

Chapter 7 – Advertising

1. Overview

- Advertising media is one element of the marketing communications mix
- Advertising media is a key tool in delivering messages to audiences
- Different media play different roles and have their own specific advantages

Marketing communication mix: the combination of tools used to promote a product or service, including advertising media, direct marketing, sales promotion, public relations, and digital marketing.

-Media such as television, radio, billboards, magazines, and newspapers all tend to be very good at reaching large numbers of people, and often deliver some of the most memorable marketing messages.

Category	Total	Magazines	Newspapers	Outdoor	Television	Radio	Internet
Automotive	\$19.799	11.0%	25.4%	1.7%	50.4%	7.8%	3.7%
Retail	\$19.114	11.0%	35.4%	2.0%	33.8%	11.2%	6.6%
Telecommunications	\$10.950	8.2%	19.8%	2.5%	48.7%	7.1%	13.6%
Financial services	\$8.689	13.7%	21.8%	2.8%	36.3%	8.3%	17.0%
Food, beverages, candy	\$7.225	27.6%	0.7%	1.1%	64.2%	4.5%	1.8%
Restaurants	\$5.291	2.5%	3.5%	4.5%	78.4%	10.1%	0.9%
Apparel	\$2.911	75.1%	2.0%	1.0%	19.8%	0.7%	1.3%

2. Advertising Media Objectives

- Marketers can include advertising media as part of their overall effort to achieve the objectives set out in the marketing communications plan.
- Advertising media can play a useful role in achieving any or all of these steps in the customer decision-making.
- *Reach: the number of people, households, or businesses in a target audience exposed to a media vehicle or message schedule at least once during a given time period.*
 - Number in target audience exposed, Typically 4-week period
- *Frequency: the average number of times an individual, household, or business within a particular target market is exposed to a particular advertisement within a specified time period.*
- *Opportunities to see (OTS): the cumulative exposures to an advertisement that are achieved in a given time period.*
 - One continuing issue facing marketers is deciding how many times a person must be exposed to a message before it has an impact. Most agree that a single exposure is not enough. Some argue it takes three exposures. Others say as many as 10.
- *Three-exposure hypothesis: The basic rule states that it takes a minimum of three exposures for an advertisement to be effective.*
 - Intrusion value
 - Based on the assumption that it takes a minimum of three exposures for an ad to be effective
 - Size, placement, length of ad are factors to consider
 - Number of media used is important (variability)
- Clutter also affects the types of objectives firms try to accomplish. Increasing brand awareness is usually easier than building brand imaging. A well-known brand that is the first choice of the majority of consumers can accomplish its objective with fewer ad exposures than a less well-known brand.

- Effective reach: the percentage of an audience that must be exposed to a particular message to achieve a specific objective.
- Effective frequency: the number of times a target audience must be exposed to a message to achieve a particular objective.
 - Effective reach and effective frequency are crucial. Too few exposures mean the advertiser will fail to attain its intended objectives. Too many exposures waste resources.
 - When the objective is to increase brand awareness, the emphasis will be on the visual presentation of the product and/or logo. The advertiser wants the person to recognize the brand name and logo at the retail store or in an advertisement.
 - When the objective is to increase brand recall, frequency is more important than reach. Repetition is required to embed a brand in the consumer's cognitive memory. Repetition increases the odds that a particular brand will come to mind.
 - Other elements include the size, placement, and the length of an ad. A small magazine advertisement does not create the same impact as a larger ad. If a firm uses a 15-second television ads, effective frequency may require six exposures. A longer 45-second spot may require only four exposures to be remembered.
 - Another important factor is the number of different media used in an advertising campaign. A campaign featuring ads in two types of media has greater effective reach than a campaign in only one medium, such as magazines only.
 - The programs that evaluate effective reach and frequency are based on probability theory and are designed to help the marketing team effectively allocate advertising dollars.
- Recency theory: a theory that suggests that a consumer's attention is selective and focused on his or her individual needs and wants, and that therefore advertising has little to no carryover effect.
 - One exposure may be enough
 - Effective the closer to a purchase
 - States that consumers use selective retention when they consider ads.
 - Advertising is a waste of money when intended market is not reached
 - Consumers have selective attention processes as they consider advertisements. They give the most attention to messages that might meet their needs or wants.
 - Recency theory also suggests that the impact of advertising dissipates over time, even if individuals notice the ad. The clutter and information overload that consumers experience means that the carryover effects of advertising tend to be low.
 - One primary difference in recency theory is the idea that one ad exposure is enough to affect an audience when that person or business needs the product being promoted.
- Intrusion value: the ability of media or an advertisement to intrude upon a viewer without his or her voluntary attention.
- Gross ratings points (GRP): a measure of the impact or intensity of a media plan.
 - GRP gives the advertiser an idea about the odds of the target audience actually viewing the ad. By increasing the frequency, or OTS, of an advertisement, the chances of a magazine reader seeing the advertisement increase.
- Cost is a measure of overall expenditures associated with an advertising program or campaign.
- Cost per thousand (CPM): the dollar cost of reaching 1,000 members of the media vehicle's audience.

- $CPM = (\text{Cost of media buy} / \text{Total audience}) \times 1,000$
- Cost per rating point (CPRP): a measure of efficiency of a media vehicle relative to a firm's target market.

- $CPRP = \text{Cost of media buy} / \text{Vehicle's rating}$
- Ratings: a measure of the percentage of a firm's target market that is exposed to a show on television or an article in a print medium.
- Weighted (or demographic) CPM: a measure used to calculate whether an advertisement reached the target market effectively.

$$\circ \text{ Weighted CPM} = \text{Advertisement cost} \times 1,000 / \text{Actual audience reached}$$

- *Gross impressions: the total number of exposures of the audience to an advertisement.*

3. Building the Media Plan

- The media plan refers to the specific media elements to be included in the marketing communications mix. The media plan begins with a careful analysis of the target market. One method of addressing media planning is to study the media choices that members of a specific, defined target market might make at different times during the course of a day.
- A *Marketing analysis* is a comprehensive review of the fundamental marketing environment. It includes a statement of current sales, current market share, and prime prospects to be solicited.
- An *advertising analysis* states the fundamental advertising objectives and budget to be used in meeting three objectives:
- The *media strategy* spells out the media to be used and the creative considerations.
- The *media schedule* notes when ads will appear in individual media.
- The *justification and summary* states the measures of goal achievement and the rationale for each choice.

a. Media Planning

Media planner: the individual who formulates the program stating where and when to place advertisements.

