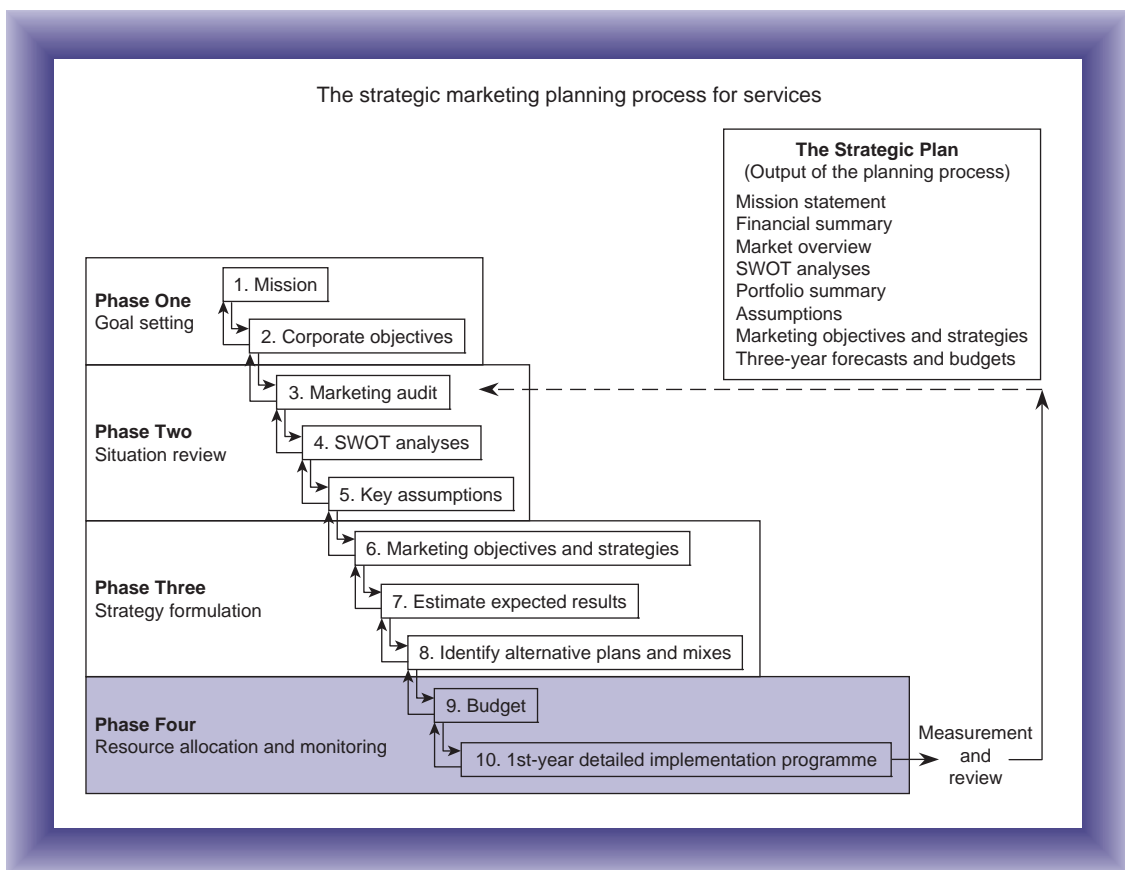


# 9 Marketing planning Phase Four: resource allocation, monitoring and detailed planning (Part 1: the budget, the service product plan and the communications plan)



Chapter 8, on marketing strategy formulation, showed how the marketing audit information could be distilled and used to determine marketing objectives and strategies. Having these available to guide the thinking process, it was then possible to

arrive at the services marketing mix, *at a broad strategic level*, which offered the best prospects for achieving the desired results. This chapter, which examines the final phase of the marketing planning process for services, will look first at the marketing budget and then at how the strategic marketing plan can be made operative through the allocation of resources and the formulation of a detailed first-year tactical marketing plan involving considerations of the services marketing mix *at a detailed operational level*. This chapter focuses on the service product plan and on the communications plan. Part 2, in Chapter 10, focuses on pricing, customer service, and monitoring and control.

## Step 9 The marketing budget

In arriving at the best strategic marketing mix, all of the options under consideration had to be costed out. In that sense the broad strategic marketing budget is known already. However, it should now be developed in a more detailed and careful manner, as it is going to provide the formal expression of the service organization's commitment to its chosen marketing strategy for the coming three years (or whatever the planning period happens to be).

Successful budgeting involves cross-functional cooperation

The responsibility for looking ahead in this way is not solely the prerogative of top management, for many executives will have a part to play in translating forecasts, and what is required to achieve them, into monetary values.

Successful budgeting depends upon the thoroughness with which every aspect of future marketing has been considered and how it impacts on other parts of the business.

The involvement of a wide group of managers in the budgeting process ensures that no important issues are neglected or overlooked. This frequently involves cross-functional cooperation in the planning process, which was discussed in Chapter 4 and illustrated in Figure 4.2. It also serves to remind them that they do have a part to play in working towards a common goal – the future success of the company.

The budget itself can be broken down into a number of component parts.

### ***The revenue budget***

As all revenue is ultimately generated by sales, accurate sales forecasts are the critical link in the budgetary process. Not only should they be determined as scientifically as possible, they must also be consistent with the views of field sales staff and others who have an intimate

knowledge about customers and the markets for the services under consideration.

- The sales spread, or 'mix', over the principal service lines.
- The volatility of demand for the service(s) both at home and in foreign markets.
- The relationship between sales and the capacity to provide the service(s). For example, capacity might be limited by skill shortages, lack of investment in new technology, and so on, some of which may not be capable of swift expansion.
- Patterns of seasonal demand.
- Special characteristics of the particular service product market.

### ***The 'marketing capacity' budget***

This is, in essence, designed to cover marketing staff responsible for providing the services and products over the planning period. It involves a detailed study of what goes into each service, and understanding that labour, material, supplies and equipment need to be available as and when required. Again, no worthwhile conclusions can be reached about the levels of these cost factors without discussion and cooperation between the cross-functional managers involved. From the point of view of maintaining a consistent output as economically as possible, this budget will take into account:

- A consideration of the appropriate levels of service quality to be offered to each major customer segment.
- A detailed study of direct labour involved, expressed in man-hours, taking into account different staff grades that might be required.
- A study of incentives which may influence sales, hence throughput rates.
- The provision of plant, tools and supplies, together with utilities and maintenance facilities.
- A study of the most effective material purchasing procedures.
- Efficiencies achieved through services re-engineering and redesign.
- Other expenses associated with maintaining the marketing output, e.g. use of advertising agency.

### ***The capital expense and finance budget***

It will be necessary to draft a long-term capital expense budget for the strategic planning period under consideration. This will address any fixed capital assets which might be required to back up the marketing plans, such as, for example, new service sites, or office expansion.

A cash or finance budget might take into account:

- Cash flows, i.e. how revenue will match up with operating expenses and payments to suppliers.
- Short-term loans.
- Temporary investment for surplus funds.
- A study of money market conditions and interest rates.
- The provision for contingent liabilities.

It will be obvious from all of this that the setting of budgets is also more likely to be realistic and related to what the *whole* company wants to achieve when it has this cross-functional emphasis, rather than just having one functional department involved. The problems of designing a dynamic system for budget setting, rather than having poorly-thought-through procedures, are a major challenge to marketing and financial directors of all companies.

Annual zero-based budgeting is an excellent discipline

Many managers advocate a zero-based approach to budgeting. With this approach the marketing director justifies all marketing expenditure from a base of zero each year, against the tasks which need to be accomplished.

If this is done, then the marketing plan, which in effect links a hierarchy of objectives cascading from the corporate objectives, ties every item of expenditure to the corporate objectives. For example, if customer service demanded a higher proportion of the budget, the rationale for this should be directly attributable to a major objective formulated in the marketing planning process.

By proceeding in this way, every item of expenditure is fully accounted for as part of a rational, objective and task approach.

It also ensures that when changes have to be made during the period under consideration, they can be made in such a way that least

damage is caused to the organization's financial strengths and long-term objectives.

In manufacturing, it is easy to see that incremental marketing expenses are all costs incurred after the product leaves the factory, other than costs involved in physical distribution. In a service company, the dividing line is far less obvious, because a 'factory' does not always exist. Those who 'make' the service product might do so partly in the company's offices and partly on the customer's premises. (The types of interaction in service delivery were discussed in Chapter 2 and illustrated in Figure 2.7.)

Incremental marketing expenses are more difficult to identify in a service organization

Furthermore, in some services, such as a small management consultancy, the contact person is in effect the service product, the service surround, the salesperson and the company, all at the same time.

Just as with the difficult question of whether packaging should be a marketing or production expense, there are some issues where there are no simple answers. Exactly how a service company defines its marketing expenses will need to relate to its circumstances. Common sense will reveal the most useful and workable solutions. The important point is that careful analysis should be made about what is required to take the company towards its goals, and that items of expenditure should be gathered under appropriate headings. A zero-based budgeting approach lends itself to achieving this result. Those wishing to consider further the relationship between marketing planning and budgeting are referred to Russell Abratt and his colleagues.<sup>1</sup>

There is scant information available on how much money service companies spend on marketing activities relative to their turnover. Some degree of benchmarking of marketing spend may be desirable among friendly companies within the same service sector, or in firms in other service sectors that are comparable to yours.

There is a huge variation in how much service companies spend on marketing activities. For example, in professional services, the average range is between 1% and 2% of fees or turnover. However, while professional service firms include direct marketing expenses and staff within marketing and business development departments, they typically do not include partners' time. Some partners in specialist law firms, accounting firms and management consulting firms may bill their time at a rate in excess of \$10,000 a day. Given partners can spend a very substantial amount of time on marketing activities, this can represent a large amount especially if their time is valued at their billing rate.

There is also substantial variation *within* a particular service industry. For example, the IDC 'Marketing Investment Planner 2011 Benchmark

Study' examined marketing expenditure by information technology companies and found companies with a turnover of less than \$500 million spend on average 4% of their revenue on marketing, while companies with over \$10 billion in revenue spend around 1.8% of their revenue on marketing.<sup>2</sup>

In some sectors of the financial services and professional services market benchmark studies and interfirm comparisons are often available which give indications of what may be appropriate levels of marketing expenditure. However, while benchmarking is very useful we do favour a zero-based approach to the marketing budget, based on the objectives the service organization is seeking to accomplish.

## **Step 10 First-year implementation programme**

Once agreement has been reached regarding budgets, those responsible for the development of the first-year implementation programme of the marketing plan can then proceed to develop details of tasks to be completed, together with responsibilities and timings.

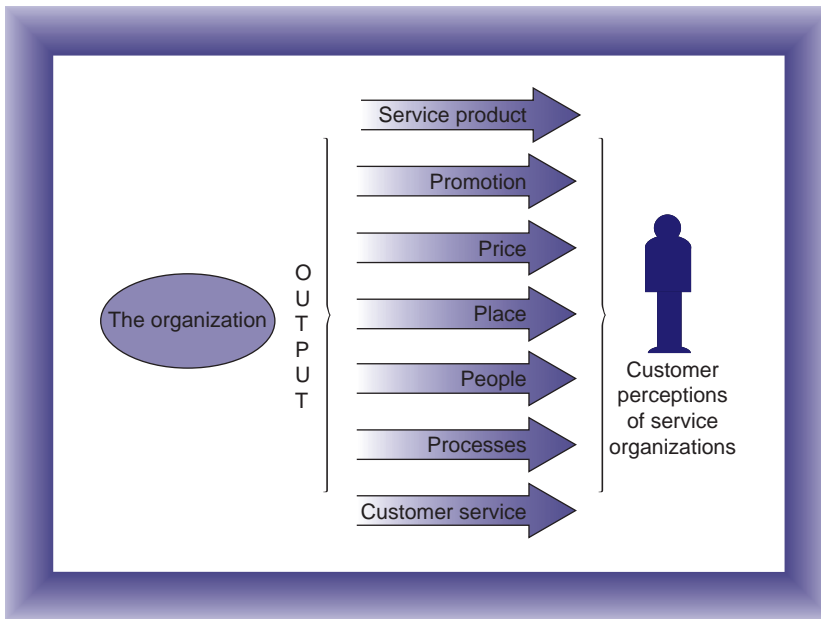
Such programmes (which in marketing literature are also sometimes called one-year tactical marketing plans, or schedules) constitute detailed guides which ensure that the first-year activities direct the service organization on a journey which will achieve its longer-term strategic marketing objectives.

The customer judges the organization solely on its output

Before starting to formulate the various marketing programmes, it is important to be clear about the activities upon which they are intended to impact. Guidance for this comes from taking a 'customer's-eye view' of the company. As Figure 9.1 shows, the customer views the service organization through the window of its output. This, as we saw earlier, is what is termed the marketing mix, which consists of seven key elements – the traditional four P's (the service product, promotion, price and place) and three additional elements appropriate to services marketing (people, processes and customer service).

By managing the components of the marketing mix effectively, the marketer provides a 'window' which enables the customer to view the service organization offer in an integrated manner.

We can now see that marketing programmes involve developing plans for managing all seven components of the marketing mix. However, not all marketing plans will have separate plans for all seven elements



**Figure 9.1**  
The organizational output

of the marketing mix. In some cases elements such as the people and processes may be incorporated into the other elements of the plan. Whether or not these are detailed separately or integrated elsewhere in the marketing plan, it is essential that the implications of all the mix elements are considered as part of the planning process.

Thus, we have no wish to be overly dogmatic on the subject of how many elements of the services marketing mix should have detailed plans developed for them. For a review of alternative approaches to marketing mix development see Constantinides' work.<sup>3</sup> Readers who choose to stay with the 4Ps concept and find that it works for them, may wish not to abandon it. There is also a danger that extended discussion about what constitutes the marketing mix will reach a sterile level of debate. The pragmatic marketer should make up his or her own mind regarding what constitutes the service company's output. The main point is not to overlook anything.

The marketing mix will now be considered in more detail in terms of what goes into the planning for each of its elements.

