

Promise, large promise, is the soul
of an advertisement.

DR JOHNSON (WRITER AND LEXICOGRAPHER)

Promotion

PART SEVEN

Chapter 17 Integrated marketing communication strategy

- **Chapter 18** Advertising, sales promotion and public relations
- **Chapter 19** Personal selling and direct marketing

IN PART SEVEN WE COVER the third element of the marketing mix – promotion. We show how organisations communicate with their various target markets.

Being able to design and develop a product or service that has all the features that attract customers is one thing. Getting the message across to them and ultimately capturing or retaining a customer is quite a different matter; consequently, marketers must learn how to communicate effectively with their customers.

Chapter 17 shows how to do this and gives an overview of the types of marketing communication or the promotion mix. There is no one best communication tool or approach to use; rather, marketers must employ a combination of tools and carefully coordinate their strategies for each in order to deliver a clear, consistent and compelling message about the organisation and its products.

Chapter 18 addresses three mass communication tools – advertising, sales promotion and public relations efforts. We see how they help to achieve different types of response from consumers. Furthermore, we explore the opportunities and the barriers facing marketers seeking to communicate to customers worldwide.

Moving on from the discussion of indirect, non-personal forms of communication, **Chapter 19** examines the role of direct marketing, including both face-to-face and non-personal communications, to reach target customers. Personal communications – that is, the use of a sales force to reach the firm's customers – is increasingly seen as a source of value creation, not just as order takers. Through them, customer relationships can be forged and sustained. In addition, there are non-personal, direct marketing tools such as telephones, televisions, mail, catalogues and computers that have become important media for communicating messages as well as selling products and services to customers. These communications channels can help organisations not only to reach specific target markets quickly, but also to interact and do business with customers. As Chapter 4 has covered in more detail firms' use of the Internet and online marketing techniques to reach customers directly, Chapter 19 will address other forms of direct, non-personal marketing.

Beat your gong and sell your candies.

CHINESE PROVERB

Integrated marketing communication strategy

CHAPTER

SEVENTEEN

Chapter objectives

After reading this chapter, you should be able to:

- Name and define the four tools of the marketing communications mix.
- Discuss the process and advantages of integrated marketing communications.
- Outline the steps in developing effective marketing communications.
- Explain the methods for setting the promotion budget and factors that affect the design of the promotion mix.

Mini Contents List

- Prelude case – Cadbury’s Dairy Milk: staying at the top of the chocolate tree
- Introduction
- Integrated marketing communications
- Marketing Insights 17.1 – Outdoor campaigns staying ‘cool’ after all this time
- A view of the communication process
- Steps in developing effective communication
- Setting the total promotion budget and mix
- Socially responsible marketing communication
- Marketing Insights 17.2 – Promoting health on the Internet: for whose eyes only?
- Summary
- Concluding concepts 17 – Absolut Vodka: Samantha and the Hunk on the Level

Prelude case Cadbury's Dairy Milk: staying at the top of the chocolate tree

The past year has not been an easy one for the UK's confectionery companies. There was the long hot summer, concerns over obesity, and the continuing fight for market share in a slow-growing market. But, boosted by its flagship Dairy Milk brand, Cadbury Schweppes, for now at least, has emerged victorious in the chocolate wars. Revenue at Cadbury Trebor Bassett, the group's UK confectionery arm, rose 13 per cent thanks to the Dairy Milk line, following its biggest product relaunch ever in 2003. This saw its smaller brands – Cadbury's Caramel and Wispa – moved into the Dairy Milk stable, where they were renamed Dairy Milk Caramel and Dairy Milk Bubbly, while adding new variants such as Dairy Milk with Mint Chips.

The relaunch came after a strategic review following the integration of Trebor Bassett in 2001. '[The number of] brands became a business issue – there were too many small brands which we couldn't sustain amid media inflation. Consumers were also confused', Louise Cooke, the group's marketing director says. 'We decided that, both from a business and consumer perspective, there was a better way to do this.'

At around £4bn, the UK chocolate market is one of the largest in Europe. Britons consume about 10 kg each of chocolate a year, and while

this is less than the Swiss and the Irish, it still amounts to three to four chocolate bars per person per week, says the Biscuit Cake Chocolate and Confectionery Association. Consumers look for variety, dipping into 10 to 15 products, but can only maintain strong relationships with a limited number of brands.

After quantitative market research, Cadbury decided that it needed to cut its number of brands, but also noted that the consumer's relationship with the Cadbury brand was very strong. 'The important thing is to offer people the product variety in the brand that they love', says Cooke. Hence the move to rebrand Wispa, launched in the 1980s to compete against Rowntree's Aero, and Caramel. The relaunch also included the redesign of the Dairy Milk packaging, emphasising the Cadbury purple, and the creation of new displays for the large supermarkets. Briefing the sales force and getting them to sell the 'Dairy Milk story' to retailers was also key.

But what of the communications? The Dairy Milk relaunch was accompanied by low-key marketing, with Cadbury preferring

to emphasise the role played by product design and sales in its success. 'The first thing you look at is the structure of the brand, then the product, then execution. Communication is the last thing', according to Cooke.

Cadbury is planning more advertising later in 2004, but until now, apart from its Coronation Street sponsorship which promotes assorted chocolate offerings, it has been limited to a TV campaign for Dairy Milk Caramel plus direct mailing for Caramel devotees, and an outdoor campaign for Dairy Milk variants Mint Chips and Turkish.

Compared with Nestlé Rowntree and Masterfoods whose market shares are 22.1 per cent and 26.7 per cent respectively in 2003, Cadbury leads with 28.4 per cent. It is in the enviable position of consumers associating the company name closely with chocolate. It also has history on its side, with the Dairy Milk brand having been around since 1905.

While Cadbury may be at the top of the chocolate tree now, will this continue, and what of its competitors? Observers note that with Masterfoods' reputation for innovation, and Nestlé pushing to revitalise its brands, the fight for market share is likely to become even fiercer. Arnaud Langlois, analyst at JP Morgan detects real momentum at Cadbury, especially after the integration with Trebor Bassett: '[They are] supported by an improved distribution platform, increased media investment and point of sale [promotional] activity. Cadbury's products have gained shelf space – you can see Cadbury products more than ever.'¹

Questions

1. To what extent do you agree with Louise Cooke's view that 'The first thing you look at is the structure of the brand, then the product, then execution. Communication is the last thing.' What role does communication play in building brands in general, and in supporting the relaunch of Dairy Milk?
2. Consider the major forms of communication used in the Dairy Milk relaunch. Critically evaluate the communication mix adopted by the company.
3. What factors must be considered to ensure that the firm's communication strategy serves to maintain strong consumer relationships with its flagship Dairy Milk brand?

SOURCE: adapted from EmikoTerazone, 'Cadbury hits a purple patch', FT Creative Business (2 March 2004).

Britons consume about 10 kg each of chocolate a year – amounting to three to four chocolate bars per person per week.

Introduction

Modern marketing calls for more than just developing a good product, pricing it attractively, and making it available to target customers. Companies must also *communicate* with current and prospective customers, and what they communicate should not be left to chance. Just as good communication is important in building and maintaining any kind of relationship, it is a critical element in a company's efforts to build customer relationships.

To communicate well, companies often hire advertising agencies to develop effective ads, sales promotion specialists to design sales-incentive programmes, direct-marketing specialists to develop databases and interact with customers and prospects by mail and telephone, and public relations firms to develop corporate images. They train their salespeople to be friendly, helpful and persuasive. For most companies, the question is not *whether* to communicate, but *how much to spend* and *in what ways*. All of their communications efforts must be blended into a consistent and coordinated communications programme.

A modern company has to communicate with its intermediaries, consumers and various publics. Its intermediaries communicate with their consumers and publics. Consumers have word-of-mouth communication with each other and with other publics. Meanwhile, each group provides feedback to every other group. The company therefore has to manage a complex marketing communications system (see Figure 17.1).

A company's total marketing communications mix – also called its **promotion mix** – consists of the specific blend of advertising, personal selling, sales promotion, public relations and direct marketing tools that the company uses to pursue its advertising and marketing objectives. Let us define the five main promotion tools:

- **Advertising.** Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.
- **Personal selling.** Personal presentation by the firm's sales force for the purpose of making sales and building customer relationships.
- **Sales promotion.** Short-term incentives to encourage the purchase or sale of a product or service.
- **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.
- **Direct marketing.** Direct connections with carefully targeted individual consumers both to obtain an immediate response and to cultivate lasting customer relationships – the use of telephone, mail, fax, email, the Internet and other tools to communicate directly with specific consumers.²

Each category in the promotions mix involves specific tools. For example, advertising includes print, radio and television broadcast, outdoor and other forms. Personal selling includes sales presentations, fairs and trade shows, and incentive programmes. Sales promotion includes activities such as point-of-purchase displays, premiums, discounts, coupons, competitions, speciality advertising and demonstrations. Direct marketing includes catalogues, telephone marketing, fax, kiosks, the Internet and more. Thanks to technological breakthroughs, people can now communicate through traditional media (newspapers, radio, telephone, television) as well as through newer types of media (fax machines, mobile phones, computers). The new technologies have encouraged more companies to move from mass communication to more targeted communication and one-to-one dialogue.

At the same time, communication goes beyond these specific promotion tools. The product's design, its price, the shape and colour of its package, and the stores that sell it – *all* communicate something to buyers. Thus, although the promotion mix is the company's

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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.

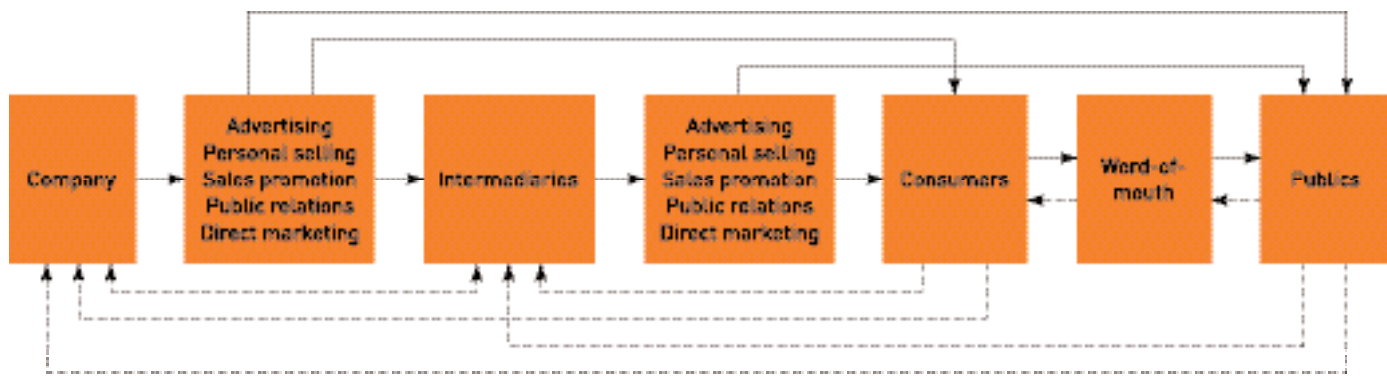


Figure 17.1 The marketing communications system

primary communication activity, the entire marketing mix – promotion *and* product, price and place – must be coordinated for greatest communication impact.

In this chapter, we begin by examining the rapidly changing marketing communications environment, the concept of integrated marketing communications and the communication process. Next, we discuss the factors that marketing communicators must consider in shaping an overall communications mix. Finally, we summarise the legal, ethical and social responsibility issues in marketing communications.

In Chapter 18, we look at *mass-communication tools* – advertising, sales promotion and public relations. Chapter 19 examines the *sales force* and *direct marketing* as communication and promotion tools.