- The first step is to set brand priorities and objectives. Next, a media channel communications plan is agreed upon before the actual communications plan and creative brief are prepared. The media planner then identifies the most ideal locations for the advertisements. Part of the media planner's research is gathering information about various media.
- Focus on consumer behaviour
- Create plans that reflect the purchase process
- Influence consumer in the marketplace
- Study media choices
- Listening and viewing habits

b. Media Buying

Media buyer: the person who buys the space and negotiates rates, times, and schedules for the ads.

- Media buyers also watch for special deals and tie-ins between different media outlets. The media planner works with the media buyer in the design of an advertising campaign. The challenge of coordinating the efforts of these individuals intensifies when they are from different companies, which is typically the case for large clients and national brands. There is little connection between the size of a firm and the prices it can negotiate. Differences in media costs are based on the time of the actual purchase rather than the size of the agency. Other major factors in cost differences are knowledge of the marketplace and the ability to negotiate package deals.

Spot ad: a one-time ad placed on a local television station.

- Differences in effectiveness of advertising are often related to:
 - The quality of media choices (the right ones) made by each agency
 - Creativity
 - Financial stewardship ("bang" for your advertising buck)
 - Agency culture and track record
 - Computer systems to analyze data
 - Relationships between the agency and the medium's sales representative.
- Effectiveness in advertising is also determined by quality of the selections made by the marketing team and the content of the ad itself. Media should be selected and purchased with specific advertising objectives in mind.

- One of the most significant issues that media planners and buyers must address is continuity of the media schedule.

Continuity: the schedule or pattern of advertisement placements within an advertising campaign period.

- Media planners and buyers can choose among three types of patterns: continuous, pulsating, and discontinuous.
- *A continuous schedule* uses a media time in a steady stream, done through the placement of media continually for a 12-month period.
- *A pulsating schedule* is used by a retailer by placing ads in various media throughout the entire year, but then increasing the number of advertisements in small, short bursts around holidays.
- *A flighting schedule* is used by companies where ads are presented only during peak times, and not at all during off seasons. This type of schedule can also be used by marketers in other product categories in an attempt to stretch media dollars further.

4. Media Selection

a. Television

-Advantages:

- 1) *High reach*
- 2) *High frequency potential*
- 3) *Low cost per contact*
- 4) *High intrusion value (motion, sound)*
-Products and services can be demonstrated on television in a manner not possible in print or using radio advertisements.
- 5) *Quality creative opportunities*
- 6) *Segmentation possibilities through cable outlets*

-Disadvantages:

- 1) *Greater clutter*
- 2) *Low recall due to clutter*
- 3) *Channel surfing during commercials*
- 4) *Short amount of copy*
- 5) *High cost per ad*

-Clutter is the primary problem with television advertising. Messages at the beginning or near the end of the break have the best recall. Those in the middle often have virtually no impact. Clutter makes it difficult for a single message to have much influence. Another method some viewers use to cope with clutter is a DVR, recording favourite programs and watching them later. The fear advertisers have is consumers will skip over the commercials. Time-sensitive ads are being seen close to when they were first shown. Television commercials have *short life spans*. When television-advertising spots are shown too frequently they quickly lose the ability to attract the viewers attention. There is no guarantee that the viewers saw the commercial. Viewers might have ignored the commercial, or left the room during the commercial break. Ratings and shares are only indicators of how well the program fared relative to other programming. Ratings are used to establish rates for advertisements. The higher a show's rating over time, the more that is charged. Two measures, the brand and category development indices, can be used to help pick spot TV times (or indeed any form of local media). The *Brand development index* (BDI) is the market's percentage of sales a particular brand divided by the percent that local market represents of total Canadian households. The *category development index* (CDI) is the particular market's percentage of a category's sales divided by the percent of market's share of the Canadian households. *Trend information* Is when the BDI has been declining during the last few months or years; additional spot TV time may be purchased to reverse the declining trend. If the trend analysis shows a steady market share or increasing market share.

-Business-to-business products are also found on television for several reasons. First, members of the business buying centre watch television. Second, increasing ad clutter in trade journals and traditional business outlets make television spots more desirable. Third, business advertisements now use more emotional appeals, and television portrays emotions effectively. Fourth, a strong brand identity is a growing factor in the business-to-business sector and television ads can increase it. Finally, television reaches members of the buying centre when they are not preoccupied with other business concerns. They may be more open to advertising messages.

b. Radio

- A well-placed, clever radio ad is a one-on-one message that can have a significant impact. Most radio ads are produced locally and with small budgets.
- Advantages:
 - 1) Recall promoted
 - 2) Now target markets
 - 3) Ad music can match station's programming
 - 4) High segmentation potential
 - 5) Flexibility in making new ads
 - 6) Able to modify ads to fit local conditions
 - 7) Intimacy (with DJs and radio personalities)
 - 8) Mobile - people carry radios everywhere
 - 9) Creative opportunities with music and other sounds
- Disadvantages:
 - 1) Short exposure time
 - 2) Low attention
 - 3) Few chances to reach national audience
 - 4) Target duplication when several stations use same format
 - 5) Information overload

i. Out-of-home advertising

- Advantages:
 - 1) Able to select geographic areas
 - 2) Accessible for local ads
 - 3) Low cost per impression
 - 4) Broad reach
 - 5) High frequency on major commute routes
 - 6) Large, spectacular ads possible
- Disadvantages:
 - 1) Short exposure time
 - 2) Brief messages
 - 3) Little segmentation possible
 - 4) Cluttered travel routes

c. Magazines

- Advantages:
 - 1) High market segmentation
 - 2) Targeted audience interest by magazine
 - 3) Direct response techniques (e.g., coupons, web addresses, toll-free numbers)
 - 4) High color quality
 - 5) Availability of special features (e.g., scratch and sniff)
 - 6) Long life
 - 7) Read during leisure time (Longer attention to ads)
- Disadvantages:
 - 1) Declining readership (some magazines)
 - 2) High level of clutter

- 3) Long lead time
- 4) Little flexibility
- 5) High cost

d. Newspapers

- Advantages:
 - 1) Priority for local ads
 - 2) Coupons and special-response features
 - 3) High credibility
 - 4) Strong audience interest
 - 5) Longer copy/message possible
 - 6) High flexibility
 - 7) Cumulative volume discounts
- Disadvantages:
 - 1) Major clutter
 - 2) Short life span
 - 3) Poor quality reproduction
 - 4) Limited audience
 - 5) Poor buying procedures

5. Media Mix

- Media experts work continually to decide which go together for individual target markets, goods and services, and advertising messages.

