

It is far easier to write ten passable sonnets than to write an advertisement that will take in a few thousand of the uncritical buying public.

ALDOUS HUXLEY

# Advertising, sales promotion and public relations

CHAPTER

Eighteen

## Chapter objectives

*After reading this chapter, you should be able to:*

- Define the roles of advertising, sales promotion and public relations in the promotion mix.
- Describe the main decisions involved in developing an advertising programme.
- Explain how sales promotion campaigns are developed and implemented.
- Explain how companies use public relations to communicate with their publics.

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# Prelude case Procter & Gamble: feeling the heat

## Applying pressure

Consumer products giant Procter & Gamble has felt pressure in recent years as shareholders expressed their concerns over what they saw as the company's sometimes lacklustre performance.

Shareholders and stock-market analysts pressed the company to

develop new products to beef up its stable of long-term successes like Pampers, Tide and Crest, which were competing in mature, saturated markets.

The company responded with a wave of new products. Some, like Dryel, a home dry-cleaning product, and Fit, a rinse for fruit and vegetables, failed to register with consumers. Others, however, like Crest Whitestrips, a tooth-whitening system launched in 2000, reached the company's new-product goal of \$200 million (€165.3 million) in first-year sales. Such successes are not enough, however – P&G has to keep the new products coming if it is to reach its goals of 4 to 6 per cent annual sales growth and double-digit earnings growth.

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P&G designed ThermaCare for the temporary relief of minor muscle and joint aches and pain associated with over-exertion, over-use, strains, sprains and arthritis.

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## Pain relief

To meet its ambitious growth goals, P&G developed a new-ventures unit, staffed with employees whose job was to develop new-product ideas and then pass them on to the appropriate business unit for development. The new-ventures unit examined the \$3.3 billion pain-relief market to see whether the company had any skills that it might apply to that market. It already knew much about this market due to its previous marketing of Aleve pain reliever (since sold to Bayer). Further, from its work on Pampers, Charmin and Bounty, the company also had excellent knowledge in paper technology.

Merging these two capabilities, P&G's researchers developed the idea of the 'external analgesic' – a product that consumers could use externally to provide long-lasting warmth to specific areas of the body where they experienced pain. After seven years of consumer and scientific testing, in early 2002 P&G announced that it would launch ThermaCare HeatWraps.

P&G designed ThermaCare for the temporary relief of minor muscle and joint aches and pain associated with over-exertion, over-use, strains, sprains and arthritis. Women could also use the product for temporary relief of minor menstrual cramping and

associated back pain. The HeatWraps were portable, air-activated, disposable (single-use), self-heating devices that provided a continuous low-level therapeutic heat (104°F or 40°C) for up to eight hours.

The HeatWrap was a small pad that resembled a very thin diaper and came in shapes designed for the lower or upper back, the neck or arm, and the abdomen. When the consumer opened the package, the HeatWrap was exposed to air. Inside the wrap were a series of oval-shaped heat discs that contained a mixture of naturally heat-generating materials: iron, carbon, sodium chloride, sodium thiosulphate and water. The air penetrated a perforated film that controlled oxygen permeability. The iron in the heat discs began to oxidise, and the chemical process generated the heat. The process was basically the same one that manufacturers of hand warmers had used for years. However, P&G had found a way to use its paper technology to sustain and control the heat-generating reaction.

Doctors and pharmacists recommended that people who experienced muscle pain due to exercising should first apply packs for up to 20 minutes at a time, three to four times per day for one to two days, accompanied with a pain reliever, such as aspirin or aspirin-like products. They recommended that the patient should then use heat therapy.

P&G recommended that consumers wear the HeatWrap for at least three hours and up to eight hours, repeating the process each day for up to seven days. Users could wear the HeatWraps under their clothing and go about their normal routines. Consumers were warned that they should not use the HeatWraps with other externally applied medications like lotions or ointments due to the risk of a skin reaction. When finished with the HeatWrap, consumers could dispose of it in the household rubbish, as all materials in the products were environmentally compatible.

## Wrapping it up

P&G's marketers were excited about what they saw as a breakthrough product. The company planned to price the product at \$6.99 (€5.79) per box at retail, producing a 25 per cent profit margin for retailers, well above the margin for other pain-relief products. The package contained either two wraps in the back size or three wraps in the neck, arm or abdomen sizes.

The company planned to concentrate on US sales during the first year. It decided to allocate up to \$90 million for an integrated, promotional campaign to introduce ThermaCare. If successful, the new product would be introduced into P&G's major European

markets in the second year. To design the campaign, P&G hired D'Arcy Masius Benton & Bowles, an advertising agency it had used for many years.

The agency knew that a breakthrough product needed a breakthrough promotion programme. After all, P&G was offering a unique product that presented consumers with many new concepts at the same time. Consumers would not be familiar with the product or how it worked. How could the advertising and promotion keep consumers from just shrugging and taking another pain pill? How could it educate consumers about what ThermaCare was, what it did, and how it was different from other pain-relief strategies? How could it help P&G make ThermaCare a household name? Will the advertising and promotion be different for the European market?<sup>1</sup>

## Questions

1. What are possible target audiences for ThermaCare? In what buyer-readiness stages will these target audiences be?
2. What issues will the advertising agency face in designing messages for the selected target audiences? What message 'theme' or 'headline' summarises the positioning that you'd recommend for ThermaCare?
3. What recommendations would you make to P&G and D'Arcy to help them develop an integrated promotion strategy for ThermaCare in the US and European markets? Be sure to deal with the issues of setting the overall promotion mix, selecting a message source, and collecting feedback.

# Introduction

In Chapter 17, we looked at overall integrated marketing communications planning. In this chapter, we will explore the mass-communication tools – advertising, sales promotion and public relations. These are also largely non-personal forms of communication and promotion. Personal selling and other direct forms of marketing communication are discussed in Chapter 19.

Companies must do more than offer good products or services. As we gather from the prelude case, firms must inform consumers about product or service benefits and carefully position these in consumers' minds. To do this, they must skilfully use the mass-promotion tools of *advertising*, *sales promotion* and *public relations*. In this chapter, we dig more deeply into each of these tools.

## Advertising

Advertising can be traced back to the very beginnings of recorded history. Archaeologists working in the countries around the Mediterranean Sea have dug up signs announcing various events and offers. The Romans painted walls to announce gladiator fights, and the Phoenicians painted pictures promoting their wares on large rocks along parade routes. A Pompeii wall painting praised a politician and asked for votes. During the Golden Age in Greece, town criers announced the sale of cattle, crafted items and even cosmetics. An early 'singing commercial' went as follows: 'For eyes that are shining, for cheeks like the dawn. For beauty that lasts after girlhood is gone. For prices in reason, the woman who knows will buy her cosmetics from Aesclyptos.'

Modern advertising, however, is a far cry from these early efforts. At constant 2002 prices, advertising expenditure in 2003 was estimated at US \$78.7 billion in Europe, US \$154.5 billion in the US, US \$64.5 in Asia Pacific and, globally, spending stood at some US \$500 billion. According to ZenithOptimedia, global ad spend is set to rise by 4.7 per cent in 2004.<sup>2</sup> Global firms such as the consumer goods giant Unilever spent nearly €4 billion on advertising in 2002, making it the biggest advertiser in the world. The company recognises that when it is fighting for consumers' hearts and minds in a cluttered world, message impact and reach are vital, with advertising becoming more important than ever. As a senior marketer at Unilever Bestfoods says, 'We aren't going to see the death of advertising, nor the death of TV advertising, although over time, more and more of our budgets will be going into other media.'<sup>3</sup>

We define **advertising** as any paid form of non-personal presentation and promotion of ideas, goods or services through mass media such as newspapers, magazines, television or radio by an identified sponsor.

Although advertising is used mostly by business firms, it is also used by a wide range of not-for-profit organisations, professionals and social agencies to communicate their causes to various target publics. Advertising is a good way to inform and persuade, whether the purpose is to sell Nokia mobile phones worldwide or to encourage smokers to give up the habit. Advertising is used in order to stimulate a response from the target audience. The response may be perceptual in nature: for example, the consumer develops specific views or opinions about the product or brand, or these feelings are altered by the ad. The response could be behavioural: for instance, the consumer buys the product or increases the amount that he or she buys.

**Advertising**—Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.

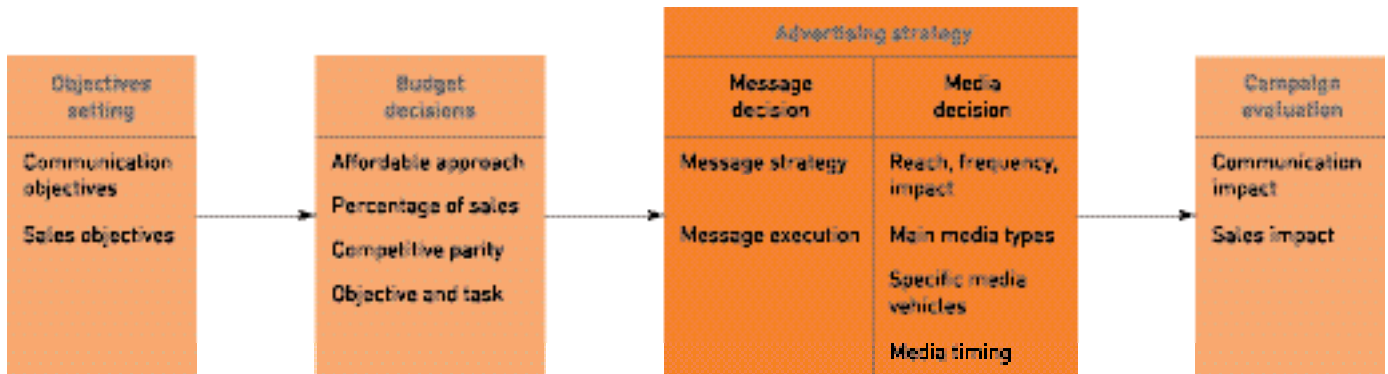


Figure 18.1 Main advertising decisions

## Important decisions in advertising

Marketing management must make four important decisions when developing an advertising programme (see Figure 18.1): setting advertising objectives, setting the advertising budget, developing advertising strategy and evaluating advertising campaigns.

### Setting advertising objectives

The first step is to set **advertising objective**. These objectives should be based on decisions about the target market, positioning and marketing mix, which define the job that advertising must achieve in the total marketing programme.

An advertising objective is a specific communication task to be accomplished with a specific target audience during a specific period of time. Advertising objectives can be classified by primary purpose – whether the aim is to inform, persuade or remind. Table 18.1 lists examples of each of these objectives.

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

Informative advertising	
■ Telling the market about a new product	■ Describing available services
■ Suggesting new uses for a product	■ Correcting false impressions
■ Informing the market of a price change	■ Reducing customers' fears
■ Explaining how the product works	■ Building a company image
Persuasive advertising	
■ Building brand preference	■ Persuading customers to purchase now
■ Encouraging switching to your brand	■ Persuading customers to receive a sales call
■ Changing customer perceptions of product attributes	
Reminder advertising	
■ Reminding customers that the product may be needed in the near future	■ Keeping the product in customers' minds during off-seasons
■ Reminding customers where to buy the product	■ Maintaining top-of-mind product awareness

Table 18.1 Possible advertising objectives

**Informative advertising—**

Advertising used to inform consumers about a new product or feature and to build primary demand.

**Persuasive advertising—**

Advertising used to build selective demand for a brand by persuading consumers that it offers the best quality for their money.

**Comparison advertising (knocking copy)—**

Advertising that compares one brand directly or indirectly to one or more other brands.

**Informative advertising** is used heavily when introducing a new product category. In this case, the objective is to build primary demand. Thus producers of DVD players first informed consumers of the image quality and convenience benefits of the new product.

**Persuasive advertising** becomes more important as competition increases. Here, the company's objective is to build selective demand. For example, when DVD players become established and accepted, Sony begins trying to persuade consumers that its brand offers the best quality for their money.

Some persuasive advertising has become **comparison advertising**, in which a company directly or indirectly compares its brand with one or more other brands:

For example, in its classic comparative campaign, Avis, the car rental company, positioned itself against market-leading Hertz by claiming 'We're number two, so we try harder.' In the UK, Korean carmaker Hyundai sought to raise awareness of its cars with a series of light-hearted efforts: 'Even a kettle has a longer guarantee than Rover.' Another example is the claims and counter-claims between airline companies regarding who offers the widest and longest seats in business-class flight cabins. Virgin Atlantic's recent ad campaign for its new Upper Class Suite reminds business class travellers that its fully flat bed measures at least 7 and a half inches longer and up to 13 inches wider than BA's Club World seat, hence making it 'the biggest boy in business class.'

There are potential dangers in using comparison advertising. As often happens with comparison advertising, both sides complain that the other's ads are misleading. The approach is legal in the United Kingdom and the US, but its use is banned in a number of European countries. Belgium and Germany regard it as tantamount to unfair competition. For example, a relatively innocuous Carlsberg commercial with the tagline 'Probably the best lager in the world' could not be run in those countries because it implicitly identifies products offered by rivals. Similarly, Avis's 'We try harder' ad would not have been allowed in Germany because, although nobody is named, Hertz is presumed to be the only real competitor.

Efforts continue to harmonise EU rules on comparative advertising across the EU. Meanwhile, advertisers in the region must remain sensitive to individual country codes of practice and legislation. This style of communication will probably always exist in one form or another, as most advertising is essentially comparative – after all, the aim of the advertiser is to persuade the consumer to respond to one product offering rather than another.<sup>4</sup>

**Reminder advertising** is important for mature products as it keeps consumers thinking about the product. Expensive Coca-Cola ads on television are often designed to remind people about Coca-Cola, not merely to inform or persuade them. Advertisers might also seek to assure existing customers that they have made the right choice. For example, car firms might use reinforcement advertising that depicts satisfied owners enjoying some special feature of their new car.

## Setting the advertising budget

After determining its advertising objectives, the company next sets its *advertising budget* for each product. Four commonly used methods for setting promotion budgets were discussed in Chapter 17. Here we describe some specific factors that should be considered when setting the advertising budget:

**Reminder advertising—**

Advertising used to keep consumers thinking about a product.



Comparative advertising: longer and wider seat-cum-flatbed – in this ad, Virgin Atlantic explains why its new Upper Class Suite is heads and shoulders above rival BA's Club World seat.

SOURCE: Virgin Atlantic.

- *Stage in the product life-cycle.* A brand's advertising budget often depends on its stage in the product life-cycle. New products typically need large advertising budgets to build awareness and to persuade consumers to try the products. In contrast, mature brands usually require lower budgets as a percentage of sales.
- *Market share.* Market share also impacts the amount of advertising needed. Because building the market or taking share from competitors requires larger advertising spending than does simply maintaining current share, low-share brands usually need more advertising spending as a percentage of sales.
- *Competition and clutter.* In a market with many competitors and high advertising clutter, a brand must be advertised more heavily to be noticed above the noise in the market.
- *Advertising frequency.* When many repetitions are needed to present the brand's message to consumers, the advertising budget must be larger.
- *Product differentiation.* Undifferentiated brands – those that closely resemble other brands in their product class (coffee, laundry detergents, chewing gum, beer, soft drinks) – may require heavy advertising to set them apart. When the product differs greatly from those of competitors, advertising can be used to point out the differences to consumers.

