



EXHIBIT 17.21

In the 1920's P&G was an innovator in the new medium of radio, trying to reach consumers on behalf of brands like Crisco, Ivory and Oxydol.

EXHIBIT 17.22

Today P&G markets something like 250 brands, including Pantene, Tide, Old Spice, Swiffer, and Pringles. Branded entertainment remains an important part of the P&G model for connecting with consumers, decades after their invention of the soap opera.

would come to be known as the soap opera. These dramatic series used a storyline that encouraged listeners to tune in day after day. *Guiding Light*, P&G's most enduring "soap," was started on the radio in 1937. In 1952 *Guiding Light* made the successful transition to television. It thus holds the distinction of being the longest-running show in the history of electronic media.⁴⁵ And one more thing . . . P&G has done all right selling soap.

Fast forward to the new millennium. P&G's consumer has changed. The soap opera has lost much of its traditional appeal and new forms of integrated brand promotion are necessary. Today P&G works with its media partner Viacom International Inc. to modernize its offerings of branded entertainment. For example, to support the Pantene hair care brand, a music competition for young women was launched using a format that *American Idol* made commonplace. *Pantene Pro-Voice* (see Exhibit 17.22) airs on Viacom's MTV network, and of course you can check out the competitors and download their music online (<http://www.pro-voice.com>). If you participate in the voting process, there's also a chance to win a trip to New York City to hear the contest winner and other popular performers. Although it's not likely to have the longevity of a *Guiding Light*, *Pro-Voice* represents the right entertainment option for today's consumer. As a world-class brand builder, you can bet

45. Davis Dyer, Frederick Dalzell, and Rowena Olegario, *Rising Tide: Lessons from 165 Years of Brand Building at Procter & Gamble* (Boston, MA: Harvard Business School Publishing, 2004).

that P&G will find more opportunities to entertain the consumer, with its brands always as costars in the show.

4 The Coordination Challenge. When we add various support media to the many options that exist in print and broadcast media and on the Internet, there is just an incredible assortment of choices for delivering messages to a target audience. And it doesn't stop there. As you have seen, marketers and advertisers are constantly searching for new, cost-effective ways to break through the clutter and connect with consumers. Today, everything from advertising in restrooms to adver-gaming to street furniture to sponsoring a marathon is part of the portfolio.

In concluding this chapter, a critical point about the explosion of advertising and IBP tools needs to be reinforced. Advertisers have a vast and ever-expanding array of options for delivering messages to their potential customers. From cable TV to national newspapers, from high-tech billboards to online contests and giveaways, the variety of options is staggering. The keys to success for any campaign are choosing the right set of options to engage a target segment and then coordinating the placement of messages to ensure coherent and timely communication.

Many factors work against coordination. As advertising and IBP have become more complex, organizations often become reliant on diverse functional specialists. For example, an organization might have separate managers for advertising, event sponsorship, branded entertainment, and Web development. Specialists, by definition, focus on their specialty and can lose sight of what others in the organization are doing.⁴⁶ Specialists also want their own budgets and typically argue for more funding for their particular area. This competition for budget dollars often yields rivalries and animosities that work against coordination. Never underestimate the power of competition for the budget. It is exceedingly rare to find anyone who will volunteer to take less of the budget so someone else can have more.

Coordination is further complicated by the fact that there can be an incredible lack of alignment around who is responsible for achieving the integration.⁴⁷ Should the client accept this responsibility, or should integration be the responsibility of a "lead" agency? Ad agencies often see themselves in this lead role, but have not played it to anyone's satisfaction.⁴⁸ One vision of how things should work has the lead agency playing the role of an architect and general contractor.⁴⁹ The campaign architect is charged with drawing up a plan that is media neutral and then hiring subcontractors to deliver those aspects of the project that the agency per se is ill suited to handle. The plan must also be profit-neutral. That is, the budget must go to the subcontractors who can deliver the work called for in the master plan. Here again the question becomes, Will the "architect/general contractor" really spread the wealth, if by doing so it forfeits wealth? Life usually doesn't work that way. But one thing is for sure: When it is not clear who is accountable for delivering an integrated campaign, there is little chance that synergy or integration will be achieved.

Remember finally that the objective underlying the need for coordination is to achieve a synergistic effect. Individual media can work in isolation, but advertisers get more for their dollars if various media and IBP tools build on one another and work together. Even savvy marketers like American Express are challenged by the need for coordination, and especially so as they cut back on their use of the 30-second TV spot and venture into diverse IBP tools. For instance, to launch its Blue card,

46. Don E. Schultz, Stanley I. Tannenbaum, and Robert F. Lauterborn, *Integrated Marketing Communications* (Lincolnwood, IL: NTC Business Books, 1993); Daniel Klein, "Disintegrated Marketing," *Harvard Business Review*, March 2003, 18–19.

47. Laura Q. Hughes and Kate MacArthur, "Soft Boiled: Clients Want Integrated Marketing at Their Disposal, but Agencies Are (Still) Struggling to Put the Structure Together," *Advertising Age*, May 28, 2001, 3, 54; Claire Atkinson, "Integration Still a Pipe Dream for Many," *Advertising Age*, March 10, 2003, 1, 47.

48. Joe Cappel, *The Future of Advertising* (Chicago, IL: McGraw-Hill Publishing, 2003), ch. 8.

49. *Ibid.*, 153, 154.

AmEx employed an innovative mix, starting with Blue-labeled water bottles given away at health clubs and Blue ads printed on millions of popcorn bags. The company sponsored a Sheryl Crow concert in New York's Central Park and transformed L.A.'s House of Blues jazz club into the "House of Blue," with performances by Elvis Costello, Stevie Wonder, and Counting Crows. Print ads and TV have also been used to back the Blue, but AmEx's spending in these traditional media is down by over 50 percent relative to previous campaigns. Making diverse components like these work together and speak to the targeted consumer with a "single voice" is the essence of advertising and integrated brand promotion. AmEx appears to have found a good formula: The Blue card was the most successful new-product launch in the company's history.⁵⁰

The coordination challenge does not end here. Chapters that follow will add more layers of complexity to this challenge. Topics to come include sales promotion, point-of-purchase advertising, direct marketing, and public relations. These activities entail additional contacts with a target audience that should reinforce the messages being delivered through broadcast, print, and support media. Integrating these efforts to speak with one voice represents a marketer's best and maybe only hope for breaking through the clutter of competitive advertising to engage with a target segment in today's crowded marketplace.

50. Suzanne Vranica, "For Big Marketers Like AmEx, TV Ads Lose Starring Role," *Wall Street Journal*, May 17, 2004, B1, B3.

SUMMARY



Describe the role of support media in a comprehensive media plan.

The traditional support media include out-of-home media and directory advertising. Billboards and transit advertising are excellent means for carrying simple messages into specific metropolitan markets. Street furniture is becoming increasingly popular as a placard for brand builders around the world. Aerial advertising can also be a great way to break through the clutter. Finally, directory advertising can be a sound investment because it helps a committed customer locate an advertiser's product.



Justify the growing popularity of event sponsorship as another supporting component of a media plan.

The list of companies sponsoring events grows with each passing year, and the events include a wide variety of activities. Of these various activities, sports attract the most sponsorship dollars. Sponsorship can help in building brand familiarity; it can promote brand loyalty by connecting a brand with powerful emotional experiences; and in most instances it allows a marketer to reach a well-defined target audience. Events can also facilitate face-to-face contacts with key customers and present opportunities to distribute product samples, sell premiums, and conduct consumer surveys.



Explain the benefits and limitations of connecting with entertainment properties in building a brand.

Brand builders want to connect with consumers, and to do so they are connecting with the entertainment business. While not everyone can afford a NASCAR sponsorship, in many ways NASCAR sets the standard for celebrating brands in an entertaining setting. Product placements in films, TV shows, and videogames are becoming more common. However, the rush to participate in branded entertainment ventures raises the risk of oversaturation and consumer backlash, or at least consumer apathy. As with any tool, while it is new and fresh, good things happen. When it gets old and stale, advertisers will turn to the next "big thing."



Discuss the challenges presented by the ever-increasing variety of media for achieving integrated brand promotion.

The tremendous variety of media options we have seen thus far represents a monumental challenge for an advertiser who wishes to speak to a customer with a single voice. Achieving this single voice is critical for breaking through the clutter of the modern advertising environment. However, the functional specialists required for working in the various media have their own biases and subgoals that can get in the way of integration. We will return to this issue in subsequent chapters as we explore other options available to marketers in their quest to win customers.

KEY TERMS

support media
riding the boards
transit advertising

out-of-home media
aerial advertising
guerrilla marketing

event sponsorship
branded entertainment
product placement

QUESTIONS

1. Read the opening section of this chapter and briefly describe the Charmin Pottypalooza tour. In what ways does Pottypalooza exemplify the brave new world of integrated brand promotion?
2. Explain the important advances in technology that are likely to contribute to the appeal of billboards as an advertising medium.
3. Critique the out-of-home media as tools for achieving reach-versus-frequency objectives in a media plan.
4. Explain the unique role for directory advertising in a media plan. Given what you see happening on the Internet, what kind of future do you predict for traditional Yellow Pages advertising?
5. When would it be appropriate to conclude that out-of-home media are serving more than just a supportive role in one's media plan? Give an example of out-of-home media being used as the principal element in the advertising plan, either from your own experience or from examples that were offered in this chapter.
6. Present statistics to document the claim that the television viewing audience is becoming fragmented. What are the causes of this fragmentation? Develop an argument that links this fragmentation to the growing popularity of event sponsorship and branded entertainment.
7. Event sponsorship can be valuable for building brand loyalty. Search through your closets, drawers, or cupboards and find a premium or memento that you acquired at a sponsored event. Does this memento bring back fond memories? Would you consider yourself loyal to the brand that sponsored this event? If not, why not?
8. Why is NASCAR a good placement for the Tide brand?
9. Explain the need for functional specialists in developing IBP campaigns. Who are they and what skills do they offer? What problems do these functional specialists create for the achievement of integrated brand promotion?

EXPERIENTIAL EXERCISES

1. Product placement is the practice of placing or embedding a branded product into the content of any entertainment vehicle. Examples of product placement include Reese's Pieces in the movie *E.T. the Extra-Terrestrial*, Coca-Cola cups at the judges' table on *American Idol*, and Craftsman tools on *Extreme Makeover: Home Edition*. As a creative exercise, select a favorite brand for placement in a popular TV series, movie, or video game. List three ways the brand could be incorporated ("embedded") naturally into the show or game as a form of branded entertainment. Finally, explain why you think this product placement would be an appropriate, effective method for promoting your brand.
2. Event sponsorship is becoming more important to advertisers, as the effectiveness of traditional broadcast media continues to erode with increasing fragmentation. Event sponsorship can be international, like the Olympics, or have local color, such as a chili cook-off. Find an example of event sponsorship and describe the relationship between the advertiser and the event. What role does the advertiser perform during the event? Why do companies think sponsoring this event is an effective means to reaching target audiences? As a consumer, do you think event sponsorships have influenced your decision to use a product?

FINANCING THE INTERNET

17-1 Out-of-Home Media

Advertising media such as outdoor signage, billboard advertising, transit ads, and aerial advertising are commonly known as *support media* or *out-of-home media*. Advertisers rely on support media to reinforce brand messages communicated through primary media such as television, print, or radio. To coordinate out-of-home components with their broader campaign efforts, advertisers hire firms that specialize in the development and execution of outdoor advertising. Mobile Ad Group and Mobile Airships are two such firms that have become popular with big advertisers like Coca-Cola, Nestle Waters, and Red Hat for delivering innovative outdoor-advertising solutions to high-traffic target zones.

Mobile Ad Group: <http://www.mobileadgroup.com>

Mobile Airships: <http://www.blimpguys.com>

1. Visit the Web sites of these out-of-home media companies and provide a brief summary of the services each offers to advertisers.
2. Browse the testimonials and ad galleries that appear at these sites, and identify a popular brand that has used out-of-home media as part of its advertising campaign. Do you think out-of-home media is an effective promotion vehicle for this particular brand? Why or why not?

3. What are the advantages of using these types of traditional support media, and where would you expect to see these ads in operation?

17-2 Billboards

Billboards, posters, and outdoor signs are considered by some to be the oldest forms of advertising. From the time of the Revolutionary War, when posters were used for propaganda, outdoor signage has been used to promote events such as circuses, political campaigns, and military recruiting. Although the advent of television put the future of outdoor signage in question, the establishment of a federal highway system in the 1960s brought new promise, and billboards and other creative outdoor displays were revitalized by new opportunity.

Beach 'N Billboard: <http://www.beachnbillboard.com>

1. What types of markets are best suited for outdoor signage?
2. Describe how Beach 'N Billboard has seized upon a unique market opportunity, as outdoor signage such as posters and billboards did in advertising's history.
3. Explain how Beach 'N Billboard represents an environmentalist response to the notion that billboards represent a form of visual pollution.

CHAPTER 18

After reading and thinking about this chapter, you will be able to do the following:



Explain the importance and growth of different types of sales promotion.



Describe the main sales promotion techniques used in the consumer, trade channel, and business markets.



Identify the risks to the brand of using sales promotion.



Understand the role and techniques of point-of-purchase advertising.



Explain the coordination issues for integrated brand promotion associated with using sales promotion and point-of-purchase advertising.

CHAPTER 17
Support Media,
Event Sponsorship,
and Branded
Entertainment

Chapter 18
Sales Promotion and
Point-of-Purchase
Advertising

CHAPTER 19
Direct Marketing

CHAPTER 20
Public Relations and
Corporate Advertising

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Introductory Scenario: Power Struggles and Sales Promotion.

How important is sales promotion in the household-products market? Well, no matter how important it has been historically, it's even more important now. Big brand marketers like Procter & Gamble, Johnson & Johnson, and Clorox are realizing that unless they support their household product brands, like Tide and Glad, with a heavy sales promotion effort, big retailers like Wal-Mart, Albertson's, and Target will hold the power position and dictate which brands get store shelf space and which ones do not. When the big brand names—Tide, Pledge, Pampers—lack sales promotions like couponing, contests, or point-of-purchase displays, two things can happen. First, any competitive brands—like All, Old English, and Huggies—that are being supported with sales promotions *will* get retailer's attention and shelf space preference. Second, the private label or "house" brands can make inroads on the big names.

How big a problem do manufacturers of consumer packaged goods face? Well, for starters, the top ten retailers in the United States control the sale of 43 percent of the consumer packaged goods sold.¹ With this sort of power, they can dictate what products appear on store shelves, how much shelf space each brand gets, and how those brands get promoted in store advertising. And, if manufacturers are not willing to support their brands with sales promotions, the big retailers will gladly sell consumers the retailer's own house brand. So, the big brand name manufacturers offer coupons or run a sweepstakes; then consumers feel like they are getting something a little extra and will bypass the house brand.

So the big manufacturers have bellied up to the sales promotion and point-of-purchase bar and are spending big on techniques that will both promote their brands and at least keep a balance of power with the retailers (see Exhibit 18.1). How big an investment are manufacturers making in sales promotion and point of purchase? About \$30 billion a year.² The reason manufacturers spend so much is that their view of what "consumer loyalty" needs to be is different from the retailers' view. Retailers want consumers to come to their *store* and once inside, they are (in the retailer's

Consumer-goods manufacturers need to support their brands with strong sales promotion and point-of-purchase programs to maintain a balance of power with the big retailers who control the distribution of their brands.



1. Kelly Shermach, "Power Struggle," *Marketing News*, November 10, 2003, 13, 16.
2. PROMO 2004 Industry Trends Report, http://www.promomagazine.com/mag/marketing_upward_bound/.

view of the world) welcome to choose *any* brand that suits them. Of course, that's not going to work for the Procter & Gambles and General Millses of the world. In the words of Don Stuart, a marketing consultant who works with the big consumer-product marketers, "Retailers develop loyalty programs that are not necessarily consistent with building manufacturer loyalty. That can create a conflict between retailers and manufacturers."³

An example of how one manufacturer discovered the power of sales promotion and point-of-purchase advertising is Clorox. When Clorox acquired the Glad brand (plastic bags and wraps) from First Brands, it applied its standard turnaround strategy to the brand—cut retailer and consumer promotion and revive the brand through media advertising. Well, the brand immediately went on a downhill slide and Clorox strategists had to rethink their decision. Without trade and consumer sales promotion support, Glad sales were down overall about 15 percent the first year after the acquisition. So to help sagging market share, Clorox increased trade promotion dollars to be used for in-store display and merchandising assistance. Simultaneously, more coupons were distributed to consumers. Check out the Glad display next time you're in the supermarket and see how Clorox is doing.⁴

Sales Promotion Defined. Sales promotion is often a key component within an integrated brand promotion campaign. As the Glad example highlights, sales promotions like dealer incentives and coupons can attract attention and give new energy to the advertising and the IBP effort. While mass media advertising is designed to build a brand image over time, sales promotion is immediate and conspicuous and designed to make things happen in a hurry. Used properly, sales promotion is capable of almost instant demand stimulation, like the kind that contests and sweepstakes can create. The "message" in a sales promotion features price reduction (or free sample), a prize, or some other incentive for consumers to try a brand or for a retailer to feature the brand in the store. Sales promotion has proven to be a popular complement to mass media advertising because it accomplishes things advertising cannot.

Formally defined, **sales promotion** is the use of incentive techniques that create a perception of greater brand value among consumers, the trade, and business buyers. The intent is to create a short-term increase in sales by motivating trial use, encouraging larger purchases, or stimulating repeat purchases. **Consumer-market sales promotion** includes coupons, price-off deals, premiums, contests and sweepstakes, sampling and trial offers, rebates, loyalty/frequency programs, and phone and gift cards. All are ways of inducing household consumers to purchase a firm's brand rather than a competitor's brand. Notice that some incentives reduce price, offer a reward, or encourage a trip to the retailer. **Trade-market sales promotion** uses point-of-purchase displays, incentives, allowances, or cooperative advertising as ways of motivating distributors, wholesalers, and retailers to stock and feature a firm's brand in their store merchandising programs. **Business-market promotion** is designed to cultivate buyers in large corporations who are making purchase decisions about a wide range of products including computers, office supplies, and consulting services. Techniques used for business buyers are similar to the trade-market techniques and include trade shows, premiums, incentives, and loyalty/frequency programs.

1 The Importance and Growth of Sales Promotion. Sales promotion is designed to affect demand differently than advertising does. As we have learned throughout the text, most advertising is designed to have awareness-, image-, and preference-building effects for a brand over the long run. The role of sales

3. Shermach, "Power Struggle," 13.

4. Jack Neff, "Clorox Gives In on Glad, Hikes Trade Promotion," *Advertising Age*, November 27, 2000, 22.

Hi, I'm David Oreck. You'd be hard pressed to find a better offer anywhere. Just take The Oreck Challenge, and try my amazing Oreck XL head-to-head with your current vacuum risk-free for 30 days. Then decide. If you're not convinced that my Oreck XL is the best vacuum you've ever tried, just send it back. But keep the cordless iron as a gift from me. Imagine ironing without a cord. Just as my 8-pound Oreck XL dramatically reduces vacuuming time, my Oreck cordless iron dramatically reduces ironing time. Thousands have bought it and love it.

And, as a bonus with purchase, you'll also get my 3-pound Oreck Super Compact Canister Vac absolutely free. It's so powerful, it'll pick up a 10-pound bowling ball and it's great for those hard-to-reach, hard-to-get-to places. Hand-holdable and comfortable, it comes with 8 attachments. As incredible as this offer is, it pales in comparison to my 8-pound Oreck XL hypo-allergenic vacuum. An internationally renowned consumer testing institute measured the cleaning power of the eight leading upright vacuum cleaners in Europe in 1997. Vacuums were tested for their performance on carpets, hard floors and stairs. Edge cleaning and pet hair pick-up performance was also tested. The conclusion: the eight-pound Oreck XL "has better pick-up performance than all other uprights tested." The Oreck XL is the favorite vacuum of thousands of luxury hotels and millions of people like you. Call now, this limited-time offer is good only while supplies last.

That's right! My 980 Cordless Iron is yours. Risk-free for trying the 8-pound Oreck XL!

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EXHIBIT 18.2

Marketers use a wide range of incentives to attract attention to a brand. Here, David Oreck offers new buyers a free iron for trying the Oreck lightweight vacuum.

responses while the purpose of advertising is to cultivate an image, loyalty, and repeat purchases over the long term.

The Importance of Sales Promotion. The importance of sales promotion in the United States should not be underestimated. Sales promotion may not seem as stylish and sophisticated as mass media advertising, but expenditures on this tool are impressive. In recent years, sales promotion expenditures have grown at an annual rate of about 4 to 8 percent, compared to about a 3 to 5 percent rate for advertising. By 2003, the investment by advertisers in sales promotions reached over \$107 billion representing 28.5 percent of all marketing dollars spent on consumer promotions.⁵ Add to that figure consumer savings by redeeming coupons and rebates and the figure exceeds \$150 billion.⁶ Exhibit 18.4 shows 2003 and 2002 spending for promotion and point-of-purchase advertising.

It is important to realize that full-service advertising agencies specializing in advertising planning, creative preparation, and media placement typically do not prepare sales promotion materials for clients. These activities are normally assigned to sales promotion agencies (spending on such agencies is also listed in Exhibit 18.4) that specialize in coupons, premiums, displays, or other forms of sales promotion and point of purchase that require specific skills and creative preparation.

The development and management of an effective sales promotion program requires a major commitment by a firm. During any given year, it is typical that as much as 30 percent of brand management time is spent on designing, implement-

promotion, on the other hand, is primarily to elicit an immediate purchase from a customer. Coupons, samples, rebates, contests and sweepstakes, and similar techniques offer a consumer an immediate incentive to choose one brand over another, as exemplified in Exhibit 18.2. Notice that Oreck is offering a free product (referred to as a premium offer) just for trying the Oreck vacuum cleaner.

Other sales promotions, such as frequency programs (for example, frequent-flyer programs), provide an affiliation value with a brand, which increases a consumer's ability and desire to identify with a particular brand. Sales promotions featuring price reductions, such as coupons, are effective in the convenience goods category, where frequent purchases, brand switching, and a perceived homogeneity (similarity) among brands characterize consumer behavior.

Sales promotions are used across all consumer goods categories and in the trade and business markets as well. When a firm determines that a more immediate response is called for—whether the target customer is a household, business buyer, distributor, or retailer—sales promotions are designed to provide that incentive. The goals for sales promotion versus those of advertising are compared in Exhibit 18.3. Notice the key differences in the goals for these different forms of promotion. Sales promotion encourages more immediate and short-term

5. PROMÓ 2004 Industry Trends Report, http://www.promomagazine.com/mag/marketing_upward_bound/.
6. Betsy Spethmann, "So Much for Targeting," *PROMO Magazine*, April 2000, 69.

Sales promotion and advertising serve very different purposes in the promotional mix. What would you describe as the key difference between the two based on the features listed here?

Purpose of Sales Promotion	Purpose of Advertising
Stimulate short-term demand	Cultivate long-term demand
Encourage brand switching	Encourage brand loyalty
Induce trial use	Encourage repeat purchases
Promote price orientation	Promote image/feature orientation
Obtain immediate, often measurable results	Obtain long-term effects, often difficult to measure

Marketers rely on several different sales promotion techniques to complement and support the advertising effort. This list shows spending on those techniques as well as the amount spent on promotion agency services and research.