## Mix element 1: The service product plan

Most of the key elements relating to this element of the marketing mix have already been discussed in Chapter 7 (Sub-audit 4: Auditing the services and products) and in Chapter 8 (Marketing objectives) so will not be repeated here. This earlier discussion covered topics relating to the product plan including the product options (in terms of the Ansoff matrix), differentiation, positioning, lifecycles and portfolio analysis.

The formulation of marketing objectives in Step 6 of the marketing plan will have clarified and set targets regarding the quantity and quality of which services go to which markets. What now needs to be done is to schedule the various activities so that they do not compete for scarce resources at the same time, and that they are delivered in sufficient quantity throughout the planning period that the revenue from the total portfolio provides sufficient funds at any one time. The service product plan will also indicate what activities need to go into the development of new services, and over what period of time. It will also show when and how existing services will be withdrawn from the market.

Three further topics, which were not discussed previously, need to be considered within the product plan. These include: branding, physical evidence and new service development strategies.

### **Branding<sup>4</sup>**

The growing importance of the services sector has made firms aware that the creation and development of service brands represents a source of sustainable competitive advantage. Despite similarities between the principles of branding for goods and services, the specific nature of services requires tailored approaches.

One of the most problematic aspects associated with service brands is that consumers have to deal with intangible offerings. In an attempt to overcome this problem, marketers put a lot of emphasis on the company as a brand, especially in sectors such as financial services, as one way of making the service more tangible. However, studies have shown that consumers know little about specific financial products and services, and are often content to assume that the best-known companies have the best financial products. Thus marketers are left with limited scope for achieving product/service differentiation and service brands run the risk of being perceived as commodities.

To overcome this problem, service brands need to be made tangible to provide consumers with well-defined reference points. One means of increasing the tangibility of service brands is to project the brand's values through as many physical elements (symbols, representations, etc.) as possible, such as staff uniforms, office décor and the use of corporate colours. Virgin Airlines, for example, has successfully used its vibrant red livery to reflect the dynamic and challenging position it has adopted. IKEA's yellow and blue stripes not only allude to the company's Scandinavian origins but also guide consumers through the different sections of the store. The first points of contact with a service organization, including the quality of the car parking facilities and the appearance of the reception area, all interact to give consumers clues about what to expect from the service brand.

A successful brand identifies a service as having sustainable competitive advantage

The tangible elements of a service brand encourage and discourage particular types of consumer behaviour. For instance, a 7-Eleven store played classical symphonies as background music in an effort to retain



‘wealthier’ customers and drive away teenagers who tended to browse without purchasing.

Staff play a critical role in delivering services and shaping brand perceptions. Much of the success of the Disney brand results from the firm’s insistence that employees recognize they are always ‘on stage’ when working, actively contributing to the performance and to the enjoyment of visitors. Staff morale also impacts on consumers. The development of a genuine service culture, which values staff as well as customers, is central to a strong service brand. The development of a service culture at SAS airlines, for example, helped turn the loss-making business into a successful brand under the stewardship of Jan Carlzon.

The way consumers evaluate a service brand depends largely on the extent to which they participate in the delivery of the service. Where service performance requires a high degree of consumer involvement, such as in Weight Watchers’ programmes, it is vital that consumers understand their role and demonstrate firm commitment. In service sectors such as airlines where the level of consumer involvement is low (as all that is required is the consumers’ physical presence), the onus of responsibility for service performance falls to the company and its employees.

Brand perception is influenced by the level of consumer involvement in the service delivery

Effective consumer participation may require that consumers go through a process similar to a new company employee – a process of recruitment, education and reward. Brands such as US retailer Nordstroms and UK bank First Direct have been successful because they have effectively communicated the benefits consumers can gain from their participation. Service brands can be strengthened through an effective management of the mix of consumers who simultaneously experience the service. All major airlines, for example, are aware of the need to identify different segments.

A key decision in service branding is whether to build the brand on a specific service or on the corporate identity. Many large service companies, such as banks and insurance companies, consider that they can offer all their products and services through brands that are built on their corporate image. Financial institutions are wise to follow this strategy for well-established products/services and for new market segments which fit into their existing customer base, avoiding the risk of confusing their customers, who would otherwise see the same staff and the same physical evidence for differently named offerings.

This line of thought, however, can inhibit a company from successfully expanding into new market segments or products. Holiday Inn, for example, successfully offers several tailored brands to different target markets: for instance, Crowne Plaza for upscale business travellers.

While a brand can gain from being linked with a company name, the specific values of each brand still need to be conveyed. There are very good reasons why, in certain circumstances, it is advisable to follow

the individual brand name route. For one, this allows the marketer to develop formulations and positionings to appeal to different segments in different markets. Another advantage is that if the new line should fail, the firm would experience less damage to its image than if the new brand had been closely tied to the company.

So, branding, formerly the domain of fast-moving consumer goods, is now recognized as being of great importance to services. Branding has an important role in value creation and can help support the positioning strategy that has been determined for the service organization. Of particular importance is the role of employees in building service brands.<sup>5</sup> Establishing a distinctive brand has become a key issue in almost every service sector.

Berry and Parasuraman<sup>6</sup> have outlined the key questions that need to be addressed by service marketers when considering their brand:

1. Are we proactive in presenting a strong company brand to our customers (and other stakeholders)?
2. How does our company name rate on the tests of distinctiveness, relevance, memorability and flexibility?
3. Do we use to full advantage branding elements other than the company name?
4. Is our presented brand cohesive?
5. Do we apply our brand consistently across all media?
6. Do we use all possible media to present our brand?
7. Do we recognize the influence of the service offering on brand meaning?
8. Do we base our branding decisions on research?
9. Are we respectful of what exists when we change our brand or add new brands?
10. Do we internalize our branding?

These questions provide useful guidelines to developing service brands.

### ***Physical evidence***

Elements of physical evidence are a means by which, over time, the brand values can be re-informed. Physical evidence is part of the service organization's environment where the services encounter takes place. Physical evidence is a means of providing tangible physical clues for a service which is largely intangible. Physical evidence also helps support the positioning and image of the service firm.

While it has been argued by some writers that physical evidence<sup>7</sup> is of sufficient importance and that it should form a separate element of the

marketing mix, our view is that it is a sub-element of the product element of the marketing mix (in the same way that advertising and personal selling are sub-elements of the promotion element of the mix). However, the important issue is that attention is directed at it, regardless of where it is structurally placed in the marketing programme.

Physical evidence can help with the positioning of a service firm and can give tangible support to the outcome of the service experience. For example, banks have traditionally built highly elaborate and decorative façades and banking chambers to give the impression of wealth, substance and solidarity. Currently many service organizations spend large amounts of money to create branding, architecture, layout, furnishings, décor and uniforms that provide physical evidence that reinforces their desired image.

For services which are performed at the location of the service organization, physical evidence has an essential role to play. Familiarity is often a factor used by service franchise operators to provide reassurance. This is achieved by providing systematic physical evidence of what the customer can expect. For example, customers of Ritz-Carlton hotels and Oddbins wine shops have a clear idea of what they can expect when they visit a new outlet.

### ***New product and service development***

The option of new product and service development, as part of the product service plan, was mentioned briefly in the earlier discussion of the Ansoff Matrix. This is an area of increasing interest to service researchers. Christopher Lovelock and his colleagues<sup>8</sup> outline six categories of service development:

1. *Major service innovations* – These innovations represent major new markets. Examples include Dyno-rod (drain/sewer unblocking services); Federal Express and DHL (overnight distribution); cellular telephones; and relatively recent web-based TV services. The risk and reward profiles of such major innovations are typically large.
2. *Major process innovations* – These innovations involve utilizing new processes to deliver existing services better, cheaper or with improved benefits. For example, some universities such as Singapore Management University and the University of Phoenix offer courses with radically new non-traditional service.
3. *Product line extensions* – These offer customers greater variety of choices within existing service lines. This is typical of a business in maturity, which already has a core market which the service provider seeks to maintain. For example, major law firms servicing corporate clients have developed increased business from clients by offering advice on environmental law. This supplements the commercial legal services already provided to their clients, but is in response to both new legislation and companies' desire to be perceived as being environmentally conscious.

4. *Process line extensions* – These are less extensive and less innovative than major process innovations. They typically represent new ways of delivering existing products by offering customers more convenience or a different experience. One of the most common forms of process line extension is adding a low-cost distribution channel such as the Internet to an existing high contact channel.
5. *Supplementary service innovations* – This form of innovation involves adding additional service elements to an existing course service. For example, the traditional camera store has transformed its service offerings by adding a range of customized printing facilities for customers using digital cameras.
6. *Service redesign* – This is a common form of innovation. It involves modest changes and improvements to the core product or the surrounding supplementary services offered to the customer. There are a number of different forms of service redesign which include offering customers self-service, moving the point of service delivery to the customer's location (e.g. mobile dog grooming at the customer's home) and redesigning tangible elements of the service experience (e.g. five-star hotels offering a 'pillow menu' from which hotel guests can select from a range of pillow types available for their room).

### ***Managing the service product plan***

Grönroos<sup>9</sup> has suggested four key steps that the services marketer needs to manage in providing a service offer:

- *Developing the service concept* – the basic concept or intentions of the service provider.
- *Developing a basic service package* – the core service, facilitating services and goods, and supporting services and goods.
- *Developing an augmented service offering* – the service process and interactions between the service provider and customers, including the service delivery process. It includes a consideration of the accessibility of the service, interaction between the service provider and the customer, and the degree of customer participation.
- *Managing image and communication* – so that they support and enhance the augmented service offer. This is the interface between the promotion and product marketing mix elements.

A consideration of these steps, together with the elements of the product plan addressed in earlier chapters, makes clear some of the linkages with other elements of the marketing mix. When the basic service offer has been decided, attention can then be directed at development of promotion, and the other ingredients of the marketing mix.

This particular plan or programme provides the backbone for many of the other organizational activities. For example, recruitment programmes will be based on it. It will also loom large in cash-flow projections.

## Mix element 2: The promotion and communications plan

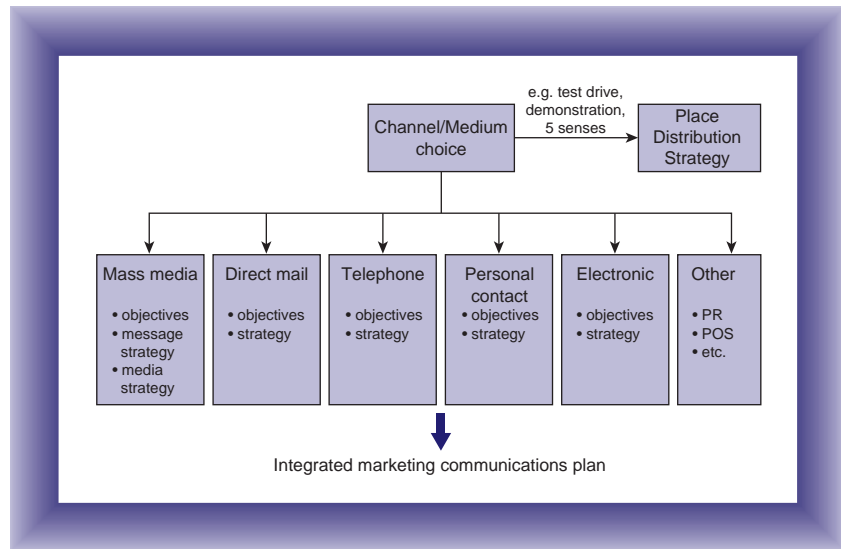
Before providing some of the more traditional and abidingly essential guidelines on the day-to-day management of communications, it is clear to everyone in business today that technology changes have empowered the customer and the consumer to find out more about suppliers than suppliers know about them. Also, technology change has given customers enormous choice about how they wish to be communicated to. This makes the market mapping process outlined in Chapter 6 even more important.

### *The changing nature of promotion and distribution*

Promotion and distribution are changing in a number of respects. Channels such as the Internet and social media are emphasizing an already growing trend from mass media such as advertising to more interactive media. Integrating these channels within a coherent strategy is not an easy task. Writers in the field of 'Integrated Marketing Communications' (IMC)<sup>10</sup> emphasize that before engaging on detailed planning – writing sales plans or promotions plans, for example – it is necessary to choose which medium to use for which customer interactions. This is illustrated in Figure 9.2.

The choice of channel/medium is generally a complex one, involving different media for different communications with the same customer. The organization will also frequently wish to leave some options in the hands of the customer. For example, a Dell customer may find out about Dell from colleagues or from press advertising; investigate which product to buy, what the price is and what configuration is required using the Web; print out order details and pass them to the purchasing department to place the order via fax; check on the delivery time via telephone; take delivery via a delivery service; and obtain customer service using email. Customers are no longer content to have the medium dictated by the supplier.

The choice of medium is clearly closely intertwined with the distribution strategy. Distribution channels often have a mix of purposes, providing both a means of conveying a service to the customer and a medium for information exchange. A fashion retailer provides a location where the customer's experience of trying on a suit or dress and determining how it 'feels' is difficult to replicate. So the focus on information exchange is closely linked to the often physical issues of



**Figure 9.2**  
Defining a promotion and distribution strategy

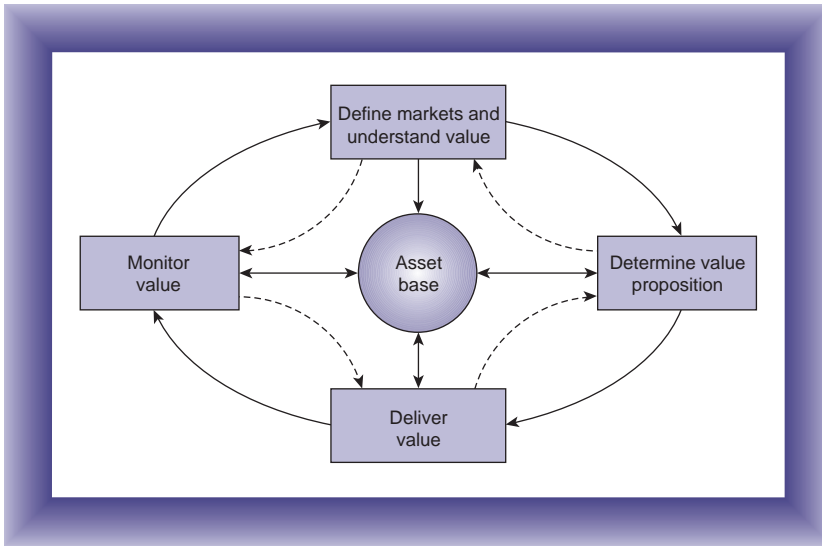
distribution. However, considering the two separately can result in solutions, such as Internet banking or Internet shopping for CDs (which can be sampled online, but won't need to be 'felt' physically). Choosing the right medium for the right purpose, then, is not a trivial task. There is increasing recognition that this issue needs to be considered afresh, rather than simply following the traditional practice in a given industry. But although writings on IMC explain the problem, there is little practical help for organizations on how to solve it.

