

3 Marketing mix elements: (P)romotion: Delimitation and integrative approach with SCM

Introduction

The present chapter describes the interaction between businesses/organizations and their supply chains, in relation to decisions concerning Integrated Marketing Communications (IMC). These decisions play a major role in the integration of the supply chain, especially concerning direct effective two-way communication with customers, with the ultimate aim of contributing, maintaining and increasing the business's competitive edge. In the business environment, radical changes are constantly being observed, which create new opportunities as well as threats for businesses and their supply chains, in connection with the development of effective IMC plans and the determination of the mix of the activities and techniques used in IMC.

Learning goals

After reading this chapter, you will be able to answer the following questions:

- Why is the rapport with strategic partners in the supply chain necessary for the companies to plan and implement the appropriate Integrated Marketing Communications strategies?
- What are some of the most important factors that are constantly changing the environment of Integrated Marketing Communications?
- What are the stages for the development of effective Integrated Marketing Communications plans?
- What are the basic features of the main activities of the Integrated Marketing Communications mix?

Structure

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- 3.6 Setting out the overall Integrated Marketing Communications mix
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3.1 Integrated Marketing Communications within the supply chain context

Decisions related to the Integrated Marketing Communications (IMC) of a business should be made in collaboration with the main strategic partners in the supply chain. The customers of a company get messages not just from the business that makes the product but also from other actors involved in the product's supply chain. Take, for example, a business that produces a cosmetics product of high value/status, according to its placement strategy. No matter how much time/money the business invests in communicating the high value of the product to the final customers, the promotional efforts of the business will have meagre outcomes if some retailers placed the product on the shelf together with similar cheaper cosmetics and not with the other expensive ones. Similarly, the product manufacturer will be disappointed by the effectiveness of the promotional campaign for this product if the retailers' sales assistants are not appropriately trained/informed/motivated to effectively inform and persuade consumers about the high quality of an expensive cosmetics product.

Likewise, joint planning and coordination should exist among the strategic partners of the supply chain in relation to promotional activities, for both producers' actions and other members; initiatives. The producer may for example wish to offer the product with a large discount (e.g. 40%) on the retail price to increase the number of potential customers who will try it, or to smooth out expected variations in demand. Without the corresponding support from distribution networks for temporary periods of increased product demand, it's very likely that a significant number of potential customers will be disappointed when they see empty shelves when a special offer is still valid. In such cases, the losses by the producer company may outweigh any of the benefits it may have gained by offering the discount. A similar disappointment may realize some collaborating retailers who, not knowing the producer's motives, may order the regular supplies of substitute products, which may be kept in the warehouse for a longer time period than expected. High levels of cooperation and coordination between strategic partners of the supply chain are also required when implementing predatory pricing, which is systematically applied by large retail chains as a promotional tool. As previously analyzed in Chapter 2, predatory pricing will provoke a temporary increase in the demand of certain products; hence, the basic premise in its successful application is the coordinated actions among all the members of the supply chain.

Close cooperation between the producer and other businesses in the supply chain is vital in order to successfully implement the pre-announcement of high technology products (Siomkos et al., 2018). Collaborating retail chains play a significant role in promoting pre-announcements for products of collaborating businesses, for example through their websites or by sending emails to their customers. Moreover, strategic partners and distribution channels make large contributions in the evaluation process, and by extension, in the improvement of prototypes and alpha/beta test editions. This is achieved by integrating the preferred improvements of the strategic partners and final customers, as well as by the constant flow of information relating to customers' reactions.

3.2 Introduction to Integrated Marketing Communications

Traditionally, business communications used promotional elements from the marketing mix. In large companies, different departments were tasked with promoting the

business through advertising, public relations, sales, etc., which often operated independently of each other. For some time now however, the prevailing opinion is that business communications require coordination with different stakeholders; interest toward this direction has therefore moved to IMC.

The promotional mix, and hence IMC, comprises the combination of the tools and techniques included in the promotional activities, including advertising, public relations, personal sales, sales promotions, direct marketing, digital marketing and other modern promotion forms that aim to communicate the value of a company's products/services and create long-term collaborative relations with customers. As each one of the various stakeholders receives or elicits different messages about the overall product placement strategy from the remaining elements, i.e. the product, its pricing and distribution, IMC tries to integrate the promotional mix, blending in those messages. For example, customers would be getting contrasting messages if an expensive cosmetics product had cheap packaging or was being promoted by regularly timed large discounts on the full price (e.g. up to 50%). Indeed, due to the vast contribution of services in virtually all the value offers of a business, systematic integration is also required in decisions concerning the three basic elements involved in services, i.e. people, processes and the physical environment.

A synopsis of the most important activities of the IMC mix can be summarized as follows (Armstrong & Kotler, 2017; Perreault et al., 2012; Fahy & Jobber, 2014, 2016; Belch & Belch, 2016; Belch et al., 2020; Shimp & Andrews, 2013):

- *Advertising*: This refers to every paid impersonal message from a recognized source, usually the business that produces or distributes the product. It is paid for because advertisers must pay the mass media to broadcast their messages. The message is impersonal since it is not possible to get direct feedback from the message recipient. A basic advantage of this is that the business conveys the message it chooses to send and the way it desires to do this to a wider audience. This form of communication is chosen when the business needs to use mass media because of the relatively low cost per message recipient (€/TV programme watcher, etc.). The people that the message will potentially reach depends on the medium chosen, such as the specific TV channel, radio station, etc. Advertising via information and the creation of positive perceptions can play a significant role in placing a branded product and the business that makes it in the desired position in the target group's perceptual map.
- *Public relations – Publicity – Sponsorship*: Communication activities try to create and maintain a mutual understanding between the business and the target audience they are building a relationship with. *Public relations* control and manage the public image of the business or the organization in general terms. There are different theories concerning the relationship between public relations and marketing, since public relations are more often used by businesses to communicate with various stakeholders who are not directly concerned with the marketing goals of the business. *Publicity* is a public relations tool concerning each non-paid impersonal business message, e.g. an interview or presentation, on a TV program or in a newspaper. The main advantage of publicity is the perceived increased reliability of the sources used to broadcast the message, e.g. the journalist/writer of a magazine or website, in comparison with the trust conveyed by an ad that is paid for by the business. *Sponsorship* tries to connect the business

or product with an event (e.g. the Olympic Games) or another organization in order to improve its corporate image or branded product.

- *Personal sales*: Sometimes, personal (spoken) communication between the salesperson and the existing or potential customer is the most effective form of communication between the business and the customer, since it allows for direct, simultaneous, two-way communication. It is adjusted to the needs and requirements of each customer. It is most often in industrial markets. It often accounts for the largest share of the total budget of a business's communications expenses, since each personal contact of the salesperson with the customer costs anything between tens to hundreds of euros.
- *Sales promotions*: It is important to provide incentives to potential customers and intermediaries in the distribution networks, with the main aim of directly provoking interest among them to try or buy the product. The main advantage of promotional activities, such as coupons, sample products, gifts, etc., is that they have a direct and measurable result. Even though their aims are often directed toward the short-term horizon, their results can contribute to the achievement of long-term goals, e.g. a rapid increase in the number of people trying the product.
- *Direct marketing*: This involves directly communicating with prospective customers, with the ultimate aim of achieving some kind of intended reaction to or sale of the product. Initially, direct marketing mainly involved sending mail-order catalogues illustrating the company's products to selected potential customers. Today, where the grand majority of potential customers uses some kind of electronic device (computer, smartphone, tablet) connected to the internet on a daily basis, direct marketing takes various forms. For example, instant online advertising tries to facilitate the immediate purchase of the product directly from the producer. Potential customers can be informed in detail via the internet about products that potentially interest them, and they can complete all the steps needed for the purchase process, paying by credit/debit cards. Some businesses use direct marketing exclusively to sell their customers products, even by using independent partners, as in the case of the health and beauty products company LR Health & Beauty Systems.
- *Digital/Electronic marketing*: The internet has shaped a very different business environment compared to how things worked in the past, with consequences for the way marketing, and therefore in marketing communications, function. Its main feature is the interactive media it utilizes, achieving direct, two-way communication at a very low cost between the business and the customers. Since virtually all people of all ages, even seniors, use the internet on a daily basis, very few companies exist that will not use the marketing tools offered to them by digital marketing. Digital marketing is used in the entire spectrum of IMC, utilizing the internet for ads, promotional activities and direct marketing, even facilitating personal sales to a great degree. Furthermore, it can provide the possibility for the personalized regulation of product prices for each customer separately, based on the customer's purchase behavior and their cooperation and communication with the business.

3.3 Integrated Marketing Communications within a constantly changing environment

Traditionally, the marketing communications of a business were based on the appropriate application of communication via the mass media, which fully supported the

mass marketing of standardized products. However, during the last two decades, cataclysmic changes in the business environment have taken place, due mainly to the technological innovations deriving from Information and Communications Technology (ICT) (Armstrong & Kotler, 2017; Fahy & Jobber, 2016; Belch & Belch, 2016; Belch et al., 2020; Shimp & Andrews, 2013).

Consumers are better informed in relation to the past, increasingly utilizing the many user-friendly methods available to them to get information and communicate with others. In essence, the information asymmetry that was common in the past, and always to the customer's detriment, has been reduced to a great extent, and in certain cases, it has almost been eliminated. The customer is more often the party that starts the communication process, as s/he searches for information about the product interests them, directly from the producer, and even from third parties who may be existing customers or people who have good knowledge of the market and competitors' products. The grand majority of consumers and virtually all industrial customers use the internet intensively on a daily basis to seek information about products that interest them, completing their purchases digitally to a great extent.

New ICT methods allow businesses to communicate directly in a personalized way with their customers with new, better targeted, personal, and very effective communication tools. At the same time, these new methods allow them to collect, process and utilize – directly and whenever they deem useful – many interesting details for each separate customer, such as their purchase behavior and the information they search for on the company's websites. As a result, the central weight of IMC has shifted from mass marketing to segmented marketing. Marketing communications and promotional programmes are now being designed and implemented for a plethora of discreet micro-segments of the market. For example, most businesses use email to send adjusted advertising messages and information, even on a daily basis, directly to their customers about their promotional activities. They also use YouTube to upload audiovisual material in order to strengthen their corporate image, present products/services in more detail, etc. Furthermore, they utilize social media to advertise, strengthen their public relations, and in general, communicate in a targeted way with customers with special interests. They also develop or take part in the creation of applications for smartphones and tablets which facilitate communication, completion of purchase and provision of support after the acquisition of the product, offering an integrated high-quality experience to their customers.

Traditional communication means, e.g. TV and radio, have obviously lost their past glory, but they still play an integral part in the communication media used by modern businesses. Their role has obviously changed in marketing communications, perhaps indirectly contributing to targeted personal information of existing and potential customers. Moreover, it is a great challenge for businesses to essentially and effectively manage and coordinate the plethora that now exists of traditional and new media and communication tools in order to communicate specific, clear and promptly timed messages. Businesses often realize that their customers receive different and sometimes conflicting messages from the various means of communication used by the different departments of the business and the strategic partners of the supply chain. For example, the advertising department may have different targets and approaches for the advertising campaign it is designing compared with the department in charge of developing a new product when it chose a specific kind of packaging, and the exterior appearance of the product in general. Frequent use of promotional actions may also

constitute a constant reminder to customers, or perhaps regulate demand, but it may also cause irrevocable harm to the image of a status product.

It therefore becomes clear that IMC imposes the coordination of different means of marketing communications, tools and activities. It goes without saying that this is a special job: the person assigned to this task will coordinate and be responsible for the successful implementation of the marketing communications plan to ensure that clear, timely and effective messages are transmitted to all interest groups. In large organizations, this person must coordinate advertising, personal sales, promotional activities, etc. in order to utilize the advantages of each communication activity in combination, to achieve specific, clear and timely targets. This coordination effort refers to the achievement of both the business's and the product's wider communication targets, as well as the special targets that have been placed on each individual aspect of the purchase process.

In conclusion, IMC is now the only way forward in creating and strengthening the corporate image and branding of a company's products and product lines. Aligning itself with the goals of modern marketing, IMC is a prerequisite for building and improving long-term collaborative relations with customers, based on the founding principles of trust, transparency and mutual benefits between the business and its customers.

3.4 The communication process

Each form of communication refers to the processes of transmission and message exchange via some kind of channel (Armstrong & Kotler, 2009, 2017; Perreault et al., 2012; Fahy & Jobber, 2014, 2016; Belch & Belch, 2016; Siomkos, 2004; Runia et al., 2014; Valakas, 2008). In order to achieve this communication, a *transmitter* is required, i.e. the sender of the message, a *communication medium* (or channel) for the transmission of the message, e.g. face to face, print form, radio, etc., and a *receiver*, i.e. the recipient of the message, that is the person/audience that the message addresses (Figure 3.1).

The communication process starts from the transmitter's need to send some kind of message to a specific receiver. The transmitter can be a business or supply chain, or a non-profit organization. It must choose a clear, predetermined message that it wishes to send to a specific targeted receiver. The receiver can be any interest group of the business, and not exclusively its final customers. For example, by targeting the wider support of the local community where its headquarters are located, the business can sponsor scholarships for young people from the area, even though just a small segment of its sales are conducted locally. Once the message is chosen, the receiver must then codify the message using images, words, sounds, etc. in order to attract the attention of the receiver, with the ultimate aim of the message conveying the desired meaning.

The transmission of the message is done with the use of some kind of communication channel or medium. Choosing the appropriate channel depends on different criteria with the ultimate aim of the message reaching and attracting the attention of as many people as possible in the target group; it is consequently repeated as many times as possible in order to secure the greatest possible effectiveness of the communication.

When the message is received – and if it is noticed – it will need to be decoded, i.e. it will be interpreted based on the receiver's perceptions, attitudes and experiences. Thus, coding is a process of critical importance. Mistakes made at this stage may lead to misinterpretations during the decoding process, which are different to the desired one;

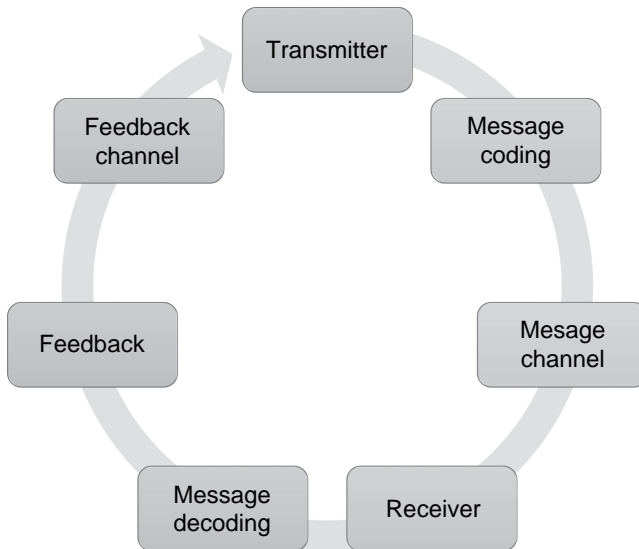


Figure 3.1 The communication process.

subsequently, marketing communications may have opposite results from what was expected. This problem appears more often in messages transmitted in different cultural environments, such as in the advertisements of companies that sell products in a wide range of international markets.