Media multiplier effect: the combined impact of using two or more media is stronger than using either medium alone.

- The media multiplier effect is equally important in business-to-business advertising. Seeing advertisements in more than one medium caused the company or brand name to become top-of-mind. Resulted in more individuals making purchases. Cable and network advertising are national ads and are broadcast on all systems that carry those channels. The fastest growing media outlet is the Internet. More and more business-to-business marketers are using media outside the traditional workplace to reach audiences.

6. Communicating across Cultures

- Media importance varies.
- Media viewing habits vary across countries.
- Media buying is different.
- Cultural mores vary.
- Nearly three-quarters of all media buying is conducted by only six large global agencies or their holding agencies. The consortium is made up of a number of smaller independent agencies and offers services in Europe. The large global media agencies have faced some criticism in recent years from marketing managers. They complain about the inability to provide effective media buys throughout all the countries where the client's operate. it is difficult to be strong in every country where an agency may have a presence. Local media agencies and the consortium of independent agencies believe they have a chance to increase their market share. Company representatives must carefully attend to cultural mores to make sure the buying process does not offend the cultural and religious attitudes prevalent in any given region.

Chapter 8 – Direct Marketing

1. Overview

2. Data and database management

a. Building a database

Data warehouse: the place where customer data are held.

-The operational database contains the transactions individuals have with the firm and follows accounting principles. The marketing department manage the marketing database, which contains information about current customers, former customers, and prospects.

-Some examples of data and analyses found in standard marketing data warehouses include:

- Customer names and addresses
- E-mail addresses
- Record of visits to the firm's Web site
- Customer history
- Customer survey results
- Preferences and profile
- Marketing campaign results
- Appended data
- Coded data

-The challenge is collecting all of the other information that turns the data warehouse into a powerful marketing and communication tool.

-Data for the data warehouse comes from either the company's internal operations or external sources where companies can purchase information about individuals.

b. Internal data sources

i. Email addresses and other personal identification data

- Cost effective communications
- Build relationships
- Cookies
 - Store information
 - Personalize Web site
 - Customize content

ii. Purchase and communication histories

- Detailed customer histories
- Every interaction with the company can be tracked
- Determine future communications
- Assist marketing team in evaluating
 - Customer's lifetime value
 - Other customer metrics

iii. Personal preference profiles

- Sometimes purchase and visit histories are not sufficient.
- Personal Preference Profiles may include customer details such as demographics.
- This informs may be obtained through customer surveys, websites and in retail stores.

c. External data sources

i. Geocoding

Geocoding: adding geographic codes to customer records to make it possible to plot customer addresses on a map.

- Adding geographic codes

- Plot on a map
- Combine with demographic and lifestyle information
- Identify clusters
- CACI Coder/Plus

ii. Rented lists

- Standalone data warehouses that allow a marketer to target and execute a direct marketing campaign
- Saves a firm from managing their own databases
- Most lists are rented as a one-time use

1. Response lists

Response lists: a list of customers who have made transactions or who have responded to direct marketing offers in the past.

2. Compiled lists

Compiled lists: a list consisting of information about consumers who meet a specific demographic profile or behavioural profile.

3. Subscription lists

Subscription lists: a list of individuals who subscribe to a source of information such as a magazine or a blog.

3. Database coding and analysis

-Database coding and analysis provides critical information for the development of personalized communications. It also assists in creating marketing campaigns. Common forms of database coding are lifetime value analysis and customer clusters.

a. Lifetime value analysis

Lifetime value: sales revenues generated by a customer throughout the lifetime of his or her relationship with a company.

- Individual lifetime value
- Customer segment lifetime value
- Key figures
 - Revenue and costs
 - Retention rate
 - Visits or purchases per time period

b. RFM analysis

RFM analysis: the use of recency, frequency, and monetary figures to predict consumer behaviours.

- *Recency*
 - Divide database into 5 equal parts based on date of last purchase.
 - Code 5 to 1 with 5 the last 20% to purchase.
- *Frequency*
 - Divide into 5 equal parts.
 - Code 5 to 1 with 5 being the most frequent
- *Monetary*
 - Divide into 5 equal parts
 - Code 5 to 1 with 5 being the highest expenditures
- Codes range from 555 to 111
 - Code of 235
 - 2 indicates has not made a recent purchase
 - 3 indicates has made an average number of purchases
 - 5 indicates the total monetary value of the purchases were among the top 20% of the firm's customers
- Recency has most impact on future purchases

- Frequency has second most impact
- Monetary has least impact

c. **Data mining/modelling**

Data mining: the process of searching a database to develop a profile of the company's best customers.

- Building profiles of customer groups
- Preparing models that predict future purchase behaviour
- Examples of companies that use data mining include:
 - American Eagle – price markdowns
 - Staples Inc. – profiles of best customers

4. **Direct marketing programs**

a. **Permission marketing**

Permission marketing: a form of database marketing in which the company sends promotional materials to customers who give the company permission to do so.

- Consumers today are fed up with spam and junk mail. Permission marketing sends materials to only individuals who give permission. Companies need to make sure consumers have given permission. Sometimes when placing an online order, companies will automatically check the box that grants permission to send e-mail offers and if the customer doesn't want to participate, they must uncheck the box. In addition to online, permission can be given through the telephone and in the mail. The advantage of permission marketing is that it generates a higher response rate since the individual has agreed to receive marketing materials.