A related problem is the changing nature of the sales process, which we will turn to now.

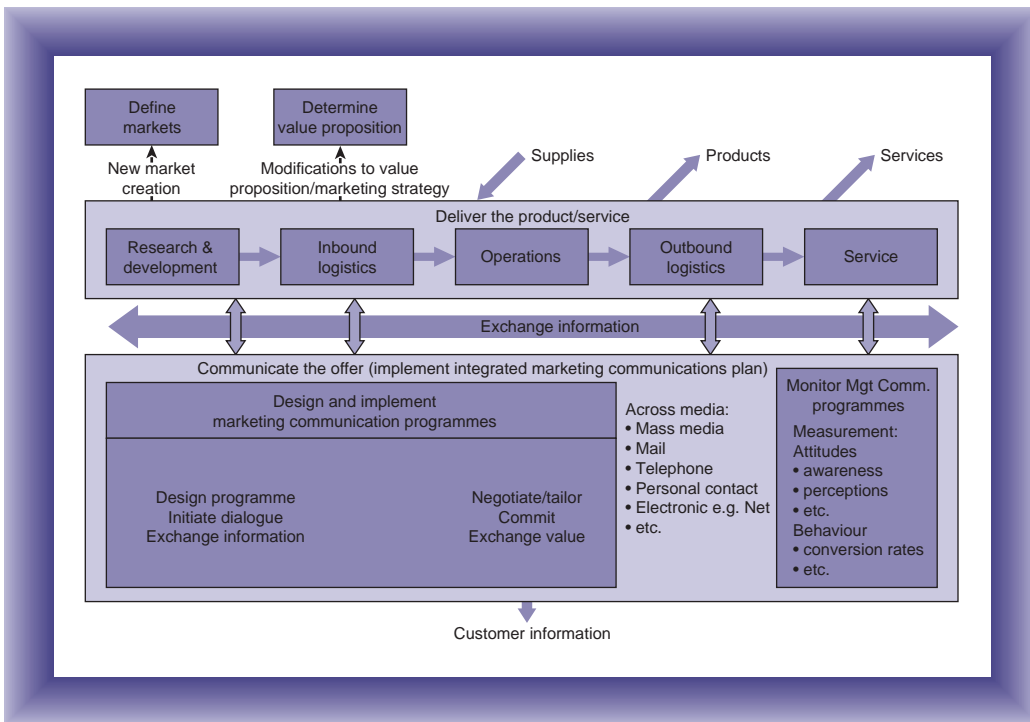
### ***Marketing Operations and the New Sales Process***

Once an overall marketing plan has been drawn up, including a plan for promotions, the plan must be implemented. This is the role of marketing operations – the delivery of value to the customer which was specified in the planning process. However, during the course of a year, plenty of finer-grained communications decisions need to be taken. To illustrate, we will look again, in Figure 9.3, at the map of the marketing operations process that we introduced in Chapter 1. In terms of marketing operations, we are physically concerned with the 'deliver value' component within this figure. In Figure 9.4 we provide a detailed map of marketing operations for the 'deliver value' process.

In Chapter 1 we gave a very full and detailed explanation of the 'deliver value' process in the marketing map. It involved a new way of describing the communications process and a definite move away from the now out-of-date theories which assume that the consumer is a passive being, to be analysed and communicated with. What is described here is most definitely a totally two-way, interactive, dyadic process, which has major implications for all organizations, not just service providers.



**Figure 9.3**  
Map of the marketing domain



**Figure 9.4** Delivering value – a map of marketing operations

***The need for CRM systems to underpin tailored communications***

The market for integrated CRM systems has largely arisen out of the frustration of many companies with their multiple customer databases developed for different tasks – as many as 40 in one recent case.<sup>11</sup> Most

major organizations are working towards a unified view of the customer, so that all aspects of the customer interface can be coordinated. In order to achieve this, systems need to manage customer data independently of the task being performed. For example, if a customer enters their name and address on a website, they do not wish to be asked the same information on the telephone. This requires all tasks to call on a single module which manages this customer data if a spaghetti-like set of system interconnections is not to result. We term this the principle of *task independent data management*.

This point can clearly be seen in Figure 9.5. The 'task management' layer needs to be separate from the 'data management' layer, rather than systems for each task endeavouring to manage parts of the customer data, as is still often the case.

Another point which is clearly illustrated by Figure 9.5 is the importance of *channel independent task management*. The 'channel management' layer of managing different channels or media is often bundled in with particular tasks. A 'direct mail system' will be *the way* in which the organization generates leads; an 'order processing system' will assume that orders come in to an order processing clerk (rather than, say, being made by a website), and so on. Such an architecture is inherently inflexible. An ideal architecture separates the issue of managing

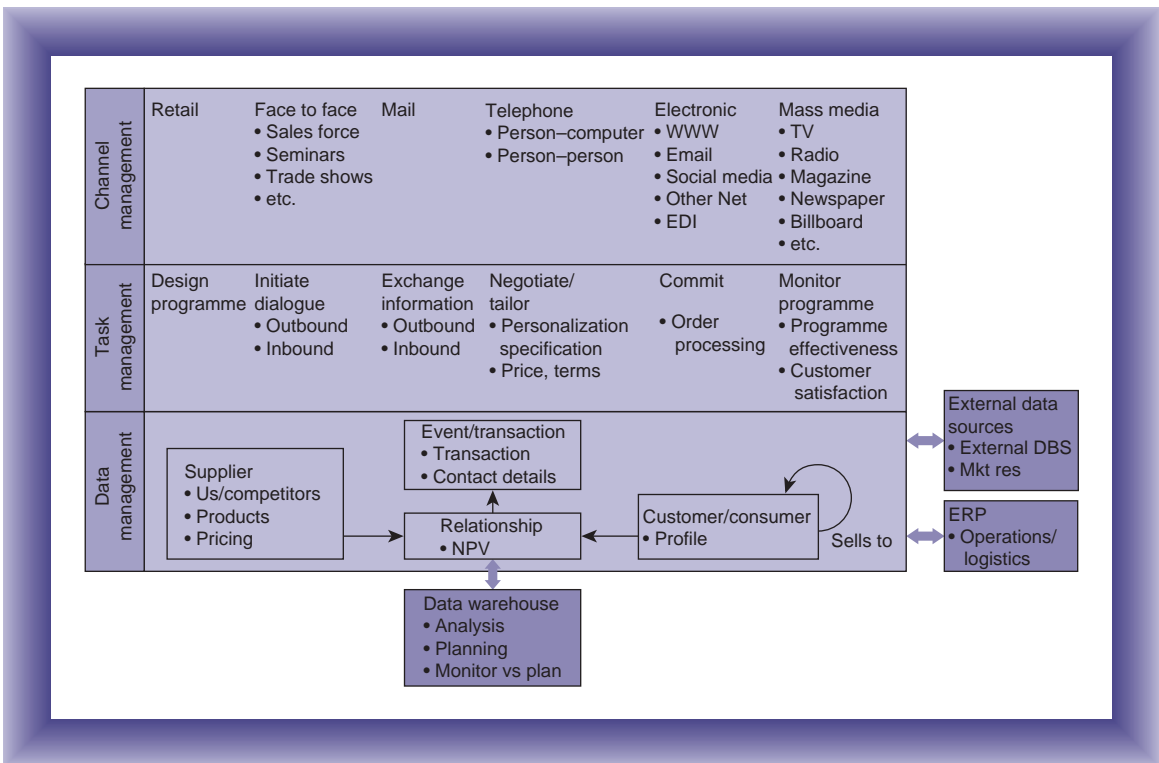


Figure 9.5 Towards a viable CRM structure



the medium from that of managing the task. That way, an order processing system could handle orders that originate over the Web, in-store and from field sales in exactly the same way, without requiring three separate order processing systems.

Two examples follow of an attempt by a major global travel company to understand the information seeking and purchasing processes of different segments. These are given as Figures 9.6 and 9.7

The left-hand row in these figures identifies the various steps of customer interaction, including ‘recognize exchange potential’, ‘initiate dialogue’, ‘exchange information’, etc. The various channels that could be used by customers such as Internet, mobile telephone, interactive digital TV, etc., are shown across the top column of the figures. The different shading shows the relative importance of these channels for each of the stages with the darkest shading representing the most important channel and the lightest shading representing the least important channel.

From an examination of the two segments in Figures 9.6 and 9.7 (there were seven different segments in total for this travel company), it can be seen that the behaviour of each is totally different. Without such segmentation knowledge, an integrated communications plan would be impossible.

As we have seen, ‘promotions’ in marketing mix terminology mean all the activities by which communications are aimed at customers with a

	Internet	Mobile telephone	iTV	Broadcast TV	Traditional channels
• Recognize exchange potential					
• Initiate dialogue					
↓ • Exchange information					
Negotiate/tailor					
↓					
Commit					
↓					
↓ • Exchange value					
• Monitor					

**Figure 9.6**  
The ‘Sunlovers’ customer segment

	Internet	Mobile telephone	iTV	Broadcast TV	Traditional channels
• Recognize exchange potential					
↓					
• Initiate dialogue					
↓					
• Exchange information					
↓					
Negotiate/tailor					
↓					
• Commit					
↓					
• Exchange value					
↓					
• Monitor					
↓					

**Figure 9.7**  
The 'John and Mary Lively' customer segment

view to influencing the buying decision. For planning purposes, it is often convenient to break these communications into two separate groups:

- Impersonal communications
- Face-to-face communications.

Between them, these methods of communication provide the service marketer with a number of options from which to choose, for they can be used either singly or in combination.

A key decision is the split between the personal and impersonal communications mix

There is nothing intrinsically better about one means of communication rather than another, for both provide benefits and drawbacks. In essence, personal or face-to-face communications provide a mechanism for a two-way dialogue. However, being 'labour intensive' means that this process is costly to provide. The alternative impersonal methods, such as advertising and promotions, are, in comparison, less expensive (in terms of reaching individuals), yet are limited by the one-way nature of their communication pattern.

Thus, the choice facing the marketer should hinge upon considerations such as:

- Who is the target audience?
- What is it they need to know?

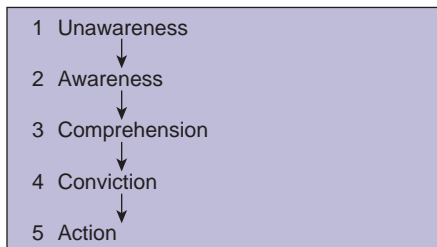
- What is the most cost-effective way of providing this information?
- Can we afford to do it?

Whenever a wide range of options is counterbalanced by a limited budget, it is inevitable that an element of compromise comes into the solution. Having said this, service marketers should do their utmost to provide the optimum communications mix, because intelligent planning can ensure that the two different approaches combine in a way which is mutually beneficial and synergistic.

At the heart of any successful promotion programme is a clear understanding of the communication process, seen from the customer's viewpoint. In general terms, this follows the model shown in Figure 9.8. When it comes to winning customers, the first task of communications is to make unaware customers aware of the service on offer. Having brought customers to that stage, it is important that they fully understand what it is the service will do for them. Next, they need to be convinced that what is said is true and that the service will satisfactorily meet their needs. Finally, the customers need to be energized sufficiently to buy or sign the order.

The communications process must follow a logical sequence

It can be seen that this overall process can be accomplished in a number of different ways. For example, the door-to-door salesperson cold-calling will endeavour to cover the whole process in one short visit. Alternatively, somebody opening a new hair salon might resort to using advertisements in the local newspaper, or a leaflet drop, followed by invitations for prospective clients to have an introductory, free, or reduced price appointment. In providing large-scale business-to-business services, the process may be developed over a long period.



**Figure 9.8**  
Stages of  
communications

Number of employees	Av. no. of buying influences	Av. no. of salesperson contacts
0–200	3.42	1.72
201–400	4.85	1.75
401–1000	5.81	1.90
1000+	6.50	1.65

**Figure 9.9**  
 Buying influences and customer size  
 Source: McGraw-Hill

The communications process is further complicated in that, in some businesses, it can extend over a long period (e.g. negotiating to supply a service to a government department) or an increasing number of people can become involved at the customer end. For example, in the supply of international telecommunications to the worldwide operations of a major bank, the communications process might be extended over a period of several years.

As Figure 9.9 indicates, if the customer company consisted of 0–200 people, then, on average, three or four people might be involved in the buying decision. As the company size increases, not surprisingly so does the number influencing the buying decision.

The full significance of this information is contained in the third column, which shows that, on average, a salesperson only makes contact with about one or two of these people.

The issue of company size can also have a bearing on the likelihood of its staff receiving information, as Figure 9.10 shows. In larger companies most information is obtained from the trade and technical press, whereas in smaller companies it is from personal contact.

	% small companies	% large companies
Trade and technical press	28	60
Salesperson calls	47	19
Exhibitions	8	12
Direct mail	19	9

**Figure 9.10**  
 Sources of information  
 Source: MacLean Hunter

Even from this brief discussion about the communications mix, it is evident that its make-up has to be given careful consideration because:

- More than one person can influence what is bought.
- Salespeople do not see all the influencers.
- Customers get their information from different sources.

### Digital communications and social media

What's different about digital communications and social media? After all, they have long left their silo in an innovation corner of the marketing function, and become in many ways simply an additional set of communications tools to use in integrated campaigns. Nonetheless, the online revolution has forced marketers to think rather differently about marketing in a digital world. Our '6 Is' framework (Figure 9.11) encapsulates some of these differences. The framework considers six capabilities provided by digital channels which, *when these enhance performance against the customers' buying criteria*, can be beneficial in creation of value for the customer and the firm. We now review each of the elements in this framework.