Coding is followed by the receiver's *response* – the way the receiver(s) respond when they are exposed to the message: e.g. how they respond when they are being informed about a product, how they shape a more positive attitude toward the product, how they react when testing the product, etc. In modern two-way marketing communications, it is necessary for the business to receive as much feedback as possible, and as quickly as possible. *Feedback* refers not just to potential observed changes in product sales or visits to relevant websites to get more information; feedback from personal sales direct, since sellers can discuss objections or hesitations with potential customers. For other activities in the marketing mix, the business is obliged to install permanent transmission channels which are easily accessible by the receiver to receive feedback through standardized surveys measuring the targeted effectiveness. These surveys should also enable each receiver to freely and easily convey any comment they wish to the company. Thus, the communication cycle is complete when feedback is transmitted back to the receiver.

In any form of communication, message transmission may be hindered by obstacles or noise. Communication obstacles take different forms and their source may be the actual transmitter, as well as other sources. For example, the transmitter's message may not be clear enough, or the message may conflict with other messages that have previously already been transmitted to the receiver from other elements of the marketing mix. Significant obstacles are also created by errors in the coding of the message, as well as by the selection of the transmission channels; for example, the desired number of advertising hits on the message recipient may not have been achieved.

Obstacles may also appear from the negative predispositions that some of the members of the target group have in relation to the reliability of the transmitter. The influence of reference groups or other references contained in the message that go against the receivers' established perceptions may also have a negative effect. Noise refers to the unplanned distortion of the message which may be due to various reasons, e.g. intense conversations between the children of a family while the adults are watching a TV program, or a phone call that takes place at the same time that a company's chief salesperson is reading a text message/email sent by the seller of a collaborating supplier.

3.5 Development of effective plans for Integrated Marketing Communications

The basic stages involved in the process of developing, implementing and controlling effective IMC plans are described below (Belch & Belch, 2016; Belch et al., 2020; Valakas, 2008; Fahy & Jobber, 2014, 2016; Siomkos, 2004; Runia et al., 2014).

3.5.1 Determination of the marketing strategy

First of all, a review of the strategic plan and the specific marketing goals of the company should be made. The strategies that the company has chosen will emerge from the marketing plan, which will take advantage of all opportunities and deal effectively with any threats in the company's environment, taking into account its strengths and weaknesses. Among other things, the marketing plan should have defined, as clearly and precisely as possible, the role of IMC in achieving the set goals.

3.5.2 Analysis of the existing situation of the communications mix

The people in charge of the marketing communications must thoroughly analyze the current state of the business communications mix, taking into account the available resources (staff, material, etc.) and the skills/abilities that will contribute to the achievement of the marketing objectives and the evaluation of previous promotional activities.

3.5.3 Determination of the target group

The definition of an IMC plan consists of sub-stages that require coherence and consistency; therefore, interaction between them should be taken into account when making the final decisions, starting with determining the audience of the marketing communications, i.e. the specific target groups that have common characteristics, which the company wishes to address its messages to (Belch & Belch, 2016; Valakas, 2008). The target audience may be existing or potential customers, decision makers (e.g. parents who buy their children's toys), or those who influence decisions (children who ask their parents for specific toys), etc. (Figure 3.2).

The target audience can also be divided into two groups: a direct target audience (e.g. loyal business customers, competitors' customers, etc.) when the purpose of communicating is to positively influence their purchasing behavior; and an indirect target audience (people who influence others' opinions, consulting firms, etc.) which concerns groups of people who make little or no contribution to product sales as

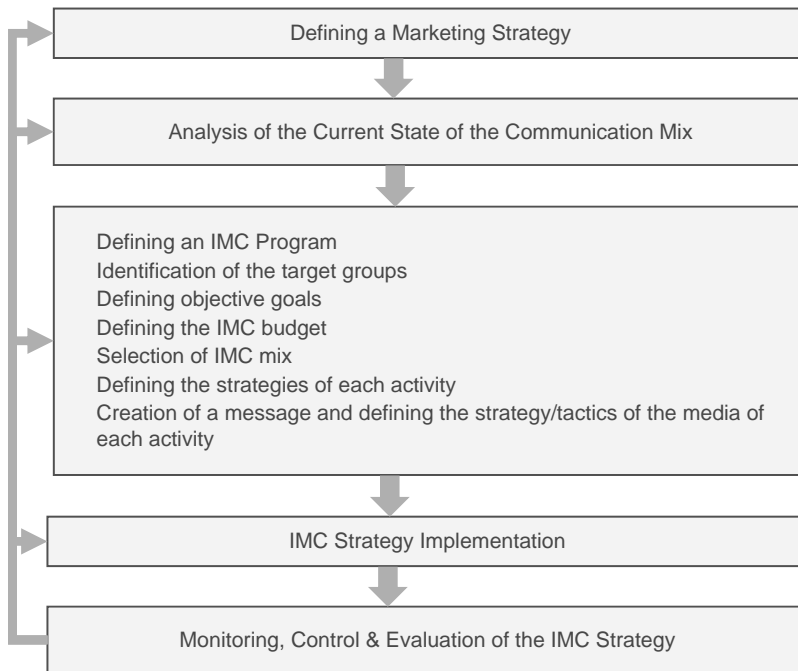


Figure 3.2 Basic stages in the implementation of IMC plans.

buyers, but can influence the buying behavior of other people. According to another classification, the target audience may be mass markets, market segments, niche markets or individuals and groups. In any case, the description of the target audience should be very detailed, focusing on specific characteristics at individual and collective levels to facilitate appropriate decision-making regarding the coding of marketing messages and the choice of means for their transmission.

3.5.4 Determination of objective goals

The objective goals of IMC should essentially transform the overall goals of the marketing plan into the communication and promotion goals of the business and its products. Determining the marketing communication goals contributes significantly to the effectiveness of the IMC plan; they form a common basis for the coordination of all stakeholders (the business, the advertising company, sales promotions companies, public relations, etc.), they define the decision-making roadmap for the appropriate communications mix, and they provide a consistent set of criteria for evaluating the end result.

Many marketers believe that appropriate promotional objectives should be directly related to sales, since this is considered to be the main – the ultimate – goal of a promotional campaign. However, the sales of a company's products are also influenced by other structural elements in the overall marketing strategy, such as product quality, support services before, during and after the transaction, pricing, distribution, etc. Most marketing communication results are also diffused over a long period of

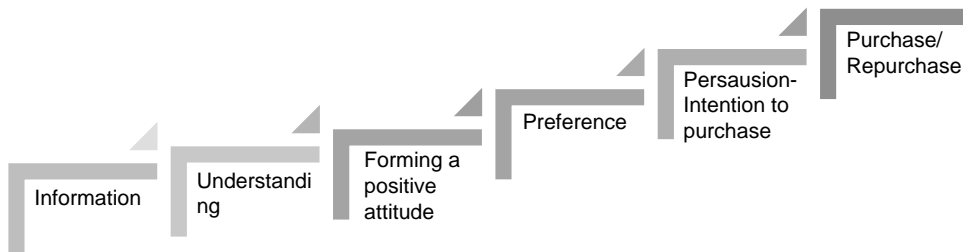


Figure 3.3 Hierarchical escalation of the outcomes of IMC.

time, so it is difficult to reliably and accurately assess their impact on sales. The only possible exceptions to this are most sales promotions and direct marketing programs, for which short-term communication goals are set that are directly related to sales.

However, many marketers also recognize that IMC goals should take into account the hierarchical escalation of the IMC results. Therefore, depending on the hierarchical escalation stage that the target audience is at, the corresponding communication targets should be set (Figure 3.3).

The goals of IMC may take different forms. Indicatively, they refer to the following:

- Increasing the amount of information about the product
- Understanding the benefits that the product offers
- Developing a positive attitude toward the product
- Enhancing preference for the product
- Motivating consumers to take action
- Brand testing – first purchase
- Repeat purchases
- Increased use of the product
- Increased frequency of purchase
- Attracting customers from the competition

Appropriate communication goals must also comply with certain basic requirements, such as the following:

- Very clear wording to allow for a quantitative evaluation of the achievement of the goals wherever possible
- Precise determination of the target audience
- Analysis of the existing state of the common goals in the hierarchical escalation, in order to facilitate the clear determination of the evaluation criteria concerning the communication's effectiveness
- Determination of the time frame within which the goals must have been achieved.

3.5.5 Determination of the IMC mix budget

Determining the budget of the IMC mix constitutes a very important step in the process of preparing and implementing the promotional program. In the figure above,

it seems that the definition of the promotion's objectives precedes the determination of the budget; companies have to take into account their interactions with each other in order to make their final decisions. In practice, the maximum budget available is always a significant constraint in the final form that the promotional plan takes.

Determining the promotions budget is a very complex and difficult process, as it is almost impossible to determine the effect of the promotion on the product sales. Promotion is one of the four key building blocks of a product placement strategy; sales therefore depend on product, pricing and distribution decisions. According to a generally accepted principle, the budget level depends on the estimated function of the sales response to the promotion (Belch & Belch, 2016; Siomkos, 2004). It is generally considered that below a certain limit, promotional costs have no effect on sales. Above this limit, extra promotion increases sales but it also follows the well-known law of declining performance: initially there are increasing returns, but after some point the returns begin to decrease. Finally, above a certain threshold, extra promotion costs have no effect on sales; hence, the graphical representation of the relationship between promotions and sales costs is S-shaped. It should also be borne in mind that the effect of the promotional mix on sales extends over time.

There are several methods used to determine the budget of the IMC mix (Armstrong & Kotler, 2009, 2017; Perreault et al., 2012; Fahy & Jobber, 2014, 2016; Belch & Belch, 2016; Siomkos, 2004; Runia et al., 2014; Valakas, 2008, Shimp, & Andrews, 2013). Some of the most important methods are described below:

- *Percent of sales:* This is the simplest and most commonly used method. The promotions budget is arbitrarily set as a percentage of the existing or, more commonly, future sales based on some sector average or business experience. Its significant advantages are the simplicity and ease of calculations, the maintenance of a relative stability as long as there are no significant changes in sales, and budget constraints within reasonable limits. However, this method reverses the real relationship between promotional costs and sales, as it is erroneously assumed that promotional costs should be dependent on sales. There is also no way to determine the appropriate amount of the relevant percentage, especially when a new product is introduced to the market or when significant differences are observed in the sector among competing companies at the chosen percentage level. In this way, it is also possible to allocate more money than necessary to high-selling products and not enough support to products that are in the process of being introduced or developed, where significant investments in promotion still need to be made.
- *Competitive exchange rate:* The IMC budget is determined by the estimated average percentage of sales applicable in the sector. These estimates come from a variety of secondary sources (e.g. publications in the advertising industry). The two main arguments used by proponents of this method are that collective knowledge and experience are utilized, and the chances of a "promotion war" is reduced. However, the particularities of each company are not taken into account, e.g. the overall strategic positioning of the product, the objective goals of the promotion, the financial possibilities, the skills and abilities acquired in the utilization of the various activities and techniques more or less effectively than by other companies in the sector, etc. It also does not exclude a competing company from changing the way it determines its promotions budget, at any time and for

any reason. Therefore, it is not at all certain that advertising/promotion wars will be prevented; at the same time, the company may detect these changes with considerable delay, having already suffered significant sales losses.

- *Economic potential:* The promotions budget is determined by the remainder resulting from estimating the expected inelastic production costs and other functions from the expected revenue. In essence, this method ignores the effect of promotional activities on sales. Given the response function of the sales to the promotion costs, and bearing in mind the likelihood that the budget will be set at a low level, the impact of promotions on sales will be very limited. Of course, there is a relatively small chance that a larger amount will be allocated for promotions, so that, from some point onwards, the effectiveness of the promotional campaign in terms of sales is marginal and obviously financially damaging.
- *Arbitrary distribution:* Companies do not follow any specific reasoning in the distribution of the business budget that will be allocated for advertising and promotion. Promotional costs depend mainly on the experience and intuition of the managers, who simply think that they have to spend a certain amount on promoting the company and its products. Obviously, this method is more likely to be applied by relatively small businesses and non-profit organizations which do not recognize the importance of implementing even the most basic marketing principles, thereby putting their viability at a clear risk.
- *Objective goals method:* This is the most effective method of determining the company's IMC budget. According to this method, after defining the objective communication objectives, the company will then have to identify the specific activities and techniques required to achieve these objectives. The budget required for the implementation of the proposed overall communication strategy is then estimated. In practice, setting objectives and budgets is a two-way process, as the management of the company may consider that it is not possible to allocate the required budget. In this case, the objectives should be reviewed and alternatives should be sought for a more efficient communications mix that will maximize the outcomes based on specific budget levels. Particular attention should be paid to periods of economic downturn in determining the maximum amount available for promoting the company, as promotion budgets are usually the first to be cut dramatically with the corresponding consequences when setting objective communication objectives. Despite its very significant advantages, this method is the most difficult to apply, as it requires answers to questions that require complex and subjective assessments: What are the specific activities and corresponding techniques needed to achieve the goals? How much will this marketing communications mix cost? Is there an alternative marketing communications mix available to achieve these goals and at what cost?

3.5.6 Determination of the IMC mix

Determining the IMC mix includes choosing appropriate activities, determining the strategy to be used for each activity, creating a message and defining the strategy/tactic of the media to be used for each activity, all of which are presented below analytically. Each activity in the IMC mix is characterized by its specific properties in relation to the transmission potential of the desired messages, the expected feedback and the required resources (Armstrong & Kotler, 2017; Perreault et al., 2012; Fahy & Jobber,

2016; Belch & Belch, 2016; Belch et al., 2020; Siomkos, 2004; Runia et al., 2014; Valakas, 2008).

The design of the IMC mix is influenced by various factors, some of which are described below (Perreault et al., 2012; Fahy & Jobber, 2014, 2016; Valakas, 2008):

Adoption curve

The product adoption curve shows the speed with which the various groups of potential customers adopt the new product, as previously discussed in detail in Chapter 1 (The Product). Market segmentation based on the adoption curve provides important information about the appropriate approach and communication method needed for each group, taking into account the key features of the processes involved in the purchasing behavior of its members (Perreault et al., 2012).

Innovators are the first group to adopt the new product, but they make up just a small part (about 3%) of the total potential market. Innovative customers, whether consumers or businesses, tend to place significantly more weight on being informed about the new product, by reliable, specialized, objective sources rather than the actual manufacturer. Therefore, the company should first convince the relevant experts to test the new product; these experts will then make their opinion about the product public. Therefore, techniques such as publicity or detailed “newsletter ads” in specialized publications or online magazines are the most effective ways to convey this information.

