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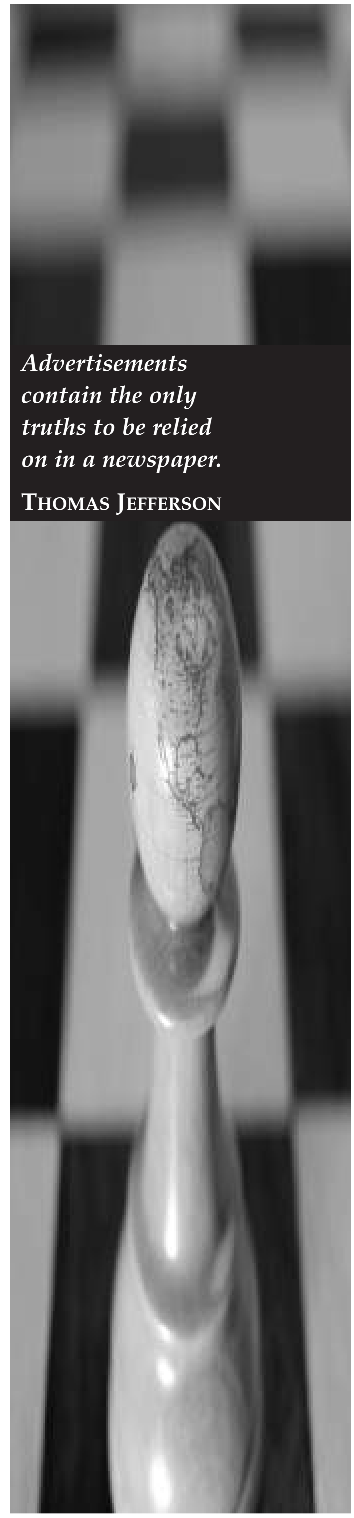
Promotion Strategies



Advertisements contain the only truths to be relied on in a newspaper.

THOMAS JEFFERSON

Promotion strategies are concerned with the planning, implementation, and control of persuasive communication with customers. These strategies may be designed around advertising, personal selling, sales promotion, or any combination of these. The first strategic issue involved here is how much money may be spent on the promotion of a specific product/market. The distribution of the total promotional budget among advertising, personal selling, and sales promotion is another strategic matter. The formulation of strategies dealing with these two issues determines the role that each type of promotion plays in a particular situation.

Clear-cut objectives and a sharp focus on target customers are necessary for an effective promotional program. In other words, merely undertaking an advertising campaign or hiring a few salespeople to call on customers may not suffice. Rather, an integrated communication plan consisting of various promotion methods should be designed to ensure that customers in a product/market cluster get the right message and maintain a long-term cordial relationship with the company. Promotional perspectives must also be properly matched with product, price, and distribution perspectives.

In addition to the strategic issues mentioned above, this chapter discusses strategies in advertising and personal selling. The advertising strategies examined are media strategy and copy strategy. Strategic matters explored in the area of personal selling are those concerned with designing a selling program and supervising salespeople. The formulation of each strategy is illustrated with reference to examples from the literature.

STRATEGIES FOR DEVELOPING PROMOTIONAL PERSPECTIVES

The amount that a company may spend on its total promotional effort, which consists of advertising, personal selling, and sales promotion, is not easy to determine. There are no unvarying standards to indicate how much should be spent on promotion in a given product/market situation. This is so because decisions about promotion expenditure are influenced by a complex set of circumstances.

Promotion-Expenditure Strategy

Promotion expenditure makes up one part of the total marketing budget. Thus, the allocation of funds to one department, such as advertising, affects the level of expenditure elsewhere within the marketing function. For example, a company may need to choose between additional expenditures on advertising or a new package design. In addition, the perspectives of promotion expenditure must be examined in the context of pricing strategy. A higher price obviously provides more funds for promotion than does a lower price. The amount set aside for promotion is also affected by the sales response to the product, which is very difficult to estimate accurately. A related matter is the question of the cumulative effect of promotion. The major emphasis of research in this area, even where the issue is far from being resolved, has been on the duration of advertising effects. Although it is generally accepted that the effects of advertising and maybe the effects of other forms of promotion as well may last over a long period, there is no certainty about the duration of these benefits. The cumulative effect depends on the loyalty of customers, frequency of purchase, and competitive efforts, each of which may be influenced in turn by a different set of variables.

Promotion expenditures vary from one product/market situation to another. Consider the case of McDonald's. It spent $330.8 million on television advertising in 1997, over twice as much as its rival Burger King. Yet the research showed that viewers remembered and liked Burger King's ads better than McDonald's. There is no way to be sure if McDonald's advertising budget was more than optimum. Similarly, the best-known and best-liked television ad in 1997 was for Miller Lite, a commercial showing people arguing whether Miller tasted great or was less filling. This campaign performed better than all other beer commercials even though several companies spent more money on their campaigns than Miller did.[1] Again, despite the ad's success, it is difficult to say if Miller's budget was optimum.

Promotion, however, is the key to success in many businesses. To illustrate this point, take the case of Isordil, a brand of nitrate prescribed to heart patients to prevent severe chest pains. Made by the Ives Laboratories division of the American Home Products Corporation, it was introduced in 1959 and has since grown to claim almost 50 percent of a $200-million-a-year market. Ives claims that Isordil is longer acting and in certain ways more effective than other nitrate drugs on the market. No matter that the Food and Drug Administration has not yet approved all of the manufacturer's claims, nor that some doctors think that Isordil differs little from competing drugs—Ives has promoted its nitrate so aggressively for so long that many doctors think only of Isordil when they think of nitrates. The success of Isordil illustrates the key importance of promotion: Indeed, the very survival of a drug in today's highly competitive marketplace often depends as much on a company's promotion talents as it does on the quality of its medicine.

Promotion induces competitors to react, but there is no way to anticipate competitive response accurately, thus making it difficult to decide on a budget. For example, during the decade from 1980 to 1990, the promotional costs of Anheuser-Busch rose by $6 a barrel of beer (from $3 in 1980 to $9 in 1990).[2] Although the company has been able to prevent Miller's inroads into its markets, the question remains if continuing to increase ad budgets is the best strategy.

Despite the difficulties involved, practitioners have developed rules of thumb for determining promotion expenditures that are strategically sound. These rules of thumb are of two types: they either take the form of a breakdown method or they employ the buildup method.

Breakdown Methods. There are a number of breakdown methods that can be helpful in determining promotion expenditures. Under the *percentage-of-sales approach*, promotion expenditure is a specified percentage of the previous year's or predicted future sales. Initially, this percentage is arrived at by hunch. Later, historical information is used to decide what percentage of sales should be allocated for promotion expenditure. The rationale behind the use of this approach is that expenditure on promotion must be justified by sales. This approach is followed by many companies because it is simple, it is easy to understand, and it gives managers the flexibility to cut corners during periods of economic slowdown. Among its flaws is the fact that basing promotion appropriation on sales puts the cart before the horse. Further, the logic of this approach fails to consider the cumulative effect of promotion. In brief, this approach considers promotion a necessary expenditure that must be apportioned from sales revenue without considering the relationship of promotion to competitor's activities or its influence on sales revenues.

Another approach for allocating promotion expenditure is to spend as much as can be afforded. In this approach, the availability of funds or liquid resources is the main consideration in making a decision about promotion expenditure. In other words, even if a company's sales expectations are high, the level of promotion is kept low if its cash position is tight. This approach can be questioned on several grounds. It makes promotion expenditures dependent on a company's liquid resources when the best move for a cash-short company may be to spend more on promotion with the hope of improving sales. Further, this approach involves an element of risk. At a time when the market is tight and sales are slow, a company may spend more on promotion if it happens to have resources available. This approach does, however, consider the fact that promotion outlays have long-term value; that is, advertising has a cumulative effect. Also, under conditions of complete uncertainty, this approach is a cautious one.

Under the *return-on-investment approach*, promotion expenditures are considered as an investment, the benefits of which are derived over the years. Thus, as in the case of any other investment, the appropriate level of promotion expenditure is determined by comparing the expected return with the desired return. The expected return on promotion may be computed by using present values of future returns. Inasmuch as some promotion is likely to produce immediate results, the total promotion expenditure may be partitioned between current expense and investment. Alternatively, the entire promotion expenditure can be considered an investment, in which case the immediate effect of promotion can be conceived as a return in period zero. The basic validity and soundness of the return-on-investment approach cannot be disputed. But there are several problems in its application. First, it may be difficult to determine the outcomes of different forms of promotion over time. Second, what is the appropriate return to be expected from an advertising investment? These limitations put severe constraints on the practical use of this approach.

