as SMS technology (Johar, 2008), satellite radio and Internet ad blocking software are driving a fundamental shift in the way the public consumes media and the advertising often tied to it. Television ads, radio spots, online ads and even e-mails are facing increasing competition for effectively capturing the viewer's attention and provide positive ROI for the marketer. Additionally, consumers are becoming increasingly immune to mass marketing and advertising, so this form of marketing offers something that does not feel like they are being sold to, making them more receptive to the offer (Koppelman and Groeger, 2009).

This competition, coupled with the rising cost of media buys, has caused marketers to search for an alternative means to reach the customer. Viral marketing is an attractive solution because it utilises the free endorsement of the individual rather than purchasing mass media to spread the word. Because the distribution model is free, viral can potentially be lower cost and more effective than traditional media (Esch *et al.*, 2009).

## Advantages of viral marketing

- It incurs very little expense since the individual passing on the referral carries the cost of forwarding the brand message. Viral marketing offers SMEs the opportunity to target a whole new set of customers while keeping distribution costs to a minimum.
- Unlike traditional advertising, viral is not an interruptive technique. Instead, viral campaigns work the Internet to deliver exposure via peer-to-peer endorsement. Viral campaigns, whether ultimately liked or disliked, are often welcomed by the receiver. The act of forwarding electronic messages containing advertising is voluntary rather than a paid **testimonial** or a mass ad campaign and thus may be viewed more favourably by the recipient. The focus is on campaigns containing material that consumers want to spend time interacting with and spreading proactively.
- Those forwarding the messages will be more likely to know which of their friends, family members and work colleagues have similar interests and are thus more likely to read the message: hence, more effective targeting. Here, the term 'interests' refers not only to the narrow sense of just the product or service but also includes the way the message is presented, such as the humour, the artwork or the medium itself.

### Testimonial

A type of advertising in which a person, usually a well-known or public figure, states that he or she owns, uses or supports the product being advertised.

## Disadvantages of viral marketing

Viral marketing, like all marketing, is hit or miss. However, viral marketing by nature is often more risky or controversial than traditional marketing. If done improperly viral marketing can backfire and create negative buzz:

- If particular software is needed that is not widely used, then people will not be able to open or view the message.
- Many people receive viral marketing messages while at the office, and company anti-virus software or firewalls can prevent people from receiving or viewing any attachments.

- For a viral marketing campaign to be successful, it must be easy to use. For example, if the promotion is some sort of game or contest, then asking for referrals should be an option immediately after the game, not as a condition to play.

### Developing a viral marketing campaign

Viral marketing is by no means a substitute for a comprehensive and diversified marketing strategy. In employing viral marketing to generate peer-to-peer endorsement, the technique should not be considered as a standalone miracle worker.

While the messaging and strategy ranges radically from campaign to campaign, most successful campaigns contain some commonly used approaches. These approaches are often used in combination to maximise the viral effect of a campaign.

Successful viral campaigns are easily spread. The key is to get your customers to do the hard work for you by recommending your company or its promotional offers to friends and colleagues, who in turn will recommend it to their friends and so on. An effective viral marketing campaign can get your marketing message out to thousands of potential customers at phenomenal speeds.

When creating a campaign marketers should evaluate how people will communicate the message or campaign to others.

### *Creating compelling content*

Creating quality content can often be more expensive than simply offering a free product, but the results are often better. Fun is often a vital part of any viral marketing campaign. The general rule of thumb is that the content must be compelling, it must evoke a response on an emotional level from the person viewing it. This fact alone has allowed many smaller brands to capitalise on content-based viral campaigns. Traditionally, larger brands are more reserved and risk averse to the possibility of negative reaction. Central to the success of these campaigns is one or more of the following: their entry timing (early), their visibility or the simplicity of the idea.

### *Targeting the right audience*

If a campaign is skewed towards a certain audience or certain regions (countries), marketers should make sure they seed (see below) towards that audience. Failure to do so may kill a campaign before it ever gets off the ground.

The influence and, in some cases, the power of reference groups or opinion leaders in individual decision making is significant.