Integrated marketing communications

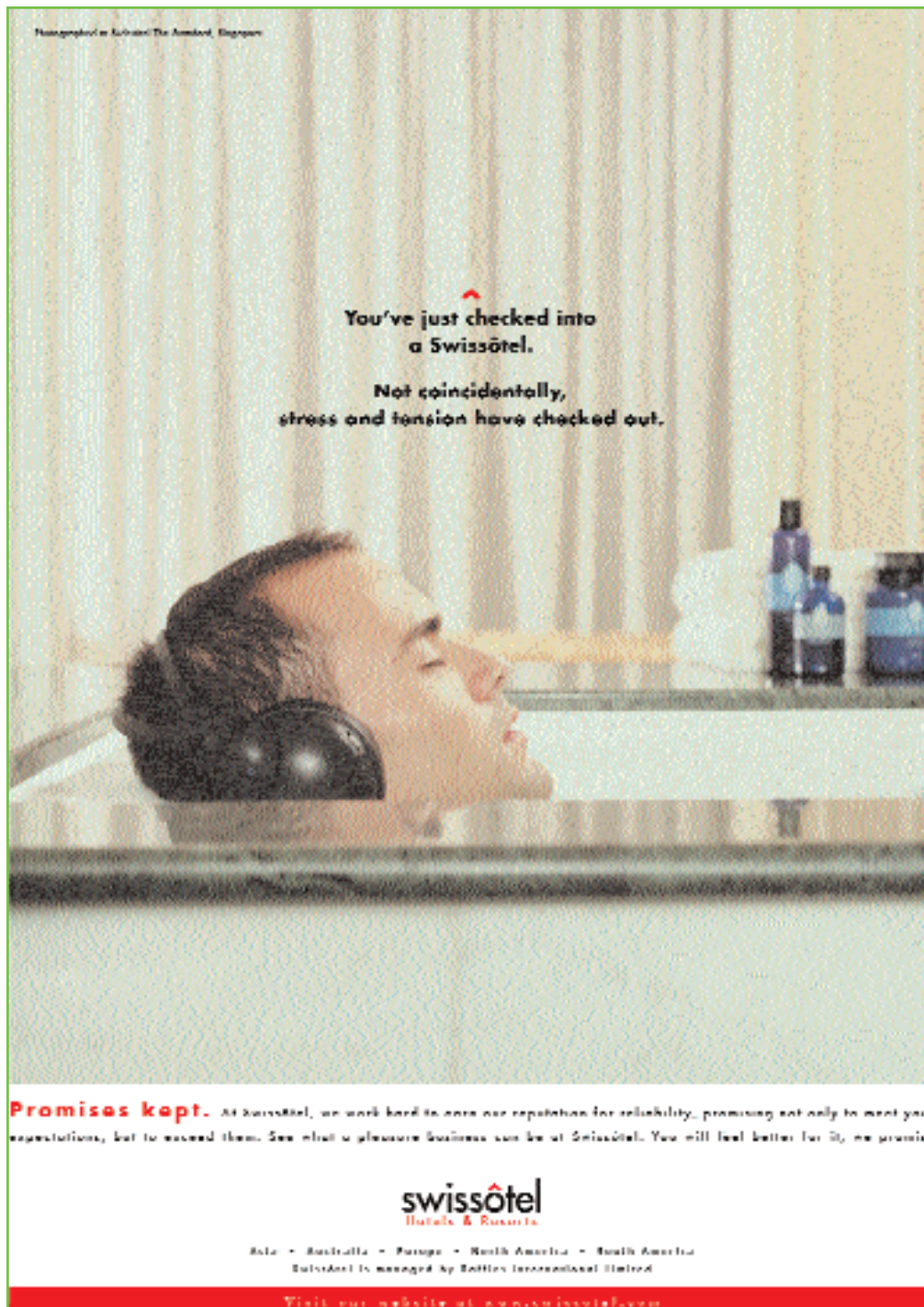
During the past several decades, companies around the world have perfected the art of mass marketing – selling highly standardised products to masses of customers. In the process, they have developed effective mass-media advertising techniques to support their mass-marketing strategies. These companies routinely invest huge sums of money in the mass media, reaching tens of millions of customers with a single ad. However, in the twenty-first century, marketing managers face some new marketing communications realities.

The changing communications environment

Two major factors are changing the face of today’s marketing communications. First, as mass markets have fragmented, marketers are shifting away from mass marketing. More and more, they are developing focused marketing programmes designed to build closer relationships with customers in more narrowly defined micromarkets. Second, vast improvements in information technology are speeding the movement towards segmented marketing. Today’s information technology helps marketers to keep closer track of customer needs – more information is available about customers at the individual and household levels than ever before. New technologies also provide new communications avenues for reaching smaller customer segments with more tailored messages.

The shift from mass marketing to segmented marketing has had a dramatic impact on marketing communications. Just as mass marketing gave rise to a new generation of mass-media communications, so the shift towards one-to-one marketing is spawning a new generation of more specialised and highly targeted communications efforts.³

Chapter 17 Integrated marketing communication strategy



Plausiphoton / Activated The Ambient, Singapore

You've just checked into
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stress and tension have checked out.

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The Swissôtel promise – comfort, relaxation, peace-of-mind as a result of the brand's reliability – is central to the Hotel's communication strategy, no doubt subtly captured in this ad. SOURCE: Raffles International Hotels and Resorts. Agency: Leo Burnett, Singapore.

Given this new communications environment, marketers must rethink the roles of various media and promotion-mix tools. Mass-media advertising has long dominated the promotion mixes of consumer-product companies. For example, in 2003, media advertising represented 40.5 per cent of global marketing spend, followed by sales promotion (20.5 per cent), PR and sponsorships (15.4 per cent), direct mail (14.0 per cent) and interactive marketing (7.7 per cent). However, although television, magazines and other mass-media remain very important, their dominance is declining. Companies are not giving up on mass-media advertising, but are seeking ways to get better value for money.⁴

For example, Unilever’s Comfort Refresh, a clothing and fabric deodorant spray, is advertised in the women’s lavatories of clubs and pubs, because its target audience of young females, who use it to remove the smell of cigarette smoke from their clothing, are more likely to be out partying than sitting at home watching television for hours at a time. Refresh also sponsors a TV series that appeals to young females. In keeping with the assumption that the company can no longer expect to communicate efficiently with consumers through a mere 30-second TV commercial, when the company launched Comfort Easy Iron spray, product demonstrations were staged in shopping malls across the country. Unilever is also increasing its use of outdoor poster advertising in brand-building campaigns for product launches (see Marketing Insights 17.1).⁵

Market fragmentation has resulted in media fragmentation – in an explosion of more focused media that better match today’s targeting strategies. Beyond the traditional mass-media



The new media environment: the relatively few mass magazines of past decades have been replaced today by thousands of magazines targeting special-interest audiences (see bottom three magazines). Add to these own-brand glossies (see top three magazines) with their own targeted and captive audiences.

SOURCE: Asda, © New Crane Ltd., Profile Pursuit Ltd., BBC Worldwide, F1 Racing, Health and Fitness, Highbury Communications Plc.

Outdoor campaigns staying 'cool' after all this time

17.1

As advertisers seek new and dramatic ways of reaching mass audiences, outdoor campaigns are undergoing a revival. Although still in their infancy, digital technologies such as plasma screens and wireless networks for projecting moving images on to walls on airport lounges, bus shelters and metro stations may, given time, promise new and dramatic ways of capturing audience attention. Already, 'Transvision', 6 m x 3 m light emitting diode (LED) screens, pioneered by outdoor media owner Maiden Outdoor, are found next to train indicator boards in London's Victoria, Waterloo and Euston stations, serving a diet of advertising messages as well as news, sports and weather updates from the BBC. LED posters were also fitted to London buses in a promotion Viacom Outdoor ran for Nike. Adshell, part of the Clear Channel media group, even created sensory experiences by embedding the sound of puppies barking in a bus shelter campaign for *101 Dalmatians* and the smell of oranges in another shelter ad for the drink Tango.

At £20,000 upwards a screen compared with £1,000 for a conventional wood or metal panel, digital outdoor ads, however, are unlikely to consign traditional posters to the scrap yard. And who can dispute the power of good old-fashioned paper and paste? More than 100 years ago, it was outdoor advertising that shouldered Unilever's brand-building campaign for Sunlight soap, as the now celebrated images of Victorian children began to adorn the arches of railway bridges, shop fronts and the gable ends of houses.

According to Keith Weed, chairman of Lever Fabergé, Unilever's UK operating company for home and personal care products, and owner of household brands such as Persil, Dove and Lynx, the company is increasing its use of outdoor advertising in the years ahead. The reason for this is the belief that big brands have to reach mass audiences – big brands need the 'oxygen' of a mass consumer audience, and even more so in today's ultra-noisy marketing environment. The £15m launch of Lever Fabergé's Dove new moisturising shampoo back in January 2002 illustrates the point. In order to dominate attention at the launch, Dove turned to outdoor which gave greater control and allowed more effective targeting of the 16–34 age group, who are relatively light TV viewers.

The campaign presented a simple, powerful proposition that was tested in situ to ensure maximum impact when the campaign broke. The campaign outperformed category averages, with awareness reaching a whopping 76 per cent, compared to a cosmetics and toiletries average of 44 per cent. The outdoor visuals spearheaded a campaign that was extended across all the media channels, including in-store

...17.1

displays. They were also used to support the sales effort which exceeded a target figure of 10 per cent market share in 10 weeks.

Mass media tools like outdoor campaigns have plenty of mileage left in them. One reason is their ability to deliver mass audience impact at an affordable rate in an increasingly fragmented, multi-media environment. According to advertising agency J Walter Thompson, consumers, on average, are exposed weekly to 350 posters, 250 TV ads, 3 cinema ads, 150 radio commercials and 400 press ads and inserts. However, the constant bombardment of ad messages is matched by a rising level of ad avoidance. Pan-European media buyer CIA reckons that almost 50 per cent of European TV viewers are trying to avoid ad breaks. True, the digital revolution, spearheaded by television and the Internet, is supposed to create multi-channel outlets delivering highly targeted advertising campaigns with ever-greater returns on marketing investment. But multi-channel television has meant an increasingly fragmented audience and declining audience share. To reach the same number of people today compared with five years ago takes seven times as many ad spots. Moreover, the growth in Internet take-up is now tailing off and ad revenues are growing only moderately from what is a very low base. Even so, online advertising must compete for a share of the noise on the internet; and, e-mails must compete for attention with dozens of other messages, ranging from faxes and voicemail to telephone messages and letters.

Although certain products and services may benefit from the new, fragmented media landscape, there is a growing feeling that these cannot deliver by themselves the mass audience impact that consumer brands need. Outdoor advertising stands out as one of the few media with the potential to grab everyone's attention and to deliver big impact. In the foreseeable future, cutting-edge technology could transform the face of outdoor campaigns. Using wireless technology, imagine the possibilities: posters can be 'fired' into position; content could be changed at the press of a key; or screen messages could be directed towards specific audiences identified by their mobile phones. While television is the biggest mass medium today, the great outdoors is set to play an increasingly important role in communicating the promise of brands.

SOURCES: Adapted from Alan Cane, 'Signs of the times', *Financial Times Creative Business* (28 January 2003), p.11; based upon a article by Keith Weed, 'The great outdoors', *Financial Times Creative Business* (9 July 2002), p.6.

channels, advertisers are making increased use of new, highly targeted media, ranging from highly focused speciality magazines and cable or satellite television channels to CD catalogues and websites on the Internet, to airport kiosks and floor decals in supermarket aisles. Many companies are diverting marketing spending to interactive marketing (online communication and sponsorship, websites and extranets, email marketing and interactive digital TV), which can be focused more effectively on individual consumer and trade segments. In all, companies are doing less *broadcasting* and more *narrowcasting*.



Lever has successfully used outdoor advertising to support its brand-building campaigns. In the 1880s, ads like this Sunlight Soap campaign adorned the arches of Victorian railway bridges, shop fronts and the gable ends of houses. Today, Lever continues to rely on outdoor advertising as in the launch of its Dove hair-care range in 2002. SOURCE: Reproduced with kind permission of Lever Fabergé from originals in Unilever Archives.

The need for integrated marketing communications

The shift from mass marketing to targeted marketing, and the corresponding use of a richer mixture of communication channels and promotion tools, poses a problem for marketers. Customers do not distinguish between message sources the way marketers do. In the consumer's mind, advertising messages from different media such as television, magazines or online sources blur into one. Messages delivered via different promotional approaches all become part of a single overall message about the company. Conflicting messages from these different sources can result in confused company images and brand positions.

All too often, companies fail to integrate their various communications channels. The result is a hodgepodge of communications to consumers. Mass-media advertisements say one thing, a price promotion sends a different signal, a product label creates still another message, company sales literature says something altogether different, and the company's website seems out of sync with everything else.

The problem is that these communications often come from different company sources. Advertising messages are planned and implemented by the advertising department or advertising agency. Personal selling communications are developed by sales management. Other functional specialists are responsible for public relations, sales promotion, direct marketing, online sites and other forms of marketing communication.

Recently, such functional separation has been a major problem for many companies and their Internet communications activities. Many companies first organised their new Web communications operations into separate groups or divisions, isolating them from mainstream marketing activities. However, although some companies have compartmentalised the new communication tools, customers won't. Customers may do a bit of Web-surfing to find out about companies' products or services, but this does not mean that they no longer pay attention to TV or magazine ads or take any notice of firms' sales promotion campaigns.⁶

To be sure, the Internet promises exciting marketing communications potential. However, marketers trying to use the Web alone to build brands face many challenges. One limitation is that the Internet does not build mass brand awareness. The Web simply cannot match the impact of World Cups, Olympic Games or Six Nations Rugby, where tens of millions of people see the same 30-second Nokia or Nike ad at the same time. Instead, it is like having millions of private conversations. Using the Web, it is hard to establish universal meanings – such as 'Nokia Connecting People' or 'Just do it' that are at the heart of brand recognition and brand value.

Thus, if treated as a special case, the Internet – or any other marketing communication tool – can be a *disintegrating* force in marketing communications. Instead, all the communication tools must be carefully integrated into the broader marketing communications mix.

For example, supermarket chain Sainsbury's used seamlessly integrated offline and online communications to promote its 'Sainsbury's To You' home delivery service. A consistent message was used to promote a consistent offer of £5 (€7) off the customer's first online shop via online and offline advertising, the Sainsbury's website, emailouts and in-store events. Although it seems obvious, according to John Baker, head of digital services at media agency Proximity London, it is not uncommon to find the online agency saying they will offer a discount of £5 to shop online, and the offline ad saying £10 off.⁷ ”

Integrated marketing communications—

The concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear, consistent, and compelling message about the organisation and its products.