Early adopters (13–15% of the market) are the next group to accept the new product. Their attitude to the product and their adoption pace play a determining role in the viability of the product since this group possesses the “influencers” for the early majority group (about 35% of the market) that follows them. Early adopters pass on their experiences mainly through word-of-mouth to other consumers; this has been greatly enhanced by the use of the internet (blogs, online commentary, etc.). Early adopters prefer to be informed about the new product by the company’s sales staff or the trained salespeople of cooperating retailers, as well as by advertisements broadcast in the mass media. Some companies offer the opportunity for influencers (bloggers, etc.) to try the product for free or to visit the production sites and record their experiences, with the expectation that they will describe positive experiences.

The early majority are informed mainly by ads placed in the mass media, the company’s sales staff or affiliates in the supply chain, and influencers. The later majority (about 35% of the market) comprise individuals or companies that are still quite reluctant to accept new products. They adopt the new product following peer pressure from their social environment, which is their main reliable source of information, placing limited weight on the marketing communications they receive from the company and its partners in the supply chain.

Slow movers (10–15% of the market) are the last group of buyers that will try the new product. They get their information exclusively from their social peers, leaving very little leeway for IMC and marketers to try to influence their purchasing behavior.

The life cycle stage of the product

The life cycle stage of the product significantly affects the activities mix used in IMC (Perreault et al., 2012, Valakas, 2008). At the introduction stage, the main objectives

of marketing communications are the product's acceptance and support among the distribution channels, as well as the creation of primary demand, mainly attracting neoterists. Thus, personal sales and sales promotions aimed at motivating sales staff and distribution networks play a very important role in marketing communications. The company will also look for publicity by seeking and encouraging experts in the field to try the product in order to make their experiences public. Sales promotions may also be intended to motivate potential customers to try the product.

At the development stage, the purpose of marketing communications is to achieve a significant degree of information sharing about the branded product, in order to create and enhance preference for it, so that a significant part of the potential market can try the product and repurchase it. Advertising in the mass media plays a significant role, with messages addressed directly to the final customers. At the same time, personal sales and provision of incentives should be strengthened through promotional activities to expand the presence of the branded product in the distribution channels.

At the maturity stage, the branded product is now well known among the majority of the market players and is at the receiving end of intense competition from substitute products. Advertising is still very important for achieving a satisfactory level of commitment to the brand, emphasizing the competitive benefits of the product, but special emphasis is placed on sales promotions to final customers, as the market is essentially driven by price reductions. Communications, personal sales and promotional activities with intermediaries in the supply chain should also continue.

In the decline stage, the marketing communications budget is gradually reduced, as profit margins shrink respectively. Some companies, however, may choose to reposition the product by focusing primarily on advertising.

Availability of budget resources

Some promotional activities, such as TV commercials on national channels, require high overall budgets, although the cost per ad can be quite low if the target audience is large (Fahy & Jobber, 2014, 2016; Valakas, 2008). Thus, a relatively small business that isn't able to support this kind of advertising financially may resort to other activities that involve lower costs, such as direct marketing, etc.

Target market – consumer or industrial – of the product

The promotional mix is influenced by the market that the product addresses (Fahy & Jobber, 2014, 2016; Valakas, 2008). Industrial markets involve a small number of customers who are often concentrated in a few specific geographical locations and usually buy large quantities of the product at regular intervals. Therefore, in the promotional mix, a lot of weight is placed on personal sales, followed by sales promotions, while advertising plays a limited role. Consumer markets are much more geographically dispersed, customers are much greater in number, and they buy small quantities of the product. Therefore, in the marketing communications mix, advertising and sales promotions usually dominate, while the remaining activities are given less weight.

Degree of customer involvement with the product

The degree of customer involvement with the product refers to the importance that the customer places on the product and, therefore, the extent that s/he looks for and processes information during the purchase procedure (Belch & Belch, 2016; Valakas, 2008). When the customer spends a lot of time and effort searching for and processing information, the customer is believed to be highly involved in the product; conversely, low involvement implies a limited effort to be informed about the product, and to shape attitudes and preferences about it. Therefore, when there is high involvement, the process followed is: “learn” (acquire information and understand the product), “feel” (form attitudes and preferences, and have an intention to buy) and “do” (purchase/repurchase the product). The customer is first informed as fully as possible about the product; based on the attitudes and preferences formed at this stage, the customer will then proceed to the selection of the most suitable product. Products in this range involve a high cost with a long lifespan, which are therefore purchased once during a long interval, e.g. cars, computers, etc. In this case, the ad focuses mainly on informing the customer in detail about the competitive benefits of the product, as well as urging the customer to make a choice.

The process for a product with low customer involvement is “learn-do-feel”: the customer passively collects and processes information; based on this limited information and understanding, the customer then proceeds to the selection/purchase of the product. The customer then forms attitudes about and preferences for the product, taking his/her experiences into account. Low involvement is observed in regular daily-purchase products with little perceived risk; the customer therefore considers that s/he does not need to spend a lot of time searching for and processing information about such products, e.g. bread, milk, toothpaste, etc. The message should focus on a few (just one or two) benefits of the product and be repeated as much as possible so that customers memorize it; customers are highly unlikely to process the message any further when forming positive attitudes and preferences. Memorizing the product’s benefits is believed to increase the customer’s chances of trying the product when trying to meet a related need, and forming a positive attitude or predisposition for it after trying it.

Choices in the use of IMC push and pull strategies

When designing an IMC strategy, the company managers must decide on the percentage mix of the basic strategies to be utilized, i.e. the push and pull factors (Armstrong & Kotler, 2009, 2017; Perreault et al., 2012; Fahy & Jobber, 2014, 2016; Belch & Belch, 2016; Siomkos, 2004; Runia et al., 2014; Valakas, 2008). The push strategy promotes the product to the intermediaries of the distribution channels (wholesalers and/or retailers) in order to stimulate the intermediaries’ demand for the product. Once demand is stimulated among the stakeholders in the distribution channels, they will then try to promote the product to the final customers, in co-operation with the producer company, in order to stimulate the final/independent demand for the product. In the pull strategy, the company promotes the product directly to the final customers, aiming to stimulate demand on their part in order to create branded demand for the product among the retailers, and consequently among all the intermediaries in the distribution channels (Figure 3.4).

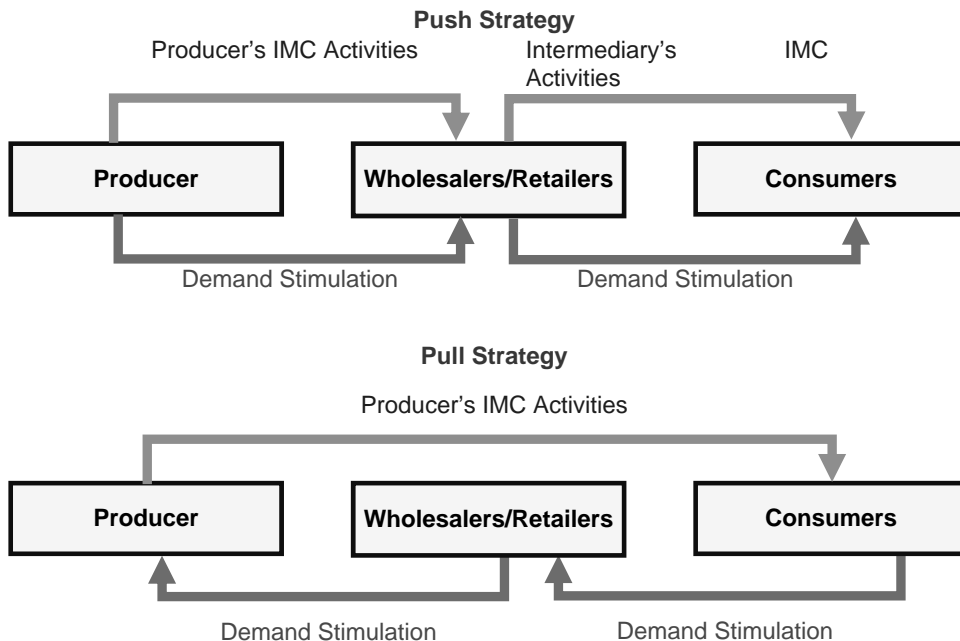


Figure 3.4 Push and pull IMC strategies.

Through the push strategy, the producer company provides incentives to stakeholders in the distribution channels in order to get their support for the product and, in particular, to make a decisive contribution toward promoting it to consumers. Incentives may include the joint design and co-financing of advertising or other promotions (e.g. final price discounts, merchandising, etc.) to final customers, or giving discounts and other benefits directly to intermediaries, such as sales volume discounts, or various support services (e.g. facilitation of payments, sharing the business risk, etc.).

Given the small number of intermediaries and the large product volume that each intermediary will potentially promote and distribute in the market, the main promotional activity used will be personal sales. This strategy is preferred for products that are in the market introduction stage, particularly when it is estimated that the placement strategy does not differ significantly from competing products and the final choice made by the consumer occurs at the point of sale.

The pull strategy mainly utilizes advertising for the company to try to approach the target audience interested in its product and creates branded demand for it. This strategy is therefore preferred when the company considers that it can communicate the competitive advantages of its highly differentiated product, and consumers will make their final choice before going to retail stores. Therefore, businesses focus on providing incentives to get final customers to try and buy the product, e.g. by distributing samples or offering discount coupons. In addition to advertising through the traditional mass media, the company can promote the product with collaborating retail stores, e.g. by product placement on the shelves, small exhibitions, posters, distribution of printed material, etc.

In practice, however, most companies combine the push and pull strategies, focusing more on one or the other, depending on their needs. However, some companies that sell make industrial goods prefer to use only the push strategy. Similarly, there are some consumer product companies that use only direct marketing and focus only on the pull strategy.

The choice between the two philosophies depends on marketers' knowledge (or rather, on their estimation) of market demand. When the company knows the demand, either because the products are branded or because it keeps track of sales history by using specialized business information systems, e.g. CRM (Customer Relationship Management system), it can predict future demand with relative accuracy, it can manufacture, order and store specific quantities of product, and it can push the products onto the market (push philosophy). For example, the neighborhood pharmacy knows that there will be demand for specific drugs (due to seasonality or knowledge of the requirements of the customers served by the pharmacy), so it takes care to stock them. The great advantage of this practice is being able to serve the customer immediately, with a general minimization/reduction of the response time. However, forecasting demand is sometimes difficult. This happens in the case of product codes that are introduced for the first time in the market or in cases where differentiation of the item is expected, i.e. a product that customers can personalize, based on their wishes or needs. In this case, the pull philosophy is appropriate when the order attracts the production or the order from the supplier. In the case of the pharmacy, the pharmacist, either because s/he does not know the demand or because the medicine is specialized and expensive, first waits for a customer to place an order, and then places his/her order with the wholesaler or dealer. This practice is generally followed by all pharmacies in the market and is something that consumers public know and accept. The biggest disadvantage of the pull philosophy is the long service/response time. But one thing is sure: pharmacy managers – and this applies to most industries as a whole – use a combination of philosophies.

Regardless of the percentage utilization of these two strategies, the effectiveness of the company's IMC strategy depends to a large extent on the cooperation and coordination it has with its strategic partners in the supply chain, throughout all stages of the IMC design, implementation and monitoring. This is not just in the push strategy where the company expects the immediate assistance of its strategic partners to promote and communicate its product to final customers; it also includes the pull strategy, since an integral part of the total value offer is the immediate availability of the product wherever possible, which depends on the full coordination of all those involved in the supply chain.

3.5.7 Implementation of the IMC strategy

In this stage, the shared activities of the promotional mix are completed and implemented, in accordance with the IMC plan.

3.5.8 Monitoring, control and evaluation of the IMC strategy

Evaluating the effectiveness of the IMC program plays a very important role in the overall process (Belch & Belch, 2016). In addition to assessing the results of each activity and the tools used, it also helps determine the current situation and is

therefore the starting point when planning the next IMC. Assessing the effectiveness of individual activities and techniques, as well as the means used, helps reduce misplaced promotional actions. It also helps in formulating a more appropriate marketing communications mix in the future, as it provides quantitative data for the evaluation of different alternative combinations of activities, techniques and media. However, a very large number of companies and organizations don't bother to measure the effectiveness of the marketing communications plan, citing various reasons, such as high costs, the time required, difficulty in isolating the effects of the communication plan for specific results (e.g. sales), etc.

Evaluating the effectiveness of the IMC plan requires paying attention to various notable elements, such as the parameters of the message, the strategies followed by the media conveying the message and the effects of budget allocation. Audits can also be performed using a variety of methods for the individual activities, techniques and means, both before and after the implementation of the marketing communications program.

3.6 Setting out the overall Integrated Marketing Communications mix

Each activity in the IMC mix is characterized by its special properties regarding the possibility of transmitting the desired message and the resources required to do this. The following discussion outlines the six main activities, i.e. advertising, public relations, personal sales, sales promotions, direct marketing and digital marketing, involved in the IMC mix.

3.6.1 Advertising

Advertising is one of the main activities of the IMC mix (Belch & Belch, 2016; Belch et al., 2020; Armstrong & Kotler, 2017; Kotler & Keller, 2016; Perreault et al., 2012; Arens, C., Arens et al., 2014; Pantouvakis et al., 2015; Percy, 2008; Shimp & Andrews, 2013; Blakeman, 2018). Estimated global spending on advertising in 2020 was about US\$ 600 billion, down by around 5% from the previous year due to the COVID-19 pandemic; a year before the pandemic (in 2019) struck, it had increased by 6.3% compared to 2018 (EMarketer, 2020). The advertising sector is changing very fast, due mainly to the dominance of the internet as a means of transmitting advertising messages. The internet's share of advertising (ads appearing on computers, smartphones and tablets) is estimated to have reached 54% of total advertising spending in 2020, with the prospect of increasing even more in the coming years.

Advertising is a very important communication activity not only for companies, which account for the vast majority of advertising spending but also for public bodies (governments, ministries, local government, etc.) and other non-profit organizations (e.g. Arcturus, Greenpeace, etc.).

Regardless of the organization that wants to advertise, the process of implementing an advertising campaign includes a few basic steps. First of all, the objectives of the advertisement and the available budget should be clearly defined. Decisions must then be made about the creation of the message and the media strategy that will be used to transmit it. The advertising campaign is completed with the evaluation of the results achieved from its implementation.

Determination of the objective advertising goals

The objective goals of the advertisement should be clearly defined so that they can be measurable and functional. The main purpose of each ad is to convey messages that will contribute to the favorable attitude and behavior of the target audience. Depending on the purpose of the advertisement, these goals can be categorized attracting attention, getting information, persuading, comparing and reminding, according to the hierarchical scaling model of the IMC results (Armstrong & Kotler, 2017). Bearing in mind the ultimate purpose of advertising in the context of a company's IMC, the main advertising categories are as follows (Percy, 2008; Perreault et al., 2012):

- *Advertising of a branded product for the consumer:* Branding is a large advertising category whose ultimate goal is to create, stimulate and maintain brand demand for a company's products to the consumer public. It aims to inform the public, to create positive attitudes and to motivate the purchase and repurchase of the product.
- *Commercial (B2B) advertising:* B2B advertising addresses both intermediaries in the distribution channels and the industrial customers of the company.
- *Retail advertising:* This kind of advertising concerns retail businesses with the ultimate goal being the direct promotion of the image of the stores themselves, as well as the products/services offered, in order to indirectly improve information sharing about the product and maintain positive attitudes among the consumer public about the store.
- *Corporate advertising:* This kind of advertising aims to promote the corporate image rather than the company's individual brands. It is mainly used by large companies to create and stimulate their corporate image, identity and reputation.