The *competitive-parity approach* assumes that promotion expenditure is directly related to market share. The promotion expenditure of a firm should, therefore, be in proportion to that of competitors in order to maintain its position in the market. Thus, if the leader in the industry allocates two percent of its sales revenue for advertising, other members of the industry should spend about the same percentage of their sales on advertising. Considering the competitive nature of our economy, this seems a reasonable approach. It has, however, a number of limitations. First, the approach requires a knowledge of competitors' perspectives on promotion, and this information may not always be available. For example, the market leader may have decided to put its emphasis not on promotion per se but on reducing prices. Following this firm's lead in advertising expenditures without reference to its prices would be an unreliable guide. Second, one firm may get more for its promotion dollar through judicious selection of media, timing of advertising, skillful preparation of ads, a good sales supervision program, and so on. Thus, it could realize the same results as another firm that has twice as much to spend. Because promotion is just one of the variables affecting market performance, simply maintaining promotional parity with competitors may not be enough for a firm to preserve its market share.

Buildup Method. Many companies have advertising, sales, and sales promotion (merchandising) managers who report to the marketing manager. The marketing manager specifies the objectives of promotion separately for the advertising, personal selling, and sales promotion of each product line. Ideally, the spadework of defining objectives should be done by a committee consisting of executives concerned with product development, pricing distribution, and promotion. Committee work helps incorporate inputs from different areas; thus, a decision about promotion expenditure is made in the context of the total marketing mix. For example, the committee may decide that promotion should be undertaken to expose at least 100,000 households to the product; institutional customers may be sought through reductions in price.

In practice, it may not always be easy to pinpoint the separate roles of advertising, personal selling, and sales promotion because these three methods of promotion usually overlap to some degree. Each company must work out its own rules for a promotion mix. Once the tasks to be performed by each method of promotion have been designated, they may be defined formally as objectives and communicated to the respective managers. On the basis of these objectives, each promotion manager probably redefines his or her own goals in more operational terms. These redefined objectives then become the modus operandi of each department.

Once departmental objectives have been defined, each area works out a detailed budget, costing each item required to accomplish the objectives of the program. As each department prepares its own budget, the marketing manager may also prepare a summary budget for each of them, simply listing the major expenditures in light of the overall marketing strategy. A marketing manager's budget is primarily a control device.

When individual departments have arrived at their estimates of necessary allocation, the marketing manager meets with each of them to approve budgets. At that time, the marketing manager's own estimates help assess department budgets. Finally, an appropriation is made to each department. Needless to say, the emphasis on different tasks is revised and the total budget refigured several times before an acceptable program emerges. A committee instead of just the marketing manager may approve the final appropriation for each department.

The buildup method forces managers to analyze scientifically the role they expect promotion to play and the contribution it can make toward achieving marketing objectives. It also helps maintain control over promotion expenditure and avoid the frustrations often faced by promotion managers as a result of cuts in promotion appropriations due to economic slowdown. On the other hand, this approach can become overly scientific. Sometimes profit opportunities that require additional promotion expenditure may appear unannounced. Involvement with the objective and task exercise to decide how much more should be spent on promotion takes time, perhaps leading to the loss of an unexpected opportunity.

Promotion Mix Strategy

Another strategic decision in the area of promotion concerns the allocation of effort among the three different methods of promotion. **Advertising** refers to nonpersonal communication transmitted through the mass media (radio, television, print, outdoors, and mail). The communication is identified with a sponsor who compensates the media for the transmission. **Personal selling** refers to face-to-face interaction with the customer. Unlike advertising, personal selling involves communication in both directions, from the source to the destination and back. All other forms of communication with the customer other than those included in advertising and personal selling constitute **sales promotion**. Thus, coupons, samples, demonstrations, exhibits, premiums, sweepstakes, trade allowances, sales and dealer incentives, cents-off packs, rebates, and point-of-purchase material are all sales promotion devices.

A variety of new ways have been developed to communicate with customers. These include telemarketing (i.e., telephone selling) and demonstration centers (i.e., specially designed showrooms to allow customers to observe and try out complex industrial equipment). The discussion in this chapter will be limited to the three traditional methods of promotion. In some cases, the three types of promotion may be largely interchangeable; however, they should be blended judiciously to complement each other for a balanced promotional perspective. Illustrated below is the manner in which a chemical company mixed advertising with personal selling and sales promotion to achieve optimum promotional performance:

> An advertising campaign aimed at customer industries, employees, and plant communities carried the theme, "The little chemical giant." It appeared in *Adhesive Age*,

> *American Paint & Coating Journal*, *Chemical & Engineering News*, *Chemical Marketing Reporter*, *Chemical Purchasing*, *Chemical Week*, *Modern Plastics*, and *Plastics World*.
>
> Sales promotion and personal selling were supported by publicity. Editorial tours of the company's new plants, programs to develop employee understanding and involvement in the expansion, and briefings for local people in towns and cities where USIC [the company] had facilities provided a catalyst for publicity.
>
> Personal selling was aggressive and provided direct communication about the firm's continued service. USIC reassured producers of ethyl alcohol, vinyl acetate monomer, and polyethylene that "we will not lose personal touch with our customers."[3]

Development of an optimum promotion mix is by no means easy. Companies often use haphazard, seat-of-the-pants procedures to determine the respective roles of advertising, personal selling, and sales promotion in a product/market situation.

Decisions about the promotional mix are often diffused among many decision makers, impeding the formation of a unified promotion strategy. Personal selling plans are sometimes divorced from the planning of advertising and sales promotion. Frequently, decision makers are not adequately aware of the objectives and broad strategies of the overall product program that the promotion plan is designed to implement. Sales and market share goals tend to be constant, regardless of decreases or increases in promotional expenditures. Thus they are unrealistic as guides and directives for planning, as criteria for promotional effectiveness, or even as a fair basis for application of the judgment of decision makers. Briefly, the present state of the art in the administration of the promotion function is such that cause-and-effect relationships as well as other basic insights are not sufficiently understood to permit knowledgeable forecasts of what to expect from alternate courses of action. Even identifying feasible alternatives can prove difficult.

A variety of factors should be considered to determine the appropriate promotion mix in a particular product/market situation. These factors may be categorized as product factors, market factors, customer factors, budget factors, and marketing mix factors, as outlined in Exhibit 17-1.

Product Factors. Factors in this category relate principally to the way in which a product is bought, consumed, and perceived by the customer. For industrial goods, especially technical products, personal selling is more significant than advertising because these goods usually need to be inspected and compared before being bought. Salespeople can explain the workings of a product and provide on-the-spot answers to customer queries. For customer goods such as cosmetics and processed foods, advertising is of primary importance. In addition, advertising plays a dominant role for products that provide an opportunity for differentiation and for those being purchased with emotional motives.

The perceived risk of a purchase decision is another variable here. Generally speaking, the more risk a buyer perceives to be associated with buying a particular product, the higher the importance of personal selling over advertising. A buyer generally desires specific information on a product when the perceived risk

EXHIBIT 17-1
Criteria for Determining Promotion Mix

Product Factors
1. Nature of product
2. Perceived risk
3. Durable versus nondurable
4. Typical purchase amount

Market Factors
1. Position in its life cycle
2. Market share
3. Industry concentration
4. Intensity of competition
5. Demand perspectives

Customer Factors
1. Household versus business customers
2. Number of customers
3. Concentration of customers

Budget Factors
1. Financial resources of the organization
2. Traditional promotional perspectives

Marketing Mix Factors
1. Relative price/relative quality
2. Distribution strategy
3. Brand life cycle
4. Geographic scope of market

is high. This necessitates an emphasis on personal selling. Durable goods are bought less frequently than nondurables and usually require a heavy commitment of resources. These characteristics make personal selling of greater significance for durable goods than advertising. However, because many durable goods are sold through franchised dealerships, the influence of each type of promotion should be determined in light of the additional push it would provide in moving the product. Finally, products purchased in small quantities are presumably purchased frequently and require routine decision making. For these products, advertising should be preferable to personal selling. Such products are often of low value; therefore, a profitable business in these products can only be conducted on volume. This underlines the importance of advertising in this case.

Market Factors. The first market factor is the position of a product in its life cycle. The creation of primary demand, hitherto nonexistent, is the primary task during the introductory stage; therefore, a great promotion effort is needed to explain a new product to potential customers. For consumer goods in the introductory stage, the major thrust is on heavy advertising supported by missionary selling to help distributors move the product. In addition, different devices of sales promotion (e.g., sampling, couponing, free demonstrations) are employed to entice the customer to try the product. In the case of industrial products, personal selling alone is useful during this period. During the growth phase, there is increasing demand, which means enough business for all competitors. In the case of consumer goods, however, the promotional effort shifts to reliance on advertising. Industrial goods, on the other hand, begin to be advertised as the market broadens. However, they continue to require a personal selling effort. In the maturity phase, competition becomes intense, and advertising, along with sales promotion, is required to differentiate the product (a consumer good) from competitive brands and to provide an incentive to the customer to buy a particular product. Industrial goods during maturity call for intensive personal selling. During the decline phase, the promotional effort does not vary much initially from that during the maturity phase except that the intensity of promotion declines. Later, as price competition becomes keen and demand continues to decline, overall promotional perspectives are reduced.

For a given product class, if market share is high, both advertising and personal selling are used. If the market share is low, the emphasis is placed on either personal selling or advertising. This is because high market share seems to indicate that the company does business in more than one segment and uses multiple channels of distribution. Thus, both personal selling and advertising are used to promote the product. Where market share is low, the perspectives of the business are limited, and either advertising or personal selling will suffice, depending on the nature of the product.