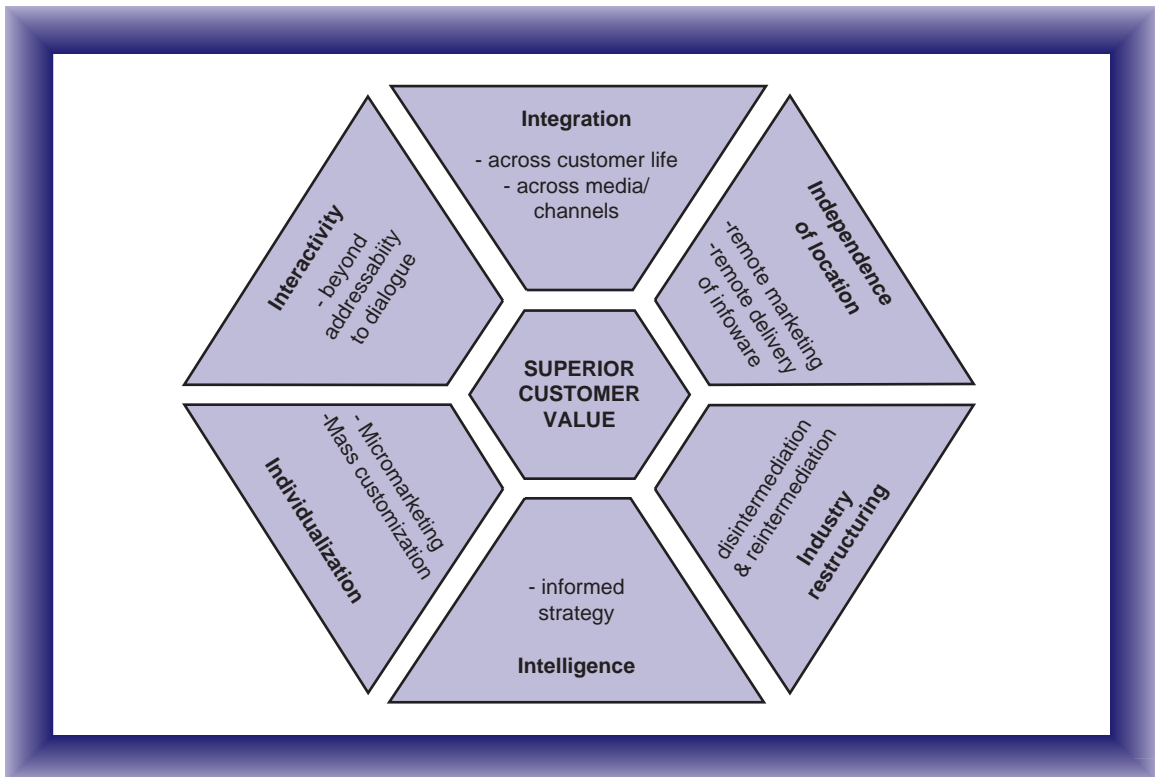


Figure 9.11 The 6 Is of e-marketing

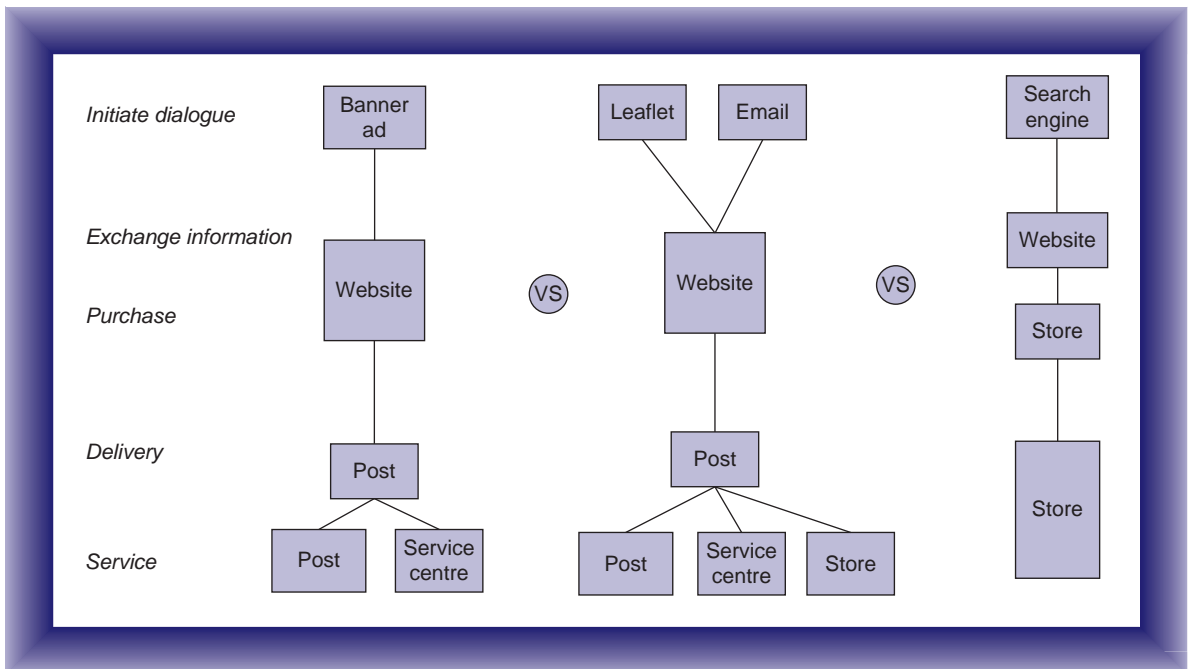
**Integration: joining up the customer experience** In the early days of the Internet, the talk was of pureplay business models: businesses entirely dealing with their customers online. But while some highly successful examples of this single-channel strategy clearly flourish, for the great majority of firms, the Internet is part of a multichannel mix. And this is not just in the sense that different customers use different channels: rather, many individual transactions involve a multichannel customer journey from awareness through to information collection, purchase and delivery. A hotel chain found that only 8% of its customers did not touch the Internet at all in their purchase process. An airline found an even lower figure – around 2% – despite many of the final purchases still being made by telephone or with travel agents.

So multichannel integration is as important with the Internet as with any other communication medium, a fact often lost on companies who delegate the website to enthusiasts in an isolated corner of the organization, or outsource its development and operations with minimal provision for information transfer – hence repeating the mistakes often made in the early days of the call centre. Instead, Dell points customers to its website through ‘e-value codes’ in magazines and brochures, which direct the customer to the exact page they want. This has the crucial benefit of enabling Dell to track the effectiveness of the offline communications. And once on the website, telephone numbers are prominently displayed so the customer does not give up if they need further help.

In similar vein, the dotcom director of a major retailer told us how he had been challenged by a new chief executive as to why he should keep his job. He was able to respond with proof not only that he was making a small but growing profit from online sales, but also that he was generating four times as much revenue for the high-street stores as he was taking online. If a customer searches on his website for, say, a bed, the webpage offers information on the location of the nearest store with the bed in stock, so the customer can go in and try bouncing on it! And like Dell, the retailer is careful to ensure that these cross-channel journeys can be tracked, by such means as giving the customer a code to quote in the store in order to be entered for a prize draw.

A good way to think through how channels fit together in the customer journey is to draw what we call a channel chain diagram – see Figure 9.12 for an example for this retailer. The predominantly online channel chain on the left is the one followed by default when companies first go online. The middle model, starting online and ending offline, had the great advantage of exploiting the company’s offline presence – providing an important differentiation compared with pureplay competitors. Furthermore, for some purchases, the customer would start in the store and complete the purchase later online – the right-hand model. We will return to channel chain diagrams in Chapter 10.

The need for management of customer relationships implies the need for systems which manage data on the whole of the customer interaction, throughout the customer lifecycle, from initial contact, through



**Figure 9.12** Channel chain diagram

configuration and sales, to delivery and post-sales service. The multiple channels by which the consumer demands to be able to reach the supplier implies that this data must also be integrated across communication mechanisms, so a telephone salesperson knows about a service request that was sent yesterday by email, and a sales representative in the field can call on information about previous purchases and customer profitability to assist judgements about discount levels.

**Interactivity: beyond addressability to dialogue** Knowing your customers means closing the loop between the messages sent to them and the messages they send back. It has been said that this is the age of addressability, as organizations have endeavoured to communicate with individual customers through carefully targeted direct mail, email, paid search and so on. Interactivity goes one step further, listening to the customer and responding appropriately, as one would in a face-to-face conversation. With so many interactive channels now available – websites, social media, call centres, mobile phone apps and so on – marketers need to think differently about the sales process, as customers rightly expect them to use interactivity to hold a true dialogue. In Figure 9.13 we contrast the traditional concept of communication as a one-way bombardment of the customer – apparent from the language of ‘campaigns’, ‘targets’, ‘persuasion’ and so on – with our proposed recrafting of the purchase process as an interaction between equal parties.

Traditional ‘push-based’ models of marketing, in which after the product is made prospects are found and persuaded to buy the product, are illustrated on the left. The delivery and service that follow are

Supplier perspective		Interaction perspective	Buyer perspective	
Advertising	Selling	Interaction	Decision theory	Consumer behaviour
<b>Brand awareness</b>		<i>Recognize exchange potential</i>	<b>Problem recognition</b>	<b>Category need</b>
<b>Brand attitude</b> - info re benefits - brand image - feelings - peer influence	<b>Prospecting</b>	<i>Initiate dialogue</i>	<b>Information search</b>	<b>Awareness</b>  <b>Attitude</b>
	<b>Provide information</b>	<i>Exchange information</i>	<b>Evaluation of alternatives</b>	<b>Information gathering &amp; judgement</b>
	<b>Persuade</b>	<i>Negotiate/tailor</i>	<b>Choices / purchase</b>	<b>Purchase process</b>
<b>Trial inducement</b>	<b>Close sale</b>	<i>Commit</i>		<b>Post-purchase experience</b>
<b>Reduce cognitive dissonance</b>	<b>Deliver</b>	<i>Exchange value</i>	<b>Post-purchase behaviour</b>	
	<b>Service</b>	<i>Monitor</i>		

**Figure 9.13** The purchase process as an interaction between supplier and buyer

operational functions with little relationship to marketing. Traditional models of buyer behaviour, illustrated on the right of the figure, assume more rationality on the part of buyers, but underplay the importance of what the buyer says back to the seller. The seller’s offer is assumed to be predetermined, rather than developed in conjunction with the buyer.

The interaction perspective, shown in the centre of Figure 9.13, replaces this one-way process as follows:

- ‘Recognize exchange potential’ replaces ‘Category need’ or ‘Problem recognition’. Both sides need to recognize the potential for a mutual exchange of value.
- ‘Initiate dialogue’ replaces ‘Create awareness’ or ‘Prospecting’. The dialogue with an individual customer may be started by either party. One feature of the web, for example, is that on many occasions, new customers will approach the supplier rather than vice versa. All too often, marketers are so busy organizing their next out-bound campaign that these ad-hoc queries are not followed up.
- ‘Exchange information’ replaces ‘Provide information’. If we are to serve the customer effectively, tailor our offerings and build a



long-term relationship, we need to learn about the customer as much as the customer needs to learn about our products.

- ‘Negotiate/tailor’ replaces ‘Persuade’. Negotiation is a two-way process which may involve us modifying our offer in order to better meet the customer’s needs. Persuading the customer instead that the square peg we happen to have in stock will fit their round hole is not likely to lead to a long and profitable relationship.
- ‘Commit’ replaces ‘Close sale’. Both sides need to commit to the transaction, or to a series of transactions forming the next stage in a relationship – a decision with implications for both sides.
- ‘Exchange value’ replaces ‘Deliver’ and ‘Post-sales service’. The ‘Post-sales service’ may be an inherent part of the value being delivered, not simply a cost centre, as it is often still managed.

One-to-one communications and principles of relationship marketing, then, demand a radically different sales process from that traditionally practised. This point is far from academic, as an example will illustrate.

The company in question provides business-to-business financial services. Its marketing managers relayed to us their early experience with a website which was enabling them to reach new customers considerably more cost-effectively than their traditional sales force. When the website was first launched, potential customers were finding the company on the web, deciding the products were appropriate on the basis of the website, and sending an email to ask to buy. So far, so good.

However, stuck in a traditional model of the sales process, the company would allocate the ‘lead’ to a salesperson, who would phone up and make an appointment, perhaps three weeks’ hence. The customer would by now probably have moved on to another online supplier who could sell the product today, but those that remained were subjected to a sales pitch, complete with glossy materials, which was totally unnecessary, the customer having already decided to buy. Those that were not put off would proceed to be registered as able to buy over the web, but the company had lost the opportunity to improve its margins by using the sales force more judiciously.

In time, the company realized its mistake, and changed its sales model and reward systems to something close to our ‘interaction perspective’ model. Unlike those prospects which the company proactively identified and contacted, which might indeed need ‘selling’ to, many new web customers were initiating the dialogue themselves, and simply required the company to respond effectively and rapidly, which was done with a small desk-based team, who only called on the sales force for

complex sales where their involvement was needed and justified. The sales force was increasingly freed up to concentrate on major clients and on relationship building.

**Individualization: information-enabled tailoring** Integrated information about the customer provides the basis for individualizing the product or associated services. Online newspapers from the US's *Wall Street Journal* to the UK's *Times* can be tailored to provide the topics you want, and to prompt you when material you are interested in is available. Dell Premier provides major accounts with a customized site, which allows easy ordering at individually negotiated prices, easy tracking, and easy control by the firm's central procurement of what its staff can see and order. Goods from M&M chocolates to cars can be customized online, but services can also be customized online.

Inhabitants of virtual world Second Life don't just spend money on virtual versions of real-world goods from apples to zoos; the traffic also flows the other way, with services such as Fabjectory 'printing' the user's online creations such as their avatar as a real-world object. In a web 2.0 take on individualization, players of EA's Sims 2 game competed to design an H&M outfit which would be made available in 1,000 H&M stores.