In addition to the above, advertising based on a time horizon of the expected results can be classified as follows:

- *Direct response advertising:* Direct response advertising aims to provoke immediate action, as in retail advertising for promotional purposes.
- *Indirect advertising:* Indirect advertising aims to spread information about the benefits of the product in order to increase future sales in the long run.

Advertising can be further classified in the following way:

- *General demand advertising:* This concerns a general product category or the industry as a whole, e.g. an ad that attracts tourists to a country or a large geographical area. It is also suitable for leading companies who will be the main beneficiaries in an industry that faces weak competition.
- *Selective demand advertising:* This kind of advertising usually refers to a company's specific brands or products.

Determination of the budget of an advertising campaign

The main methods for determining the budget of the advertising campaign are percentage on sales, competitive exchange rate, financial possibilities and objectives.

Creation of an advertising message

Decisions concerning the creation of the advertising message and the strategy to be used by the advertising media are now made together, as the nature of the advertising medium greatly influences the final form of the message. The primary purpose of creating the message is to attract the attention of the target audience. This is actually a very difficult task, given the huge variety of advertising messages that the average consumer receives daily from many different sources and media. Marketers estimate that consumers are potentially exposed to more than 3,000 advertising messages on a daily basis.

Creating the message involves several steps. First, the product's benefits for the customers should be determined, as this is what will attract customers' attention; the product's placement in the perceptual map of the target audience will also be based on those benefits. A "great idea" - something that is creative and attractive - should then be developed. This great idea should be original, attract attention, be persuasive, differentiate from the competition and be easily remembered by the consumer. In essence, the great idea has to create a bit of "hype" in order to catch consumers' attention so that the message reaches out to them.

Advertising experts use a number of approaches to find that great idea and, more importantly, to implement it. The most common approaches in shaping an advertising message, i.e. the sales proposal which is the core of the message that focuses on the most important elements to be conveyed, are as follows (Belch & Belch, 2016, Valakas, 2008):

- *Unique Selling Proposition (UPS)*: The customer is presented with a unique benefit offered by the branded product which, on the one hand is not offered or can not be offered by the competition, and on the other hand will attract the interest of a financially viable market segment. This approach presupposes sufficient documentation about the product's uniqueness which can be maintained for a long time, i.e. it is difficult for competitors to copy it.
- *Creating an image for the branded product*: The aim here is to create a differentiated, distinct, personalized identity for the branded product, even when it is practically impossible to differentiate it from the competition, based on its functional characteristics or performance. This approach is increasingly used for a wide variety of products because it is getting harder and harder to create and maintain a competitive edge based purely on functional characteristics. It relies on the development of an image that develops some kind of psychosocial relationship with consumers, e.g. "charming", "free-spirited", "independent", etc.
- *Inherent drama*: This involves dramatizing the main feature of a branded product, which is the reason it is chosen by consumers: the product's benefits are displayed and highlighted by means of a theatrical plot or scenario.
- *Placement*: The focus here is on the placement of the business or brand in a desirable position on the consumer's perceptual map. The elements used to base the product's differentiated image in relation to the competition may relate to product features, value for money, potential uses, etc.

Once the above have been decided, decisions then need to be made about the appropriate advertising appeals that will be used in the ad, and the style to be employed.

Advertising appeals aim to attract the attention of the target audience and/or induce a positive effect on consumers' feelings about the product (Belch & Belch, 2016; Valakas, 2008). Despite the plethora of advertising appeals that can potentially be used, they can be classified into two main categories:

- *Rational/Informational appeals*: The aim of rational appeals is to inform the target audience about the special benefits that can be enjoyed from the use of the product, such as performance, value for money, guarantees, comfort, etc. The ultimate goal is to convince the consumer of the product's competitive advantages in order to proceed with its purchase and/or repurchase.
- *Emotional appeals*: The message aims to generate positive or negative emotions (e.g. love, joy, appreciation, fear, anxiety, recognition, prestige), which will motivate the target audience to adopt a specific behavior toward both the brand and the business. Emotional appeals are used in cases where consumers make their purchasing decisions based on emotion and less on product features. The ultimate goal of an emotional appeal is for consumers to associate the brand or business with positive emotions which will have a positive effect on their buying behavior.

Most of the time, a harmonious combination of rational and emotional appeals is used. The reason for this is that consumers' buying behavior is usually influenced by both their feelings about the brand and the company, and the rational incentives of the appeal that meet their needs. For example, choosing a restaurant may be based on emotional criteria, such as its social acceptance by reference groups, the general environment, experiencing of a particular event, etc. but also rational ones, such as the quality of the meal, value for money, etc.

Following the identification of the advertising appeals, the original great idea must now be converted into a real advertisement. This process requires decision making about the choice of style and tone, i.e. the words/phrases that will be imprinted in consumers' memory to attract their attention. There are many ways to accomplish this, using: objective messages, scientific data, life events, lifestyle, testimonies, celebrity testimonials, direct or indirect comparison with the competition, animation, illustration, dramatization (for TV, internet), humor, demonstration, etc. or – most often – a combination of the aforementioned (Belch & Belch, 2016; Armstrong & Kotler 2009, 2017; Valakas, 2008). Furthermore, formatting elements such as text, images, and other visual elements should be identified, which will harmoniously be combined to create the advertising message. Decisions concerning style elements can be highly specialized, depending on the transmission medium of the advertising message, e.g. internet, television, radio, print (newspapers, magazines), etc.

The prevalence of the internet as the dominant means of communication sometimes has resulted in the direct involvement of consumers in the creation of advertising messages. Many companies search the internet for consumer-uploaded videos related to their products which help inform others about them, and create positive attitudes in the minds of the public. Some companies hold contests, asking willing consumers to submit their ideas in basic form for new promotional messages, or even in complete form, e.g. videos. While very few of these ideas are usable, the benefits of such material to companies can be enormous. On the one hand, the cost of creating the advertising message is significantly reduced, while on the other hand, participating consumers become even more connected to the brand and the company.

Planning/Designing the advertising media design

Media design involves a number of complex and difficult decisions; sometimes, however, the information required to make these decisions is insufficient. The most important steps concern: (a) defining the objectives of the advertising media, (b) shaping the advertising media mix, initially through the selection of the basic media types to be used, and then the specific advertising “vehicles”, (c) implementing the design, and (d) evaluating the results. Defining the media helps to achieve the goals of the marketing plan, as outlined in the company’s IMC. Essentially, the goals help determine the criteria that will shape the media mix, how the design will be implemented, and how the results will be evaluated.

The compatibility of the medium in the transmission of the message that can achieve the IMC’s objective goals is evaluated first of all. For example, if a detailed presentation of the branded product’s features is required, then a magazine or the internet is more likely to be selected than TV or radio. At the same time, the selected advertising media should be addressing the specifically identified target audience. The largest share of total advertising expenditures lies in payments to advertising media; thus, the choice of media types (e.g. TV) and the advertising vehicles (e.g. a specific TV show) will all depend to a large extent on the available budget.

Other important criteria in the design of the advertising media relate to the nature of the medium, such as the extent to which it targets the entire specific target audience, the potential exposure of the target audience to the advertising message, the impact of the medium on the consumer, and the cost of buying space and time per ad hit. The selection of the advertising mix also takes into account the “congestion” of the messages in the medium, the geographical scope of the medium and the flexibility regarding the potential to transmit the message in the appropriate time slot. The following table summarizes some of the most important advantages and disadvantages of the basic types of advertising media (Figure 3.5).

A particularly important decision regarding the implementation of the advertising plan concerns the use of a timeline. Ideally, companies want to broadcast their advertisements as often as possible, but this is not economically feasible. Therefore, the use of a timeline for advertising media should be formulated in order to maximize the results of the advertising campaign. Businesses have to choose between continuous, alternating and pulsed timelines. The continuous timeline refers to the uniform use of advertising media during the selected time period. It is recommended for high purchase frequency products, particularly in impulse markets, but it requires a large budget. The alternating timeline is the exact opposite of the continuous timeline, where periods of heavy media use are followed by periods of no or very limited advertising. It is mainly used for seasonal products, e.g. ice cream, which are advertised at specific times and only on a yearly basis. The pulsed timeline is a combination of continuous and alternating timelines.

Evaluating the effectiveness of an advertising campaign

The effectiveness of an advertising campaign can be evaluated using various methods both before and after the appearance of the message. Before the ad appears, the creative idea is assessed and compared with different advertising designs, messages and materials. After the ad appears, i.e. during the implementation or after the completion of the

Medium	Advantage	Disadvantage
Internet	Link to full content website, easy search results	Difficulty in comparing costs with other means, the public controls visibility, protection of personal data, possibility of fraud
Television	High coverage, satisfactory manner of getting attention, excellent levels of creativity & influence, high impact, low cost per view	High cost of message production and use, high level of "crowding/congestion" of messages
Radio	High impact, relatively low cost, satisfactory targeting	Difficulty in attracting attention, low level of audience exposure, non-visual effect
Magazines	Highly targeted, very detailed, reliable	Visual content only, lack of flexibility, slow exposure to the message
Newspapers	Fast, flexible, local coverage, up to date	High message "crowding/congestion", only optical content with low image quality, passive reading
External spaces	Frequent exposure, geographical flexibility, low cost, small "crowding/congestion" of messages	Small message size, passive reaction of the audience
Direct mail	Very good targeting, message is tailored to the recipient	High probability of the message ending up in the junk/spam folder

Figure 3.5 Advantages and disadvantages of the basic kinds of advertising media.

advertising campaign, an evaluation takes place of whether and to what extent the IMC objectives were achieved, the effectiveness of the selected advertising mix, and in some cases, the effect of the advertising campaign on product sales.

Advertising companies and other service providers in the advertising sector

Advertising companies play a very important role in all stages of the implementation of an advertising campaign, particularly for large companies that invest very large sums of money annually in advertising. Businesses very often turn to the advertising company about the creation of the message, mainly to buy advertising time/space in the mass media. The *advertising* company – not the *advertised* company – is the one that buys transmission time for the ads from the mass media because they are constantly cooperating with them; the advertised company usually has just a few occasional transactions with the mass media. There are companies that focus on providing services for the acquisition of advertising time or space in the mass media; they work with advertising companies that specialize exclusively in the creation of advertising (creative offices).

The mass media have a special relationship with their target audience; they try to meet their needs as effectively as possible against the competition. However, a significant portion of their revenue comes from the allocation of advertising time or space to advertising companies. The contribution of market research companies is also

important for the collection of a wealth of information related to the profiles, attitudes and buying behavior of the target audience that the advertising company is interested in. These companies can also undertake the planning and implementation of the evaluation of creative proposals and the effectiveness of the advertising campaign. There is also a plethora of independent professionals offering services for creating advertising as well as designing and implementing advertising campaigns; such services include filmmakers, directors, composers and music producers, photographers, cameramen, actors, communications consultants, etc.

3.6.2 Public relations

The development and prevalence of the internet as a means of mass communication has greatly influenced and upgraded the role of public relations in IMC. In essence, companies are nowadays operating within precarious situations, where at any time, anything related to their operations and activities can be revealed to anyone with a vested interest. This is due to the virtual elimination of asymmetry in terms of the information available to the public, due to the existence of a plethora of information sources; any interested party, even ordinary citizens, can post or have access to videos, images, documents, etc. on the internet.

In addition to the creation and long-term maintenance and improvement of a positive public corporate image, public relations also aims to prevent and properly prepare the company for crisis management, i.e. negative events and a loss of reputation. According to the International Public Relations Association (IPRA, 2020) “*Public relations is an administrative decision-making function that undertakes to build relationships and benefits between organizations and their communities based on the provision of information through reliable and ethical methods of communication*”. Therefore, a key condition for achieving the public relations goals is to establish two-way communication between the organization and its target groups (Figure 3.6).

The objectives of public relations are varied (Belch & Belch, 2016; Fahy & Jobber, 2014, 2016; Kotler & Armstrong, 2016; Belch et al., 2020; DiMarco, 2017; Shimp & Andrews, 2013). The organization/company is informed about the attitudes and behaviors of various groups of common interest through public relations. The aim of public relations is to create friendly relationships, with the goal of attracting customers and increasing sales. Public relations can make the greatest contribution to the timely identification and treatment of internal problems related to the relationship between management and staff, which can have a very significant impact on the operation of the business. At the same time, public relations undertakes the management of the company's relationship with the media, developing mutually beneficial relations between them and providing honest information about the operation and activities of the company.

The role of public relations is crucial in the development of efficient two-way communications between the company and various public bodies (national/local government, administrative services, etc.), as well as society and the public in general. Public relations is in charge of developing proactive plans for effective crisis management, where business relations are tested with all public groups. A highly competitive environment in many industries requires continuous investment of large sums of money to maintain and improve the company's competitive position. Public relations also plays a very important role in attracting new shareholders as well as other sources of funding (banks, bondholders etc.).

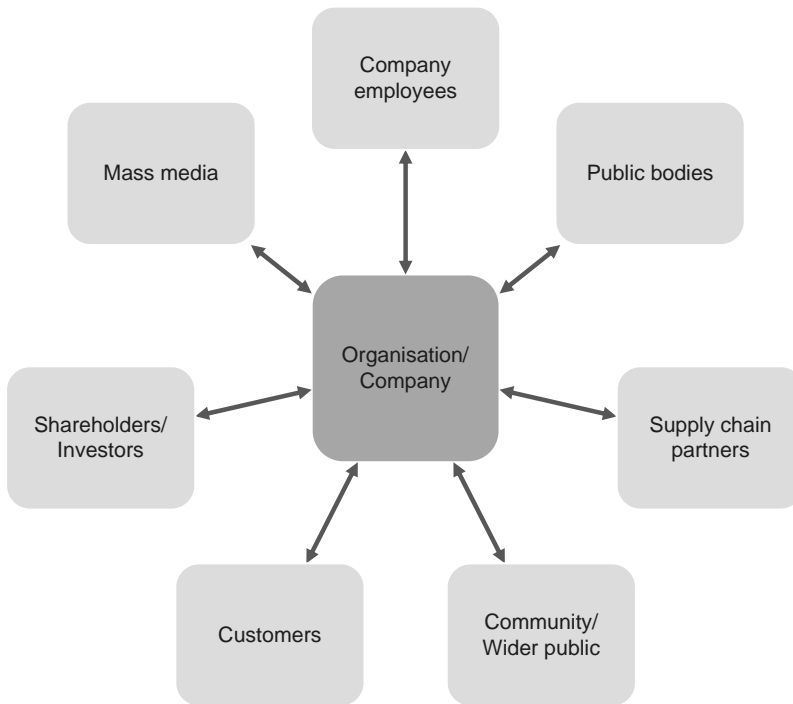


Figure 3.6 Stakeholders of the organization/business.