If the industry is concentrated among a few firms, advertising has additional significance for two reasons: (a) heavy advertising may help discourage other firms from entering the field, and (b) heavy advertising sustains a desired position for the product in the market. Heavy advertising constitutes an implied warranty of product performance and perhaps decreases the uncertainty consumers associate with new products. In this way, new competition is discouraged and existing positions are reinforced.

Intensity of competition tends to affect promotional blending in the same way that market share does. When competition is keen, all three types of promotion are needed to sustain a product's position in the market. This is because promotion is needed to inform, remind, and persuade customers to buy the product. On the other hand, if competitive activity is limited, the major function of promotion is to inform and perhaps remind customers about the product. Thus, either advertising or personal selling is emphasized.

Hypothetically, advertising is more suited for products that have relatively latent demand. This is because advertising investment should open up new opportunities in the long run, and if the carryover effect is counted, expenditure per sales dollar would be more beneficial. If demand is limited and new demand is not expected to be created, advertising outlay would be uneconomical. Thus, future potential becomes a significant factor in determining the role of advertising.

Customer Factors. One of the major dimensions used to differentiate businesses is whether products are marketed for household consumption or for organizational use. There are several significant differences in the way products are marketed to these two customer groups, and these differences exert considerable influence on the type of promotion that should be used. In the case of household customers, it is relatively easy to identify the decision maker for a particular product; therefore, advertising is more desirable. Also, the self-service nature of many consumer-product sales makes personal selling relatively unimportant. Finally, household customers do not ordinarily go through a formal buying process using objective criteria as organizational customers do. This again makes advertising more useful for reaching household customers. Essentially the same reasons make personal selling more relevant in promoting a product among organizational customers.

The number of customers and their geographic concentration also influence promotional blending. For a small customer base, especially if it is geographically concentrated, advertising does not make as much sense as it does in cases where customers are widely scattered and represent a significant mass. Caution is needed here because some advertising may always be necessary for consumer goods, no matter what the market perspectives are. Thus, these statements provide only a conceptual framework and should not be interpreted as exact yes/no criteria.

Budget Factors. Ideally, the budget should be based on the promotional tasks to be performed. However, intuitively and traditionally, companies place an upper limit on the amount that they spend on promotion. Such limits may influence the type of promotion that may be undertaken in two ways. First, a financially weak company is constrained in undertaking certain types of promotion. For example, television advertising necessitates a heavy commitment of resources. Second, in many companies the advertising budget is, by tradition, linked to revenues as a percentage. This method of allocation continues to be used so that expected revenues indicate how much may be spent on advertising in the future. The allocated funds, then, automatically determine the role of advertising.

Marketing Mix Factors. The promotion decision should be made in the context of other aspects of the marketing mix. The price and quality of a product relative to competition affect the nature of its promotional perspectives. Higher prices must be justified to the consumer by actual or presumed product superiority. Thus, in the case of a product that is priced substantially higher than competing goods, advertising achieves significance in communicating and establishing the product’s superior quality in the minds of customers.

The promotion mix is also influenced by the distribution structure employed for the product. If the product is distributed directly, the sales force can largely be counted on to promote the product. Indirect distribution, on the other hand, requires greater emphasis on advertising because the push of a sales force is limited. As a matter of fact, the further the manufacturer is from the ultimate user, the greater the need for the advertising effort to stimulate and maintain demand.

The influence of the distribution strategy may be illustrated with reference to two cosmetics companies that deal in similar products, Revlon and Avon. Revlon distributes its products through different types of intermediaries and advertises them heavily. Avon, on the other hand, distributes primarily directly to end users in their homes and spends less on advertising relative to Revlon.

Earlier we examined the effect on the promotion mix of a product's position in its life cycle. The position of a brand in its life cycle also influences promotional perspectives. Positioning a new brand in the desired slot in the market during its introduction phase requires a higher degree of advertising. As a product enters the growth phase, advertising should be blended with personal selling. In the growth phase, the overall level of promotion declines in scope. When an existing brand reaches the maturity phase in its life cycle, the marketer has three options: to employ life-extension strategies, to harvest the brand for profits, and/or to introduce a new brand that may be targeted at a more specific segment of the market. The first two options were discussed in Chapter 13. As far as the third option is concerned, for promotional purposes, the new brand will need to be treated like a new product.

Finally, the geographic scope of the market to be served is another consideration. Advertising, relatively speaking, is more significant for products marketed nationally than for those marketed locally or regionally. When the market is geographically limited, one study showed that even spot television advertising proved to be more expensive vis-à-vis the target group exposures gained.[4] Thus, because advertising is an expensive proposition, regional marketers should rely less on advertising and more on other forms of promotion, or they should substitute another element of the marketing mix for it. For example, a regional marketer may manufacture private label brands.

Conclusion

Although these factors are helpful in establishing roles for different methods of promotion, actual appropriation among them should take into consideration the effect of any changes in the environment. For example, in the 1980s soft drink companies frequently used sales promotion (mainly cents off) to vie for customers. In the 1990s, however, the markers of soft drinks changed their promotion mix strategy to concentrate more on advertising. This is evidenced by the fact that the five largest soft drink makers spent about $500 million on advertising in 1994, 40 percent more than they spent in 1984. One reason for this change in promotional perspective was the realization that price discounting hurt brand loyalties; because Coke and Pepsi had turned their colas into commodities by means of cents-off promotion, the consumer now shopped for price.

An empirical study on this topic has shown that consumers prefer incentives other than price. Price cuts also appear to have little lasting effect on sales volumes. For example, consumers exposed to repeated price cuts learn to ignore the "usual" price. Instead, they wait for the next discount and then stockpile the product. They also tend to become discount junkies, stimulated into buying only by ever-steeper discounts.[5] In brief, price promotions not only cut margins, but also leave manufacturers to cope with costly fluctuations in stocks.

In addition, the promotion mix may also be affected by a desire to be innovative. For example, Puritan Fashions Corporation, an apparel company, traditionally spent little on advertising. In the late 1970s, the company was continually losing money. Then, in the 1980s, the company introduced a new product, body-hugging jeans, and employed an unconventional promotion strategy. It placed Calvin Klein's label on its jeans, sold them as a prestige trouser priced at $35 (double the price of nonlabeled styles), and advertised them heavily. This promotion mix provided the company with instant success. Another example of promotion innovation is provided by Kellogg, which, instead of plastic toys and other gimmicks, now featured Microsoft Corp. software for children and adults. Although promotional innovation may not last long because competitors may soon copy it, it does provide the innovator with a head start.

Promotional blending requires consideration of a large number of variables, as outlined above. Unfortunately, it is difficult to assign quantitative values to the effect that these variables have on promotion. Thus, decisions about promotional blending must necessarily be made subjectively. These factors, however, provide a checklist for reviewing the soundness and viability of subjective decisions.

Recent research conducted by the Strategic Planning Institute for Cahners Publishing Co. identified the following decision rules that can be used in formulating ad budgets. These rules may be helpful in finalizing promotion mix decisions.[6]

1. **Market share**—A company that has a higher market share must generally spend more on advertising to maintain its share.
2. **Sales from new products**—If a company has a high percentage of its sales resulting from new products, it must spend more on advertising compared to companies that have well-established products.
3. **Market growth**—Companies competing in fast-growing markets should spend comparatively more on advertising.
4. **Plant capacity**—If a company has a lot of unused plant capacity, it should spend more on advertising to stimulate sales and production.
5. **Unit price (per sales transaction)**—The lower the unit price of a company's products, the more it should spend on advertising because of the greater likelihood of brand switching.
6. **Importance of product to customers (in relation to their total purchases)**—Products that constitute a lower proportion of customers' purchases generally require higher advertising expenditures.
7. **Product price**—Both very high-priced (or premium) products and very low-priced (or discount) products require higher ad expenditures because, in both cases, price is an important factor in the buying decision and the buyer must be convinced (through advertising) that the product is a good value.
8. **Product quality**—Higher-quality products require a greater advertising effort because of the need to convince the consumer that the product is unique.
9. **Breadth of product line**—Companies with a broad line of products must spend more on advertising compared to companies with specialized product lines.
10. **Degree of standardization**—Standardized products produced in large quantities should be backed by higher advertising outlays because they are likely to have more competition in the market.

ADVERTISING STRATEGIES

Companies typically plan and execute their advertising through five stages: developing the budget, planning the advertising, copy development and approval, execution, and monitoring response.[7] Exhibit 17-2 summarizes who participates in each stage and the end product.

Media-Selection Strategy

Media may be defined as those channels through which messages concerning a product or service are transmitted to targets. The following media are available to advertisers: newspapers, magazines, television, radio, outdoor advertising, transit advertising, direct mail, and the Internet.