### *Campaign seeding*

'Seeding' the original message is a key component of a viral campaign. Seeding is the act of planting the campaign with the initial group who will then go on to spread the campaign to others. The Internet provides a wide array of options for seeding, including:

- e-mail/SMS
- online forums (e.g. Google groups)
- social networks (e.g. Facebook.com, MySpace.com)
- chatroom environment (e.g. MSN Messenger)
- blogs
- podcasts.

When determining where to seed it is important that marketers consider the audience they are aiming for. Is the target audience using the above-mentioned media (technologies) and to what degree?



Companies often use a combination of technologies to ‘spread the virus’. Many use SMS. An example of an SMS campaign is that of Heineken, which linked an SMS promotion with the British pub tradition of playing quiz games. Heineken combined both online and offline promotions through point-of-sale signs in pubs, inviting customers to call from their mobile phones, type in the wordplay and receive a series of multiple-choice questions to answer. Food and beverage prizes were awarded for correct answers. From a promotional perspective, the idea was successful as customers told others what they were doing, prompting them to call in too.

### *Control/measuring results*

The goal of a viral campaign is explosive reach and participation. To measure the success of a viral marketing campaign, establish specific and obtainable goals within a timeframe. For example, you would like to see a 20 per cent increase in traffic to a website within three months or to double your subscriber rate to an e-mail newsletter in one year.

Marketers should also be adequately prepared to meet the needs of participants in the event that the campaign is successful. Server space, bandwidth, support staff, fulfilment and stocking should be taken into consideration well in advance of campaign launch. The marketer should have the ability to capitalise on the full success of the campaign.

## EXHIBIT 14.2

Philips ‘Quintippio’ viral ad campaign (created by advertising agency Tribal DDB)



In November 2005 a viral website with a fictional 15-bladed razor was developed in order to create some buzz and make fun of the real-life introduction of the four-bladed Schick Quattro and the five-bladed Fusion by Gillette in October 2005.

On the website it was possible to download an ad that had also run on TV. The script of the commercial proclaimed: ‘Looking for a close shave? Then you’re looking for the new Quintippio Mega Shave, now with 15 extra large blades!’ A new product, ‘Quintippio Multi-Shave’, opens the spot and we find out that it has 15 blades. Then a puzzled man looks at it, wondering how he is going to shave his face with it. A voiceover says, ‘Everyone’s talking more blades – we’re talking less irritation!’ The selling point is an electric shaver that has a pump for dispensing Nivea skin cream as a shaving lubricant and moisturiser. The spot ends with the claim, ‘As close as a blade with less irritation.’

The commercial is genuinely funny – it uses humour to serve the advertising strategy and reinforce the brand positioning. Philips makes fun of both Gillette and Schick for their multi-blade obsession.

Here is what works:

- *Norelco makes the category leader look out of touch:* although the end-benefit of ‘multi-blade’ is supposed to be ‘close shave’, it is not clear that either Gillette or Schick remembers this. Gillette’s macho, tech-oriented advertising is so obsessed with the product that it seems to forget the consumer in the process.
- *Cool Shave focuses on a relevant, ownable end-benefit:* ‘We’re talking about less irritation’, which presumably is a secondary benefit for many users but not owned by any male shaving system. This spot does a good job of using humour, voiceover, visuals and co-branding (with Nivea) to reinforce this end-benefit. The humour is used to reinforce the brand positioning.
- *Humour reinforces the brand positioning:* showing that Gillette and Schick don’t ‘get it’ with their blade-spawning razors, and focusing on a different benefit, is worlds more effective than trying to argue that rotary shavers have more blades than multi-blade razors, for example.

That the issue raised in the commercial is relevant is underlined by the ‘serious’ magazine *The Economist*, which took up the ‘Blade running’ issue.



**EXHIBIT 14.2**

Philips 'Quintippio' viral ad campaign (created by advertising agency Tribal DDB) (*continued*)



The article discusses whether Moore's law can be transferred from computer chips to a number of razor blades. The article concludes that the most likely projection is that if the so-called power-law curve is followed then the 14-bladed razor should arrive in year 2100. But, as we have seen, the fictional Philips 15-blade razor is already here, and so are the discussions in the media and among Internet users – so Philips has reached its goals for its viral marketing campaign.