Public relations is also very important in managing the company's relations with its strategic partners in the supply chain. Such relations can be simple or complex. Relationships between companies in a supply chain vary greatly depending on the cost levels and risks involved, the frequency and duration of transactions, and the degree of mutual commitment. At any rate, even in the simplest transactions with other companies in the chain, good relationships bring benefits, while long-term relationships lead to improvement of quality and cost reductions in their transactions.

Publicity is one of the most important tools used in public relations. Publicity is an unpaid impersonal form of presenting a message about the business or its products. Publicity uses, press releases, press interviews with company executives, press coverage of the organization's events, presentation of articles on a company's achievements, new products, technological innovations, among others. The duties of a company's public relations officers are to provide honest information to the media on important issues concerning its operation and to motivate the media to present the company's news and opinions.

Publicity uses the mass media to address large public audiences without a specific medium being paid to convey the message. The receiver perceives the message as "news" transmitted by the medium, in the context of its mission to inform the public. Therefore, a very important advantage of publicity is that the public gives more credibility to the message than to advertising or other activities in a business's promotional mix, since the message source is the means of communication (e.g. the

journalist) and not the business. This, however, can also work as a disadvantage, as it is left to the media alone to decide whether, when and how to convey the message. An additional advantage of publicity and public relations in general is the avoidance of advertising noise, as it can attract more public attention.

Apart from publicity, the company can organize events, such as launches, speeches, anniversaries, exhibitions, competitions, seminars, etc. The company can also participate in events organized by third parties. Participation in community service activities has the aim of improving the corporate image by raising public awareness on social issues, such as environmental protection, support for weak social groups, promotion of cultural heritage, etc.

Of particular importance is the participation of the company in events organized by third parties through sponsorship. Businesses provide funds or other resources to event organizers in exchange for some rights and relationships that they can benefit from. Sport attracts the largest share of sponsorships, such as major athletics events (e.g. the Olympics), sports teams (football, basketball, etc.) and champion athletes (e.g. tennis, golf); sponsorships are also available for other activities such as the arts, social events, etc. The main potential benefits of sponsorship include gaining publicity, entertaining important stakeholders, strengthening relationships between local communities and the general public, attracting new customers, and ultimately increasing sales of a company's products.

Public relations can also take the form of personal communication with selected public groups through a tour of the business premises, the organization of hospitality programs, the provision of gifts and donations, etc. to customers, staff or partners in the supply chain.

Business websites and social networks are the most dynamic emerging means of implementing public relations. Most companies post a wealth of information on their websites, including announcements, press releases, financial statements, initiatives, participation in events of wider social interest, presentations and support material for their products, etc. which aim to strengthen their corporate image. In addition, they use social media intensively (e.g. Facebook, Twitter) to communicate in real time with stakeholders from their various target groups.

3.6.3 Sales promotions

Sales promotions refer to the short-term incentives that a company offers its customers (consumers and businesses), those involved in distribution networks and its staff, to get the end users of the product and/or the seller intermediaries (wholesalers, retailers) to become interested in the product, try it and buy (or repurchase) it immediately. The aim here is to increase product sales within a short period of time (Belch & Belch, 2016; Belch et al., 2020; Armstrong & Kotler, 2009, 2017; Perreault et al., 2012; Fahy & Jobber, 2014, 2016; Pantouvakis, et al., 2015; Percy, L., 2008). Figure 3.7 summarizes the target groups of sales promotions, and the main techniques used.

The most important difference between advertising and sales promotions is that advertising provides incentives for customers to buy the product at some point in the future, while sales promotions provide incentives to acquire the product immediately. Advertising, personal sales and direct marketing often work very closely with sales promotions to achieve the IMC goals.

Consumers	Industrial customers	Intermediaries	Sales personnel
<ul style="list-style-type: none"> • Free samples • Offer package • Demonstrations at the point of sale • Discounts on prices or bulk packaging • Coupons • Special events • Competitions • Gifts & promotional giveaways • Bonus cards (consumer loyalty) 	<ul style="list-style-type: none"> • Participation in trade fairs • Conferences • Discounts on the price • Subsidies • Guarantees • Free goods • Gifts • Promotional giveaways 	<ul style="list-style-type: none"> • Discounts on the price • Free product quantities • Funding for promotional activities • Guarantees • Promotional giveaways 	<ul style="list-style-type: none"> • Competitions • Incentives (bonus) on sales volumes • Professional meetings at resort hotels

Figure 3.7 Main techniques of sales promotion.

Sales promotion has grown exponentially over time and many companies are increasing the IMC budget share dedicated to sales promotions (Belch et al., 2020; Belch & Belch, 2016; Fahy & Jobber, 2016; Armstrong & Kotler, 2017). As previously mentioned, the internet has significantly reduced, if not eliminated, the information asymmetry that traditionally existed to the consumers' detriment, particularly in consumer markets. Given the vast array of marginally diverse alternatives available to consumers today, companies face stiff competition with each other. It is therefore a big challenge for all companies to convince the very well-informed and less loyal customers to choose their own product over the competitors'. Thus, customers are particularly sensitive to value for money, as well as the various incentives offered by competing companies to get consumers to show preference for their products.

Intense consumer pressure on retailers is shifting from retailers to product manufacturers, requiring them to provide incentives to support the product on the shelf. The continuous shortening of the product life cycle further intensifies the need for the product's immediate availability and the pursuit of high sales before the product becomes obsolete. In addition, the constant bombardment of consumers with a plethora of advertising messages from every possible source and medium has significantly reduced the effectiveness of advertising to attract consumer interest.

Since almost all competing manufacturers and retailers are constantly seeking short-term incentives to attract customers, business marketing and sales managers are under a lot of pressure to meet the company's sales targets. Thus, sales promotion is perhaps the most important tool available to achieve immediate results. The advantages of sales promotions also include relatively easy and economical implementation, as well

as the ability to evaluate the effectiveness of the promotional campaign with great accuracy and reliability due to its short-term nature.

Perreault et al. (2012) report three possible patterns regarding the effect of sales promotions on the sales of a product/service. When manufacturers wish to reduce the accumulated warehouse stocks of long-life products, an increase in sales by sales promotions is followed by an almost corresponding decrease in sales in the next period, until consumer stocks are depleted, and sales return to normal levels. However, in the case of products with a short shelf life (e.g. vegetables, fish) or services, sales are temporarily increased due to the promotion, and then return to previous levels. The ideal pattern for any business is to maintain a minimal level of sales increases by attracting new customers, which could come from the competition in the case of mature markets.

Despite its advantages, promotions can also cause problems for a business (Belch et al., 2020; Perreault et al., 2012; Armstrong & Kotler, 2009, 2017). Firstly, an increase in sales volumes leads to a proportionally very small increase in the company's total profits. In some cases in fact, an increase in revenue may lag behind the extra promotional costs required, leading to profit losses. This situation is exacerbated when consumers postpone their planned purchases in order to take advantage of coming promotions. Similarly, retailers of durable goods (e.g. cars, electrical appliances) may try to shift some sales to the near future if they expect or are aware of the launch of a higher-priced promotional program for these products.

Perhaps the biggest disadvantage of sales promotions is consumers' potential addiction to them due to the incentives they offer, often because they are extensively used by almost all of the competitors, especially in mature, short-cycle and high-tech product markets. Thus, consumers and intermediaries are often in constant pursuit of the best promotion among the competition, which they will ultimately choose at that moment. Excessive use of sales promotions may also damage the perceived image of the product that consumers form, repositioning it at a different point on their perceptual map. It should not be overlooked that, unlike other marketing communications activities such as advertising, personal sales and public relations, the results of the promotion are often short-lived and sales usually return to previous levels.

Consumer promotions aim for the immediate increase in customers trying the product and sales volumes. Product testing is a very important step in consumer buying behavior, whether it concerns the introduction of a new product or attracting new customers from the competition. An immediate increase in sales can help strengthen the company's image, as well as enhance customer loyalty to the branded product. In addition, a short-term increase in sales volumes can play a very important role in smoothing out sales fluctuations, as in the case for seasonal products. The greatest possible demand smoothing is one of the cornerstones of a company's operations management and for the entire supply chain as well, in order to achieve smooth flows in demand, supply and payments.

Price discounts are perhaps the most important and frequently used kind of consumer promotions. Similar incentives are provided by vouchers that consumers present to the retail store cashier to obtain a product at a lower price, as well as for packaging discounts where two packages of the product are sold at the price of one (or three for two). Sample products offer a small trial quantity and can go a long way in increasing the number of consumers trying a new product. Producer companies can also display and exhibit their products in collaborating retailers' stores through

coupons and/or samples. Many retailers (e.g. supermarkets) and service providers (e.g. banks) issue bonus cards to their customers; depending on the amount of purchases they make, consumers get discounts for future purchases, or some kind of gift. Reward programs are a very useful tool for gathering information about a company's customers, especially for planning and implementing direct marketing techniques.

Promotions aimed at industrial customers have similar goals as those for consumers. They focus mainly on price discounts or free quantities of product depending on the quantity that industrial customers buy per order. However, in order to prevent the bullwhip effect and to smoothen demand, the use of quantitative discounts is recommended for use in purchases that have a minimum sales volume per specific time period (e.g. a year). The bullwhip effect acts a kind of acceleration, due in part to the failure of supply chain members to work together and share information, as well as the complexity of the supply chain structure itself, especially in the case of a large distribution network involving many business entities. Production companies and other members of the supply chain have a distorted picture of the market because they get their information from the other members of the chain and not from the points of sale. This phenomenon makes it impossible to estimate demand accurately and reliably, and it inevitably creates delays. According to J. Forrester who studied this scourge in detail, there are two kinds of delays: delay in getting accurate information concerning demand, and delay in moving products from one level to the next. He also argued that the study of the supply chain as a whole with the use of ICT and dynamic systems can provide important information on how to reduce this phenomenon.

A particularly popular promotion is the participation of the producer company in trade fairs, where it aims to attract new industrial customers for its products.

Sales promotions targeting intermediaries in the distribution channels aim for wider support for a manufacturer's products. The focus is firstly on the general cooperation between the company and its strategic partners in the distribution networks, in order to keep supply and demand levels smooth, which will ensure the continuous supply of retail stores with the lowest possible level of cycle and security stocks. The financing of promotions aims to provide space in the highly sought-after shelf positions of the retailer, as well as the promotion of the product to consumers by the retailers (e.g. advertising). Other promotions include quantitative discounts, guarantees, promotional giveaways, etc. In many cases, promotional activities account for up to 80% of the total sales promotion budget, leaving about 20–30% for promotions aimed directly at consumers.

Promotions aimed at a company's sales staff have the goal of achieving high sales volumes of existing products, rapid growth in sales of new products, attracting new customers from the competition and providing high-quality services to the company's customers. Providing additional monetary remuneration depending on the sales volume within a specific time period is the most common incentive offered to the company's sales staff. This can be done through organizing various forms of competitions, participating in business meetings, trade fairs, seminars and conferences organized in popular places with sightseeing attractions, etc.

Regardless of the target audience and their specific forms, promotions should be aligned with the other activities and the individual tools/techniques that make up the IMC mix. Even though the main purpose of sales promotions is to achieve short-term results in product testing and sales volumes, it is also very important to contribute to customers' perceived value of the product, and to achieve long-term goals in general.

Vendor Management Inventory (VMI) can be a solution for tackling demand fluctuations. VMI is a business model where the buyer of a product provides information to a supplier about the product and the supplier assumes responsibility for maintaining an agreed stock level, usually in the buyer's warehouse. A third-party supply chain service provider may also get involved, to ensure that the buyer maintains the desired inventory levels by adjusting gaps in supply and demand. This application was developed as a new tactic for managing retail stocks, the most widespread practice for improving the efficiency of a multi-company supply chain. VMI is a tool used to improve the supply chain. This means fewer stock and management costs, as well as increased efficiency across the food chain for all participants. It employs the possibility of collaboration in order to share key supply chain information between suppliers and traders (sellers and buyers) who work together to meet the needs of the final customer. One of the key points in successful VMI is the shared risk taken by both parties. In some cases, if the products do not sell for some reason (e.g. seasonal products), they can be returned to the supplier. In other cases, the products may stay in the possession of the retailer but they are not owned by the retailer until they are sold, which means that the retailer is simply housing the products in exchange for a commission (Product Inventory).

3.6.4 Personal sales

Personal selling is a very important activity of a company's IMC mix, especially in industrial markets and in the management of a company's relations with its strategic partners in its products' distribution channels (Ingram et al., 2020; Johnston & Marshall, 2016; Jobber, D. & Lancaster G., 2015; Avlonitis & Stathakopoulos, 2017; Gounaris & Stathakopoulos, 2017; Armstrong & Kotler, 2017; Perreault et al., 2012; Fahy & Jobber, 2016; Pantouvakis et al., 2015; Percy, 2008). The sales department accounts for up to 70% of the total business marketing budget in industrial markets. Personal sales are in fact an autonomous (sales) department in large companies, operating in collaboration with the marketing department. Personal sales are based on the personal communication of the seller with the customer which is therefore the only activity of the IMC that ensures direct two-way communication and the best possible personalization of the message based on the characteristics and specific explicitly expressed needs of each customer.

The personal sales environment is changing rapidly due to continuous changes in the technological, economic and political environment (Ingram et al., 2020). Coordination of activities between companies within an integrated supply chain is a prerequisite in a modern highly competitive environment. Thus, the time when the sale agreement was the result of a process involving the seller of the supplier and the sales officer of the buyer has passed irrevocably. The prevailing conditions of the business environment for at least the last 2–3 decades have forced many different employees from the various operations within a company to have good cooperative relationships, in order to ensure smooth continuous supply and demand flows. The individual transactions made in past times have been replaced by strategic long-term partnerships between supply chain partners; therefore, they involve much more than simply supplying the business with another batch of a raw material or component, for example.

That's why supply executives are involved in the close monitoring of suppliers and in managing the buyer-supplier relationship. Sometimes a relationship can develop

into a win-win situation for development and improvement, e.g. a joint product design and production issue solutions (Early Supplier Involvement). In this case, cooperation and integration issues between partners in the context of modern supply chains are of critical importance.

As discussed earlier in previous chapters, critical decisions for the completion of a transaction between two companies operating within an integrated supply chain are made before the new product is created, as suppliers and customers will have to collaborate with the producer company to design the new product. Trade agreements are not limited to the quality characteristics of the products, but may also include many auxiliary and support services, as well as arrangements for the distribution of the tasks related to the execution of various activities between the parties involved. Similarly, many issues regarding the pricing of an order surpass the narrow limits of achieving a profit margin for that transaction, but they are determined by the terms of the broader long-term cooperation between the strategic partners, such as the contribution of suppliers to predatory pricing in retail stores. Various issues are also related to distribution, such as the frequency of transactions, response time, security inventory management, etc.; in essence, they are the subject of negotiations concerning wider long-term cooperation between the strategic partners of a supply chain.