Selection of an advertising medium is influenced by such factors as the product or service itself, the target market, the extent and type of distribution, the type of message to be communicated, the budget, and competitors' advertising strategies. Except for the advertising perspectives employed by the competition, information on most of these factors is presumably available inside the company. It may be necessary to undertake a marketing research project to find out what sorts of advertising strategies competitors have used in the past and what might be expected of them in the future. In addition, selection of a

EXHIBIT 17-2
The Advertising Planning Process

Stage	*Preliminary players*	*End product*
Developing the marketing plan and budget	Product manager	Budget Spending guidelines Profit projections
Planning the advertising	Product manager Advertising manager Ad agency Corporate advertising department	Identification of the target market Allocating of spending Statement of advertising strategy and message
Copy development and approval	Ad agency Copy research company Product manager Advertising manager Senior management	Finished copy Media plan (with reach and frequency projections)
Execution	Ad agency or media buying company	Actual placement
Monitoring response	Market research manager Product manager Ad agency (research)	Awareness, recognition, and perception tracking Perceptual maps Sales/share tracking

medium also depends on the advertising objectives for the product/market concerned. With this information in place, different methods may be used to select a medium.

Mention must be made here of an emerging medium, i.e., Internet advertising. Online advertising is booming and had reached about $2 billion in 1998.[8] Internet advertising offers a variety of advantages. It offers an exceptional ability to target specific customers. Besides, it blurs the division between content and advertising, which the traditional media regard as sacred. If the money is right, many online publishers are willing to strike whatever sort of partnerships an advertiser might want.

However, ad rates on the Net are steep enough to justify the cost. Most advertisers pay at least as much to reach an Internet audience, typically $10 to $40 per 1000 viewers, as they would for TV or magazine ads.[9] Further, the emotion-laden vignettes that work so well on TV simply don't woo viewers in cyberspace. Presently, most marketers see Internet advertising as little more than a complement to traditional media.

Despite the above problems, Internet advertising will account for a growing proportion of overall advertising expenditure. As the technology improves, the impact of Internet advertising will increase and become easier to measure, and the gap between this new precise, interactive marketing capability and conventional "fuzzy" passive media will widen. The following reasons are advanced for the growing popularity of Internet advertising:[10]

(a) The Web presents great advertising opportunities for marketers because of its continuing growth, its user demographics, its effectiveness, and its cost-competitiveness.

(b) The overall Web population is reaching critical mass. Recent surveys show there are 25 to 40 million adult Web users in the United States—between one-eighth and one-fifth of the population. Twenty-five million Americans use the Web at least once a week, according to one source, and 8.4 million are daily users. The average user spends 8.6 hours a month on line.

(c) The demographics of Internet users are broadening, but remain attractive. More women are now using the Internet: one survey puts the figure at 47 percent, another at 38 percent. In financial terms, 91 percent of those who used the Web in the past six months have household incomes above $60,000—almost double the average U.S. household income of $31,000. Marketers pursuing certain segments of the population are finding the Internet increasingly useful. For those interested in, say, American men aged 35 to 44 with incomes over $75,000, the Web can provide access to about 2 million—over 40 percent of the target demographic segment, and a critical mass in itself.

(d) Studies have shown that the Internet is reasonably good at achieving standard advertising objectives, such as shaping attitudes. However, it also has capabilities that traditional media cannot match. Features that make the Internet a superior medium include its addressability, its interactivity, and its scope for customization. Advertisers can do things on the Internet that are impossible in traditional media: identify individual users, target and talk to them one at a time, and engage in a genuine two-way dialogue.

(e) In terms of advertising economics, the Internet can already compete with existing media, both in response as measured by click-throughs and in exposure as measured by cost per thousand. Moreover, the Internet's economics look better and better the more precisely a target consumer segment is defined. The cost to an Internet advertiser of reaching families that earn over $70,000 and own a foreign car, for instance, can be less than a quarter the cost of using a specialty magazine such as *Car and Driver*.
(f) Like traditional media, the Internet needs consistent metrics and auditing in order to gain broad acceptance from marketers. Both are emerging slowly, driven by old players such as Nielsen and new ones such as Web Track.
(g) Advertisers and agencies cannot afford to produce a different ad and negotiate a different price for every site. Standards for size, position, content, and pricing are badly needed and are now being developed; an example is CASIE, the Coalition for Advertising Supported Information and Entertainment, a joint project of the Association of National Advertisers and the American Association of Advertising Agencies.
(h) Unless they place their ads on one of the few highly trafficked sites, advertisers find it difficult to ensure that sufficient people see them. Responding to advertisers' need for scale, placement networks such as DoubleClick do the aggregating for them, making sure that a specified number of people will be exposed to their ads.

Advertising Objectives. To build a good advertising program, it is necessary first to pinpoint the objectives of the ad campaign. It would be wrong to assume that all advertising leads directly to sales. A sale is a multiphase phenomenon, and advertising can be used to transfer the customer from one phase to the next: from unawareness of a product or service, to awareness, to comprehension, to conviction, to action. Thus, the advertiser must specify at what stage or stages he or she wants advertising to work. The objectives of advertising may be defined by any one of the following approaches: inventory approach, hierarchy approach, or attitudinal approach.

Inventory Approach. A number of scholars have articulated inventories of functions performed by advertising. The objectives of an ad campaign may be defined from an inventory based on a firm's overall marketing perspective. For example, the following inventory may be used to develop a firm's advertising objectives:

A. Increase sales by

1. Encouraging potential purchasers to visit the company or its dealers.
2. Obtaining leads for salespeople or dealers.
3. Inducing professional people (e.g., doctors, architects) to recommend the product.
4. Securing new distributors.
5. Prompting immediate purchases through announcements of special sales and contests.

B. Create an awareness about a company's product or service by

1. Informing potential customers about product features.
2 Announcing new models.
3. Highlighting the unique features of the product.

4. Informing customers as to where the product may be bought.
5. Announcing price changes.
6. Demonstrating the product in use.

The inventory approach is helpful in highlighting the fact that different objectives can be emphasized in advertising and that these objectives cannot be selected without reference to the overall marketing plan. Thus, this approach helps the advertiser avoid operating in a vacuum. However, inherent in this approach is the danger that the decision maker may choose nonfeasible and conflicting objectives if everything listed in an inventory seems worth pursuing.

Hierarchy Approach. Following this approach, the objectives of advertising should be stated in an action-oriented psychological form. Thus, the objectives of advertising may be defined as (a) gaining customers' initial attention, perception, continued favorable attention, and interest; or (b) affecting customers' comprehension, feeling, emotion, motivation, belief, intentions, decision, imagery, association, recall, and recognition. The thesis behind this approach is that customers move from one psychological state to another before actually buying a product. Thus, the purpose of advertising should be to move customers from state to state and ultimately toward purchasing the product. Although it makes sense to define the purpose of an individual ad in hierarchical terms, it may be difficult to relate the purpose so defined to marketing goals. Besides, measurement of psychological states that form the basis of this approach is difficult and subjective compared to the measurement of goals such as market share.

Attitudinal Approach. According to this approach, advertising is instrumental in producing changes in attitudes; therefore, advertising goals should be defined to influence attitudinal structures. Thus, advertising may be undertaken to accomplish any of the following goals:

1. Affect those forces that influence strongly the choice of criteria used for evaluating brands belonging to the product class.
2. Add characteristic(s) to those considered salient for the product class.
3. Increase/decrease the rating for a salient product class characteristic.
4. Change the perception of the company's brand with regard to some particular salient product characteristic.
5. Change the perception of competitive brands with regard to some particular salient product characteristic.

The attitudinal approach is an improvement over the hierarchical approach because it attempts to relate advertising objectives to product/market objectives. This approach indicates not only the functions advertising performs, it also targets the specific results it can achieve.

Advertising objectives should be defined by a person completely familiar with all product/market perspectives. A good definition of objectives aids in the writing of appropriate ad copy and in selecting the right media. It should be recognized that different ad campaigns for the same product can have varied objectives. But all ad campaigns should be complementary to each other to maximize total advertising impact.

Product/market advertising objectives may be used to derive media objectives. Media objectives should be defined so as to answer such questions as: Are we trying to reach everybody? Are we aiming to be selective? If housewives under 30 with children under 10 are really our target, what media objectives should we develop? Are we national or regional? Do we need to concentrate in selected counties? Do we need reach or frequency or both? Are there creative considerations to control our thinking? Do we need color or permanence (which might mean magazines and supplements), personalities and demonstration (which might mean television), the best reminder for the least money (which might mean radio or outdoor), superselectivity (which might mean direct mail), or going all the way up and down in the market (which could mean newspapers)? The following is a list of sample media objectives based on these questions:

1. We need a national audience of women.
2. We want them between 18 and 34.
3. Because the product is a considered purchase, we need room to explain it thoroughly.
4. We need color to show the product to best advantage.
5. We must keep after these women more than once, so we need frequency.
6. There's no way to demonstrate the product except in a store.

Media-Selection Procedure. Media selection calls for two decisions: (a) which particular medium to use and (b) which specific vehicles to choose within a given medium. For example, if magazines are to be used, in which particular magazines should ads be placed? The following two approaches can be used in media selection: cost-per-thousand-contacts comparison and matching of audience and medium characteristics.