Sources: Adapted from WorldNet Daily (2005) Razor wars: 15-blade fever, *WorldNet Daily* ([www.wnd.com](http://www.wnd.com)), 26 November; Economist, The (2006) The cutting edge: Moore's law for razor blades, *The Economist*, 16 March.

**14.7 SUMMARY**

Mass customisation is the capability, realised by a few companies, to offer individually tailored products or services on a large scale. One-to-one marketing aims to customise a product offering so carefully that it fits the customer perfectly. Both trends mean that the firm has to communicate more and more directly to customers.

Five aspects of communication have been presented in this chapter:

- Advertising
- Public relations
- Sales promotion
- Direct marketing
- Personal selling.

As marketers manage the various elements of the promotional mix in differing environmental conditions, decisions must be made about what channels are to be used in the communication, the message, who is to execute or help execute the programme, and how the results of the communication plan are to be measured.

Personal selling is the marketing task involving face-to-face contact with the customer. Unlike advertising, promotion, sponsorship and other forms of non-personal communication, personal selling permits direct interaction between buyer and seller. This two-way communication means that the seller can identify the specific needs and problems of the buyer and tailor the sales presentation to provide this background information.

Some communication tools, especially personal selling, have to be localised to fit the conditions of individual markets. Another reason for localisation of the personal selling tool is that distribution channel members are normally located firmly within a country. Consequently, decisions concerning recruitment, training, motivation and evaluation of salespeople have to be made at the local level.

A very important communication tool for the future is the Internet. Any company eager to take advantage of the Internet on a global scale must select a business model for its Internet ventures and estimate how information and transactions delivered through this new direct marketing medium will influence its existing distribution and communication system.

Viral marketing is by no means a substitute for a comprehensive and diversified marketing strategy. Viral marketing is a credible marketing tactic that can deliver positive ROI when properly executed as a component of an overarching strategic plan. Marketers should utilise viral marketing when the messaging can coincide with and support a measurable business goal.

## CASE STUDY 14.1

### TAG Heuer

The famous Swiss watch maker is using celebrity endorsement as a worldwide communication strategy

#### The world luxury watch market

At present, Swiss-made watches are completely dominating the worldwide luxury watch market, contributing almost 100 per cent share. These watches are exported to most of the developed countries. However, rising incomes in emerging markets have led to a new category of affluent young professionals with high purchasing power. These countries have become a potential opportunity for ultra expensive watch manufacturers.

Generally, the total watch market can be divided into the following price segments:

- mass price market: under €50
- middle price market: €50–299
- upper price market: €300–999
- luxury price market: €1,000 and above.

Furthermore, there is the 'horlogerie' market, with high complications and jewellery. Watches are priced €10,000 and above. Examples of brands are Patek Philippe, Zenith and Jaeger-LeCoultre.

Traditionally considered a male domain, women are also driving up sales now. Women are more fashion oriented. Luxury watch makers are trying their best to design the female equivalent of their most popular watch models. Women change watches more frequently – they seem to be attracted to quartz instead of mechanic, because then they do not need to set the time before wearing it. Women are also attracted by jewellery pieces (diamonds, etc.). Another notable trend is the integration of new technology and the use of unconventional materials in luxury watches. Also, all major

brands are trying to raise their price levels by repositioning their products.

The world demand for luxury watches by region is shown in Table 14.5.

Rolex dominates the world luxury watch market (approximately €20 billion in manufacturers' selling prices) with around 40 per cent market share, followed by Omega (15–20 per cent MS), TAG Heuer (15–20 per cent MS), Breitling, Cartier, Bulgari, Chopard, Ebel, Girard-Perregaux, Jaeger-LeCoultre Longines and Patek Philippe.

Counterfeit products remain a problem in the industry. The lost value of this part represents 5–10 per cent of the total world market for luxury products. The main market for counterfeit goods is still the United States, representing over 66 per cent of global demand, and 80 per cent of demand for counterfeit products is for Rolex only. The remaining 20 per cent is divided up between the other 24 brands analysed. Japan is the only country in which there are more searches for counterfeit goods on Omega than Rolex.