The point is not that we *always* need to individualize just because the Internet makes it possible; the 6 Is provide e-marketing mix levers, in the same way that the 7 Ps delineate the overall levers available to any marketer, to be pulled where necessary in order to achieve marketing objectives. Individualization is closely linked to independence of location – our next topic.

**Independence of location: the death of distance** What is the difference between shoes made to measure by the village cobbler and customized trainers made to order by NIKEiD? Both achieve individualization, but Nike combines it with post-industrial revolution economies of scale. It is able to do this because its website can serve a widely spread geographical population, using the data transport provided by the Internet and the physical transport of our 21st-century infrastructure, plus a database-driven manufacturing facility. Independence of location allows individualization to be achieved economically. Niche products can serve their target markets even if spread globally.

Freeing up the company from the cost of physical facilities *can* lower overall costs in sectors such as banking, travel and Internet retailing: a US study calculated costs of 1 cent for a transaction conducted over the Internet, as opposed to \$1.07 for a branch transaction and 27 cents for an ATM. There are exceptions, however, such as the high rates of stock returns by clothes retailers – the 26% returns for retailer ASOS being towards the best that can be hoped for. Another exception is the high

picking and delivery costs for grocery retailers: UK retailer Ocado, loved by its customers for the high reliability that derives from its dedicated high-technology picking centre, has struggled to reach the 6% gross margins which would deliver long-term profits. It announced its first quarterly profit ever early in 2011, ten years after its launch.

The public sector has been slower to exploit independence of location in most countries, but transformations such as the UK's Driver & Vehicle Licensing Agency's (DVLA) switch to Internet ordering of tax discs, which provide evidence that 'road tax' has been paid, show what is possible. Instead of asking car-owners to go with a paper form to their local post office – a high-cost indirect channel partner from DVLA's point of view – the car-owner is now encouraged to visit a website or phone an interactive voice response (IVR) service. Importantly, rather than giving away margin by lowering the price online, the DVLA instead created additional convenience benefits for the customer: the website automatically checks whether the customer has valid insurance and whether the car has an 'MOT' certificate of roadworthiness, saving much searching in drawers at home! This careful focus on the customer's buying criteria, along with a communications campaign, shifted the majority of car-owners to remote channels within two years of launch.

For B2B firms, too, the cost advantages of the Internet can be significant – though mostly as part of a multichannel mix. BT's Business division found that by switching simpler purchases to telephone and the web, it could reduce total sales and marketing costs from 25% of revenue to 18% – putting 7% of revenue straight on the bottom line. Its sales force remained crucial, though, for selling more complex services to high-value customers.

For consumers, too, high-involvement products may require a face-to-face component of the mix. At the high end of the luxury goods retail market, Fabergé's sophisticated website cannot even be viewed without a phone conversation to a service agent based in Fabergé's head office in Switzerland. Its beautiful graphics are backed up by a chat facility with the same service centre, which may lead to the agent offering to fly over to visit the customer to show a five-figure item . . . an offer which one of the authors sadly decided to decline when trialling the service!

If the Internet enables the firm to be independent of its location, the same can be true for the customer. Serving customers wherever *they* are can be enhanced by location-based services on mobile devices which detect their location and advise them accordingly. Location-based social network Foursquare allows users to broadcast their location to others, enabling them to meet old and new friends wherever they are in the

world. Gowalla is a game variant on this theme, in which players drop off and pick up items at specified locations. In 2010, the success of such specialists led the major social networking sites such as Facebook and Twitter to launch their own location-based services.

**Intelligence: informed strategy** Interactivity does not just enable individual customers to get what they want. It also provides a rich source of insight for the firm in order to inform marketing strategy. Financial services provider Egg collects information on service levels through a continuously available online questionnaire, and then displays a summary of the main concerns of customers and how it is responding on the website. Dell collates online buyer behaviour to position its customers into segments such as 'All about price', 'Design is important', 'All about high-end products' and 'Tailored for my country', so it can ensure it has the right offer for each segment without needlessly sacrificing margin by cutting prices across the board.

In a Web 2.0 world, complaints and problems are best looked at as a source of insight rather than as a PR problem to be managed through press releases, as the famous case of Kryptonite locks showed. An online video of these bicycle locks being readily opened with a paperclip led to a defensive response from the company that sounded all too much like advertising copy: 'The world just got tougher, and so did our locks.' The response from bloggers was immediate and devastating: 'We've spent over \$100 on these types of locks for our bicycles, and hearing "the world just got tougher and so did our locks" kinda got us a little miffed. The world didn't get tougher, it got Bic pens and blogs and your locks got opened.' The company never recovered.

The Internet, then, provides numerous ways of gaining intelligence, ranging from traditional questionnaires to behavioural analysis. Some of the behavioural techniques available are summarized in Table 9.1.

**Industry restructuring: redrawing the market map** As with all technological innovations, the effect of digital marketing is sometimes incremental but often radical, with customer needs being met in new ways by new players. Examples that would have seemed unthinkable 20 years ago are all around us. Newspapers face a torrid time as the young gain their entertainment and news from digital sources, and advertising revenues follow audiences online. High-street travel agents are 'disintermediated' by direct online sales by airlines and hotels, and 'reintermediated' by online specialists such as Expedia. Book publishers and business schools who package and disseminate knowledge face the threat of disintermediation from their customers conducting their own research online, or collaboratively creating content such as Wikipedia. Record companies were disintermediated by peer-to-peer file sharing sites and reintermediated by iTunes, allowing many musicians to self-publish with help from YouTube and other social networks.

Each of these innovations can be thought of as a redrawing of the market map which we discussed in Chapter 6. While all predictions have

<i>Purpose of intelligence</i>	<i>Example measures</i>	<i>Notes</i>
Customer needs and satisfaction	Channel satisfaction (e.g. website) Customer needs Usability	e.g. American Customer Satisfaction Index (www.foreseeresults.com) Online questionnaires, focus groups Testing, online mystery shopping
Promotion effectiveness	Ad impressions Ad clicks Click-through rate Cost per click Cost per acquisition Unique visitors	Number of advertisements seen Clicks on advertisements by users Ad clicks/ad impressions Clicks on ad (or search engine entry)/cost Cost (from ad or intermediary)/acquired customer Number of different people visiting site
Website effectiveness	Bounce rate Stickiness Attrition rate Conversion rate	Proportion of single page visits Page views/visitor sessions ('PPV') How many visitors are lost at each stage, e.g. from placing items in basket to checking out ('Basket abandonment rate') Purchases/visitors
Performance outcomes	Channel contribution Multichannel contribution	Channel revenue – channel costs Total revenue of multiple channels – sum of channel costs

**Table 9.1**  
Gaining Intelligence Online: Some of the Available Tools

to be reconsidered constantly in the light of experience, these innovations are not random or fundamentally unpredictable: rather, they succeed or fail according to whether they improve the value proposition for the end customer. So a good way to do at least an initial sense-check of the plausibility of a proposed redrawing of the market map is to evaluate what its impact would be on the end customer's critical success factors, using the quantified approach shown in the section on SWOT analysis in Chapter 13.

The 6 Is, then, are a way of thinking about what is different about digital communications. It is worth reflecting on a company's current position on these 6 Is: which aspects of digital media are currently being

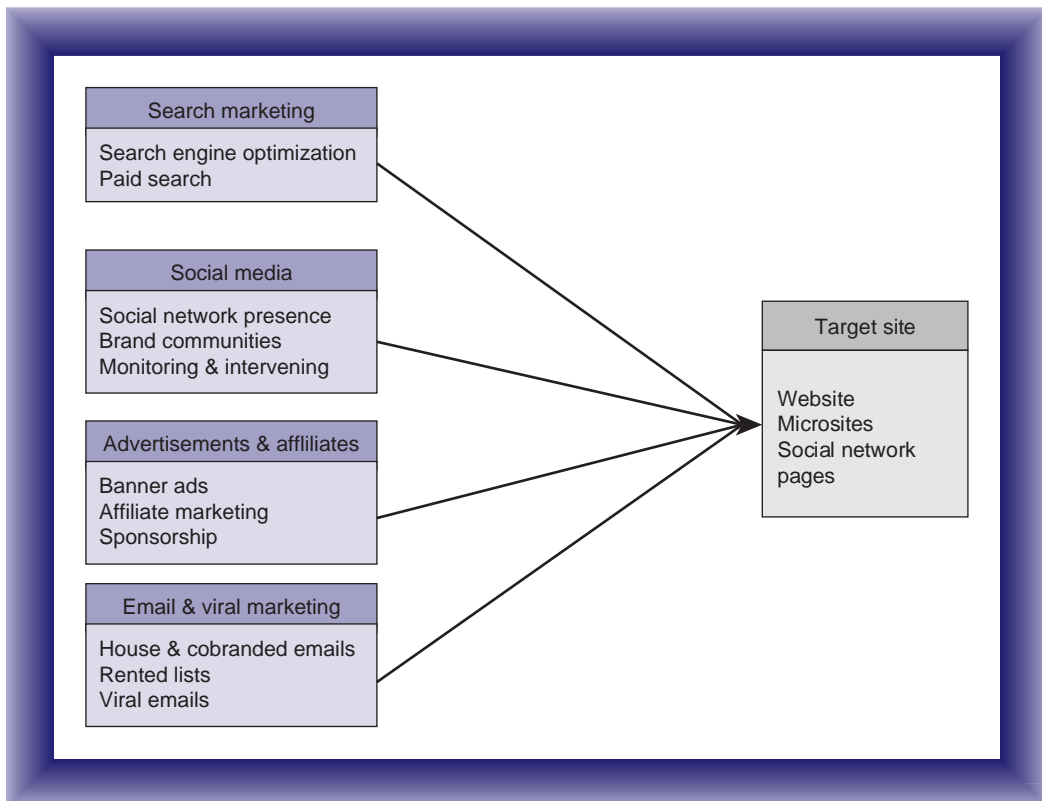
exploited well and which are not? There are numerous specific tools which can be used in support of these broad principles; while we cannot cover them in detail here, we summarize some of the main digital communications tools next.

**The digital communications mix**

We can divide the main tools available for online communications into four categories: see Figure 9.14.

**Search engine marketing** As a high proportion of customer journeys online begin with a search engine, search marketing is a crucial part of the communications mix, particularly for customer acquisition. By 2011, over 25% of online ad spend was on ‘paid search’ – the listings on the search results pages which are reserved for paid-for entries.

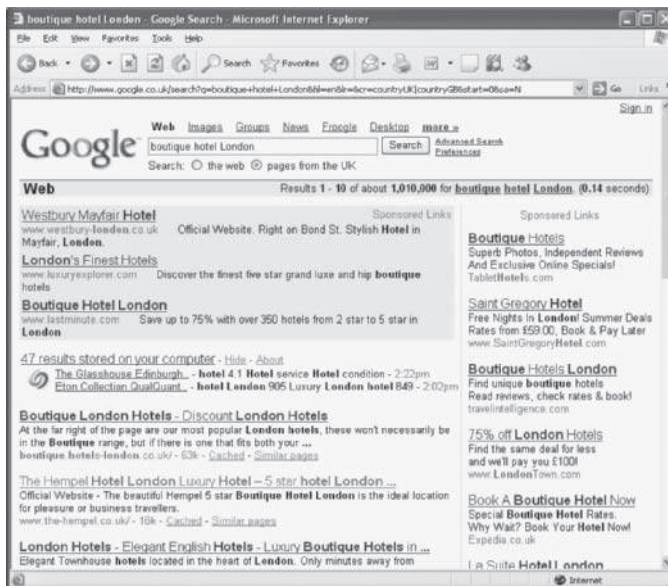
Of considerable importance in the online area is search engine optimization (SEO): ensuring that the website naturally occurs high in the listing. And clearly, if paid search costs, say, an average of \$3 per click or \$8 per 1,000 page impressions (‘cost per mille’ or ‘CPM’) it can be cost-effective, too. (Note that this varies considerably. At the time of writing, the cost per click for ‘Auto Insurance Quote’ was \$22.)



**Figure 9.14** Main tools available for online communications

A plethora of advice is available on how Google and other search engines prioritize web pages and optimize web sites to ensure they are ranked high in the list is a specialist skillset, but the basic principles are common sense. Attractive, regularly updated content which many people appreciate, revisit and provide their own links to will find its way up the rankings. Even if these basics are in place, though, it is so important to appear on the first page that it is worth going the extra mile and finding some help from a web designer with SEO skills. A study by icrossing.com found that 95% of all search traffic comes from search results on page one. A luxury hotel chain found that on many commonly used search strings entered by its target customers, such as 'boutique hotel London' in Figure 9.15, it was coming on page 2 or lower. A simple analysis of its better-performing competitors showed why they were ranked higher: they included common search terms within the page title; they repeated these search words several times on the home page; and they had customer review facilities to engage repeat customers with the site, encourage traffic and provide advocacy. Some straightforward amendments brought the site onto the first page of some key search terms.

**Social media** Social networks such as Facebook, MySpace and LinkedIn – along with online gaming, which is an increasingly social activity – accounted for a third of the online time of Americans by 2010, as against 12% for email and chat. At first glance, it therefore seems odd that advertising spend on social networks is slow to catch up, with only



**Figure 9.15**  
Search engine optimization and paid search: a hotel example

around 4% of online spend at that time. In part, this is because the sheer pace of social network expansion has provided a surfeit of advertising space which advertisers struggle to make sense of. While this 4% figure has been increasing fast, though, the truth is that it is nevertheless a vast underestimate of the amount of marketing effort already going into social media. The great majority of the true cost of social media marketing is not advertising on the sidelines, but joining in the conversation: blogging, hosting brand communities and so on. Broadly there are four purposes of social media for the marketer:

1. *Customer insight* – Social media provide a vast repository of free qualitative data about how customers think about the firm's product category and its offerings. UK remote bank First Direct ([www.firstdirect.com](http://www.firstdirect.com)) is unusual in displaying some of this information straight back to its customers on its home page – what its customers are talking about, how much of it is positive and how much negative, what they want improved and so on. For First Direct, this is a way of endeavouring to turn its highly enthusiastic customer base into powerful advocacy that is visible to non-customers in the notoriously sticky banking market – we are said to change our marriage partners more often than our banks!