Segments	2003	2002	% Change	% of total
Premiums	\$45.9	\$44.1	4.1%	42.8
P-O-P	17.5	17.3	1.2	16.3
Specialty Printing	5.9	5.7	5.0	5.5
Sponsorships	9.8	9.3	6.2	9.1
Coupons	7.0	6.8	3.5	6.5
Licensing	6.1	6.0	2.0	5.7
Fulfillment	4.1	3.6	11.0	3.8
Agency Revenues	3.7	3.2	17.9	3.4
Interactive	2.0	1.7	15.5	1.9
Games, Contests, Sweeps	1.8	1.8	0.0	1.7
Loyalty	1.9	1.8	1.5	1.8
Sampling	1.5	1.3	10.0	1.4
Total (in billions)	\$107.2	\$102.6	4.5%	100.0%

Source: PROMO 2004 Industry Trends Report.

ing, and overseeing sales promotions. The rise in the use of sales promotion and the enormous amount of money being spent on various programs makes it one of the most prominent forms of marketing activity. But again, sales promotion must be undertaken only under certain conditions and then carefully executed for specific reasons.

Growth in the Use of Sales Promotion. Marketers have shifted the emphasis of their promotional spending over the past decade. Most of the shift has been away from mass media advertising and toward consumer and trade sales promotions. Currently, the budget allocation on average stands at about 17.5 percent for advertising, 54 percent for trade and business promotions, and 28.5 percent for consumer promotions.⁷ (Note: These percentages differ from the data in Exhibit 14.7 because a “bigger pie” that includes all incentives to the trade is being used in the calculation of total dollars spent.) There are several reasons why many marketers have been shifting funds from mass media advertising to sales promotions. The reasons include managers’ demand for greater accountability for promotional spending; an increasingly short-term

7. PROMO 2004 Industry Trends Report.

orientation among managers; consumers' positive response to sales promotions; the proliferation of brands in many product categories; the increased power of retailers; and advertising clutter in mass media.

Demand for Greater Accountability. In an era of cost cutting and downsizing, companies are demanding greater accountability across all functions, including marketing, advertising, and promotions. When activities are evaluated for their contribution to sales and profits, it is often difficult to draw specific conclusions regarding the effects of advertising. In addition, the immediate effects of sales promotions are typically easier to document. Various studies are now showing that only 18 percent of TV advertising campaigns (the traditional promotional tool relied on for consumer goods) produced a short-term positive return on investment (ROI) on promotional dollars.⁸ Conversely, point-of-purchase in-store displays have been shown to positively affect sales by as much as 35 percent in some product categories.⁹

Short-Term Orientation. Several factors have created a short-term orientation among managers. Pressures from stockholders to produce better quarter-by-quarter revenue and profit per share is one factor. A bottom-line mentality is another factor. Many organizations are developing marketing plans—with rewards and punishments for performance—based on short-term revenue generation. This being the case, companies are seeking tactics that can have short-term effects. Nabisco found that a contest directed at kids had just the sort of short-term effect the firm was looking for. McDonalds credits its “Plan to Win” game with boosting store sales anywhere from 8.4 percent to 15 percent while the game promotion was being run.¹⁰

Consumer Response to Promotions. The precision shopper in the contemporary marketplace is demanding greater value across all purchase situations, and the trend is battering overpriced brands.¹¹ These precision shoppers search for extra value in every product purchase. Coupons, premiums, price-off deals, and other sales promotions increase the value of a brand in these shoppers' minds. The positive response to sales promotion goes beyond value-oriented consumers, though. For consumers who are not well informed about the average price in a product category, a brand featuring a coupon or price-off promotion is sensed to be a good deal and will likely be chosen over competitive brands—this is a basic tenet of consumer behavior analysis.¹² Historically, consumers report that coupons, price, and good value for their money influence 75 to 85 percent of their brand choice decisions.¹³ (Be careful here—coupons, price, and value, in particular, do not necessarily mean consumers are choosing the *lowest*-priced item. The analysis suggests that these sales promotion techniques act as an incentive to purchase the brand *using* a promotion.)

Proliferation of Brands. Each year, thousands of new brands are introduced into the consumer market. The drive by marketers to design products for specific market segments to satisfy ever more narrowly defined needs has caused a proliferation of brands that creates a mind-dulling maze for consumers. At any point in time, consumers are typically able to choose from about 60 spaghetti sauces, 100 snack chips, 50 laundry detergents, 90 cold remedies, and 60 disposable-diaper varieties. As you can see in Exhibit 18.5, gaining attention in this blizzard of brands is no easy task. Because of this proliferation and “clutter” of brands, marketers turn to sales promotions—contests, coupons, premiums, loyalty programs, point-of-purchase displays—

8. Jack Neff, “TV Doesn’t Sell Packaged Goods,” *Advertising Age*, May 24, 2004, 1, 30.

9. Cara Beardi, “POP Ups Sales Results,” *Advertising Age*, July 23, 2001, 27.

10. Kate MacArthur, “McD’s Sees Growth, but Are Ads a Factor?” *Advertising Age*, November 24, 2003, 3, 24.

11. Jack Neff, “Black Eye in Store for Big Brands,” *Advertising Age*, April 30, 2001, 1, 34.

12. Leigh McAlister, “A Model of Consumer Behavior,” *Marketing Communications*, April 1987, 26–28.

13. Cox Direct 20th Annual Survey of Promotional Practices, Chart 22, 1998, 37.

As you can see by this shelf of spaghetti sauces, getting the consumer to pay attention to any one brand is quite a challenge. This proliferation of brands in the marketplace has made marketers search for ways to attract attention to their brands, and sales promotion techniques often provide an answer. Notice the point-of-purchase promotion attached to the shelves.



to gain some recognition in a consumer's mind and maintain loyalty or stimulate a trial purchase.

Increased Power of Retailers. As the introductory scenario highlighted, retailers such as Target, Home Depot, Gap, Toys "R" Us, and the most powerful of all, Wal-Mart, now dominate retailing in the United States. These powerful retailers have responded quickly and accurately to the new environment for retailing, where consumers are demanding more and better products and services at lower prices. Because of the lower-price component of the retailing environment, these retailers are demanding more deals from manufacturers. Many of the deals are delivered in terms of trade-oriented sales promotions: point-of-purchase displays, slotting fees (payment for shelf space), case allowances, and cooperative advertising allowances. In the end, manufacturers use more and more sales promotion devices to gain and maintain good relations with the new, powerful retailers—a critical link to the consumer. And retailers use the tools of sales promotion as competitive strategies against each other. Manufacturers are coming up with clever ways to provide value to retailers and thus maintain the balance of power. But some of these tools may be just another intrusion on privacy, as the Controversy box highlights.

Media Clutter. A nagging and traditional problem in the advertising process is clutter. Many advertisers target the same customers because their research has led them to the same conclusion about whom to target. The result is that advertising media are cluttered with ads all seeking the attention of the same people. One way to break through the clutter is to feature a sales promotion. In print ads, the featured deal is often a coupon. In television and radio advertising, sweepstakes, premium, and rebate offers can attract listeners' and viewers' attention. The combination of advertising and creative sales promotions has proven to be a good way to break through the clutter.

2 Sales Promotion Directed at Consumers. It is clear that U.S. consumer-product firms have made a tremendous commitment to sales promotion in their overall marketing plans. During the 1970s, consumer goods marketers allocated

only about 30 percent of their budgets to sales promotion, with about 70 percent allocated to mass media advertising. Now we see that for many consumer-goods firms,

the percentages are just the opposite, with nearly 75 percent of promotional budgets being spent on various forms of promotion and point-of-purchase materials. With this sort of investment in sales promotion and point of purchase as part of the integrated brand promotion process, let's examine in detail the objectives for sales promotion in the consumer market and the wide range of techniques that can be used.

Big Brother Has a New Toy

In the constant battle to provide big retailers with reasons to feature one brand over another, manufacturers work hard to come up with new ways to gain favors for their brands versus competitors. As one manufacturer put it, "One Wal-Mart is worth 101 other companies." A new weapon in this battle is the successor to bar codes called Radio Frequency Identification (RFID) tags. These tags can potentially provide an instant assessment of inventory and stock on the shelf.

RFID tags work by combining tiny information chips with an antenna. When a tag is placed on an item, it starts to radio its location. Receivers can be placed in management offices, storerooms, and even consumer shopping carts. And herein lies the problems. Critics of RFID argue that this is just another instance of "Big Brother" Corporation intruding on consumers' privacy by tracking consumers' behavior. This is how it would work. When you get to your favorite grocery store, you will grab a shopping cart just like you always do. But this is not your typical shopping cart. With this cart, you swipe your store loyalty card (a different version of being tracked) through an RFID reader attached to the cart. Now that you are officially "checked in" (i.e., being tracked), the store can offer you special deals based on the items you put in your cart on this day or, since your purchase history is tracked through your loyalty card, offer you deals on items you have purchased in the past. Eventually, you'll be able to ring up your purchases as you put them in your specially equipped RFID cart and just walk straight out the door when you are done shopping.

Are there real benefits to RFID? Absolutely. The efficiency gained from inventory control, restocking alerts, and automated checkout would no doubt result in significant cost savings. But is this just another way that corporation can track and monitor our behavior? And if they can track our behavior in the store, what's keeping them from tracking our behavior after we leave the store?

Source: Gerry Khemouch and Heather Green, "Bar Codes Better Watch Their Backs," *BusinessWeek*, July 14, 2003, 42.

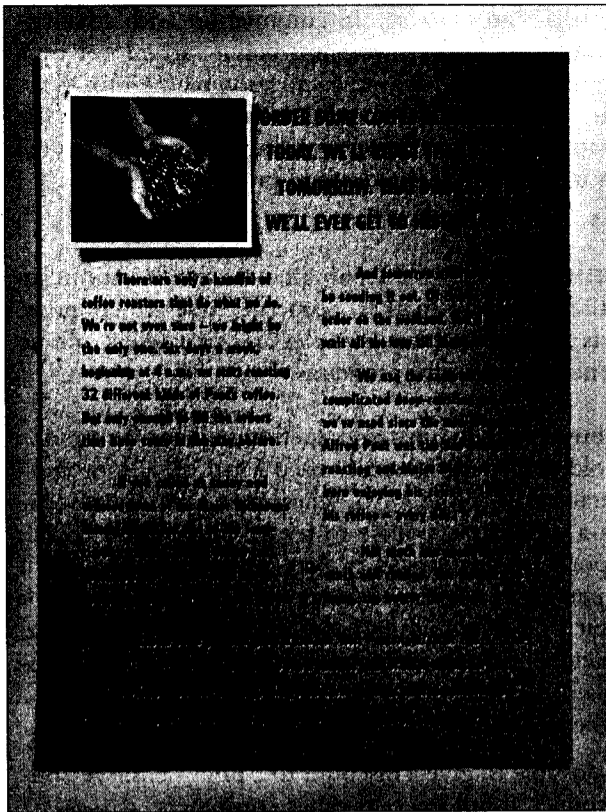
Objectives for Consumer-Market Sales Promotion.

To help ensure the proper application of sales promotion, specific strategic objectives should be set. The following basic objectives can be pursued with sales promotion in the consumer market.

Stimulate Trial Purchase. When a firm wants to attract new users, sales promotion tools can reduce the consumer's risk of trying something new. A reduced price, offer of a rebate, or a free sample may stimulate trial purchase. Exhibit 18.6 illustrates an attempt to stimulate trial use. Note that this promotion is trying to get consumers to try a *brand* for the first time. Recall the discussions from Chapters 2 and 4 that highlighted the fact that advertising and promotion *cannot* stimulate product use initiation in mature product categories—like coffee. For innovations new to the market, like an MP3 player, advertising and promotion can play a role in product category use initiation. It is important to recognize this key distinction.

Stimulate Repeat Purchases. In-package coupons good for the next purchase, or the accumulation of points with repeated purchases, can keep consumers loyal to a particular brand. The most prominent frequency programs are found in the airline industry, where competitors such as Delta, American, and United try to retain their most lucrative customers by enrolling them in frequency programs. Frequent flyers can earn free travel, hotel stays, gifts, and numerous other perks through the programs.

Stimulate Larger Purchases. Price reductions or two-for-one sales can motivate consumers to stock up on a brand, thus allowing firms to reduce inventory or increase cash flow. Shampoo is often double-packaged to offer a value to consumers. Exhibit 18.7 is a sales promotion aimed at stimulating a larger purchase.



There's only one kind of coffee roaster that's right for you. We're not even sure you know it's the only one. Our coffee comes in 22 different kinds of blends, coffee, but not meant to be the same. And that's what makes it so special.

And that's why we're so confident in our coffee. We've spent years perfecting our blends, and we know you'll love them. So we've made it even easier for you to try them. We've created a sample pack that you can request either online or by calling a toll-free number.

EXHIBIT 18.6

One objective for sales promotion in the consumer market is to stimulate trial use of a brand. Here, Peet's Coffee and Tea is offering consumers a sample pack they can request either online or by calling a toll-free number.



Save into The Adventures of Batman & Robin on your local TV station! (Check local listings for time and channel.)

SAVE 30¢ on 3

FREE
The Adventures of Batman & Robin
Holographic Mini Posters

SPAGHETTIOS
Pasta with
Tomato & Cheese Sauce

Collection
Under Supervision
Plus Your Favorite

EXHIBIT 18.7

Sales promotions are often used to encourage larger purchases. This coupon for Spaghettios offers consumers the opportunity to stock up on three cans.

Introduce a New Brand. Because sales promotion can attract attention and motivate trial purchase, it is commonly used for new brand introduction. One of the most successful uses of sales promotions to introduce a new brand was when the makers of Curad bandages wanted to introduce their new kid-size bandage. 7.5 million sample packs were distributed in McDonald's Happy Meal sacks. The promotion was a huge success, with initial sales exceeding estimates by 30 percent.¹⁴

Combat or Disrupt Competitors' Strategies. Because sales promotions often motivate consumers to buy in larger quantities or try new brands, they can be used to disrupt competitors' marketing strategies. If a firm knows that one of its competitors is launching a new brand or initiating a new advertising campaign, a well-timed sales promotion offering deep discounts or extra quantity can disrupt the competitors' strategy. Add to the original discount an in-package coupon for future purchases, and a marketer can severely compromise competitors' efforts. *TV Guide* magazine used a sweepstakes promotion to combat competition. In an effort to address increasing competition from newspaper TV supplements and cable-guide magazines, *TV Guide* ran a Shopping Spree Sweepstakes in several regional markets. Winners won \$200 shopping sprees in grocery stores—precisely the location where 65 percent of *TV Guide* sales are realized.¹⁵

14. Glen Heitsmith, "Still Bullish on Promotion," *PROMO Magazine*, July 1994, 40.

15. "TV Guide Tunes in Sweepstakes," *PROMO Magazine*, November 1995, 1, 50.

Contribute to Integrated Brand Promotion. In conjunction with advertising, direct marketing, public relations, and other programs being carried out by a firm, sales promotion can add yet another type of communication to the mix. Sales promotions suggest an additional value, with price reductions, premiums, or the chance to win a prize. This is an additional and different message within the overall communications effort a firm can use in its integrated brand promotion effort.

Consumer-Market Sales Promotion Techniques. Several techniques are used to stimulate demand and attract attention in the consumer market. Some of these are coupons, price-off deals, premiums, contests and sweepstakes, samples and trial offers, phone and gift cards, rebates, and frequency (continuity) programs.

Coupons. A coupon entitles a buyer to a designated reduction in price for a product or service. Coupons are the oldest and most widely used form of sales promotion. The first use of a coupon is traced to around 1895, when the C. W. Post Company used a penny-off coupon as a way to get people to try its Grape-Nuts cereal. Annually, about 350 billion coupons are distributed to American consumers, with redemption rates ranging from 2 percent for gum purchases to nearly 45 percent for disposable diaper purchases. Exhibit 18.8 shows coupon-redemption rates for several product categories. In 2003, marketers invested \$7 billion in coupons as a sales promotion technique.

There are five advantages to the coupon as a sales promotion tool:

- The use of a coupon makes it possible to give a discount to a price-sensitive consumer while still selling the product at full price to other consumers.
- The coupon-redeeming customer may be a competitive-brand user, so the coupon can induce brand switching.
- A manufacturer can control the timing and distribution of coupons. This way a retailer is not implementing price discounts in a way that can damage brand image.

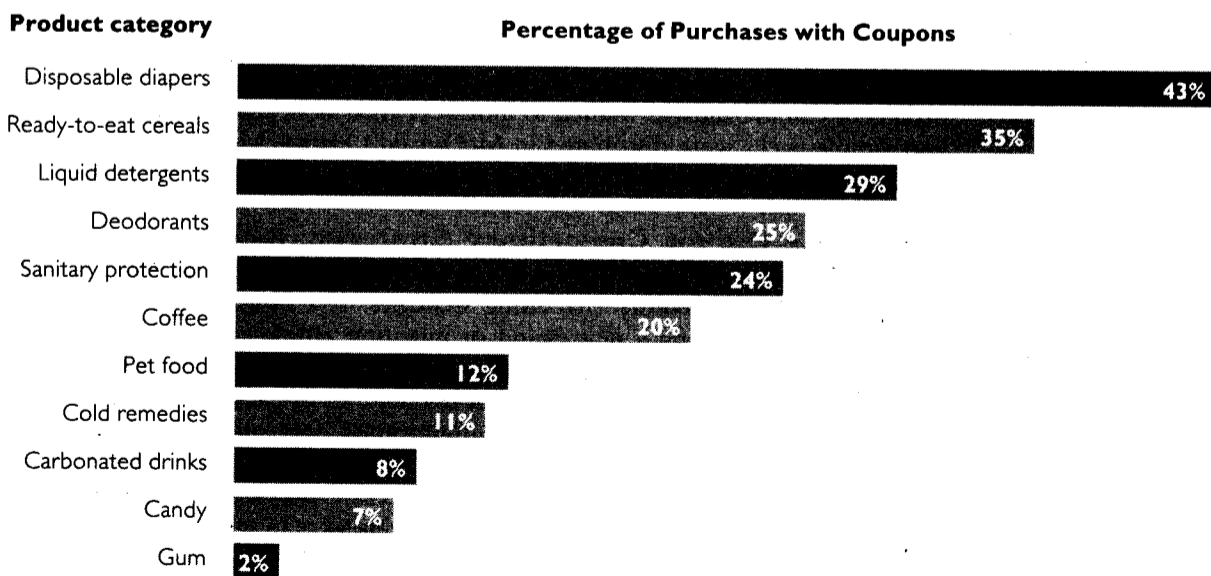


EXHIBIT 18.8

Percentage of purchases made with coupons in various product categories.

- A coupon is an excellent method of stimulating repeat purchases. Once a consumer has been attracted to a brand, with or without a coupon, an in-package coupon can induce repeat purchase. While an in-package coupon is designed to encourage repeat purchase and brand loyalty, retailers believe that coupons attached to the store shelf and distributed at the point of purchase are the most effective for stimulating brand switching/trial use of a brand.
- Coupons can get regular users to trade up within a brand array. For example, users of low-priced disposable diapers may be willing to try the premium version of a brand with a coupon.

The use of coupons is not without its problems. There are administrative burdens and risks with coupon use:

- While coupon price incentives and the timing of distribution can be controlled by a marketer, the timing of redemption cannot. Some consumers redeem coupons immediately; others hold them for months.
- Coupons do attract competitors' users and some nonusers, but there is no way to prevent current users from redeeming coupons with their regular purchases. Heavy redemption by regular buyers merely reduces a firm's profitability.
- Couponing entails careful administration. Coupon programs include much more than the cost of the face value of the coupon. There are costs for production and distribution and for retailer and manufacturer handling. In fact, the cost for handling, processing, and distribution of coupons is typically equal to about two-thirds of the face value of the coupon. Historically, Procter & Gamble has distributed as many as 700 million coupons for its Folgers coffee brand with administrative costs totaling more than \$14 million.¹⁶ Marketers need to track these costs against the amount of product sold with and without coupon redemption.
- Fraud is a chronic and serious problem in the couponing process. The problem relates directly to misredemption practices. There are three types of misredemption that cost firms money: redemption of coupons by consumers who do not purchase the couponed brand; redemption of coupons by salesclerks and store managers without consumer purchases; and illegal collection or copying of coupons by individuals who sell them to unethical store merchants, who in turn redeem the coupons without the accompanying consumer purchases.

Price-Off Deals. The price-off deal is another straightforward technique. A **price-off deal** offers a consumer cents or even dollars off merchandise at the point of purchase through specially marked packages. The typical price-off deal is a 10 to 25 percent price reduction. The reduction is taken from the manufacturer's profit margin rather than the retailer's (another point of contention in the power struggle). Manufacturers like the price-off technique because it is controllable. Plus, the price off, judged at the point of purchase, can effect a positive price comparison against competitors. Consumers like a price-off deal because it is straightforward and automatically increases the value of a known brand. Regular users tend to stock up on an item during a price-off deal. Retailers are less enthusiastic about this technique. Price-off promotions can create inventory and pricing problems for retailers. Also, most price-off deals are snapped up by regular customers, so the retailer often doesn't benefit from new business.

Premiums and Advertising Specialties. **Premiums** are items offered free, or at a reduced price, with the purchase of another item. Many firms offer a related product free, such as a free granola bar packed inside a box of granola cereal. Service firms, such as a car wash or dry cleaner, may use a two-for-one offer to persuade

16. "Coffee's On," *PROMO Magazine*, February 1996, 48-49.

consumers to try the service. Premiums represent the single largest category of investment by firms in sales promotion with over \$45 billion spent on premiums during 2003.

There are two options available for the use of premiums. A **free premium** provides consumers with an item at no cost; the item is either included in the package of a purchased item or mailed to the consumer after proof of purchase is verified. The most frequently used free premium is an additional package of the original item or a free related item placed in the package. Some firms do offer unrelated free premiums, such as balls, toys, and trading cards. These types of premiums are particularly popular with cereal manufacturers.

A **self-liquidating premium** requires a consumer to pay most of the cost of the item received as a premium. For example, Snapple can offer a “Snapple Cooler” with the purchase of six bottles of Snapple for \$6.99—the cost of the cooler to Snapple. Self-liquidating premiums are particularly effective with loyal customers. However, these types of premiums must be used cautiously. Unless the premium is related

to a value-building strategy for a brand, it can, like other sales promotions, serve to focus consumer attention on the premium rather than on the benefits of the brand. Focusing on the premium rather than the brand erodes brand equity. For example, if consumers buy a brand just to get a really great looking T-shirt at \$4.99, then they won't purchase the brand again until there is another great premium available at a low price.

Advertising specialties have three key elements: a message, placed on a useful item, and given to consumers with no obligation. Popular advertising specialties are baseball caps, T-shirts, coffee mugs, computer mouse pads, pens, and calendars. Sales of promotional products in 2003 increased 4.57 percent over the previous year to \$16 billion.¹⁷ The Promotional Products Association International (<http://www.promotion-clinic.ppa.org>) puts promotional products into 17 different categories ranging from buttons/badges/bumper stickers to apparel to jewelry and watches.¹⁸ Advertising specialties allow a firm to tout its company or brand name with a target customer in an ongoing fashion. Many of us have ball caps or coffee mugs that carry brand names (see Exhibit 18.9).



EXHIBIT 18.9

Advertising specialty items, like these ball caps, allow a firm to regularly remind target customers of the brand name and logo. While a sales promotion item like this will never be the main strategic tool in an IBP campaign, it does serve to create a regular brand presence and conversation piece with consumers.

Contests and Sweepstakes. Contests and sweepstakes can draw attention to a brand like no other sales promotion technique. Technically, there are important differences between contests and sweepstakes. In a **contest**, consumers compete for prizes based on skill or ability. Winners in a contest are determined by a panel of judges or based on which contestant comes closest to a predetermined criterion for winning, such as picking the total points scored in the SuperBowl. Contests tend to be somewhat expensive to administer because each entry must be judged against winning criteria.

A **sweepstakes** is a promotion in which winners are determined purely by chance. Consumers need only to enter their names in the sweepstakes as a criterion

17. Data obtained from Promotional Products Association International at the association's Web site, <http://www.promotion-clinic.ppa.org>, accessed June 25, 2004.