#### Background of TAG Heuer

Founded by Edouard Heuer in 1860 at Saint-Imier in the Swiss Jura, TAG Heuer has now been in the vanguard of Swiss watchmaking for nearly 150 years. Soon after Edouard Heuer set up the company's first workshop in Switzerland, it patented the first chronograph mechanism and followed that up with a series of inventions that shaped the future of watches.

From the first patent for a chronograph mechanism in 1882, Heuer has written some of the finest chapters in watchmaking history. By 1966 Heuer had developed

**Table 14.5**

World demand of luxury watches by region

Region	Regional market share (%)	Main countries
Europe	44	UK (14%), Germany (12%), Italy (10%), France (8%)
USA	43	
Asia	13	China (6%), Japan (5%), India (2%)
Total	100	

Source: Adapted from *World Watch Report 2009: Industry Report of Watches and Watchmakers (WWR)*.

the Microtimer, the first one-1,000th of a second chronograph. And the company is still pioneering today. This has made TAG Heuer the inescapable reference brand in motor sports.

TAG Heuer's first ambassador of the brand was Jo Siffert and the first sponsoring contract was also signed with this Swiss driver, who became friends with Steve McQueen while teaching him driving skills on the set of the movie *Le Mans*. McQueen wore the Heuer Monaco chronograph in the movie, which made the timepiece an icon of the brand.

After the Swiss-based Techniques d'Avant Garde group took over TAG Heuer from the Heuer family in 1984, Christian Viros was hired as CEO to save the company from financial difficulties. The company had been hit by the recession in the early 1980s and the TAG Heuer brand was seen more as associated with scientific and timing instruments than a luxury brand. CEO Christian Viros transformed TAG Heuer into a lifestyle brand by concentrating on design and marketing. But his masterstroke was focusing on an association with sports. The sports-watch market was a new niche and Viros cornered it with advertisements featuring stars such as French skiing champion Luc Alphand and Formula 1 racing driver Ayrton Senna.

This strategy remains to this day. In addition to celebrities such as Uma Thurman and Brad Pitt (only from 2005 to 2008), its 'faces' include Tiger Woods, Maria Sharapova, Formula 1 world champions Kimi Räikkönen and Lewis Hamilton, and more recently Leonardo DiCaprio. The firm further exploits these associations when Formula 1 drivers test new prototypes during races, submitting them to extreme G-forces, vibration and shock.

In 1985, TAG Heuer became the chronograph of the McLaren team and won several Formula 1 world championships on the wrists of Niki Lauda, Alain Prost, Ayrton Senna and Lewis Hamilton. At the same time, it became the official timer of the Formula 1 World Championship, timing to the thousandth of a second, before becoming the official timer of the Indy 500 in 2004, timing to the ten-thousandth of a second – a feature that today remains unequalled.

Venture capital firm Doughty Hanson bought the business in the mid-1990s and later cashed out in a public flotation before luxury goods conglomerate Louis Vuitton Moët Hennessey (LVMH) bought the company for around \$800 million in 1999.

In 2000 Jean-Christophe Babin was appointed CEO. He has reduced the product range from 800 to 200 lines in the past four years and is looking more closely at women's watches. Babin has also segmented the watch models into 'families'. Babin is also behind other

successes, such as Heuer models brimming with nostalgia and images.

Today TAG Heuer is still an independent division under LVMH and considered a star brand of the group.

TAG Heuer employs 350 staff in the headquarters and factory in Switzerland and another 2,000 (including LVMH watch and jewellery staff) worldwide, organised in subsidiaries located in the most dynamic markets.

### TAG Heuer's marketing strategy

By sponsoring sports where technology and accuracy are paramount, TAG has polished its reputation for precision while positioning itself as a luxury brand appealing to early achievers. Until now TAG's target market has been college-educated 30- to 40-year-olds: every year approximately 3 per cent of them buy a new luxury watch costing €1,000 or more.

