

Chapter 10 Notes

Advertising, Public Relations, and Sales Promotion

Advertising

Advertising is defined as any paid form of communication, delivered through media from an identifiable source, about an organization/product/service/idea. Advertising is often the primary form of communication between a company and its target customers. Some distinguishing factors of advertising include:

1. It is paid for – a company pays money or trade to advertise (unlike public relations)
2. It can take place across a variety of mediums (tv, radio, internet, etc.)
3. It is the most visible form of marketing communication – advertising is everywhere

The seven steps in advertising are as follows:

1. Identify Target Audience – who is your target customer group(s)? This is based on segmentation and prior research to understand who may be potential customers. Furthermore, it is critical to understand who has the decision making power in family units.

Gatekeeper – member who collects and controls important information

Influencer – member(s) who try to express their opinions

Decider – the person who makes the choice

Buyer – the person who physically acquires the item

User – the household member(s) who consume the item

2. Set Advertising Objectives – why are we advertising? Advertising can be informative, persuasive, or serve as a reminder to the customer. Furthermore, what is the focus of the advertisement? It can focus on the product (e.g. In-N-Out Burger), the institution or product category (e.g. Beef – It's what's for dinner), or it can function as a public service announcement (e.g. risks of heart disease).

3. Determine the Advertising Budget – often a function of:

Size of the firm – larger firms have larger budgets

Size/nature of the target market(s) – to serve more markets, it requires a larger budget

Stage in the product life cycle – earlier needs more advertising

The importance of advertising – high quality/status goods use limited advertising

4. Convey the Message – several strategies and options are available. First, the marketer should make sure to communicate the problem solving ability clearly, as consumers purchase goods and services not for the physical item, but rather for the need or want they fulfill. This can be done through the use of a Unique Selling Proposition, which highlights the key benefit of the product and differentiates the item from the competition.

Companies can also choose between informational and emotional appeals. Informational appeals feature product attributes, while emotional appeals try to create a bond with the consumer.

5. Evaluate and Select Media – here, the company chooses what mediums and channels to use in their marketing communications

Broadcast Media

Television – can potentially reach the largest numbers of customers

Radio – mental imagery can be more powerful than actually showing the product

Print Media

Magazines – favorable image and high reproduction quality

Newspapers – trusted source for information available in almost any market

The internet can serve as both types of media and its number of creative options available to the marketer can be very appealing.

Once a medium has been chosen, the marketer must determine the advertising schedule

Continuous – year round at similar levels

Flighting – heavy advertising in some periods, no advertising in others

Pulsing – combination of continuous and flighting

6. Create Advertisements – while it is important to break through the clutter, marketers should not overshadow the focus of the ad while trying to be too creative

Aspects of print ads include:

Headline – words in the leading position of the ad

Subheads – secondary to the main headline, larger than the body copy

Body copy – main text portion of the ad

Visual elements – illustrations, drawings, and photos used to attract attention

Layout – arrangement of the ad

7. Assess Impact – learn what worked and what didn't through pretesting, tracking, and posttesting

Public Relations

Public relations is defined as the management of a firm's relationship and image with the general public. There are several activities that define PR:

Building and maintaining a positive image

Managing unfavorable stories and events

Developing relationships with the media

To fulfill the fundamental activities of PR, a firm may do any or all of the following:

Build marketplace excitement when introducing new products

Create advertising news when there is no product news

Provide a value added customer service

Build relationships with customers

Give customers a reason to buy

The process of public relations involves four steps:

1. Determine existing attitudes – companies exist in communities and negative publicity can spillover onto employees and outside of the workplace
2. Establish a PR plan – how to improve negative perceptions and capitalize on market opportunities
3. Develop the PR plan – keep in mind all the different potential audiences to the firm
4. Execute the PR plan – consists of activities such as press releases, press conferences, exclusives, and community involvement

Effective public relations can provide a variety of benefits to organizations. These include:

- Credibility – perceived differently from advertising
- Not Subject to Clutter – consumers pay more attention to the news than ads
- Can Create Sales Leads – consumers will follow up with publicity and learn more
- Distribution Costs are Low – media outlets often share news for free
- Building Brand Image – positive news stories can create favorable perceptions of a brand

Public relations is also problematic for companies in the following ways:

- Reach – PR efforts often do not reach their intended audience
- Lack of Control – the media dictates what gets attention and for how long
- Unintended Consequences – you cannot ever know how consumers will react to PR

Sales Promotion

Sales promotions are an inducements or incentives to the sales force, distributors, or ultimate customer with the primary objective of creating immediate sales. The key aspects of sales promotion include:

- An extra incentive to buy
- A tool to speed up sales
- Targeted to different parties

Categories of sales promotions

Nonfranchise-Building Promotions

Focused on generating an immediate sale, these include coupons, rebates, and discounts

Franchise-Building Promotions

Focused on building relationships with customers, these include premiums, contests, sweepstakes, and loyalty programs

Types of sales promotions

Coupons – oldest and most widely used promotional tool, as nearly 1,000 per person are distributed a year in the U.S. However, they have low redemption rates and will cut into profit margins if loyal customers use them.

Rebates – similar to coupons but customer gets money back after purchase. Companies can use them to collect information on their customers. These commonly lead to “phantom discounts” as redemption rates are low.

Premiums – can be either free or self-liquidating. Premiums generate goodwill with customers and can help create and contribute to a company's image (e.g. Harley Davidson motorcycles sold with a leather jacket – the premium).

Loyalty Programs – programs which earn customers bonuses and free products over time. Loyalty programs should be used to reward customers, and they avoid cutting into profits like coupons and rebates.

Trade-Oriented Promotions

Not all sales promotions are directed at the end consumer. Trade promotions are sales promotions that are targeted to members of the supply chain (retailers, wholesalers, etc.). Some common examples of trade-oriented promotions include:

Contests and Incentives – money or prizes for salespeople who sell the most products

Co-Op Advertising – where the manufacturer and the retailer share in the cost of a promotional campaign

Trade Allowances – discounts from the manufacturer to the retailer for quantity purchased or for product displays in premium store locations

Point-of-Purchase Displays – displays near the checkout that are likely to get the customer's attention

Sales Training – training sessions paid for by the manufacturer to educate the retailer's sales force

Trade Shows – conferences where the newest products, technologies, and services are displayed

The use of sales promotions both to the end consumer and members of the supply chain has increased for a number of reasons, including the growing power of retailers, declining brand loyalty, increased competition, and a decline in the effectiveness of traditional mass-media advertising.