18. Dan S. Bagley III, *Understanding and Using Promotional Products* (Irving, TX: Promotional Products Association International, 1999), 6.

for winning. Sweepstakes often use official entry forms as a way for consumers to enter the sweepstakes. Other popular types of sweepstakes use scratch-off cards. Instant-winner scratch-off cards tend to attract customers. Gasoline retailers, grocery stores, and fast-food chains commonly use scratch-off card sweepstakes as a way of building and maintaining store traffic. Sweepstakes can also be designed so that repeated trips to the retail outlet are necessary to gather a complete set of winning cards. In order for contests and sweepstakes to be effective, advertisers must design them in such a way that consumers perceive value in the prizes and find playing the games intrinsically interesting.

Contests and sweepstakes can span the globe. British Airways ran a contest with the theme “The World’s Greatest Offer,” in which it gave away thousands of free airline tickets to London and other European destinations. While the contest increased awareness of the airline, there was definitely another benefit. Contests like these create a database of interested customers and potential customers. All the people who didn’t win can be mailed information on future programs and other premium offers.

Contests and sweepstakes often create excitement and generate interest for a brand, but the problems of administering these promotions are substantial. Consider these challenges to effectively using contest and sweepstakes in the IBP effort.

- There will always be regulations and restrictions on contests and sweepstakes. Advertisers must be sure that the design and administration of a contest or sweepstakes complies with both federal and state laws. Each state may have slightly different regulations. The legal problems are complex enough that most firms hire agencies that specialize in contests and sweepstakes to administer the programs.
- The game itself may become the consumer’s primary focus, while the brand becomes secondary. Like other sales promotion tools, this technique thus fails to build long-term consumer affinity for a brand.
- It is hard to get any meaningful message across in the context of a game. The consumer’s interest is focused on the game, rather than on any feature of the brand.
- Administration of a contest or sweepstakes is sufficiently complex that the risk of errors in administration is fairly high and can create negative publicity.¹⁹
- If a firm is trying to develop a quality or prestige image for a brand, contests and sweepstakes may contradict this goal.

Sampling and Trial Offers. Getting consumers to simply try a brand can have a powerful effect on future decision making. **Sampling** is a sales promotion technique designed to provide a consumer with an opportunity to use a brand on a trial basis with little or no risk. To say that sampling is a popular technique is an understatement. Most consumer-product companies use sampling in some manner, and invest approximately \$1.5 billion a year on the technique. A recent survey shows that consumers are very favorable toward sampling with 43 percent indicating that they would consider switching brands if they liked a free sample that was being offered.²⁰

Sampling is particularly useful for new products, but should not be reserved for new products alone. It can be used successfully for established brands with weak market share in specific geographic areas. Ben and Jerry’s “Stop & Taste the Ice Cream” tour gave away more than a million scoops of ice cream in high-traffic urban areas in an attempt to reestablish a presence for the brand in weak markets.²¹ Six techniques are used in sampling:

- **In-store sampling** is popular for food products and cosmetics. This is a preferred technique for many marketers because the consumer is at the point of purchase

19. Barry M. Benjamin, “Plan Ahead to Limit Potential Disasters,” *Marketing News*, November 10, 2003, 15.

20. Cox Direct 20th Annual Survey of Promotional Practices, 1998, 28.

21. Betsy Spethmann, “Branded Moments,” *PROMO Magazine*, September 2000, 84.

- and may be swayed by a direct encounter with the brand. Increasingly, in-store demonstrators are handing out coupons as well as samples.
- **Door-to-door sampling** is extremely expensive because of labor costs, but it can be effective if the marketer has information that locates the target segment in a well-defined geographic area. Some firms enlist the services of newspaper delivery people, who package the sample with daily or Sunday newspapers as a way of reducing distribution costs.
 - **Mail sampling** allows samples to be delivered through the postal service (see Exhibit 18.10). Again, the value here is that certain zip-code markets can be targeted. A drawback is that the sample must be small enough to be economically feasible to mail. Specialty sampling firms, such as Alternative Postal Delivery, provide targeted geodemographic door-to-door distribution as an alternative to the postal service. Cox Target Media has developed a mailer that contains multiple samples related to a specific industry—like car-care products—and that can reach highly targeted market segments.²²
 - **Newspaper sampling** has become very popular in recent years and 42 percent of consumers report having received samples of health and beauty products in this manner.²³ Much like mail sampling, newspaper samples allow very specific geographic and geodemographic targeting. Big drug companies like Eli Lilly and Bristol-Myers Squibb are using newspaper distribution of coupons to target new users for antidepressant and diabetes drugs.²⁴
 - **On-package sampling**, a technique in which the sample item is attached to another product package, is useful for brands targeted to current customers. Attaching a small bottle of Ivory conditioner to a regular-sized container of Ivory shampoo is a logical sampling strategy.
 - **Mobile sampling** is carried out by logo-emblazoned vehicles that dispense samples, coupons, and premiums to consumers at malls, shopping centers, fairgrounds, and recreational areas. Strategists at Iomega, makers of the popular computer Zip drive, used a mobile display to introduce its new product, the

EXHIBIT 18.10

Sampling is a sales promotion technique designed to provide a consumer with an opportunity to use a brand on a trial basis with little or no risk. Glad used mail sampling to introduce consumers to its new "Odor Shield" trash bag.



22. Cara Beardi, "Cox's Intro Mailer Bundles Samples in Industry," *Advertising Age*, November 2000, 88.

23. Cox Direct 20th Annual Survey of Promotional Practices, 1998, 27.

24. Susan Warner, "Drug Makers Print Coupons to Boost Sales," *Knight Ridder Newspapers*, June 4, 2001.

HipZip portable digital audio player, to target consumers on college campuses. Personal contact with the new product was used to increase awareness.²⁵



Building a Market \$3 at a Time

There are few success stories as spectacular as Starbucks'. The specialty coffee retailer has grown to more than 7,000 stores and over \$5 billion in annual revenue. Not bad for a company that has had to build a market \$3 at a time. But despite the enormous number of customers shelling out \$3 an average of 17 times per week to create such huge revenue, Starbucks was plagued with knowing very little about its customers. The reason? Starbucks' customers always paid cash for their purchases—no checks, no credit cards though which the firm could develop a database.

Well, that problem was solved by the launch of the Starbucks prepaid gift card, which customers use instead of cash. The card is serving many purposes. First, it is a way to save customers time in line, since swiping the card speeds the transaction process. Second, it allows customers to give a small gift to friends and family—it makes a great holiday gift. And finally, it does allow Starbucks to get to know its customers better by tracking the frequency and nature of their transactions.

Currently, there are about 20 million cards outstanding generating over \$150 million in revenue for the initial card purchase. One in every 10 transactions at Starbucks' stores is now accounted for by a card. And, to the company's surprise, over a third of the cards are being "reloaded" for reuse—a clear indication that the convenience factor is important to customers.

While phone and gift cards can seem pretty insignificant to the average consumer, the impact on brand loyalty and customer service can be significant, as Starbucks, Barnes & Noble, Home Depot, and other marketers have discovered.

Source: John Clark, "At Starbucks, the Future Is in Plastic," *Business 2.0*, August 2003, 56.

Of course, sampling has its critics. Unless the product has a clear value and benefit over the competition, a simple trial of the product is unlikely to persuade a consumer to switch brands. This is especially true for convenience goods because consumers perceive a high degree of similarity among brands, even after trying them. The perception of benefit and superiority may have to be developed through advertising in combination with sampling. In addition, sampling is expensive. This is especially true in cases where a sufficient quantity of a product, such as shampoo or laundry detergent, must be given away for a consumer to truly appreciate a brand's value. In-store sampling techniques are being devised to reduce the cost of traditional sampling methods.²⁶ Finally, sampling can be a very imprecise process. Despite the emergence of special agencies to handle sampling programs, a firm can never completely ensure that the product is reaching the targeted audience.

Trial offers have the same goal as sampling—to induce consumer trial use of a brand—but they are used for more expensive items. Exercise equipment, appliances, watches, hand tools, and consumer electronics are typical of items offered on a trial basis. Trials offers can be free for low-priced products, as we saw in Exhibit 18.6. Or trials can be

offered for as little as a day to as long as 90 days for more expensive items like vacuum cleaners or computer software. The expense to the firm, of course, can be formidable. Segments chosen for this sales promotion technique must have high sales potential.

Phone and Gift Cards. Phone and gift cards represent a new and increasingly popular form of sales promotion. This technique could be classified as a premium offer, but it has enough unique features to warrant separate classification as a sales promotion technique. The use of phone and gift cards is fairly straightforward. Manufacturers or retailers offer either free or for-purchase debit cards that provide the holder with a pre-set spending limit or minutes of phone time. The cards are designed to be colorful and memorable. A wide range of marketers, including luxury car manufacturers like Lexus and retailers like the Gap, have made effective use of phone and gift cards. Starbucks has made particularly effective use of gift cards, as the Creativity box describes. Exhibit 18.11 shows a Starbucks gift card as a promotional tool.

25. Kate Fitzgerald, "Omega Makes Music," *Advertising Age*, October 30, 2000, 42.

26. Debbie Usery, "What's In-Store," *PROMO Magazine*, May 2000, 54.

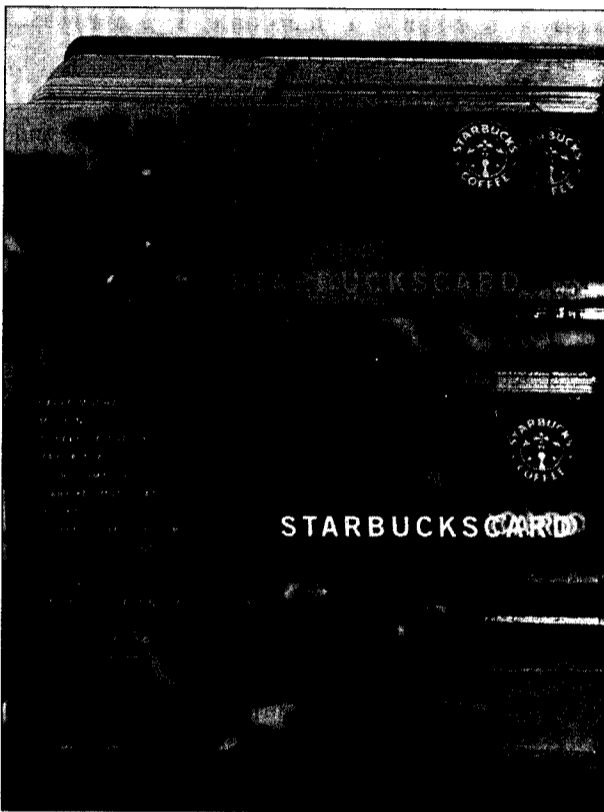


EXHIBIT 18.11

Firms use gift cards as a way to draw attention to the brand and as a way for loyal customers to introduce their friends and family to the brand.

Frequent-flyer programs such as Delta Air Lines' SkyMiles, frequent-stay programs such as Marriott's Honored Guest Award Rewards program, and frequent-renter programs such as Hertz's #1 Club are examples of such loyalty-building activities. But frequency programs are not reserved for big national airline and auto-rental chains. Chart House Enterprises, a chain of 65 upscale restaurants, successfully launched a frequency program for diners, who earned points for every dollar spent. Frequent diners were issued "passports," which were stamped with each visit. Within two years, the program had more than 300,000 members.²⁷ Exhibit 18.12 features Marriott's frequency program.

5 Sales Promotion Directed at the Trade Channel and Business Markets.

Sales promotions can also be directed at members of the trade—wholesalers, distributors, and retailers—and business markets. For example, Hewlett-Packard designs sales promotion programs for its retailers, like Circuit City, in order to ensure that the H-P line gets proper attention and display. But H-P will also have sales promotion campaigns aimed at business buyers like Accenture (formerly Andersen Consulting) or IHC HealthCare. The purpose of sales promotion as a tool does not change from the consumer market to the trade or business markets. It is still intended to stimulate demand in the short term and help *push* the product through the distribution channel or cause business buyers to act more immediately and positively toward the marketer's brand.

Effective trade- and business-market promotions can generate enthusiasm for a product and contribute positively to the loyalty distributors show for a brand. In the business market, sales promotions can mean the difference between landing a very large order and missing out entirely on a revenue opportunity. With the massive

Rebates. A **rebate** is a money-back offer requiring a buyer to mail in a form requesting the money back from the manufacturer, rather than the retailer (as in couponing). The rebate technique has been refined over the years and is now used by a wide variety of marketers. Rebates are particularly well suited to increasing the quantity purchased by consumers, so rebates are commonly tied to multiple purchases. For example, if you buy a ten-pack of Kodak film you can mail in a rebate coupon worth \$2.

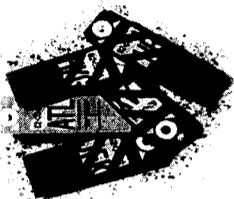
Another reason for the popularity of rebates is that few consumers take advantage of the rebate offer after buying a brand. The best estimate of consumer redemption of rebate offers by the research firm Market Growth Resources is that only 5 to 10 percent of buyers ever bother to fill out and then mail in the rebate request. This may signal a waning popularity of the rebate with consumers.

Frequency (Continuity) Programs. In recent years, one of the most popular sales promotion techniques among consumers has been frequency programs. **Frequency programs**, also referred to as continuity programs, offer consumers discounts or free product rewards for repeat purchase or patronage of the same brand or company. These programs were pioneered by airline companies.

27. Kerry J. Smith, "Building a Winning Frequency Program—The Hard Way," *PROMO Magazine*, December 1995, 36.

**“WHY IS OUR
AWARD PROGRAM
SO POPULAR WITH
FREQUENT TRAVELERS?
WE’RE IN EVERY CITY
THEY FREQUENT.”**

Bill Thawson



As a business traveler you earn free vacations faster with Marriott's Honored Guest Award program. With over 250 locations worldwide, we're doing business wherever you're doing business. To join the program call 1-800-648-8024. For reservations, call your travel agent or 1-800-228-9290.

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WE MAKE IT HAPPEN FOR YOU.

CHAPTER 18.13

Frequency (continuity) programs build customer loyalty and offer opportunities for building a large, targeted database for other promotions.

manufacturer in the United States. But Bob's old-fashioned candy was having trouble keeping distributors. To reverse the trend, Bob's designed a new name, logo, and packaging for the candy canes. Then, each scheduled attendee at the All-Candy Expo trade show in Chicago was mailed three strategically timed postcards with the teaser question "Wanna Be Striped?" The mailing got a 25 percent response rate, and booth visitations at the trade show were a huge success.²⁸

Increase Order Size. One of the struggles in the channel of distribution is over the location of inventory. Manufacturers prefer that members of the trade maintain large inventories so the manufacturer can reduce inventory-carrying costs. Conversely, members of the trade would rather make frequent, small orders and carry little inventory. Sales promotion techniques can encourage wholesalers and retailers to order in larger quantities, thus shifting the inventory burden to the channel.

Encourage Cooperation with Consumer-Market Sales Promotions. It does a manufacturer little good to initiate a sales promotion in the consumer market if there is little cooperation in the channel. Wholesalers may need to maintain larger inventories, and retailers may need to provide special displays or handling during consumer-market sales promotions. To achieve synergy, marketers often run trade promotions simultaneously with consumer promotions. When Toys "R" Us ran a "scan and win" promotion, the retailer actually ran out of several very popular toy items during the critical holiday buying season because distributors (and Toys "R" Us) were unprepared for the magnitude of the response to the promotion.

proliferation of new brands and brand extensions, manufacturers need to stimulate enthusiasm and loyalty among members of the trade and also need a way to get the attention of business buyers suffering from information overload.

Objectives for Promotions in the Trade Market. As in the consumer market, trade-market sales promotions should be undertaken with specific objectives in mind. Generally speaking, when marketers devise incentives for the trade market they are executing a **push strategy**; that is, sales promotions directed at the trade help push a brand into the distribution channel until it ultimately reaches the consumer. Four primary objectives can be identified for these promotions.

Obtain Initial Distribution. Because of the proliferation of brands in the consumer market, there is fierce competition for shelf space. Sales promotion incentives can help a firm gain initial distribution and shelf placement. Like consumers, members of the trade need a reason to choose one brand over another when it comes to allocating shelf space. A well-conceived promotion incentive may sway them.

Bob's Candies, a small family-owned business in Albany, Georgia, is the largest candy cane manufacturer

28. Lee Duffey, "Sweet Talk: Promotions Position Candy Company," *Marketing News*, March 30, 1998, 11.

Increase Store Traffic. Retailers can increase store traffic through special promotions or events. Door-prize drawings, parking-lot sales, or live radio broadcasts from the store are common sales promotion traffic builders. Burger King has become a leader in building traffic at its 6,500 outlets with special promotions tied to Disney movie debuts. Beginning in 1991 with a *Beauty and the Beast* tie-in promotion, Burger King has set records for generating store traffic with premium giveaways. The *Pocahontas* campaign distributed 55 million toys and glasses. A promotion tie-in with Disney's enormously successful film *Toy Story* resulted in 50 million toys, based on the film's characters, being given away in \$1.99 Kid Meals.²⁹ Manufacturers can also design sales promotions that increase store traffic for retailers. A promotion that generates a lot of interest within a target audience can drive consumers to retail outlets.

Trade-Market Sales Promotion Techniques. The sales promotion techniques used with the trade are incentives, allowances, trade shows, sales training programs, and cooperative advertising.

Incentives. Incentives to members of the trade include a variety of tactics not unlike those used in the consumer market. Awards in the form of travel, gifts, or cash bonuses for reaching targeted sales levels can induce retailers and wholesalers to give a firm's brand added attention. Consider this incentive ploy. The Volvo national sales manager put together an incentive program for dealerships. The leading dealership in the nation won a trip to the Super Bowl including dinner with Hall of Fame footballer Lynn Swann (Swann alone added 20 large to the cost of the incentive package).³⁰ But the incentive does not have to be large or expensive to be effective. Weiser Lock offered its dealers a Swiss Army knife with every dozen cases of locks ordered. The program was a huge success. A follow-up promotion featuring a Swiss Army watch was an even bigger hit. And firms are finding that Web-based incentive programs can be highly effective as well. When the sales manager at Netopia, a manufacturer of broadband equipment, wanted to offer an incentive to dealers, he did *not* want to manage the whole process. The solution? Implement innergE, an online incentive-management program that features a Web site where salespeople can track their progress and claim their rewards.³¹

Another form of trade incentive is referred to as push money. **Push money** is carried out through a program in which retail salespeople are offered a monetary reward for featuring a marketer's brand with shoppers. The program is quite simple. If a salesperson sells a particular brand of refrigerator for a manufacturer as opposed to a competitor's brand, the salesperson will be paid an extra \$50 or \$75 "bonus" as part of the push money program.

One risk with incentive programs for the trade is that salespeople can be so motivated to win an award or extra push money that they may try to sell the brand to every customer, whether it fits that customer's needs or not. Also, a firm must carefully manage such programs to minimize ethical dilemmas. An incentive technique can look like a bribe unless it is carried out in a highly structured and open fashion.

Allowances. Various forms of allowances are offered to retailers and wholesalers with the purpose of increasing the attention given to a firm's brands. Allowances are typically made available to wholesalers and retailers about every four weeks during a quarter. **Merchandise allowances**, in the form of free products packed with regular shipments, are payments to the trade for setting up and maintaining displays. The payments are typically far less than manufacturers would have to spend to maintain the displays themselves.

29. Editors' Special Report, "Having It Their Way," *PROMO Magazine*, December 1995, 79-80.

30. Ron Donoho, "It's Up! It's Good!" *Sales and Marketing Management*, April 2003, 43-47.

31. Michelle Gillan, "E-Motivation," *Sales and Marketing Management*, April 2003, 50.

In recent years, shelf space has become so highly demanded, especially in supermarkets, that manufacturers are making direct cash payments, known as **slotting fees**, to induce food chains to stock an item. The proliferation of new products has made shelf space such a precious commodity that these fees now run in the hundreds of thousands of dollars per product. Another form of allowance is called a bill-back allowance. **Bill-back allowances** provide retailers a monetary incentive for featuring a marketer's brand in either advertising or in-store displays. If a retailer chooses to participate in either an advertising campaign or a display bill-back program, the marketer requires the retailer to verify the services performed and provide a bill for the services. A similar program is the **off-invoice allowance**, in which advertisers allow wholesalers and retailers to deduct a set amount from the invoice they receive for merchandise. This program is really just a price reduction offered to the trade on a particular marketer's brand. The incentive for the trade with this program is that the price reduction increases the margin (and profits) a wholesaler or retailer realizes on the off-invoiced brand.

James Bond's Choice

Professional
Automatic Chronometer
water-resistant to 300m/1000ft
OMEGA - Swiss made since 1848

Tomorrow Never Dies

http://www.omega.ch

Fine Jewelry & Jewel Gallery
LIBERTY HOUSE
Honolulu, HI

Ω
OMEGA

EXHIBIT 18.13

Here is a classic example of co-op advertising between manufacturer and retailer. Omega is being featured by this Hawaiian retailer in a magazine ad. Is there another form of sales promotion going on here as well?

send the template for an ad, into which retailers merely insert the names and locations of their stores. Just such an ad is featured in Exhibit 18.13. Notice that the James Bond and Omega watch components are national with the co-op sponsorship of the Hawaiian retailer highlighted in the lower right.

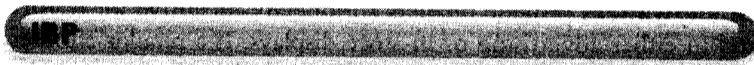
Business-Market Sales Promotion Techniques. Often the discussion of sales promotion focuses only on consumer and trade techniques. It is major

Sales-Training Programs. An increasingly popular trade promotion is to provide training for retail store personnel. This method is used for consumer durables and specialty goods, such as personal computers, home theater systems, heating and cooling systems, security systems, and exercise equipment. The increased complexity of these products has made it important for manufacturers to ensure that the proper factual information and persuasive themes are reaching consumers at the point of purchase. For personnel at large retail stores, manufacturers can hold special classes that feature product information, demonstrations, and training about sales techniques.

Another popular method for getting sales-training information to retailers is the use of videotapes and brochures. Manufacturers can also send sales trainers into retail stores to work side by side with store personnel. This is a costly method, but it can be very effective because of the one-on-one attention it provides.

Cooperative (Co-op) Advertising. Cooperative advertising as a trade promotion technique is referred to as vertical cooperative advertising. (Such efforts are also called vendor co-op programs.) Manufacturers try to control the content of this co-op advertising in two ways. They may set strict specifications for the size and content of the ad and then ask for verification that such specifications have been met. Alternatively, manufacturers may

oversight to leave the business market out of the discussion. The Promotional Product Association estimates that several billion dollars a year in sales promotion is targeted to the business buyer.³²



Can You Really Do a Trade Show over the Web?

In an odd combination of promotional tools, firms are creating “virtual” booths for the Web much like those used at trade shows to get even more exposure to the business market for their brands. One compelling motivation for the virtual booth is the time and expense of sending people to “real” trade shows. Online shows are similar to those “Webinars” you hear about that bring together multiple participants, including those outside the United States. These virtual booths and trade shows feature presentations, product displays, demonstrations, and downloadable brochures—just like the ones that take place live.

There is some question, though, whether the virtual version of the trade show will be sustained beyond the “fad” stage. Although the technology is there and the cost-saving incentive is there, analysts are skeptical as to whether this technique will flourish at any substantial level. One analyst summed it up this way: “Salespeople will still want to sit down and talk to people one-on-one. This [the virtual booth] may be a good way to generate leads, but you probably won’t close any sales this way.”