The female sector is a potential growth market for TAG Heuer. Historically, TAG Heuer only sold 20 per cent of their watches to ladies, but they are now on their way to 40 per cent. Ladies buy more watches for themselves than men. 'If we want to double our female buyers, we need strong female communication and lady endorsers.' This is why Maria Sharapova and Uma Thurman have been integrated. Their determination, talent, success and strong characters fit well with the brand values of TAG Heuer, so they can help with gaining market share for TAG Heuer in a segment where they are under-represented. In 2008, Uma Thurman's contract came to an end and was not renewed due to the economic crisis, which has also been the main reason why TAG Heuer, from 2009, has decided to concentrate on core business. Even if the 'Women Strategy' remains in place, the choice was made to concentrate on acquired market shares. The existence of a second female ambassador was set '*entre parenthèses*' until the world economy shows signs of growth again.

TAG's average watch price is now approaching €1,500. As a result of its brand positioning TAG Heuer's revenues steadily increased from just €25 million in 1988 to over €1 billion in 2008.

With over 8,000 retailers globally stocking TAG, its annual sales of around 900,000 watches (2008) give it a 15–20 per cent share of the world luxury watch market.

Perhaps the best proof of TAG's success is that, having homed in on the lower end of the luxury market, it opened this sector up to watches from fashion brands such as Diesel, Fossil and Calvin Klein. TAG's greatest challenge to come could be differentiating itself from these newcomers as well as the upper end of connoisseur's timepieces. This recent strategy of the brand is also reinforced with the launch of the luxury line Grand Carrera in 2007 (priced €3,000–€5,000), which increases the



average retail price and further differentiates from 'fashion' watches, supported by an intensive communication of know-how and heritage.

One of the main challenges for TAG Heuer's communication strategy is to be well represented on the Internet. However, brand advertising on official websites is no longer enough. The social networks are gaining marketing power: Facebook has now nearly 200 million members and, according to the World Watch Report 2009, Cartier is dominating Facebook with 30,000 fans, followed by TAG Heuer (18,500), Rolex (17,500), Bulgari (14,300) and Breitling (13,600). On YouTube 100 million videos are viewed monthly. Videos uploaded by fans are now taking up 38 per cent of brand visibility.

### TAG Heuer's celebrity endorsement strategy

Since becoming CEO and president of Swiss watch firm TAG Heuer 10 years ago, Jean-Christophe Babin has put together a portfolio of global and local brand ambassadors and endorsers.

According to the Global Watch Report 2009, the top luxury watch ambassador in the industry represents Omega, accounting for 17 per cent of total Internet searches. Omega uses the 'Michael Phelps effect' (the American swimmer beat the Gold Medal record in a single Olympics, winning 8 in the 2008 Beijing Olympic Games).

Six of TAG Heuer's ambassadors are ranked in the top 20. At the top of the line is golfer Tiger Woods, who garners 15 per cent of Internet searches, followed by Bollywood star Shah Rukh Khan (7 per cent), Formula 1 racing driver Lewis Hamilton (4 per cent), actor Leonardo DiCaprio (3 per cent), tennis star Maria Sharapova (3 per cent) and deceased actor Steve McQueen (2 per cent).

TAG Heuer has enjoyed success through creating bespoke products for local markets, endorsed by local ambassadors such as Bollywood star Shah Rukh Khan, who is the main reason for the TAG Heuer growth in India. Yao Ming (the US-based Chinese basketball player) helped TAG Heuer to grow the brand in China (contract from 2005 to 2006) and it enabled the company to catch up with competitors that have been in this market much longer than TAG Heuer.

TAG Heuer's ambassadors are encouraged to participate in product development and this is what makes TAG Heuer ambassadors different from those of any other brand (see also the following examples of celebrity endorsements).

#### Examples

In 2008 tennis star Maria Sharapova launched her new TAG Heuer Formula 1 glamour diamonds watch with 120 diamonds. The price of this watch is around

€2,000 in retail stores (see also YouTube video regarding Sharapova's launch of the watch: [www.youtube.com/watch?v=z8gtDG97q-Q](http://www.youtube.com/watch?v=z8gtDG97q-Q); [www.youtube.com/watch?v=fmYuHQkSyTw](http://www.youtube.com/watch?v=fmYuHQkSyTw)).

The rare square case of the original TAG Heuer Monaco reshaped the way people look at watches and of watch making. The TAG Heuer Monaco was launched in 1969 (by Jack Heuer, today Honorary Chairman of TAG Heuer) and it was the world's first chronograph equipped with a microrotor for automatic rewinding.