No matter what method is used, setting the advertising budget is no easy task. How does a company know whether it is spending the right amount? Some critics maintain that large consumer packaged-goods firms tend to overspend on advertising, while industrial companies generally underspend on advertising. They also claim that, on the one hand, the large consumer companies use lots of image advertising extensively without really knowing its effects. They overspend as a form of 'insurance' against not spending enough. On the other hand, business advertisers tend to rely too heavily on their sales forces to bring in orders. They underestimate the power of company and product image in pre-selling to industrial customers. Thus they do not spend enough on advertising to build customer awareness and knowledge.

Some companies have built sophisticated statistical models to determine the relationship between promotional spending and brand sales, and to help determine the 'optimal investment' across various media. Still, because so many factors affect advertising effectiveness, some controllable and others not, measuring the results of advertising spending remains an inexact science. In most cases, managers must rely on large doses of judgement along with more quantitative analysis when setting advertising budgets.<sup>5</sup>

## Developing advertising strategy

Advertising strategy covers two major elements: creating the advertising messages and selecting the advertising media. In the past, companies viewed media planning as secondary to the message-creation process. Many companies also developed messages and media independently. The creative department first created the advertisements, then the media department selected the best media for carrying these advertisements to the desired target audiences. Separation of the functions often caused friction between 'creatives' and media planners.

Today, however, media fragmentation, soaring media costs and more focused target marketing strategies have promoted the importance of the media planning function. In some cases, an advertising campaign might begin with a good message idea followed by the choice of appropriate media. In other cases, however, a campaign might begin with a good media opportunity, followed by advertisements designed to take advantage of that opportunity. Increasingly, companies are realising the benefits of planning these two important activities jointly. More and more advertisers are orchestrating a closer harmony between their messages and the media that deliver them. Media planning is no longer an after-the-fact complement to a new ad campaign. Media planners are now working more closely than ever with creatives to allow media selection to help shape the creative process, often before a single ad is written. In some cases, media people are even initiating ideas for new campaigns.

Among the more noteworthy ad campaigns based on tight media-creative partnerships is the pioneering campaign for Absolut vodka, marketed by Seagram.

The Absolut team and its ad agency meet once each year with a slew of magazines to set Absolut's media schedule. The team first goes through the 800 produced ads, which all run frequently in a copy rotation, and, if needed, the agency's creative department then creates the media-specific ads. The result is a wonderful assortment of very creative ads for Absolut, tightly targeted to audiences of the media in which they appear. For example, an 'Absolut Bravo' ad in playbills has roses adorning a clear bottle, whereas business magazines contain an 'Absolut Merger' foldout. In some cases, the



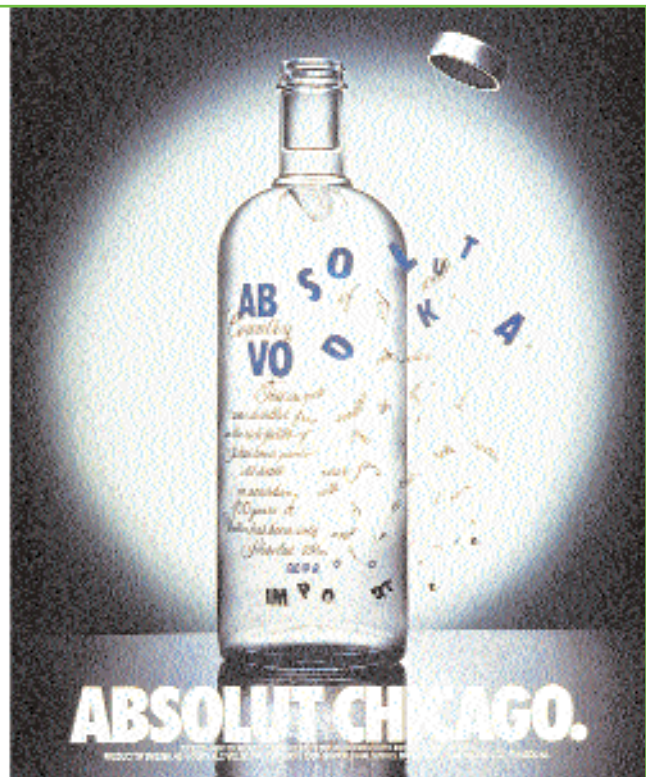
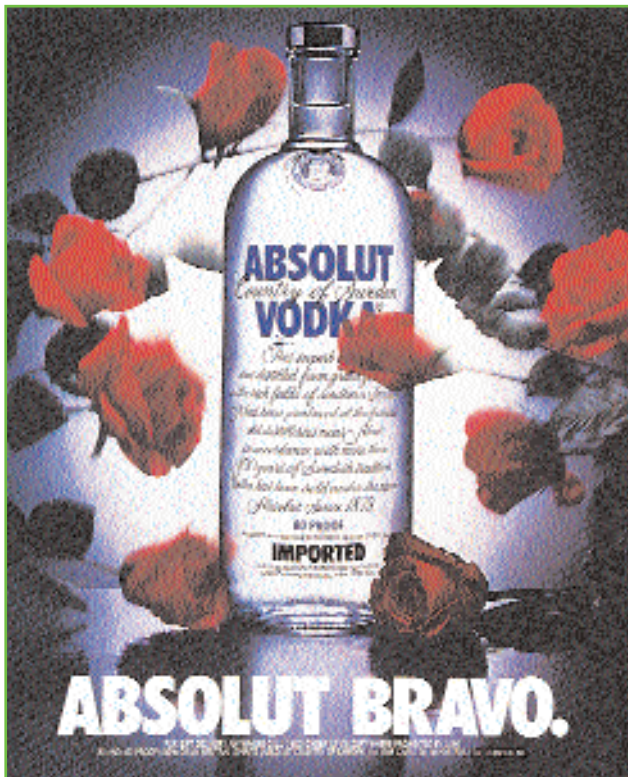
creatives even developed ads for magazines not yet on the schedule, such as a clever 'Absolut Centerfold' ad for *Playboy* magazine. The ad portrayed a clear, unadorned playmate bottle ('11-inch bust, 11-inch waist, 11-inch hips'). In all, Absolut has developed more than 800 ads for the almost two-decade-old campaign. At a time of soaring media costs and cluttered communication channels, a closer cooperation between creative and media people has paid off handsomely for Absolut. Largely as a result of its breakthrough advertising, Absolut now captures a sizeable share of the global vodka market.<sup>6</sup>

### Creating the advertising message

No matter how big the budget, advertising can succeed only if commercials gain attention and communicate well.

#### *The changing message environment*

Good advertising messages are especially important in today's costly and cluttered advertising environment. The average consumer has numerous television channels and radio stations and thousands of magazines to choose from. Add the countless radio stations, and a continuous barrage of catalogues, direct-mail and online ads and out-of-home media. Consumers are bombarded with ads at home, at work and at all points in between!



ABSOLUT VODKA: media planners work with creatives to design ads targeted to specific media audiences. 'ABSOLUT BRAVO' appears in theatre playbills. 'ABSOLUT CHICAGO' targets the Windy City.

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If all this advertising clutter bothers some consumers, it also causes big problems for advertisers – it is very costly. Network TV advertisers could pay tens to hundreds of thousands of euros for a 30-second slot during a popular prime-time TV programme. Also, their ads are sandwiched in with a clutter of other commercials, announcements and network promotions in any viewing hour.

Until recently, television viewers were very much a captive audience for advertisers. Viewers had only a few channels to choose from. But with the growth in cable and satellite TV, video cassette recorders, DVDs and remote-controlled technologies, today's audience have many more options. They can avoid ads by watching commercial-free channels. With remote control, they can instantly turn off the sound during a commercial or 'zap' around the channels to see what else is on.

Just to gain and hold attention, today's advertising messages must be better planned, more imaginative, more innovative, more entertaining and more rewarding to consumers. Creative strategy, even intentionally controversial ads, will play an increasingly important role in helping advertisers break through the clutter and gain attention for their products.

### Message strategy

The first step in creating effective advertising messages is to decide what general message will be communicated to consumers – to plan the *message strategy*. Generally, the purpose of advertising is to get target consumers to think about or react to the product or company in a certain way. People will respond only if they believe they will benefit from doing so. Thus, developing an effective message strategy usually begins with identifying target customer *benefits* that can be used as advertising appeals. Ideally, advertising message strategy follows directly from the company's broader positioning strategy.

Message strategy statements tend to be plain, straightforward outlines of benefits and positioning points that the advertiser wants to stress. The advertiser must develop a compelling *creative concept* – or '*big idea*' – that will bring the message strategy to life in a distinctive and memorable way. At this stage, simple message ideas become great ad campaigns. Usually, a copywriter and art director will team up to generate many creative concepts, hoping that one of these concepts will turn out to be the big idea. The creative concept may emerge as a visualisation, a phrase or a combination of the two.<sup>7</sup>

How should advertising planners evaluate advertising messages? Generally, the creative concept should guide the choice of specific appeals to be used in an ad campaign. Advertising appeals should have three characteristics. First, they should be *meaningful*, pointing out benefits that make the product more desirable or interesting to target customers. Second, appeals must be *believable*. This objective is difficult because many consumers doubt the truth of advertising in general. One study found that a full one-third of the public rates advertising messages as 'unbelievable'.<sup>8</sup> Advertisers also argue that the most meaningful and believable benefits may not be the best ones to feature. Consumer scepticism is not surprising since many ads sell the notion that the product is bigger, better, brighter or far longer-lasting than rival offerings. However, more recently, a number of companies have adopted a different tack, using advertising that stresses honesty in selling to consumers.

For example, Ikea and Guinness acknowledge that their service or product is not perfect, and then turn these 'failures' into winning advertising copy. The culture of honesty is seen in Guinness's attempt to advertise one of the most annoying things about drinking stout – the long pouring time. Drinkers get fed up waiting for Guinness to be poured. The company therefore decided to tackle this in its popular ad campaign using the strapline, 'Good things come

to those who wait'. In the case of Ikea, one bold campaign in the UK tells people the truth about Ikea stores. The ad features a tattooed giant who shouts about the furniture store's long queues, its lack of assistants and the hassle of self-assembly. The ad is honest by suggesting that Ikea is not about service. Customers are therefore spared all that 'better, bigger, brighter' advertising hype and told the truth and why Ikea is like it is. So far, Ikea thinks that it is working and business remains buoyant, so much so that the retailer continues to open more stores in the country, which happens to be one way to deal with the fruits of its success – its hellishly overcrowded stores.<sup>9</sup>

Appeals should also be *distinctive* in terms of telling consumers how the product is different from or better than competing brands. For example, the most meaningful benefit of owning a wristwatch is that it keeps accurate time, yet few watch ads feature this benefit. Instead, based on the distinctive benefits they offer, watch advertisers might select any of a number of advertising themes. For years, Timex has been the affordable watch that 'Takes a lickin' and keeps on tickin'.' In contrast, Swatch has featured style, fun and fashion, whereas Rolex stresses luxury and status. Advertisers should therefore pre-test each ad to determine that it has the maximum impact, believability and appeal.

### Message execution

The advertiser now has to turn the 'big idea' into an actual ad execution that will capture the target market's attention and their interest. The impact of the message depends not only on *what* is said, but also on *how* it is said. The creative people must find the best style, tone, words and format for executing the message. Any message can be presented in different *execution styles*, such as the following:

- *Slice of life*. This style shows one or more people using the product in a normal setting (e.g. the classic Persil laundry detergent commercials which show the role of the mother who knows she can rely on Persil to keep her family's washing clean, white and bright).
- *Lifestyle*. This style shows how a product fits in with a particular lifestyle. For example, the UK 'After Eight' mints advertisement (elegant dinner party in a period house) appeals to aspirations more than anything else.
- *Fantasy*. This style creates a fantasy around the product or its use. For instance, many ads are built around dream themes. Gap introduced a perfume named Dream. Ads show a woman sleeping blissfully and suggest that the scent is 'the stuff that clouds are made of'.
- *Mood or image*. This style builds a mood or image around the product, such as beauty, love or serenity. No claim is made about the product except through suggestion. Timotei shampoo employs the mood for nature and simplicity – a strategy that has worked successfully in many countries across the globe.
- *Musical*. The ad is built around a song or some well-known music, so that emotional responses to the music are associated with the product. For example, one of the most famous ads in history was a Coca-Cola ad built around the song 'I'd like to teach the world to sing'.
- *Personality symbol*. This style creates a character that represents the product. The character might be *animated* (e.g. Shreik for Hewlett-Packard office systems) or *real* (e.g. Gary Lineker for Walkers' Crisps; David Beckham for Marks & Spencer's DB07 boys' clothing range).

- *Technical expertise.* This style shows the company's expertise in making the product. Thus DaimlerChrysler promotes its investment in intelligent technologies to build tomorrow's energy-efficient automobiles, and Volkswagen-Audi cars imply superiority with the advertising slogan 'Vorsprung durch Technik'.
- *Scientific evidence.* This style presents survey or scientific evidence that the brand is better or better liked than one or more other brands. For years, Crest toothpaste has used scientific evidence to convince buyers that Crest is better than other brands at fighting cavities. In Elida Gibbs' relaunch of the skin-care brand Pond's, the advertisement referred to the 'Pond's Institute' where women were shown having their skin analysed, the ad emphasising the brand's scientific problem-solving qualities.

DaimlerChrysler promotes its energy-efficient, intelligent technologies as alternative drive systems of the future.

SOURCE: DaimlerChrysler AG Stuttgart/Auburn Hills.



## Just what the environment needs from a car. Water.

Most of us had one wish, when we bought a car: it would be a car that doesn't pollute. And that's why we love it. That's why our hydrogen-powered fuel cell vehicles only drink water. In fact, as they've proved in recent road tests, they may well be the alternative drive systems of the future. At DaimlerChrysler Research we're developing clean fuel systems and hydrogen today. For the water efficiency of tomorrow.

Hydrogen is a clean energy for the future. Visit [www.daimlerchrysler.com](http://www.daimlerchrysler.com)

DAIMLERCHRYSLER  
 Join us at [www.daimlerchrysler.com](http://www.daimlerchrysler.com)

The world's fastest soft top.\*

**\*Unfolds in 10 seconds flat.**

Impressive as the new BMW Z4's fully automatic soft top is, it would be remiss not to mention its 8-cylinder, 231 bhp engine, capable of 0-62 mph in 5.9 seconds or the new Driving Dynamics Control system that makes the Z4 even more responsive.