- These programs are a direct result of the Backlash to spam, junk mail, etc.
- Consumers give permission
- Can be offered through
 - Internet
 - Telephone
 - Mail
- Higher response rates

i. **Keys to success in permission marketing**

- 1) Obtain permission from the customer
- 2) Offer the consumer an ongoing curriculum that is meaningful
- 3) Reinforce the incentive to continue the relationship
- 4) Increase the level of permission
- 5) Leverage the permission to benefit both parties

ii. **Permission marketing enticements**

Empowerment: when consumers believe they have power throughout the seller-consumer relationship, not just at the beginning when they agreed to join a frequency program.

Reciprocity: a sense of obligation toward a company that results from receiving special deals or incentives such as gifts

- Factors Affecting Customer Participation in Permission Marketing Campaigns
 - Higher Perceived Monetary Benefit
 - Lower Entry Costs
 - Lower Perceived Privacy Costs
 - Lower Perceived Processing Costs

b. **Loyalty programs**

Loyalty (or frequency) program: a marketing program designed to promote loyalty or frequent purchases of the same brand (or company).

i. Loyalty program goals

Customer relationship management (CRM): programs designed to build long-term loyalty and bonds with customers through the use of a personal touch facilitated by technology.

Share of customer: the percentage of expenditures a customer makes with one particular firm compared to total expenditures in that product's category.

- Maintain sales, margins, or profits.
- Increase loyalty of existing customers.
- Preempt or match a competitor's frequency program.
- Induce cross selling to existing customers.
- Differentiate a parity brand.
- Preempt the entry of a new brand.

ii. Loyalty program principles

- Design the program to enhance the value of the product.
- Calculate the full cost of the program.
- Design a program that maximizes the customer's motivation to make the next purchase.

5. Direct marketing communications

a. Direct mail

- Most common form of direct mail marketing include Paper based products like:
 - Catalogues
 - Targeted Mail
 - Flyer offers
- The specifics of the mailing depend on the objective of the communication, the target audience, and the product/service in question

b. Email marketing

- Similar to traditional direct mail offers
- Email offers have become quite popular, with 55% of companies using email to communicate with their customers
- Many companies use email to communicate with their prospects as well
- Email marketing has a low production cost and the audience is already engaged in the medium

c. Telemarketing

- Telemarketing can be either inbound (customer calling in), or outbound (organizations calling customers)
- Inbound telemarketing is often used to cross-sell products and services
- Outbound telemarketing is most useful when used with an existing database. Effective in B-to-B for cold calling and prospecting

6. Strengths and weaknesses of direct marketing

a. Strengths of direct marketing

i. Targetability

-A well-targeted direct marketing campaign based on a well-maintained database can provide virtually zero wasted coverage.

ii. Customizability

-Using data to guide the message, direct marketing provides the opportunity to create unique messages down to the individual customer level. Each message can be tailored to the specific needs of each individual member of the audience.

iii. Measurable

iv. Timely

b. Weaknesses of direct marketing

- i. **Image limitations**
-Many image-building messages simply aren't suited to direct marketing formats.
 - ii. **Clutter**
 - iii. **Selective exposure**
 - iv. **Cost per contact**
- 7. Communicating across cultures**
-Factors to consider include:
- Differences in technology
 - Makes data collection and analysis more difficult due to issues such as language and internet availability
 - Laws and regulations in different countries
 - Local customs
 - Infrastructure in different countries for things like permission marketing and loyalty programs

Chapter 9 – Sales Promotions

1. Overview

Sales promotion: all of the incentives offered to customer's and channel members to encourage product purchases.

- *Consumer promotions: incentives directly offered to a firm's customers or potential customers.*
- *Trade promotions: expenditures or incentives used by manufacturers and other members of the marketing channel to purchase goods for eventual sale.*

2. Consumer Promotions

-Franchise-building promotions are designed to increase awareness of and loyalty to a brand. Sales-building promotions focus on immediate sales, rather than brand equity or loyalty, through discounts or other enticements.

a. Coupons

i. Coupon distribution

Freestanding inserts (FSIs): sheets of coupons distributed in newspapers, primarily on Sunday.

- Methods of coupon distribution:
 - Print media (90%)
 - FSI (88%)
 - Direct mail
 - On- or in-package
 - In-store
 - Sampling
 - Scanner-delivered
 - Cross-ruffing
 - Response offer
 - Internet
 - Fax
 - Sales staff

ii. Types of coupons

- Instant redemption
- Scanner-delivered
- Cross-ruffing/Co-branding
Cross-ruffing: the placement of two promotional materials together.
- Response offer

- E-coupons
- Bounce-back/return coupon
- iii. Problem with coupons**
 - Reduced revenues
 - Used by brand preference consumers (80%)
 - Mass cutting
 - Coupons are “redeemed” through a fraudulent, nonexistent retail outlet, which is a mailbox set-up by an illegal coupon-redemption ring.
 - Counterfeiting
 - This occurs when coupons are copied and then sent back to the manufacturer for reimbursement.
 - Misredemptions

b. Premiums

-Premiums: prizes, gifts, or other special offers consumers receive when purchasing products and services.

- Types of premiums:
 - Free-in-the-mail
 - Gifts individuals receive for purchasing products.
 - In-or on-package
 - Usually small gifts, such as toys in cereal boxes.
 - Store or manufacturer
 - Gifts given by either the retail store or the manufacturer when the customer purchases a product.
 - Self-liquidating
 - This requires the consumer to pay an amount of money for a gift or item.

i. Keys to successful premium programs

- Match the premium to the target market.
- Carefully select the premiums (Avoid fads, try for exclusivity).
- Pick a premium that reinforces the firm’s product and image.
- Integrate the premium with other IMC tools (Especially advertising and POP displays).
- Don’t expect premiums to increase short-term profits.

c. Contests

Contest: popular consumer sales promotion.