Despite some of the drawbacks, experts suggest that if you want to give the virtual route a try, there are ways to increase your “presence” at an online trade show:

- Design an attractive virtual booth that attracts and holds the Web visitors’ attention.
- Have someone available at all times to communicate with attendees. This can be done with instant messaging or toll-free telephone access.
- Ensure technical quality and reliability. The Internet connection is the only way to communicate with virtual attendees during the trade show. Companies that are not technically savvy should not try to go the virtual route.

Source: Ned Shaw, “Building a Virtual Booth,” *Sales and Marketing Management*, July 2003, 14.

shows has been so extensive in recent years that the technique is really more oriented to business buyers these days.

Business Gifts. Estimates are that nearly half of corporate America gives business gifts.³³ These gifts are given as part of building and maintaining a close working relationship with suppliers. Business gifts that are part of a promotional program may include small items like logo golf balls, jackets, or small items of jewelry. Extravagant gifts or expensive trips that might be construed as “buying business” are not included in this category of business-market sales promotion.

Premiums and Advertising Specialties. As mentioned earlier, the key chain, ball cap, T-shirt, mouse pad, or calendar that reminds a buyer of a brand name and

Trade Shows. Trade shows are events where several related products from many manufacturers are displayed and demonstrated to members of the trade. Literally every industry has trade shows, from gourmet products to the granddaddy of them all, Comdex. Comdex is the annual computer and electronics industry trade show held in Las Vegas that attracts over a quarter of a million business buyers.

At a typical trade show, company representatives are on hand staffing a booth that displays a company’s products or service programs. The representatives are there to explain the products and services and perhaps make an important contact for the sales force. The use of trade shows must be carefully coordinated and can be an important part of the business-market promotional program. Trade shows can be critically important to a small firm that cannot afford advertising and has a sales staff too small to reach all its potential customers. Through the trade-show route, salespeople can make far more contacts than would be possible with direct sales calls. And speaking of making more contacts, the trade show has gone high-tech and global, as the IBP box explains.

Trade shows are also an important route for reaching potential wholesalers and distributors for a company’s brand. But the proliferation of trade

32. PROMO 2004 Industry Trends Report.

33. Ibid.

slogan can be an inexpensive but useful form of sales promotion. A significant portion of the \$14 billion premium and advertising specialty market is directed to business buyers. While business buyers are professionals, they are not immune to the value perceptions that an advertising specialty can create. In other words, getting something for nothing appeals to business buyers as much as it does to household consumers. Will a business buyer choose one consulting firm over another to get a sleeve of golf balls? Probably not. But advertising specialties can create awareness and add to the satisfaction of a transaction nonetheless.

Trial Offers. Trial offers are particularly well suited to the business market. First, since many business products and services are high cost and often result in a significant time commitment to a brand (i.e., many business products and services have long life), trial offers provide a way for buyers to lower the risk of making a commitment to one brand over another. Second, a trial offer is a good way to attract new customers who need a good reason to try something new. The chance to try a new product for 30 days with no financial risk can be a compelling offer.

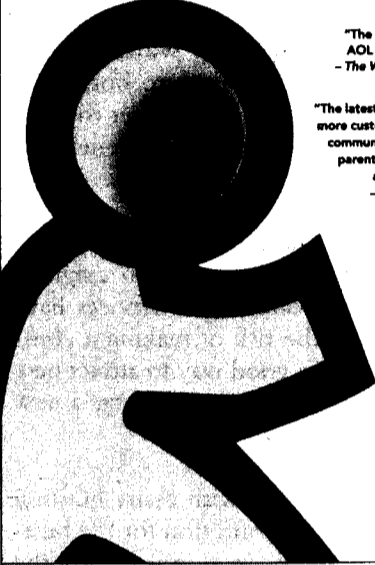
Frequency Programs. The high degree of travel associated with many business professions makes frequency programs an ideal form of sales promotion for the business market. Airline, hotel, and restaurant frequency programs are dominated by the business market traveler. But frequency programs for the business market are not restricted to travel-related purchases. Retailers of business products like Staples, OfficeMax, and Costco have programs designed to reward the loyalty of the business buyer. Costco has teamed with American Express to offer business buyers an exclusive Costco/American Express credit card. Among the many advantages of the card is a rebate at the end of the year based on the level of buying—the greater the dollar amount of purchases, the greater the percentage rebate.

Sales Promotion, the Internet, and New Media. Sales promotion has entered the era of new media as well. Marketers are expanding their use of sales promotion techniques in the consumer, trade, and business markets by using the Internet and other new media options. In a recent survey, 49 percent of advertisers said they used Internet-based promotions.³⁴ There are two parts to the issue of sales promotion in new media applications. First, there is the use *by* Internet and new media companies of sales promotion techniques. Second, there is the use *of* the Internet and new media to implement various sales promotion techniques.

The Use of Sales Promotion by Internet and New Media Organizations. The new titans of technology—AOL, Earthlink, Linux—have discovered a new way to generate revenue fast: They give their products away. More specifically, they have discovered the power of sales promotion in the form of distributing free samples. These fast-growing, highly successful companies have discovered an alternative to advertising—sales promotion.

Of course, giving away free samples, as we have seen, is not a new sales promotion technique. But giving away intellectual property, such as software, is new and America Online is the king of giveaways (see Exhibits 18.14 and 18.15). With each new release AOL blankets the United States with diskettes and CD-ROMs offering consumers a free trial of its Internet services. No distribution channel is left untapped in trying to reach consumers with the free diskettes. They have been stashed in boxes of Rice Chex cereal, in United Airlines in-flight meals, and in packages of

34. "Proceed With Caution," report introduction, 2001 Annual Report of the Promotion Industry, May 2001, compiled by *PROMO Magazine*, available at <http://www.industryclick.com>, accessed June 5, 2001.



"The most sweeping upgrade to the AOL software and service in years."
— *The Wall Street Journal*, July 31, 2003

"The latest AOL software elegantly incorporates more custom sign-on information features, new communication options, added security and parental controls, and extra productivity and convenience features..."
— *PC Magazine*, July 31, 2003

We're blushing.
Introducing AOL 9.0 Optimized... the amazing new upgrade from America Online. It has exciting features such as Adaptive Spam Filters, which remarkably learn which e-mails you want to get, and which ones you don't, as well as built-in e-mail anti-virus software that automatically repairs most known e-mail viruses. So, what are you waiting for? See what all the hype is about by signing up for AOL 9.0 Optimized today.

AOL 9.0 OPTIMIZED

Life needs rave reviews.

All-New!

1099 HOURS FREE!
FOR 50 DAYS —
see details inside

No Credit Card Required!

Get Connected
In your new home!

Try AOL 9.0 OPTIMIZED

AOL has discovered the power of sales promotion in the form of giving its product away free for a trial period. Here we can see the combined use of a tradition media print ad with the mass distribution of free access CD-ROMs.

Omaha Steaks—not to mention inside the plastic sack along with your local Sunday paper that the neighborhood kid delivers.

What makes sampling so attractive for AOL is that it helps take all the risk away from consumer trial. Consumers with computers can give AOL a try without investing a penny or making a long-term commitment to a piece of software. If they like what they see, they can sign up for a longer period of time. The technology companies have embraced the concept and accepted the main liabilities of sampling—cost and time.³⁵

But sampling is not the only sales promotion tool discovered by the dot.coms. In their desire to create "sticky" Web sites, Internet firms have relied heavily on incentives as a way to attract and retain Web surfers. Many of them are offering loyalty programs, and others have devised offers to make members out of visitors. In an attempt to make the incentive programs more interesting, many of the Web companies allow participants to review their standings in contests and then take a virtual tour of prizes—including the classic grand prize, an exotic travel destination.³⁶

These technology companies have discovered that sales promotion can be a valuable component of the overall promotional program—and that the potential impact of sales promotion is quite different from advertising. Internet and new media com-

35. Patricia Nakache, "Secrets of the New Brand Builders," *Fortune*, June 22, 1998, 167–170.

36. "Motivating Matters," *Promotion Trends 2000*, Annual Report of the Promotions Industry, compiled by *PROMO Magazine*, May 2000, A13.

panies have invested heavily in advertising as a way to develop brand recognition. Now they have discovered sales promotion as a way to help drive revenues.

The Use of the Internet and New Media to Implement Sales Promotions. It is interesting to see Internet and new media companies rely on traditional sales promotions. But it is also interesting to see how companies of all types are learning to use the Internet and new media to implement sales promotion techniques. In a survey of firms using various promotional techniques, over half responded that the Internet and new media were having a large impact on their promotional planning. In 2000, marketers invested an estimated \$1 billion in Web-based promotions including online sweepstakes, couponing, and loyalty and sampling programs.³⁷

There are a variety of ways in which the Internet is being used to implement sales promotions. First, companies like Sweeps Advantage (www.sweepsadvantage.com) are emerging to provide widespread visibility and access to company sweepstakes (see Exhibit 18.16). Second, the Internet is being used as a distribution system for couponing. In the packaged goods area, Internet "triggered" coupons (either printed from the site or requested online for mail delivery) have become so popular that a printable-coupon Web site, coolsavings.com, now boasts over 11 million members.³⁸ Sites like coolsavings.com (www.coolsavings.com) allow you to print coupons for savings on pet products, beauty items, and baby products. Rebates are also being distributed through the Internet as a way to expand access to this sales promotion option. And sweepstakes are simply highly popular on the Web. A General Motors game for the Chevy Tracker drew 1.3 million Web-based entries.

While the Internet attracts most of the attention for sales promotion implementation, new media applications are also taking hold. The CD-ROMs distributed by AOL represent one form of new media application. In-store coupon dispensers are

EXHIBIT 18.16

Web-based games and sweepstakes are highly popular with consumers. Several sweepstakes and context directories have emerged with provide visibility and access for firms using these sales promotion techniques delivered over the Web.

The screenshot shows the LuckySurf website interface. At the top, there is a navigation bar with the following items: "L network", "LuckySurf", "theBIGevent", "More Fun", "MealLottoClub", and "LuckyPoints". Below this bar, it says "\$1,000,000.00 Daily Drawing". The main content area is titled "Welcome" and "New to LuckySurf.com?". It includes a "START HERE" section with a 10x5 grid of numbers (1-50) and a "Pick 7 numbers and click on 'Continue'" instruction. To the right, there is a "Free Lottery Sweepstakes \$1-Million daily and tons of other prizes" section with an image of a car and a motorcycle. Below that, there is a "Sign in" link for existing members and a list of links: "How to Play and Win", "Privacy Policy", "About Us", and "Official Rules". At the bottom, there are logos for "LuckySurf.com Inc." and "France | Zeean | U.K."

37. "Internet Invasion," Promotion Trends 2000, Annual Report of the Promotions Industry, compiled by *PROMO Magazine*, May 2000, A30.

38. Roger O. Crockett, "Penny Pinchers' Paradise," *BusinessWeek E-Biz*, January 22, 2000, 12.

another. Finally, interactive kiosks are being developed that provide both information and incentives in retail locations.

4 The Risks of Sales Promotion. Sales promotion can be used to pursue important sales objectives. As we have seen, there are a wide range of sales promotion options for both the consumer and trade markets. But there are also significant risks associated with sales promotion, and these risks must be carefully considered.

Creating a Price Orientation. Since most sales promotions rely on some sort of price incentive or giveaway, a firm runs the risk of having its brand perceived as cheap, with no real value or benefits beyond low price. Creating this perception in the market contradicts the concept of integrated marketing communication. If advertising messages highlight the value and benefit of a brand only to be contradicted by a price emphasis in sales promotions, then a confusing signal is being sent to the market. This was a risk run by Schick and Gillette as their “razor wars” continue to escalate. At one point, both firms were giving away razors that cost \$10 and including a \$2 coupon to try to stimulate repeat purchase. The cost of this one “skirmish” in the ongoing war was \$40 million to Gillette and somewhere between \$40 million and \$70 million for Schick.³⁹ Clearly the ongoing risk here is that men will simply take both free razors and wait to see which firm offers the next deal.

Borrowing from Future Sales. Management must admit that sales promotions are typically short-term tactics designed to reduce inventories, increase cash flow, or show periodic boosts in market share. The downside is that a firm may simply be borrowing from future sales. Consumers or trade buyers who would have purchased the brand anyway may be motivated to stock up at the lower price. This results in reduced sales during the next few time periods of measurement. This can play havoc with the measurement and evaluation of the effect of advertising campaigns or other image-building communications. If consumers are responding to sales promotions, it may be impossible to tease out the effects of advertising.

Alienating Customers. When a firm relies heavily on sweepstakes or frequency programs to build loyalty among customers, particularly their best customers, there is the risk of alienating these customers with any change in the program. Airlines suffered just such a fate when they tried to adjust the mileage levels needed for awards in their frequent-flyer programs. Ultimately, many of the airlines had to give concessions to their most frequent flyers as a conciliatory gesture.

Time and Expense. Sales promotions are both costly and time-consuming. The process is time-consuming for the marketer and the retailer in terms of handling promotional materials and protecting against fraud and waste in the process. As we have seen in recent years, funds allocated to sales promotions are taking dollars away from advertising. Advertising is a long-term, franchise-building process that should not be compromised for short-term gains.

Legal Considerations. With the increasing popularity of sales promotions, particularly contests and premiums, there has been an increase in legal scrutiny at both the federal and state levels. Legal experts recommend that before initiating promotions that use coupons,

39. Jack Neff, “Gillette, Schick Fight with Free Razors,” *Advertising Age*, December 1, 2003, 8.

games, sweepstakes, and contests, a firm check into lottery laws, copyright laws, state and federal trademark laws, prize notification laws, right of privacy laws, tax laws, and FTC and FCC regulations.⁴⁰ The best advice for staying out of legal trouble with sales promotions is to carefully and clearly state the rules and conditions related to the program so that consumers are fully informed.

Point-of-Purchase Advertising. From 1981 to 2003, marketers' annual expenditures on point-of-purchase (P-O-P) advertising rose from \$5.1 billion to over \$17 billion per year.⁴¹ Why this dramatic growth? First, consider that P-O-P is the only medium that places advertising, products, and a consumer together in the same place at the same time. Then, think about these results. Research conducted by the trade association Point-of-Purchase Advertising International (<http://www.popai.com>) indicates that 70 percent of all product selections involve some final deliberation by consumers at the point of purchase. Additionally, a joint study sponsored by Kmart and Procter & Gamble found that P-O-P advertising boosted the sales of coffee, paper towels, and toothpaste by 567 percent, 773 percent, and 119 percent, respectively.⁴² With results like these, it is plain to see why P-O-P advertising is one of the fastest-growing categories in today's marketplace.

Point-of-Purchase Advertising Defined. Point-of-purchase (P-O-P) advertising refers to materials used in the retail setting to attract shoppers' attention to one's product, convey primary product benefits, or highlight pricing information. P-O-P displays may also feature price-off deals or other consumer sales promotions. A corrugated-cardboard dump bin and an attached header card featuring the brand logo or related brand information can be produced for pennies per unit. When the bin is filled with a brand and placed as a freestanding display at retail, sales gains usually follow. Marketers clearly believe in the power of P-O-P; spending on P-O-P is second only to event and premiums/incentives spending.

As an example of the kind of impact P-O-P advertising can have, a dump bin with tower display was designed for Nabisco's Barnum's Animals crackers. This colorful 76-inch-tall cardboard tower spent 14 weeks in design before being mass-produced and rolled out across the country. The gorilla towers, along with their tiger and elephant predecessors, hold small boxes of animal crackers and are the cornerstone of the advertising strategy for Barnum's.⁴³ While other Nabisco brands such as Oreo, Chips Ahoy, and Nilla Wafers are supported by more comprehensive advertising programs, they too benefit from P-O-P displays.

Effective deployment of P-O-P advertising requires careful coordination with the marketer's sales force. Gillette found this out when it realized it was wasting money on lots of P-O-P materials and displays that retailers simply ignored.⁴⁴ Gillette sales reps visit about 20,000 stores per month, and are in a position to know what retailers will and will not use. Gillette's marketing executives finally woke up to this fact when their sales reps told them, for example, that 50 percent of the shelf signs being shipped to retailers from three separate suppliers were going directly to retailers' garbage bins. Reps helped redesign new display cards that megaretailers such as Wal-Mart approved for their stores and immediately put into use. Now any time Gillette launches a new P-O-P program, it tracks its success through the eyes and ears of 20 of its sales reps who have been designated as monitors for the new program. Having

40. Maxine S. Lans, "Legal Hurdles Big Part of Promotions Game," *Marketing News*, October 24, 1994, 15.

41. Data cited in Lisa Z. Eccles, "P-O-P Scores with Marketers," *Advertising Age*, September 26, 1994, 1-4; Leah Haran, "Point of Purchase: Marketers Getting with the Program," *Advertising Age*, October 23, 1995, 33; PROMO 2004 Industry Trends Report.

42. Eccles, "P-O-P Scores with Marketers"; Haran, "Point of Purchase: Marketers Getting with the Program."

43. Yumiko Ono, "'Wobblers' and 'Sidekicks' Clutter Stores, Irrate Retailers," *Wall Street Journal*, September 8, 1998, B1.

44. Nicole Crawford, "Keeping P-O-P Sharp," *PROMO Magazine*, January 1998, 52, 53.

a sales force that can work with retailers to develop and deliver effective P-O-P programs is a critical element for achieving integrated brand promotion.

Objectives for Point-of-Purchase Advertising. The objectives of point-of-purchase advertising are similar to those for sales promotion. The goal is to create a short-term impact on sales while preserving the long-term image of the brand being developed and maintained by advertising for the brand. Specifically, the objects for sales promotion are as follows:

- Draw consumers' attention to a brand in the retail setting.
- Maintain purchase loyalty among brand loyal users.
- Stimulate increased or varied usage of the brand.
- Stimulate trial use by users of competitive brands.

These objectives are self-explanatory and follow closely on the objects of sales promotion. Key to the effective use of P-O-P is to maintain the brand image being developed by advertising.

Types of Point-of-Purchase Advertising and Displays. A myriad of displays and presentations are available to marketers. P-O-P materials generally fall into two categories: **short-term promotional displays**, which are used for six months or less, and **permanent long-term displays**, which are intended to provide point-of-purchase presentation for more than six months. Within these two categories, marketers have a wide range of choices:⁴⁵

- **Window and door signage:** Any sign that identifies and/or advertises a company or brand or gives directions to the consumer.
- **Counter/shelf unit:** A smaller display designed to fit on counters or shelves.
- **Floor stand:** Any P-O-P unit that stands independently on the floor.
- **Shelf talker:** A printed card or sign designed to mount on or under a shelf.
- **Mobile/banner:** An advertising sign suspended from the ceiling of a store or hung across a large wall area.
- **Cash register:** P-O-P signage or small display mounted near a cash register designed to sell impulse items such as gum, lip balm, or candy, as in Exhibit 18.17.
- **Full line merchandiser:** A unit that provides the only selling area for a manufacturer's line. Often located as an end-of-aisle display.
- **End-of-aisle display/gondola:** Usually a large display of products placed at the end of an aisle, as in Exhibit 18.18.
- **Dump bin:** A large bin with graphics or other signage attached.
- **Illuminated sign:** Lighted signage used outside or in-store to promote a brand or the store.
- **Motion display:** Any P-O-P unit that has moving elements to attract attention.
- **Interactive unit:** A computer-based kiosk where shoppers get information such as tips on recipes or how to use the brand. Can also be a unit that flashes and dispenses coupons.
- **Overhead merchandiser:** A display rack that stocks product and is placed above the cash register. The cashier can reach the product for the consumer. The front of an overhead merchandiser usually carries signage.
- **Cart advertising:** Any advertising message adhered to a shopping cart, as in Exhibit 18.19.
- **Aisle directory:** Used to delineate contents of a store aisle; also provides space for an advertising message.

This array of in-store options gives marketers the opportunity to attract shoppers' attention, induce purchase, and provide reinforcement for key messages that are

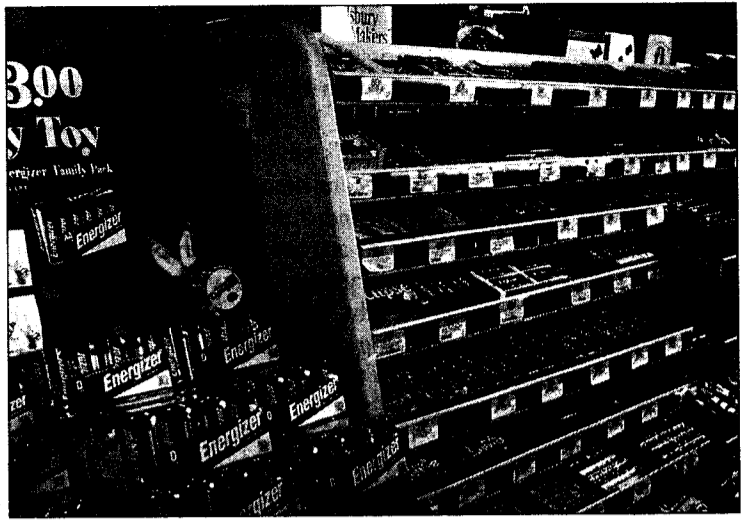
45. *Retailer Guide to Maximizing In-Store Advertising Effectiveness* (Washington, D.C.: Point-of-Purchase Advertising International, 1999), 5-7.

EXHIBIT 18.17

Displays in a cash register checkout lane are designed to sell impulse items such as candy, or easily forgotten items such as batteries.

**EXHIBIT 18.18**

End-of-aisle displays provide space to draw attention to a large display of product.

**EXHIBIT 18.19**

A shopping-cart ad carries an immediate message to shoppers.

being conveyed through other components of the advertising plan. Retailers are increasingly looking to P-O-P displays as ways to differentiate and provide ambience for their individual stores, which means that the kind of displays valued by Wal-Mart versus Walgreens versus Albertson's versus Target (to name just a few) will often vary considerably. Once again, it is the marketer's field sales force that will be critical in developing the right P-O-P alternative for each retailer stocking that marketer's products. Without the retailers' cooperation, P-O-P advertising has virtually no chance to work its magic.

P-O-P Advertising and the Trade and Business Markets. While we have focused our discussion of the use of point-of-purchase advertising as a technique to attract consumers, this promotional tool is also strategically valuable to the trade and business markets. Product displays and information sheets often encourage retailers to support one distributor or manufacturer's brand over another. P-O-P promotions can help win precious shelf space and exposure in a retail setting. From a retailer's perspective, a

P-O-P display should be designed to draw attention to a brand, increase turnover, and possibly distribute coupons or sweepstakes entry forms. But brand manufacturers and distributors obviously share that interest. When the retailer is able to move a particular brand off the shelf, that, in turn, positively affects the manufacturer and distributor's sales. Over \$17 billion was invested in on P-O-P materials in 2003—an 18.1 percent increase over the prior year. This is more than was spent on either magazine or radio advertising.⁴⁶

In an attempt to combat the threat of losing business to online shopping, retailers are trying to enliven the retail environment, and point-of-purchase displays are part of the strategy. Distributors and retailers are trying to create a better and more satisfying shopping experience. The president of a large display company says, "We're trying to bring more of an entertainment factor to our P-O-P programs."⁴⁷

5 The Coordination Challenge: Sales Promotion, Point-of-Purchase Advertising, and IBP.

There is an allure to sales promotion that must be put into perspective. Sales promotions can make things happen—quickly. While managers often find the immediacy of sales promotion valuable, particularly in meeting quarterly sales goals, sales promotions are rarely a viable means of long-term success. But when used properly, sales promotions can be an important element in a well-conceived IBP campaign. Key to their proper use is coordinating the message emphasis in advertising with the placement and emphasis of sales promotions. When advertising and sales promotion are well coordinated, the impact of each is enhanced—a classic case of synergy. When advertisers were surveyed about their perspective on sales promotion, 57 percent said that they employed a mix of brand building and sales incentives in the promotional process. Similarly, the majority of respondents indicated that sales promotion was an ancillary part of their IBP campaigns rather than a core component or the key component.⁴⁸ The effectiveness of coordination was demonstrated dramatically by *Jane* magazine. The magazine ran a contest designed to prove to advertisers that the magazine's readers do buy advertisers' brands. Readers who wanted to participate in the contest collected the UPC codes of specified brands from their purchases and entered them on the magazine's Web site, <http://www.janemag.com>. This coordinated effort was a huge success, attracting 51,543 Web contest entries and 37 new ad pages from advertisers.⁴⁹

Message Coordination. The typical sales promotion should either attract attention to a brand or offer the target market greater value: reduced price, more product, or the chance to win a prize or an award. In turn, this focused attention and extra value acts as an incentive for the target market to choose the promoted brand over other brands. One of the coordination problems this presents is that advertising messages, designed to build long-term loyalty, may not seem totally consistent with the extra-value signal of the sales promotion.