The new BMW Z4 from £20,655. Model featured BMW Z4 3.0 with optional wheels £21,555. The Official Fuel Economy Figures range for Z4. Drive Urban (20-30.7mpg (55-131/100km), Urban 22.0-30.9mpg (52-110/100km), Combined 31.1-39.2mpg (74-88/100km), CO<sub>2</sub> emissions 196-207g/km. For information regarding financial services available to business users, please contact your local BMW Dealer.

This ad. for the new BMW Z4 fully automatic soft top shows the impact of an efficient copy – the message is concise, conveying a simple, yet compelling and meaningful benefit.

SOURCE: BMW Great Britain. Agency: WCRS.

- **Testimonial evidence or endorsement.** This style features a highly believable or likeable source endorsing the product. It could be ordinary people saying how much they like a given product or a celebrity presenting the product.

The advertiser must also choose a *tone* for the ad. Positive tones that evoke happiness, feelings of achievement, fun and excitement tend to be more effective than negative tones. By contrast, negative appeals that evoke fear may discourage viewers from looking at the advertisement, and so would be counterproductive. The advertiser not only has to use ad appeals that can break through the commercial clutter, but also has to avoid appeals that take attention away from the message.

The advertiser must also use memorable and attention-getting *words* in the ad.

For example, rather than claiming simply that 'a BMW is a well-engineered car', BMW uses more creative and high-impact phrasing: 'The ultimate driving machine'. Instead of saying that Häagen-Dazs is 'a good tasting ice-cream', its ads say that it is 'Our passport to indulgence: passion in a touch, perfection in a cup, summer in a spoon, one perfect moment'. It's not that 'Philishave gives optimum shaving satisfaction due to its high quality and advanced technology'.

Rather, use the shaver 'For a better, closer shave'. And Stella Artois is not simply a high-priced, high-quality beer, but instead, 'Stella Artois (is) – reassuringly expensive'.

Finally, *format* elements make a difference in an ad's impact as well as in its cost. A small change in ad design can make a big difference in its effect. The *illustration* is the first thing the reader notices – it must be strong enough to draw attention. Next, the *headline* must effectively entice the right people to read the copy. Finally, the *copy* – the main block of text in the ad – must be simple but strong and convincing.

Importantly, all the elements – style, tone, words, format – must effectively work together. Even then, fewer than 50 per cent of the exposed audience will notice even a truly outstanding ad; about 30 per cent will recall the main point of the headline; about 25 per cent will remember the advertiser's name; and fewer than 10 per cent will have read most of the copy. Less than outstanding ads, unfortunately, will not achieve even these results.

## Selecting advertising media

The advertiser must next decide upon the media to carry the message. The main steps in media selection are: (1) deciding on *reach*, *frequency* and *impact*; (2) choosing among chief *media types*; (3) selecting specific *media vehicles*; and (4) deciding on *media timing*.

### Deciding on reach, frequency and impact

To select media, the advertiser must decide what reach and frequency are needed to achieve advertising objectives. **Reach** is a measure of the *percentage* of people in the target market who are exposed to the ad campaign during a given period of time. For example, the advertiser might try to reach 70 per cent of the target market during the first three months of the campaign. **Frequency** is a measure of how many *times* the average person in the target market is exposed to the message. For example, the advertiser might want an average exposure frequency of three. The advertiser must also decide on the desired **media impact** – the qualitative value of a message exposure through a given medium. For example, for products that need to be demonstrated, messages on television may have more impact than messages on radio because television uses sight and sound. The same message in a national newspaper may be more believable than in a local weekly.

In general, the more reach, frequency and impact the advertiser seeks, the higher the advertising budget will have to be.

### Choosing among chief media types

The media planner has to know the reach, frequency and impact of each of the major media types. The major media types are newspapers, television, direct mail, radio, magazines, outdoor and the Internet. As shown in Table 18.2, each medium has advantages and limitations.

How do advertisers select appropriate media from the range of media available? Media planners consider many factors when making their media choices. The *media habits of target consumers* will affect media choice and advertisers look for media that reach target consumers effectively. So will the *nature of the product*: for example, fashions are best advertised in colour magazines and car performance is best demonstrated on television. Different *types of message* may require different media: for instance, a message announcing a big sale tomorrow will require radio or newspapers; a message with a lot of technical data might require magazines or direct mailings or an online ad and website. *Cost* is also an important consideration in media choice: whereas network television is very expensive, newspaper or

**Reach**—The percentage of people in the target market exposed to an ad campaign during a given period.

**Frequency**—The number of times the average person in the target market is exposed to an advertising message during a given period.

**Media impact**—The qualitative value of an exposure through a given medium.

Medium	Advantages	Limitations
Newspapers	Flexibility; timeliness; local market coverage; broad acceptance; high believability	Short life; poor reproduction quality; small pass-along audience
Television	Good mass-market coverage; low cost per exposure; combines sight, sound and motion; appealing to the senses	High absolute cost; high clutter; fleeting exposure; less audience selectivity
Radio	Good local acceptance; high geographic and demographic selectivity; low cost	Audio presentation only; low attention (the 'half-heard' medium); fleeting exposure; fragmented audience
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life; good pass-along readership	Long ad purchase lead time; high cost; some waste circulation; no guarantee of position
Direct mail	High audience selectivity; flexibility; no ad competition within the same medium; allows personalisation	Relatively high cost per exposure; 'junk mail' image
Outdoor	Flexibility; high repeat exposure; low cost; low message competition; good positional selectivity	No audience selectivity; creative limitations
Internet	High selectivity; low cost; immediacy; interactive capabilities	Small, demographically skewed audience; relatively low impact; audience controls exposure

**Table 18.2** Profiles of major media forms

radio advertising costs much less but also reaches fewer consumers. The media planner looks at both the total cost of using a medium and the cost per 1,000 exposures – the cost of reaching 1,000 people using the medium.

Media impact and cost must be re-examined regularly. For a long time, television and magazines dominated in the media mixes of national advertisers, with other media often neglected. Recently, however, as network television costs soar and audiences shrink, many advertisers are looking for new ways to reach consumers. The move towards micromarketing strategies, focused more narrowly on specific consumer groups, has also fuelled the search for new media to replace or supplement network television. As a result, advertisers are increasingly shifting larger portions of their budgets to media that cost less and target more effectively.

Three media benefiting greatly from the shift are outdoor advertising, cable television and digital satellite television systems. Billboards have undergone a resurgence in recent years. Gone are the ugly eyesores of the past; in their place we now see cleverly designed, colourful attention grabbers. Outdoor advertising provides an excellent way to reach important local consumer segments at a fraction of the cost per exposure of other major media. Cable television and digital satellite systems are also gaining importance. Such systems allow narrow programming formats such as all sports, all news, nutrition, arts, gardening, cooking, travel, history and others that target select groups. Advertisers can take advantage of such 'narrowcasting' to 'rifle in' on special market segments rather than use the 'shotgun' approach offered by network broadcasting.

Outdoor, cable and satellite media seem to make good sense. But, increasingly, ads are popping up in far less likely places. In their efforts to find less costly and more highly targeted ways to reach consumers, advertisers have discovered a dazzling collection of 'alternative media' ranging from parking lot tickets and park benches to petrol pumps and public toilets.

### Selecting specific media vehicles

**Media vehicles**—Specific media within each general media type, such as specific magazines, television shows or radio programmes.

The media planner must now choose the best **media vehicles** – that is, specific media within each general media type. In most cases, there is an incredible number of choices. For radio and television, and in any one country, there are numerous stations and channels to choose from, together with hundreds, even thousands, of programme vehicles – the particular programmes or shows where the commercial should be broadcast. Prime-time programmes are the favourites, but costs escalate with the popularity of the programme.

In the case of magazines, the media planner must look up circulation figures and the costs of different ad sizes, colour options, ad positions and frequencies for specific magazines. Each country has its own high- or general-circulation magazines (for example, radio and TV guides) which reach general audience groups. There is also a vast selection of special-interest publications that enable advertisers to reach special groups of audiences (for example, business magazines to reach business executives). The planner selects the media that will do the best job in terms of selectively reaching the target customer group. Then he or she must evaluate each magazine on factors such as credibility, status, reproduction quality, editorial focus and advertising submission deadlines. The media planner ultimately decides which vehicles give the best reach, frequency and impact for the money. With increasing emphasis on improving efficiency, some companies are seeking new ways to boost their media buying power. For example, Sony has adopted a new approach in Europe based on the barter system (see Marketing Insights 18.1).

Media planners have to compute the cost per 1,000 persons reached by a vehicle. For example, if a full-page, four-colour advertisement in a monthly business *magazine* costs £30,000 and its readership is 3 million people, the cost of reaching each group of 1,000 persons is about £10. The same advertisement in a regional trade magazine may cost only £20,000 but reach only 1 million persons, giving a cost per 1,000 of about £20. The media planner would rank each magazine by cost per 1,000 and favour those magazines with the lower cost per 1,000 for reaching target consumers. Additionally, the media planner considers the cost of producing ads for different media. Whereas newspaper ads may cost very little to produce, flashy television ads may cost millions. Media costs vary across different countries, so care must be taken not to generalise the figures.

Thus the media planner must balance media cost measures against several media impact factors. First, the planner should balance costs against the media vehicle's *audience quality*. For a personal digital assistant (PDA) ad, business magazines would have a high-exposure value; magazines aimed at new parents or woodwork enthusiasts would have a low-exposure value. Second, the media planner should consider *audience attention*. Readers of fashion magazines such as *Vogue*, for example, typically pay more attention to ads than do readers of business magazines. Third, the planner should assess the vehicle's *editorial quality*. For example, the *Financial Times* and *The Economist* are more credible and prestigious than tabloid newspapers such as the *News of the World* or weeklies and celebrity magazines such as *Hello!* and *Now*.

### Deciding on media timing

The advertiser must also decide how to schedule the advertising over the course of a year. Suppose sales of a product peak in December and drop in March. The firm can vary its advertising to follow the seasonal pattern, to oppose the seasonal pattern, or to be the same all year. Most firms do some seasonal advertising. Some do *only* seasonal advertising: for example, many department stores advertise – usually their seasonal sales – in specific periods



## Why pay with hard cash? Bartering will do!

18.1

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Bartering comes into its own when times are hard. As many businesses are seeking to cut costs, especially in marketing and promotion, one of the consumer sector's leading advertisers decided to introduce a system of bartering in Europe. Sony, the electronics and entertainment giant, aims to barter everything from television sets and personal computers to video and music releases in return for advertising exposure on TV, radio, cinema, posters and the Internet and in newspapers and magazines. Recently, Sony appointed OMD Europe, the media buying agency, to handle Sony's €300m (£189m) account across more than 20 countries including Britain, France and Germany. Hilary Jeffrey, general manager of OMD UK, believes that despite the worldwide advertising downturn, Sony can near-double the weight of its official media budget by being 'more creative about the value of its assets to audience providers'.

Although many broadcasters do not like the notion of bartering – it is seen as opening the floodgates to more overt forms of advertiser-funded programming – the system is accepted practice in many markets, such as the US. In the 1950s, Unilever and Procter & Gamble directly funded the emerging TV soap opera genre in order to provide a mass-market vehicle for its advertisements, a trend that many contemporary advertisers note with envy. Advertiser-funded programming is not unknown in Europe but Sony is the first leading company in Europe to be openly in favour of bartering. Arguably, as both a kit and content company, it is uniquely placed to exploit the bartering trend.

Its appointment of OMD – whose media buying account will for the first time bring together consumer electronics, movies/films, videos and recording stars such as Jennifer Lopez, Bruce Springsteen and Sade – not only 'provides significant efficiencies in the very near term' but also helps 'to leverage the weight of our joint advertising activities', according to Paul Burger, president of Sony Music Entertainment Europe. OMD says Sony recognises that hard cash is still an important element of the media buying business but believes that money should be just the beginning of the negotiation process. 'What we are telling audience providers such as newspapers and TV stations is that Sony has far more to give than simply money, as can be seen from even a cursory asset-audit', says Ms Jeffrey. 'By bartering the latest Lopez release or *Men In Black 2* DVD-video, we intend to make the budget work very hard for the client in whatever market we happen to be.'

In addition to providing media owners such as TV stations and newspaper publishers with products and services, OMD says it recognises that media owners, too, have assets to barter. The agency will try to instigate swapping deals where, say, the use of a newly released Sony video such as *Spiderman* 'buys' access to a media company's spin-off website or magazine portfolio. OMD will also investigate product

marketing insights

## ...18.1

placement deals where Sony hardware gets star billing in nominated TV shows. Although product placement, or undue prominence for commercial products, is strictly prohibited on British shows by the Independent Television Commission Code, the ITC says the notion of bartering would be permissible in Britain as long as programme content was not directly affected.

OMD Europe, a subsidiary of Omnicom Group, the world's largest marketing and corporate communications company, also has experience of bartering in eastern Europe, where broadcasters are short of both up-to-date equipment and programming. 'In Poland, where there has long been a shortage of quality content, a number of our clients have been able to provide good quality, off-the-shelf programmes in return for free air time', says Ms Jeffrey.

One of the biggest exponents of US companies' use of bartering has been the James Bond films. Although it is the astonishing level of overt product placement in the films that has received most of the attention, it is the behind-the-scenes bartering of products, in return for promotion and advertising before and after release, that arguably has been even more important to their commercial success.

Sony, meanwhile, already has long-term plans for more direct bargaining power in the media arena, including becoming a programme-maker in its own right. 'The prospect of Sony's having more direct control on the audience-delivering process by literally making [its] own programmes and 'selling' them to broadcasters in return for free advertising exposure is by no means out of the question', says Ms Jeffrey.

SOURCE: Adapted from Virginia Matthews, 'The decline of hard cash', *Financial Times* (28 October 2002), p. 21.

in the year, such as Christmas, Easter and summer. Advertisers can also ensure greater efficiency in running their TV campaigns – in terms of the number of television impacts and their price – by shifting TV campaigns into cheaper months.

According to advertising spot cost-checker, Media Audits, the fast-moving consumer good company Kimberly-Clark achieved 6.4 per cent of value above what its spend would normally buy through focusing its UK TV budgets in the months of January and December, rather than initiating campaigns in more expensive months such as October and November. By contrast, food company Kraft acquired 4.2 per cent less value by concentrating its campaigns in more expensive periods. While Media Audits acknowledges that some companies are limited in their ability to use the cheaper months, it believes that 60–70 per cent of them should be in a good position to exploit seasonal differences in pricing.<sup>10</sup> ”

Finally, the advertiser has to choose the pattern of the ads. **Continuity** means scheduling ads evenly within a given period. **Pulsing** means scheduling ads unevenly over a given time period. Thus 52 ads could be either scheduled at one per week during the year or pulsed in several bursts. The idea is to advertise heavily for a short period to build awareness that carries over to the next advertising period. Those who favour pulsing feel that it can be used to achieve the same impact as a steady schedule, but at a much lower cost. However, some media planners believe that although pulsing achieves minimal awareness, it sacrifices depth of advertising communications.