In the past, no one person was responsible for thinking through the communication roles of the various promotion tools and coordinating the promotion mix. Members of various departments often differ in their views on how to split the promotion budget. The sales manager would rather hire a few more salespeople than spend a few hundred thousand euros more on a single television commercial. The public relations manager feels that he or she can do wonders with some money shifted from advertising to public relations. Today, however, more companies are adopting the concept of **integrated marketing communications (IMC)**. Under this concept, as illustrated in Figure 17.2, the company carefully integrates and coordinates its many communications channels to deliver a clear, consistent and compelling

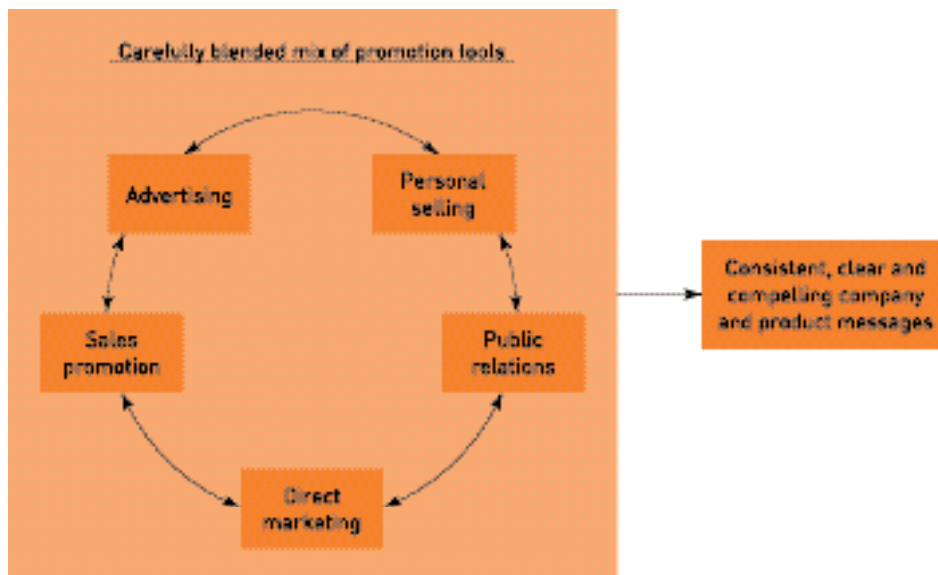


Figure 17.2 Integrated marketing communications

message about the organisation and its products.⁸ It builds a strong brand identity in the marketplace by tying together and reinforcing all the company's messages, positioning and images, and identity, coordinating these across all its marketing communications venues. It means that your PR materials say the same thing as your direct mail campaign, and your advertising has the same 'look and feel' as your website.

IMC calls for recognising all contact points where the customer may encounter the company, its products and its brands. Each *brand contact* will deliver a message, whether good, bad or indifferent. The company works out the roles that the various promotional tools will play and the extent to which each will be used to deliver a consistent and positive message at all contact points. It carefully coordinates the promotional activities and the timing of when major campaigns take place. It keeps track of its promotional expenditures by product, promotional tool, product life-cycle stage and observed effect in order to improve future use of the promotion-mix tools. Finally, to implement integrated marketing communications, some companies appoint a marketing communications director – or *marcom manager* – who has overall responsibility for the company's communications efforts. Essentially, in order for the firm's external communications to be integrated effectively, it must first integrate its internal communications activities.

Integrated marketing communications produce better communications consistency and greater sales impact. They place the responsibility in someone's hands – where none existed before – to unify the company's image as it is shaped by thousands of company activities. They lead to a total marketing communication strategy aimed at showing how the company and its products can help customers solve their problems.

A view of the communication process

Integrated marketing communications involve identifying the target audience and shaping a well-coordinated promotional programme to elicit the desired audience response. Too often, marketing communications focus on overcoming immediate awareness, image or preference problems in the target market. This approach to communication is too shortsighted. Today, marketers are moving towards viewing communications as *managing the customer relationship over time*, that is, during the pre-selling, selling, consumption and post-consumption stages.

Royal Mail tries to convince businesses that direct mail is the best medium to reach their target audience.

SOURCE: Desperately Seeking Generous Partner advertisement © Royal Mail Group plc. Royal Mail and the Royal Mail Cruciform are registered trademarks of Royal Mail Group plc. With Us It's Personal, is a trademark of Royal Mail Group plc. Reproduced by permission of Royal Mail.



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with us it's personal

Because customers differ, communications programmes need to be developed for specific segments, niches and even individuals. Importantly, given the new interactive communications technologies, companies must ask not only 'How can we reach our customers?' but also 'How can we find ways to let our customers reach us?'

Thus, the communication process should start with an audit of all the potential interactions that target customers may have with the product and company. For example, someone buying a new personal computer may talk to others, see television commercials, read articles and advertisements in newspapers and magazines, visit various websites and try out computers in one or more stores. The marketer needs to assess the influence that each of these communications experiences will have at different stages of the buying process. This understanding helps marketers to allocate their communication budget more effectively and efficiently.

To communicate effectively, marketers need to understand how communication works. Communication involves the nine elements shown in Figure 17.3. Two of these elements are the major parties in a communication – the *sender* and the *receiver*. Another two are the major

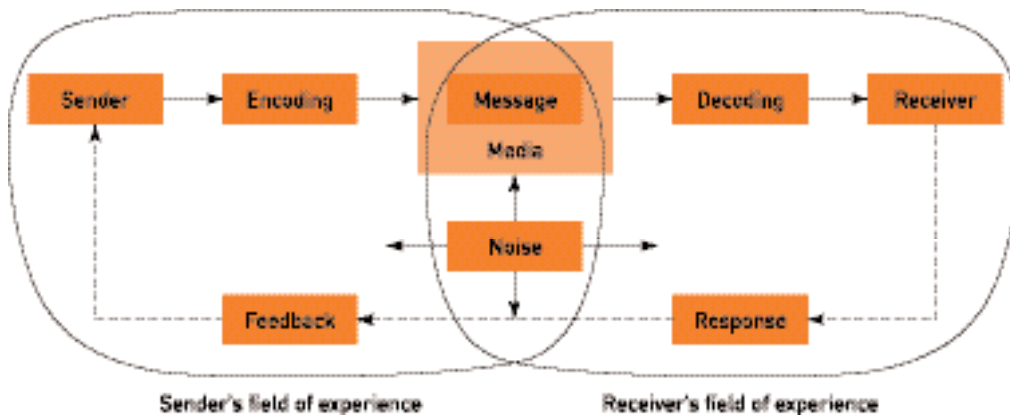


Figure 17.3 Elements in the communication process

communication tools – the *message* and the *media*. Four more are primary communication functions – *encoding*, *decoding*, *response* and *feedback*. The last element is *noise* in the system. We will explain each of these elements using an ad for Ericsson mobile phones.

- *Sender*. The party sending the message to another party – in this case, Ericsson.
- *Encoding*. The process of putting the intended message or thought into symbolic form – Ericsson’s advertising agency assembles words and illustrations into an advertisement that will convey the intended message.
- *Message*. The set of words, pictures or symbols that the sender transmits – the actual Ericsson mobile phone ad.
- *Media*. The communication channels through which the message moves from sender to receiver – in this case, the specific magazines that Ericsson selects.
- *Decoding*. The process by which the receiver assigns meaning to the symbols encoded by the sender – a consumer reads the Ericsson mobile phone ad and interprets the words and illustrations it contains.
- *Receiver*. The party receiving the message sent by another party – the consumer or business customer who reads the Ericsson mobile phone ad.
- *Response*. The reactions of the receiver after being exposed to the message – any of hundreds of possible responses, such as the customer is more aware of the attributes of the Ericsson mobile phone, actually buys the mobile phone advertised, or does nothing.
- *Feedback*. The part of the receiver’s response communicated back to the sender – Ericsson’s research shows that consumers like and remember the ad, or consumers write or call the company praising or criticising the ad or its products.
- *Noise*. The unplanned static or distortion during the communication process, which results in the receiver getting a different message from the one the sender sent – for example, the customer is distracted while reading the magazine and misses the Ericsson mobile phone ad or its key points.

For a message to be effective, the sender’s encoding process must mesh with the receiver’s decoding process. Thus, the best messages consist of words and other symbols that are familiar to the receiver. The more the sender’s field of experience overlaps with that of the receiver, the more effective the message is likely to be. Marketing communicators may not always share their consumers’ field of experience. For example, an advertising copywriter from one social stratum might create an ad for consumers from another stratum – say, blue-collar workers or wealthy business executives. However, to communicate effectively, the marketing communicator must understand the consumer’s field of experience.

This model points out the key factors in good communication. Senders need to know what audiences they want to reach and what responses they want. They must be good at encoding messages that take into account how the target audience decodes them. They must send messages through media that reach target audiences and they must develop feedback channels so that they can assess the audience's response to the message.

Steps in developing effective communication

We now examine the steps in developing an effective integrated communications and promotion programme. The marketing communicator must identify the target audience, determine the communication objectives, design a message, choose the media through which to send the message, and collect feedback to measure the promotion's results. Let us address each of these steps in turn.

Identifying the target audience

A marketing communicator starts with a clear target audience in mind. The audience may be potential buyers or current users, those who make the buying decision or those who influence it. The audience may be individuals, groups, special publics or the general public. The target audience will heavily affect the communicator's decisions on *what* will be said, *how* it will be said, *when* it will be said, *where* it will be said and *who* will say it.

Determining the communication objectives

Once the target audience has been defined, the marketing communicator must decide what response is sought. Of course, in many cases, the final response is *purchase*. But purchase is the result of a long process of consumer decision making. The marketing communicator needs to know where the target audience now stands and to what state it needs to be moved. To do this, he or she must determine whether or not the customer is ready to buy.

The target audience may be in any of six **buyer-readiness stages** – the stages that consumers normally pass through on their way to making a purchase. These stages are *awareness*, *knowledge*, *liking*, *preference*, *conviction* and *purchase* (see Figure 17.4). They can be described as a *hierarchy of consumer response stages*. The purpose of marketing communication is to move the customer along these stages and ultimately to achieve final purchase.

Awareness

The marketing communicator's target market may be totally unaware of the product, know only its name or know one or a few things about it. If most of the target audience is unaware, the communicator tries to build awareness, perhaps starting with just name recognition. This process can begin with simple messages that repeat the company or product name. For

Buyer-readiness stages—
The stages that consumers normally pass through on their way to purchase, including awareness, knowledge, liking, preference, conviction and purchase.

Figure 17.4 Buyer readiness stages



Chapter 17 Integrated marketing communication strategy

example, when Orange introduced its mobile phone network, it began with an extensive 'teaser' advertising campaign to create name familiarity. Initial ads for Orange created curiosity and awareness by emphasising the brand name, but not the service.

Knowledge

The target audience might be aware of the existence of the company or of the product, but not know much more. The company needs to learn how many people in its target audience have little, some or much knowledge about its offering. At launch, Orange ads created knowledge by informing potential buyers of the company's service and innovative features.

Liking

Assuming target audience members *know* the product, how do they *feel* about it? Once potential buyers knew about Orange, the company's marketers would want to move them along to the next stage – to develop favourable feelings about the brand. If the audience looks unfavourably on the brand, the communicator has to find out why, and then resolve the problems identified before developing a communications campaign to generate favourable feelings.

Preference

The target audience might *like* the product, but not *prefer* it to others. In this case, the communicator must try to build consumer preference by promoting the product's quality, value and other beneficial features. The communicator can check on the campaign's success by measuring the audience's preferences again after the campaign. If Orange finds that many potential customers like its service offering but prefer other mobile phone operators' brands, it will have to identify those areas where its offerings are not as good as competing deals and where they are better. It must then promote its advantages to build preference among prospective clients, while redressing its weaknesses.

Conviction

A target audience might *prefer* the product, but not develop a *conviction* about buying it. Thus some customers may prefer Orange to other mobile phone network brands, but may not be absolutely sure that it is what they should subscribe to. The communicator's job is to build conviction that the offering is the best one for the potential buyer. A combination of the promotion-mix tools should be used to create preference and conviction. Advertising can be used to extol the advantages offered by the brand. Press releases and public relations activities would be used to stress the brand's specific features, such as its innovativeness or performance.

Direct marketing tools could be used or dealer salespeople could also be encouraged to educate potential buyers about the product or service options, value for the price and after-sale service.

Purchase

Finally, some members of the target audience might be convinced about the product, but not quite get around to making the *purchase*. Potential buyers might decide to wait for more information or for the economy to improve. The communicator must lead these consumers to take the final step. Actions might include offering special promotional prices, rebates or premiums. Salespeople might call or write to selected customers, inviting them to visit the sales outlet for a special demonstration or product trial.

In discussing buyer readiness stages, we have assumed that buyers pass through *cognitive* (awareness, knowledge), *affective* (liking, preference, conviction), and *behavioural* (purchase) stages, in that order. This ‘*learn–feel–do*’ sequence is appropriate when buyers have high involvement with a product category and perceive brands in the category to be highly differentiated, such as the purchase of a car. But consumers often follow other sequences. For example, they might follow a ‘*do–feel–learn*’ sequence for high-involvement products with little perceived differentiation, such as a central heating system. Still a third sequence is the ‘*learn–do–feel*’ sequence, where consumers have low involvement and perceive little differentiation, as is the case when they buy a product such as salt.

Furthermore, marketing communications alone cannot create positive feelings and purchases for the product. So, for example, Orange must provide superior value to potential buyers. In fact, outstanding marketing communications can actually speed the demise of a poor product. The more quickly potential buyers learn about the poor product, the faster they become aware of its faults. Thus, good marketing communications call for ‘good deeds followed by good words’. Nonetheless, by understanding consumers’ buying stages and their appropriate sequence, the marketer can do a better job of planning communications.