- Two primary categories of contest:
 - Where consumers enter by simply identifying themselves as a contestant
 - Where consumers perform some act as part of their entry into a contest
 - *Extrinsic value:* the act of actual attractiveness of the item
 - *Intrinsic value:* those associated with participating
- Effective Contests:
 - Coordinate with other marketing tactics
 - Encourage customer traffic
 - Have intrinsic rewards that draws customers back
 - Have extrinsic rewards that are attractive to consumers
 - Increase in brand awareness
- Creating successful contests:
 - Know the legal restrictions
 - Must overcome clutter.
 - Find the right combination of prizes.
 - Must consider extrinsic and intrinsic value.
 - Look for tie-in opportunities with special events or other companies.

- Must be coordinated with POP Displays and other marketing tools.
- One trend is to ignite a viral buzz around the brand, through the use of social media

d. Refunds and rebates

Refunds and rebates: Cash returns offered to consumers or businesses following the purchase of a product or service.

Refund: A cash return on what are called “soft goods”, such as food and clothing

Rebates: Cash returns on “hard goods”, which are major-ticket items, such as automobiles and appliances.

- Can be a hassle for consumers to redeem.
- Only 30% of all rebates are claimed, however this figure raises to 65% when the value of the rebate is over \$50.00.
- Successful rebate/refund programs:
 - Visibility.
 - Encourages customers to act.
 - Not be too complicated.
 - Avoid becoming a permanent component of the purchase decision (automobile rebates)
 - Profitable for retailers to handle.

e. Sampling

Sampling: the actual delivery of a product to consumers for their use or consumption.

- Provided free of charge
- Most effective when used to introduce a new product or a new version of a product.
- Primary purpose is to encourage trial use by a customer.
- Sampling is a very effective IMC tool when used correctly.
- The two key drawbacks to sampling programs are:
 - Cost
 - Customers discarding the sample without trying it (waste).
- Types of Sampling:
 - In-store distribution
 - Most common
 - When food product companies have personnel cooking the food and passing it out to individuals in the store
 - Direct sampling
 - Program in which samples are mailed or delivered door to door to consumers
 - Response sampling
 - Made available to individuals or businesses responding to a media offer on television, on the internet, from a magazine, or by some other source
 - Cross-ruff sampling
 - Provides samples of one product on another
 - Media sampling
 - The sample is included in the media outlet
 - Professional sampling
 - Delivered to professionals, such as doctors, who may then provide patients with the free drug samples
 - Selective sampling
 - Distributed at a site, such as a parade, hospital, restaurant, or sporting event.

i. Benefits of sampling

- Introduce new products

- Generate interest
- Generate leads
- Collect information
- Internet sampling
- Boost sales

ii. Problems with sampling

- Cost
- Customers discarding the sample without trying it (waste).

iii. Successful sampling programs

- Targeting the right audience

f. Bonus backs

Bonus pack: Additional or extra number of items placed in a special product package

- Buying four bars of soap for the price of three
- Bonus packs can lead to brand switching
- Bonus packs are effective for products with high competition

i. Types of bonus packs

- Increase usage of a product
- Match or pre-empt competition
- Stockpile the product
- Develop customer loyalty
- Attract new users
- Encourage brand switching

ii. Benefits of bonus packs

- Bonus packs reward customer loyalty by offering, in effect, free merchandise
- Tend to be popular with manufacturers, retailers, and customers

iii. Problems with bonus packs

- Rarely attract new customers
- Some consumers sceptical
 - Small bonus – price not changed
 - Large bonus – price increased first

g. Price-offs

Price-offs: A temporary reduction in the price of a product to the consumer

i. Benefits of price-offs

- Stimulates sales
- Reduces financial risk for the end user
- Can help promote brand switching
- Proven to be successful
 - Appeal of monetary savings
 - Reward is immediate

ii. Problems with price-offs

- Can have a negative impact on profit margins
- Encourages consumers to become more price-sensitive
- Potential image on brand image

h. Overlays and tie-ins

Overlay: a company combining two or more consumer promotions activities into a single campaign

Tie-in: developing a consumer promotion with another product or company

Intracompany tie-in: the promotion of two different products within one company using one consumer promotion.

Intercompany tie-in: the promotion of two different products with another company using one consumer promotion.

i. Point-of-purchase

Point-of-purchase: any form of special display that promotes merchandise.

- Often located near cash registers, store entryways, end of aisles, etc.
- A highly effective tool for increasing sales
- In many cases, POP displays influence purchase decisions.

i. Designing effective POP

- Integrate the brand's image into the display
- Integrate the display with current advertising and promotions
- Make the display dramatic to get attention
- Keep the color of the display down so the product and signage stand out
- Make the display versatile so it can be easily adapted by retailers
- Make the display reusable and easy to assemble
- Make the display easy to stock
- Customize the display to fit the retailer's store

3. Trade Promotions

Trade promotions: incentives that members of the trade channel use to entice another member to purchase goods for eventual resale.

- Account for 70% of marketing budget
- Often 2nd largest expense
- Account for 17.4% of gross sales

a. Trade allowances

Trade allowance: financial incentives to other channel members to motivate them to make purchases.

i. Off-invoice allowances and slotting fees

Off-invoice allowance: financial discounts given for each item, case, or pallet ordered.

- Price discount
- 35% of all trade dollars

Slotting fees: a form of trade allowance in which funds are charged by retailers to stock new products.

- Most controversial form of trade allowance
- Retailers charge slotting fees in different ways:
 - Retailers spend money to add new products to inventories and to stock merchandise
 - Adding a new product in the retail store means giving it shelf space
 - Slotting fees make it easier for retailers to finalize decisions about new products
 - Slotting fees add to the bottom line

Exit fees: monies paid to remove an item from a retailer's inventory.

- When a manufacturer introduces a new size of a product or a new version

ii. Trade allowance complications

- Failure to pass allowances on to retail customers
 - Only occurs 52% of the time
 - Retailers like only one brand on-deal at a time
- Retailers can schedule and promote on-deal brands
- In an effort to increase profit margins:
 - Forward buying
 - Pass savings on or pocket higher margin
 - Additional carrying costs

- Diversion
 - Pass savings on or pocket higher margin
 - Additional shipping costs

b. Trade contests

- Used to achieve sales targets
- Funds known as “spiff money”
 - *Spiff money: rewards given as contest prizes to brokers, retail salespeople, stores, wholesalers, and agents.*
- Rewards can be prizes or cash
- Can be designed for various channel members
- Some organizations do not allow trade contests because of possible conflict of interests

c. Trade incentives

Trade incentives: funds given that require the retailer to perform a function in order to receive the dollars.

i. Cooperative merchandising agreements

Cooperative merchandising agreements: a formal agreement between the retailer and manufacturer to undertake a two-way marketing effort.