This is the classic problem that marketers face in coordinating sales promotion with an advertising campaign. First, advertising messages tout brand features or emotional attractions. Then, the next contact a consumer may have with the brand is an insert in the Sunday paper offering a cents-off coupon. These mixed signals can be damaging for a brand.

Increasing the coordination between advertising and various sales promotion efforts requires only the most basic planning. First, when different agencies are involved in preparing sales promotion materials and advertising materials, those

46. PROMO 2004 Industry Trends Report.

47. Ibid.

48. Ibid.

49. Brian Steinberg, "Jane Links Promotions to Purchases," *Wall Street Journal*, May 14, 2003, B5.

agencies need to be kept informed by the advertiser regarding the maintenance of a desired theme. Second, simple techniques can be used to carry a coordinated theme between promotional tools. The use of logos, slogans, visual imagery, or spokespersons can create a consistent presentation. As illustrated in Exhibits 18.14 and 18.15, even if advertising and sales promotion pursue different purposes, the look and feel of both efforts may be coordinated. The more the theme of a promotion can be tied directly to the advertising campaign, the more impact these messages will generally have on the consumer. A good example of coordinating the message across all forms of communication is the M&M “Great Color Quest” promotion. Masterfoods USA introduced bold new colors for the old M&M brand but first turned all the candies black and white for a period. The release of the new colors was coordinated with print ads, billboards, coupons, and a new package.⁵⁰

Media Coordination. Another key in coordination involves timing. Remember that the success of a sales promotion depends on the consumer believing that the chance to save money or receive more of a product represents enhanced value. If the consumer is not aware of a brand and its features and benefits, and does not perceive the brand as a worthy item, then there will be no basis for perceiving value—discounted or not. This means that appropriate advertising should precede price-oriented sales promotions for the promotions to be effective. The right advertising can create an image for a brand that is appropriate for a promotional offer. Then, when consumers are presented with a sales promotion, the offer will impress the consumer as an opportunity to acquire superior value. This is precisely why Internet firms began investing so heavily in advertising before turning to sales promotions as a way of attracting visitors. In coordinating online with offline media, the chief marketing officer of a high-tech promotions shop makes the observation, “Online promotions used to be ugly stepchildren. But brands are now starting to use the Web smartly. They’re combining the media and no longer treating online and offline separately.”⁵¹

Conclusions from Research. The synergy theme prominent in the preceding discussion is not just a matter of speculation. Research using single-source data generated by A. C. Nielsen reaffirms many of the primary points of this chapter.⁵² The major conclusions of this research are

- The short-term productivity of promotions working alone is much more dramatic than that of advertising. Promotions that involve price incentives on average yield a 1.8 percent increase in sales for each 1 percent price reduction. A 1 percent increase in advertising yields just a 0.2 percent sales increase on average.
- The average cost of a 1 percent reduction in price is always far greater than the cost of a 1 percent increase in advertising. Thus, more often than not, sales promotions featuring price incentives are actually unprofitable in the short term.
- It is rare that a sales promotion generates a long-term effect. Hence, there are no long-term revenues to offset the high cost of promotions in the short run. Successful advertising is much more likely to yield a profitable return over the long run, even though its impact on short-run sales may be modest.
- While both advertising and sales promotions may be expected to affect sales in the short run, the evidence suggests that the most powerful effects come from a combination of the two. The impact of advertising and promotions working together is dramatically greater than the sum of each sales stimulus working by itself.

50. Stephanie Thompson, “M&M’s Wraps Up Promo with Color,” *Advertising Age*, March 8, 2004, 4, 51.

51. “Internet Invasion,” *Promotion Trends 2000*.

52. John Philip Jones, *When Ads Work* (New York: Lexington Books, 1995).

SUMMARY

- 1 Explain the importance and growth of sales promotion.

Sales promotions use diverse incentives to motivate action on the part of consumers, members of the trade channel, and business buyers. They serve different purposes than does mass media advertising, and for some companies, sales promotions receive substantially more funding. The growing reliance on these promotions can be attributed to the heavy pressures placed on marketing managers to account for their spending and meet sales objectives in short time frames. Deal-prone shoppers, brand proliferation, the increasing power of large retailers, and media clutter have also contributed to the rising popularity of sales promotion.

- 2 Describe the main sales promotion techniques used in the consumer market, trade channel, and business markets.

Sales promotions directed at consumers can serve various goals. For example, they can be employed as means to stimulate trial, repeat, or large-quantity purchases. They are especially important tools for introducing new brands or for reacting to a competitor's advances. Coupons, price-off deals, phone and gift cards, and premiums provide obvious incentives for purchase. Contests, sweepstakes, and product placements can be excellent devices for stimulating brand interest. A variety of sampling techniques are available to get a product into the hands of the target audience. Rebates and frequency programs provide rewards for repeat purchase.

Sales promotions directed at the trade can also serve multiple objectives. They are a necessity in obtaining initial distribution of a new brand. For established brands, they can be a means to increase distributors' order quantities or obtain retailers' cooperation in implementing a consumer-directed promotion. Incentives and allowances can be offered to distributors to motivate support for a brand. Sales training programs and cooperative advertising programs are additional devices for effecting retailer support.

In the business market, professional buyers are attracted by various sales promotion techniques. Fre-

quency (continuity) programs are very valuable in the travel industry and have spread to business-product advertisers. Trade shows are an efficient way to reach a large number of highly targeted business buyers. Gifts to business buyers are a form of sales promotion that is unique to this market. Finally, premiums, advertising specialties, and trial offers have proven to be successful in the business market.

- 3 Identify the risks to the brand of using sales promotion.

There are important risks associated with heavy reliance on sales promotion. Offering constant deals for a brand can erode brand equity, and it may simply be borrowing sales from a future time period. Constant deals can also create a customer mindset that leads consumers to abandon a brand as soon as a deal is retracted. Sales promotions are expensive to administer and fraught with legal complications. Sales promotions yield their most positive results when carefully integrated with the overall advertising plan.

- 4 Understand the role and techniques of point-of-purchase advertising.

Point-of-purchase advertising (P-O-P) refers to materials used in the retail setting to attract shoppers' attention to a firm's brand, convey primary brand benefits, or highlight pricing information. The effect of P-O-P can be to reinforce a consumer's brand preference or change a consumer's brand choice in the retail setting. P-O-P displays may also feature price-off deals or other consumer and business sales promotions. A myriad of displays and presentations are available to marketers. P-O-P materials generally fall into two categories: short-term promotional displays, which are used for six months or less, and permanent long-term displays, which are intended to provide point-of-purchase presentation for more than six months. In trade and business markets, P-O-P displays encourage retailers to support one manufacturer's brand over another; they can also be used to gain preferred shelf space and exposure in a retail setting.



Explain the coordination issues for integrated brand promotion associated with using sales promotion and point-of-purchase advertising.

One of the coordination problems is message coordination. Advertising messages, designed to build long-term loyalty, may not seem to consumers to be totally consistent with the extra-value message of the sales promotion. This is the classic problem that marketers face in coordinating sales promotion with an advertising campaign. First, advertising messages tout brand features or emotional attractions. Then, the next contact a consumer

may have with the brand is an insert in the Sunday paper that touts a price reduction or contest.

Another key in coordination involves media coordination. The success of a sales promotion depends on the consumer believing that the chance to save money or receive extra quantity of a product represents enhanced value. If the consumer is not aware of a brand and its features and benefits, and does not perceive the brand as a worthy item, then there will be no basis for perceiving value—discounted or not. This means that appropriate advertising should precede price-oriented sales promotions for them to be effective.

sales promotion
 consumer-market sales promotion
 trade-market sales promotion
 business-market promotion
 coupon
 price-off deal
 premiums
 free premium
 self-liquidating premium
 advertising specialties
 contest
 sweepstakes

sampling
 in-store sampling
 door-to-door sampling
 mail sampling
 newspaper sampling
 on-package sampling
 mobile sampling
 trial offers
 rebate
 frequency programs
 push strategy
 push money

merchandise allowances
 slotting fees
 bill-back allowances
 off-invoice allowances
 cooperative advertising
 trade shows
 point-of-purchase (P-O-P)
 advertising
 short-term promotional displays
 permanent long-term displays

QUESTIONS

1. Compare and contrast sales promotion and mass media advertising as promotional tools. In what ways do the strengths of one make up for the limitations of the other? What specific characteristics of sales promotions account for the high levels of expenditures that have been allocated to them in recent years?
2. What is brand proliferation and why is it occurring? Why do consumer sales promotions become more commonplace in the face of rampant brand proliferation? Why do trade sales promotions become more frequent when there is excessive brand proliferation?
3. Pull all the preprinted and free-standing inserts from the most recent edition of your Sunday newspaper. From them find an example of each of these consumer-market sales promotions: coupon, free premium, self-liquidating premium, contest, sweepstakes, and trial offer.
4. In developing an advertising plan, synergy may be achieved through careful coordination of individual elements. Give an example of how mass media advertising might be used with on-package sampling to effect a positive synergy.
5. Consumers often rationalize their purchase of a new product with a statement such as, "I bought it because I had a 50-cent coupon and our grocery was doubling all manufacturers' coupons this week." What are the prospects that such a consumer will emerge as a loyal user of the product? What must happen if he or she is to become loyal?
6. Early in the chapter, it was suggested that large retailers like Wal-Mart are assuming greater power in today's marketplace. What factors contribute to retailers' increasing power? Explain the connection between merchandise allowances and slotting fees and the growth in retailer power.
7. In your opinion, are ethical dilemmas more likely to arise with sales promotions directed at the consumer or at the business market? What specific forms of consumer or business promotions seem most likely to involve or create ethical dilemmas?
8. What role does point-of-purchase advertising play as a promotional tool? In what ways can a firm ensure coordination of its P-O-P with other promotional efforts?

EXPERIENTIAL EXERCISES

1. As an in-class exercise, debate the issue "Sales promotion erodes brand loyalty and creates a commodity perception of a brand." Does sales promotion make you switch brands or are you loyal to certain brands no matter what incentive a marketer might offer?
2. This chapter gives two general categories of P-O-P displays and lists over a dozen examples of in-store options such as floorstands, shelf talkers, and the dump bin. Take that list and go to any retail store or grocer. Make a list of how many examples you can find to match the displays discussed in the text, and identify the advertisers that used each display you found. Briefly describe each and evaluate its usefulness based on what you learned in the chapter.

EXPERIENCING THE INTERNET

18-1 The Wonderful World of Disney

Integrated brand promotion involves a strategic coordination of multiple communication tools to promote products and services. Instead of viewing advertising, public relations, sales promotions, and other marketing functions as separate, the IBP approach aims to streamline them together to execute campaigns with a clear, consistent, and persuasive message. Large corporations such as Disney use the IBP approach for the promotion of their brands on a global level.

Disney.com: <http://www.disney.com>

Disney Store Affiliates: <http://www.disneystoreaffiliates.com>

Disney Store: <http://www.disneystore.com>

1. From the Disney.com home page, list features of the site that suggest that integrated brand promotion is an important concept in Disney's advertising and marketing efforts.
2. List a consumer-market sales promotion technique that you see on the Disney.com home page. Explain the strengths of that promotion technique and describe how visitors participate in the promotion via the Internet.
3. What is the purpose of the Disney Store Affiliates program, and how does it work? What is a push strategy, and how does it relate to the Disney Store Affiliates program?

18-2 Millstone's Famous Coffee-Bean Bins

Entrepreneur Phil Johnson started selling 100-pound sacks of whole-bean arabicas to gourmet shops in the early 1980s. While shopping at his local supermarket, he had an idea that changed the way consumers think of coffee. Johnson designed a retail distribution and placement model that would soon put the Millstone Coffee Company front and center in supermarkets everywhere. With beans on display in clear bins in stores, consumers would have a strong visual incentive to bypass competing brands and purchase the numerous gourmet coffees that have made Millstone famous.

Millstone Coffee: <http://www.millstone.com>

1. Define P-O-P advertising. In the case of Millstone Coffee, describe how the actual beans become part of the P-O-P display. Have you ever purchased Millstone coffee because of the attraction of the clear bins full of rich coffee beans?
2. What research conclusions have to led the dramatic rise of annual expenditures on P-O-P advertising by large companies? Why do you think P-O-P advertising is so effective in persuading customers to buy Millstone coffee?
3. Explain the role of the sales force in the successful deployment of P-O-P materials and displays. What can happen if sales reps aren't coordinating the deployment of P-O-P displays with retail managers?

CHAPTER 19

After reading and thinking about this chapter, you will be able to do the following:

1

Identify the three primary purposes served by direct marketing and explain its growing popularity.

2

Distinguish a mailing list from a marketing database and review the many applications of each.

3

Describe the prominent media used by direct marketers in delivering their messages to the consumer.

4

Articulate the added challenge created by direct marketing for achieving integrated brand promotion.

CHAPTER 17
Support Media,
Event Sponsorship,
and Branded
Entertainment

CHAPTER 18
Sales Promotion and
Point-of-Purchase
Advertising

CHAPTER 19
Direct Marketing

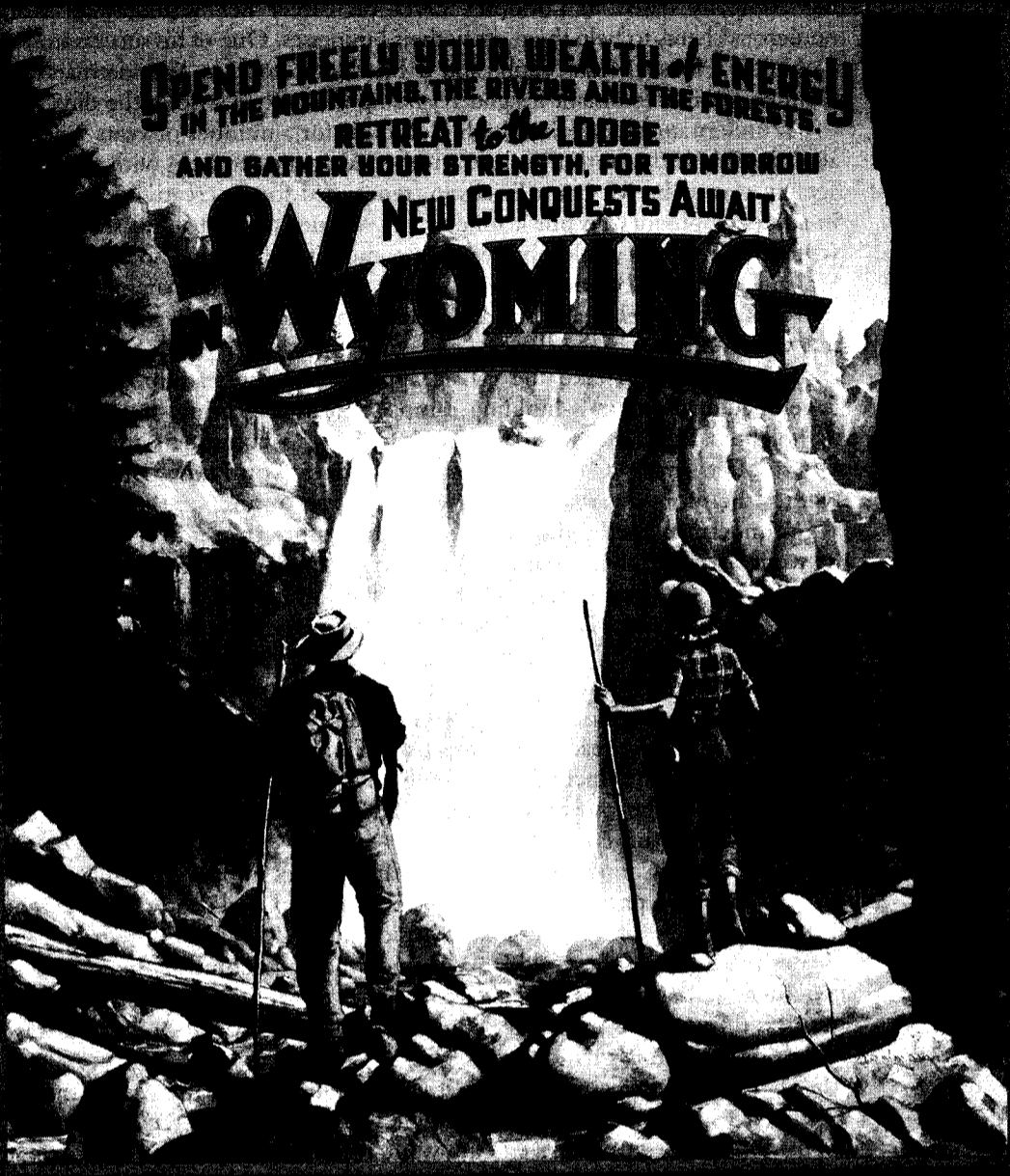
CHAPTER 20
Public Relations and
Corporate Advertising

SPEND FREELY YOUR WEALTH & ENERGY
IN THE MOUNTAINS, THE RIVERS AND THE FORESTS.

RETREAT *to the* LODGE
AND GATHER YOUR STRENGTH, FOR TOMORROW

NEW CONQUESTS AWAIT

WYOMING



WYOMING

Introductory Scenario: Don't Mess with Les. In 1958 Lester Wunderman launched a new services firm to help clients with a different style of marketing—a style he would label “direct marketing.” It turned out to be a potent style and his firm prospered, changed names, and today is part of WPP Group, the global ad holding company based in London.¹ Over his career Les Wunderman worked with numerous clients to help them grow their businesses. One of his success stories involved Columbia House Music Club, and a brief look back at Wunderman’s work with Columbia provides instant insights regarding the unique style of the direct marketer.²

Wunderman had worked with Columbia for a number of years when executives at Columbia had a notion to hire another ad agency to help with the job. The new agency was to be McCann Erickson, renowned for its creativity and sophistication in ad development. To put it mildly, Les was not thrilled about sharing the account with McCann, but Columbia wanted something different. So Les proposed a test. He said, give me 13 cities to work in, give McCann a comparable 13 cities, and the two of us will develop and run new campaigns—winner take all. Everyone agreed a test was in order.

McCann would take the classic approach of the traditional ad agency. They developed an awareness-building campaign featuring prime-time TV ads, designed to heighten familiarity with Columbia. Then, as consumers found the Columbia House offers in *TV Guide* and *Parade* magazines (you know, Buy One and Get 12 FREE), the more-aware consumer was expected to jump at the offer.

Wunderman used a different approach. Rather than glitzy, prime-time TV ads, he went late night, where air time is much less expensive (about one-quarter the cost of McCann’s programming). However, the key to his plan would be a “treasure hunt.” In every magazine ad, Wunderman’s designers incorporated a little gold box. Then, in his series of TV commercials, a critical theme was the invitation to solve the secret of the Gold Box and win a prize. The gold box gave viewers a reason to look for the companion ads in *TV Guide* and *Parade* magazines. In Wunderman’s words, “It made the readers/viewers part of an interactive advertising system. Viewers . . . became participants.”³ The little gold box served to “integrate” the different components of the overall campaign. That’s the magic word, so you can already guess who wins this competition.

Both the McCann and Wunderman approaches improved results. Spending four times as much on prime-time media, McCann produced nearly a 20 percent increase in the sign-up rate for Columbia’s Music Club. Using his, some might say, cheesy idea of the secret of the Gold Box, Wunderman and company generated an 80 percent increase in sign-ups. Needless to say, Les preempted the splitting of Columbia’s business through this in-market competition, and the Gold Box tactic was unveiled as part of Columbia’s national campaign.

There are several aspects of this story that illustrate the mindset of the direct marketer. First is simply the idea of staging a test. Direct marketers always seek to be in a position to judge results. Clients want results, and the Les Wundermans of the world first recommend going to the marketplace to see what works, and then spend the big dollars after you know the winner. Testing “in-market” is a hallmark of the direct marketer. Second, we see in the Wunderman gold box tactic keen insight about how to initiate a dialogue with the consumer. Use a little bit of mystery and throw in the prospect of winning something, and consumers get interested and send you back a response. This proclivity for promoting dialogue is another defining characteristic of the direct marketer’s style. Getting in a dialogue with consumers leads to

1. Alessandra Galloni, “WPP, Citing ‘Madness,’ Restores a Name,” *Wall Street Journal*, June 1, 2001, B6.

2. This account is adapted from Malcolm Gladwell, *The Tipping Point* (Boston, MA: Little, Brown and Company, 2002), 93–95.

3. *Ibid.*, 95.

relationships that can mean multiple purchases over time (as in a CD/DVD club like Columbia's). And that's where the real gold lies—in those multiple purchases.



The Evolution of Direct Marketing. In this chapter we will examine the growing field of direct marketing and explain how it may be used to both complement and supplant other forms of advertising. With the growing concern about fragmenting markets and the diminishing effectiveness of traditional media in reaching those markets, one can expect that more and more advertising dollars will be shifted to direct marketing programs.⁴ Before we examine the evolution of direct marketing and look deeper at the reasons for its growing popularity, we need a clear appreciation for what people mean when they use the term *direct marketing*. The “official” definition from the Direct Marketing Association (DMA) provides a starting point:

Direct marketing is an interactive system of marketing, which uses one or more advertising media to effect a measurable response and/or transaction at any location.⁵

When examined piece by piece, this definition furnishes an excellent basis for understanding the scope of direct marketing.⁶

Direct marketing is interactive in that the marketer is attempting to develop an ongoing dialogue with the customer. Direct marketing programs are commonly planned with the notion that one contact will lead to another and then another so that the marketer's message can become more focused and refined with each interaction. The DMA's definition also notes that multiple media can be used in direct marketing programs. This is an important point for two reasons. First, we do not want to equate direct mail and direct marketing. Any media can be used in executing direct marketing programs, not just the mail. Second, as we have noted before, a combination of media is likely to be more effective than any one medium alone.

Another key aspect of direct marketing programs is that they almost always are designed to produce some form of immediate, measurable response. Direct marketing programs are often designed to produce an immediate sale. The customer might be asked to return an order form with check or money order for \$189 to get a stylish Klaus Kobec Couture Sports Watch, or to call an 800 number with credit card handy to get 22 timeless hits on a CD called *The Very Best of Tony Bennett*. Because of this emphasis on immediate response, direct marketers are in a position to judge the effectiveness of a particular program. As in the Wunderman example, this ability to gauge the immediate impact of a program has great appeal to clients like Columbia House.

The final phrase of the DMA's definition notes that a direct marketing transaction can take place anywhere. The key idea here is that customers do not have to make a trip to a retail store for a direct marketing program to work. Follow-ups can be made by mail, over the telephone, or on the Internet. At one time the thinking was that Web-based direct marketers such as Amazon.com, pets.com, and eToys.com could ultimately provide so much convenience for shoppers that traditional retail stores might fall by the wayside.⁷ Not! It now seems clear that consumers like the option of contacting companies in many ways. So smart retailers both large (see Exhibit 19.1) and small (see Exhibit 19.2) make themselves available in both the physical and virtual worlds.⁸ Customers are then free to choose where and how they want to shop.