Partnerships are entered into with suppliers who have gone through the approval and accreditation phases. Their performance so far has demonstrated their ability to consistently provide the desired quality, delivery, prices and services. They respond positively to unforeseen needs, such as changes in quantities and specifications, and are able to tackle service problems effectively, simultaneously taking the initiative to suggest better solutions, find ways to meet buyer needs, and provide information in advance on emerging issues.

Thus, sellers in many companies no longer focus simply on securing one more profitable sale by solving a customer problems, but on creating value for the customer in the long term. The sellers of the business cannot be limited just to explaining the benefits of their product to the customer; they must also contribute in every possible way to maximize the value that the customer can potentially gain through cooperating with the business; they try to train customers in the best use of the product/service, the optimal adaptation of the product to their needs, etc. Therefore, the seller's role is constantly being upgraded to that of a trusted consultant for the customer; this acquires great significance in the building and long-term improvement of competitive supply chains.

Narrowing profit margins due to a highly competitive environment now render loss-making transactions prohibitive for the company and the sales department. Traditionally, sales targets have been based on sales volume which in many cases have led to loss-making transactions and a reduction in the overall profitability of the business; this has been the main interest of supply chain managers and experts since at least the beginning of the 1990s (Cooper & Kaplan, 1988; Guerreiro et al., 2008; Taylor, 2006; Christopher, 2015). However, as already pointed out, the shareholders of a company are not interested in maximizing turnover; they are interested in maximizing profits.

Both sales managers and salespeople constantly need to improve their efficiency and effectiveness by utilizing, among other things, new ICT applications, such as artificial intelligence, social networks, Customer Relationship Management (CRM) software and Salesforce Automation (SFA) (Ingram et al., 2020). The ever-changing business

environment renders obsolete the traditional hierarchical and bureaucratic organizational structure of the sales department. It is necessary to assign more responsibilities to trained salespeople who are constantly being updated, and have closer cooperation with them; greater coordination of actions with managers and executives from the other operations of the company is also required. Therefore, the sales manager's job takes on an upgraded role, with crucial contributions to the timely identification of opportunities and challenges in a dynamic competitive environment, and the design and implementation of innovative response programs.

Sellers are classified on various criteria. The main ones relate to the nature of the product (consumer – industrial; product – service), the market (consumer, industrial, public bodies, etc.) and the seller's role in the sales process (Ingram et al., 2020; Perreault et al., 2012). The latter is the most important criterion for grouping sellers according to those who seek and attract new customers by submitting orders (order providers), those who receive orders from customers (order recipients), and those who support the sales process by providing specialized information and training, and after-sales customer services (“missionaries”, technical salespeople, customer service executives). In most cases, however, a company's salespeople take on all three roles, namely: presentation, receipt and support of the order/sale.

Personal sales process

From the above, it becomes clear that the sales process is very methodical; it requires planning and a lot of effort for its effective implementation (Figure 3.8). The process begins with identifying and then evaluating potential customers. Businesses recognize that a significant portion of their existing customers are not as committed as they would like them to be; at the same time, in today's competitive environment, many new businesses are entering the industry and existing ones are leaving before the end of the first five years of a company's life. Therefore, sellers should constantly look for new customers in various ways, particularly through the internet, since almost all modern businesses have a website and social media accounts, or are included in e-commerce guides. Existing customers of a company or other partners in the supply chain may also be helpful in recommending new customers.

However, not all potential new customers are the same, hence the need for assessment. Evaluation criteria include the kind of needs that customers have and the ability of the company to meet these needs more effectively and efficiently in relation

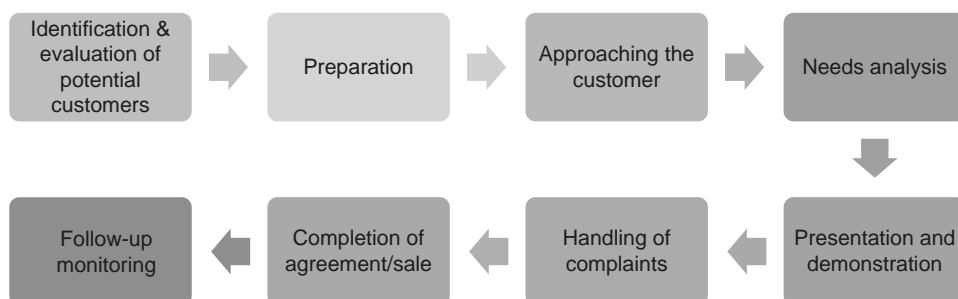


Figure 3.8 Personal sales process.

to the competition, the potential volume of transactions, the financial capabilities, and the dynamics of the prospective customer in general. The likelihood of attracting and retaining the customer should also be assessed in light of intense competition. The evaluation of potential customers is greatly facilitated by the use of specialized software and the relevant wealth of information from various sources available to the seller.

After selecting the most interesting prospective customers, the salesperson should make the best preparation possible before meeting with each potential new customer. This preparation consists of getting the best possible information about the special needs of the customer and the way s/he operates, defining the goals of the visit, consideration of the diagnostic questions that need to be answered for a more complete understanding of the customer's needs, the possible product/service offers that will satisfy the customer's needs and their respective benefits, potential customers' objections and the particular strategies needed to close a deal. Appropriate preparation helps to increase the seller's efficiency and effectiveness, strengthens his/her confidence and creates a good image to the prospective customer.

Choosing the right way to approach the customer contributes greatly to creating a positive first impression, which can greatly facilitate the continuation of the discussion within a constructive atmosphere. The salesperson should show the utmost respect for the customer and the valuable time s/he devotes to the discussion, by listening carefully to them, preparing a concise and attractive presentation of the most important benefits that potential collaboration can provide to the customer and, generally speaking, maintaining a strong interest in the customer throughout the discussion.

In the past, sellers thought that their main skill was talking a lot with great enthusiasm about the product they are trying to sell. But marketing philosophy supports the most effective and efficient satisfaction of customers' needs; so a seller is obliged to ask a lot of questions and to listen carefully to the opinions of the prospective customer, in order to better understand his/her needs. Once this precious information has been analyzed, the seller must locate potential products/services that will secure a mutually beneficial transaction and suggest them to the customer.

The presentation and possible demonstration of the product play a very important role in the success of the sales process, if this can convince the customer that the product effectively meets his/her needs. Therefore, the presentation should focus on the benefits of the product for the customer, rather than the technical characteristics. References to technical characteristics are intended to document the product's benefits for the customer. The presentation can be short or detailed, depending on the product and, in particular, the type of customer; in each case, it should be tailored as much as possible to the customer's needs. Regardless of the presentation type, the seller should also determine the specific goals and the strategies needed to achieve them, using language, i.e. expressions, concepts, examples, etc. that the customer understands. The seller can be facilitated during the presentation through various methods, such as by demonstrating the product, offering product samples, using a computer to present useful audiovisual material, etc. This stage is completed at the end of the presentation, where the seller seeks customer feedback to identify issues that need to be further explained.

The next critical step is learning how to handle the prospective client's objections. Experienced sellers are well aware of how unlikely it is that the sale process will be completed successfully before the customer expresses any objections. The customer's

objections are usually a positive indication that the customer is interested in the seller's proposition, but the customer is hesitant because s/he still needs some additional clarification and explanation. Effective handling of objections involves dealing with essential and emotional aspects. The most important aspect in this case is the substance of the objection, i.e. the prospective customer's concern, which the seller will either have to prove does not exist or is not important or propose an interesting solution to counter it. The emotional part is related to the way the seller communicates his/her opinion about the objection, avoiding offending the potential customer or facing him/her competitively. The salesperson should listen carefully to prospective customers in order to understand their concerns and present his/her positions and suggestions to them in a documented way. Therefore, effective handling of objections requires good preparation on the part of the seller on the one hand, concerning the positions and proposals that must be developed for each possible type of objection, and in the ways to communicate these positions on the other hand, so that the customer doesn't feel that his/her dignity is being violated.

This is all followed by the completion or closing of the agreement/sale. The seller recognizes the cues as to when this can take place and the prospective customer is ready to proceed with the order (e.g. no more questions, positive body language, positive feedback); this should somehow motivate the seller, as customers tend to be hesitant and procrastinate about anything new. There are several ways to close a deal. The seller can directly ask the customer if s/he wishes to place an order for one or more products being offered; the seller may also inform the customer about the loss of some benefits if s/he does not place an order immediately.

The sales process is completed with a subsequent follow-up, where the seller confirms that the customer is satisfied with the agreement and that there are no problems regarding the receipt and/or use of the product, or the after-sales support services, etc. This constitutes a very important stage in the creation and maintenance of a long-term mutually beneficial partnership with customers. Customer complaints must be addressed as soon as possible to ensure continuity of the cooperation. After all, it costs a lot more to attract a new customer than it does to keep an existing one satisfied.

Strategic planning for the sales team

Strategic planning of an effective sales team includes two important aspects: design and management (Figure 3.9). Sales staff design consists of sales forecasting, setting sales targets, identifying and organizing sales potential. Sales forecasting is, in essence, the overriding prerequisite for any kind of planning in all business operations, such as



Figure 3.9 Sales force planning and management.

production, staffing, supply, marketing and sales, distribution, finance, etc. Due to its paramount importance in the efficient and effective planning of the company's and the supply chain's activities, a variety of tools and methods for estimating demand have been developed. For the smooth operation of the supply chain, strategic partners must collaborate in making forecasts and managing demand.

The Collaborative Planning, Forecasting and Replenishment (CPFR) method aims for continuous collaboration and information exchange throughout the supply chain to maximize demand forecasting efficiency and ensure automatic product replenishment in warehouses and store shelves. Its goal is to support the transparency of information along the chain, and to ensure a smooth flow of products from the initial stage of raw material supply to the final stage in the distribution of finished products on the stores' shelves. This minimizes mistakes that can negatively affect sales or profit margins. In practice, this is supported by technologies for Electronic Data Interchange (EDI) and Electronic Points of Sale (EPOS). Both technologies create a relationship of trust and cooperation between the parties involved, enabling information exchange and know-how toward a common goal. With constant feedback from electronic data, raw material suppliers, producers, wholesalers and retailers have access to accurate real-time data, so as to be able to immediately adapt to real consumer needs.

The definition of sales targets refers to the work (expressed in profit or value or sales volumes) assigned to each sales unit (e.g. seller, geographical area, product) for a specific period of time (e.g. month, year). Goals are very useful as a roadmap for salespeople, providing them with incentives to achieve them. They also form the basis of the sellers' evaluations and often constitute the framework for determining their reward system. Sales targets have traditionally been expressed in terms of sales volumes or values, although emphasis has shifted to contributing to the company's profitability and customer service aptitude to avoid loss-making sales and ensure a healthy customer base.

Sales staff can be organized in a number of ways. One way is based on geography: each geographical sales area is divided into sections, each of which should be served by a seller who is responsible for all of a company's products. Another way is the organization of sales by product, based on grouping the company's products into basic categories and the assignment of a specific series of products to the respective seller, usually in larger geographical areas in relation to the aforementioned type of organization. Customer or market organization assigns a specific kind of customer to each seller (e.g. new – existing, small – large) or market (consumers – businesses).

Key account management has gained prominence in recent times due to the strategic partnerships that develop within an integrated supply chain. A company's experienced sales executives cooperate efficiently with executives from other departments to coordinate their activities with those of their strategic customers, in order to ensure efficient and effective supply and demand flows.

Other issues of the sales task force relate to the definition of internal and external vendors. In-house salespeople provide services from their own office space to the business via the internet, telephone or customer visits. External vendors visit customers at their headquarters. Some large companies also use sales teams consisting of experts in various fields, e.g. sales, production, research and development, finance, etc.

Some companies' sales staff, e.g. in the pharmaceuticals sector, can be very large, reaching up to 60% of the total staff. Given the high cost of each salesperson in terms of fees, bonuses, travel expenses, distribution, etc., companies need to be careful when

determining the appropriate size of the sales team. The main method used to calculate this is the workload: the total workload to cover the market is estimated, and the number of salespeople is calculated based on the average expected workload that can be assigned to each salesperson.

Sales staff management includes selection and staffing, training, remuneration, incentives and evaluation. Selection and staffing of the sales team consist of several sub-stages. The job description should be as clear as possible and the required qualifications of the eligible seller should be very well specified. Collectively, this makes it easier to systematically evaluate candidates and select the most suitable ones.

Training also plays a crucial role in the effective management of sales staff. Initially, all salespeople need to be trained when they are hired, in order to get to know the business, its products, its customers, etc., as well as to acquire or update themselves on specialized sales techniques that will help them to be fully acquainted with what they need to do and how they have to do it. However, taking into account the continuous rapid developments in critical areas of the business environment, it is necessary to constantly train and inform salespeople to work smoothly with staff from other departments of the company and the company's customers.

Designing an appropriate rewards and incentives program is very important in hiring, motivating and retaining competent salespeople. Remuneration and the incentives used are not only financial in nature, but in many cases include public or individual recognition, sales tenders, etc. Sellers' remuneration usually takes the form of a relatively low fixed salary, to which commissions and bonuses are added based on the sales achieved. According to the chosen mix, the main remuneration methods are a fixed salary, or commission on sales, or a combination of the two, with bonuses. A fixed salary provides precious security and stability for salespeople, but it does not provide them with incentives for further effort beyond what the sales manager requires. On the other hand, the use of commissions provides a strong incentive for sellers to ensure every possible sale, but in the long run it can undermine customer satisfaction and loyalty, as sellers tend to neglect to provide support services to their customers. In any case, an effective remuneration and incentives plan should be simple and fair, providing security to the sellers at the same time as motivating and rewarding them for their contribution to the achievement of the business's sales goals.

The last stage concerns the evaluation of the sales staff regarding their achievement of the set objectives. This evaluation aims to assess vendors' performance and provide valuable information for planning future vendor training and incentives programs. The evaluation includes mainly quantitative criteria, such as sales revenues and profits, customer visit numbers, number of new customers, etc. However, it is still very important to consider quality criteria such as customer service and loyalty, skills acquired by the sellers, knowledge of the company's products, etc. It would also be useful to evaluate the sales department as a whole in terms of achieving the set goals and, in general, as a return on invested capital.

3.6.5 *Direct marketing*

In the IMC mix, direct marketing is similar to personal sales: it is based on direct communication with predefined individual customers, particularly consumers (Belch & Belch, 2016; Belch et al., 2020; Armstrong, & Kotler, 2017; Kotler & Keller, 2016; Fahy & Jobber, 2016). The main purpose of direct marketing is to provoke an

immediate behavioral response, i.e. to achieve immediate sales of a product. However, it can also be aimed at strengthening relationships with targeted consumers through providing information and/or training for the company's products/services, maintaining satisfaction with support services, etc. to pave the way for future sales. Direct marketing, especially through online applications, also contributes to the collection of valuable information to create personalized value offers for each individual customer.