Cost-per-Thousand-Contacts Comparison. The cost-per-thousand-contacts comparison has traditionally been the most popular method of media selection. Although simple to apply, the cost-per-thousand method leaves much to be desired. Basing media selection entirely on the number of contacts to be reached ignores the quality of contacts made. For example, an advertisement for a women's dress line appearing in *Vogue* would make a greater impact on those exposed to it than would the same ad appearing in *True Confessions*. Similarly, *Esquire* would perhaps be more appropriate than many less-specialized magazines for introducing men's fashions.

Further, the cost-per-thousand method can be highly misleading if one considers the way in which advertisers define the term *exposure*. According to the media definition, exposure occurs as soon as an ad is inserted in the magazine. Whether the exposure actually occurs is never considered. This method also fails to consider editorial images and the impact power of different channels of a medium.

Matching of Audience and Media Characteristics. An alternative approach to media selection is to specify the target audience and match its characteristics to a particular medium. A step-by-step procedure for using this method is described as follows:

1. Build a profile of customers, detailing who they are, where they are located, when they can be reached, and what their demographic characteristics are. Setting media objectives (discussed earlier) is helpful in building customer profiles.
2. Study media profiles in terms of audience coverage. Implicit in this step is the study of the audience's media habits (i.e., an examination of who constitutes a particular medium's audience).
3. Match customer profiles to media profiles. The customer characteristics for a product should be matched to the audience characteristics of different media. This comparison should lead to the preliminary selection of a medium, based primarily on the grounds of coverage.
4. The preliminary selection should be examined further in regard to product and cost considerations. For some products, other things being equal, one medium is superior to another. For example, in the case of beauty aids, a product demonstration is helpful; hence, television would be a better choice than radio. Cost is another concern in media selection; information on cost is available from the media themselves. Cost should be balanced against the benefit expected from the campaign under consideration.
5. Finally, the total budget should be allocated to different media and to various media vehicles. The final selection of a medium should maximize the achievement of media objectives. For example, if the objective is to make people aware of a product, then the medium selected should be the one that reaches a wide audience.

Basically, two types of information are required for media selection: customer profile and media characteristics. The advertiser should build a customer profile for his or her product/market. Information about various media is usually available from media owners. Practically all media owners have complete information available to them concerning their audiences (demographics and circulation figures). Each medium, however, presents the information in a way that makes it look best. It is desirable, therefore, to validate the audience information supplied by media owners with data from bureaus that audit various media. The Audit Bureau of Circulations, the Traffic Audit Bureau, and the Business Publications Audit of Circulation are examples of such audit bureaus.

Evaluation Criteria. Before money is committed to a selected medium, it is desirable to review the medium's viability against evaluation criteria. Is the decision maker being thorough, progressive (imaginative), measure-minded, practical, and optimistic? Thoroughness requires that all aspects of media selection be given full consideration. For maximum impact, the chosen medium should be progressive: it should have a unique way of doing the job. An example of progressiveness is putting a sample envelope of Maxwell House coffee in millions of copies of TV Guide. Because of postal regulations, this sampling could not be done in a magazine that is purchased primarily through subscriptions. But TV Guide is mainly a newsstand magazine. Measure-mindedness refers to more than just the number of exposures. It refers not only to frequency and timing in reaching the target audience but also to the quality of the audience; that is, to the proportion of heavy to light television viewers reached, proportion of men to women, working to nonworking women, and so on. Practicality requires choosing a medium on factual, not emotional, grounds. For example, it is not desirable to substitute a weak newspaper for a strong one just because the top management of the company does not agree with the editorial policy of the latter. Finally, the overall media plan should be optimistic in that it takes advantage of lessons learned from experience.

Advertising-Copy Strategy

Copy refers to the content of an advertisement. In the advertising industry, the term is sometimes used in a broad sense to include the words, pictures, symbols, colors, layout, and other ingredients of an ad. Copywriting is a creative job, and its quality depends to a large extent on the creative ability of writers in the advertising agency or in the company. However, creativity alone may not produce good ad copy. A marketing strategist needs to have his or her own perspectives incorporated in the copy (what to say, how to say it, and to whom to say it) and needs to furnish information on ad objectives, product, target customers, competitive activity, and ethical and legal considerations. The creative person carries on from there. In brief, although copywriting may be the outcome of a flash of inspiration on the part of an advertising genius, it must rest on a systematic, logical, step-by-step presentation of ideas.

This point may be illustrated with reference to Perrier, a brand of bottled water that comes from mineral springs located in southern France. In Europe, this product has been quite popular for some years; in the United States, however, it used to be available in gourmet shops only. In 1977, the company introduced the product to the U.S. market as a soft drink by tapping the adult user market with heavy advertising. Perrier's major product distinction is that its water is naturally carbonated spring water. The product was aimed at the affluent adult population, particularly those concerned with diet and health, as a status symbol and a sign of maturity. Perrier faced competition from two sources: regular soft drink makers and potential makers of mineral water. The company took care of its soft drink competition by segmenting the market on the basis of price (Perrier was priced 50 percent above the average soft drink) and thus avoided direct confrontation. In regard to competition from new brands of mineral water, Perrier's association with France and the fact that it is constituted of naturally carbonated spring water were expected to continue as viable strengths. This information was used to develop ad copy for placement in high-fashion women's magazines and in television commercials narrated by Orson Welles. The results were astonishing. In less than five years, Perrier became a major liquid drink in the U.S. market.[11]

Take another example. Back in 1998, packs of Thomas' English Muffins carried the following announcement: "Coming Soon…New Package, Same Great Taste!" An illustration of the forthcoming design appeared along with the burst.[12] This campaign set a new standard in postmodern promotion. Instead of simply crowing about itself, this package was actually heralding its own replacement. The new design showed up in stores about six weeks later.

Essentially, ad copy constitutes an advertiser's message to the customer. To ensure that the proper message gets across, it is important that there is no distortion of the message because of what in communication theory is called noise. Noise may emerge from three sources: (a) dearth of facts (e.g., the company is unaware of the unique distinctions of its product), (b) competitors (e.g., competitors make changes in their marketing mix to counter the company's claims or position), and (c) behavior traits of the customers or audience. Failure to take into account the last source of noise is often the missing link in developing ad copy. It is not safe to assume that one's own perspectives on what appeals to the audience are accurate. It is desirable, therefore, to gain, through some sort of marketing research, insights into behavior patterns of the audience and to make this information available to the copywriter. For example, a 1993 Research International Organization (RIO) study of teenagers in 26 countries provides the following clues for making an effective appeal to young customers.

1. Never talk down to a teenager. While "hip" phraseology and the generally flippant tone observed in the teenager's conversation may be coin of the realm from one youngster to another, it comes across as phony, foolish, and condescending when directed at him or her by an advertiser. Sincerity is infinitely more effective than cuteness. Entertainment and attention-getting approaches by themselves do little to attract a teenager to the merits of a product. In fact, they often dissuade the youngster from making a purchase decision.
2. Be totally, absolutely, and unswervingly straightforward. Teenagers may act cocky and confident in front of adults, but most of them are still rather unsure of themselves and are wary of being misled. They are not sure they know enough to avoid being taken advantage of, and they do not like to risk looking foolish by falling for a commercial gimmick. Moreover, teenagers as a group are far more suspicious of things commercial than adults are. Advertising must not only be noticed; it must be believed.
3. Give the teenager credit for being motivated by rational values. When making a buying selection, adults like to think they are doing so on the basis of the benefits the product or service offers. Teenagers instinctively perceive what's "really there" in an offering. Advertising must clearly expose for their consideration the value a product or service claims to represent.
4. Be as personal as possible. Derived from the adult world of marketing, this rule has an exaggerated importance with teenagers. In this automated age, with so many complaining of being reduced en masse to anonymity, people are becoming progressively more aware of their own individuality. The desire to be personally known and recognized is particularly strong with young people, who are urgently searching for a clear sense of their own identity.[13]

Findings from communications research are helpful in further refining the attributes of ad copy that an advertising strategist needs to spell out for the copywriter.

Source Credibility. An ad may show a celebrity recommending the use of a product. It is hoped that this endorsement will help give the ad additional credibility, credibility that will be reflected in higher sales.

Research on the subject has shown that an initially credible source, such as Miss America claiming to use a certain brand of hair spray, is more effective in changing the opinion of an audience than if a similar claim is made by a lesser-known source, such as an unknown homemaker. However, as time passes, the audience tends to forget the source or to dissociate the source from the message.[14] Some consumers who might have been swayed in favor of a particular brand because it was recommended by Miss America may revert to their original choice, whereas those who did not initially accept the homemaker's word may later become favorably inclined toward the product she is recommending. The decreasing importance of the source behind a message over time has been called the **sleeper effect**.[15]

Several conclusions can be drawn from the sleeper effect. In some cases, it may be helpful if the advertiser is disassociated as much as possible from the ad, particularly when the audience may perceive that a manufacturer is trying to push something.[16] On the other hand, when source credibility is important, advertisements should be scheduled so that the source may reappear to reinforce the message.