4. Anthony Bianco, “The Vanishing Mass Market,” *BusinessWeek*, July 12, 2004, 61–68.

5. Bob Stone, *Successful Direct Marketing Methods* (Lincolnwood, IL: NTC Business Books, 1994), 5.

6. The discussion to follow builds on that of Stone, *Successful Direct Marketing Methods*.

7. Patrick M. Reilly, “In the Age of the Web, a Book Chain Flounders,” *Wall Street Journal*, February 22, 1999, B1, B4.

8. Allanna Sullivan, “From a Call to a Click,” *Wall Street Journal*, July 17, 2000, R30.



EXHIBIT 19.1

Among other things, pure-play Internet retailers came to realize that when shoppers are dissatisfied with their purchases, many want a physical store where they can return the merchandise for a refund or a trade. In this ad BestBuy.com has some fun with this issue in the context of online CD shopping. At Best Buy, if "Folksongs from Rumania" is not what you thought it would be, you can always return it to one of their retail stores. <http://www.bestbuy.com>

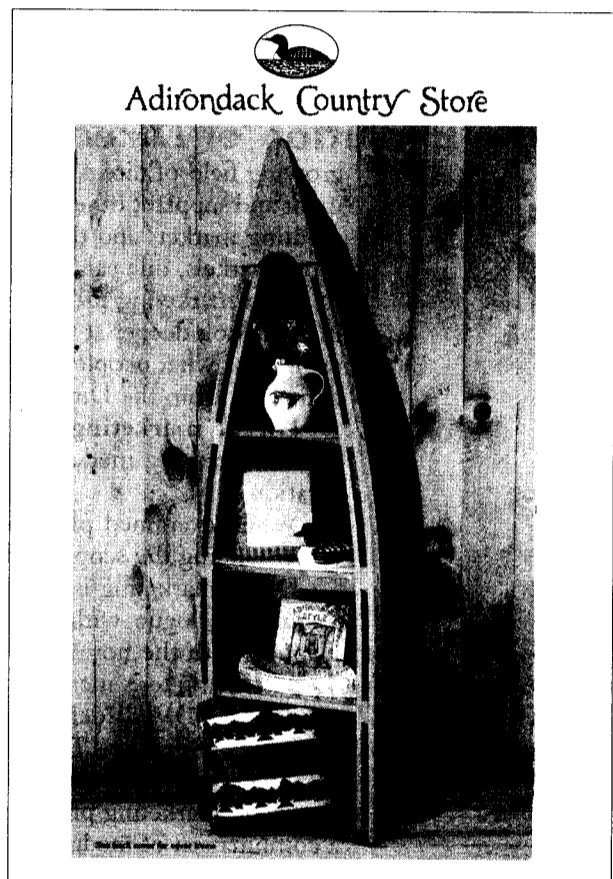


EXHIBIT 19.2

How about a new moose rug or carved loon for your grandparent's cottage Up North? Well, you could visit the Adirondack Country Store in upstate New York, call them at 1-800-LOON-ADK for the catalog, or go online to pick out something nice. Check out the call of the loon at <http://www.adirondackcountrystore.com>.

Direct Marketing—A Look Back. From Johannes Gutenberg and Benjamin Franklin to Richard Sears, Alvah Roebuck, Les Wunderman, and Lillian Vernon, the evolution of direct marketing has involved some of the great pioneers in business. As Exhibit 19.3 shows, the practice of direct marketing today is shaped by the successes of many notable mail-order companies and catalog merchandisers.⁹ Among these, none is more exemplary than L. L. Bean. Bean founded his company in 1912 on his integrity and \$400. His first product was a unique hunting shoe made from a leather top and rubber bottom sewn together. Other outdoor clothing and equipment soon followed in the Bean catalog.

A look at the L. L. Bean catalog of 1917 (black and white, just 12 pages) reveals the fundamental strategy underlying Bean's success. It featured the Maine Hunting Shoe and other outdoor clothing with descriptive copy that was informative, factual, and low-key. On the front page was Bean's commitment to quality. It read: "Maine Hunting Shoe—guarantee. We guarantee this pair of shoes to give perfect satisfaction

9. See Edward Nash, "The Roots of Direct Marketing," *Direct Marketing Magazine*, February 1995, 38–40; Cara Beardi, "Lillian Vernon Sets Sights on Second Half-Century," *Advertising Age*, March 19, 2001, 22.

EXHIBIT 19.3*Direct-marketing milestones.*

- c. 1450 Johannes Gutenberg invents movable type.
- 1667 The first gardening catalog is published by William Lucas, an English gardener.
- 1744 Benjamin Franklin publishes a catalog of books on science and industry and formulates the basic mail-order concept of customer satisfaction guaranteed.
- 1830s A few mail-order companies began operating in New England, selling camping and fishing supplies.
- 1863 The introduction of penny postage facilitates direct mail.
- 1867 The invention of the typewriter gives a modern appearance to direct-mail materials.
- 1872 Montgomery Ward publishes his first "catalog," selling 163 items on a single sheet of paper. By 1884 his catalog grows to 240 pages, with thousands of items and a money-back guarantee.
- 1886 Richard Sears enters the mail-order business by selling gold watches and makes \$5,000 in his first six months. He partners with Alvah Roebuck in 1887, and by 1893 they are marketing a wide range of merchandise in a 196-page catalog.
- 1912 L. L. Bean founds one of today's most admired mail-order companies on the strength of his Maine Hunting Shoe and a guarantee of total satisfaction for the life of the shoe.
- 1917 The Direct Mail Advertising Association is founded. In 1973 it becomes the Direct Mail/Direct Marketing Association.
- 1928 Third-class bulk mail becomes a reality, offering economies for the direct-mail industry.
- 1950 Credit cards first appear, led by the Diners' Club travel and entertainment card. American Express enters in 1958.
- 1951 Lillian Vernon places an ad for a monogrammed purse and belt and generates \$16,000 in immediate business. She reinvests the money in what becomes the Lillian Vernon enterprise. Vernon recognizes early on that catalog shopping has great appeal to time-pressed consumers.
- 1953 Publishers Clearing House is founded and soon becomes a dominant force in magazine subscriptions.
- 1955 Columbia Record Club is established, and eventually becomes Columbia House—the music-marketing giant.
- 1967 The term *telemarketing* first appears in print, and AT&T introduces the first toll-free 800 service.
- 1983 The Direct Mail/Direct Marketing Association drops Direct Mail from its name to become the DMA, as a reflection of the multiple media being used by direct marketers.
- 1984 Apple introduces the Macintosh personal computer.
- 1992 The number of people who shop at home surpasses 100 million in the United States.
- 1998 The Direct Marketing Association, <http://www.the-dma.org>, eager to adapt its members' bulk mailing techniques for the Internet, announces it will merge with the Association for Interactive Media, <http://www.interactivehq.org>.
- 2003 U.S. consumers register over 10 million phone numbers in the first four days of the national Do Not Call Registry.

Sources: Adapted from the DMA's "Grassroots Advocacy Guide for Direct Marketers" (1993). Reprinted with permission of the Direct Marketing Association, Inc.; Rebecca Quick, "Direct Marketing Association to Merge with Association of Interactive Media," *Wall Street Journal*, October 12, 1998, B6.

in every way. If the rubber breaks or the tops grow hard, return them together with this guarantee tag and we will replace them, free of charge. Signed, L. L. Bean.”¹⁰ Bean realized that long-term relationships with customers must be based on trust, and his guarantee policy was aimed at developing and sustaining that trust.

As an astute direct marketer, Bean also showed a keen appreciation for the importance of building a good mailing list. For many years he used his profits to promote his free catalog via advertisements in hunting and fishing magazines. Those replying to the ads received a rapid response and typically became Bean customers. Bean’s obsession with building mailing lists is nicely captured by this quote from his friend, Maine native John Gould: “If you drop in just to shake his hand, you get home to find his catalog in your mailbox.”¹¹

By 1967 Bean’s sales approached \$5 million, and by 1990 they had exploded to \$600 million, as the product line was expanded to include more apparel and recreation equipment. Today, L. L. Bean is still a family-operated business that emphasizes the basic philosophies of its founder, which are carefully summarized at the company’s Web site at <http://www.llbean.com>. Quality products, understated advertising, and sophisticated customer-contact and distribution systems still drive the business. Additionally, L. L.’s 100-percent-satisfaction guarantee can still be found in every Bean catalog, and it remains at the heart of the relationship between Bean and its customers.

Direct Marketing Today. Direct marketing today is rooted in the legacy of mail-order giants and catalog merchandisers such as L. L. Bean, Lillian Vernon, Publishers Clearing House, and JCPenney. Today, however, direct marketing has broken free from its mail-order heritage to become a tool used by all types of organizations throughout the world. Although many types of businesses and not-for-profit organizations are using direct marketing, it is common to find that such direct-marketing programs are not carefully integrated with an organization’s other advertising efforts. Integration should be the goal for advertising and direct marketing (remember the Gold Box!). Impressive evidence supports the thesis that integrated programs are more effective than the sum of their parts.¹²

Because the label “direct marketing” now encompasses many different types of activities, it is important to remember the defining characteristics spelled out in the DMA definition given earlier. Direct marketing involves an attempt to interact or create a dialogue with the customer; multiple media are often employed in the process, and direct marketing is characterized by the fact that a measurable response is immediately available for assessing a program’s impact. With these defining features in mind, we can see that direct marketing programs are commonly used for three primary purposes.

As you might imagine, the most common use of direct marketing is as a tool to close the sale with a customer. This can be done as a stand-alone program, or it can be coordinated with a firm’s other advertising. Telecommunications giants such as AT&T, Sprint, T-Mobile, and Verizon make extensive use of the advertising/direct marketing combination. High-profile mass media campaigns build awareness for their latest offer, followed by systematic direct marketing follow-ups to close the sale. A direct mail follow-up for Road Runner High Speed Online is featured in Exhibit 19.4.

A second purpose for direct marketing programs is to identify prospects for future contacts and, at the same time, provide in-depth information to selected customers. Any time you respond to an offer for more information or for a free sample, you’ve identified yourself as a prospect and can expect follow-up sales pitches

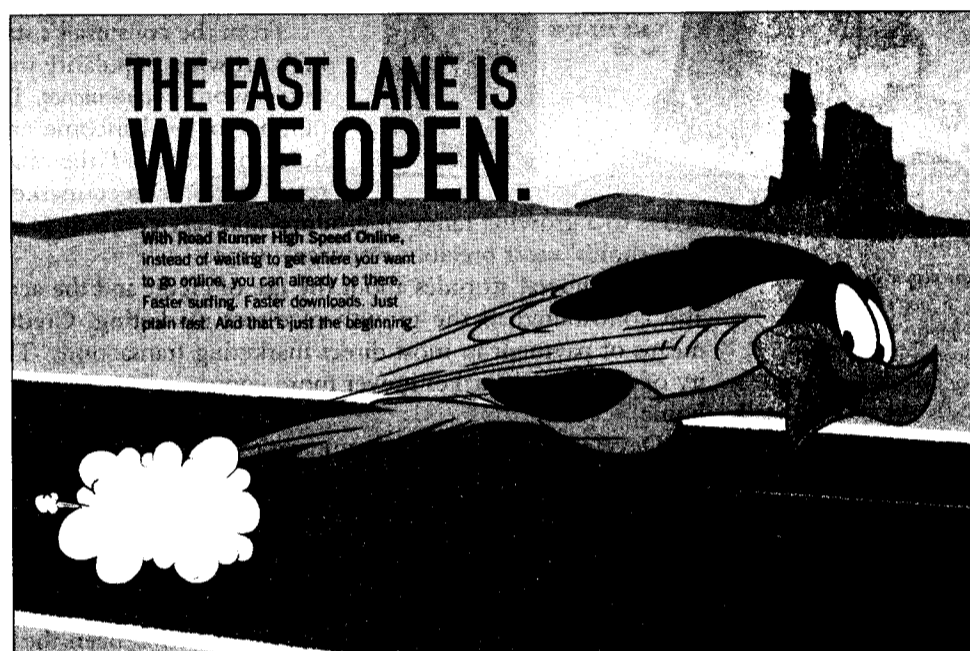
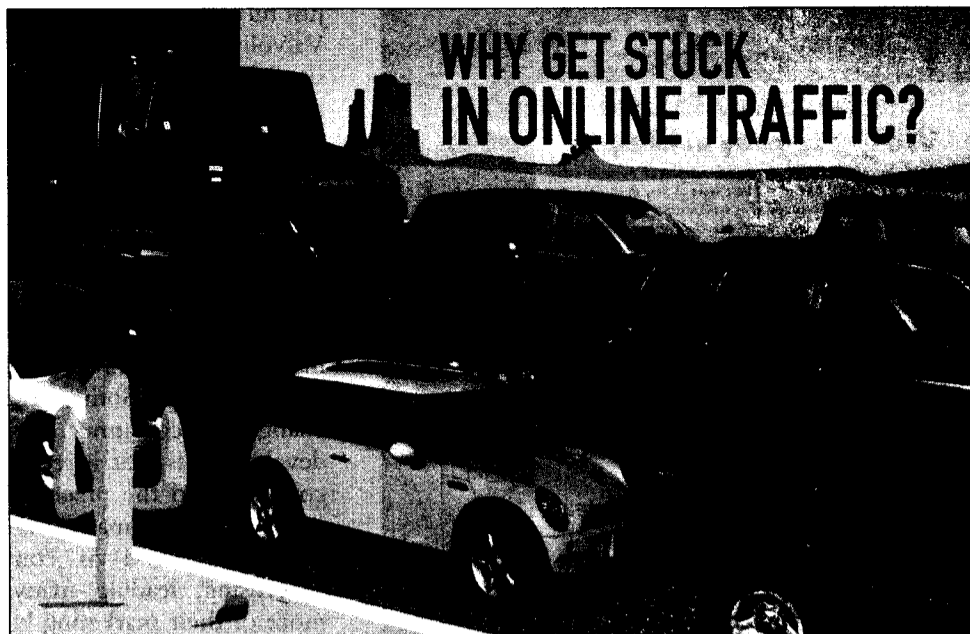
10. Allison Cosmedy, *A History of Direct Marketing* (New York: Direct Marketing Association, 1992), 6.

11. Ibid.

12. Ernan Roman, *Integrated Direct Marketing* (Lincolnwood, IL: NTC Business Books, 1995); Daniel Klein, “Disintegrated Marketing,” *Harvard Business Review*, March 2003, 18, 19.

EXHIBIT 19.4

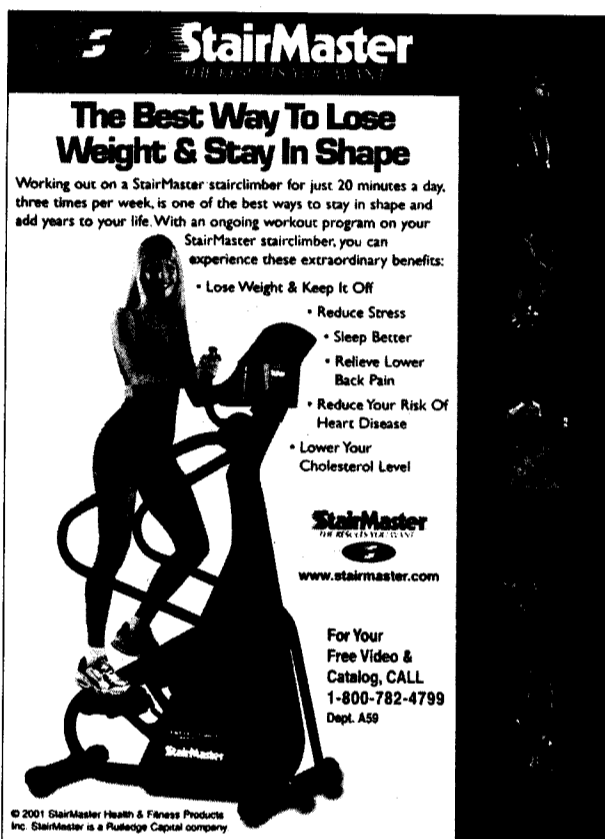
Closing the sale typically involves an incentive for immediate action. Here the offer is free installation plus the first 3 months at \$29.95 per month. Welcome to the fast lane!



from a direct marketer. The StairMaster ad in Exhibit 19.5 is a marketer's attempt to initiate a dialogue with prospective customers. Ordering the free catalog and video, whether through the 800 number or at the Web site, begins the process of interactive marketing designed to ultimately produce the sale of another Free-Climber 4600.

Direct marketing programs are also initiated as a means to engage customers, seek their advice, furnish helpful information about using a product, reward customers for using a brand, and in general foster brand loyalty. For instance, the manufacturer of Valvoline motor oil seeks to build loyalty for its brand by encouraging young car owners to join the Valvoline Performance Team.¹³ To join the team, young drivers

13. Nash, "The Roots of Direct Marketing."



StairMaster
HEALTH & FITNESS

The Best Way To Lose Weight & Stay In Shape

Working out on a StairMaster stairclimber for just 20 minutes a day, three times per week, is one of the best ways to stay in shape and add years to your life. With an ongoing workout program on your StairMaster stairclimber, you can experience these extraordinary benefits:

- Lose Weight & Keep It Off
- Reduce Stress
- Sleep Better
- Relieve Lower Back Pain
- Reduce Your Risk Of Heart Disease
- Lower Your Cholesterol Level

StairMaster
HEALTH & FITNESS

www.stairmaster.com

For Your Free Video & Catalog, CALL 1-800-782-4799 Dept. A59

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EXHIBIT 19.5

Most people are not going to buy a major piece of exercise equipment based on this or any other magazine ad. That's not the intent of this ad. The purchase process could start here, however, with the simple act of ordering that free video either through the 800 number or at <http://www.stairmaster.com>.

access to a growing range of products and services in their homes, thus saving many households' most precious resource—time.

More liberal attitudes about the use of credit and the accumulation of debt have also contributed to the growth of direct marketing. Credit cards are the primary means of payment in most direct marketing transactions. The widespread availability of credit cards makes it ever more convenient to shop from the comfort of one's home.

Developments in telecommunications have also facilitated the direct marketing transaction. After getting off to a slow start in the late 1960s, toll-free telephone numbers have exploded in popularity to the point where one can hardly find a product or a catalog that does not include an 800 or 888 number for interacting with the seller. Whether one is requesting the StairMaster video, ordering a twill polo shirt from Eddie Bauer, or planning that *Adventure* in Wyoming (see Exhibit 19.6), the preferred mode of access for many consumers has been the 800 number.

Another obvious development having a huge impact on the growth of direct marketing is the computer. (Did you know that your parents' new Buick has more computer power than the Apollo spacecraft that took astronauts to the moon?) The incredible diffusion of computer technology sweeping through all modern societies has been a tremendous boon to direct marketers. The computer now allows firms to track, keep records on, and interact with millions of customers with relative ease. As we will see in an upcoming discussion, the computer power now available for modest dollar amounts is fueling the growth of direct marketing's most potent tool—the marketing database.

And just as the computer has provided marketers with the tool they need to handle massive databases of customer information (see also the IBP box on page 680), it too has provided convenience-oriented consumers with the tool they need to comparison shop with the point and click of a mouse. What could be more convenient than logging on to the Internet and pulling up a shopping agent like

just fill out a questionnaire that enters them into the Valvoline database. Team members receive posters, special offers on racing-team apparel, news about racing events that Valvoline has sponsored, and promotional reminders at regular intervals that reinforce the virtues of Valvoline for the driver's next oil change.

What's Driving the Growing Popularity of Direct Marketing? The growth in popularity of direct marketing is due to a number of factors. Some of these have to do with changes in consumer lifestyles and technological developments that in effect create a climate more conducive to the practice of direct marketing. In addition, direct marketing programs offer unique advantages vis-à-vis conventional mass media advertising, leading many organizations to shift more of their marketing budgets to direct marketing activities.

From the consumer's standpoint, direct marketing's growing popularity might be summarized in a single word—*convenience*. Dramatic growth in the number of dual-income and single-person households has reduced the time people have to visit retail stores. Direct marketers provide consumers

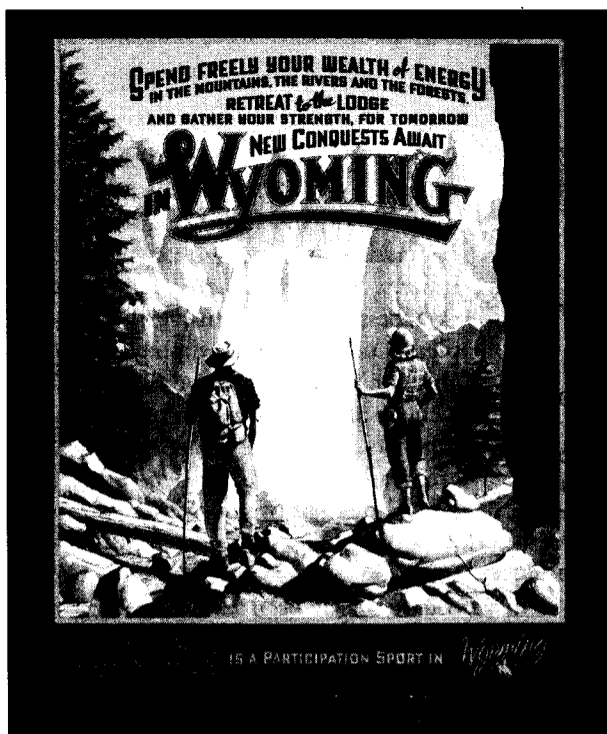


EXHIBIT 19.6

Finding that waterfall in Wyoming will take some planning, and Wyoming's Office of Travel & Tourism is happy to help. The adventure begins with a request for their vacation packet, and if the phone feels a little old-fashioned, you know you can start the visit at <http://www.wyoming.com>.

<http://www.pricescan.com> or <http://www.my.simon.com> to check prices on everything from toaster ovens to snowboards? Why leave the apartment?

Direct marketing programs also offer some unique advantages that make them appealing compared with what might be described as conventional mass marketing. A general manager of marketing communications with AT&T's consumer services unit put it this way: "We want to segment our market more; we want to learn more about individual customers; we want to really serve our customers by giving them very specific products and services. Direct marketing is probably the most effective way in which we can reach customers and establish a relationship with them."¹⁴ As you might expect, AT&T is one of those organizations that has shifted more and more of its marketing dollars into direct-marketing programs.

The appeal of direct marketing is enhanced further by the persistent emphasis on producing measurable effects. For instance, in direct marketing, it is common to find calculations such as **cost per inquiry (CPI)** or **cost per order (CPO)** being

featured in program evaluation. These calculations simply divide the number of responses to a program by that program's cost. When calculated for every program an organization conducts over time, CPI and CPO data tell an organization what works and what doesn't work in its competitive arena.

This emphasis on producing and monitoring measurable effects is realized most effectively through an approach called *database marketing*.¹⁵ Working with a database, direct marketers can target specific customers, track their actual purchase behavior over time, and experiment with different programs for affecting the purchasing patterns of these customers. Obviously, those programs that produce the best outcomes become the candidates for increased funding in the future. Let's look into database marketing.



Database Marketing. If any ambiguity remains about what makes direct marketing different from marketing in general, that ambiguity can be erased by the database. The one characteristic of direct marketing that distinguishes it from marketing more generally is its emphasis on database development. Knowing who the best customers are along with what and how often they buy is a direct marketer's secret weapon.¹⁶ This knowledge accumulates in the form of a marketing database.