Designing a message

Having defined the desired audience response, the communicator turns to developing an effective message. Ideally, the message should get *Attention*, hold *Interest*, arouse *Desire* and obtain *Action* (a framework known as the AIDA model). In practice, few messages take the consumer all the way from awareness to purchase, but the AIDA framework suggests the desirable qualities of a good message.

In putting the message together, the marketing communicator must decide what to say (*message content*) and how to say it (*message structure and format*).

Message content

The communicator has to figure out an appeal or theme that will produce the desired response. There are three types of appeal: rational, emotional and moral. **Rational appeals** relate to the audience’s self-interest. They show that the product will produce the desired benefits. Examples are messages showing a product’s quality, economy, value or performance. Thus, in its ads, Mercedes offers automobiles that are ‘engineered like no other car in the world’, stressing engineering design, performance and safety.


Emotional appeals attempt to stir up either positive or negative emotions that can motivate purchase. Communicators may use positive emotional appeals such as love, humour, pride, promise of success and joy. Consider the following examples:

British Telecom’s ‘Make someone happy with a phone call’ and ‘It’s good to talk’ campaigns stir a bundle of strong emotions. Ad campaigns for Häagen-Dazs equate ice-cream with pleasure (foreplay, to be precise): one classic ad tells consumers how ‘It is the *intense* flavour of the finest ingredients combined with *fresh* cream that is essentially Häagen-Dazs’, and is followed by the strapline: ‘Now it’s on everybody’s lips’.⁹

Communicators can also use negative emotional appeals, such as fear, guilt and shame appeals in order to get people to do things they should (brush their teeth, invest in a pension plan, buy new tyres) or to stop doing things they shouldn’t (smoke, drink too much, eat fatty foods). For example, a recent Crest ad invoked mild fear when it claimed ‘There are some

Rational appeals—Message appeals that relate to the audience’s self-interest and show that the product will produce the claimed benefits; examples are appeals of product quality, economy, value or performance.

Emotional appeals—Message appeals that attempt to stir up negative or positive emotions that will motivate purchase; examples are fear, guilt, shame, love, humour, pride and joy appeals.



A GOOD NIGHT'S
SLEEP MEANS A
GOOD DAY AHEAD

A BED THAT'S HAND MADE SPECIFICALLY FOR YOU IS AN
INVESTMENT THAT PAYS OFF EVERY MORNING OF YOUR LIFE.

SAVOIR BEDS
SINCE 1905

For a brochure telephone 020 7486 2222 www.savoirbeds.co.uk

Advertisers can use humour and appeal to consumers' sensory pleasures as seen in this ad by Savoir Beds.

SOURCE: Savoir Beds.

Agency: Large, Smith and Walford Partnership.

things you just can't afford to gamble with' (cavities). So did Michelin tyre ads that featured cute babies and suggested 'Because so much is riding on your tyres'.¹⁰

Moral appeals are directed to the audience's sense of what is 'right' and 'proper'. They are often used to urge people to support social causes such as a cleaner environment, better race relations, equal rights for women and aid to the disadvantaged.

Message structure

The communicator must decide *how* to say it. This requires the communicator to handle three message-structure issues. The first is whether to draw a conclusion or to leave it to the audience. Early research showed that drawing a conclusion was usually more effective where the target audience is less likely to be motivated or may be incapable of arriving at the appropriate conclusion. More recent research, however, suggests that in many cases where the targets are likely to be interested in the product, the advertiser is better off asking questions to

Moral appeals—Message appeals that are directed to the audience's sense of what is right and proper.

stimulate involvement and motivate customers to think about the brand, and then letting them come to their own conclusions.

The second message structure issue is whether to present a one-sided argument (mentioning only the product's strengths), or a two-sided argument (touting the product's strengths while also admitting its shortcomings). Usually, a one-sided argument is more effective in sales presentations – except when audiences are highly educated or likely to hear opposing claims or when the communicator has a negative association to overcome. The third message-structure issue is whether to present the strongest arguments first or last. Presenting them first gets strong attention, but may lead to an anticlimactic ending.¹¹

Two-sided arguments can be used to good effect in communicating basic product benefits. SOURCE: NESCAFÉ®; GOLD BLEND®, DECAF®, Courtesy Société des Produits Nestlé S.A., trademark owners.

To us caffeine is like this day.

If you take it away, a year is still a year, you still grow a bit older and a bit wiser. It's the same with caffeine. When we at Nescafé take it away from our beans, our decaffeinated coffees still have the great flavor and fresh aroma of our regular coffees.

Message format

The communicator also needs a strong *format* for the message. In a print ad, the communicator has to decide on the headline, copy, illustration and colour. To attract attention, advertisers can use novelty and contrast, eye-catching pictures and headlines, distinctive formats, message size and position, and colour, shape and movement. If the message is to be carried over the radio, the communicator has to choose words, sounds and voices. The 'sound' of an announcer promoting banking services should be different from one promoting quality furniture.

If the message is to be transmitted on television or conveyed in person, then all these elements plus body language have to be planned. Presenters plan their facial expressions, gestures, dress, posture and even hairstyle. If the message is carried on the product or its package, the communicator has to watch texture, scent, colour, size and shape. For example, colour plays an important communication role in food preferences.

When consumers sampled four cups of coffee that had been placed next to brown, blue, red and yellow containers (all the coffee was identical, but the consumers did not know this), 75 per cent felt that the coffee next to the brown container tasted too strong; nearly 85 per cent judged the coffee next to the red container to be the richest; nearly everyone felt that the coffee next to the blue container was mild; and the coffee next to the yellow container was seen as weak. ”

Thus, if a coffee company wants to communicate that its coffee is rich, it should probably use a red container along with label copy boasting the coffee's rich taste.¹²

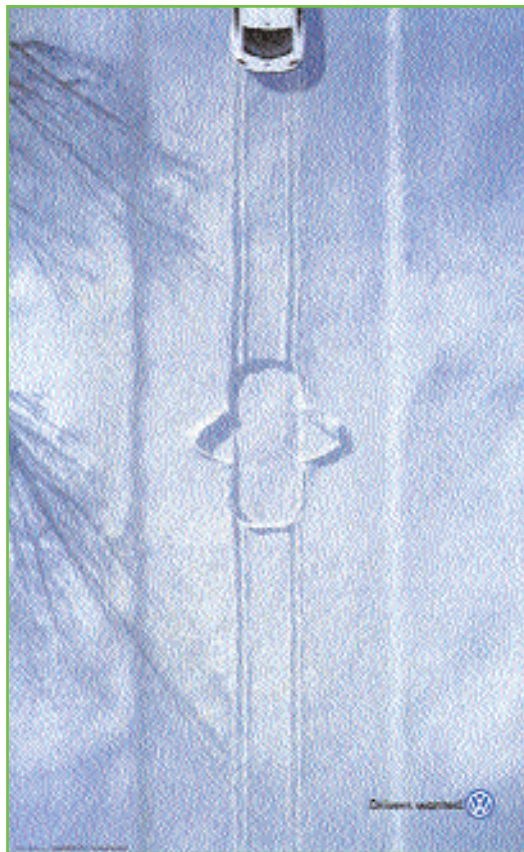
Even when an individual is exposed to a message, he or she may pay no attention to the message because it is either boring or irrelevant. The communicator increases the chances of the message attracting the attention of the target audience by taking into consideration the following factors:

- The message must have a practical value to the target audience because individuals are in the market for the product (for example, advertising pension schemes to undergraduates is a waste of time as they are likely to find such policies irrelevant to them for the time being).
- The message must interest the target group.
- The message must communicate new information about the product or brand. Consumers pay more attention to new messages.
- The message must reinforce or help to justify the buyer's recent purchase decisions – if you have recently bought a personal computer, it is likely that you will notice or your attention will be quickly drawn to ads for the PC (the phenomenon is called cognitive dissonance reduction).
- The message must be presented in such a way as to make an impact. As explained above, this objective can be achieved by paying attention to message formats and stressing creativity in the way the copy, artwork/illustrations and physical layout or presentation are delivered.

While advertisers' basic aim is to get their ads noticed, they must be sensitive to, and comply with, codes of practice operated by the industry watchdogs or country regulators. Messages should create maximum impact but without causing public offence and irritation.

Message format: to attract attention, advertisers can use distinctive formats, novelty and eye-catching pictures, as in this award-winning Volkswagen ad.

SOURCE: Reproduced by kind permission of Volkswagen of America, Inc. and Arnold Worldwide, Photographer: © Steve Bronstein.



For example, in Spain, the Madrid agency responsible for a direct marketing campaign for Fiat's Cinquento car sent out love letters to 50,000 young mothers. A second batch of letters was then sent to these women revealing the Cinquento as the secret admirer. Rather than this being seen as an amusing piece of junk mail, it caused a storm of protest. The Spanish Women's Institute denounced the campaign: apparently, some women were so troubled by the letters, they were scared to leave the house. For most of the time, people are prepared to enjoy a light-hearted puzzle. But in this case, the intrigue, though interesting, only stretched so far. There is a fine dividing line between attracting and irritating consumers. Then, there are the bad taste ads and ones using 'shock tactics' which can also do much damage. In the UK, one RSPCA (Royal Society for the Prevention of Cruelty to Animals) campaign drew attention to the plight of horses exported for consumption by using a harrowing image of a dead pony hanging from a hook. Although the advertising watchdog, the ASA, had no intention to frustrate the worthy efforts of the RSPCA, it upheld public complaints of the visual image used in the ad which was deemed misleading and grossly offensive. ”

Choosing media

The communicator must now select *channels of communication*. There are two broad types of communication channel: *personal* and *non-personal*.

Personal communication channels

In **personal communication channels**, two or more people communicate directly with each other. They might communicate face to face, over the telephone or mobile phone, through the mail or even through an Internet 'chat'. Personal communication channels are effective because they allow for personal addressing and feedback.

Some personal communication channels are controlled directly by the company. For example, salespeople contact buyers in the target market. Other personal communications about the product may reach buyers through channels not directly controlled by the company. These might include independent experts – consumer advocates, consumer buying guides and others – making statements to target buyers. Or they might be neighbours, friends, family members and associates talking to target buyers. This last channel, known as **word-of-mouth influence**, has considerable effect in many product areas.

Personal influence carries great weight for products that are expensive, risky or highly visible. For example, buyers of cars and major appliances often go beyond mass-media sources to seek the opinions of knowledgeable people. Companies can take steps to put personal communication channels to work for them. For example, they can create *opinion leaders* – people whose opinions are sought by others – by supplying certain people with the product on attractive terms. This is also called **buzz marketing** – cultivating opinion leaders and getting them to spread information about a product or service to others in their communities. They could work through community members such as local radio personalities, heads of local organisations or community leaders. They can also use influential people in their advertisements or develop advertising that has high 'conversation value'.

For example, the Mini USA unit of BMW North America used buzz marketing to kick-start demand for its new retro-style Mini Cooper in the USA. The Mini USA unit is now bucking car advertising tradition by using unconventional tactics. To launch the return of the Mini, 'we wanted to be as different as we could because the car is so different than anything out there', says a Mini marketer. As a result, there is no national television advertising. Instead, BMW generated buzz for the Mini in less conventional ways. For example, the 'Mini Ride' display touring the United States, which includes an actual Mini, looks like a children's ride. The car is also being promoted on the Internet, in ads painted on city buildings and on baseball-type cards handed out at auto shows. To intrigue passers-by, BMW put Minis on top of sport utilities and drove them around 24 cities. In addition, BMW is selling unusual Mini-brand items – including remote-control cars, watches and cuckoo clocks – on its website. The country's 70 dealers – top BMW dealers who agreed to build separate Mini showrooms – have been deluged with orders, practically assuring that the 20,000 cars available in the United States will quickly be sold. The campaign attracted more than 50,000 people who expressed interest in buying the car by registering at www.miniusa.com. Not a bad response, considering that

Personal communication channels—Channels through which two or more people communicate directly with each other, including face to face, person to audience, over the telephone, or through the mail.

Word-of-mouth influence—Personal communication about a product between target buyers and neighbours, friends, family members and associates.

Buzz marketing—Cultivating opinion leaders and getting them to spread information about a product or service to others in their communities.

interest was built from the ground up through buzz marketing. Until a few years ago, fewer than 2 per cent of Americans apparently had even heard of the original Mini.¹³ ”

Non-personal communication channels—Channels that carry messages without personal contact or feedback, including media, atmospheres and events.

Media—Non-personal communications channels including print media (newspapers, magazines, direct mail), broadcast media (radio, television), and display media (billboards, signs, posters).

Atmospheres—Designed environments that create or reinforce the buyer’s leanings towards consumption of a product.

Events—Occurrences staged to communicate messages to target audiences; examples are news conferences and grand openings.

Message source—The company, the brand name, the salesperson of the brand, or the actor in the ad who endorses the product.

Non-personal communication channels

Non-personal communication channels are media that carry messages without personal contact or feedback. They include major media, atmospheres and events. Important **media** consist of print media (newspapers, magazines, direct mail), broadcast media (radio, television), display media (billboards, signs, posters) and online and electronic media (online services, websites, CDs, DVDs). **Atmospheres** are designed environments that create or reinforce the buyer’s leanings towards buying a product. Thus lawyers’ offices and banks are designed to communicate confidence and other factors that might be valued by their clients. **Events** are occurrences staged to communicate messages to target audiences. For example, public relations departments arrange press conferences, grand openings, shows and exhibits, public tours and other events to communicate with specific audiences.