An example of source credibility is provided by Nike. It attracted popular sports heroes as credible sources to build new product lines and marketing campaigns around them. Consumers seemed to respond best to athletes who combined a passion to win with a maverick disregard for convention: "outlaws with morals."[17]

Balance of Argument. When preparing copy, there is a question of whether only the good and distinctive features of a brand should be highlighted or whether its demerits should be mentioned as well. Traditionally, the argument has been, "Put your best foot forward." In other words, messages should be designed to emphasize only the favorable aspects of a product. Recent research in the field of communication has questioned the validity of indiscriminately detailing the favorable side. It has been found that

1. Presenting both sides of an issue is more effective than giving only one side among individuals who are initially opposed to the point of view being presented.
2. Better-educated people are more favorably affected by presentation of both sides; poorly educated persons are more favorably affected by communication that gives only supporting arguments.
3. For those already convinced of the point of view presented, the presentation of both sides is less effective than a presentation featuring only those items favoring the general position being advanced.
4. Presentation of both sides is least effective among the poorly educated who are already convinced of the position advocated.
5. Leaving out a relevant argument is more noticeable and detracts more from effectiveness when both sides are presented than when only the side favorable to the proposition is being advanced.[18]

These findings have important implications for developing copy. If one is trying to reach executive customers through an ad in the *Harvard Business Review*, it probably is better to present both favorable and unfavorable qualities of a product.

On the other hand, for such status products and services as Rolex diamond watches and Chanel No. 5 perfume, emphasis on both pros and cons can distort the image. Thus, when status is already established, a simple message is more desirable.

Message Repetition. Should the same message be repeated time and again? According to learning theory, reinforcement over time from different directions increases learning. It has been said that a good slogan never dies and that repetition is the surest way of getting the message across. However, some feel that, although the central theme should be maintained, a message should be presented with variations.

Communication research questions the value of wholesale repetition. Repetition, it has been found, leads to increased learning up to a certain point. Thereafter, learning levels off and may, in fact, change to boredom and loss of attention. Continuous repetition may even counteract the good effect created earlier. Thus, advertisers must keep track of the shape of the learning curve and develop a new product theme when the curve appears to be flattening out. The Coca-Cola Company, for example, regularly changes its message to maintain audience interest.[19]

1886—Coca-Cola
1905—Coca-Cola revives and sustains
1906—The Great National Temperance Beverage
1922—Thirst knows no season
1925—Six million a day
1927—Around the corner from everywhere
1929—The pause that refreshes
1938—The best friend thirst ever had
1948—Where there's Coke there's hospitality
1949—Along the highway to anywhere
1952—What you want is a Coke
1956—Makes good things taste better
1957—Sign of good taste
1958—The cold, crisp taste of Coke
1963—Things go better with Coke
1970—It's the real thing
1971—I'd like to buy the world a Coke
1975—Look up, America
1976—Coke adds life
1979—Have a Coke and a smile
1982—Coke is it
1985—We've got a taste for you
1986—Catch the wave
1987—When Coca-Cola is a part of your life, you can't beat the feeling
1988—Can't beat the feeling
1990—Always new, always real
1992—Always you, always Coke
1995—Always spring, always Coke
1998—Something should stay the same, like Coke

Rational versus Emotional Appeals. Results of studies on the effect of rational and emotional appeals presented in advertisements are not conclusive. Some studies show that emotional appeals have definite positive results.[20] However, arousing emotions may not be sufficient unless the ad can rationally convince the subject that the product in question will fulfill a need. It appears that emphasis on one type of appeal—rational or emotional—is not enough. The advertiser must strike a balance between emotional and rational appeals. For example, Procter & Gamble's Crest toothpaste ad, "Crest has been recommended by the American Dental Association," has a rational content; but its reference to cavity prevention also excites emotions. Similarly, a Close-up toothpaste ad produced for Lever Brothers is primarily emotional in nature: "Put your money where your mouth is." However, it also has an economic aspect: "Use Close-up both as a toothpaste and mouthwash."

An example of how emotional appeal complemented by service created a market niche for an unknown company is provided by Singapore Airlines. Singapore is a Southeast Asian nation barely larger than Cleveland. Many airlines have tried to sell the notion that they have something unique to offer, but not many have succeeded. Singapore Airlines, however, thrives mainly on the charm of its cabin attendants, who serve passengers with warm smiles and copious attention. A gently persuasive advertising campaign glamorizes the attendants and tries to convey the idea of in-flight pleasure of a lyrical quality. Most of the airline's ads are essentially large, soft-focus color photographs of various attendants. A commercial announces: "Singapore girl, you look so good I want to stay up here with you forever." Of course, its emotional appeals are duly supported by excellent service (rational appeals to complement emotional ones). The airline provides gifts, free cocktails, and free French wines and brandy even to economy-class passengers. Small wonder that it flies with an above-average load factor higher than that of any other major international carrier. In brief, emotional appeal can go a long way in the development of an effective ad campaign, but it must have rational underpinnings to support it.

Comparison Advertising. Comparison advertising refers to the comparison of one brand with one or more competitive brands by explicitly naming them on a variety of specific product or service attributes. Comparison advertising became popular in the early 1970s; today one finds comparison ads for all forms of goods and services. Although it is debatable whether comparative ads are more or less effective than individual ads, limited research on the subject indicates that in some cases comparative ads are more useful.

Many companies have successfully used comparison advertising. One that stands out is Helene Curtis Industries. The company used comparison ads on television for its Suave brand of shampoo. The ads said: "We do what theirs does for less than half the price." Competitors were either named or their labels were clearly shown. The message that Suave is comparable to top-ranking shampoos was designed to allay public suspicion that low-priced merchandise is somehow shoddy. The campaign was so successful that within a few years Suave's sales surpassed those of both Procter & Gamble's Head & Shoulders and Johnson & Johnson's Baby Shampoo in volume. The company continues to use the same approach in its advertising today. Comparison advertising clearly provides an underdog with the chance to catch up with the leader.[21]

In using comparison advertising, a company should make sure that its claim of superiority will hold up in a court of law. More businesses today are counter-attacking by suing when rivals mention their products in ads or promotions. For example, MCI has sought to stop an AT&T ad campaign (aimed at MCI) that claims that AT&T's long-distance and other services are better and cheaper.

It will be appropriate to mention here that in recent years, companies have come up with alternative promotional approaches that bypass the use of traditional media.[22] For example, in the United Kingdom, Nestle's Buitoni brand grew through programs that taught the English how to cook Italian food. The Body Shop gathered loyalty with its support of environmental and social causes. Cadbury funded a theme park tied to its history in the chocolate business. Haagen-Dazs opened posh ice-cream parlors and got itself featured by a name on the menus of fine restaurants. Hugo Boss and Swatch backed athletic or cultural events that became associated with their brands. At a time when promotional costs are rising and markets have fragmented, novel approaches for promoting the product in the ever more competitive world could be rewarding.

PERSONAL SELLING STRATEGIES

Selling Strategy

There was a time when the problems of selling were simpler than they are today. Recent years have produced a variety of changes in the selling strategies of businesses. The complexities involved in selling as we approach the next century are different from those in the past. As an example, today a high-principled style of selling that favors a close, trusting, long-term relationship over a quick sell is recommended. The philosophy is to serve the customer as a consultant, not as a peddler. Discussed below are objectives and strategic matters pertaining to selling strategies.

Objectives. Selling objectives should be derived from overall marketing objectives and should be properly linked with promotional objectives. For example, if the marketing goal is to raise the current 35 percent market share in a product line to 40 percent, the sales manager may stipulate the objective to increase sales of specific products by different percentage points in various sales regions under his or her control.

Selling objectives are usually defined in terms of sales volume. Objectives, however, may also be defined for (a) gross margin targets, (b) maximum expenditure levels, and (c) fulfillment of specific activities, such as converting a stated number of competitors' customers into company customers.

The sales strategist should also specify the role of selling in terms of personal selling push (vis-à-vis advertising pull). Selling strategies depend on the consumer decision process, the influence of different communication alternatives, and the cost of these alternatives. The flexibility associated with personal selling allows sales presentations to be tailored to individual customers. Further, personal selling offers an opportunity to develop a tangible personal rapport with customers that can go far toward building long-term relationships. Finally, personal selling is the only method that secures immediate feedback. Feedback helps in taking timely corrective action and in avoiding mistakes. The benefits of personal selling, however, must be considered in relation to its costs. For example, according to the research department of the McGraw-Hill Publications Company, per call personal selling expenditures for all types of personal selling in 1994 came to $205.40, up 15.4 percent from 1991.[23] Thus, the high impact of personal selling should be considered in light of its high cost.