Recent advances in technology have had a substantial impact on the media planning and buying functions. Today, for example, new computer software applications called *media optimisers* allow media planners to evaluate vast combinations of television programmes and prices. Such programmes help advertisers to make better decisions about which mix of networks, programmes, and day parts will yield the highest reach per ad euro.

## Evaluating advertising

The advertising programme should regularly evaluate both the communication impact and the sales effects of advertising. Measuring the communication effects of an ad or **copy testing** tells whether the ad is communicating well. Copy testing can be done before or after an ad is printed or broadcast. Before the ad is placed, the advertiser can show it to consumers, ask how they like it, and measure recall or attitude changes resulting from it. After the ad is run, the advertiser can measure how the ad affected consumer recall or product awareness, knowledge and preference.

But what sales are caused by an ad that increases brand awareness by 20 per cent and brand preference by 10 per cent? The sales effects of advertising are often harder to measure than the communication effects. Sales are affected by many factors besides advertising – such as product features, price and availability. Despite the difficulty of accounting for sales, advertising effects must be monitored. Figure 18.2 shows the levels of communication effect that advertisers are likely to monitor and measure with respect to a campaign:

- The change in brand awareness is determined by the number of customers who were previously *unaware* of the brand and the number who *notice* the advertisement and are now *aware* of the brand, or by the difference in the number of customers who are aware that the brand exists before and after the campaign. If there has been little increase or

**Continuity**—Scheduling ads evenly within a given period.

**Pulsing**—Scheduling ads unevenly, in bursts, over a certain time period.

**Copy testing**—Measuring the communication effect of an advertisement before or after it is printed or broadcast.

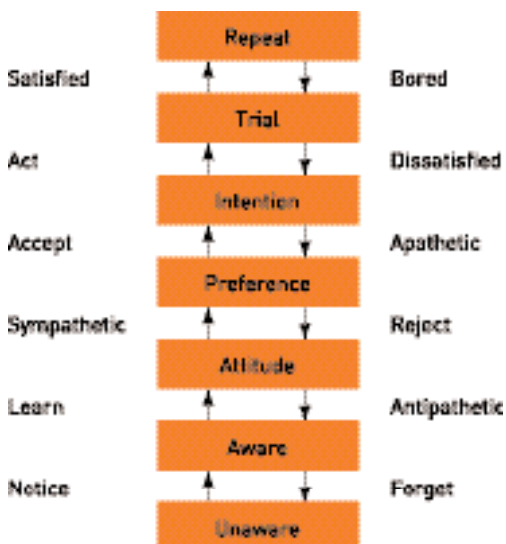


Figure 18.2 Advertising: measuring communications and sales effectiveness

even a decline in brand awareness, the advertiser has to determine whether the reason is the poor impact achieved by the communications campaign or that customers *forget* because of poor recall or inadequate advertising investment.

- The nature of consumers' attitudes towards a brand can be ascertained before and after a campaign. An informative ad allows consumers to *learn* more about product/brand benefits. If the message is poorly targeted, or conveys an undesirable or unbelievable message, consumers are *antipathetic* towards the brand. They do not develop any liking for the product. Advertisers may have to redesign the copy to generate greater interest among customers or improve message content in order to enhance the level of comprehension of brand benefits among target customers.
- Consumers who are *sympathetic* towards advertised brand benefits would manifest their favourable response in the form of stated brand preference. Similarly, before-and-after (the campaign) studies would enable changes in consumer brand preference to be determined. Reasons for brand *rejection* should be identified so that communication weaknesses can be redressed.
- An advertising campaign may be used to turn preference among customers into more definite *intention* to buy. Again, this response can be measured and changes in the level of buying intent may be determined.
- It is usually difficult to measure the sales effect of a campaign. Questions such as 'What sales are caused by an ad that increases brand awareness by 20 per cent and brand preference by 10 per cent?' are not easy to answer. Sales or *trials* are affected by many factors besides advertising, such as product features, price and availability. One way to measure the sales effect of advertising is to compare past sales with past advertising expenditures. Another way is through experiments. For example, to test the effects of different advertising levels, Pizza Hut could vary the amount it spends on advertising in different market areas and measure the differences in resulting sales levels. It could spend the normal amount in one market area, half the normal amount in another area, and twice the normal amount in a third area. If the three market areas are similar, and if all other marketing efforts in the area are the same, then the differences in sales in the three cities could be related to advertising level. More complex experiments could be designed to include other variables, such as differences in the ads or media used.
- If the customer is *satisfied* with the brand he or she has bought, this will lead to *repeat* purchase on another buying occasion. The extent to which advertising or a specific 'reminder' campaign affects repeat purchase is difficult to measure because of the difficulty of separating out the immediate and long-term effects of advertising. 'Before-and-after' type studies and controlled experiments can be used, nonetheless, to detect changes in purchase and usage frequency. Again, advertisers should obtain consumer feedback to increase their understanding of the impact of communications on repeat purchase. Advertising may not be blamed for non-repeat sales due to the nature of product consumption: for example, consumers get *bored* with the same product and want variety. In this case, advertising is not powerful enough to arrest that desire. Few of us would relish the thought of surviving on an uninterrupted diet of Heinz beans, Heinz soup and Heinz sausages all year round!

One way to measure the sales effect of advertising is to compare past sales with past advertising expenditures. Another way is through experiments. For example, to test the effects of different advertising spending levels, the company could vary the amount it spends on advertising in different market areas and measure the differences in the resulting sales levels. It could spend the normal amount in one market area, half the normal amount in another area and twice the normal amount in a third area. If the three market areas are similar, and if all other marketing efforts in the area are the same, then differences in sales in the three areas

could be related to advertising level. More complex experiments could be designed to include other variables, such as difference in the ads or media used.

## Other advertising considerations

In developing advertising strategies and programmes, the company must address two additional questions. First, how will it organise the advertising function – who will perform the advertising tasks? Second, how will the company adapt its advertising strategies and programmes to the complexities of international markets?

### Organising for advertising

Different organisations handle advertising in different ways. In small and medium-sized companies, advertising might be handled by someone in the sales or marketing department. Large companies might set up advertising departments whose job it is to set the advertising budget, work with the ad agency and handle dealer displays and other advertising not done by the agency. Most companies, small or large, tend to use outside advertising agencies because they offer several advantages.

There are disadvantages in relinquishing the advertising function to an outside agency: loss of total control of the advertising process, a reduction in flexibility, conflicts arising when the agency dictates working practices, and client inability to exercise control or coordination. Despite the potential problems, however, most firms find that they benefit from employing the specialised expertise of agencies.

How does an advertising agency work? Advertising agencies were started in the mid-to-late nineteenth century by salespeople and brokers who worked for the media and received commission for selling advertising space to companies. As time passed, the salespeople began to help customers prepare their ads. Eventually they formed agencies and grew closer to the advertisers than to the media. Today's agencies employ specialists who can often perform advertising tasks – research, creative work – better than the company's own staff. Agencies bring an outside point of view to solving a company's problems, along with years of experience from working with different clients and situations. Thus, even companies with strong advertising departments of their own use advertising agencies.

Some ad agencies are huge – McCann-Erickson has a worldwide annual gross income of nearly \$1.9 billion on billings (the dollar amount of advertising placed for clients) of almost \$18 billion. In recent years, many agencies have grown by gobbling up other agencies, thus creating huge agency holding companies. An 'agency mega-group' such as WPP Group, includes several large advertising, public relations and promotion agencies with a combined worldwide gross income of \$8 billion on billings exceeding \$75 billion.<sup>11</sup>

Most large agencies have staff and resources to handle all phases of an ad campaign for their clients, from creating a marketing plan to developing campaigns and preparing, placing and evaluating ads. Agencies usually have four departments: creative, which develops and produces ads; media, which selects media and places ads; research, which studies audience characteristics and wants; and business, which handles the agency's business activities. Each account is supervised by an account executive and people in each department are usually assigned to work on one or more accounts.

Ad agencies have traditionally been paid through commission and fees. Higher commissions are paid to the well-recognised agencies for their ability to place more advertisements in media. However, both advertisers and agencies are becoming more and more unhappy with the commission system. Larger advertisers complain that they have to pay more for the same services received by smaller ones simply because they place more

advertising. Advertisers also believe that the commission system drives agencies away from low-cost media and short advertising campaigns. Agencies, on the other hand, are unhappy because they perform extra services for an account without getting more pay. The commission formula also tends to overlook important emerging media such as the Internet. There have been vast changes in how ad agencies reach consumers, using methods that go beyond network TV or magazine advertising. As a result, new agency payment methods may now include anything from fixed retainers or straight hourly fees for labour to incentives keyed to performance of the agencies' ad campaigns or some combination of these.

Another trend is affecting the agency business. Many agencies have sought growth by diversifying into related marketing services. These new diversified agencies offer a one-stop shop – a complete list of integrated marketing and promotion services under one roof, including advertising, sales promotion, marketing research, public relations and direct and online marketing. Some have added marketing consulting, television production and sales training units in an effort to become full 'marketing partners' to their clients.

However, many agencies are finding that advertisers do not want much more from them than traditional media advertising services plus direct marketing, sales promotion and sometimes public relations. Thus, many agencies have recently limited their diversification efforts in order to focus more on traditional services or their core expertise. Some have even started their own 'creative boutiques' – smaller and more independent agencies that can develop creative campaigns for clients free of large-agency bureaucracy.

## International advertising decisions

We have discussed advertising decisions in general. International advertisers face many complexities not encountered by domestic advertisers. When developing advertising for international markets, a number of basic issues must be considered.

### Standardisation or differentiation

The most basic issue concerns the degree to which global advertising should be adapted to the unique characteristics of various country markets. Some large advertisers have attempted to support their global brands with highly standardised worldwide advertising, with campaigns that work as well in Bangkok as they do in Budapest. For example, Coca-Cola's Sprite brand uses standardised appeals to target the world's youth. Gillette's ads for its Sensor Excel for Women are almost identical worldwide, with only minor adjustments to suit the local culture. Ericsson, the Swedish telecommunications giant, spent \$100 million on a standardised global television campaign with the tag line 'make yourself heard,' which featured Agent 007, James Bond.

Standardisation produces many benefits, such as lower advertising costs, greater coordination of global advertising efforts and a more consistent worldwide company or product image. However, standardisation also has drawbacks. Most importantly, it ignores the fact that country markets, not just across the continents but also within supposedly 'harmonised' trading communities, such as the European Union, differ greatly in their cultures, demographics and economic conditions. Pan-European advertising, for example, is complicated because of the EU's cultural diversity as reflected in the differences in circumstances, language, traditions, music, beliefs, values and lifestyles among member nations. Ironically, the English have more in common with the Australians, who live on the opposite side of the globe, than with the Germans or the French, their closer neighbours. Cultural differences also exist across Asian countries (Japanese and Indonesian consumers are as alike as the Germans and Italians), as they do among emerging European markets. For example, the three Baltic countries – Estonia, Latvia and Lithuania – are far from being a common market, each having different languages, currencies and consumer habits.

## Chapter 18 Advertising, sales promotion and public relations

Although advertising messages might be standardised, their executions cannot be, as culture invariably dominates communications.<sup>12</sup> Indeed, a survey of pan-European brand managers showed that a majority believe it is difficult to standardise advertising execution.<sup>13</sup> Thus, most international advertisers ‘think globally, but act locally’. They develop global advertising *strategies* that make their worldwide advertising efforts more efficient and consistent. Then they adapt their advertising *programmes* to make them more responsive to consumer needs and expectations within local markets. In many cases, even when a standard message is used, execution styles are adapted to reflect local moods and consumer expectations.

Successful standardised advertising is most likely to work for capital goods or business-to-business marketing, where targets are more homogeneous in their needs and buy the product for the same reasons. For example, whether for a European, Asian or American construction company, the purchase of bulldozers is influenced by similar economic factors (for example, productivity, lifetime cost of running the equipment, parts delivery). Consumer-goods advertising is less amenable to cross-cultural standardisation. However, considerable similarities are found in segments, such as the world’s rich to whom lifestyle goods and brands like Mont Blanc, Cartier and Hugo Boss appeal. Similarly, youth culture across the globe may be targeted with a common message. Brands such as Nike, Pepsi and Jeep are advertised in much the same way globally; Jeep has created a worldwide brand image of ruggedness and reliability; Nike urges Americans, Africans, Asians and Europeans alike to ‘Just do it’; Pepsi uses a standard appeal to target the world’s youth.

### Centralisation or decentralisation

Global advertisers are concerned with the degree to which advertising decision making and implementation should be centralised or decentralised. Five key factors influence the choice between centralisation and decentralisation of the responsibility for international advertising decisions and implementation:

1. *Corporate and marketing objectives.* A company whose global marketing objectives dominate over domestic objectives is likely to centralise advertising and communications decisions.
2. *Product uniformity.* The more similar the product or service marketed across different countries, the greater the feasibility of a uniform approach, which allows for centralised management of advertising.
3. *Product appeal.* Underpinning the product’s appeal are the reasons why customers use the product, which may differ among different cultures, whatever the demographic or psychographic characteristics of consumers. Golf club membership is a status purchase in Singapore; in the United Kingdom it is a moderate leisure activity, without such a label of exclusivity attached. Where underlying appeals vary significantly, decentralised decision making makes better sense.
4. *Cultural sensitivities.* Where a product’s usage and appeal are culture-bound in terms of the local attitudes towards consumption, habits and preferences, as in the case of drinks and food products, more decentralisation is necessary.
5. *Legal constraints.* Individual country rules and regulations affect advertising decisions and their implementation. Decentralisation of responsibility to tap local wisdom and knowledge makes sense where strict country regulations apply. In the European Union, until real ‘harmonisation’ is achieved, cross-border advertisers must remain alert to subtle differences in nations’ rules and codes of practice in order to avoid costly mistakes.

HSBC prides itself as 'the world's local bank' using a standardised message to reinforce its global strengths.

SOURCE: HSBC Holdings plc.

Agency: Lowe Worldwide.

Photographer: Richar Pullar.

**INDIA**  
*Married*

**CANADA**  
*Married*

**Never underestimate the importance of local knowledge.**


Where a wedding ring goes is just something you grow up knowing when you're a local.

At HSBC, we have banks in more countries than anyone else. And each one is started by local people.

We have offices in 79 countries and territories, Europe, Asia-Pacific, the Americas, the Middle East, and Africa. Being local enables them to offer insights into financial opportunities and create service initiatives that would never occur to an outsider.

It means our customers get the kind of local knowledge and personal service that you'd expect of a local bank.

And a level of global knowledge and widely sourced expertise that you wouldn't.

**HSBC**   
The world's local bank

The modes used by firms vary. Some organisations exert tight control from the centre and executionary changes for local culture and conditions are closely monitored. Some corporations grant local management some degree of freedom to develop advertising within broad strategic guidelines, but with central directives on agencies and media buying groups. Yet others may give local management total autonomy in both strategy determination and local implementation of advertising strategies.