Non-personal communication affects buyers directly. In addition, using mass media often affects buyers indirectly by causing more personal communication. Communications first flow from television, magazines and other mass media to opinion leaders and then from these opinion leaders to others. Thus opinion leaders step between the mass media and their audiences and carry messages to people who are less exposed to media. This suggests that mass communicators should aim their messages directly at opinion leaders, letting them carry the message to others. For example, pharmaceutical firms direct their new drugs promotions at the most influential doctors and medical experts first – the ‘thought leaders’ in the profession; if they are persuaded, their opinions have an impact upon the new product’s acceptance by others in the field. Thus opinion leaders extend the influence of the mass media. Or they may alter the message or not carry the message, thus acting as gatekeepers.

Selecting the message source

In either personal or non-personal communication, the message’s impact on the target audience is also affected by how the audience views the communicator. The credibility and attractiveness of the **message source** – the company, the brand name, the spokesperson for the brand, or the actor in the ad who endorses the product – must therefore be considered.

Messages delivered by highly credible sources are more persuasive. Pharmaceutical firms want doctors to tell about their products’ benefits because doctors rank high on expertise in their field, so they have high credibility. Many food companies promote to doctors, dentists and other healthcare experts to motivate these professionals to recommend their products to patients. For example, for years, Sensodyne Toothpaste has promoted the product in dental surgeries, and ads use endorsements by dental practitioners to persuade target users to adopt the brand. But, to remain credible, the source must be perceived by the target audience as being an expert where the product is concerned, and trustworthy: that is, objective and honest in his or her opinion of the benefits claimed for the product.

Marketers also use celebrity endorsers – top athletes, well-known film stars, fashion models and even cartoon characters – to deliver their brand messages. Michael Owen, Paul Gascoigne and Gary Lineker have all spoken for Walkers crisps, while Tiger Woods stands behind Nike, Tag Heuer and a dozen other brands.

However, companies must be careful when selecting celebrities to represent their brands. Picking the wrong spokesperson can result in embarrassment and a tarnished image. Nike found this out when it entrusted its good name to the care of Kobe Bryant who was trialled

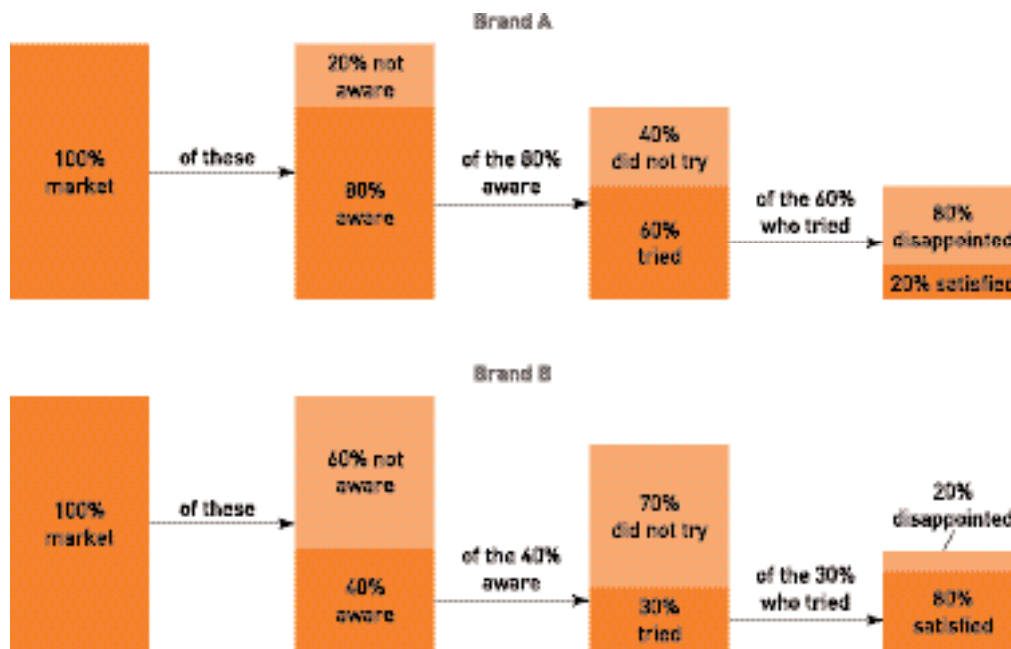


Figure 17.5 Feedback measurements for two brands

for sexual assault. Pepsi and Kodak faced similar embarrassment when their spokesperson, boxer Mike Tyson, was accused of beating his wife and was later jailed for rape.

Collecting feedback

After sending the message, the communicator must research its effect on the target audience. This involves asking the target audience members whether they remember the message, how many times they saw it, what points they recall, how they felt about the message, and their past and present attitudes towards the product and company. The communicator would also like to measure behaviour resulting in the message – how many people bought a product, talked to others about it or visited the store.

Figure 17.5 shows an example of feedback measurement for two hypothetical brands. Looking at Brand A, we find that 80 per cent of the total market is aware of it, that 60 per cent of those aware of it have tried it, but that only 20 per cent of those who tried it were satisfied. These results suggest that although the communication programme is creating *awareness*, the product fails to give consumers the *satisfaction* they expect. Therefore, the company should try to improve the product while staying with the successful communication programme. In contrast, only 40 per cent of the total market is aware of Brand B, only 30 per cent of those aware of Brand B have tried it, but 80 per cent of those who have tried it are satisfied. In this case, the communication programme needs to be stronger to take advantage of the brand's power to obtain satisfaction.

Setting the total promotion budget and mix

We have looked at the steps in planning and sending communications to a target audience. But how does the company decide on the total *promotion budget* and its division among the major promotional tools to create the *promotion mix*? By what process does it blend the tools to create integrated marketing communications? We now look at these questions.

Setting the total promotion budget

One of the hardest marketing decisions facing a company is how much to spend on promotion. John Wanamaker, an American department store magnate, once said: 'I know that half of my advertising is wasted, but I don't know which half. I spent \$2 million for advertising, and I don't know if that is half enough or twice too much.' It is not surprising, therefore, that industries and companies vary widely in how much they spend on promotion. Promotion spending may be 20–30 per cent of sales in the cosmetics industry and only 2 or 3 per cent in the industrial machinery industry. Within a given industry, both low and high spenders can be found.

How does a company decide on its promotion budget? There are four common methods used to set the total budget for advertising: the affordable method, the percentage-of-sales method, the competitive-parity method and the objective-and-task method.¹⁴

Affordable method

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

A common 'rule-of-thumb' used by many companies is the **affordable method**: they set the promotion budget at the level they think the company can afford. They start with total revenues, deduct operating expenses and capital outlays, and then devote some portion of the remaining funds to advertising.

Unfortunately, this method of setting budgets completely ignores the effect of promotion on sales. It tends to place advertising last among spending priorities, even in situations where advertising is critical to the firm's success. It leads to an uncertain annual promotion budget, which makes long-range market planning difficult. Although the affordable method can result in overspending on advertising, it more often results in underspending.

Percentage-of-sales method

Percentage-of-sales method—Setting the promotion budget at a certain percentage of current or forecast sales or as a percentage of the sales price.

In the **percentage-of-sales method**, marketers set their promotion budget at a certain percentage of current or forecast sales. Or they budget a percentage of the unit sales price. Automotive companies usually budget a fixed percentage for promotion based on the planned car price. Fast-moving consumer goods companies usually set it at some percentage of current or anticipated sales.

The percentage-of-sales method has advantages. It is simple to use and helps managers think about the relationship between promotion spending, selling price and profit per unit. The method supposedly creates competitive stability because competing firms tend to spend about the same percentage of their sales on promotion.

Despite these claimed advantages, however, there is little to justify the method. It wrongly views sales as the *cause* of promotion rather than as the *result*.¹⁵ The budget is based on availability of funds rather than on opportunities. It may prevent the increased spending sometimes needed to turn around falling sales. It fails to consider whether a higher or lower level of spending would be more profitable. Because the budget varies with year-to-year sales, long-range planning is difficult. Finally, the method does not provide any basis for choosing a *specific* percentage, except what has been done in the past or what competitors are doing.

Competitive-parity method

Competitive-parity method—Setting the promotion budget to match competitors' outlays.

Other companies use the **competitive-parity method**, setting their promotion budgets to match competitors' outlays. They watch competitors' advertising or get industry promotion-spending estimates from publications or trade associations, and then set their budgets based on the industry average.

Two arguments support this method. First, competitors' budgets represent the collective wisdom of the industry. Second, spending what competitors spend helps prevent promotion

wars. Unfortunately, neither argument is valid. There are no grounds for believing that the competition has a better idea of what a company should be spending on promotion than does the company itself. Companies differ greatly in terms of market opportunities and profit margins, and each has its own special promotion needs. Finally, there is no evidence that budgets based on competitive parity prevent promotion wars.

Objective-and-task method

The most logical budget-setting method is the **objective-and-task method**, whereby the company sets its promotion budget based on what it wants to accomplish with promotion. The method entails (1) defining specific promotion objectives, (2) determining the tasks needed to achieve these objectives, and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

The objective-and-task method forces management to spell out its assumptions about the relationship between amount spent and promotion results. But it is also the most difficult method to use. Managers have to set sales and profit targets and then work back to what tasks must be performed to achieve desired goals. Often it is hard to figure out which specific tasks will achieve specific objectives. For example, suppose Philips wants 95 per cent awareness for its new DVD player model during the six-month introductory period. What specific advertising messages and media schedules would Philips need in order to attain this objective? How much would these messages and media schedules cost? Philips management must consider such questions, even though they are hard to answer. By comparing the campaign cost with expected profit gains, the financial viability of the promotions campaign can be determined.

The main advantage of this method is that it gets managers to define their communication objectives, how each objective will be met using selected promotion tools and the financial implications of alternative communication programmes.

Objective-and-task method—Developing the promotion budget by (1) defining specific objectives, (2) determining the tasks that must be performed to achieve these objectives, and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

Setting the promotion mix

The concept of integrated marketing communications suggests that it must blend the promotion tools carefully into a coordinated *promotion mix*. But how does the company determine what mix of promotion tools it will use?

Companies are always looking for ways to improve promotion by replacing one promotion tool with another that will do the same job more economically. Many companies have replaced a portion of their field sales activities with telephone sales and direct mail. Other companies have increased their sales promotion spending in relation to advertising to gain quicker sales.

Designing the promotion mix is even more complex when one tool must be used to promote another. Thus when British Airways decides to offer Air Miles for flying with the company (a sales promotion), it has to run ads to inform the public. When Lever Brothers uses a consumer advertising and sales promotion campaign to back a new washing powder, it has to set aside money to promote this campaign to the resellers to win their support.

Many factors influence the marketer's choice of promotion tools. We now look at these factors.

The nature of each promotion tool

Each promotion tool has unique characteristics and costs. Marketers must understand these characteristics in selecting the promotion mix. Let us examine each of the major tools.

Advertising

The many forms of advertising make it hard to generalise about its unique qualities. However, several qualities can be noted:

- Advertising can reach masses of geographically dispersed buyers at a low cost per exposure. For example, TV advertising can reach huge audiences.
- Beyond its reach, large-scale advertising by a seller says something positive about the seller's size, popularity and success.
- Because of advertising's public nature, consumers tend to view advertised products as standard and legitimate – buyers know that purchasing the product will be understood and accepted publicly.
- Advertising enables the seller to repeat a message many times, and lets the buyer receive and compare the messages of various competitors.
- Advertising is also very expressive, allowing the company to dramatise its products through the artful use of visuals, print, sound and colour.
- On the one hand, advertising can be used to build up a long-term image for a product (such as Mercedes-Benz car ads). On the other hand, advertising can trigger quick sales (as when department stores like Debenhams and Selfridges advertise a weekend sale).

Advertising also has some shortcomings:

- Although it reaches many people quickly, advertising is impersonal and cannot be as persuasive as company salespeople.
- Advertising is only able to carry on a one-way communication with the audience, and the audience does not feel that it has to pay attention or respond.
- In addition, advertising can be very costly. Although some advertising forms, such as newspaper and radio advertising, can be done on smaller budgets, other forms, such as network TV advertising, require very large budgets.

Personal selling

Personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyers' preferences, convictions and actions. Compared to advertising, personal selling has several unique qualities:

- It involves personal interaction between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments.
- Personal selling also allows all kinds of relationships to spring up, ranging from a matter-of-fact selling relationship to a deep personal friendship. The effective salesperson keeps the customer's interests at heart in order to build a long-term relationship.
- Finally, with personal selling the buyer usually feels a greater need to listen and respond, even if the response is a polite 'no thank you'.

These unique qualities come at a cost, however. A sales force requires a longer-term commitment than does advertising – advertising can be turned on and off, but sales force size is harder to change. Personal selling is also the company's most expensive promotion tool, costing companies several hundred euros on average per sales call.

Sales promotion

Sales promotion includes a wide assortment of tools – coupons, contests, price reductions, premium offers, free goods and others – all of which have many unique qualities:



With personal selling, the customer feels a greater need to listen and respond, even if the response is a polite 'no thank you'.