Strategic Matters. As a part of selling strategy, several strategic matters should be resolved. A decision must be made on whether greater emphasis should be put on maintaining existing accounts or on converting customers. Retention and conversion of customers are related to the time salespeople spend with them. Thus, before salespeople can make the best use of their efforts, they must know how much importance is to be attached to each of these two functions. The decision is influenced by such factors as the growth status of the industry, the company's strengths and weaknesses, competitors' strengths, and marketing goals. For example, a manufacturer of laundry detergent will think twice before attempting to convert customers from Tide (Procter & Gamble's brand) to its own brand. On the other hand, some factors may make a company challenge the leader. For example, Bic Pen Corporation aggressively promotes its disposable razor to Gillette customers. The decision to maintain or convert customers cannot be made in isolation and must be considered in the context of total marketing strategy.[24]

An important strategic concern is how to make productive use of the sales force. In recent years, high expenses (i.e., cost of keeping a salesperson on the road), affordable technological advances (e.g., prices of technology used in telemarketing, teleconferencing, and computerized sales have gone down substantially), and innovative sales techniques (e.g., video presentations) have made it feasible for marketers to turn to electronic marketing to make the most productive use of sales force resources. For example, Gould's medical products division in Oxnard, California, uses video to support sales efforts for one of its new products, a disposable transducer that translates blood pressure into readable electronic impulses. Gould produced two videotapes—a six-minute sales presentation and a nine-minute training film—costing $200,000. Salespeople were equipped with videorecorders—an additional $75,000 investment—to take on calls. According to Gould executives, video gives a concise, clear version of the intended communication and adds professionalism to their sales effort. Gould targeted its competitors' customers and maintains that it captured 45 percent of the $75 million transducer market in less than a year. At the end of nine months, the company had achieved sales of more than 25,000 units per month, achieving significant penetration in markets that it had not been able to get into before.[25]

Another aspect of selling strategy deals with the question of who should be contacted in the customer organization. The buying process may be divided into four phases: consideration, acceptance, selection, and evaluation. Different executives in the customer organization may exert influence on any of the four phases. The sales strategist may work out a plan specifying which salesperson should call upon various individuals in the customer organization and when. On occasion, a person other than the salesperson may be asked to call on a customer. Sometimes, as a matter of selling strategy, a team of people may visit the customer. For example, Northrop Corporation, an aerospace contractor, assigns aircraft designers and technicians—not salespeople—to call on potential customers. When Singapore indicated interest in Northrop's F-5 fighter, Northrop dispatched a team to Singapore that included an engineer, a lawyer, a pricing expert, a test pilot, and a maintenance specialist.

A manufacturer of vinyl acetate latex (used as a base for latex paint) built its sales volume by having its people call on the "right people" in the customer organization. The manufacturer recognized that its product was used by the customer to produce paint sold through its marketing department, not the purchasing agent or the manager of research. So the manufacturer planned for its people to meet with the customer's sales and marketing personnel to find out what their problems were, what kept them from selling more latex paint, and what role the manufacturer could play in helping the customer. It was only after the marketing personnel had been sold on the product that the purchasing department was contacted. Thus, a good selling strategy requires a careful analysis of the situation to determine the key people to contact in the customer organization. A routine call on a purchasing agent may not suffice.

The selling strategy should also determine the size of the sales force needed to perform an effective job. This decision is usually made intuitively. A company starts with a few salespeople, adding more as it gains experience. Some companies may go a step beyond the intuitive approach to determine how many salespeople should be recruited. For instance, consideration may be given to factors such as the number of customers who must be visited, the amount of market potential in a territory, and so on. But all these factors are weighed subjectively. This work load approach requires the following steps:

1. Customers are grouped into size classes according to their annual sales volume.
2. Desirable call frequencies (number of sales calls on an account per year) are established for each class.
3. The number of accounts in each size class is multiplied by the corresponding call frequency to arrive at the total work load for the country in sales calls per year.
4. The average number of calls a sales representative can make per year is determined.
5. The number of sales representatives needed is determined by dividing the total annual calls required by the average annual calls made by a sales representative.

Sales Motivation and Supervision Strategy

To ensure that salespersons perform to their utmost capacity, they must be motivated adequately and properly supervised. It has often been found that salespeople fail to do well because management fails to carry out its part of the job, especially in the areas of motivation and supervision. Although motivation and supervision may appear to be mundane day-to-day matters, they have far-reaching implications for marketing strategy. The purpose of this section is to provide insights into the strategic aspects of motivation and supervision.

Motivation. Salespeople may be motivated through financial and nonfinancial means. Financial motivation is provided by monetary compensation. Nonfinancial motivation is usually tied in with evaluation programs.[26]

Compensation. Most people work to earn a living; their motivation to work is deeply affected by the remuneration they receive. A well-designed compensation plan keeps turnover low and helps to increase an employee's productivity. A compensation plan should be simple, understandable, flexible (cognizant of the differences between individuals), and economically equitable. It should also provide incentive and build morale. It should not penalize salespeople for conditions beyond their control, and it should help develop new business, provide stable income, and meet the objectives of the corporation. Above all, compensation should be in line with the market price for salespeople. Because some of these requisites may conflict with each other, there can be no one perfect plan. All that can be done is to try to balance each variable properly and design a custom-made plan for each sales force.

Different methods of compensating salespeople are the salary plan, the commission plan, and the combination plan. Exhibit 17-3 shows the relative advantages and disadvantages of each plan.

The greatest virtue of the straight-salary method is the guaranteed income and security that it provides. However, it fails to provide any incentive for the ambitious salesperson and therefore may adversely affect productivity. Most companies work on a combination plan, which means that salespeople receive a percentage of sales as a commission for exceeding periodic quotas. Conceptually, the first step in designing a compensation plan is to define the objective. Objectives may focus on rewarding extraordinary performance, providing security, and so on. Every company probably prefers to grant some security to its people and, at the same time, distinguish top employees through incentive schemes. In designing such a plan, the company may first determine the going salary rate for the type of sales staff it is interested in hiring. The company should match the market rate to retain people of caliber. The total wage should be fixed somewhere near the market rate after making adjustments for the company's overall wage policy, environment, and fringe benefits. A study of the spending habits of those in the salary range of salespeople should be made. Based on this study, the percentage of nondiscretionary spending may be linked to an incentive income scheme whereby extra income could be paid as a commission on sales, as a bonus, or both. Care must be taken in constructing a compensation plan. In addition to being equitable, the plan should be simple enough to be comprehensible to the salespeople.

Once compensation has been established for an individual, it is difficult to reduce it. It is desirable, therefore, for management to consider all the pros and cons of fixed compensation for a salesperson before finalizing a salary agreement.

EXHIBIT 17-3
Advantages and Disadvantages of Various Sales Compensation Alternatives

Salary Plan

Advantages

1. Assures a regular income.
2. Develops a high degree of loyalty.
3. Makes it simple to switch territories or quotas or to reassign salespeople.
4. Ensures that nonselling activities will be performed.
5. Facilitates administration.
6. Provides relatively fixed sales costs.

Disadvantages

1. Fails to give balanced sales mix because salespeople would concentrate on products with greatest customer appeal.
2. Provides little, if any, financial incentive for the salesperson.
3. Offers few reasons for putting forth extra effort.
4. Favors salespeople who are the least productive.
5. Tends to increase direct selling costs over other types of plans.
6. Creates the possibility of salary compression where new trainees may earn almost as much as experienced salespeople.

Commission Plan

Advantages

1. Pay relates directly to performance and results achieved.
2. System is easy to understand and compute.
3. Salespeople have the greatest possible incentive.
4. Unit sales costs are proportional to net sales.
5. Company's selling investment is reduced.

Disadvantages

1. Emphasis is more likely to be on volume than on profits.
2. Little or no loyalty to the company is generated.
3. Wide variances in income between salespeople may occur.
4. Salespeople are encouraged to neglect nonselling duties.
5. Some salespeople may be tempted to "skim" their territories.
6. Service aspect of selling may be slighted.
7. Problems arise in cutting territories or shifting people or accounts.
8. Pay is often excessive in boom times and very low in recession periods.
9. Salespeople may sell themselves rather than the company and stress short-term rather than long-term relationships.
10. Highly paid salespeople may be reluctant to move into supervisory or managerial positions.
11. Excessive turnover of sales personnel occurs when business turns bad.

Combination Plan

Advantages

1. Offers participants the advantage of both salary and commission.
2. Provides greater range of earnings possibilities.
3. Gives salespeople greater security because of steady base income.
4. Makes possible a favorable ratio of selling expense to sales.
5. Compensates salespeople for all activities.
6. Allows a greater latitude of motivation possibilities so that goals and objectives can be achieved on schedule

Disadvantages

1. Is often complex and difficult to understand.
2. Can, where low salary and high bonus or commission exist, develop a bonus that is too high a percentage of earnings; when sales fall, salary is too low to retain salespeople.
3. Is sometimes costly to administer.
4. Unless a decreasing commission rate for increasing sales volume exists, can result in a "windfall" of new accounts and a runaway of earnings.
5. Has a tendency to offer too many objectives at one time so that really important ones can be neglected, forgotten, or overlooked.