## Worldwide advertising media

The international media comprise an extensive mix:

- *Newspapers.* Faster and more efficient circulation is possible with new technologies, such as satellite printing, which allows advertising copy to be sent by satellite to the printers. Many international newspapers (e.g. *International Herald Tribune*, *Financial Times*, *Asahi Shimbun*, *Wall Street Asian*, *Wall Street Journal*) are printed simultaneously in more than one country. In general, there have been enormous developments in local and global press, and more newspapers have gone global to reach specific audiences.
- *Magazines.* There are some national and international journals which carry ads that target regional, international or global customers (e.g. *Fortune*, *Newsweek*, *Time*, *The Economist*). Women's magazines, such as *Cosmopolitan*, *Elle*, *Vogue* and *Harper's Bazaar*, are printed in different editions for readers in different target countries/regions.
- *Professional and technical magazines.* In Europe alone, there are more than 15,000 titles, and the number is rising yearly.
- *Cinema.* This is a relatively popular medium for reaching younger viewers, such as teenagers. In developing and less developed nations, cinema remains important.
- *Television.* There are few country markets where television is not available or where advertising is not carried via that medium. Satellite and cable opportunities have expanded enormously and accelerated the use of TV for international advertising. A few stations – notably CNN, NBC Super Channel and Eurosport – are well-recognised international media channels. Other international TV channels include Dow Jones's European Business News, BBC Worldwide and NBC's CNBC.
- *Outdoor advertising and transport advertising.* This medium is used throughout the world. In the western developed markets, advertisers are expanding their repertoire of outside media (e.g. park benches, trucks, taxis, bus stop shelters). This medium is used as an alternative in cases where the product category cannot be advertised on TV, as in the case of tobacco and alcoholic products. In some countries, such as India and the People's Republic of China, outdoor advertising has become more important.
- *Interactive communication media.* Interactive systems, such as videotext and pay-TV, have gained importance as cable TV continues to develop. Not only is the Internet a new channel for advertising, so are novelties such as TiVo, which allow viewers to store and play back TV programmes in real time. Interactive TV services are also emerging that increasingly give viewers control over what they watch and when they watch it, fragmenting further the mass television audience.
- *Radio.* As a medium for international advertising, radio is constrained by availability in the sense that most commercial radio is regional. Radio Luxembourg, the international European station, transmits ads in several languages and reaches the whole of Europe.
- *Place-based media.* This is a worldwide development and advertisers are increasingly deploying the medium to reach audiences wherever they happen to be – at work, the fitness centre, the supermarket, airports and in the aeroplane.
- *Trade fairs and exhibitions.* These can be costly, but are useful media for international communications.
- *Sponsorship.* Sponsorship of sports or arts events, like the Olympic Games and the soccer World Cup, offers vast audience reach. Such global audiences are rare and the effectiveness of the initiatives is not always easy to measure.
- *Other media.* Point-of-sale materials are not easy to reproduce internationally. Invariably, they have to be adapted to local conditions, specifically the language, regulations and

distribution outlets. Direct mail is used in many countries, but it is primarily a local technique. As postal services vary from country to country, including within the EU, the medium has yet to be applied internationally. Nonetheless, credit card companies that have an international customer database can exploit this medium for worldwide communications. Add to this online media such as the Internet which is growing in importance for organisations seeking to reach a global audience (Chapter 4 discusses online marketing in greater detail).

### Media planning, buying and costs

International media planning is more complicated than local media planning as the media situation differs from country to country. To plan effectively, international advertisers require high-quality, reliable cross-country media and audience research data. In some countries, there is inadequate media research. Moreover, research techniques and measurement standards vary greatly across countries, making cross-country comparisons of media research data almost impossible. Unless reliable inter-country comparisons can be made, international advertisers will find it difficult to evaluate and quantify international media effectiveness. In the EU, the European Association of Advertising Agencies has been working to bring together data to help pan-European media researchers. Recent pan-European research projects, funded jointly by advertisers, agencies and print and TV media, have generated data that help media planners go some way towards building more effective campaigns across Europe as well as in individual territories.<sup>14</sup>

Prices and preference for certain media also may vary greatly across countries. One survey suggests that, in the Scandinavian countries, print media dominate as an advertising medium, with two in three consumers polled voicing positive attitudes towards print advertising; only one in five held the same opinion of TV advertising. The preference for the printed word has important implications for advertising media choice.<sup>15</sup> Another report suggests that at least 40 of the top 50 pan-European advertisers have consolidated their media buying into a single network in order to get cheaper prices. Nonetheless, cultural differences remain in buying preferences. For example, in Italy, the number of spots advertisers tend to buy (also called the average advertising weight) is much higher than in the rest of Europe. According to one source, cultural differences stem from what planners feel 'happy' with, rather than rational reasons, often resulting in local resistance to centralised or standardised approaches. Hence, it is difficult to standardise pan-European media strategies. If the Marketing Director at HQ were to tell her Italian operation that it is running advertising weights that are two-and-a-half times higher than that run by the firm's other European operations, she will literally have to take on the Italian marketing team.<sup>16</sup>

Thus, firms that advertise their products in different country markets must select the media to use based on a consideration of their target groups and the budget available and must adapt their media strategy based on the media scene and relative media cost-effectiveness in different countries.

### International advertising regulations

Countries also differ in the extent to which they regulate advertising practices. Many countries have extensive systems of laws restricting how much a company can spend on advertising, the media used, the nature of advertising claims and other aspects of the advertising programme. In recent years, much discussion in Europe has centred on laws governing marketing to children and the advertising of tobacco and alcohol.

In Sweden, Norway and Denmark, TV advertising to children under 12 is banned. To play it safe, McDonald's advertises itself in Sweden as a family restaurant. Advertising to children is also restricted in Belgium, Ireland, Holland and Austria, and is under consideration in Italy and Poland. Greece bans TV ads for toys before 10 p.m.

As regards tobacco advertising, the European Commission requires its member states to ban all tobacco promotion by 2006. These bans are being phased in gradually: tobacco ads via cinema, radio, posters and direct mail were banned in July 2001, followed by print in 2002 and sponsorship in 2003. Worldwide sponsorships such as Formula One are expected to go after 2006.

For alcohol advertising, Sweden and Finland impose strict limitations, while France is the most restrictive – all forms of alcohol advertising are banned. Denmark and the UK are calling for health warnings to be placed on packaging. Germany, too, is calling for stricter regulations.

However, a ruling in the European Court of Justice in March 2001, in a case brought by the owners of *Gourmet* magazine against a Swedish ban on alcohol advertising, suggested that such bans pose a barrier to trade within the EU. The ruling recognises that governments can restrict alcohol advertising if done in the interests of public health. The *Gourmet* case was subsequently referred back to the Swedish court to decide if the alcohol ban was proportional to the protection of public health, or whether the government could have achieved the same effect with less restrictive measures. Nonetheless, the ruling is expected to pave the way for many companies to challenge and overturn national advertising bans in the years ahead.<sup>17</sup> ”

The Internal Market Commission continues to resolve the patchwork of national advertising regulations in order to bring order into the EU's multi-billion-euro advertising industry. Cross-border advertising will develop further with the advent of online interactive media and electronic commerce. However, cultural and regulatory differences mean that advertising campaigns can never be truly pan-European. Thus although advertisers may develop standardised strategies to guide their overall advertising efforts, specific advertising programmes and executions are usually adapted to meet local cultures and customs, media characteristics and advertising regulations.

Having discussed advertising in the previous sections, let us now examine sales promotion.

## Sales promotion

**Sales promotion** consists of short-term incentives, in addition to the basic benefits offered by the product or service, to encourage the purchase or sale of a product or service. Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons that would achieve immediate sales. It seeks to motivate the customer to buy *now*.

Sales promotion includes a wide variety of promotion tools designed to stimulate earlier or stronger market response. These tools are used by many organisations – manufacturers,

**Sales promotion**—Short-term incentives to encourage purchase or sales of a product or service.

**Consumer promotion**—Sales promotion designed to stimulate consumer purchasing, including samples, coupons, rebates, prices-off, premiums, patronage rewards, displays, and contests and sweepstakes.

**Trade (or retailer) promotion**—Sales promotion designed to gain reseller support and to improve reseller selling efforts, including discounts, allowances, free goods, cooperative advertising, push money, and conventions and trade shows.

**Business promotion**—Sales promotion designed to generate business leads, stimulate purchase, reward business customers and motivate the salesforce.

**Sales force promotion**—Sales promotion designed to motivate the sales force and make sales force selling efforts more effective, including bonuses, contests and sales rallies.

distributors, retailers, trade associations and non-profit institutions – and may be targeted towards the consumer or final buyer, business customers, the trade or retailer and the company's sales force. **Consumer promotions** include money-off, coupons, premiums, contests and others. **Trade promotions** range from special discounts, free goods and loyalty bonuses to training. **Business promotions** include many of the same tools used for consumer or trade promotions such as conventions and trade shows, as well as sales contests. **Sales force promotions** include bonuses, commissions, free gifts and competitions.

## Rapid growth of sales promotion

Several factors have contributed to the rapid growth of sales promotion, particularly in consumer markets. First, inside the company, product managers face greater pressures to increase their current sales, and promotion is increasingly viewed as an effective short-run sales tool. In mature markets, manufacturers are striving to maintain market share through a balance between longer-term 'share-of-voice' gained from advertising and shorter-term incentives for the consumer. Second, externally, the company faces more competition, and competing brands are less differentiated. Increasingly, competitors are using sales promotion to help differentiate their offers. Third, advertising efficiency has declined because of rising costs, media clutter and legal restraints. Sales promotion used in conjunction with other communications, such as direct mail, can offer a more cost-effective route to reach target consumers. Fourth, consumers have become more deal-oriented and ever-larger retailers are demanding more deals from manufacturers. Finally, developments in information technology, the reduction in data storage and retrieval costs, and the increased sophistication of targeting techniques have facilitated implementation and enabled more effective measurement and control of sales promotion efforts.

The growing use of sales promotion has resulted in *promotion clutter*, similar to advertising clutter. Consumers who are continually bombarded with promotions are increasingly 'tuning out' promotions, weakening their ability to trigger immediate purchase. Manufacturers are now searching for ways to rise above the clutter, such as offering larger coupon values, creating more dramatic point-of-purchase displays or developing more creative sales promotion campaigns that stand out from the crowd.

In developing a sales promotion programme, a company must set sales promotion objectives and then select the best tools for accomplishing these objectives.

## Setting sales promotion objectives

Sales promotion objectives vary widely. Let us take *consumer promotions* first. Sellers may use consumer promotions to: (1) increase short-term sales; (2) help build long-term market share; (3) entice consumers to try a new product; (4) lure consumers away from competitors' products; (5) encourage consumers to 'load up' on a mature product; or (6) hold and reward loyal customers.

Objectives for *trade promotions* include: (1) motivating retailers to carry new items and more stock; (2) inducing them to advertise the product and give it more shelf space; and (3) persuading them to buy ahead.

For the *sales force*, objectives may be to: (1) get more sales force support for current or new products; or (2) stimulate salespeople to sign up new accounts.

Sales promotions are usually used together with advertising, personal selling or other promotion mix tools. Consumer promotions are usually advertised and can add excitement and pulling power to ads. Trade and sales force promotions support the firm's personal selling process.

Objectives, however, should be measurable. Rather than stating that the promotion aims to increase sales, the objective should be specific about the level of increase, who the main targets are and whether increased sales are expected to come from new triallists or from current consumers who are loading up or bringing forward their purchase.

## Chapter 18 Advertising, sales promotion and public relations

In general, sales promotions should be **consumer relationship building**. Rather than creating only short-term sales volume or temporary brand switching, sales promotions should help to reinforce the product's position and build long-term relationships with customer relationships. Increasingly, marketers are avoiding the 'quick fix', price-led promotions in favour of promotions designed to build brand equity.

Even price promotions can be designed to build customer relationships. Examples include all the 'frequency marketing programmes', 'loyalty card schemes' and 'clubs' that have mushroomed in recent years.

For example, the health and beauty retailer Body Shop International introduced the 'Love your body membership' as part of the move to recover its sales in the US. The Body Shop US loyalty card scheme operates on a different model from the high-street loyalty cards familiar to many UK consumers. It has an initial charge of US \$10 (£5.90), which entitles the holder to a 10 per cent discount for one year, together with a free birthday gift and other gifts, according to how much the card holder spent. In the UK, the company introduced The Body Shop People card, which is free on application and offers the choice of savings on particular purchases or a donation of an equivalent amount to charities nominated by the group.<sup>18</sup>



**Consumer relationship-building promotions**—Sales promotions that promote the product's positioning and include a selling message along with the deal.

If properly designed, every sales promotion tool has the potential to build consumer relationships.

Sales promotions have certain limitations. Sellers need to recognise that new triers at whom their promotions are targeted consist of consumers of the product category, loyal users of another brand and users who frequently switch brands. Sales promotions often attract the last group – *brand switchers* – because non-users and users of other brands do not always notice or act on a promotion. Brand switchers are looking mostly for low price or good value. Sales promotions are unlikely to turn them into loyal brand users. Moreover, when a company uses price promotion for a brand too much of the time, consumers begin to think of it as a cheap brand. Or many consumers will buy the brand only when there is a special offer. Most analysts believe that sales promotion activities do not build long-term consumer preference and loyalty, as does advertising. Instead, they only boost short-term sales that cannot be maintained over the long run. Marketers therefore rarely use sales promotion for dominant brands because it would do little more than subsidise current users.<sup>19</sup>

Despite the dangers, many consumer packaged-goods companies continue to use sales promotions. These marketers assert that sales promotions benefit manufacturers by letting them adjust to short-term changes in supply and demand and to differences in customer segments. Sales promotions encourage consumers to try new products instead of always staying with their current ones. They lead to more varied retail formats, such as the everyday-low-price store or the promotional-pricing store, which give consumers more choice. Finally, sales promotions lead to greater consumer awareness of prices, and consumers themselves enjoy the satisfaction of taking advantage of price specials.<sup>20</sup>

### Major sales promotion tools

Many tools can be used to accomplish sales promotion objectives. The promotion planner should consider the type of market, the sales promotion objectives, the competition and the cost-effectiveness of each tool. Descriptions of the main consumer and trade promotion tools follow.

## Consumer promotion tools

The main consumer promotion tools include samples, coupons, cash refunds, price packs, premiums, advertising specialities, patronage rewards, point-of-purchase displays and demonstrations, and contests, sweepstakes and games.

**Samples** are offers of a trial amount of a product. Sampling is the most effective, but most expensive, way to introduce a new product. Consumer packaged-goods marketers tend to use sampling as part of their promotion strategy. Some samples are free; for others, the company charges a small amount to offset its cost. The sample might be delivered door to door, sent by mail, handed out in a store, attached to another product or featured in an ad.