SOURCE: Jon Feingersh Stock Boston.

- They attract consumer attention and provide information that may lead to a purchase.
- They offer strong incentives to purchase by providing inducements or contributions that give additional value to consumers.
- Moreover, sales promotions invite and reward quick response. Whereas advertising says 'buy our product', sales promotion offers incentives to consumers to 'buy it now'.

Companies use sales promotion tools to create a stronger and quicker response. Sales promotion can be used to dramatise product offers and to boost sagging sales. Sales promotion effects are usually short-lived, however, and are often not as effective as advertising or personal selling in building long-run brand preference. To be effective, marketers must carefully plan the sales promotion campaign and offer target customers genuine value.

Public relations

Public relations or PR offers several unique qualities. It is all those activities that the organisation does to communicate with target audiences which are not directly paid for.

- PR is very believable: news stories, features, sponsorships and events seem more real and believable to readers than ads do.
- Public relations can reach many prospects who avoid salespeople and advertisements, since the message gets to the buyers as 'news' rather than as a sales-directed communication.
- Like advertising, PR can dramatise a company or product. The Body Shop is one of the few international companies that have used public relations as a more effective alternative to mass TV advertising.

Marketers tend to underuse public relations or to use it as an afterthought. Yet a well-thought-out public relations campaign used with other promotion-mix elements can be very effective and economical.

Direct marketing

Although there are many forms of direct marketing – direct mail, telemarketing, electronic marketing, online marketing and others – they all share four distinctive characteristics.

- Direct marketing is non-public as the message is normally addressed to a specific person.
- Direct marketing is immediate as messages can be prepared very quickly.
- Direct marketing can be customised, so messages can be tailored to appeal to specific customers.
- Direct marketing is interactive: it allows a dialogue between the communicator and the consumer, and messages can be altered depending on the consumer's response.

Thus, direct marketing is well suited to highly targeted marketing efforts and to building one-to-one customer relationships.

Push strategy—A promotion strategy that calls for using the sales force and trade promotion to push the product through channels. The producer promotes the product to wholesalers, the wholesalers promote to retailers, and the retailers promote to consumers.

Pull strategy—A promotion strategy that calls for spending a lot on advertising and consumer promotion to build up consumer demand. If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers.

Promotion mix strategies

Marketers can choose from two basic promotion mix strategies – *push* promotion or *pull* promotion. Figure 17.6 contrasts the two strategies. The relative emphasis on the specific promotion tools differs for push and pull strategies. A **push strategy** involves ‘pushing’ the product through distribution channels to final consumers. The firm directs its marketing activities (primarily personal selling and trade promotion) towards channel members to induce them to carry the product and to promote it to final consumers. Using a **pull strategy**, the producer directs its marketing activities (primarily advertising and consumer promotion) towards final consumers to induce them to buy the product. If the pull strategy is effective, consumers will then demand the product from channel members, who will in turn demand it from producers. Thus under a pull strategy, consumer demand ‘pulls’ the product through the channels.

Some small industrial-goods companies use only push strategies; some direct-marketing companies use only pull. However, most large companies use some combination of both. For example, Lever Brothers uses mass-media advertising to pull consumers to its products and a large sales force and trade promotions to push its products through the channels.

In recent years, consumer-goods companies have been decreasing the pull portions of their promotion mixes in favour of more push. There are a number of reasons behind this shift in

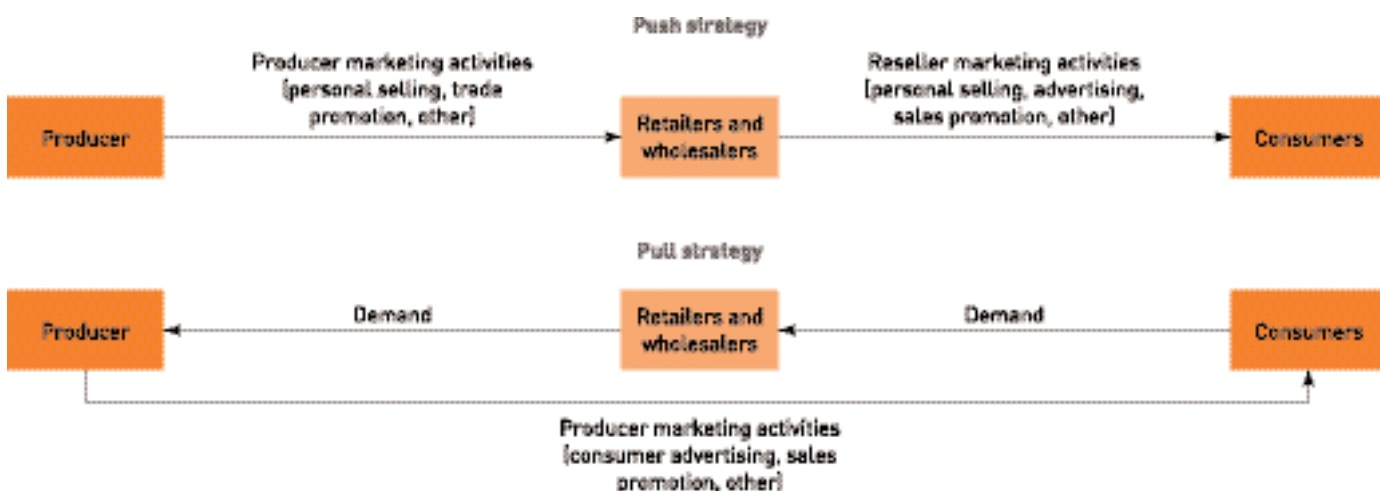


Figure 17.6 Push versus pull promotion strategy

Chapter 17 Integrated marketing communication strategy

promotion strategy. One is the rising cost of mass-media campaigns. Many firms have also found advertising less effective in recent years. Companies are increasing their segmentation efforts and tailoring their marketing programmes more narrowly, making national advertising less suitable than localised retailer promotions. In these days of heavy brand extensions and me-too products, many companies are finding it difficult to feature meaningful product differentiations in advertising. Instead, they differentiate their brands through price reductions, premium offers, coupons and other promotions aimed at the trade.

The growing strength of retailers is also a key factor influencing the shift from pull to push. Big retail chains in Europe have greater access now than ever before to product sales and profit information. They have the power to demand and get what they want from suppliers. And what they want is margin improvements – that is, more push. Mass advertising bypasses them on its way to the consumers, but push promotion benefits them directly. Consumer promotions give retailers an immediate sales boost and cash from trade allowances pads retailer profits. So, manufacturers are compelled to use push promotions just to obtain good shelf space and advertising support from their retailers.

However, reckless use of push promotion leads to fierce price competition and a continual spiral of price slashing and margin erosion, leaving less money to invest in the product R&D, packaging and advertising that is required to improve and maintain long-run consumer preference and loyalty. Robbing the advertising budget to pay for more sales promotion could mortgage a brand's long-term future for short-term gains. While push strategies will remain important, particularly in packaged-goods marketing, companies that find the best mix between the two – consistent advertising to build long-run brand value and consumer preference and sales promotion to create short-run trade support and consumer excitement – are most likely to win the battle for loyal and satisfied customers.¹⁶

Factors in designing promotion mix strategies

Companies consider many factors when designing their promotion mix strategies, including the type of product/market, buyer-readiness stage and the product life-cycle stage.

Type of product/market

The importance of different promotional tools varies between consumer and business markets (see Figure 17.7). Consumer-goods companies usually put more of their funds into advertising, followed by sales promotion, personal selling and then public relations. Advertising is relatively more important in consumer markets because there are a larger number of buyers, purchases tend to be routine, and emotions play a more important role in the purchase-decision process. In contrast, industrial-goods companies put most of their

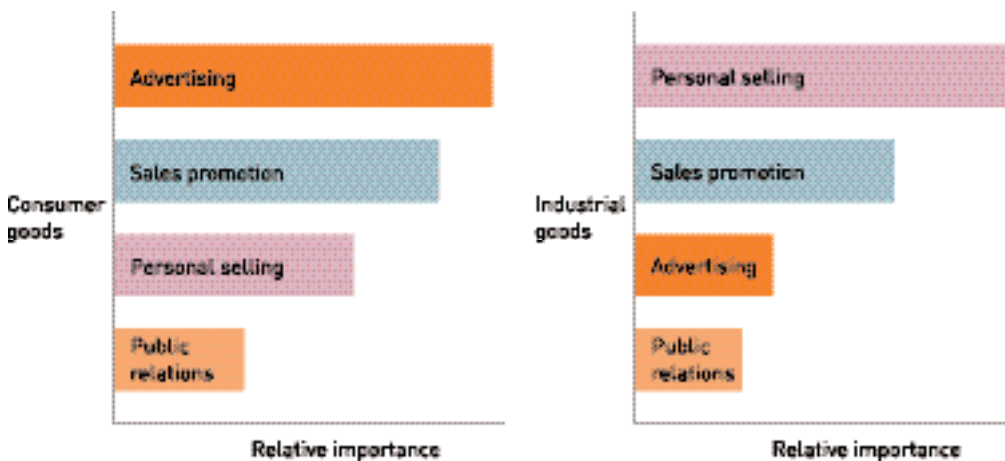


Figure 17.7 Relative importance of promotion tools in consumer versus industrial markets

funds into personal selling, followed by sales promotion, advertising and public relations. In general, personal selling is used more heavily with expensive and risky purchases, and in markets with fewer and larger sellers.

Although advertising is less important than sales calls in business markets, it still plays an important role. Advertising can build product awareness and knowledge, develop sales leads and reassure buyers. Similarly, personal selling can add a lot to consumer-goods marketing efforts. It is simply not the case that 'salespeople put products on shelves and advertising takes them off'. Well-trained consumer-goods salespeople can sign up more dealers to carry a particular brand, convince them to give more shelf space and urge them to use special displays and promotions.

Buyer-readiness stage

The effects of the promotional tools vary for the different buyer-readiness stages. Advertising, along with public relations, plays the leading role in the awareness and knowledge stages, more important than that played by 'cold calls' from salespeople. Customer liking, preference and conviction are more affected by personal selling, which is closely followed by advertising. Finally, closing the sale is mostly done with sales calls and sales promotion. Clearly, advertising and public relations are the most cost-effective at the early stages of the buyer decision process, while personal selling, given its high costs, should focus on the later stages of the customer buying process.

Product life-cycle stage

The effects of different promotion tools also vary with stages of the product life-cycle. In the introduction stage, advertising and public relations are good for producing high awareness, and sales promotion is useful in getting early trial. Personal selling efforts must be geared to persuading the trade to carry the product. In the growth stage, advertising and public relations continue to be powerful influences, whereas sales promotion can be reduced because fewer incentives are needed. In the mature stage, sales promotion again becomes important relative to advertising. Buyers know the brands and advertising is needed only to remind them of the product. In the decline stage, advertising is kept at a reminder level, public relations is dropped and salespeople give the product only a little attention. Sales promotion, however, might continue strong in order to stimulate trade and prop up sales.

Integrating the promotion mix

Having set the promotion budget and mix, the company must now take steps to see that all of the promotion mix elements are smoothly integrated. Here is a checklist for integrating the firm's marketing communications.

- *Analyse trends – internal and external – that can affect your company's ability to do business.* Look for areas where communications can help the most. Determine the strengths and weaknesses of each communications function. Develop a combination of promotional tactics based on these strengths and weaknesses.
- *Audit the pockets of communications spending throughout the organisation.* Itemise the communications budgets and tasks and consolidate these into a single budgeting process. Reassess all communications expenditures by product, promotional tool, stage of the life-cycle, and observed effect.
- *Identify all contact points for the company and its brands.* Work to ensure that communications at each point are consistent with your overall communications strategy and that your communications efforts are occurring when, where and how your customers want them.

Chapter 17 Integrated marketing communication strategy

- *Team up in communications planning.* Engage all communications functions in joint planning. Include customers, suppliers and other stakeholders at every stage of communications planning.
- *Create compatible themes, tones and quality across all communications media.* Make sure each element carries your unique primary messages and selling points. This consistency achieves greater impact and prevents the unnecessary duplication of work across functions.
- *Create performance measures that are shared by all communications elements.* Develop systems to evaluate the combined impact of all communications activities.
- *Appoint a director responsible for the company's persuasive communications efforts.* This move encourages efficiency by centralising planning and creating shared performance measures.¹⁷

Socially responsible marketing communication

In shaping its promotion mix, a company must be aware of the large body of legal and ethical issues surrounding marketing communications. Most marketers work hard to communicate openly and honestly with consumers and resellers. Still, abuses may occur, and public policy makers have developed a substantial body of laws and regulations to govern advertising, personal selling, sales promotion and direct marketing activities. In this section, we discuss the issues regarding advertising, sales promotion and personal selling. Issues concerning direct marketing will be addressed in Chapter 19.

Advertising and sales promotion

By law, companies must avoid false or deceptive advertising. Advertisers must not make false claims, such as suggesting that a product cures something when it does not. They must avoid ads that have the capacity to deceive, even though no one may actually be deceived. A car cannot be advertised as getting 45 km per gallon unless it does so under typical conditions, and a diet bread cannot be advertised as having fewer calories simply because its slices are thinner.

Sellers must avoid bait-and-switch advertising or deceptive sales promotions that attract buyers under false pretences. For example, a large retailer advertised a dishwashing machine at €250. However, when consumers tried to buy the advertised machine, the seller downplayed its features, placed faulty machines on showroom floors, understated the machine's performance and took other actions in an attempt to switch buyers to a more expensive machine. Such actions are both unethical and illegal.