Some companies focus this free market insight by developing communities of innovative, enthusiastic customers – 'lead users' – who develop and evaluate new product ideas. This is the sole source of R&D in the case of clothes retailer Threadless ([www.threadless.com](http://www.threadless.com)), where the most popular ideas submitted by customers are made by the company and sold online. Other interesting examples are Nokia's Design By Community – an exercise to design a phone entirely through user community interaction ([www.conversations.nokia.com/design-by-community](http://www.conversations.nokia.com/design-by-community)) – and Volvo's Concept lab ([www.conceptlabvolvo.com](http://www.conceptlabvolvo.com)).

2. *Brand exposure* – The rise of social networking has been accompanied by a stream of statistics on the importance of social networks on purchase decisions, such as Gartner's claim that 74% of consumers are strongly influenced by them. The default reaction of many marketers is to add community facilities to their own website, in the hope of making this the destination of choice for customers in their product category, be it soft drinks, washing powder, accounting software or electrical equipment. This can work well with high-involvement categories such as telecoms or charities. UK Telco BT asked on Facebook how a storyline, running through TV advertisements about two characters Adam and Jane, should end: it received 1.6 million responses. On a smaller scale, Amnesty International asked its supporters for funding for a press ad against Shell's activities in Nigeria: it collected some \$65,000. But there are two dangers with this thinking. The first is that not all products have 'social currency': do today's housewives, house-husbands or home workers really want to talk about washing powder? The second danger is that even if there is a relevant conversation to be had – about parenting, say, in the case of P&G – do we want to have it on a brand-owned website?



Practice is developing fast in this area, but some principles are emerging. First, not every brand can host a true destination site, any more than they can hope to host their own television channel. P&G has recognized this in its launch of supersavvy.com, which aggregates many brands into a lifestyle site for women. At the time of writing the jury is still out on its success: with 200,000 monthly visitors it is gaining some traffic, but also attracting less than ringing endorsements such as this blog post: 'It is full of useful bits and bobs about mothering, and along the way it has competitions featuring Procter and Gamble products, as it is P&G running the whole thing. But is this what mothers really want?'

Which raises the second principle: marketers of all but the strongest brands need to go to where the customers are. There are existing flourishing networks for many areas of professional practice (e.g. JustPlainFolks for musicians), interests (such as e-democracy.org for politics) and affinity groups (BlackPlanet for African Americans, iVillage for women and so on), and the general networks all host these communities of interest too. Cranfield School of Management links with practitioners not just through its face-to-face courses and website but also through a presence on YouTube, Twitter (twitter.com/cranfieldki) and iTunes (e.g. www.youtube.com/user/CranfieldSoM). By 2011, entertainment company Disney's Facebook site had reached 16 million 'fans' and the iTunes' Facebook site had reached 10 million 'fans'.

3. *Relationship building* – Where brand building ends and the sales process begins in earnest is a moot point, but social networks can play a role for customers actively involved in a current purchase. Whether online or offline, word-of-mouth often proves the most powerful communication tool of all, and it has the benefit of being free. Retailer onlineshoes.com found that customers viewing at least one product review were over twice as likely to go on and buy the product than those who don't. And products with more reviews on the retailer's site sold better, irrespective of whether the reviews were positive, negative or mixed! So the retailer positively incentivized reviews, until its customers had developed the habit of posting them regularly.

For business-to-business marketers, social networks can also be important for building personal relationships which so often act as the initial spur to a supplier being shortlisted. IBM were one of the earlier users of virtual world Second Life to build relationships that spill over into the offline world, inviting customers to a Second Life version of Wimbledon where they could watch the tennis, chat to other fans and meet their IBM hosts. A minimum for executives with a front-line role is a strong online presence on networks such as LinkedIn, so they can be found easily when prospective customers are searching for experts on a particular topic.

4. *Customer service* – The final use of social media is perhaps more mundane but no less important: the provision of customer service. Not only is online advice cheaper to provide than telephone support, as

less expert time is typically needed, but also answers to common questions are available to all, providing an economy of scale.

Even better, customers can serve each other, experienced users of a product or service advising less experienced people. This runs counter to the traditional instincts of many marketers to control the customer experience, but loss of control cannot be fought; rather, it is an inevitable part of the increasing customer empowerment which Web 2.0 exemplifies. Apple is active in supporting its user community wherever they are talking to each other: see, for example, [becomingatechnician.com](http://becomingatechnician.com) and 'The top 100 Apple/Mac blogs'. Zappos is a \$1bn online retailer which is well worth looking at as a company built on customer service which uses social media creatively. The extensive customer reviews lower return rates and greatly support search engine optimization. A 'voice of customer' facility builds community and empathy. Word of mouth is facilitated by a facility to 'share' products with other customers. The site has a page aggregating all mentions of Zappos on Twitter without editing: as with First Direct, a move which would seem foolish if its satisfaction levels were lower.

Social media, then, are perfect for customer service. Take-up is only being delayed by the tendency of many firms to delegate social media to a corner of the marketing department – typically the young, digitally literate graduate. A recent *Harvard Business Review* article argues that companies need a new media 'ringmaster' to undertake this role.<sup>12</sup>

**Email and viral marketing** Like the banner ad, the email campaign no longer has the excitement of youth in the innovation-obsessed world of digital marketing, but it is nonetheless still an important part of the online communications mix. While response rates (measured by clicking on a link in the email) average out at around 2.8%, this masks much poor mass marketing with undifferentiated content being sent to poorly maintained lists, which can achieve considerably less than 1%. Conversely, well-crafted email campaigns to specific segments using a clean database will often achieve 10–15% click rates. Of course, we are referring here not to unsolicited spam – which now forms three-quarters of email traffic – but to customer-centric information and offers to registered customers and prospects. So, for most firms email forms part of the firm's customer relationship management (CRM) strategy to grow the value of existing customers.

There are exceptions, though, where email can form part of an acquisition strategy:

- Cold emails, using a consumer email list provider such as Experian or a business email list such as Corpdata, are technically opt-in as the recipient may have agreed to receive offers by email, but care is needed as they can feel like spam to the recipient, and response rates are often microscopic.

- Co-branded emails are somewhat better. A department store, for example, teamed up with a grocery retailer to sell products which the grocer did not sell. Advertised to the grocer's email list as part of a regular customer update, the emails generated a healthy 8% response rate and a good return to both parties. Clearly the brands need to be consistent with each other, and the product lines complementary, for this to make sense.
- Finally, the customer may opt into email using another medium. A campaign which has been influential within the car industry was conducted by General Motors around the launch of a new model of the Vectra. In a change from the traditional mass marketing model of this sector, this 'Dialogue' programme provided a response number and website on its advertisements. The 100,000 respondents were asked some simple questions: what car they drove, what kind of car they were interested in, when they were likely to replace their car, and whether they wished to be contacted by email or post. This led to simply tailored quarterly brochures, delivered by mail or email, reflecting the customer's position in the purchase cycle: soft, branding messages to begin with; harder information on model variations and pricing nearer to the customer's estimated replacement date. The end result was 7,000 more cars sold than in a control group who were not contacted – a very healthy return on some simple emails and mailings. The tailoring may have been simple, but it led consumers to feel that they were indeed in a relevant dialogue.

The ease of forwarding emails makes it an ideal vehicle for viral marketing: a promotional message which is passed from peer to peer. Most 'virals' are based on humour. However, successful virals can also be shocking, clever, or compulsively informative.

Finally, we should not forget the importance of *inbound* emails, which may be service queries, but equally may form sales leads. Many companies are so geared up to recruit customers from their outbound campaigns that no-one has time to answer emails from prospects! These are often managed along with chat by a multimedia service centre which is also handling telephone traffic; but however they are handled, it is important in marketing plans to ensure that resources are available to react to customers when they contact us.

### ***Impersonal communications***

Generally, the major components of impersonal communications are advertising (in its many different forms), special promotions, public relations (PR) and direct marketing. We will look at these topics in terms of planning them in a way that maximizes their strategic significance. We will also look briefly at direct marketing, an approach which is gaining much prominence in some types of service businesses.

### Advertising

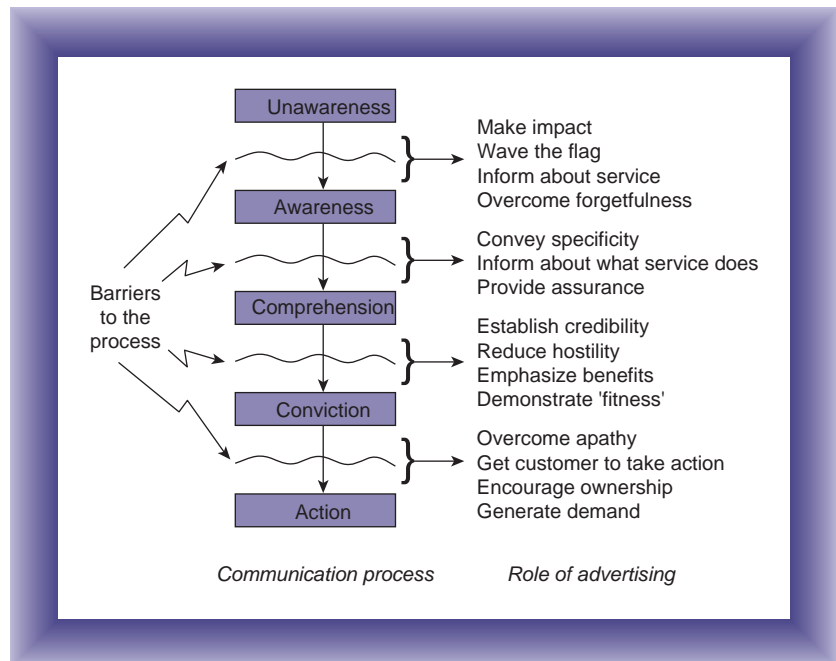
Figure 9.16 shows the role of advertising in overcoming the barriers between each step in the communications process.

Thus, for example, for a new service, the role of advertising would be more concerned about establishing a greater level of awareness. In contrast, for a service which is more mature and well understood, its role could be geared to encouraging ownership and motivating potential customers to take action. It would follow that, since the role is different according to the stage of the communication process, so are the objectives and the measures which would be used to monitor their attainment.

Advertising is not the only determinant of sales

There is a popular misconception that advertising success can only be measured in terms of sales increases.

In most circumstances, advertising is only one of a number of important determinants of sales levels (such as price, quality, customer service levels and so on). Not only this, but there will be times when the role of advertising is to create the basis of future success by getting the service known. In this situation, expecting a relationship between the stimulus of advertising and any immediate response in terms of sales is inappropriate.



**Figure 9.16**  
Different roles of advertising

**Advertising objectives** However, while it is often inappropriate to set sales increases as the sole objective for advertising, it is important to set relevant objectives, which will be explicit and measurable. As Figure 9.17 shows, without identifying advertising objectives, any attempt at measuring the performance of a communications programme will be impossible.

In order to address any of the peripheral activities shown in Figure 9.17, the central advertising objectives must be in place. Setting reasonable, achievable objectives is, therefore, the first and most important step in the advertising plan. All the other steps then flow naturally from this and are summarized in Figure 9.18.

The usual assumption is that advertising is deployed in an aggressive role and that all that changes over time is the creative content. But the role of advertising usually changes during the lifecycle of a product.

The role of advertising changes over the lifecycle of the service

For example, the process of persuasion itself cannot usually start until there is some level of awareness about a product or service in the market place. Creating awareness is, therefore, usually one of the most



**Figure 9.17**  
The need for advertising objectives

Target market	Type of promotion					
	Money		Goods		Services	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
<i>Consumer</i>	Price reduction	Coupons Vouchers Money equivalent Competitions	Free goods Premium offers (e.g. 13 for 12) Free gifts Trade-in offers	Stamps Coupons Vouchers Money equivalent Competitions	Guarantees Group participation events Special exhibitions and displays	Cooperative advertising Stamps Coupons Vouchers for services Events admission Competitions
<i>Trade</i>	Dealer loaders Loyalty schemes Incentives Full-range buying	Extended credit Delayed invoicing Sale or return Coupons Vouchers Money equivalent	Free gifts Trial offers Trade-in offers	Coupons Vouchers Money equivalent Competitions	Guarantees Group participation events Free services Risk reduction schemes Training Special exhibitions Displays Demonstrations Reciprocal trading schemes	Stamps Coupons Vouchers for services Competitions
<i>Sales force</i>	Bonus Commission	Coupons Vouchers Points systems Money equivalent Competitions	Free gifts	Coupons Vouchers Points systems Money equivalent	Free services Group participation events	Coupons Vouchers Points systems for services Event admission Competitions

**Figure 9.18** Key steps in determining advertising activity

important objectives early on in the lifecycle. If awareness has been created, interest in learning more will usually follow.

Attitude development now begins in earnest. This might also involve reinforcing an existing attitude or even changing previously held attitudes in order to clear the way for the promotion of a new service. This role obviously tends to become more important later in the product lifecycle, when competitive services are each trying to establish their own 'niche' in the market.

**The diffusion of innovation process** Also relevant to advertising strategy is an understanding of the 'diffusion of innovation' curve, which refers to the percentage of potential adopters of a new service

over time (Figure 9.19). Rogers,<sup>13</sup> the originator of this work, found that, for all new products and services, the cumulative demand pattern conformed to a bell-shaped statistical distribution curve. From this, he was able to distinguish certain typological groups as shown in this figure.

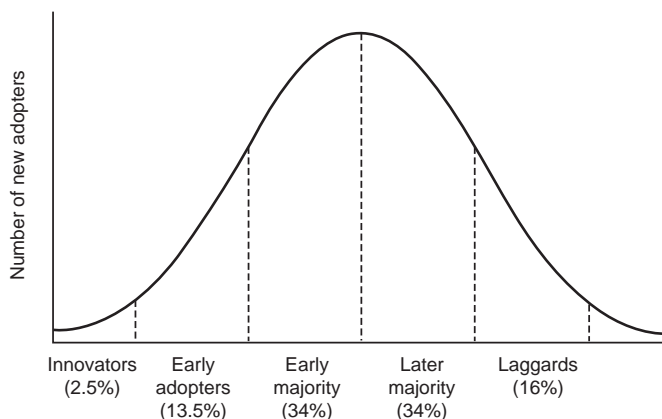
In general, the innovators think for themselves and are active in trying those new services which appeal to them. This 2.5% of the customer population are the fashion leaders, the first to be attracted to the new service offer. The early adopters (13.5%) often have status in society and, because they are not seduced merely by novelty, tend to be opinion leaders.