**Coupons** are certificates that give buyers a saving when they purchase specified products. They can stimulate sales of a mature brand or promote early trial of a new brand. However, when used excessively, they result in coupon clutter and a decline in redemption rates. Thus, most major consumer goods companies are issuing fewer coupons and targeting them more carefully. They are also cultivating new outlets for distributing coupons, such as supermarket shelf dispensers, electronic point-of-sale coupon printers or through 'paperless coupon systems' that dispense personalised discounts to targeted buyers at the checkout counter in stores.

**Cash refund offers** (or **rebates**) are like coupons except that the price reduction occurs after the purchase rather than at the retail outlet. The consumer sends a 'proof of purchase' to the manufacturer, which then refunds part of the purchase price by mail.

**Price packs** or reduced prices offer consumers savings off the regular price of a product. The reduced prices are marked by the producer directly on the label or package. Price packs can be single packages sold at a reduced price (such as two for the price of one) or two related products banded together (such as a toothbrush and toothpaste). Price packs are very effective – even more so than coupons – in stimulating short-term sales.

**Premiums** are goods offered either free or at low cost as an incentive to buy a product. A premium may come inside the package (in-pack) or outside the package (on-pack) or through the mail. Premiums are sometimes mailed to consumers who have sent in a proof of purchase, such as a box top. A *self-liquidating premium* is a premium sold below its normal retail price to consumers who request it.

**Advertising specialities** are useful articles imprinted with an advertiser's name and given as gifts to consumers. Typical items include pens, calendars, key rings, matches, shopping bags, T-shirts, caps and coffee mugs. **Patronage rewards** are cash or other awards offered for the regular use of a certain company's products or services. For example, airlines offer 'frequent flyer plans', awarding points for miles travelled that can be turned in for free airline trips. Hotels have adopted 'honoured guest' plans that award points to users of their hotels. And supermarkets and retailers issue 'reward points' which translate into cash-off for certain company products.

**Point-of-purchase (POP) promotions** include displays and demonstrations that take place at the point of purchase or sale. Unfortunately, many retailers do not like to handle the hundreds of displays, signs and posters they receive from manufacturers each year. Manufacturers have responded by offering better POP materials, tying them in with television or print messages, and offering to set them up.

**Competitions, sweepstakes, lotteries and games** give consumers the chance to win something, such as cash, trips or goods, by luck or through extra effort. A *competition* calls for consumers to submit an entry – a jingle, slogan, guess or suggestion – to be judged by a panel that will select the best entries. A *sweepstake* calls for consumers to submit their names for a draw. For a *lottery*, consumers buy tickets which enter their names into a draw. A *game* presents consumers with something, such as bingo numbers or missing letters, every time they buy, which may or may not help them win a prize. A sales contest urges dealers and sales force to increase their efforts, with prizes going to the top performers.

**Samples**—Offers to consumers of a trial amount of a product.

**Coupons**—Certificates that give buyers a saving when they purchase a product.

### Cash refund offers

**(rebates)**—Offers to refund part of the purchase price of a product to consumers who send a 'proof of purchase' to the manufacturer.

**Price packs**—Reduced prices that are marked by the producer directly on the label or package.

**Premiums**—Goods offered either free or at low cost as an incentive to buy a product.

**Advertising specialities**—Useful articles imprinted with an advertiser's name, given as gifts to consumers.

**Patronage rewards**—Cash or other awards for the regular use of a certain company's products or services.

### Point-of-purchase (POP)

**promotions**—Displays and demonstrations that take place at the point of purchase or sale.

### Competitions, sweepstakes, lotteries and games

—Promotions that offer customers the chance to win something – cash, goods or trips – by luck or extra effort.

## Sales promotions in Europe

The sales promotion industry is relatively more developed in the United Kingdom than in the other EU member states. Supermarket retailing in the United Kingdom is dominated by a few key players and decisions regarding acceptance of manufacturers' sales promotion activities are centralised. Cost-effectiveness is increased as the sales promotion handling house is able to use the retailing groups' own administrative processes.

Cultural differences affect consumers' acceptance of different sales promotion techniques. An incentive that is desirable in one country may have little appeal in another. Household items, especially electrical goods, are very popular in Germany. Beach towels, sunglasses and T-shirts are more popular in Spain and Portugal, while in France, it is pens, lighters and watches. In Italy, brand association is important – if the merchandise features a designer name, a recognised brand name or a football club, the chances are that it will be well received.

Like advertising, sales promotion techniques also face different legal constraints across Europe. In the UK, sales promotion activities are relatively free from legal constraints. Other countries like Poland, Hungary and the Czech Republic have relatively liberal policies on promotions and incentives. By contrast, legal controls are stricter in Belgium, Germany, France and, notably so, in Norway. In Belgium, for example, retailers are not allowed to offer discounts of more than 33 per cent – a rule that prevents them from running 'buy-one-get-one-free' offers. In France, Belgium, Spain, Portugal, Italy, Luxembourg, Greece and Ireland, retailers are also not allowed to entice customers into their shops by offering sales below cost – that is, selling at a loss.

An important part of the European Commission's efforts to build a single market is to reduce the myriad different national barriers to sales promotions through the introduction of new rules to free up restrictive regulations. Arguably, liberalising promotional offers – currently worth more than €40bn a year across the EU – would boost the retail sector. In essence, the Commission's radical reforms include scrapping all limits on promotional discounts, free gifts and promotional offers, better information on promotional games to be provided to participating consumers, and the harmonising of rules on promotional games such as scratch cards across the EU.

Countries that favour tighter promotional legislation claim they have consumers' interests at heart, as restrictions on promotional offers are an important way of protecting consumers from unscrupulous retailers. Proponents of greater liberalisation, however, argue that increased regulation makes it more difficult for consumers as less information is made available. The Commission believes that there is urgent need to break down the barriers to marketing goods across the EU. Doing so will serve consumer interests as well as prevent unfair trade practices.<sup>21</sup>

However, the extent to which directives can truly protect consumers is now a hotly debated issue as sellers turn increasingly to the Web to market products and services. Consider the following example:

When Amazon, the online book seller, opened online outlets in Germany, it offered all publications postage free. Cabinet Stewart, a lobbyist group representing the European Promotional Marketing Alliance (EPMA), in favour of retention of sales promotion techniques as practised in the UK, points to the contradiction posed by online sellers that engage in cross-border marketing activities. Is the free postage to be deemed a discount, which in this case exceeds the 3 per cent factor allowed by German law? Even if this is illegal, few German consumers are likely to object. And how can legislators possibly

check all incoming online transactions? And is there a basis for prosecution? According to the lobbyist group, when it comes to electronic commerce, decisions about legality of sales promotions could be based upon the 'country-of-origin' and 'mutual recognition' approach. This means promotions deemed legal in the source country should automatically be accepted in other member states. Clearly, EU legislators in the 21st century face a 'doublethink' – in holding the view that it is their right to protect 'home' consumers from overly persuasive marketing tactics (e.g. the manipulative evils of discounts and premiums), they have apparently ignored the common knowledge that e-commerce is truly a borderless, global phenomenon. Little can be done, for now, to deny consumers the pleasure of endless 'illegal' promotional offers over the Internet.<sup>22</sup>

For now, the European Commission continues in its efforts to free up restrictive regulations on sales promotions across the enlarged EU. Until true harmonisation is achieved, marketers must remain sensitive and adapt accordingly to national constraints. Even if sales promotion rules are harmonised and pan-European campaigns are used, the cultural, linguistic and climatic differences across countries mean that such campaigns, based on a central or core theme, will have to be adapted to favour conditions in each territory.

Ingenuity can help agencies to create pan-European sales promotions, with only slight adaptations in each country.

Promotional Campaigns Group (PCG) ran a campaign for Iomega, aimed at encouraging customers to buy multipacks of Zip 100 disks rather than single items. The promotion gets customers to 'Win all the stuff you buy today! When purchasing a multipack of Zip disks.' The mechanics of the promotion were adapted to comply with different rules in France, Germany and the UK, where the campaigns were run. In France, scratch cards were inserted into promotional multipacks with on-pack stickers. In the UK, instant-win scratch cards were issued by check-out staff, or customers could enter into a free prize draw. In Germany, retailers ran a competition involving a leaflet entry to win their day's purchases. In each participating country, the promotional campaign was deemed highly successful, with retailers recording sales increase.<sup>23</sup>

### Trade promotion tools

Trade promotion can persuade retailers or wholesalers to carry a brand, give it shelf space, promote it in advertising and push it to consumers. Shelf space is so scarce these days that manufacturers often have to offer price discounts, allowances, buy-back guarantees or free goods to retailers and wholesalers to get on the shelf and, once there, to stay on it.

Manufacturers use several trade promotion tools. Many of the tools used for consumer promotions – contests, premiums, displays – can also be used as trade promotions. Alternatively, the manufacturer may offer a straight **discount** off the list price on each case

**Discount**—A straight reduction in price on purchases during a stated period of time.



## Chapter 18 Advertising, sales promotion and public relations

purchased during a stated period of time (also called a *price-off*, *off-invoice* or *off-list*).

The offer encourages dealers to buy in quantity or to carry a new item. Dealers can use the discount for immediate profit, for advertising or for price reductions to their customers.

Manufacturers may also offer an **allowance** (usually so much off per case) in return for the retailer's agreement to feature the manufacturer's products in some way. An *advertising allowance* compensates retailers for advertising the product. A *display allowance* compensates them for using special displays.

Manufacturers may offer *free goods*, which are extra cases of merchandise, to intermediaries that buy a certain quantity or that feature a certain flavour or size. They may offer *push incentives* – cash or gifts to dealers or their sales force to 'push' the manufacturer's goods. Manufacturers may give retailers free *speciality advertising items* that carry the company's name, such as pens, pencils, coffee mugs, calendars, paperweights, matchbooks and memo pads.

**Allowance**—(1) Reduction in price on damaged goods.  
(2) Promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's product in some way.

### Business promotion tools

Companies spend huge sums of money each year on promotion to industrial customers. These business promotions are used to generate business leads, stimulate purchases, reward customers and motivate salespeople. Business promotion includes many of the same tools used for consumer or trade promotions. Here, we focus on two of the main business promotion tools – conventions and trade shows, and sales contests.

#### Conventions and trade shows

Many companies and trade associations organise conventions and trade shows to promote their products. Firms selling to the industry show their products at the trade show. Vendors receive many benefits, such as opportunities to find new sales leads, contact customers, introduce new products, meet new customers, sell more to present customers and educate customers with publications and audiovisual materials.

Trade shows also help companies reach many prospects not reached through their sales forces. A high proportion of a trade show's visitors see a company's salespeople for the first time at a show. Business managers face several decisions, including which trade shows to participate in, how much to spend on each trade show, how to build dramatic exhibits that attract attention, and how to follow up on sales leads effectively.<sup>24</sup>

#### Sales contests

A *sales contest* is a contest for salespeople or dealers to urge their sales force to increase their efforts over a given period. Sales contests motivate and recognise good company performers, who may receive trips, cash prizes or other gifts. Sales contests work best when they are tied to measurable and achievable sales objectives (such as finding new accounts, reviving old accounts or increasing account profitability) and when employees believe they have an equal chance of winning. Otherwise, employees will not take up the challenge.

### Developing the sales promotion programme

The marketer must make several other decisions in order to define the full sales promotion programme. First, the marketer must decide on the *size of the incentive*. A certain minimum incentive is necessary if the promotion is to succeed; a larger incentive will produce more sales response. The marketer must ensure that the promotion genuinely offers extra value and incentives to targets. Importantly, the promotion must not be misleading, and the firm must have the ability to honour redemptions. If not, the campaign could backfire, exposing the firm to bad publicity which damages its reputation and brand image.

The household appliance company Hoover ran a sales promotion offering consumers two free return flights to Europe or America if they bought any of its vacuum cleaners, washing machines or other household appliances worth more than £100 (€164). Unfortunately, the company (and no fewer than the three sales promotions agencies, which were involved in originating and costing the promotion) had miscalculated. As it happened, most consumers bought cheap vacuum cleaners that cost as little as £120 while the cheapest pair of return air tickets to New York cost over three times that amount. The firm received as many as 200,000 applications for free flights within the first 10 months of the campaign, but managed to issue only about 6,000 tickets within that same period. Although the travel agents, hired by Hoover, were also alleged to be unfairly dissuading consumers from taking up the offer, angry customers waited adamantly for their tickets. Maytag, Hoover's parent company, had to come up with a rescue package to honour Hoover's commitment to customers. Hundreds of disgruntled consumers were awarded sums of over £450 in compensation. The fiasco had cost Hoover well over £48 million, but in the UK, Hoover's name became a sick joke to millions of consumers and the company also attracted column inches of bad publicity.<sup>25</sup> ”

The marketer must also set *conditions for participation*. Incentives might be offered to everyone or only to select groups. Conditions, such as the proof of purchase or closing date of the offer, must be clearly stated. The marketer must then decide how to *promote and distribute the promotion* programme itself. A money-off coupon could be given out in a package, at the store, by mail or in an advertisement. Each distribution method involves a different level of reach and cost. Increasingly, marketers are blending several media into a total campaign concept.

The *length of the promotion* is also important. If the sales promotion period is too short, many prospects (who may not be buying during that time) will miss it. If the promotion runs for too long, the deal will lose some of its 'act now' force.

The marketer also must decide on the *response mechanism*: that is, the redemption vehicle to be used by the customer who takes part in the promotion. Immediate reward – for example, a price reduction, or a free gift attached to the product on offer – often yields a higher response. If the incentive requires further action to be taken by the consumer – for instance, to make another purchase or to collect the required number of tokens in promotion packs and then post these off to claim a gift or free product – the redemption rate can be reduced.

Whenever possible, sales promotion tools should be *pre-tested* to find out whether they are appropriate and of the right incentive size. Consumer sales promotions can be pre-tested quickly and inexpensively. For example, consumers can be asked to rate or rank different possible promotions, or promotions can be tried on a limited basis in selected geographic areas.

Companies should prepare implementation plans for each promotion, covering lead time and sell-off time. *Lead time* is the time necessary to prepare the programme before launching it. *Sell-off time* begins with the launch and ends when the promotion ends.

*Evaluation* is also very important. Many companies fail to evaluate their sales promotion programmes, while others evaluate them only superficially. The most common evaluation method is to compare sales before, during and after a promotion. Suppose a company has a

6 per cent market share before the promotion, which jumps to 10 per cent during the promotion, falls to 5 per cent right after and rises to 7 per cent later on. The promotion seems to have attracted new triers and more buying from current customers. After the promotion, sales fall as consumers use up their stocks. The long-run rise to 7 per cent means that the company gained some new users. If the brand's share had returned to the old level, then the promotion would have changed only the *timing* of demand rather than the *total* demand.

Consumer research would also show the kinds of people who responded to the promotion and what they did after it ended. *Surveys* can provide information on how many consumers recall the promotion, what they thought of it, how many took advantage of it and how it affected their buying. Sales promotions can also be evaluated through *experiments* that vary factors such as incentive value, timing, duration and distribution method.