International advertisers must also observe local rules. For example, in the United States, direct-to-consumer advertising is allowed for prescription drugs. Pharmaceutical firm Eli Lilly uses magazine advertisements to boost public awareness of its \$2.4 billion (€2.7 billion) per year anti-depressant, Prozac (see Marketing Insights 17.2). Heavy consumer promotion pushed up sales of cholesterol-lowering drugs, such as Bristol-Myers Squibb's Pravachol, Warner-Lambert's Lipitor and Merck's Zocor.¹⁸ By contrast, in Europe, such advertisements are illegal. Prescription drugs can be promoted only in medical journals and other publications where qualified physicians are presumed to browse.

A company's trade promotion activities are also closely regulated. For example, in some countries, sellers cannot favour certain customers through their use of trade promotions. They must make promotional allowances and services available to all resellers on proportionately equal terms.

17.2 Promoting health on the Internet: for whose eyes only?

Health is the number one reason people log on to the Internet. So what? Well, for a start, European governments are facing uncharted waters where legislating for drug promotions is concerned. They are finding it impossible to impose national rules upon what is essentially a borderless medium – the Internet.

Eli Lilly, the US pharmaceuticals company, makes the world's best-selling anti-depressant – Prozac. If you log on to the Internet, you can visit their website at www.prozac.com. The website allows you to take a test to see whether you are depressed. Try it and one can see why EU heads are having their minds blown in a regulatory minefield. Click and you can learn more about depression and a few other illnesses. Viewers have the opportunity to scan material about Prozac. Useful tips are just another click away – such as how to take control of the predicament, maximising the patient's recovery and caring for a loved one suffering from depression. If you like, you can even send a page to a friend!

Herein lies the problem. Throughout Europe, promotion of prescription drugs to the general public is illegal. That applies as much to the Internet as it does to television, radio or print media. Unlike in the US, promotions of these products can only be targeted at medical professionals, not prospective patients. True, a few words in fine print appear on the first page to remind viewers that 'This information is intended for U.S. residents only.'! But who's to stop European residents from scanning the material and what can authorities do if residents ignore the somewhat discreet warning?

Regulators have tried banning websites. For example, the UK regulatory body, the Medicines Control Agency, banned websites set up by Biogen and Schering, manufacturers of beta-interferon, a drug for treating multiple sclerosis, which is under-utilised (and expensive) in Britain. The sites were campaigning for greater access by patients to the drug, but were deemed 'promotional' by the regulator.

Pharmaceutical firms see e-communication as a golden opportunity to strike up a dialogue with potential patients. There really is no stopping now. Companies are deciphering how best to exploit the new medium. Corporate websites typically bore customers with reams of information about their medicines. And most patients are unlikely to tap into individual companies to fish out information about their illness. Rather, more and more firms are using (more often than not, sponsoring) third parties that run disease-specific sites, like diabetes.com, mybackpain.com, sleepeasy.com and what-have-you.com to reach potential customers.

The regulatory loophole is a catalyst for pharmaceutical companies to redefine their communication spheres. According to a spokesperson for consultancy firm Booz, Allen

& Hamilton, the issue is who owns consumers' eyeballs. Drug firms would have to rethink ways to own the consumer, within the legal confines. Meanwhile, more and more pharmaceutical companies are exploiting the loophole in a regulatory vacuum.

Finally, if you've passed the test (i.e. clinically, you're far from depressed), give a sigh of relief! Log out, be happy and keep those spirits up!

...17.2

SOURCES: 'Advertising drugs. Pill pushers', *The Economist* (9 August 1997), pp. 62-3; David Pilling, 'Prozac online lifts drug sector spirits', *Financial Times* (3-4 June 2000), p. 15; insights gained from the Eli Lilly and Company website (14 September 2000), at <http://www.prozac.com>.

Beyond simply avoiding legal pitfalls, such as deceptive or bait-and-switch advertising, companies can invest in communications to encourage and promote socially responsible programmes and actions. For example, earth-moving equipment manufacturer Caterpillar is one of several companies and environmental groups forming the Tropical Forest Foundation, which is working to save the great Amazon rainforest. It uses advertising to promote the cause and its involvement. The *Financial Times* has run several FT lunch/evening meal promotions, in conjunction with participating restaurants in the UK, to raise money for the charity Save the Children.

Personal selling

A company's salespeople must follow the rules of 'fair competition'. Some countries have enacted deceptive sales acts that spell out what is not allowed. For example, salespeople may not lie to consumers or mislead them about the advantages of buying a product. To avoid bait-and-switch practices, salespeople's statements must match advertising claims.

In business-to-business selling, salespeople may not offer bribes to purchasing agents or to others who can influence a sale. They may not obtain or use technical or trade secrets of competitors through bribery or industrial espionage. And salespeople must not disparage competitors or competing products by suggesting things that are not true.

No doubt, the laws governing sales and marketing practices differ across countries. Thus, international marketers must be fully aware of the laws and regulations governing sales and marketing communications practices, and how they differ across the countries in which they operate, when designing cross-border communications programmes. Beyond understanding and abiding by these laws and regulations, companies should ensure that they communicate honestly and fairly with consumers and resellers.

Summary

Modern marketing calls for more than just developing a good product, pricing it attractively and making it available to target customers. Companies must also *communicate* with current and prospective customers, and what they communicate should not be left to chance. For most companies, the question is not *whether* to communicate, but *how much to spend* and *in what ways*.

In this chapter, we defined the company's total *marketing communications mix* – also called *promotion mix* – as the specific blend of *advertising*, *personal selling*, *sales promotion*, *public relations* and *direct marketing* tools that the company uses to pursue its advertising and marketing objectives. Advertising includes any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. Personal selling is any form of personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. Firms use sales promotion to provide short-term incentives to encourage the purchase or sale of a product or service. Public relations focuses on building good relations with the company's various publics by obtaining favourable unpaid publicity. Finally, firms seeking immediate response from targeted individual customers use direct marketing tools to communicate with customers.

We addressed nine elements of the communication process and how the process works: the *sender* and *receiver* are the two main parties in a communication; the *message* and *media* are the major communication tools; *encoding*, *decoding*, *response* and *feedback* are the major functions performed; and *noise* is the unplanned distortion during the process.

This chapter also identified major changes in today's marketing communications environment. First, recent shifts in marketing strategy from mass marketing to targeted or one-on-one marketing, coupled with advances in computers and information technology, have had a dramatic impact on marketing communications. Although still important, the mass media are giving way to a profusion of smaller, more focused media. Companies are doing less *broadcasting* and more *narrowcasting*. As marketing communicators adopt richer but more fragmented media and promotion mixes to reach their diverse markets, they risk creating a communication hodgepodge for consumers. To prevent this, more companies are adopting the concept of *integrated marketing communications*, which calls for carefully integrating all sources of company communication to deliver a clear and consistent message to target markets.

To integrate its external communications effectively, the company must first integrate its internal communications activities. The company then works out the roles that the various promotional tools will play and the extent to which each will be used. It carefully coordinates the promotional activities and the timing of when major campaigns take place. Finally, to help implement its integrated marketing strategy, the company appoints a *marketing communications director* who has overall responsibility for the company's communications efforts.

Next, we outlined the steps involved in developing effective marketing communication. In preparing marketing communications, the communicator's first task is to *identify the target audience* and its characteristics. Next, the communicator has to define the response sought, whether it be *awareness*, *knowledge*, *liking*, *preference*, *conviction* or *purchase*. Then a *message* should be constructed with an effective content and structure. *Media* must be selected, for both personal and non-personal communication. Finally, the

communicator must collect *feedback* by watching how much of the market becomes aware, tries the product and is satisfied in the process.

We moved on to explain the methods for setting the promotion budget, promotion mix strategies and the factors that affect the design of the promotion mix. The most popular approaches are to spend what the company can afford, to use a percentage of sales, to base promotion on competitors' spending, or to base promotion on an analysis and costing of the communication objectives and tasks.

The company has to divide the *promotion budget* among the major tools to create the *promotion mix*. Companies can pursue a *push* or a *pull* promotional strategy, or a combination of the two. The best blend of promotion tools depends on the type of product/market, the buyer's readiness stage and the product life-cycle stage.

Finally, people at all levels of the organisation must be aware of the many legal and ethical issues surrounding marketing communications today. Companies must work hard and proactively at communicating openly, honestly and agreeably with their customers and resellers.

Discussing the issues

1. The shift from mass marketing to targeted marketing, and the corresponding use of a richer mixture of promotion tools and communication channels, poses problems for many marketers. Using all of the promotion-mix elements suggested in the chapter, propose a plan for integrating marketing communications for the following:
 - A boutique that sells smart, casual attire aimed at young professional men and women.
 - The launch of Nokia's latest N-gage, a portable gaming system.
 - A university's Business Studies department seeking to attract more overseas students on a masters level degree programme.
 - A campaign to raise millions of euros to support development and emergency projects in less developed countries in Africa and Asia.
 - A local zoo, museum, theatre or civic event.
2. The Internet promises exciting marketing communications potential. However, when mismanaged, it can also serve as a disintegrating force in marketing communications. Explain. How can disintegration be avoided? Where possible, draw on examples of firms' Internet-based communications to support your discussion.
3. The marketing communicator can use one or more types of appeals or themes to produce a desired response.
 - (a) What are these types of appeals?
 - (b) When should each be used?
 - (c) Provide an example of each of type of appeal using three different magazine ads.
4. Michael Jordan, Tiger Woods, Jeff Gordon and numerous well-known athletes have had a huge impact on advertising and endorsements. Explain the positive and negative consequences of using celebrity sports figures to promote a company's products or services. What impact does the use of sports celebrity endorsers have on the average person? Is this different from the impact of other types of celebrity endorsers?
5. Consider a small consumer-goods company that has historically set the promotion budget as a percentage of anticipated sales.
 - (a) Make out a case for changing the method, indicating your preferred method, and explain why.

- (b) What would be the most appropriate promotional mix strategy (push or pull) for the company?
- (c) Should it balance the two (push and pull) strategies? Explain.

Applying the concepts

1. Think of a nationally advertised product or service that has been running an advertising message for a while. Go to a bookshop, a newsagent and/or the library and seek out magazines and other relevant print media that may contain print advertising for the brand you have selected. Where possible, get a copy of the ads from current and back issues of the magazines and the printed material you have accessed. Now examine the ads closely.
 - (a) How consistent are the message content, structure and format?
 - (b) Which response(s) do you think the campaign is seeking: awareness, knowledge, liking, preference, conviction or purchase?
 - (c) Do you think the ad campaign is successful in achieving the desired response? Why or why not?
2. Manufacturers of today's highly complicated computer products face a difficult task in determining how to promote their products effectively. The rapid pace of technological change in the market means that tomorrow's computers will probably be as different from today's as today's laptops are from yesterday's old 'punched card' machines. Consumers do not respond well to the detailed descriptions that are often needed to explain complex technological features and differences. So, how do producers tell consumers in plain terms what they need to know about new generations of products without boring them? The answer may be as close as the computer company's website. Experts predict that more and more consumers will be surfing the Web for product information and that fewer will rely on traditional information sources. Select five computer manufacturers and examine their websites for more information on new personal computer and handheld computer products. For example, you can visit Sharp (www.sharp.com), IBM (www.ibm.com), NEC Computer Systems (www.nec.com), Casio (www.casio.com), Apple (www.apple.com), Dell (www.dell.com) or Sony (www.sony.com).
 - (a) How are the marketing communications at the selected websites different from those found in traditional advertising media? Compare and critique the online versus traditional (offline) forms of marketing communication. Assess the advantages and disadvantages of each form. Which of the two forms is more effective? Explain.
 - (b) Compare the websites you have accessed. Which of the websites is the most effective? Explain.
 - (c) After reviewing each site, pick a product that you might like to own (such as a laptop or handheld computer). Based solely on the information provided at the websites that you have accessed, which company and product most grabs your attention and purchasing interest? Critique your information-gathering experience. What information was most useful? How could the communication be improved? Would you be willing to purchase the product via the Internet? Why or why not?

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WEB RESOURCES

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Concluding concepts 17

Absolut Vodka: Samantha and the Hunk on the Level



PONTUS ALENROTH, ROBERT BJORNSTROM,
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With sales in 126 markets globally, Absolut Vodka is now the third largest spirit in the world. V&S of Stockholm, Sweden, is the international brand owner and manufacturer of ABSOLUT VODKA as well as Plymouth Gin, Danzka Vodka Level Vodka, ABSOLUT CUT and Fris Vodka. Absolut's market showing is surprising given it comes from Sweden, a country with highly restrictive licensing laws that do not allow spirits to be advertised. However, in the last two decades, Absolut has grown from being a little-known brand made in a country with no reputation in the spirits market to the world's leading premium brand of vodka.

The Absolut bottle is considered a masterpiece in glass design.