Direct marketing has a significant relationship with the rest of the IMC mix (Belch & Belch, 2016). In essence, it is a form of advertising, as it conveys a message tailored to each recipient/customer. It also very often takes the form of personalized information to customers about a specific promotion of the company. For example, large electronics retail chains (e.g. the Greek electronics chains Plaisio, Kotsovolos and Public) send emails to their customers, offering big discounts on selected products exclusively for the next 24 hours. Direct marketing techniques such as telemarketing and direct selling are also forms of personal sales. Direct marketing is used for public relations purposes in private and non-profit organizations, such as the Greek online telethon "Next to you... from afar" to support cultural workers during the COVID-19 pandemic, and the "Smile of the Child" telethon supporting abandoned babies and children, etc.

Some companies have always used direct marketing, even exclusively, to sell their products directly to consumers, e.g. by mail catalogs or promotional messages, and by telephone. The constantly increasing and improved abilities that allow a business to communicate with its customers, and generally throughout all its business operations due to evolving ICT tools, have contributed to the increase in the number of companies that use only direct marketing for their sales, e.g. Amazon, Ebay, etc. Moreover, many successful businesses that traditionally had only physical stores now take advantage of the opportunities offered by the internet to sell products through direct marketing, e.g. sending personalized messages to their customers informing them of their promotional activities.

Based on the above, most business benefits emerge from the increased contribution of direct marketing to IMC. Direct marketing contributes greatly to shifting the focus of marketing communications from mass marketing to targeted/personalized marketing, as it enables better market segmentation into smaller, more homogeneous segments, tailoring each customer's value offer to individual needs. Due to the rapid developments in the field of the internet, the cost per sale through direct marketing tends to be lower compared to other activities in the business's marketing communications mix. In addition, it provides the opportunity to attract buyers who are difficult, if not impossible to access, through other means of communication.

Consumers also enjoy significant benefits, which in turn explains the ongoing development of direct marketing. First of all, they have the opportunity to make their purchases at any time of the day and any day of the year, from their own space, without having to visit the physical store, find parking, etc. They also have the opportunity to be informed about products, compare them, and read reviews about a variety of alternatives offered by different competing companies. It is also possible to communicate directly by phone or online with the business's support line to resolve any queries or get further clarifications.

The basic premise for the implementation of a direct marketing program is the existence of an up-to-date, detailed and constantly updated customer database. This database is made up primarily of data from existing customers or visitors of the

company's website and it can be supplemented with data provided by relevant specialized companies.

Direct marketing means

The main means of direct marketing are described below:

- *Direct postal mail*: This involves sending out letters by postal mail about promotions, information, reminders, etc. to selected or potential customers based on an updated list of recipients. In countries like the USA, direct mail has been a very popular means of direct marketing, but it is constantly losing ground to the internet.
- *Catalogues, brochures and leaflets*: Printed or digital catalogs presenting the company's products are sent out by mail. The high cost of printing and sending catalogs, combined with daily usage of computers, smartphones and tablets by almost all existing and potential business customers, has brought about the replacement of printed catalogs with digital ones. However, home and garden retailers (e.g. IKEA, Praktiker) and supermarket chains continue to regularly print updated leaflets and distribute them to store visitors. Catering companies (e.g. pizzerias) that offer meal delivery services to the customer's home usually distribute advertising leaflets listing their products to potential customers either during the customer's store visit or delivered to their home or business mailboxes.
- *Electronic mail*: The digital version of direct mail is gaining more and more ground. Most businesses no longer use traditional postal mail. E-mail has the advantage of minimal costs and direct sending of the advertising message. However, due to the inconvenience caused to potential customers when they receive a lot of electronic advertising messages from various businesses (they may find them annoying), and the need to protect consumers' personal data, businesses must comply with various consumer protection laws.
- *Direct response TV marketing*: This consists of either a short (1–2 minutes) TV commercial or a detailed (half an hour or more) news ad. The 'infomercial' presents the benefits of the product in a concise and convincing manner to the prospective customer, ending with the phone number of the company so that customers can get in touch with the company free of charge to obtain the product. Infomercials present business products in detail, usually on TV channels that focus on presenting these ads. They differ from the usual forms of advertising, as they aim to get an immediate response from the customer who will communicate with the company to place a new order or to get more information. A wide variety of products fall into this category, e.g. personal care, car or home care, personal fitness, books, etc. Many TV channels spend a significant portion of their broadcast time transmitting these messages and advertisers are their exclusive customers via direct marketing. The advantage of direct response advertising, like other direct marketing tools, is the immediate, reliable and accurate measurement of its effectiveness.
- *Telemarketing*: This involves communicating by telephone to the prospective (existing or potential) customer. In Greece, it is very widely used by companies in specific industries such as telecommunications and television entertainment services (e.g. Cosmote, Wind), electricity providers, etc. It takes the form of

outbound telemarketing when the sellers of the company or partner company call potential customers in order to achieve a sale, or inbound telemarketing when the prospective customer communicates by phone with the company following a signal received from an advertisement or direct marketing action. It is a very important tool in direct marketing, as it ensures direct two-way communications between the seller and the customer, thus allowing for the adjustment of the value offer based on the expressed preferences, capabilities and moods of the customer (Fahy & Jobber, 2014, 2016).

The use of telemarketing is increasing because it utilizes advanced communication through the use of the internet and computer applications. The cost of a phone call has been drastically reduced due to technological developments; direct access to the electronic personal data of each customer via the internet allows any competent business employee to have a very good picture of the customer's collaboration with the company and to adjust value offers to the real needs of specific customers. The total cost of each telemarketing transaction is much lower compared to live personal sales, as there are no travel, accommodation and food costs for employees; at the same time, net communication time with customers increases vertically, due to the elimination of travel and waiting time at the customer's space.

- *Directs sales*: This involves independent partners of the company who undertake the direct personal presentation, demonstration and sale of the product to the customer. Various products are sold through direct sales, such as durable household goods, cosmetics, etc. Most independent partners work part-time in direct sales as a complementary source of income.
- *Digital marketing*: This takes various forms, utilizing the advantages provided by the internet and its applications in direct marketing. Due to its ever-increasing importance, it is presented in greater detail in the following section.

3.6.6 *Electronic/Digital marketing*

Greater penetration of the internet among the world's population continues to be impressive. Globally, internet penetration was around 5% in 2000, increasing to around 29% in 2010, and it now stands at 63% in 2020 (Internet World Stats, 2021). The lowest penetration is observed in Africa, with about 50%, but it is also showing a steady jump there. On the other hand, the highest penetration is observed in Europe and North America (about 90%), and it is on the verge of exhausting its dynamics. It should also be emphasized that the vast majority of the public uses the internet intensively every day, communicating on social media, reading and sending emails, and benefiting from a variety of applications, among many other others (Figure 3.10).

Internet applications based on who is transmitting and who is receiving the communication are classified as follows (Fahy & Jobber, 2016):

- *B2B (business-to-business)*: Communication between businesses has been completely transformed with the advent of the internet. The possibilities provided by ICT have made it possible to integrate various functions, both within the business and with strategic partners in the supply chain. In essence, the development of the

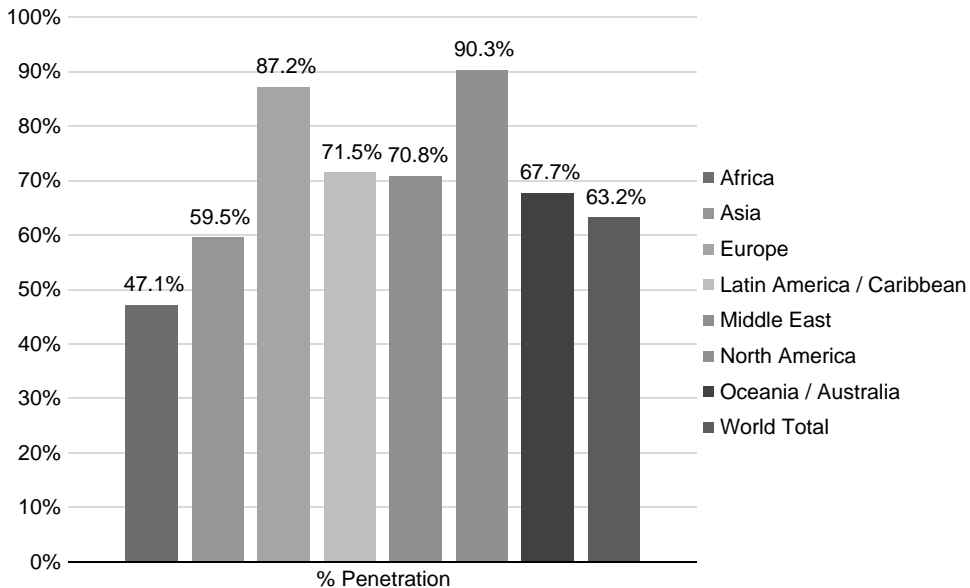


Figure 3.10 Penetration of the internet worldwide in 2020.

(Source: <https://www.internetworldstats.com/stats.htm>.)

discipline of supply chain management is highly connected with the use of the internet. Large companies in particular constantly make significant investments in innovative ICT applications which allow them to coordinate their activities within the business and with the supply chain even more efficiently and effectively, so that they can maintain and increase their competitive advantage.

- *B2C (business-to-consumer)*: As stated many times already, the influence of the internet is enormous in relation to this aspect, particularly due to ICT, concerning communication and the completion of transactions between the business and the consumer on matters that relate to advertising, personal sales, public relations, promotional sales and direct marketing.
- *C2C (consumer-to-consumer)*: The internet provides unique opportunities for communication and the completion of transactions between consumers. For example, consumers can search for buyers of used goods via e-auctions, e.g. eBay, etc.
- *C2B (consumer-to-business)*: This is perhaps the most groundbreaking application of the internet, offering consumers the unique chance to reverse the usual flow of value offers from the business to the consumer. Businesses benefit from consumers' desire to make an offer for a business product/service (or even a bundle of goods) and to offer data and marketing services to the business. Consumers benefit in turn from the low prices or free offers, securing a particular income level and greater flexibility in the value offers that they receive. For example, food bloggers can include ingredients/products from a specific business in recipes that they post on their blogs or they may be able to sell advertising space to the businesses on their webpages.

The reasons for the internet's dominance as the main means of implementing a business's IMC plan have been presented above in great detail. The main benefits can be summarized as follows (Belch & Belch, 2016; Chaffey & Ellis-Chadwick, 2016; Armstrong & Kotler, 2017):

- Integration of functions within the business and among strategic partners in the supply chain (suppliers, producers, distribution networks).
- Possibility of two-way communications between interested parties, wherever they may be, 24 hours a day.
- Ability for more effective market segmentation of the more homogeneous departments and the achievement of a high coverage, exclusively for each desired target goal.
- Unique opportunities that facilitate the active participation of customers/consumers in the creation of the message that the business will send due to the very high level of interaction.
- Provision of a plethora of highly detailed information about products, support services and the social corporate image of the business, fully utilizing audio-visual media.
- Possibility for direct communication with customers at virtually any time of the day (email, SMS, social media etc.).
- Customer access to a plethora of information and the possibility to complete an order 24 hours a day, whenever it suits the customer, from the comfort of his/her own space.
- Possibility to complete the transaction exclusively and immediately via the internet for certain categories of products such as software, e-books, music, etc.

However, the internet is not perfect. Customers often fall victim to scams, making them wary of placing orders, especially with companies that operate exclusively online. As with all other advertising media, the internet gives rise to advertising "pandemonium". Various ads flood the internet, with the result that only a very small number of them actually end up attracting the attention of the customer. Apart from the reduced effectiveness of online advertising, it is also annoying for users who often form negative attitudes toward advertisers. A large part of the public and the competent public bodies have persistent, intense concerns about companies' access to the personal data of internet users and the ways this data is used. As a result, legislation is constantly being drawn up for the protection of personal data, which must be complied with by companies that collect and process such information.

The internet is utilized by all the IMC operations of the company in order to achieve their goals more effectively and efficiently. Some common applications of digital marketing are:

- *Advertising through search engines:* Companies pay a fee to search engines such as Google, Bing, Yahoo, etc. to display their homepage and/or brand names in the top (first-page) results. Similarly, companies can benefit by advertising their products on the websites of their strategic partners in the supply chain, as in the case of some affiliated retail chains

- *Internet advertising*: This refers to advertisements that are streamed in parallel on television or exclusively on the internet. These ads usually appear before the content that the user wants to watch or download from certain applications.
- *Portable gadget marketing (smartphones and tablets)*: The majority of the consumer public are rarely without their smartphone during the day. In addition to computer-aided marketing techniques, more and more companies are developing and utilizing relevant phone apps to serve their existing and potential customers more effectively. The main advantage of portable devices is the interactive nature of these small web-connected gadgets. Companies also communicate quite often with their customers through promotional SMS messages.
- *E-mail marketing*: E-mail tends to be a very important substitute for printed correspondence between businesses and their customers. Businesses often use e-mail to inform their customers about new products, promotions, and activities that strengthen their corporate image.
- *Promotional activities*: The internet can be used to send discount coupons and organize competitions, among a host of other activities.
- *Use of coupons*: Companies create accounts on social media, e.g. Facebook, YouTube, etc. to stream ads or videos, targeting groups of potential customers.

3.7 Product packaging for promotion

Packaging is one of the most important business functions, which constitutes an urgent necessity in our daily lives. Almost everything we trade or consume is enclosed in one way or another by some form of packaging. We can define packaging quite simply as all materials of any kind which are used to protect, manage, deliver and present products, from raw materials to finished products, from the producer to the user or end consumer. Today, more than ever, companies are realizing that packaging can have an immense influence on consumer decision-making, and it can improve business performance in storage and transportation by standardizing their respective logistics activities while minimizing their operational costs and ascribing a pro-environmental image to the market with a high sense of social responsibility.

Many definitions for packaging can be found in the literature. Most definitions focus on one or more of its uses or functions, which leads to the conclusion that the nature of packaging is multidimensional. One of the best definitions of packaging has been elaborated by Shagrir (2004): “*packaging is a system of preparation for a products for their safe, efficient and effective management, transport, distribution, storage, disposal, consumption, recycling or their rejection in conjunction with maximizing value for the final consumer, increasing sales and consequently the profit generated for the business*”. Another precise definition of packaging is given by the Sustainable Packaging Coalition (2018): packaging is defined as “*the container that provides a means of marketing, protecting or handling a product, including unit packaging, intermediate packaging and shipping packaging*”.

According to Directive 94/62/EC of the European Parliament and of the Council of Europe (20 December 1994) concerning packaging and packaging waste, packaging is defined as “*all products made of any materials of any nature to be used for the*

containment, protection, handling, delivery and presentation of goods, from raw materials to processed goods, from the producer to the user or the consumer”.