Clearly, sales promotion plays an important role in the total promotion mix. To use it well, the marketer must define the sales promotion objectives, select the best tools, design the sales promotion programme, pre-test and implement the programme, and evaluate the results. Moreover, sales promotion must be coordinated carefully with other promotion mix elements within the integrated marketing communications programme.

## Public relations

Another important mass-promotion technique is **public relations**. This concerns building good relations with the company's various publics by obtaining favourable publicity, building up a good 'corporate image' and handling or heading off unfavourable rumours, stories and events. Public relations (PR) departments perform any or all of the following functions:

- *Press relations or press agency.* Creating and placing newsworthy information in the news media to attract attention to a person, product or service.
- *Product publicity.* Publicising specific products.
- *Public affairs.* Building and maintaining local, national and international relations.
- *Lobbying.* Building and maintaining relations with legislators and government officials to influence legislation and regulation.
- *Investor relations.* Maintaining relationships with shareholders and others in the financial community.
- *Development.* Public relations with donors or members of non-profit organisations to gain financial or volunteer support.

Public relations is used to promote products, people, places, ideas, activities, organisations and even nations. Trade associations have used public relations to rebuild interest in declining commodities such as eggs, apples, milk and potatoes. Even nations have used public relations to attract more tourists, foreign investment and international support. Companies can use PR to manage their way out of crisis, as in the case of Johnson & Johnson's masterly use of public relations to save Tylenol from extinction after its product-tampering scare.

### The role and impact of public relations

Public relations can have a strong impact on public awareness at a much lower cost than advertising can. The company does not pay for the space or time in the media. Rather, it pays for staff to develop and circulate information and to manage events. If the company develops an interesting story, it could be picked up by several different media, having the same effect as advertising that would cost millions of euros. It would have more credibility than advertising.

**Public relations**—Building good relations with the company's various publics by obtaining favourable publicity, building up a good 'corporate image', and handling or heading off unfavourable rumours, stories and events. Major PR tools include press relations, product publicity, corporate communications, lobbying and counselling.

Despite its potential strengths, public relations is often described as a marketing stepchild because of its limited and scattered use. The public relations department is usually located at corporate headquarters. Its staff is so busy dealing with various publics – stockholders, employees, legislators, city officials – that public relations programmes to support product marketing objectives may be ignored. Moreover, marketing managers and public relations practitioners do not always talk the same language. Many public relations practitioners see their job as simply communicating. In contrast, marketing managers tend to be much more interested in how advertising and public relations affect sales and profits.

This situation is changing, however. Although public relations still captures only a small portion of the overall marketing budgets of most firms, PR is playing an increasingly important brand-building role as more and more businesses view good public relations as a powerful brand-building tool. In fact, two well-known marketing consultants have concluded that advertising doesn't build brands, PR does. They provide the following advice, which points to the potential power of public relations as a first step in brand building:

Just because a heavy dose of advertising is associated with most major brands doesn't necessarily mean that advertising built the brands in the first place. The birth of a brand is usually accomplished with [public relations], not advertising. Our general rule is [PR] first, advertising second. [Public relations] is the nail, advertising the hammer. [PR] creates the credentials that provide the credibility for advertising. . . . Anita Roddick built The Body Shop into a major international brand with no advertising at all. Instead, she travelled the world on a relentless quest for publicity. . . . Until recently Starbucks Coffee Co. didn't spend a hill of beans on advertising, either. In 10 years, the company spent less than \$10 million (€8.2 million) on advertising, a trivial amount for a brand that delivers annual sales of \$1.3 billion. Wal-Mart Stores became the world's largest retailer . . . with very little advertising. . . . In the toy field, Beanie Babies became highly . . . successful . . . and on the Internet, Yahoo!, Amazon.com, and Excite became powerhouse brands, [all] with virtually no advertising.<sup>26</sup> ”

In their book *The Fall of Advertising and the Rise of PR*, the consultants Al and Laura Ries assert that the era of advertising is over, and that public relations is quietly becoming the most powerful marketing communications tools. Although most marketers don't go this far, the point is a good one. Advertising and public relations should work hand in hand to build and maintain brands.

## Major public relations tools

PR professionals use several tools. One essential tool is *news*. PR professionals find or create favourable news about the company and its products or people. Sometimes news stories occur naturally. At other times, the PR person can suggest events or activities that would create news.

*Speeches* also create product and company publicity. Increasingly, company executives must field questions from the media or give talks at trade associations or sales meetings. These events can either build or hurt the company's image.

Another common PR tool is *special events*, ranging from news conferences, press tours, grand openings and firework displays to laser shows, hot-air balloon releases, multimedia presentations and star-studded spectacles, or educational programmes designed to reach



The birth of a brand is often accomplished with public relations, not advertising. For example, Beanie Babies have been highly successful with virtually no advertising. SOURCE: The Image Works.

and interest target publics. Richard Branson, the chief executive of Virgin Group, offers a good example of a practitioner who has perfected the art of deploying both speeches and special events for self- and corporate promotion.

Public relations people also prepare *written materials* to reach and influence their target markets. These materials include annual reports, brochures, articles and company newsletters and magazines.

*Audiovisual materials*, such as films, slide-and-sound programmes and video and audio cassettes, are being used increasingly as communication tools.

*Corporate-identity materials* also help create a corporate identity that the public immediately recognises. Logos, stationery, brochures, signs, business forms, business cards, buildings, uniforms and even company cars and trucks make effective marketing tools when they are attractive, distinctive and memorable.

Finally, companies might improve public goodwill by contributing money and time to *public service activities*: campaigns to raise funds for worthy causes – for example, to fight illiteracy, support the work of a charity, or assist the aged and handicapped – help to raise public recognition.

*Sponsorship* is any vehicle through which corporations gain public relations exposure. Corporate sponsorships have become an important promotional tool for companies looking to lift their brand image, or introduce new product lines or services. Worldwide spending on sponsorships totalled \$24bn in 2002, an annual increase of 3.4 per cent, according to IEG, a Chicago-based research company, while in the US the figure totalled almost \$10bn. Some companies have used sponsorship as a strategic promotional tool to build brand image or launch new products and services. Witness, for example, Samsung, which has successfully joined a small but distinguished band of Olympic sponsors. By focusing its sponsorship activities on a few premium global events such as the Olympics, the company turned the Samsung name into a desirable global brand (see Marketing Insights 18.2).

## 18.2 Samsung's cool 'matrix' values



In what has proved to be one of Samsung's more audacious marketing coups, the Korean group managed to snatch the sponsorship of the two sequels to the hit movie *The Matrix* from the jaws of Nokia. The Finnish handset manufacturer had been the official sponsor of the first *Matrix* movie in 1999, and the Nokia phone had played a very visible part in the narrative as the entrance and exit points for the characters beaming themselves into the eponymous virtual reality mindset.

But by the time the second film, *The Matrix Reloaded*, came out earlier in 2003 [2003], the phones in the characters' hands were carrying a Samsung logo. 'I am a big fan of *The Matrix*', says Eric Kim, head of Samsung's global marketing operations. 'When I first saw that movie, I loved it. Not only because it was cool and had action and was futuristic, but it's also very philosophical. And it fits with our brand perfectly. The target audience was young – in their 20s and 30s – and it conveyed a very cool lifestyle message.'

At the time *The Matrix Reloaded* was being made, Samsung was working in partnership with AOL Time Warner on an instant messaging phone; Kim used the relationship to get in touch with Warner Studios. Samsung spent a reported \$100 m to sponsor the movie, along with General Motors' Cadillac, the beer brand Heineken and Coca-Cola's PowerAde. 'I pursued that deal very aggressively', says Kim.

Sporting events account for a bulk of the sponsorship market, but entertainment deals including film and television have become a growth area. 'As a follower brand [one trying to catch a market leader], Samsung needed different and unique sponsorships. With *The Matrix Reloaded* it has clearly had great returns in terms of visibility and alignment with the brand', says Raman Mangalorkar at consultancy AT Kearney.

However, some corporate marketing executives warn that product placement in films may not be for everyone. '[Product placement] is very difficult to exploit', says Keld Strudahl, head of marketing and global sponsorship at brewer Carlsberg. He adds that the costs tend to be too high and the returns remain unclear. Apart from buying the right to place a product, sponsorships only become effective when they are packaged with other promotions including marketing and new product lines, which adds to the bill. Carlsberg has focused on sport and has emphasised its long-term involvement in certain events. 'Having a long-term relationship is one of the main criteria. We're not interested in one-off events', says Strudahl. He also notes that the bigger the event, the better the returns.

To that end, the Olympics have played a large part in Samsung's strategy, and its involvement has spanned several years. 'The Olympics are the premier global event, and the sponsors are major global brands like Coca-Cola, McDonald's and so on', says

Kim. 'For us to be part of that small, distinguished crowd gave us instant credibility. Although we didn't have the heritage of Coca-Cola, we were being accepted as a global brand.'

Samsung's sponsorship of the 1998 Winter Games was the first by a Korean company. Since then it has been a wireless sponsor on a number of occasions, providing mobiles, pagers and two-way radios for Olympic participants. In 2002, for the Salt Lake City Winter Games, Samsung created one of its most famous images – the haunting 'Snow Woman' – who appeared in a series of surreal sport-themed advertisements.

Kim says that Samsung evaluates its brand position each year with a multi-country survey which measures consumer awareness and preference. For a company trying to reach consumers in Europe and the US, a worldwide event like the Olympic Games has served its purpose of improving its image. However, Kim is acutely aware that the main challenge for marketers is to turn consumer awareness into affinity and the need to link that to product sales. For the 2004 summer Olympic Games in Athens, Samsung's strategy is shifting slightly, says Kim. It's not just about getting noticed, but creating a sense of loyalty and attachment in the audience. Hence the focus will be on highly emotive events – for example, Samsung has become one of only two sponsors of the torch relay that marks the start of the Games. 'Until now the emphasis was on creating an appropriate level of awareness. Now we think we have achieved that our next goal is to achieve relevance and preference', Kim says.

SOURCES: Based on Maija Pesola and Emiko Terazono, 'Fun and games', *Financial Times FT Creative Business* (9 September 2003), p. 11; see also Maija Pesola, 'Goodbye South Korea. Hello World', *ibid.*, p. 10.

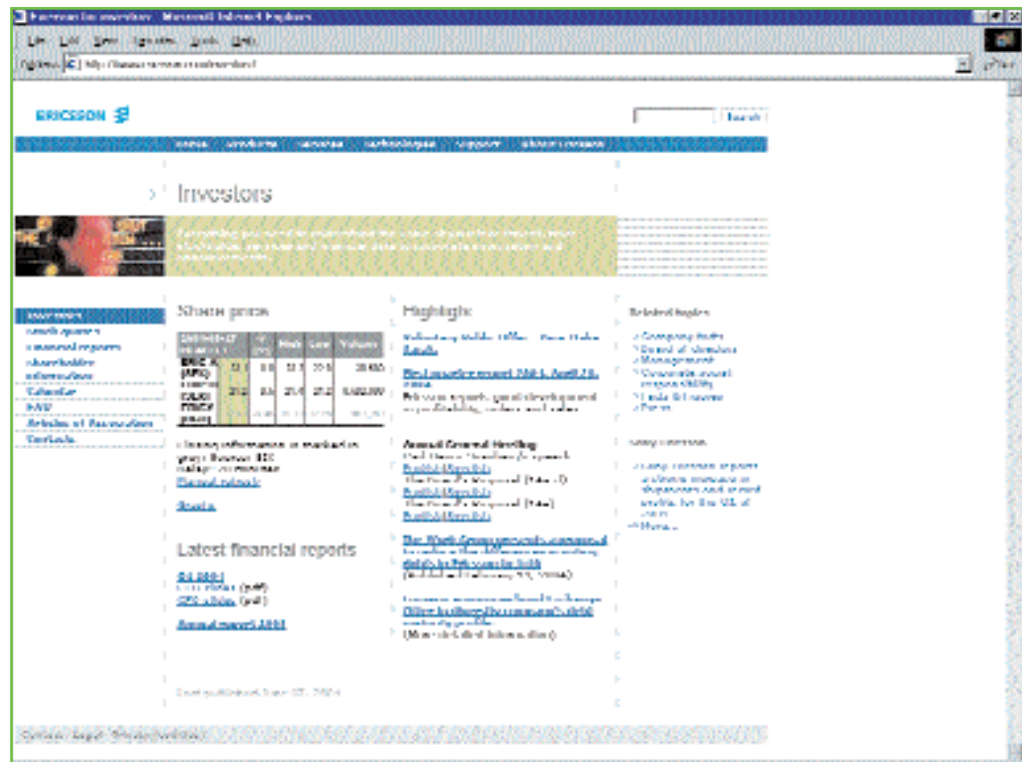
A company's *website* can also be a good public relations vehicle. Consumers and members of other publics can visit the site for information and entertainment. Websites can also be ideal for handling crisis situations. As more and more people look to the Net for information, a 'web' of opportunity now unfolds for public relations.

Company websites are now used to post testimonials from satisfied buyers, to make new product announcements and to allow the organisation to respond publicly to events, particularly crises, swiftly and to a broad audience at relatively low cost. The direct-to-consumer nature of corporate websites means that firms' PR departments and their agencies have greater control over the message to be communicated. In the pre-Web era, firms would rely on journalists to write 'stories' about the organisation, its product or an employee to make the organisation or event newsworthy and to win credibility.

One of the most important benefits of using company websites for public relations is a greater control of message consistency. Publicity material can be used to support sales, where appropriate. For example, since an online press release is going straight to the consumer, rather than journalists, links to sales or customer enquiries can be made and consumers' response can be attained instantaneously.

Public relations involves many functions beyond product publicity, including public affairs, lobbying and investor relations. For example, most company websites feature special sections for current and potential investors – like this one from Ericsson.

SOURCE: [www.ericsson.com](http://www.ericsson.com).



The Internet may change the fundamentals of public relations work. However, the Internet is not a substitute for journalists and their high-impact editorials. The firm's online PR efforts have to be supplemented with direct and face-to-face communications with journalists and other opinion-formers.<sup>27</sup>

### Main public relations decisions

As with the other promotion tools, in considering when and how to use product public relations, management should set PR objectives, choose the PR messages and vehicles, implement the PR plan and evaluate the results.

### Setting public relations objectives

The *objectives* for public relations are usually defined in relation to the types of news story to be communicated, the communication objectives to be achieved (for instance, awareness creation, knowledge dissemination, generation of specific publicity for target groups) and the specific target audiences.

### Choosing public relations messages and vehicles

*Message* themes for the public relations exercise should be aligned with the organisation's PR objectives. In some cases the choice of PR messages and tools will be clear-cut. In others, the organisation has to create the news rather than find it by sponsoring noteworthy events. Creating events is especially important in publicising fund-raising drives for non-profit organisations. In the past, fund-raisers have created a large set of special events, ranging from art exhibits, auctions and dinners, to marathons, walkathons and swimathons.