When Lars Olsson Smith, Sweden's 'King of Vodka', introduced a new kind of 'Absolut Rent Brännvin' (Absolutely Pure Vodka) in 1879, little did he realise it would become the world's leading premium vodka a century later. In the nineteenth century the self-made spirits tycoon introduced a revolutionary rectification/continuous

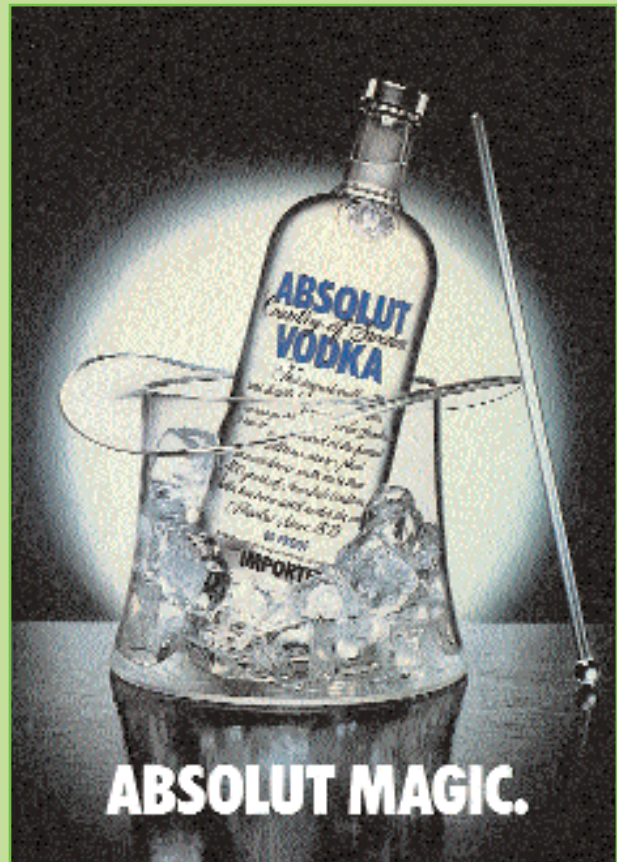
distillation method, which is still used in producing Absolut Vodka. The result was a clear, high-quality vodka, free from dangerous and bad-tasting by-products. As its label shows, Absolut Vodka trades on its heritage:

ABSOLUT

Country of Sweden

VODKA

This superb vodka was distilled from grain grown in the rich fields of Sweden. It has been produced by the famous old distilleries of Shus in accordance with more than 400 years of Swedish tradition. Vodka has been sold under the name Absolut since 1879.



The bottle continues to be the centrepiece in campaigns like 'ABSOLUT MAGIC'. This ad reinforces the vodka's aura of exclusiveness, timelessness and sheer magic.

SOURCE: ABSOLUT MAGIC advertisement reproduced by permission by V&S Vin & Spirit AB (publ). ABSOLUT country of Sweden vodka or logo, ABSOLUT, ABSOLUT bottle design and ABSOLUT calligraphy are Trademark owned by V&S Vin & Spirit AB (publ). Copyright © 2004 V&S Vin & Spirit AB (publ).

Absolut's website (www.absolut.com) allows every aspect of the label's claims to be explored.

Despite its long traditions, Absolut Vodka's success was late in coming. In 1979, Vin & Sprit (now called V&S), the Swedish state-owned alcohol monopoly, decided to export the vodka to the US. After objections from American authorities, the name Absolutely Pure Vodka was changed

to Absolut Vodka. Consultants had surveyed the US spirits market and found 'a clearly discernible consumer trend towards "white spirits" [such as vodka, gin and white rum] as opposed to "brown spirits" [brandy, whisky and dark rum]; white spirits are seen as being purer and healthier'. V&S had no marketing or product design experience, so it employed outside teams of marketing and management experts to create a product for the newly discovered market.

The design of the bottle was recognised at an early stage as crucial to success. Absolut's Gunnar Broman had the idea when he saw some eighteenth-century medicine bottles in a Stockholm antique shop. The bottles were elegant, different, simple and very Swedish. In reality, vodka was sold as a medicine in similar bottles during the eighteenth and nineteenth centuries. Broman argued his case for more than a year until the bottle was finally approved and the manufacturing problems were overcome. The resulting Absolut bottle was very different from that of competitors. It was considered a masterpiece in glass design: a timeless shape with fine lines and the exceptionally clear glass that distinguish Absolut from other premium vodkas.

Absolut's acceptance in the US market did not come easy. When Absolut's team first presented their ideas to New York agency NW Ayer, some of the agency's staff were thrilled but most shook their heads, thinking 'who wants to drink a vodka from Sweden anyway?'. But, after many meetings, they agreed on the theme of 'Absolut Country of Sweden Vodka'. The bottle should be made of clear glass with silver text on it. They tested their idea by putting their bottles among the other big brands to see how it looked.

One of the people working with the Absolut account, Myron Poloner, fell in love with the bottle. He could sit and watch the 'medicine bottle' for hours and one night it struck him. The bottle should have no label at all. You should be able to see right through it. The vodka should be a premium vodka for well-educated people with a high income who could afford to eat out. They liked to hold parties at their home and to show off.

Attempts to sell the idea to US distributors met with the same cool reaction as the early meetings with the ad agency. 'Who has ever heard of a Swedish vodka? And it doesn't have a label. It'll disappear on the shelf. It will never sell!'

Carillon Importers Ltd, based in Manhattan, had a different view. Carillon's leader, Al Singer, accepted 'the challenge' the moment he saw the product. However, the company had only one salesman, Michel Roux, but he was to play a leading role in the success of Absolut Vodka. Singer did not want to work with a big New York agency,

preferring instead Martin Landey Arlow. Landey and Singer also wanted to change the bottle, making it taller and with a thicker bottom. One day, as a joke, one of Broman's employees put a coin on the bottle's shoulder. The Americans loved it, so his staff decided to create a seal. They tried shields, swords, guns, naked women, men's heads, etc. Broman's office was coincidentally located in Absolut's founder Lars Olsson Smith's old house. While there he thought, why not put 'The king of vodka's' head on the seal? The president of Vin & Sprit, Lars Lindmark, decided that the ABSOLUT VODKA letters should be blue for the 80 proof bottles and red for the 100 proof ones. And so the bottle changed to that we know today.

Unfortunately, Martin Landey had to stop acting for Carillon because of a conflict of interest with another, more profitable client in the spirits business. TBWA, another New York agency, heard about Carillon, contacted Singer and got the account. Geoff Hayes and Graham Turner were assigned to Absolut. One evening Hayes was sketching while watching TV. Trying to find a symbol of purity and simplicity, he made a halo. Soon his floor was covered with different ad-ideas, all with a humorous twist. The next day, he showed his ads to Turner. They changed the name for the Absolut Purity ad to Absolut Perfection. Absolut Heaven showed the bottle with wings. Fifteen minutes later they had a dozen different Absolut 'something' ads.

The Absolut, Carillon and TBWA staff loved the idea. 'All advertising should centre around the bottle, the product should not be identified with any particular lifestyle, and the approach should have a timeless yet contemporary feel to it.' Every advertisement has two features in common: the depiction of an Absolut bottle and a two- or three-word caption beginning with the word 'Absolut'. It hit the US market in 1979 and Absolut soon became the biggest-selling imported vodka brand.

The innovative way of marketing Absolut contrasted directly with that of the established brands. As David Wachsmann points out, the advertising of spirits in the United States used 'one of three formats: a roomful of exceedingly happy people, a celebrity holding a glass, or old-fashioned settled family life'. Then came 'Absolut Perfection' and hundreds of different ads.

Absolut Vodka is a highly premium-priced vodka and therefore has an aura of up-market exclusiveness. Considering the target market and the early magazine ads (Absolut Perfection, etc.), a tie-up with the arts world was inevitable. The first step in this direction was taken in 1985 when the New York cult pop artist Andy Warhol was commissioned to paint the Absolut Vodka bottle. Today Absolut cooperates with artists and designers in all the

contemporary arts. 'The purity and clarity' of the product, says Göran Lundquist, the then President of The Absolut Company (now V&S Absolut Spirits), a part of the V&S Group, is a 'timeless source of inspiration' (the current President of V&S Absolut Spirits and CEO of the V&S Group is Bengt Baron). There are now over 3,000 works in the Absolut collection. All feature some aspect of the bottle or its label. Like other very successful campaigns, the marketing is so sensational that the product receives a huge amount of free media exposure. In Absolut's case this has even occurred in markets, like Sweden, that did not allow alcohol advertising.

Absolut's unconventional marketing has generated demand for its ads – the advertising agency receives thousands of requests for ad reprints. The ads have become a modern icon. Besides winning the Effie and the Kelly awards, Absolut was honoured with an induction into America's Marketing Hall of Fame. That seal of approval confirmed Absolut's success and impact on the American lifestyle, especially since the only other brands that have received such an honour are Coke and Nike. 'Absolut Art' is also achieving international recognition. Warhol's and other key US works, together with others specially commissioned from French artists Bosser and Delprat, were shown at Paris's prestigious Lavignes-Bastille Gallery. From there, the exhibition moved to London's Royal College of Art, where new works by British artists, including Peter Blake, were added. The exhibition then travelled to Berlin, Munich and Milan. Over 350 artists and fashion designers have now produced Absolut ads. Their cult status is reflected in home3.swipenet.se and www.absolutad.org, websites dedicated to Absolut art.

An ingenious bottle and creative marketing played a crucial part in the Absolut saga, but V&S's distribution partnership was also crucial to its success. However, Absolut had to bid farewell to Carillon, its original distributor in 1995 and teamed up with Seagrams. After a long and fruitful relationship, Absolut had outgrown Carillon. In 2001, following the sale of the spirit division of Seagrams, V&S set up its New York based, American subsidiary. The Absolut Spirits Company which is the importer of ABSOLUT in the USA. At the same time, V&S formed a new distribution set-up for the US with Future Brands, a joint venture between V&S and Jim Beam Brands.

The Absolut Akademi aims to create 'a competitive edge through people': 'The goal is to build a quality culture around a quality product.' Another tool in marketing is the *Absolut Reflexions* magazine, which is distributed in all markets. Used as a PR tool, *Absolut Reflexions* spreads news of the brand, its advertising and activities to consumers all over the world.

V&S followed its Absolut's success in the US with attacks on the European, Asian and Pacific markets. Compared with the United States, the European market is slow growing, fragmented and conservative. Europe has many leisure drinking cultures, but these vary from region to region and there are well-established traditions everywhere. Except for countries where vodka is the national drink, the European vodka market is underdeveloped. Vodka is drunk by only 4 per cent of consumers in Europe, compared to 21 per cent of Americans. To repeat its American success, Absolut will need clever and innovative strategies tailored specifically for each of Europe's submarkets. V&S is bullish about Absolut's chances in Europe. 'We have built up a wide experience of operating abroad and we are confident we can meet the competition', says V&S's Margareta Nyström. The company believes that wherever there is a demand for premium vodka, Absolut Vodka is the optimal choice. 'Absolut Vodka proves itself time and time again as more than just a fine vodka: it's an idea. And nothing can stop an idea whose time has come.'

After years as a challenger in the spirits market, Absolut is the leading brand that many are following. V&S are defending its position by extending its product range by acquisition and new product launches. Early 2004 saw the launch of Level Vodka in the US. V&S's Carl Horton, president and chief executive of The Absolut Spirits Company, explains: 'Level is our long-awaited entry into the vibrant super-premium vodka segment.' Level aims for a perfect balance of smoothness and character, which is achieved by a unique combination of two distillation methods: 'One taste and consumers will see it's a completely new level of vodka.'

While attacking the super-premium market with Level Vodka, V&S combined the iconic brand with the equally iconic *Sex in the City* series. In a campaign reminiscent of the impact of the early Absolut ads, in the 'Hop, Skip and a Week' episode of *Sex in the City*, Samantha Jones makes a deal for her latest lover to appear in a fictional ABSOLUT HUNK ad where he is nude but for a suggestively placed Absolut Vodka bottle. Absolut paid nothing for the 'product placement', but both *Sex in the City* and Absolut gained hugely from the publicity surrounding the 'appearance'. Fiction became reality as the ABSOLUT HUNK ad appeared all over New York City, including on a huge Times Square billboard. ABSOLUT HUNK is now the new 'it' drink in New York bars.

*The authors wrote the original case 'Absolut Vodka: Absolutely Successful' on which this case is based.

Questions

1. What is the foundation of Absolut Vodka's success? Is it the vodka, the bottle, the distribution or the promotion?
2. How does Absolut's marketing build upon American trends in the late 1980s and early 1990s? Is Absolut a fashion product that will decline with the trends?
3. Do you believe that Absolut Vodka 'is an idea whose time has come' and that nothing can stop its success?
4. V&S's European campaign uses ads in the same style as those that have been so successful in the United States. Do you think the US approach will work in other regions?
5. Since Absolut Vodka is such a lifestyle product, would you recommend that V & S should extend the brand into other

markets in the same way as Virgin has extended into video games, PCs, cola and vodka?

6. Absolut's successful advertising has benefited greatly from the publicity it generated. Can advertising campaigns be designed to create such media attention or is their success just good fortune?

SOURCES: Adapted from the following: Andrew Edgecliff-Johnson, 'Drinks disposal leave Seagram with hangover', *Financial Times* (20 November 2000), p. 36; John Thornhill, 'Trying to make selling spirits seriously easy', *Financial Times* (1 September 2000), p. 16; 'Level Vodka to launch nationally in 2004', *Business Wire* (6 November 2003); *The Irish Times*, 'Drink ads box clever' (23 August 2003); www.absolut.com; for ABSOLUT HUNK ad and cocktail ingredients visit ez-entertainment.net/features/absolut.htm.