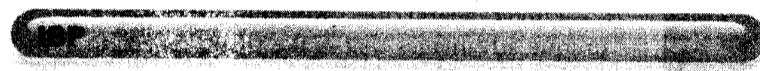
Databases used as the centerpieces in direct marketing campaigns take many forms and can contain many different layers of information about customers. At one extreme is the simple mailing list that contains nothing more than the names and addresses of possible customers; at the other extreme is the customized marketing database that augments names and addresses with various additional information about customers' characteristics, past purchases, and product preferences. Understanding

14. Gary Levin, "AT&T Exec: Customer Access Goal of Integration," *Advertising Age*, October 10, 1994, S1.

15. Like many authors, Winer contends that direct marketing starts with the creation of a database. See Russell Winer, "A Framework for Customer Relationship Management," *California Management Review*, Summer 2001, 89–105.

16. Ibid.

this distinction between mailing lists and marketing databases is important in appreciating the scope of database marketing.



It Takes a Warehouse . . .

Data warehousing refers to the use of huge databases filled with information about consumers and their shopping habits as a means to create marketing promotions and programs. How huge is huge, you ask. Well, Wal-Mart has a whopper. Wal-Mart uses NCR equipment to house the 100 terabytes of data that it has collected on shoppers thus far. That's 100 trillion bytes, which translates into about 16,000 bytes of data for every one of the world's six billion people. However, because Wal-Mart does most of its business in North America, most of these bytes are about shoppers in North America. The insights Wal-Mart executives glean from this massive data file help them decide what products to stock and where and how to shelve them. Store signage and the Wal-Mart in-store radio network are also programmed to take advantage of what is learned from the data warehouse. Since on the order of 100 million customers visit a Wal-Mart every week, and Wal-Mart knows a ton about these customers, it makes perfect sense for Wal-Mart to use its stores as its primary advertising medium.

By comparison, Fingerhut, a mail-order unit of Federated Department Stores, keeps a data warehouse of a mere six terabytes. But that's enough bytes to keep 30 analysts employed full-time just trying to ascertain key insights about shoppers from these data. Fingerhut mails on average 100 catalogs per year to each name in its customer file of six million people, so judging when and to whom to mail is something they have turned into a data-based science. What's next on Fingerhut's list of database applications? The direct marketer's other favorite tool: targeted e-mail.

So does it follow that he or she with the most data wins? Judging from Wal-Mart's success, maybe so.

Source: Dana Blankenhorn, "Marketers Hone Targeting," *Advertising Age*, June 18, 2001, T16.

Mailing Lists. A mailing list is simply a file of names and addresses that an organization might use for contacting prospective or prior customers. Mailing lists are plentiful, easy to access, and inexpensive. For example, CD-ROM phone directories available for a few hundred dollars provide a cheap and easy way to generate mailing lists. More-targeted mailing lists are available from a variety of suppliers. The range of possibilities is mind-boggling, including groupings like the 238,737 subscribers to *Mickey Mouse Magazine*; 102,961 kindergarten teachers; 4,145,194 physical fitness enthusiasts; 117,758 Lord & Taylor credit card purchasers, and a whopping 269 archaeologists.¹⁷

Each time you subscribe to a magazine, order from a catalog, register your automobile, fill out a warranty card, redeem a rebate offer, apply for credit, join a professional society, or log in at a Web site, the information you provided about yourself goes on another mailing list. These lists are freely bought and sold through many means, including over the Internet. Sites such as <http://www.worlddata.com>, <http://www.hdml.com>, and <http://www.dblink.com> allow one to buy names and addresses, or e-mail address

lists, for as little as 10 cents per record. What's out there is truly remarkable—go have a look.

Two broad categories of lists should be recognized: the internal, or house, list versus the external, or outside, list. **Internal lists** are simply an organization's records of its own customers, subscribers, donors, and inquirers. **External lists** are purchased from a list compiler or rented from a list broker. At the most basic level, internal and external lists facilitate the two fundamental activities of the direct marketer: Internal lists are the starting point for developing better relationships with current customers, whereas external lists help an organization cultivate new business.

List Enhancement. Name-and-address files, no matter what their source, are merely the starting point for database marketing. The next step in the evolution of a database is mailing-list enhancement. Typically this involves augmenting an internal list by combining it with other, externally supplied lists or databases. External lists can be appended or merged with a house list.

17. *The 2001 Mailing List Catalog* (New York: Hugo Dunhill Mailing Lists, 2001).

One of the most straightforward list enhancements entails simply adding or appending more names and addresses to an internal list. Proprietary name-and-address files may be purchased from other companies that operate in noncompetitive businesses. With today's computer capabilities, adding these additional households to an existing mailing list is simple. Many well-known companies such as Sharper Image, American Express, Bloomingdale's, and Hertz sell or rent their customer lists for this purpose.

A second type of list enhancement involves incorporating information from external databases into a house list. Here the number of names and addresses remains the same, but an organization ends up with a more complete description of who its customers are. Typically, this kind of enhancement includes any of four categories of information:

- **Demographic data**—the basic descriptors of individuals and households available from the Census Bureau.
- **Geodemographic data**—information that reveals the characteristics of the neighborhood in which a person resides.
- **Psychographic data**—data that allow for a more qualitative assessment of a customer's general lifestyle, interests, and opinions.
- **Behavioral data**—information about other products and services a customer has purchased; prior purchases can help reveal a customer's preferences.

List enhancements that entail merging existing records with new information rely on software that allows the database manager to match records based on some piece of information the two lists share. For example, matches might be achieved by sorting on zip codes and street addresses. Many suppliers gather and maintain databases that can be used for list enhancement. One of the biggest is InfoUSA of Omaha, Nebraska (see <http://www.infousa.com>). With over 200 million people in its database, and literally dozens of pieces of information about each person, InfoUSA offers exceptional capabilities for list enhancement. Because of the massive size of the InfoUSA database, it has a high match rate (60 to 80 percent) when it is merged with clients' internal lists. A more common match rate between internal and external lists is around 50 percent.

The Marketing Database. Mailing lists come in all shapes and sizes, and by enhancing internal lists they obviously can become rich sources of information about customers. But for a mailing list to qualify as a marketing database, one important additional type of information is required. Although a marketing database can be viewed as a natural extension of an internal mailing list, a **marketing database** also includes information collected directly from individual customers. Developing a marketing database involves pursuing dialogues with customers and learning about their individual preferences and behavioral patterns. This can be potent information for hatching marketing programs that will hit the mark with consumers.

Aided by the dramatic escalation in processing power that comes from every new generation of computer chip, marketers see the chance to gather and manage more information about every individual who buys, or could buy, from them. Their goal might be portrayed as an attempt to cultivate a kind of cybernetic intimacy with the customer. A marketing database represents an organization's collective memory, which allows the organization to make the kind of personalized offer that once was characteristic of the corner grocer in small-town America. For example, working in conjunction with The Ohio State University Alumni Association, Lands' End created a special autumn promotion to offer OSU football fans all their favorite gear just in time for the upcoming session. Prints ads in the September issue of the OSU alumni magazine set the stage for a special catalog of merchandise mailed to Buckeye faithful. Of course, Lands' End had similar arrangements with other major universities

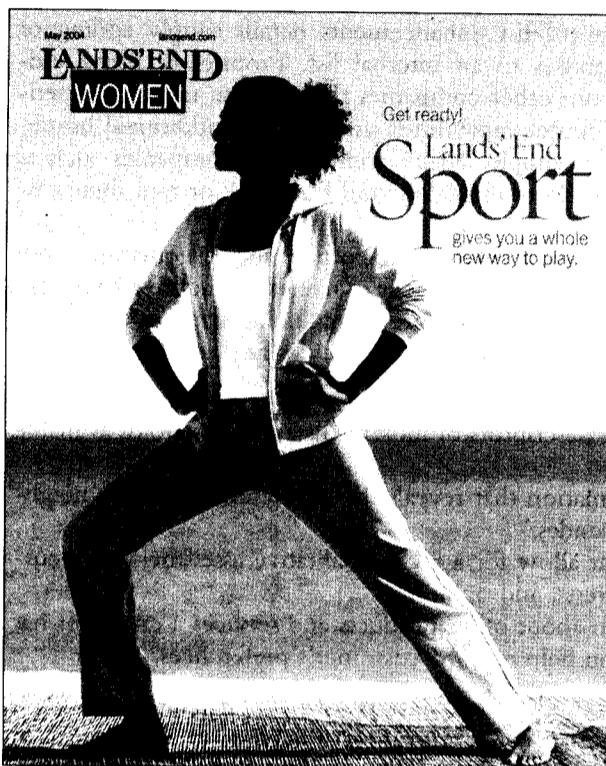


EXHIBIT 19.7

Lands' End for Women.

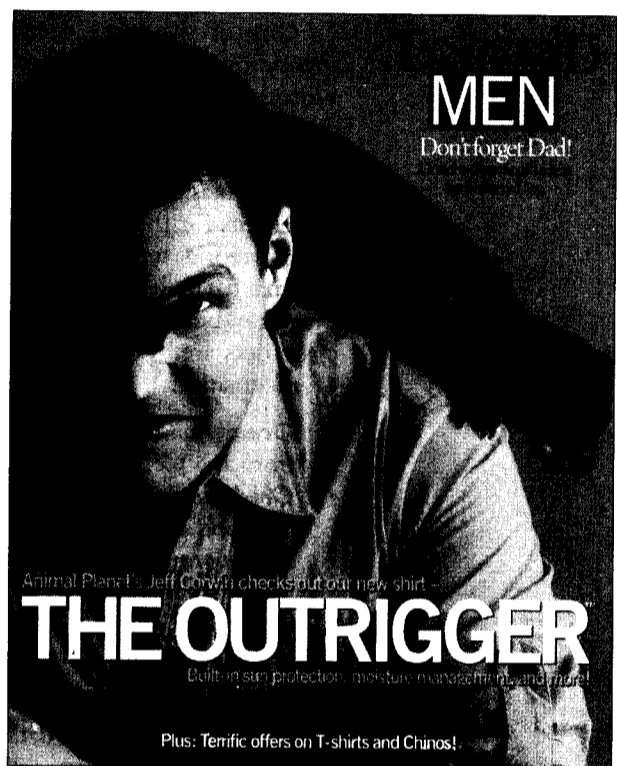


EXHIBIT 19.8

Lands' End for Men.

to tap into fall football frenzy. Database marketing at its best puts an offer in the hands of the consumer that is both relevant and timely. That's cybernetic intimacy.

Database marketing can also yield important efficiencies that contribute to the marketer's bottom line. As suggested in Exhibits 19.7 and 19.8, Lands' End found it useful to create separate "his" and "hers" versions of its base or core catalog. Why? The gender-specific catalogs run about 50 pages in length, versus 108 for the core catalog. A customer qualifies to receive the "his" or "hers" version if he or she has purchased five or more men's only or women's only items in the past. The separate catalogs don't yield any new revenues, but they help control costs for things like postage, paper, and printing. Steady revenues with lowered costs can only mean one thing: more profits!

It certainly is the case that a marketing database can have many valuable applications. Before we look at more of these applications, let's review the terminology introduced thus far. We now have seen that direct marketers use mailing lists, enhanced mailing lists, and/or marketing databases as the starting points for developing many of their programs. The crucial distinction between a mailing list and a marketing database is that the latter includes direct input from customers. Building a marketing database entails pursuing an ongoing dialogue with customers and continuous updating of records with new information, as illustrated in the Creativity box. While mailing lists can be rich sources of information for program development, a marketing database has a dynamic quality that sets it apart.

Marketing Database Applications. Many different types of customer-communication programs are driven by marketing databases. One of the greatest benefits of a database is that it allows an organization to quantify how much business the organization is actually

doing with its current best customers. A good way to isolate the best customers is with a recency, frequency, and monetary (RFM) analysis.¹⁸ An **RFM analysis** asks

how recently and how often a specific customer is buying from a company, and how much money he or she is spending per order and over time. With this transaction data, it is a simple matter to calculate the value of every customer to the organization and identify customers that have given the organization the most business in the past. Past behavior is an excellent predictor of future behavior, so yesterday's best customers are likely to be any organization's primary source of future business.

A marketing database can be a powerful tool for organizations that seek to create a genuine relationship with their best customers. The makers of Ben & Jerry's ice cream have used their database in two ways: to find out how customers react to potential new flavors and product ideas, and to involve their customers in social causes.¹⁹ In one program, their goal was to find 100,000 people in their marketing database who would volunteer to work with Ben & Jerry's to support the Children's Defense Fund. Jerry Greenfield, cofounder of Ben & Jerry's, justifies the program as follows: "We are not some nameless conglomerate that only looks at how much money we make every year. I think the opportunity to use our business and particularly the power of our business as a force for progressive social change is exciting."²⁰ Of course, when customers feel genuine involvement with a brand like Ben & Jerry's, they also turn out to be very loyal customers.

CREATIVITY

Cybernetic Intimacy Meets the NASCAR Fan

When Josh Linkler was young, he bought a lot of Cracker Jacks in hopes of finding decoder rings as his sticky surprise. Always intrigued by the decoder mystic, he used it as the big idea in launching a new marketing service. His company, ePrize, uses decoder contests to drive curious customers to the Web, where they can play games online and in the process provide information about themselves and their interests. Just like that, we have the makings of a marketing database.

In one application Linkler worked with the Michigan International Speedway to build a database to unlock the secrets of NASCAR fans. It all starts with mass distribution of e-decoder game pieces, through ticket-order envelopes, movie theaters, and Pepsi retailers. The game pieces encourage NASCAR fans to go online to win prizes like a \$10,000 garage makeover from Gladiator Garage Works (part of Whirlpool Corp. in Benton Harbor, Mich.). First-time players are required to give their name, address, e-mail, age, and gender. With each return visit, more questions must be answered to go deeper into the game. Ultimately, the database gets enriched with answers to something like 150 demographic and lifestyle questions. There are also specific questions dealing with leisure-time pursuits like camping and fishing, and specific questions like "Do you shop at Cabela's?"

Detailed insights about NASCAR fans help advertisers to connect with them via personalized offers that are timely and relevant. For example, Cabela's, a huge outdoor sports retailer in Dundee, Michigan, can target just the right offers to hunters versus campers versus boaters versus fisherman in the ePrize database. But in this age of privacy concerns, why are these NASCAR fans so willing to divulge their personal information? Well, not all are willing, but Josh Linkler sees it simply as an issue of value. According to Linkler, "If you want consumers to speak to you and provide information, you have to give them something to get them to react." Apparently, the combination of a decoder game and a \$10,000 Grand Prize can be pretty hard to resist.

Source: Kris Oser, "Speedway Effort Decodes NASCAR Fans," *Advertising Age*, May 17, 2004, 150

Reinforcing and recognizing your best customers is an essential application of the marketing database. This application may be nothing more than a simple follow-up letter that thanks customers for their business or reminds them of the positive features of the brand to reassure them that they made the right choice. Since date of birth is a common piece of information in a marketing database, it naturally follows that another great time to contact customers is on their birthday. Sunglass Hut International uses a birthday card mailing as part of its program to stay in a dialogue with its best customers. Of course, everyone likes a little birthday present too, so along with the card Sunglass Hut includes a Customer Appreciation Check for \$20 (shown in Exhibit 19.9) good at any Sunglass Hut store nationwide. Sunglass Hut executives

18. Rob Jackson and Paul Wang, *Strategic Database Marketing* (Lincolnwood, Ill.: NTC Business Books, 1994).

19. Murray Raphael, "What's the Scoop on Ben & Jerry?" *Direct Marketing Magazine*, August 1994, 23, 24.

20. Ibid.

Sunglass Hut
INTERNATIONAL

CUSTOMER APPRECIATION CHECK

Offer Expires 12/31/2003
Offer Code 3106

Pay to the
Order of *Happy Birthday John Q. Sample*

Twenty and ⁰⁰/₁₀₀ dollars

\$ 20.00

As a great big thank you for your patronage, here is \$20 to spend just as you please at Sunglass Hut.[®]
May your year be filled with style!

Check must be presented at time of purchase. Redeemable at any Sunglass Hut[®] store nationwide. Some brands not participating. See associate for details. One check per person per transaction. Not valid with any other coupons, discounts or promotional offers. Check not good on Internet orders, returns, gift card purchases or exchanges. No cash back or credit will be issued. Not for resale.

Customer 197

Think of your "best customer" as your most profitable customer. For most businesses, spending more advertising and promotional dollars to win more business from best customers is often money well spent. The real gold lies in not just one purchase, but in a continuous stream of purchases. Can a person ever have too many pairs of cool shades?

maintain that this birthday card promotion, targeted to current best customers identified from their marketing database, is one of their best investments of advertising dollars.

To recognize and reinforce the behaviors of preferred customers, marketers in many fields are offering frequency-marketing programs that provide concrete rewards to frequent customers. **Frequency-marketing programs** have three basic elements: a *database*, which is the collective memory for the program; a *benefit package*, which is designed to attract and retain customers; and a *communication strategy*, which emphasizes a regular dialogue with the organization's best customers.

The casino industry is renowned for its application of frequency-marketing principles, and Harrah's Entertainment has set the standard for program innovation.²¹ Harrah's "Total Rewards" program started out as a way for its 27 million members to accumulate points that could be cashed in for free meals and other casino amenities. This is a good, simple approach, which was quickly copied by the competition. Harrah's subsequently upgraded its program on a number of dimensions. One involved the benefit package: Harrah's upped the ante. Now points can be used for Sony televisions and shopping sprees at Macy's. Harrah's also recognized that it needed separate reward packages for men and women, especially since women make up the majority of its customers. So for the men there are Big Bertha golf clubs and tickets to boxing matches; for the ladies, spa treatments and an evening with Chippendale dancers. That's innovation, Las Vegas style.

Another common application for the marketing database is **cross-selling**.²² Since most organizations today have many different products or services they hope to sell, one of the best ways to build business is to identify customers who already purchase some of a firm's products and create marketing programs aimed at these customers but featuring other products. If they like our ice cream, perhaps we should also encourage them to try our frozen yogurt. If they have a checking account with

21. Christina Binkley, "Harrah's Is Revamping Rewards Plan," *Wall Street Journal*, June 17, 2003, D4.

22. Jackson and Wang, *Strategic Database Marketing*.

us, can we interest them in a credit card? If customers dine in our restaurants on Fridays and Saturdays, with the proper incentives perhaps we can get them to dine with us midweek, when we really need the extra business. A marketing database can provide a myriad of opportunities for cross-selling.

A final application for the marketing database is a natural extension of cross-selling. Once an organization gets to know who its current customers are and what they like about various products, it is in a much stronger position to go out and seek new customers. Knowledge about current customers is especially valuable when an organization is considering purchasing external mailing lists to append to its marketing database. If a firm knows the demographic characteristics of current customers—knows what they like about products, knows where they live, and has insights about their lifestyles and general interests—then the selection of external lists will be much more efficient. The basic premise here is simply to try to find prospects who share many of the same characteristics and interests with current customers. And what's the best vehicle for coming to know the current, best customers? Marketing-database development.

The Privacy Concern. One very large dark cloud looms on the horizon for database marketers: consumers' concerns about invasion of privacy. It is easy for marketers to gather a wide variety of information about consumers, and this is making the general public nervous. Many consumers are uneasy about the way their personal information is being gathered and exchanged by businesses and the government without their knowledge, participation, or consent. Of course, the Internet only amplifies these concerns because the Web makes it easier for all kinds of people and organizations to get access to personal information.

In response to public opinion, state and federal lawmakers have proposed and sometimes passed legislation to limit businesses' access to personal information. Additionally, consumers' desire for privacy was clearly the motivation for the launch of the Federal Trade Commission's Do Not Call Registry. It has proved to be a very popular idea with consumers, but has many opponents in business, including the Direct Marketing Association.²³ The DMA estimates that the list could cost telemarketers on the order of \$50 billion in lost sales. How much the "do not call" list will ultimately mean to both sides remains to be seen. If you are one of those people who would like to do more to protect the privacy of your personal information, you can start with a visit to <http://www.ftc.gov/privacy/protect.htm>.

As suggested by Exhibit 19.10, many in business are keenly aware of consumers' concerns about the privacy of their personal information. Companies can address customers' concerns about privacy if they remember two fundamental premises of database marketing. First, a primary goal for developing a marketing database is to get to know customers in such a way that an organization can offer them products and services that better meet their needs. The whole point of a marketing database is to keep junk mail to a minimum by targeting only exciting and relevant programs to customers. If customers are offered something of value, they will welcome being in the database.

Second, developing a marketing database is about creating meaningful, long-term relationships with customers. If you want someone's trust and loyalty, would you collect personal information from them and then sell it to a third party behind their back? We hope not! When collecting information from customers, an organization must help them understand why it wants the information and how it will use it. If the organization is planning on selling this information to a third party, it must get customers' permission. If the organization pledges that the information will

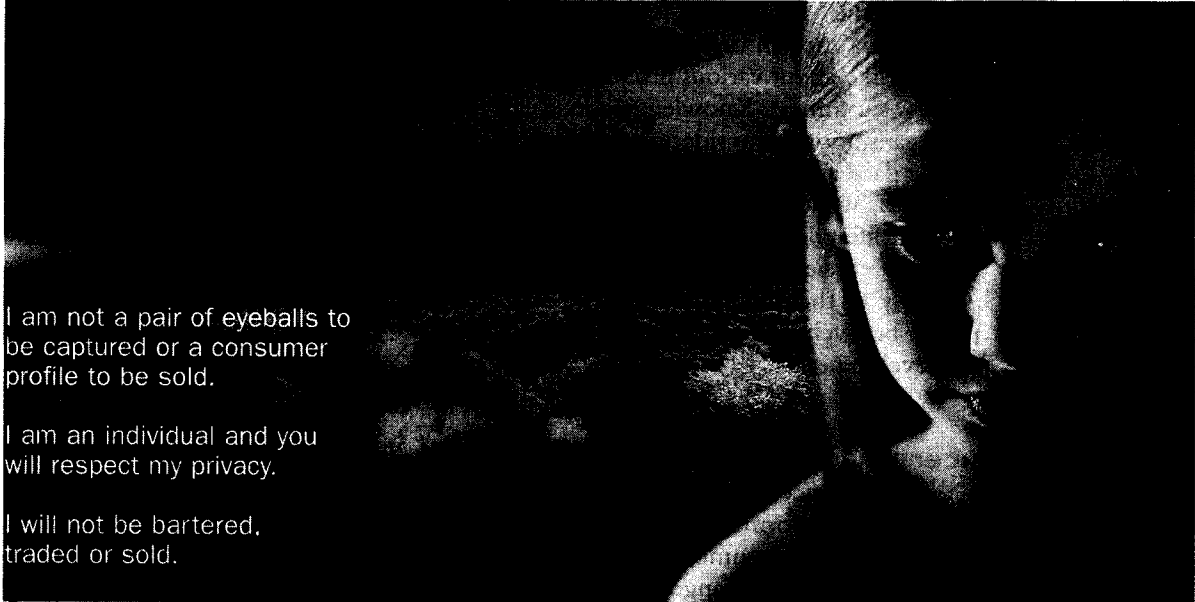
23. Yochi Dreazen, "'Do Not Call' Roster Debuts Today," *Wall Street Journal*, June 27, 2003, B2; David Ho, "Do-Not-Call List Grows to More Than 10M," <http://www.apnews.excite.com>, accessed July 1, 2003.

e-SIGHTINGS

zerøknowledge

Internet privacy solutions

I AM NOT A PIECE OF YOUR INVENTORY.



I am not a pair of eyeballs to be captured or a consumer profile to be sold.

I am an individual and you will respect my privacy.

I will not be bartered, traded or sold.

On the Net I am in control.