Winning over the opinion leaders is critical in getting a new service accepted in the market

They confer on it acceptability and respectability and are, as such, extremely influential in establishing the success of a new service.

The early majority (34%) are more conservative, more deliberate, and usually only adopt services that have been given social approbation by the opinion leaders. When the early majority enter the market, service providers usually enjoy a period of rapid growth in sales. The late majority (34%) are clearly more sceptical. They need to be sure that the service is tried and tested before they risk committing themselves. They also tend to have less money and, often, price becomes more important at this stage. The laggards are often of lower income and status and are the last to adopt the service.

When all potential users of a service become users, the market can be said to be mature and service providers cannot expect the previous high levels of growth.



**Figure 9.19**  
Diffusion of  
innovation curve

Source: Based on a list produced by Professor David Corkindale when at the Cranfield School of Management; used with his permission

If, from the outset, the company can identify and target its innovators and opinion leaders, it increases the chances of creating interest among the early majority and, thereby, initiates the chain reaction which typifies the diffusion process.

**'Other' markets for communication** Finally, it should be remembered that advertising and promotion are not directed only at customer markets. In Chapter 2, we described six key market domains that need to be addressed by marketing. Therefore, supplier markets, shareholders, employees – indeed, anyone who can have an important influence on the firm's commercial success – can be legitimate targets for advertising and promotional activity.

### **Sales promotion**

There is often an element of confusion regarding what constitutes sales promotion. Part of this stems from the fact that, in US textbooks, the term is used to describe all forms of communication, including advertising and personal selling. This all-embracing definition is carried over into the marketing mix, where, as we have seen, 'promotion' covers a wide range of activities.

Sales promotion should not be confused with advertising

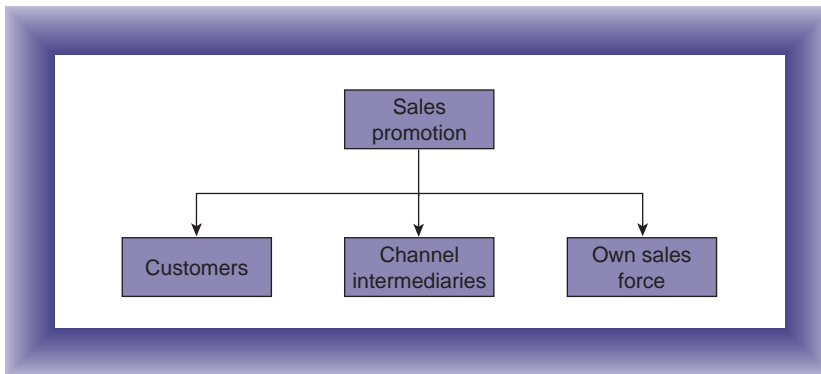
It is thus necessary to distinguish between sales promotion as a general expression and 'a sales promotion', which is a specific activity designed to make a featured offer to defined customers within a limited time-span.

In other words, in a sales promotion, someone must be offered something which is different from the usual terms and conditions surrounding the transaction. Such a special offer must include tangible benefits not inherent in the standard 'customer' package. The word 'customer' is put in inverted commas because customers are not always the target of a sales promotion.

The reason for having a sales promotion will be to provide a short-term solution to a problem, hence the reason for it operating over a limited period. Typical objectives for sales promotions are: to increase sales; to counteract competitor activity; to encourage repeat purchase; to encourage speedy payment of bills; to induce a trial purchase; to smooth out peaks and troughs in demand patterns; and so on.

From these examples, it can be seen that, as with advertising, sales promotion is not necessarily concerned with just sales increases. Moreover, since the objective of the sales promotion is to stimulate the recipient's behaviour and bring it more into line with the service organization's economic interests, the promotion can be directed at





**Figure 9.20**  
Targets of sales promotions

different groups of people (Figure 9.20). Thus, for instance, intermediaries might be induced to increase their sales effort. Similarly, the company's own sales force might be motivated to sell less popular services, or open up new geographical territories, if motivated by the prospect of something over and above their normal remuneration.

### ***Types of sales promotion***

The many and varied types of sales promotion are listed in Figure 9.21. Each one of these is likely to be more appropriate in some situations than others, because all have advantages and disadvantages. For example, cash reductions can often lead to pressure for a permanent price reduction. Then again, coupons, vouchers and gifts might not necessarily motivate their targets sufficiently, yet could involve high administrative costs. Therefore, great care is required in selecting a scheme appropriate to the objective sought.

It is essential that, even though sales promotions are short-term tactical weapons, they should still fulfil their role in the overall communications strategy of the company.

Just as advertising has to be utilized to this end, so do sales promotions. There is little point in management subscribing to what is nothing less than a series of unrelated promotional activities with no overall pattern or coherence. Promotions and advertising need to be properly planned and integrated.

### **Preparing the sales promotion plan**

There is widespread acknowledgement that sales promotion is one of the most mismanaged of all marketing functions.

Target market	Type of promotion					
	Money		Goods		Services	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
<i>Consumer</i>	Price reduction	Coupons Vouchers Money equivalent Competitions	Free goods Premium offers (e.g. 13 for 12) Free gifts Trade-in offers	Stamps Coupons Vouchers Money equivalent Competitions	Guarantees Group participation events Special exhibitions and displays	Cooperative advertising Stamps Coupons Vouchers for services Events admission Competitions
<i>Trade</i>	Dealer loaders Loyalty schemes Incentives Full-range buying	Extended credit Delayed invoicing Sale or return Coupons Vouchers Money equivalent	Free gifts Trial offers Trade-in offers	Coupons Vouchers Money equivalent Competitions	Guarantees Group participation events Free services Risk reduction schemes Training Special exhibitions Displays Demonstrations Reciprocal trading schemes	Stamps Coupons Vouchers for services Competitions
<i>Sales force</i>	Bonus Commission	Coupons Vouchers Points systems Money equivalent Competitions	Free gifts	Coupons Vouchers Points systems Money equivalent	Free services Group participation events	Coupons Vouchers Points systems for services Event admission Competitions

**Figure 9.21** Types of sales promotions

This is partly because of the confusion about what sales promotion is, which often results in expenditures not being properly recorded. Some companies include it with advertising, others as part of sales force expenditure, others as a general marketing expense, others as an operating expense, while the loss of revenue from special price reductions is often not recorded at all.

Sales promotion is an integral part of marketing strategy

Such failures can be extremely damaging because sales promotion can be such an important part of marketing strategy. Also, with increasing global competition, troubled economic conditions, and growing pressures from channels, sales promotion is becoming more widespread and more acceptable. This means that companies can no longer afford not to set objectives, or to evaluate results after the event, or to fail to

have some company guidelines. For example, an airline offering \$200 allowance on an international airfare with a contribution rate of \$600 has to increase sales by 50% just to maintain the same level of contribution. Failure at least to realize this, or to set alternative objectives for the promotion, can easily result in loss of control and a consequent reduction in profits.

In order to manage a service organization's sales promotion expenditure more effectively, careful planning of the process is essential.

First, an objective for sales promotion must be established in the same way that an objective is developed for advertising, pricing, or distribution.

The objectives for each promotion should be clearly stated, such as trial, repeat purchase, distribution, a shift in buying peaks, combating competition, and so on. Thereafter, the following process should apply:

- Select the appropriate technique
- Pre-test
- Mount the promotion
- Evaluate in depth.

Spending must be analysed and categorized by type of activity (special demonstrations, special point-of-sale material, loss of revenue through price reductions, and so on).

As for the sales promotional plan itself, the objectives, strategy and brief details of timing and costs should be included. It is important that too much detail should *not* appear in the sales promotional plan. Detailed promotional instructions will follow as the sales promotional plan unwinds. For example, the checklist shown in Figure 9.22 outlines the kind of detail that should eventually be circulated. However, only an outline of this should appear in the marketing plan itself.

### **Public relations (PR)**

This is the planned and sustained effort to establish and maintain goodwill between a service organization and its publics. These 'publics' include the 'six markets' referred to in Chapter 2. These can, however, also be other individuals or bodies that might only have an indirect impact on the business, yet merit attention. For example, the main publics of a university are shown in Figure 9.23.

	<b>Headings in sales promotion plan</b>	<b>Content</b>
1	<i>Introduction</i>	Briefly summarize content – what? where? when?
2	<i>Objectives</i>	Marketing and promotional objectives for new service launch.
3	<i>Background</i>	Market data. Justification for technique. Other relevant matters.
4	<i>Promotional offer</i>	Detail the offer: special pricing structure; describe premium; etc. Be brief, precise and unambiguous.
5	<i>Eligibility</i>	Who? Where?
6	<i>Timing</i>	When is the offer available? Call, delivery or invoice dates?
7	<i>Date plan</i>	Assign dates and responsibilities for all aspects of plan prior to start date.
8	<i>Support</i>	Special advertising, point of sale, presenters, leaflets, etc.; public relations, samples, etc.
9	<i>Administration</i>	Invoicing activity. Free invoice lines. Premium (re)ordering procedure. Cash drawing procedures.
10	<i>Sales plan</i>	Targets. Incentives. Effect on routeing. Briefing meetings. Telephone sales.
11	<i>Sales presentation</i>	Points to be covered in call.
12	<i>Sales reporting</i>	Procedure for collection of required data not otherwise available.
13	<i>Assessment</i>	How will the promotion be evaluated?

**Appendices to plan**  
Usually designed to be carried by salespeople as an aid to selling the promotion:

- Summary of presentation points
- Price structures/profit margins
- Summary of offer
- Schedules of qualifying orders
- Order forms
- Copies of leaflets.

Also required by the sales force may be:

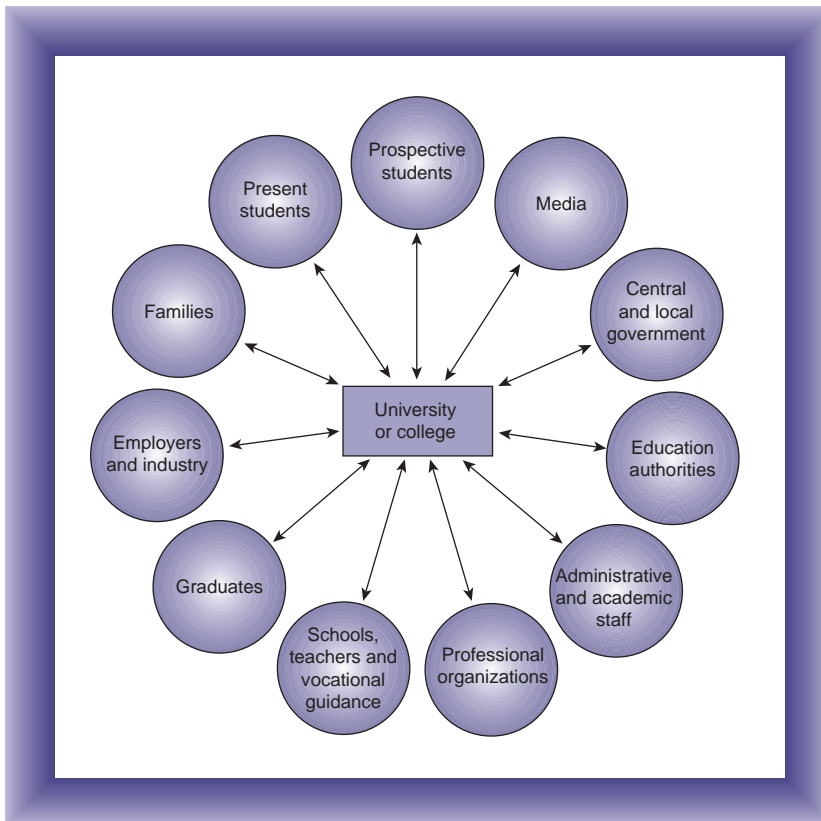
- Leaflets explaining the service
- Demonstration specimen of premium item
- Special report forms
- Returns of cash/premiums, etc. issued.

*Note:* It is assumed that the broad principles of the promotion have already been agreed by the Sales Manager.

**Figure 9.22** Key elements of a sales promotion plan

The tasks most commonly addressed by PR are:

- Building or maintaining an image
- Supporting other communication activities
- Handling specific problems or issues, e.g. a health scare



**Figure 9.23**  
Main publics for a university

- Reinforcing positioning
- Assisting in the launch of new services
- Influencing specific publics.

Building a corporate image is of increased importance today.

The reason for this is that customers have become more sophisticated and want to know more about the company with whom they will be entering a relationship.

For their part, companies have used the concept of image development in an attempt to differentiate themselves from competitors. So, for example, we have 'The listening bank', 'The bank that likes to say yes!', and so on.

As soon as the concept of corporate image is introduced, one is immediately drawn into the concept of customer perceptions, rather than

reality. In fact, the whole issue of image is complex, because it is so multifaceted. For example, images can exist at several different levels:

- How a market/public actually sees the company
- How the company sees itself
- How the company would like to see itself
- How the company ought to be seen in order for it to achieve its objectives.

If a company is to tackle this area conscientiously, then it is the first and last of the images listed above that need to be researched and understood. It is these which provide the dimensions of the image gap which can be addressed by public relations activity.

Another issue in the process of image building is to ensure that the perceptions are drawn from appropriate customer groups and segments. For instance, just looking at one market could reveal a different set of images depending upon the type of relationship with the customer:

- Regular customers
- Intermittent customers
- One-off customers
- Potential customers
  - with whom the company has been in contact
  - to whom the company is largely unknown.

The major PR objectives will be to assess where important image gaps exist and then take actions to close them. A gap can be closed by:

- Changing the company so that it conforms more with the expected image of the market/public.
- Changing the market/public's perception so that it moves closer to the company reality.
- Some combination of these two broad approaches.