## Implementing the public relations plan

The PR campaign must be implemented with care. For example, a *great* story is easy to place, but, unfortunately, most stories are not earth shattering and would not get past busy editors. Thus PR professionals have to acquire a good feel for what media editors want to feature in their papers and magazines as well as establish good relationships with them. They view media editors as a market to be satisfied so that editors will continue to use their stories.

## Evaluating public relations results

Public relations results are difficult to measure because PR is used with other promotion tools and its impact is often indirect. Ideally, the company should measure the change in product awareness, knowledge and attitude resulting from the publicity campaign. Assessing the change requires measuring the before-and-after-the-campaign levels of these measures. Finally, sales and profit impact, if obtainable, is the best measure of public relations effort. If advertising and sales promotion were also stepped up during the period of the PR campaign, their contribution has to be considered.

Increasingly, companies, particularly high-media-profile organisations such as banks, food, chemicals and pharmaceuticals firms, invest in longer-term media tracking to help public relations managers to design and implement more effective PR programmes. They employ specialist media analysis and evaluation agencies or PR consultants to conduct in-depth media analyses which include coverage in both electronic and print media, and identify issues and public perceptions about the organisation's reputation, products and services and those of their competitors, as well as tracking legislative initiatives. They generate 'management intelligence' to determine the effectiveness of an organisation's PR activities and to help forward planning of communications and customer/public relationship building, including how management should react in a crisis management situation.

For example, the charity organisation Barnardo's conducted media content analyses to identify if the public's perception of Barnardo's was consistent with the modern aspects of Barnardo's work. The charity was concerned that people still thought of Barnardo's as an outfit that runs orphans' homes, whereas the last one closed in the early 1980s, and they are now tackling modern childcare issues. By systematically tracking all reference to Barnardo's work currently in the press, the organisation found that the analyses proved that its initial strategy was working. When Shell UK faced adverse publicity over the disposal of its defunct oil rig, Brent Spar, Shell hired experts to provide in-depth analyses of media coverage and public opinion. The information helped the company deliver a strategic counter-attack once management understood the issues embedded in the crisis: who the opposition was and the nature of its agenda.<sup>28</sup>

Finally, like the other communications tools, public relations should be blended smoothly with other promotion activities within the company's overall integrated marketing communications effort.

## Summary

Companies must do more than deliver good products and services – they have to inform customers about product benefits and carefully position these in customers' minds. To do this, they must skilfully employ mass-promotions to target specific buyers. The three mass-promotion tools are *advertising*, *sales promotion* and *public relations*.

*Advertising* – the use of paid media by a seller to inform, persuade and remind target audiences about its products or organisation – is a strong promotion tool which takes many forms and has many uses. *Sales promotion* covers a wide variety of short-term purchasing incentives – coupons, premiums, contests, buying allowances – designed to stimulate final and business consumers, the trade and the company's own sales force. In many countries, sales promotion spending has been growing faster than advertising spending in recent years. *Public relations* – gaining favourable publicity and creating a favourable company image – is the least used of the major promotion tools, although it has great potential for building consumer awareness and preference.

*Advertising decision making* involves decisions about the objectives, the budget, the message, the media and, finally, the evaluation of results. Advertisers should set clear *objectives* as to whether the advertising is supposed to inform, persuade or remind buyers. The advertising *budget* can be based on what is affordable, on a percentage of sales, on competitors' spending, or on the objectives and tasks. *Message decisions* involve planning the message strategy and executing it effectively. The *media decision* involves defining reach, frequency and impact goals, choosing major media types, selecting media vehicles, and deciding on media timing. Finally, *evaluation* calls for evaluating the communication and sales effects of advertising before, during and after the advertising is placed.

Companies that advertise their products in different country markets can apply the basic principles relating to domestic advertising, but they must take into account the complexities involved in international advertising. They must address the similarities and differences in customer needs and buying behaviour, as well as cultural, socio-economic, political and regulatory environments across country markets, which will affect the decision to standardise or differentiate advertising strategies and executions.

Sales promotions call for setting sales promotion objectives (in general, sales promotions should be *consumer relationship building*), selecting tools, developing, pre-testing and implementing the sales promotion programme. Marketers use consumer promotion tools (*samples, coupons, cash refunds, price packs, premiums, advertising specialities, patronage rewards, point-of-purchase promotions, contests, sweepstakes, games*), trade promotion tools (*discounts, allowances, free goods, push money*) and business promotion tools (*conventions, trade shows, sales contests*) as well as decide on issues such as the size of the incentive, the conditions for participation, how to promote and distribute the promotion package and the duration of the promotion. After the sales promotion process is completed, the company evaluates the results.

Organisations use *public relations* to obtain favourable publicity, to build up a good 'corporate image' and to handle or head off unfavourable rumours, stories and events. Public relations involves setting PR objectives, choosing PR messages and vehicles, implementing the PR plan and evaluating PR results. To accomplish these goals, PR professionals use a variety of tools, such as *news, speeches* and *special events*. Or they communicate with various publics through *written, audiovisual* and *corporate identity materials*, and contribute money and time to *public service activities*.

## Discussing the issues

1. Until recently, television viewers were considered the captive audience for advertisers. How has this changed? To what extent will the changes in consumer television viewing habits impact advertising? What actions should advertisers consider to regain the consumer audience?
2. Advertisers must develop compelling creative concepts or big ideas that will bring their message strategies to life in a distinctive way. Look at some magazine advertisements. Find what you perceive to be compelling creative concepts. Identify specific appeals being used in these ads and comment on what you think the advertisers are trying to accomplish with these ads.
3. Sales promotions are short-term incentives to trigger sales. How might companies use these tools for customer relationship building? Critically evaluate the role of sales promotion as a customer relationship building tool.
4. Companies often run advertising, sales promotion and public relations efforts at the same time. Can their efforts be separated? Discuss how a company might evaluate the effectiveness of each element in this mix.
5. The Internet is the latest public relations frontier. Web users now routinely share their experiences and problems with a company's products, service, prices and warranties on electronic bulletin boards and chat rooms and at various websites. What kinds of special public relations problems and opportunities does the Internet present to today's marketers? How can companies use their own websites to deal with these problems and opportunities? Find examples of companies that use their websites as public relations tools. Critique each website on its content, effectiveness and capacity to act as a proactive public relations tool.

## Applying the concepts

1. Buy a Sunday paper and sort through the colour advertising and coupon inserts. Find examples that combine advertising, sales promotion and/or public relations. For instance, a manufacturer may run a full-page ad that also includes a coupon and information on its sponsorship of a charity event.
  - (a) Do you think these approaches using multiple tools are more or less effective than a single approach? Why?
  - (b) Try to find ads from two direct competitors. Are these brands using similar promotional tools in similar ways?
2. Log into the websites of tobacco companies such as Philip Morris ([www.philipmorris.com](http://www.philipmorris.com)), RJ Reynolds ([www.rjrt.com](http://www.rjrt.com)), BAT ([www.bat.com](http://www.bat.com)) or Brown and Williamson ([www.brownandwilliamson.com](http://www.brownandwilliamson.com)). Navigate to the tobacco area. You may encounter links to news about the tobacco industry, documents containing harsh criticisms from anti-smoking lobbies, as well as a host of other pro- and anti-tobacco material. RJ Reynolds tells you that 'it manufactures products that have significant and inherent health risks' though it still urges you to report and protest about 'unfair' anti-smoking bans. On its website, Philip Morris admits that 'cigarette smoking is addictive'. Others, like Brown and Williamson, enable you to link to their 'courthouse' section so you can keep an exact count of the legal

assaults upon the company. For years tobacco firms like Philip Morris have operated under a siege mentality, closing themselves off from the questions and criticisms coming from the outside world. Recently, however, this culture has slowly begun to change, with companies facing increasing pressure to change their image. However, being a responsible corporate citizen and changing the company's culture, products and image will not be easy.

- (a) What public relations issues do cigarette manufacturers such as BAT, Philip Morris and RJ Reynolds face?
- (b) What kind of public relations advantages does admission of tobacco's health risks create? What problems?
- (c) Outline a public relations programme for gaining public trust and shareholder interest.

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### WEB RESOURCES

For additional classic case studies and Internet exercises, visit [www.pearsoned.co.uk/kotler](http://www.pearsoned.co.uk/kotler)

# Concluding concepts 18

## Ninety per cent of spend wasted!



DAVID BOWEN\*

If half the money spent on advertising is wasted, at least 90 per cent of the money spent on brand sites is flushed away. Why?

The principal reason is that brand-builders have failed to realise just how different the Web is from other media. In particular, it is hopeless at soundbites. Brand-builders want to get across short messages by osmosis and association – nothing awkward like logic. The Web is just too literal and too sophisticated: it is marvellous for explaining the intricacies of the Martian landscape, or offering a choice of 2m books, but it falls down badly when trying to sell you a bar of chocolate or a bottle of vodka.

Let us start with the vodka – ABSOLUT VODKA. Its site ([www.absolut.com](http://www.absolut.com)) epitomises this failure to get to grips with the medium. It is possibly the most elaborate brand-building site on the Web, and probably the biggest waste of money. I see a group of clever Swedes sitting around wondering if they can create a ‘multimedia experience that truly conveys our brand values’. The result is a sub-daytime TV experience, with naff music, stilted voiceovers and pretty pictures trying to dress up desperately thin content. A few advertisements, cocktail recipes and some truly embarrassing features: try the ‘Night out’ in the ABSOLUT VANILLA section for a good cringe. This site is worthless because it is pointless. If you are going to spend a lot of money on a branding site, give it a job.

It is interesting to contrast national offerings from the same company to see what a difference this makes. Take Coca-Cola. Most of its national sites (accessible from [www.coke.com](http://www.coke.com)) contain what has become a standard mix of TV ads, games, screensavers and the like – soft content that has hardly moved on in the last five years and reflects a depressing lack of imagination. By contrast, MyCokeMusic.com, part of the UK offering, is a branding site with a purpose. Here you can download a track for £0.80 (€1.33) or an album for £6.40, or stream a track (that is, listen to it once) for £0.01. Coca-Cola sponsors the UK charts so the site fits perfectly with its image and, best of all, generates revenue.

Alternatively, look at the Guinness site ([www.guinness.com](http://www.guinness.com)). It asks on the home page where you are. Say you are in the US and you get a standard branding site, with ads (including an archive), product and company information, and a small store where you can buy a T-shirt but not a drink – all a bit ho-hum really. However, tell it you are in the UK, and you will find a site hung on the company’s rugby sponsorship. Here is a sophisticated Fantasy Rugby game linked to the Six Nations tournament. I will be amazed if it is not a success.

Weetabix, the cereal company, has a site ([www.weetabix.co.uk](http://www.weetabix.co.uk)) that is sometimes useful, sometimes not. When it is supporting a cereal packet competition, it is essential. However, when there are no competitions, it is just another branding site – pleasant enough but pointless!

Guinness, Coke and Weetabix are lucky (or clever): they have seen ways of using the Web to support their overall promotional activity. But what do you do if you have no such hook? A good starting point is to follow Mars’s lead with the Mars Bar. There is no Mars Bar site, but how many companies have such nerve? We have a product; therefore, we *must* have a website. OK, but make sure you get the right balance between money spent and effectiveness.

The most common mistake is to spend a little and get nothing. Hershey has a site for its KitKat ([www.kitkatbar.com](http://www.kitkatbar.com)) that consists of one page with a slogan: ‘White and dark chocolate now available at your favourite retailer’. The only link in the main area is to an Ad Alert, a pop-up window warning that this website ‘may be trying to sell you something’. Well, at least it is cheap – but why not go the Mars Bar route and spend the money in the pub instead?

The Americans call the Mars Bar a Milky Way, and it does have a site ([www.milkyway.com](http://www.milkyway.com)). While much more elaborate than KitKat’s, it is still thin: a list of ingredients, two television ads, some history, recipes and a product locator (put in your zip code and find a retailer). Some of these are marginally useful, especially if you want to turn your Milky Way into pink mousse tart, but how many people would really look on the Web for a retailer that sells a common confectionery? Or go online to watch a telly ad? I am not singling Milky Way out – it is one of thousands with a similarly dull mix.

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The most common mistake is to spend a little and get nothing.

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If you spend a little more, and apply some imagination, the Web can start to make some sense. The British KitKat site ([www.kitkat.co.uk](http://www.kitkat.co.uk)) shows the possible effects of investment. In common with many brand sites, it consists of a cartoon world, with invitations to click here and there to find various goodies. The navigation is vague, a deliberate ruse to keep visitors on the site as long as possible. Nevertheless, after a few clicks I found two downloadable items that will appeal to some: an Asteroids game and the Breakmate, a device that lets you say when you next want a break, and triggers a pop-up window at the time you specify. It may not be very exciting, but at least it fits the bar's 'Have a break . . .' slogan and leaves a branded gizmo sitting on a visitor's desktop.

Online games can work too. They do not have to be complex to be engaging. My children and I have wasted a few happy hours playing Air Hockey at the Mini UK site ([www.mini.co.uk](http://www.mini.co.uk)); it is remarkably like Pong, which I used to play in the Seventies. The games on the US Twizzlers site ([www.twizzlers.com](http://www.twizzlers.com)) are even simpler: try the surprisingly tricky Seeing Red word puzzle. If you do want something more sophisticated, locate – if you can – the table football game at Coke UK ([www.cocacola.co.uk](http://www.cocacola.co.uk)): too clever for me, but my son likes it.

Given the plethora of such games and other diversions, these sites will flourish only if they get a loyal following – which leads me on to a site for which I have a special fondness. Acdoco is a North of England-based manufacturer of specialist cleaning products. Its site

([www.acdo.co.uk](http://www.acdo.co.uk)) also has the 'world's longest-running online soap', called The Laundorama. This semi-animated cartoon is very silly, and aimed firmly at students. The company sees it as a way of competing with the giants without pouring money into television ads. Does it work? Well, it has been going since April 1998: someone must think it does. At least – thank heavens – it is different.

### Questions

1. How do Web-based communications differ from the other elements of the communications mix?
2. What are the websites mentioned trying to achieve?
3. Why does David Bowen draw a distinction between most of the websites he details in the case and those that explain the intricacies of the Martian landscape ([www.marsrovers.jpl.nasa.gov](http://www.marsrovers.jpl.nasa.gov)) or offer a choice of two million books ([www.amazon.com](http://www.amazon.com))?
4. Does it matter or not if 'half the money spent on advertising is wasted' or '90 per cent of money spent on brand sites is flushed away'?
5. How can marketers evaluate the return on the money they spend upon brand sites and other advertising?

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\* David Bowen works for the website effectiveness consultancy Bowen Craggs & Co ([www.bowencraggs.com](http://www.bowencraggs.com)). This case is based on his article, 'In search of a mission', *Financial Times* (5 February 2004) © David Bowen.