- Primary benefit of CMA:
 - *Calendar promotions: promotional campaigns the retailer plans for customers through manufacturer trade incentives.*

ii. Premiums and bonus packs

iii. Cooperative advertising

- Manufacturer agrees to reimburse the retailer a certain percentage of the advertising costs associated with advertising the manufacturers products in the retailer’s ad.

d. Trade shows

- Manufacturers (sellers)
 - Display merchandise
 - Seek prospects
- Retailers
 - Compare merchandise
 - Seek vendors
- Five categories of buyers attending trade shows:
 - Education seekers: buyers who want to browse, look, and learn but are not in the buying mode
 - Reinforcement seekers: buyers who want reassurance they made the right decision in past purchases.
 - Solution seekers: buyers seeking solutions to specific problems and are in the buying mode
 - Buying team: a team of buyers seeking vendors for their business; usually are in the buying mode
 - Power buyers: members of upper management or key purchasing agents with the authority to buy

4. How can sales promotions be effective?

a. Economics effects

- Trade promotions heavily influenced by economic factors

b. Informational effects

- Advantage: promotion can create brand awareness
- Disadvantage: discounts or promotions can lead to perceptions of lower product quality for some customers

c. Affective effects

- Advantages:
 - Some customers enjoy getting a deal
 - Feel like smarter shoppers through promotion
 - Disadvantages:
 - Annoyance of dealing with coupons or restrictions on promotions
 - Appearing cheap to others
- 5. Strengths and weaknesses of sales promotions**
- a. Strengths of sales promotions**
- i. Provide extra incentive to act**
 - ii. Creates sense of immediacy**
 - iii. Stimulus trial**
 - iv. Increases purchase or usage frequency**
 - v. Builds databases**
- b. Weaknesses of sales promotions**
- i. Adds clutter**
 - ii. Sets false retail prices**
 - iii. Promotes forward buying**
Pantry loading: purchasing multiple units of the same item and holding the inventory at home.
- 6. Communicating across cultures**
- When planning across national or cultural boundaries is the difference between attitudes, laws, regulations, and cultural nuances in each market

Chapter 10 – Public Relations

1. Overview

- The public relations (PR) team manages publicity and other communications with every group that is in contact with the company
- Some of the functions performed by the public relations team are similar to those performed by the marketing communications team
- It is important to develop a PR strategy that fits with the overall IMC plan

2. The public relations function

Public relations (PR) team: a unit in the firm that manages items such as publicity and other communications with all of the groups that make contact with the company.

3. Identifying stakeholders

Stakeholder: a person or group with a vested interest in a firm's activities and well being

- Vested interest can include:
 - Profits paid as common stock dividends
 - Loan repayments that a lending institution seeks to receive
 - Sales to the company or purchases made from the company
 - Wages paid to employees
 - Community well-being
 - A special-interest topic
- a. Internal stakeholders**
- Employees are a powerful channel
 - Employees need to be aware of what is being said in advertisements and on the Internet
 - PR team often works with the Human Resource department
 - As an investor in the company, shareholders are concerned with how the firm plans to compete in the industry

- Types of internal stakeholders:
 - Employees
 - Unions
 - Shareholders
 - Channel members
 - Customers

b. External stakeholders

- Sometimes the firm has very little power in monitoring what others say about the firm
- It is important that the company disseminate positive information about their activities
- Unplanned contact points can lead to positive news story about the firm.
- Types of external stakeholders:
 - Media
 - Local community
 - Financial community
 - Government
 - Special-interest groups

4. Public relations activities

a. Media relations

- The objective is to gain positive coverage about the company
- Usually firms try to get media to pick up positive stories about their activities
- Some stories are also picked up accidentally which can have both positive and negative consequences
- Public relations tools include:
 - Press releases, newspaper stories, website updates, news stories (via media), annual reports , press conferences

Press releases: written or recorded information sent by companies to media outlets with the intent of having the media deliver the information as news.

b. Corporate social responsibility

Corporate social-responsibility: an organization's obligation to be ethical, accountable, and reactive to the needs of society

- Corporate Social Responsibility means firms have an obligation:
 - To be ethical
 - To be transparent
- Organizations usually utilize:
 - Ethical guidelines for all employees
 - Code of ethics
 - Ethical hotline
- Image Destroying activities:
 - Discrimination
 - Harassment
 - Pollution
 - Misleading communications
 - Deceptive communications
 - Offensive communications
- Image Building activities:
 - Empowerment of employees
 - Charitable contributions
 - Sponsoring local events

- Selling environmentally safe products
- Outplacement programs
- Support community events
- i. Cause-related marketing**
 - This approach has many benefits:
 - Additional customers
 - Increased profits
 - Consumer goodwill for the future
 - Better relations with government agencies
 - Reduced negative public opinion
 - Intangible elements – goodwill and top of mind
 - Increased business
 - Can create a favourable image of the business/firm
 - Can change consumers perceptions of the firm
 - Consumer studies show that:
 - 78% of consumers are more likely to purchase a brand associated with a cause they care about.
 - 54% would be willing to pay more for a brand that is associated with a cause they care about – e.g. Fair trade coffee
 - 66% would switch to support a particular cause
 - 84% indicate that cause-related marketing creates a more positive image of a company.
 - One issue with this approach is that a cause liked by one – disliked by another

Cause-related marketing: matching marketing efforts with some type of charity work or program

ii. Green marketing

- Consumer Survey concerning green marketing
 - Try to save electricity (58%)
 - Recycle newspapers (46%)
 - Return bottles and cans (45%)
 - Buy products –recycled materials (23%)
- Consumers not willing to sacrifice
 - Price
 - Quality
 - Convenience
 - Availability
 - Performance
- Promotion of green efforts vary widely
- Low-key approach
 - Coca-Cola
 - Starbuck's
- Promote product first, pro-environment second
 - Toyota with its Prius
- Promote pro-environment
 - The Body Shop
 - Patagonia
 - Nike