A common element of the above definitions for packaging is that it covers a variety of important needs:

- First and foremost, the various management, distribution and storage requirements of the product being packaged along the entire supply chain: Ballou (2003) states that in supply chain management, packaging is more important than the product itself. Packaging has certain physical characteristics (shape, volume and weight), whereas, in many cases, the product contained inside the packaging may not have the same characteristics. Many researchers (Twede, 1992; Ebeling, 1990; Lockamy, 1995) consider packaging as one of the most critical factors that determines the success of the supply chain and its activities.
- The requirements for marketing and sales promotion of the product: Rundh (2005) points out that “packaging is an important part of a company’s marketing mix since businesses spend almost twice as much on packaging needs as they do on standard promotional activities and advertising”.
- Information needs that support the above procedures.
- Legal and regulatory requirements for consumers’ and producers’ protection.

The purpose of the packaging is also shared by the corresponding purpose of the various business functions, i.e. the final customer’s satisfaction. As correctly defined by Dominic et al. (2000), *“packaging is an approach that aims to develop packages and packaging systems in order to support the administrative process and meet customer requirements”*.

Regardless of the expected benefits of the packaging, the relevant decision-making is an issue that surpasses the narrow limits of the manufacturing business of the product, and often presupposes the active participation of the strategic partners at different stages of the supply chain. For example, the retail businesses often set certain specifications – among others – in relation to the dimensions of the products, in order to facilitate their placement on the shelves of the stores. Also, the packaging must facilitate reverse logistics, i.e. potential product returns including the packaging materials from the retailers to the manufacturers.

Generally speaking, decisions concerning packaging influence to a great degree many sectors/business operations. Initially, as previously discussed, there is a significant reaction in marketing, because perfectly designed packaging attracts the attention of the consumer, thus comprising an important differentiation and communication tool. The influence of packaging on the basic logistics operations is summarized in Table 3.1, according to Lambert, Stock & Ellram (1998).

As previously discussed, the following points are initially selected for further investigation due to their importance: information on the packaging, protection offered by the packaging, and standardization and protection of the product. In the analysis by Saghir (2004) of various case studies, the following elements are identified as key factors:

- Packaging Producer: Durability and vibration tests, cost analysis;

Table 3.1 Influence of packaging on the efficiency of logistics procedures

<i>Logistics operations</i>	<i>Reactions</i>
Transportation	
Increased amount of information on the packaging	It reduces delivery delays. It increases the amount of information displayed on the packaging. It reduces the tracking time of lost cargo.
Increased protection of the packaging	It reduces damages and theft during transportation, while it increases the weight of the packaging as well as the transportation costs.
Increased standardization	It reduces the administration/management costs as well as the waiting time of the transportation means during the loading period. It increases standardization. It increases the range of choices for the transportation of the packaged goods while it reduces the need to use specialized transportation equipment.
Recording of Inventory	
Increased protection of the product	It reduces theft, damages and insurance costs, while it increases the availability of products (and therefore sales). It also increases the value of the products and their transportation costs.
Storage	
Increased amount of information on the packaging	It reduces the replacement time period and labor costs.
Increased protection of the product	It increases the stacking efficiency (better use of space), whereas it reduces the management/administration, increasing the size of the (grouped) product.
Increased Standardization	It reduces the cost of the administrative/management equipment
Communication	
Increased amount of information on the packaging	It reduces the need for any other form of communication concerning the product, such as the need to make telephone calls in order to track/find lost cargo.

- Producer: Pattern/stacking method on the palette, packaging size, strength analysis/control, stacking and storage tests, visualization/display, usefulness, behavior, size, weight and complaints;
- Transporter: Loading efficiency onto the transportation means, distribution costs, environmental consequences; and
- Retail sales: administration, protection, ergonomics, storage.

The influence of packaging on environmentally-friendly initiatives of businesses is also significant. Consequently, the recyclability or biodegradability of the packaging is of vital importance, i.e. to which degree it is possible to recycle the packaging. The latter factor is highly esteemed since companies place more and more restrictions on waste disposal. Therefore it is estimated that, given greater consumer sensitization concerning environmental issues, the materials of many products will be recyclable or biodegradable, or both, in the very near future.

Best practices for the management of urban waste comprise various procedures related to their recycling. However, the variables that must be taken into account refer to the properties of the packaging materials (e.g. glass, aluminum, polyethylene, etc.) and whether the packaging comes from renewable sources. The environmental footprint of the packaging waste may be minimized by consciously choosing packaging materials and implementing guidelines issued by the respective environmental protection services.

Goals and objectives of packaging

The purpose of packaging in the modern conditions of the market can be explained in the following way (Paine, 1991; Baltas & Papastathopoulou, 2003; Sfakiotakis, 2004; Riganakos, et al., 2020):

- Direct enclosure of the contents in such a way as to facilitate the consumption of the product during its use, simultaneously serving the needs of logistics systems for grouping primary packages into higher-level handling units (secondary or tertiary packaging, as mentioned in the introductory unit of this chapter); in other words, the unitization and division of the highest levels: In this way, packaging supports the main functions of storage, transport and distribution, returns and materials management. Packaging provides protection, facilitates handling, secures space savings and contributes to an improved appearance of the product. The packaging box is the main form of transporting and marketing the product, from the place of production to the place of consumption. Since the packaging method and the material it is made of has great significance, it must be properly designed to provide maximum utility and protection during transportation against any shocks it may sustain. The packaging should be as light as possible (especially where it concerns reusable packaging).
- Protection of the contents from various forms of decay to keep them in a marketable state, and to protect/ensure consumer health: One cause of decay is their physical damage, such as being struck, vibration, compression, etc.; another kind of decay is environmental damage that occurs due to exposure to water, light, gases, odors, microorganisms, etc. that may cause product spoilage.
- Maintenance of the contents so that the product retains its original properties for a specified time period as noted in its labeling: For example, the packaging of fresh fruit and vegetables allows them to keep their shape and durability for a long time and during the various handling stages. Products are often subjected to adverse conditions of high relative humidity and sometimes even rainfall, so the durability of the packaging determines the product's quality after exposure to such conditions.
- Transfer and dissemination of product-related information to all the user groups that interact with it throughout the supply chain, concerning the content, destination and management of a product distribution unit and information of concern to the final consumer, e.g. identity, nature and organoleptic properties of the product, and how to use it.
- The communication function of the package, which includes written information and elements of the packaging design, such as shape, color, symbols and/or

trademarks. In addition to providing information, the communication function is expected to attract the consumer to buy the product. Package labeling is also of importance: it ensures the product's recognizability, and it informs the consumer about the package contents.

- Easy, safe movement of the product among the different stages of the supply network, and its safe delivery to the final consumption stage. For example, boxes are superior in terms of the protection they provide to a product, as well being a convenient form of mass storage. They are constructed in such a way as to allow easy stacking, thus making the best possible use of storage space. Another advantage is their ease in loading and unloading, which is once again attributed to their shape.
- Attractive presentation/appearance of the product at points of sale. The packaging can be used as a marketing tool, and facilitates the role of the marketing mix in the product promotion.
- Quantity control, due to suggested dosage, especially in the case of bulk products (milk, wine, etc.).
- Environmental protection, e.g. in cases where the packaging can be recycled into raw material or it is biodegradable.

Generally speaking, food packaging is an integral part of the processing and preservation of foodstuff, and can also minimize many potential sources of spoilage, imparting improved quality and increasing the shelf life of processed and packaged foods (Hicks et al., 2002).

Types-categorization/classification

In general, the classification of different kinds of packaging is based on different criteria:

Based on the material it is made of. A wide range of materials are used for packaging. The list below provides an indicative list:

- *Paper and cardboard*, in all their variants: kraft wrapping, corrugated paper, solid cardboard, Bristol, duplex, triplex, bubble plastic (aeroplast), combination of aeroplast and cardboard, etc. Paper/cardboard-based packaging has many advantages over other materials due to its environmental aspect because it is produced from sustainable/renewable resources. Paper is biodegradable, does not pollute the soil and is suitable for recycling.
- *Glass*: Despite its rigidity, glass is actually a very important packaging material because it is inert and therefore able to contain a wide range of materials without causing contamination.
- *Metal*: Steel and aluminum are used, mainly in the form of cans for food and beverage products, with a wide range of uses.
- *Plastics*: According to Stewart (2007), of all the materials available to packaging designers, plastics have the greatest variety; they are many kinds of plastics and they have many processing methods.
- *Steel*: This is widely used in food, beverage and aerosol products.
- *Other materials*: e.g. packing shrimp, grass, plastic/airtight bags, stratocell, rapid fill foam, among many others, etc.

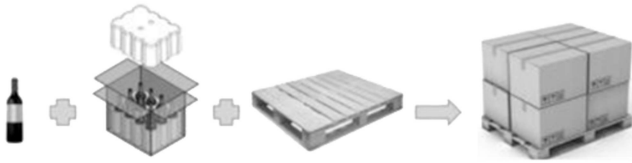


Figure 3.11 Packaging types/levels.

- *Mixed materials:* Packaging can sometimes provide significant benefits and is more energy-efficient when it combines different materials. But this also makes it difficult to recycle.

Based on the service of the supply chain operations. Packaging of the final products during their transportation and/or distribution, from the production or central storage point to the final consumer, is classified according to three distinct types of packaging (Figure 3.11). The performance of the packaging system is affected by the performance of each packaging type/level and the interactions between these levels (Jönson, 2000):

- *Primary or direct packaging.* This packaging is directly related to the content, i.e. the product. It is called ‘direct’ because, quite simply, it comes in direct contact with the commodity, e.g. the bottle that contains the wine, the metal can or plastic container that holds the milk. Primary packaging is important for the placement of items on the shelves of retail stores: it is what consumers put in their hands. That is why it is also called ‘consumer packaging’ because it comprises a sales unit for the end user/consumer at the point of purchase. Its main objectives are:
 - protection of the quality characteristics of the products (color, aroma, taste, physicochemical properties, etc.), from external factors (e.g. impurities arising from foreign bodies, chemical substances or alterations, temperature, etc.),
 - preservation of the product’s unaltered and standardized state and physiology. The aim is to maintain the product for a long time so that it is ready for use/consumption, without requiring special actions on the part of consumers, when it reaches their hands,
 - its placement on a shelf or in a storage space, (wholesalers, retailers, shelves, refrigerators, etc.),
 - attracting the consumers attraction, and
 - implementation (integration) of value-added practices, e.g. pro-environmental practices.
- *Secondary or indirect packaging.* Indirect packaging does not come in contact with the product (it is not directly related to the contents); it protects the primary packaging and facilitates the product’s wholesale distribution (through

its intermediate storage and transportation/distribution), e.g. a carton containing a dozen bottles of wine. This packaging stage is therefore mainly aimed at producers and traders. It facilitates the transportation, storage and the stock-taking of goods, and maintains direct packaging in excellent condition. Secondary packaging is designed in such a way that it includes a predefined number of primary packages. The main objectives here are protecting the product from external influences (e.g. dust, sunlight, etc.), handling processes along the supply chain (from damages and shocks) and its unitization. Secondary packaging can be removed from the product without affecting its characteristics.

- *Tertiary/group packaging.* Tertiary packaging is usually done using pallets, e.g. a pallet with two layers of cartons where each level has four cartons. It is useful where there are large numbers of primary and secondary packages divided into groups within a pallet. Pallets offer time and cost savings during the loading and handling stages, and they are particularly useful in saving storage space. For this reason, tertiary packaging is also called goods transfer/transportation packaging, with the main purpose of facilitating the transportation and protection of the product from inconvenience and potential damage due to movement of the product on a continuous basis or for a long period of time.

Based on the commercial appearance of the product, packaging is classified as follows:

- Wholesale packaging, which serves the transaction level between producer (farmer, industrialist, craftsman) and trader.
- Retail packaging, which showcases the product and aims to attract the consumer public to purchase it.

Finally, in terms of its use, packaging can be classified as follows:

- *Single-use/disposable packaging.* This packaging is recycled after use, or it is destroyed and cannot be reused. Almost all paper and plastic packaging belong to this category.
- *Multi-use/reusable packaging.* This packaging can be re-used for the packaging of the same or another product (e.g. glass drink bottles, iron gas cylinders, etc.). It is usually made of glass or iron, and to a lesser extent plastic, and is often more expensive than packaging made with single-use materials.

Challenges

In the last decade, many challenges related to food packaging have arisen in the business and social contexts. Of greater significance are the aging of the world population, the trend toward smaller households, the lower frequency of families eating together at the table, the growing demand for consumer convenience through e-commerce, and an increasing awareness around health-related issues, as noted by Loureiro, Gracia and Nayga (2006).

Marsh and Bugusu (2007a, 2007b) argue that significant changes have occurred in consumer lifestyles; people now have less free time, while businesses face increasing

demands for a transition to smaller packaging sizes, and greater differentiation in an increasingly competitive environment. The expansion and entry of many companies into international markets has increased the distance between a product's production point and point of sale, which demands the use of durable packaging materials and labeling in a globally understood form (Jahre and Hatteland, 2003). Another important challenge is mentioned by Mahaffie (2006): no matter how impressive or expensive a package is after purchasing and using the product, the packaging then becomes useless.

Hellstrom and Nilsson (2011) note that changes in consumer habits and increased demand for new products force companies to find and use new innovative packaging methods for their products. So companies are seeking to redesign or completely change their packaging in order to facilitate product transport, storage and handling, at the same time as trying to improve their environmental performance. Dharmadhikari (2012) notes the significance of environmental requirements in the design of companies' networks, at the same time that their supply chain must make all efforts to deliver the right product, to the right place, at the right time and at a reasonable cost to the consumer; companies are well aware of the importance of optimal environmental performance as a good business practice, which enhances the brand's image in turn.

To these must be added consumers' increasing awareness of environmental issues, and the need to introduce new regulatory requirements for recycling used packaging. As stated by Qing and Guirong (2012), the environmental impact of packaging is significant: packaging is single-use in most products (especially in the case of food), and many companies use excessive packaging, even choosing materials that are not environmentally friendly. A report by the US Environmental Protection Agency (EPA, 2019) provides a general overview of packaging waste volumes for all business sectors: "*Containers and packaging comprise a significant part of municipal solid waste (MSW), amounting to 80.1 million tonnes produced in 2017 (29.9% of total production)*". For the same year in the EU27, total packaging waste reached 76.9 million tonnes of generated waste (Eurostat, 2020).

Riganakos et al. (2020) identify the following challenges for packaging, particularly for direct (primary) packaging:

- Raising global public awareness on the issues of healthy eating (packaging of consumables, food, beverages, etc.) and environmental protection (non-polluting packaging),
- Increasing and more intensive competition, which will result in the production of new products at a rapid pace, and the upgrading of product and packaging quality, and
- Regulations on the packaging of consumables in the context of an integrated European market.

The constant efforts made by companies to reduce packaging costs per product should also be noted, "*which in some cases may cost more than the components of the product itself, and the existence of these products may depend on the actual packaging*" (Kanavouras, 2015). The total packaging costs depend on the cost of the material and the production method, while the choice of material is directly dependent on protection and market requirements. Packaging can dramatically affect products'

handling costs, as it is directly related to the efficiency of the use made of available space, and the products' weight. Reusable packaging can reduce costs in cases where products undergo small circular movements over time and space; in such cases, good cooperation between the sender and recipient is essential with regard to the company's duty to reprocess/reuse the packaging.