There is no single specific activity that can alter a service organization's image. Everything it does, and every point of contact with a customer, contributes in some way to the end result. The service itself, the

quality of dealings with the staff, the nature of its advertising and even the style of the letter headings, all have a part to play. However, it is in no-one's interest to strive for an image which cannot be sustained.

**PR 'tools'** A wide range of approaches can be used in the design of a PR programme. These could include:

- Publications, e.g. press releases, annual reports, brochures, posters, articles, videos, and employee reports
- Events, e.g. press conferences, seminars, conferences
- Stories which create media interest, e.g. new contracts, design breakthroughs
- Exhibitions and displays
- Sponsorship, e.g. charitable causes, sports events, theatre and the arts, community projects.

As with the other elements of the communications mix, a PR programme should follow an overall process which consists of specifying the objectives, determining the best PR mix of activities, integrating these over the planning period and evaluating the results.

### **Direct marketing**

Direct marketing is often assumed to be another name for direct mail. This is not correct, because it encompasses a number of media, of which direct mail is just one. There are six main approaches to direct marketing:

- Direct mail
- Mail order
- Direct response advertising
- Telemarketing
- Direct selling
- Digital marketing and social media.

In any direct marketing campaign, these can be used either singly or in combination. The objective is to establish a two-way, personalized relationship between the company and its customers.

When tackled well, that is to say, when well-chosen customers are targeted with personalized communications that are relevant to them, direct marketing is not only very acceptable, but can also deliver spectacular results.

Direct marketing can be very powerful when properly managed

When managed in a poor manner, direct marketing can be seen as an invasion of privacy, a waste of resources (paper, time and money), and a patronizing and inefficient method of communicating.

The initial approach to customers is driven by an identification of prospects which are often obtained through lists which are rented by the company, or built up from its own data banks. Current technology makes it possible for all initial contact with these people to be personalized, not only by use of their name, but also in terms of knowing key aspects about their lifestyle or purchasing intentions. The message will aim to get the recipient to take action of some sort, such as, for example, to attend a demonstration, to call for a free consultation, or to apply for a promotional video or brochure. The purpose is to initiate contact and stimulate the communication process. The service organization can then respond in whatever way is appropriate and move the relationship towards an eventual sale.

As markets become more fragmented, direct sales forces get more expensive to run.

The advances in technology make it easier to personalize communications and so direct marketing becomes a feasible and more attractive proposition.

One of the major reasons for its success is that its cost-effectiveness can be measured, since the results generated by a programme can be compared with its cost. Direct marketing can account for up to 14% of media expenditure in those companies where its value has been recognized. Companies such as American Express, British Telecom and most airlines and banks are already using direct marketing extensively to build profitable business.

Since special skills and resources are needed to run direct marketing campaigns, a company may wish to use an outside specialist agency rather than rely on its own staff, in the same way that advertising and sales promotions are typically contracted out. Experimentation with providing incentives for customers to stay in 'dialogue' is helping to improve the success rate of direct marketing still further.

As with all the other aspects of planning, it is essential that the programme for direct marketing starts on the basis of having clear



Function	Responsibilities	Examples
Selling	To persuade potential customers to purchase services and/or to increase the use of services by existing customers	Insurance agent; stockbroker; bank calling officer; real estate salesperson
Service	To inform, assist and advise customers	Airline flight attendant; insurance claims adjuster; ticket agent; bank branch manager
Monitoring	To learn about customers' needs and concerns and report them to management	Customer service representative; repair person

**Figure 9.24**  
Personal contact  
functions in services

objectives. Once these are in place, it becomes relatively straightforward to schedule the component activities into a coherent plan.

### *Personal communications*

The three main types of customer contact through personal communications are: selling, servicing and monitoring. Figure 9.24 provides a framework for considering the personal contact function in services together with responsibilities and some typical examples.<sup>14</sup> This suggests that while selling is a pervasive activity in many service organizations, other forms of personal contact including service and monitoring are also important.

The most potent element of face-to-face communications is that provided by the sales force. However, the strategic role of sales has to be assessed in the context of the service organization's overall communications strategy. In order to get things into perspective, top management must be able to answer the following kinds of question:

- How important is personal selling in our business?
- What role does it have in the marketing mix?
- How many salespeople do we need?
- What do we want them to do?
- How should they be managed?

The answers to these questions go a long way towards defining the scope of the sales plan.

### **The role of personal selling**

Personal selling is widely used in many service industries. Financial services, for example, use a high level of media advertising, but still rely heavily on personal selling. Here, contact with sales staff is important because with the potential ambiguities surrounding a service, customers need to be able to discuss their needs and the salesperson is needed to explain the choices available.

Recent surveys have shown that more money is spent by companies on their sales force than on advertising and sales promotion combined. Selling is, therefore, not only a vital element of the marketing mix, but also an expensive one.

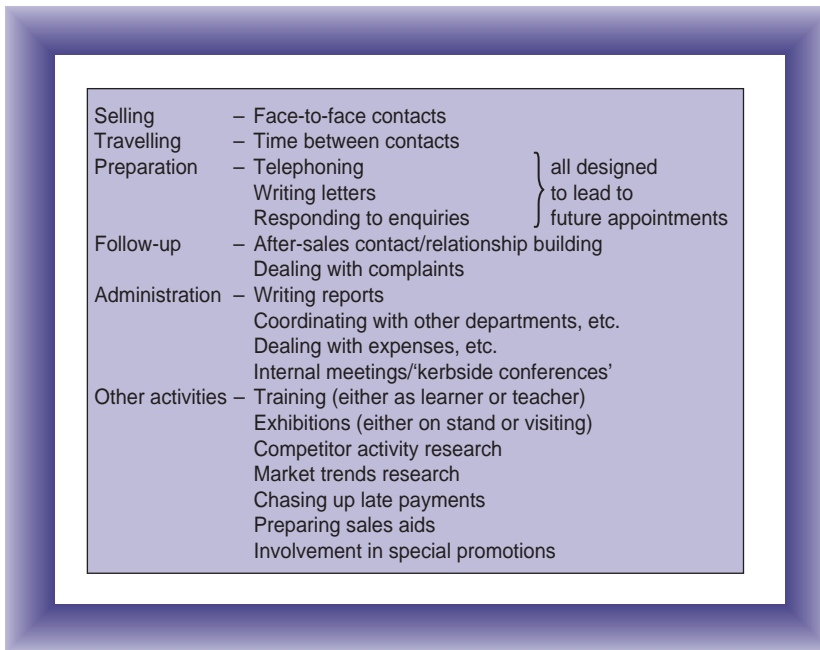
Personal selling has a number of advantages over other elements of the marketing mix:

1. It provides two-way communication.
2. The sales message can be more flexible (than with advertising) and can be more closely tailored to the needs of individual customers.
3. The salesperson can use in-depth knowledge of the service to the advantage of the customer, and overcome objections as they arise.
4. Most importantly, the salesperson can ask for an order, and, possibly, also negotiate on price and special requirements.

While in front of a customer, the salesperson is, to all intents and purposes, not a representative of the company, but the company itself. This means that any personal credibility the salesperson establishes should reflect well on the organization as a whole. Unfortunately, the converse of this is equally true.

**What Does the company want salespeople to do?** The immediate response to such a question is simple: 'Go out and sell'. However, there are obviously more specific issues to be addressed, including:

- How much should be sold? (Value of unit sales volume)
- What should be sold? (Over the range of services)
- To whom should it be sold? (Which market segments)



**Figure 9.25**  
Typical salesperson  
activities

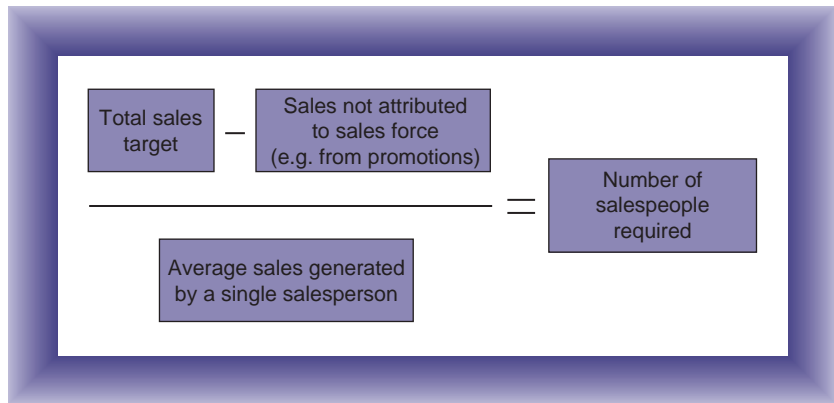
In other words, the selling objectives are derived directly from the marketing objectives.

Sales staff undertake a range of activities. The salesperson is not selling all the time, in the sense of being in front of a customer. There are other activities, which combine to make up a typical week's work, and which are shown in Figure 9.25.

From the list in Figure 9.25, it can be seen that some activities are more productive than others. Clearly, it is in the company's interest to structure the sales job so that non-productive activities are kept to a minimum, thus freeing valuable time to be spent where it can make most impact.

Exactly how this is done, and how the sales force is kept motivated and operating at a high level of efficiency, is the task of sales management. Since this topic would merit a book in its own right, we propose to say little more on the subject, except that it is essential that quantitative objectives are set, whatever the sales activity. Whether these are for the number of visits made, sales achieved, letters written, complaints handled, or whatever, without a quantitative target against which to measure achievement, sales management is rendered impotent.

**How many salespeople?** By analysing the current activities of the sales force (using a categorization like the list in Figure 9.25), and finding out how much time is actually spent on each activity, the company is well on the way to answering this question. When this is undertaken for the first time, it often becomes apparent that the sales force needs to be redirected or that the sales job needs to be redefined.



**Figure 9.26**  
Formula for deriving the size of the sales force

Nevertheless, it is possible to establish an ideal work pattern which holds a real prospect of generating a particular sales value.

The formula in Figure 9.26 can be used to calculate the size of the sales force.

Of course, while the outcome of this calculation is obvious, the end result has to be tempered with common sense. For example, if the coverage of some sales territories incurred a disproportionately high amount of non-productive travel, then there could be a case for employing additional sales staff in some regions. Alternatively, it could act as a stimulus for finding new ways to tackle the problem, perhaps by using telephone sales.

One life insurance company has developed a sophisticated computer model based on the number of enquiries and a probabilistic estimate of the gestation time of direct mail. The purpose of the model is to predict demand and then to recruit and train salespeople well ahead of peak loads.

**Preparing a sales plan** No two company sales plans will be the same, because the role of the sales force might well be different.

A properly developed sales plan will ensure the sales force does not just go out and sell whatever they can, to whomever they can.

Thus, the sales plan should indicate *how* the sales force is going to be deployed in pursuit of the company's marketing objectives.

Task	The standard	How to set the standard	How to measure performance	What to look for
1 To achieve personal sales target	Sales target per period of time for individual groups and/or products	Analysis of <ul style="list-style-type: none"> <li>• territory potential</li> <li>• individual customers' potential</li> </ul> Discussion and agreement between salesperson and manager	Comparison of individual salesperson's product sales against targets	Significant shortfall between target and achievement over a meaningful period
2 To sell the required range and quantity to individual customers	Achievement of specified range and quantity of sales to a particular customer or group of customers within an agreed time period	Analysis of individual customer records of <ul style="list-style-type: none"> <li>• potential</li> <li>• present sales</li> </ul> Discussion and agreement between manager and salesperson	Scrutiny of <ul style="list-style-type: none"> <li>• individual customer records</li> <li>• observation of selling in the field</li> </ul>	Failure to achieve agreed objectives. Complacency with range of sales made to individual customers
3 To plan journeys and call frequencies to achieve minimum practicable selling cost	To achieve appropriate call frequency on individual customers. Number of live customer calls during a given time period	Analysis of individual customers' potential. Analysis of order/call ratios. Discussion and agreement between manager and salesperson	Scrutiny of individual customer records. Analysis of order/call ratio. Examination of call reports	High ratio of calls to an individual customer relative to that customer's yield. Shortfall on agreed total number of calls made over an agreed time period
4 To acquire new customers	Number of prospect calls during time period. Selling new products to existing customers	Identify total number of potential and actual customers who could produce results. Identify opportunity areas for prospecting	Examination of <ul style="list-style-type: none"> <li>• call reports</li> <li>• records of new accounts opened</li> <li>• ratio of existing to potential customers</li> </ul>	Shortfall in number of prospect calls from agreed standard. Low ratio of existing to potential customers
5 To make a sales approach of the required quality	To exercise the necessary skills and techniques required to achieve the identified objective of each element of the sales approach. Continuous use of sales material	Standard to be agreed in discussion between manager and salesperson related to company standards laid down	Regular observations of field selling using a systematic analysis of performance in each stage of the sales approach	Failure to <ul style="list-style-type: none"> <li>• identify objective of each stage of sales approach</li> <li>• specify areas of skill, weakness</li> <li>• use support material</li> </ul>

**Figure 9.27** Example of salesperson's plan

Source: Based on work originally done by F. Norse whilst at Urwick Orr & Partners

The total sales target should be translated into regional objectives and then into individual goals. Bearing in mind the need for all activities to be quantifiable, and hence measurable, an individual salesperson's plan may look something like the example shown in Figure 9.27.

It is at this individual level that the sales plan stands or falls, and it is the role of sales management, supported by top management, to see that it is prepared thoroughly.

## Summary

In this chapter, we have looked at the final phase of the marketing planning process concerned with budget setting, formulating one-year tactical marketing programmes for service products and communicating with customers, and monitoring, controlling and reviewing their progress. Budgets are a necessary first step to tying the marketing programmes to the economic realities of business life. Although working within a budget might limit the scope of a programme, it should impose no boundaries on its creative and imaginative content.

We saw that the tactical marketing programmes were essentially concerned with translating the marketing objectives and strategies into working one-year plans for service products and communications. We examined the service product plan and the promotions and communication plan and, in particular, discussed important developments in digital communications and social media. In the next chapter we continue our examination of the one-year detailed implementation programme by examining the marketing mix plans for price, place, people, processes and customer service.