Green marketing: the development and promotion of products that are environmentally safe

Greenwashing: deceptive use of environmental messaging to create the perception that a company's policies or products are environmentally sustainable.

c. Sponsorships

- The firm pays money to sponsor someone, some group, or something that is part of an activity
- Sponsorship marketing can:
 - Build brand equity
 - Produce positive feelings transferred to brand
- Sponsorship marketing objectives:
 - Enhance company image
 - Increase firm visibility
 - Differentiate a company or brand
 - Showcase specific goods or services
 - Develop a closer relationship with current and prospective customers
 - Unload excess inventory

Sponsorship marketing: when the company pays money to sponsor someone or some group that is participating in an activity.

i. Forms of sponsorships

- Sports
- Causes
- Arts
- Entertainment, tours, and attractions
- Festival, fairs, and annual events

ii. Choosing sponsorships

- Match event audience – target market
- Image of individual, group or event
- Define primary goals of sponsorships
- Integrate with IMC plan
- Use advertising and promotions

d. Product placements and branded entertainment

Product placement: the planned insertion of a brand or product into a movie, television show, or other media program.

Branded entertainment: the integration of entertainment and advertising by embedding brands into the storyline of a movie, television show, or other entertainment medium.

i. Product placements

- Biggest surge in 1982 – *E.T.* and Reese's Pieces
- Product placements
 - Increased awareness
 - More positive attitude toward brand
 - No immediate impact on sales
- Low cost per viewer
 - Movies
 - DVD movie rental
 - Pay-per-view television
 - Television
- Nielsen research:
 - Brands in "emotionally engaging" programs recognized by 43% more viewers
 - Brand recognition increased 29% in "highly enjoyed programs"

- Positive brand feelings increased 85% for brands in popular programs
- ii. Branded entertainment**
 - Use increased sharply with reality shows
 - Also found in novels, plays, songs, and movies
- iii. Achieving success with individual consumers**
 - Keys factors influencing effectiveness of product placement and branded entertainment:
 - Media
 - Supporting promotional activities
 - Consumer attitudes toward placements
 - Placement characteristics
 - Regulations
- iv. Company tactics**
 - Budgets for product placement have increased:
 - A brand's appeal is stronger when it is shown in a context that doesn't appear as paid media
 - The perception of what others think of a brand is important to consumers
 - Seeing the brand used by others provides post purchase reassurance for individuals who have already purchased the item
 - For individuals who place little value on brand names and branded products, having a brand placed in a program can provide evidence of the brand's advantages, and this evidence may be strong enough for them to consider purchasing the brand.
- v. The producer's perspective**
 - For filmmakers and television producers, main reason for product placement and branded entertainment is money
- e. Buzz marketing**

Buzz marketing: emphasizes consumers passing along information about a product to others, and is closely related to word-of-mouth marketing

 - Also known as word-of-mouth advertising
 - Major emphasis is for consumers to pass along information about a product or service
 - Buzz marketing works because:
 - People trust someone else's opinion
 - People like to give their opinion
- i. Consumers who like a brand**
- ii. Sponsored consumers**
 - Agent or advocate for a new brand
 - Also called brand ambassadors or customer evangelists
 - Typically individuals who already like the brand
 - Offer incentives in exchange for advocacy
 - Selection based on:
 - Devotion to brand and size of social circles
 - Expected to deliver messages to family, friends, social circle, associates
 - Grassroots efforts
 - Low-cost marketing events
 - Online social networks
- iii. Company employees**

- Employees posing as customers
- High risk approach
- Word of Mouth Marketing Association (WOMMA)
 - Honesty of relationship
 - Be honest about the relationship between consumers, advocates, and marketers
 - Honesty of opinion
 - Be honest in presenting opinions about the brand, both good and bad
 - Honesty of identity
 - Identify honestly who you are

f. Event marketing

Event marketing: when a company pays money to sponsor an event or program

- Many factors to consider:
 - Determine objective(s) – e.g. CIBC run for the cure
 - Match event with customers
 - Cross-promote event – e.g., with new products, etc.
 - Maintain a consistent theme
 - Track results
 - Evaluate investment of event, and against other IMC tools

g. Damage control

Damage control: reacting to negative events caused by a company error, consumer grievance, or unjustified or exaggerated negative press.

- Damage control
- Negative publicity and events
- Bad news travels fast
- Two situations:
 - Firm has made an error
 - Unjustified or exaggerated negative press
- Two strategies for firms to follow:
 - Proactive prevent strategies
 - Reactive damage control strategies

i. Proactive prevention strategies

Proactive prevention: rather than waiting for harmful publicity to appear and then reacting, firms engage in practices that can help serve as a buffer to negative press.

Entitlings: attempts to claim responsibility for positive outcomes of events.

Enhancements: attempts to increase the desirable outcome of an event in the eyes of the public.

ii. Reactive damage-control strategies

- *Internet interventions: confronting negative publicity on the Internet, either in website news releases or by entering chat rooms, blogs, or social networks.*
- *Crisis management: either accepting the blame for an event and offering an apology or refuting those making the charges in a forceful manner.*
- *Apology strategy: presenting a full apology when the firm has made an error.*
 - An expression of guilt, embarrassment, or regret
 - Statement recognizing inappropriate behaviour and acceptance of sanctions because of wrong behaviour
 - Rejection of the inappropriate behaviour
 - Approval of the appropriate behaviour and a promise not to engage in the inappropriate behaviour again

- An offer of compensation or penance to correct the wrong
- *Impression management: the conscious or unconscious attempt to control images that are projected in real or imagined social situations.*
- Remedial tactics include:
 - Expression of innocence
 - Company leaders provide information designed to convince others that they were not associated with the event that caused the predicament.
 - Excuses
 - Explanations designed to convince the public that the firm and its leader are not responsible for the predicament or that it could have been foreseen
 - Justification
 - Using logic designed to reduce the degree of negativity associated with the predicament
 - Other explanations
 - Created to persuade individuals that the cause of the predicament is not a fair representation of what the firm or individual is really like

5. Strengths and weaknesses of public relations

a. Strengths of public relations

i. Reaching elusive audiences

- Reaching audiences that are otherwise difficult to reach

ii. Image and reputation management

iii. Credibility

iv. Relatively low cost

b. Weaknesses of public relations

i. Relative loss of control

ii. Measurement difficulties

6. Communicating across cultures

- Public Relations is very important in the international arena
 - Growing number of international firms
 - Impact of terrorism
 - Cultural differences
- Corporate social responsibility has no boundaries
- Many sponsorship programs contain international flavor
- Sports are important in international sponsorships

Chapter 11 – Digital Marketing

1. Overview

Internet protocol (IP): a unique address consisting of a series of numbers that identifies a device connected to the Internet.