Evaluation. Evaluation is the measurement of a salesperson's contribution to corporate goals. For any evaluation, one needs standards. Establishment of standards, however, is a difficult task, particularly when salespeople are asked to perform different types of jobs. In pure selling jobs, quotas can be set for minimal performance, and salespeople achieving these quotas can be considered as doing satisfactory work. Achievement of quotas can be classified as follows: salespeople exceeding quotas between 1 to 15 percent may be designated as average; those between 16 and 30 percent as well-performing; finally, those over 30 percent can be considered extraordinary salespeople. Sales contests and awards, both financial and nonfinancial, may be instituted to give recognition to salespeople in various categories.

Supervision. Despite the best efforts in selecting, training, and compensating salespeople, they may not perform as expected. Supervision is important to ensure that salespeople provide the services expected of them. Supervision of salespeople is defined in a broader sense to include the assignment of a territory to a salesperson, control over his or her activities, and communication with the salesperson in the field.

Salespeople are assigned to different geographic territories. An assignment requires solving two problems: (a) forming territories so that they are as much by analyzing customers' locations and the potential business they represent. Customers can be categorized as having high, average, or low potential. Further, probabilities in terms of sales can be assigned to indicate how much potential is realizable. Thus, a territory with a large number of high-potential customers with a high probability of buying may be smaller in size (geographically) than a territory with a large number of low-potential customers with a low probability of buying.

Matching salespeople to territories should not be difficult once the territories have been laid out. Regional preferences and the individual affiliations of salespeople require that employees be placed where they will be happiest. It may be difficult to attract salespeople to some territories, whereas other places may be in great demand. Living in big metropolitan areas is expensive and not always comfortable. Similarly, people may avoid places with poor weather. It may become necessary to provide extra compensation to salespeople assigned to unpopular places.

Although salespeople are their own bosses in the field, the manager must keep informed of their activities. To achieve an adequate level of control, a system must be created for maintaining communication with employees in the field, for guiding their work, and for employing remedial methods if performance slackens. Firms use different types of control devices. Some companies require salespeople to fill in a call form that gives all particulars about each visit to each customer. Some require salespeople to submit weekly reports on work performed during the previous week. Salespeople may be asked to complete several forms about sales generated, special problems they face, market information collected, and so on. Using a good reporting system to control the sales force should have a positive influence on performance. In recent years, more and more companies have begun to use computer-assisted techniques to maintain control of the activities of their sales forces.

Management communicates with salespeople through periodic mailings, regional and national conferences, and telephone calls. Two areas of communication in which management needs to be extra careful to maintain the morale of good salespeople are (a) in representing the problems of the field force to people at headquarters and (b) in giving patient consideration to the salesperson's complaints. A sales manager serves as the link between the people in the field and the company and must try to bring their problems and difficulties to the attention of top management. Top management, not being fully aware of operations in the field, may fail to appreciate problems. It is, therefore, the duty of the sales manager to keep top management fully posted about field activities and to secure for salespeople its favor. For example, a salesperson in a mountainous area may not be able to maintain his or her work tempo during the winter because of weather conditions. Management must consider this factor in reviewing the salesperson's work. It is the manager's duty to stand by and help with occupational or personal problems bothering salespeople.

Close rapport with salespeople and patient listening can be very helpful in recognizing and solving sales force problems. More often than not, a salesperson's problem is something that the company can take care of with a little effort and expenditure if it is only willing to accept such responsibility. The primary thing, however, is to know the salesperson's mind. This is where the role of the supervisor comes in. It is said that the sales manager should be as much a therapist in solving the problems of his or her salespeople as the latter should be in handling customers' problems.

SUMMARY

Promotion strategies are directed toward establishing communication with customers. Three types of promotion strategies may be distinguished. Advertising strategies are concerned with communication transmitted through the mass media. Personal selling strategies refer to face-to-face interactions with the customer. All other forms of communication, such as sampling, demonstration, cents off, contests, etc., are known as sales promotion strategies. Two main promotion strategies were examined in this chapter: promotion-expenditure strategy, which deals with the question of how much may be spent on overall promotion, and promotion mix strategy, which specifies the roles that the three ingredients of promotion (i.e., advertising, personal selling, and sales promotion) play in promoting a product.

Discussed also were two advertising strategies. The first, media-selection strategy, focuses on the choice of different media to launch an ad campaign. The second, advertising-copy strategy, deals with the development of appropriate ad copy to convey intended messages. Two personal selling strategies were examined: selling strategy and sales motivation and supervision strategy. Selling strategy emphasizes the approach that is adopted to interact with the customer (i.e., who may call on the customer, whom to call on in the customer organization, when, and how frequently). Sales motivation and supervision strategy is concerned with the management of the sales force and refers to such issues as sales compensation, nonfinancial incentives, territory formation, territory assignments, control, and communication.

DISCUSSION QUESTIONS

1. Outline promotion objectives for a packaged food product in an assumed market segment.
2. Develop a promotion-expenditure strategy for a household computer to be marketed through a large retail chain.
3. Will promotion-expenditure strategy for a product in the growth stage of the product life cycle be different from that for a product in the maturity stage? Discuss.
4. How may a promotion budget be allocated among advertising, personal selling, and sales promotion? Can a simulation model be developed to figure out an optimum promotion mix?
5. Is comparison advertising socially desirable? Comment.

6. Should the media decision be made before or after the copy is first developed?
7. Which is more effective, an emotional appeal or a rational appeal? Are emotional appeals relevant for all consumer products?

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APPENDIX | *Perspectives on Promotion Strategies*

I. Promotion-Expenditure Strategy

Definition: Determination of the amount that a company may spend on its total promotional effort, which includes advertising, personal selling, and sales promotion.

Objective: To allocate enough funds to each promotional task so that each is utilized to its fullest potential.

Requirements: (a) Adequate resources to finance the promotion expenditure. (b) Understanding of the products/services sales response. (c) Estimate of the duration of the advertising effect. (d) Understanding of each product/market situation relative to different forms of promotion. (e) Understanding of competitive response to promotion.

Expected Results: Allocation of sufficient funds to the promotional tasks to accomplish overall marketing objectives.

II. Promotion Mix Strategy

Definition: Determination of a judicious mix of different types of promotion.

Objective: To adequately blend the three types of promotion to complement each other for a balanced promotional perspective.

Requirements: (a) Product factors: (i) nature of product, (ii) perceived risk, (iii) durable versus nondurable, and (iv) typical purchase amount. (b) Market factors: (i) position in the life cycle, (ii) market share, (iii) industry concentration, (iv) intensity of competition, and (v) demand perspectives. (c) Customers factors: (i) household versus business customers, (ii) number of customers, and (iii) concentration of customers. (d) Budget factors: (i) financial resources of the organization and (ii) traditional promotional perspectives. (e) Marketing mix factors: (i) relative price/relative quality, (ii) distribution strategy, (iii) brand life cycle, and (iv) geographic scope of the market. (f) Environmental factors.

Expected Results: The three types of promotion are assigned roles in a way that provides the best communication.

III. Media-Selection Strategy

Definition: Choosing the channels (newspapers, magazines, television, radio, outdoor advertising, transit advertising, and direct mail) through which messages concerning a product/service are transmitted to the targets.

Objective: To move customers from unawareness of a product/service, to awareness, to comprehension, to conviction, to the buying action.

Requirements: (a) Relate media-selection objectives to product/market objectives. (b) Media chosen should have a unique way of promoting the business. (c) Media should be measure-minded not only in frequency, in timing, and in reaching the target audience but also in evaluating the quality of the audience. (d) Base media selection on factual not connotational grounds. (e) Media plan should be optimistic in that it takes advantage of the lessons learned from experience. (f) Seek information on customer profiles and audience characteristics.

Expected Results: Customers are moved along the desired path of the purchase process.

IV. Advertising-Copy Strategy

Definition: Designing the content of an advertisement.

Objective: To transmit a particular product/service message to a particular target.

Requirements: (a) Eliminate "noise" for a clear transmission of message. (b) Consider importance of (i) source credibility, (ii) balance of argument, (iii) message repetition, (iv) rational versus emotional appeals, (v) humor appeals, (vi) presentation of model's eyes in pictorial ads, and (vii) comparison advertising.

Expected Results: The intended message is adequately transmitted to the target audience.

V. Selling Strategy

Definition: Moving customers to the purchase phase of the decision-making process through the use of face-to-face contact.

Objective: Achievement of stated sales volume and gross margin targets and the fulfillment of specific activities.

Requirements: (a) The selling strategy should be derived from overall marketing objectives and properly linked with promotional objectives. (b) Decision on maintenance of existing accounts versus lining up new customers. (c) Decision on who should be contacted in customer's organization. (d) Determine optimal size of sales force.

Expected Results: (a) Sales and profit targets are met at minimum expense. (b) Overall marketing goals are achieved.

VI. Sales Motivation and Supervision Strategy

Definition: Achieving superior sales force performance.

Objective: To ensure optimal performance of the sales force.

Requirements: (a) Motivation financial and nonfinancial. (b) Adequate compensation package. (c) Evaluation standards. (d) Appropriate territory assignment, activity control, and communication.

Expected Results: Business objectives are met adequately at minimum expense.