At the prestigious 2009 World Watch Fair in Basel, TAG Heuer celebrated the 40th anniversary of the first introduction of the TAG Heuer Monaco by unveiling two special watches just for this occasion: the Monaco Twenty-Four Concept Chronograph and the Monaco Calibre 12 Chronograph Gulf Limited Edition.

The Monaco was the world's first square-cased chronograph, designed to match Steve McQueen's suit in the movie *Le Mans* (which itself was a replica of that worn by Jo Siffert, the first driver sponsored by TAG Heuer). His legendary Porsche Gulf 917 K, one of the most celebrated automobiles in motor racing, was only



The 40th Anniversary Monaco watch  
Source: Courtesy of TAG Heuer SA



Steve McQueen in the movie *Le Mans*  
Source: Collection CSFF/© Rue des Archives



The TAG Heuer Meridiist mobile  
Source: Courtesy of TAG Heuer SA

produced from 1969 to 1973. Equipped with a 600+ horsepower, 5-litre engine and capable of speeds up to 362 km/h, its success surpassed all expectations, winning Le Mans in 1970 and 1971.

For his driving scenes in *Le Mans*, Steve McQueen insisted he was equipped with the complete driving suit of his friend Jo Siffert, which, of course, included the Monaco chronograph. The presence of the Monaco on the actor's wrist helped contribute to its legend, but it was above all its avant-garde style and its complete break with tradition that enabled it to become one of TAG Heuer's most sought-after icons.

The limited edition numbers 5,000 watches and the price is around €2,900 (see also YouTube video regarding launch of the watch: [www.youtube.com/watch?v=j3iLvLpn-KY](http://www.youtube.com/watch?v=j3iLvLpn-KY)).

### TAG Heuer's diversification strategy

Besides introducing eyewear, with a range of sunglasses and frames for prescription glasses, TAG Heuer has also

introduced a mobile phone. In 2008 TAG Heuer's luxurious first handset was introduced, the TAG Heuer Meridiist handset.

The handset itself was developed in partnership with Modelabs and the mobile phone features a 2-megapixel camera, all-metal casing, 1.9-inch QVGA display, Bluetooth, multimedia player, sapphire crystal screen and a battery that will last around the seven-hour mark. Since TAG Heuer has been a long-time timepiece maker, the first cell phone designed by them will have a more outstanding way to display the time. This is a new mobile phone with luxury and elegance in mind. The TAG Heuer Meridiist costs €3,400 to €3,900 depending on what customisations are requested.

Also in 2008, TAG Heuer launched a line of lifestyle accessories selling in TAG Heuer boutiques worldwide.

### QUESTIONS

- 1 What is the target group for the Tag Heuer Meridiist mobile phone?



- 2 How are these TAG Heuer endorsers communicating to different end customer groups:
  - Maria Sharapova?
  - Kimi Räikkönen?
  - Leonardo DiCaprio?
- 3 Are multi-product brands better positioned to grasp the opportunity presented by social networks on the Internet?
- 4 Is uploading of videos on YouTube an opportunity for TAG Heuer to support these fans who often have a high power of persuasion on watch buyers' choice of watch brand?
- 5 Please propose a future communication strategy for TAG Heuer.

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## QUESTIONS FOR DISCUSSION

- 1 What is the difference between 'mass customisation' and one-to-one marketing?
- 2 What are the implications of one-to-one marketing for the communications strategy of a firm?
- 3 Identify and discuss problems associated with assessing advertising effectiveness in foreign markets.
- 4 Compare domestic communication with international communication. Explain why 'noise' is more likely to occur in the case of international communication processes.
- 5 Why do more companies not standardise advertising messages worldwide? Identify the environmental constraints that act as barriers to the development and implementation of standardised global advertising campaigns.
- 6 Explain how personal selling may differ overseas from how it is used in the home market.
- 7 What is meant by saying that advertising regulations vary around the world?
- 8 Evaluate the percentage of sales approach to setting advertising budgets in foreign markets.
- 9 Explain how the multinational firm may have an advantage over local firms in training the sales force and evaluating its performance.
- 10 Identify and discuss problems associated with allocating the company's promotion budget across several foreign markets.

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