2. Display/space media

- Very similar to traditional advertising media
- Most common are banner ads, places the ad in front of the user
- Banner ads are usually based on the content that appears on the website that the viewer is browsing

a. Banner advertising

- *Impressions: the number of times a unique webpage is viewed by someone*
- Social media and search engines have aided in the growth of this form of advertising

- On-line advertising is used in a variety of industries
- More and more, we see a blurring of the traditional and on-line media
- Some firms use their Facebook pages to create additional advertising revenue

b. Search engine optimization

- *Search engine optimization (SEO): the process of increasing the probability of a particular company's website emerging from a search*
- 80% of all web traffic begins with a search engine
- SEO – process of increasing probability of a hit
- Methods of SEO:
 - Paid search insertion
 - Increase identification through organic emergence of site
 - Paid search ads – two alternatives:
 - Pay-per-impression
 - Pay per click

i. Pay-per-impression or pay per click?

Pay-per-click (PPC): a media-pricing model that charges advertisers only when a user clicks on an ad

Pay-per-impression (PPM): a media pricing model that charges advertisers every time an ad is viewed by a user.

c. Mobile media

- More and more companies are connecting with their customers through mobile media
- Text messages are now being replaced by more graphically designed multimedia messages
- Mobile media offers a unique opportunity for companies to reach consumers at almost any time, or any location
- Mobile media often effectively combines sales promotions with their offers, such as promotional codes and e-coupons

d. Video game advertising

- *In-game advertising: the use of a video game environment to deliver advertising messages*
- Benefits
 - Online games allow Web analytics
 - Ads can be targeted to match audience
- Disadvantage
 - Ads soon become static
- New technologies
 - Ad rotations within game
 - New ads can be added to online games
 - Time-sensitive ads can be used
 - Ads can be made interactive

3. Digital content

a. Company websites

- Most firms have some sort of website
- Some firms use their websites to integrate with other aspects of their IMC plan – i.e., Starbucks with their, *mystarbucksidea.com*
- Key is to have clear objectives of what your website is for and to understand how your customers and others interact and expect from your website
- *Web analytics: the process of analyzing where someone goes on a website, where they came from, and where they go when they leave.*

- i. **Website design issues**
 - ii. **Consumer-generated reviews**
 - Amazon.ca and Best Buys are known for their online customer reviews
 - A very effective strategy for early adopters
 - Implications:
 - Negative reviews
 - Low-star ratings
 - Consistent quality products
 - Information for:
 - Marketing plans
 - Product modifications
 - Service strategies
 - iii. **Consumer-generated products**
 - Some firms such as Doritos have actively taken customer involvement to a new level
 - Doritos incorporates a sales promotion to allow customers to pick the flavours of new products
 - Engaging customers in this manner is one way of allowing customers to take ownership of the brands they like
 - *Microsite: a website that is dedicated to one marketing purpose, separate but linked to a company's website*
- b. Online social networks**
- More than 75% of Internet users participate in some form of social media
 - Social media has become so important for IMC plans
 - i. **Facebook**
 - ii. **LinkedIn**
 - iii. **Twitter**
 - iv. **YouTube**
 - v. **Flickr**
 - vi. **Consumer-generated advertising**
 - Most ads we see are created by professional firms
 - However a more recent trend that builds on customer involvement is allowing customers to generate ads for the firm
 - Benefits Include:
 - Spread via the Internet
 - Seen on YouTube
 - Viewed as more genuine
 - Contests for consumer-generated ads can be very effective
 - vii. **Developing a social network presence**
- c. Blogs**
- *Blogs: online musings by an individual or group; the term is derived from Web logs.*
 - Blogs have the ability to create an online buzz
 - Some Blogs are company-sponsored like Lululemon that regular updates customers with yoga and life-style related news
 - One concern for firms is dealing with unjust negative comments that individuals may write
 - i. **Reactions to negative comments**
 - ii. **Company-sponsored blogging**
 - Benefits of Company-Sponsored Blogging include:
 - Reassure shoppers

- Glimpse of how firm deals with customers
- Release company information
- Customers can voice opinion
- Company controls site

d. Viral marketing

- *Viral marketing: an advertisement that is tied to an email or other form of online communication in which one person passes on the advertisement or email to other consumers.*
- Technology has created the growth of viral marketing
- Message passed from one consumer to another
 - E-mail
 - Blogs
 - Social media
- A form of advocacy or word-of-mouth endorsement
- Viral marketing messages
 - Advertisements
 - Hyperlinked promotions
 - Online newsletters
 - Streaming videos
 - Games
- Keys to successful viral marketing:
 - Focus on the product or business
 - Determine why individuals would want to pass the message along
 - Offer an incentive
 - Make it personal
 - Track the results and analyze the data

e. Virtual worlds

- *Virtual world: a three-dimensional, computer-generated environment that appears similar to our real world.*
- Second Life is a well known virtual world, boasting over 130 million users
- The virtual world creates more than 250,000 new virtual goods every day in many sectors of industry

4. Strengths and weaknesses of digital media

a. Strengths of digital media

- i. Targetability**
- ii. Format flexibility**
- iii. Involvement**
- iv. Relatively low cost**

b. Weaknesses of digital media

- i. Limited reach**
- ii. Clutter**

5. Communicating across cultures

- One of the advantages of digital media is it's ability to reach consumers
- Some firms customize their IP addresses to certain countries
- Software has made the translation of English language to other languages easier and more user friendly in global markets
- Another issue may be that some countries do not have the technological infrastructure to support advanced digital media applications