WWW.ZEROKNOWLEDGE.COM

EXHIBIT 19.10

This Orwellian ad paints a dark picture of our future if database marketers go unchecked. There is definitely something about the Internet that has heightened people's concerns about who is in control of their personal information. Who controls your personal information? Does it matter to you? How might the Online Privacy Alliance (<http://www.privacyalliance.org>) keep database marketers from going too far with personal information?

remain confidential, it must honor that pledge. Integrity is fundamental to all meaningful relationships, including those involving direct marketers and their customers. Recall that it was his integrity as much as anything else that enabled L. L. Bean to launch his successful career as a direct marketer. It will work for you too.

Media Applications in Direct Marketing. While mailing lists and marketing databases are the focal point for originating most direct marketing programs, information and arguments need to be communicated to customers in implementing these programs. As we saw in the definition of direct marketing offered earlier in this chapter, multiple media can be deployed in program implementation, and some form of immediate, measurable response is typically an overriding goal. The immediate response desired may be an actual order for services or merchandise, a request for more information, or the acceptance of a free trial offer. Because advertising conducted in direct marketing campaigns is typified by this emphasis on immediate response, it is commonly referred to as **direct response advertising**.

As you probably suspect, **direct mail** and **telemarketing** are the direct marketer's prime media. However, all conventional media, such as magazines, radio, and television, can be used to deliver direct response advertising; nowadays, a wide array of companies are also deploying e-mail as a most economical means of interacting with customers. In addition, a dramatic transformation of the television commercial—the infomercial—has become especially popular in direct marketing. Let's begin our examination of these media options by considering the advantages and disadvantages of the dominant devices—direct mail and telemarketing.

Direct Mail. Direct mail has some notable faults as an advertising medium, not the least of which is cost. It can cost 15 to 20 times more to reach a person with a direct mail piece than it would to reach that person with a television commercial or newspaper advertisement.²⁴ Additionally, in a society where people are constantly on the move, mailing lists are commonly plagued by bad addresses. Each bad address represents advertising dollars wasted. And direct mail delivery dates, especially for bulk, third-class mailings, can be unpredictable. When the timing of an advertising message is critical to its success, direct mail can be the wrong choice.

But as suggested by the ad from the U.S. Postal Service in Exhibit 19.11, there will be times when direct mail is the right choice. Direct mail's advantages stem from the selectivity of the medium. When an advertiser begins with a database of prospects, direct mail can be the perfect vehicle for reaching those prospects with little waste. Also, direct mail is a flexible medium that allows message adaptations on literally a household-by-household basis. For example, through surveys conducted with its 15 million U.S. subscribers, *Reader's Digest* amassed a huge marketing database detailing the health problems of specific subscribers.²⁵ In the database are

771,000 people with arthritis, 679,000 people with high blood pressure, 206,000 people with osteoporosis, 460,000 smokers, and so on. Using this information, *Reader's Digest* sends its subscribers disease-specific booklets containing advice on coping with their afflictions, wherein it sells advertising space to drug companies that have a tailored message that they want to communicate to those with a particular problem. This kind of precise targeting of tailored messages is the hallmark of direct marketing.

Direct mail as a medium also lends itself to testing and experimentation. With direct mail it is common to test two or more different appeal letters using a modest budget and a small sample of households. The goal is to establish which version yields the largest response. When a winner is decided, that form of the letter is backed by big-budget dollars in launching the organization's primary campaign.

Additionally, the array of formats an organization can send to customers is substantial with direct mail. It can mail large, expensive brochures; videotapes; computer disks; or CDs. It can use pop-ups, foldouts, scratch-and-sniff strips, or a simple, attractive postcard, as in Exhibit 19.12. If a product can be described in a limited space with minimal graph-



EXHIBIT 19.11

The U.S. postal service is saying, Use our services to drive consumers to your Web site. They make a great point: With millions of Web sites out there in cyberspace, you really must find economical ways to help people notice yours. For more help reaching qualified visitors, they suggest you visit—where else?—their Web site, <http://www.usps.com>.

ics, there really is no need to get fancy with the direct mail piece. The double postcard (DPC) format has an established track record of outperforming more expensive and elaborate direct mail packages.²⁶ Moreover, if an organization follows U.S. postal service guidelines carefully in mailing DPCs, the pieces can go out as first-class mail for reasonable rates. Since the Postal Service supplies address corrections on all first-class mail, using DPCs usually turns out to be a winner on either CPI or CPO measures, and DPCs can be an effective tool for cleaning up the bad addresses in a mailing list!

24. Stone, *Successful Direct Marketing Methods*.

25. Sally Beatty, "Drug Companies Are Minding Your Business," *Wall Street Journal*, April 17, 1998, B1, B3.

26. Michael Edmondson, "Postcards from the Edge," *Marketing Tools*, May 1995, 14.

EXHIBIT 19.12

This postcard for Fleece and Flannel announces the Grand Opening of its new store in Livingston, Montana. In that part of the world, it's perfectly natural to select a fly-fishing guide and guru to serve as your spokeswoman. Learn more about either at www.MontanaFleeceAndFlannel.com or www.montana.org.



Telemarketing. Telemarketing is probably the direct marketer's most invasive tool. As with direct mail, contacts can be selectively targeted, the impact of programs is easy to track, and experimentation with different scripts and delivery formats is simple and practical. Because telemarketing involves real, live, person-to-person dialogue, no medium produces better response rates. Telemarketing shares many of direct mail's limitations. Telemarketing is very expensive on a cost-per-contact basis, and just as names and addresses go bad as people move, so do phone numbers. Further, telemarketing does not share direct mail's flexibility in terms of delivery options. When you reach people in their home or workplace, you have a limited amount of time to convey information and request some form of response.

If you have a telephone, you already know the biggest concern with telemarketing. It is a powerful yet highly intrusive medium that must be used with discretion. High-pressure telephone calls at inconvenient times can alienate customers. Telemarketing will give best results over the long run if it is used to maintain constructive dialogues with existing customers and qualified prospects.

E-Mail. Perhaps the most controversial tool deployed of late by direct marketers has been unsolicited or "bulk" e-mail. Commonly referred to as spam, this junk e-mail can get you in big trouble with consumers. In a worst-case scenario, careless use of the e-mail tool can earn one's company the label of a "spammer," and because of the community-oriented character of Internet communications, can then be a continuing source of negative buzz. But is this discouraging direct marketers from deploying this tool? Hardly. Consumers received something in the neighborhood of 833 billion e-mail messages from direct marketers in 2004, and that number was projected to pass a trillion in 2005.²⁷ It does make you wonder, with so much spam out there, and with so many who hate it, why is there more all the time? The Controversy box tackles this weighty question.

27. Kris Oser, "ISPs Band Together to Fight Spam," *Advertising Age*, June 28, 2004, 8.

There definitely is a school of thought that says some consumers are not averse to receiving targeted e-mail advertisements, and that as the Internet continues to

evolve as an increasingly commercial medium, those companies that observe proper etiquette on the Net (dare we say "Netiquette"?) will be rewarded through customer loyalty.²⁸ The key premise of netiquette is to get the consumer's permission to send information about specific products or services, or, to use the current buzzword, they must "opt in." This opt-in premise has spawned a number of e-marketing service providers who claim to have constructed e-mail lists of consumers who have "opted in" for all manner of products and services. Exhibit 19.13 features an ad from one firm that worked diligently to make e-mail marketing a workable alternative for conscientious advertisers. Others now promise large lists of consumers who have agreed to receive commercial e-mails (e.g., see <http://www.infousa.com> or <http://www.dblink.com>). As noted in Exhibit 19.13, the future of direct marketing may be in reaching those people who have already said "Yes."

Our advice is to stay away from the low-cost temptations of bulk e-mail. The quickest way to get flamed and damage your brand name is to start sending out bulk e-mails to people who do not want to hear from you. Instead, through database development, ask your customers for permission to contact them via e-mail. Honor their requests. Don't abuse the privilege by selling their e-mail addresses to other companies, and when you do contact them, have something important to say. Seth Godin, whose 1999 book *Permission Marketing* really launched the "opt-in" mindset, puts it this way: "The best way to make your [cus-

tomers] list worthless is to sell it. The future is, this list is mine and it's a secret."²⁹ Isn't it funny—you can imagine L. L. Bean feeling exactly the same way about his customer list 95 years ago.

Meet a Spam Queen

Everybody hates spam. Which raises the question, why is there more all the time? Well, it is probably not accurate to say that everybody hates spam. Laura Betterly prefers to call it commercial or bulk e-mail, and she certainly doesn't hate it. After all, she makes her living by delivering bulk e-mail, direct from her home office to you. The company that Betterly founded with three of her friends, Data Resources Consulting, can send out as many as 60 million e-mail messages a month.

The crown jewel of DRC is its database of 100 million e-mail addresses. Betterly assembled it from a number of sources, including Excite, About.com, and Ms. Cleo's psychic Web site. Like most spammers, she also makes money by selling e-mail addresses to other bulk e-mailers, and she is always looking to add more names to her database when the price is right. While large companies too are in the business of sending unsolicited, bulk e-mail, a large part of this industry is small entrepreneurs like Laura Betterly and DRC. There's nothing hard about it.

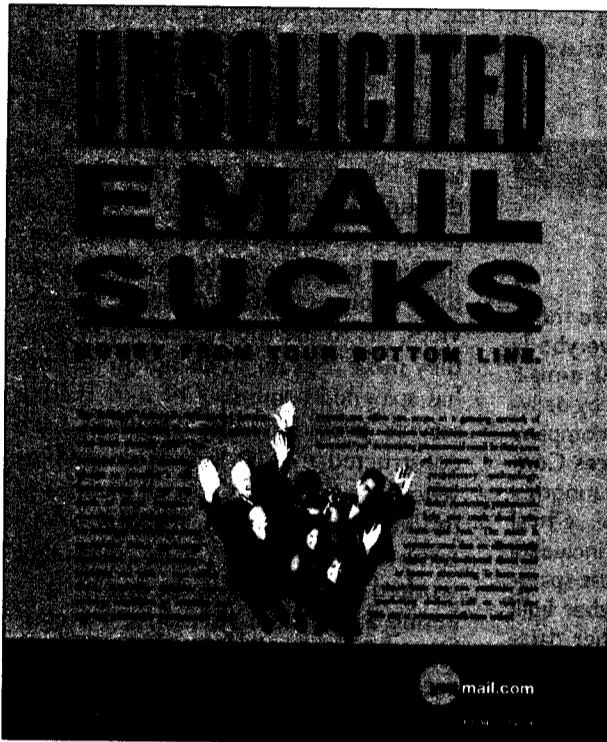
Now here's the secret as to why there is more spam all the time—it's a profitable business. According to Betterly, depending on the commission she negotiates, it is possible to make money on a bulk e-mailing when as few as 100 people respond out of a mailing of 10 million. No doubt spammers are able to survive with response rates that could never work for the paper-junk mailer. For "snail mail" the direct marketer is typically looking for a response of 2 percent or better to turn a profit on the program. For bulk e-mail, profits kick in with a response rate of 0.001 percent. Sometimes you wonder how anyone would respond to the kinds of messages we all receive in our e-mail boxes, but the point is, if 1 out of 1,000 responds, Betterly is making money. Those are pretty good odds.

"I'm just trying to make a living like everyone else," is how Laura Betterly sees it. Because of Data Resources Consulting, she can raise her two children comfortably and spend lots of quality time with them. "You can call me a spam queen if you want," she says. "As long as I'm not breaking any laws, you don't have to love me or like what I do for a living."

Sources: Mylene Mangalindan, "Web Vigilantes Give Spammers a Big Dose of Their Medicine," *Wall Street Journal*, May 19, 2003, A1, A13; Mylene Mangalindan, "For Bulk E-Mailer, Pestering Millions Offers a Path to Profit," *Wall Street Journal*, November 13, 2002, A1, A17.

28. Cara Beardi, "Opt-In Taken to Great Heights," *Advertising Age*, November 6, 2000, S54; Michael Battisto, "Preparation Yields Spam-Free E-mail Lists," *Marketing News*, February 17, 2003, 17.

29. Jodi Mardesich, "Too Much of a Good Thing," *Industry Standard*, March 19, 2001, 85.



Purveyors of permission e-mail have sprung up like mushrooms in the forest after a rain. It is hard to argue with the premise that *Unsolicited Email Sucks*. Wouldn't you agree? <http://www.yesmail.com>

ber to call to order the Grammy-winning CD by Walter Ostanek and his polka band. Finally, magazine ads like the one shown in Exhibit 19.14 out of *Bon Appetit* are commonly used to provide an 800 number to initiate contact with customers. As these diverse examples indicate, toll-free numbers make it possible to use nearly any medium for direct response purposes.

Infomercials. The infomercial is a novel form of direct response advertising that merits special mention. An **infomercial** is fundamentally just a long television advertisement made possible by the lower cost of ad space on many cable and satellite channels. They range in length from 2 to 60 minutes, but the common length is 30 minutes. Although producing an infomercial is more like producing a television program than it is like producing a 30-second commercial, infomercials are all about selling. There appear to be several keys to successful use of this unique vehicle.

A critical factor is testimonials from satisfied users. Celebrity testimonials can help catch a viewer as he or she is channel surfing past the program, but celebrities aren't necessary, and, of course, they add to the production costs. Whether testimonials are from celebrities or from folks just like us, one expert summarizes matters this way: "Testimonials are so important that without them your chances of producing a profitable infomercial diminish hugely."³⁰

Another key point to remember about infomercials is that viewers are not likely to stay tuned for the full 30 minutes. An infomercial is a 30-minute direct response sales pitch, not a classic episode of *South Park* or *The Simpsons*. The implication here is that the call to action should come not just at the end of the infomercial; most of the audience could be long gone by minute 28 into the show. A good rule of thumb in a 30-minute infomercial is to divide the program into 10-minute increments and close three times.³¹ Each closing should feature the 800 number or Web address that

Direct Response Advertising in Other Media. Direct marketers have experimented with many other methods in trying to convey their appeals for a customer response. In magazines, a popular device for executing a direct marketer's agenda is the bind-in insert card. Thumb through a copy of any magazine and you will see how effective these light-cardboard inserts are in stopping the reader and calling attention to themselves. Insert cards not only promote their product, but also offer the reader an easy way to order things such as Murray's All-Natural Chicken Dinner Kit from <http://www.epicurious.com>, request a free sample of Skoal smokeless tobacco, or select those 12 CDs for the price of one that will make the reader a member of the BMG Music Club.

When AT&T introduced the first 800 number in 1967, it simply could not have known how important this service would become to direct marketing. Newspaper ads from the *Wall Street Journal* provide toll-free numbers for requesting everything from really cheap online trading services (800-619-SAVE) to leasing a Learjet 40 (800-FLEXJET). If you watch late-night TV, you may know the 800 num-

30. Herschell Gordon Lewis, "Information on Infomercials," *Direct Marketing Magazine*, March 1995, 30-32.

31. *Ibid.*

The World's Best Hotels use
the 8-pound Oreck XL.
What are you waiting for,
a free \$100 Iron?



1-800-471-1891 ext. BK458

Visit oreck.com or mail in this coupon today BR688

Yes, please call me to arrange a free 30-day home trial of the 8-lb. Oreck XL and send me a free \$100 Oreck Speed Iron™ just for taking our risk-free, 30-Day Oreck Challenge. I understand I will receive the Super Compact Canister free with purchase.

Please send me a free information kit on the amazing Oreck XL.

Also include details of Oreck's 12-month Interest Free Payment Plan.

Name _____

Address _____

City _____

State _____

Zip _____

Tel (_____) _____

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PNSNR

Oreck Direct, LLC 100 Plantation Road, New Orleans, LA 70123

allows the viewer to order the product or request more information. And an organization should not offer information to the customer unless it can deliver speedy follow-up; same-day response should be the goal in pursuing leads generated by an infomercial.

Many different types of products and services have been marketed using infomercials, and now via Internet extensions such as <http://www.iqvc.com>. CD players, self-help videos, home exercise equipment, kitchen appliances, and Annette Funicello Collectible Bears have all had success with the infomercial. While it is easy to associate the infomercial with things such as the Ronco Showtime Rotisserie & BBQ (yours for just four easy payments of \$39.95!), many familiar brands have experimented with this medium. Brand marketers such as Quaker State, America Online, Primestar, Lexus, Monster.com, Hoover, Kal Kan, Pontiac, and yes, Mercedes-Benz, have all used infomercials to help inform consumers about their offerings.³²

The Coordination Challenge Revisited.

As you have seen throughout this book, the wide variety of media available to an advertiser poses a tremendous challenge with respect to coordination and integration. Organizations are looking to achieve the synergy that can come when various media options reach the consumer with a common and compelling message. However, to work in various media, functional specialists both inside and outside an organization need to be employed. It then becomes a very real problem to get the advertising manager, special events manager, sales promotion manager, and Web designer to work in harmony.³³ And now we must add to the list of functional specialists the direct marketing or database manager.

The evolution and growing popularity of direct marketing raise the challenge of achieving integrated communication to new heights. In particular, the development of a marketing database commonly leads to interdepartmental rivalries and can create major conflicts between a company and its advertising agency. The marketing database is a powerful source of information about the customer; those who do not have direct access to this information will be envious of those who do. Additionally, the growing use of direct marketing campaigns

EXHIBIT 19.14

Nothing fancy here. Just good, sound direct marketing.

<http://www.oreck.com>

32. Kathy Haley, "Infomercials Score for Brand-Name Advertisers," *Advertising Age*, September 8, 1997, A1, A2; Evantheia Schibsted, "Ab Rockers, Ginsu Knives, E320s," *Business 2.0*, May 29, 2001, 46-49; Jean Halliday, "Pontiac Models Get Infomercial Push," *Advertising Age*, April 19, 2004, 12.

33. Laura Q. Hughes and Kate MacArthur, "Soft Boiled," *Advertising Age*, May 28, 2001, 3, 54; Klein, "Disintegrated Marketing," 18,19.

must mean that someone else's budget is being cut. Typically, direct marketing programs come at the expense of conventional advertising campaigns that might have been run on television, in magazines, or in other mass media.³⁴ Since direct marketing takes dollars from activities that have been the staples of the traditional ad agency business, it is easy to see why a pure advertising guru like Saatchi's Kevin Roberts views direct marketing with some disdain.³⁵

There are no simple solutions for achieving integrated communication, but one recommended approach is the establishment of a marketing communications manager, or "marcom" manager for short.³⁶ A **marcom manager** plans an organization's overall communications program and oversees the various functional specialists inside and outside the organization to ensure that they are working together to deliver the desired brand-building message to the customer.

General Motors is one company that is learning how to pull the pieces together to make the right impression with consumers.³⁷ In 1992 General Motors launched the GM Card, and now maintains a database of about 4 million active cardholders. With this marketing database, special offers and incentives can be sent to persons who have given GM permission to contact them with information at specific times about specific models. One such mailing to more than a million cardholders leveraged a corporate advertising campaign developed by McCann Erickson, which had ads placed in national TV and print media. Cardholders used their savings that had accrued in using the GM card to complement the incentives offered in GM's nationwide "Overdrive" campaign. The results tell the story: Within two weeks of the mailing, General Motors recorded four of its top 10 new-vehicle sales days since the launch of the GM Card. More evidence to support the thesis that integrated programs are more effective than the sum of their parts.

The GM example amplifies a theme developed throughout this book. Perhaps the major challenge in the world of advertising today is to find ways to break through the clutter of competitors' ads—and really all advertising in general—to get customers' attention and make a point with them. If the various media and programs an organization employs are sending different messages or mixed signals, the organization is only hurting itself. To achieve the synergy that will allow it to overcome the clutter of today's marketplace, an organization has no choice but to pursue advertising and integrated brand promotion.

34. Kate Fitzgerald, "Beyond Advertising," *Advertising Age*, August 3, 1998, 1, 14.

35. Alessandra Galloni, "Is Saatchi Helping Publicis Bottom Line?" *Wall Street Journal*, June 22, 2001, B6.

36. Don E. Schultz, Stanley I. Tannenbaum, and Robert F. Lauterborn, *Integrated Marketing Communications* (Lincolnwood, IL: NTC Business Books, 1993).

37. Jean Halliday, "GM Plays Cards Right," *Advertising Age*, May 27, 2002, 45.

- 1 Identify the three primary purposes served by direct marketing and explain its growing popularity.

Many types of organizations are increasing their expenditures on direct marketing. These expenditures serve three primary purposes: direct marketing offers potent tools for closing sales with customers, for identifying prospects for future contacts, and for offering information and incentives that help foster brand loyalty. The growing popularity of direct marketing can be attributed to several factors. Direct marketers make consumption convenient: Credit cards, 800 numbers, and the Internet take the hassle out of shopping. Additionally, today's computing power, which allows marketers to build and mine large customer information files, has enhanced direct marketing's impact. The emphasis on producing and tracking measurable outcomes is also well received by marketers in an era when everyone is trying to do more with less.

- 2 Distinguish a mailing list from a marketing database and review the many applications of each.

A mailing list is a file of names and addresses of current or potential customers, such as lists that might be generated by a credit card company or a catalog retailer. Internal lists are valuable for creating relationships with current customers, and external lists are useful in generating new customers. A marketing database is a natural extension of the internal list, but includes information about individual customers and their specific preferences and purchasing patterns. A marketing database allows organizations to identify and focus their efforts on their best customers. Recognizing and reinforcing preferred customers can be a potent strategy for building loyalty. Cross-selling opportunities also emerge once a database is in place. In addition, as one gains keener information about the motivations of current best customers, insights usually emerge about how to attract new customers.

- 3 Describe the prominent media used by direct marketers in delivering their messages to the customer.

Direct marketing programs emanate from mailing lists and databases, but there is still a need to deliver a message to the customer. Direct mail and telemarketing are the most common means used in executing direct marketing programs. E-mail has recently emerged as a low-cost alternative. Because the advertising done as part of direct marketing programs typically requests an immediate response from the customer, it is known as direct response advertising. Conventional media such as television, newspapers, magazines, and radio can also be used to request a direct response by offering an 800 number or a Web address to facilitate customer contact.

- 4 Articulate the added challenge created by direct marketing for achieving integrated brand promotion.

Developing a marketing database, selecting a direct mail format, or producing an infomercial are some of the tasks attributable to direct marketing. These and other related tasks require more functional specialists, who further complicate the challenge of presenting a coordinated face to the customer. Some organizations employ marcom managers, who are assigned the task of coordinating the efforts of various functional specialists working on different aspects of a marketing communications program. To achieve an integrated presence that will break through in a cluttered marketplace, this coordination is essential.

KEY TERMS

direct marketing
 cost per inquiry (CPI)
 cost per order (CPO)
 mailing list
 internal lists

external lists
 marketing database
 RFM analysis
 frequency-marketing programs
 cross-selling

direct response advertising
 direct mail
 telemarketing
 infomercial
 marcom manager

QUESTIONS

1. Who was Lester Wunderman, and in what ways does his historic campaign for Columbia House illustrate the mindset of direct marketing?
2. Direct marketing is defined as an interactive system of marketing. Explain the meaning of the term *interactive system* and give an example of a noninteractive system. How would an interactive system be helpful in the cultivation of brand loyalty?
3. Review the major forces that have promoted the growth in popularity of direct marketing. Can you come up with any reasons why its popularity might be peaking? What are the threats to its continuing popularity as a marketing approach?
4. Describe the various categories of information that a credit card company might use to enhance its internal mailing list. For each category, comment on the possible value of the information for improving the company's market segmentation strategy.
5. What is RFM analysis, and what is it generally used for? How would RFM analysis allow an organization to get more impact from a limited marketing budget? (Keep in mind that every organization views its marketing budget as too small to accomplish all that needs to be done.)
6. Compare and contrast frequency-marketing programs with the tools described in Chapter 18 under the heading "Sales Promotion Directed at Consumers." What common motivators do these two types of activities rely on? How are their purposes similar or different? What goal is a frequency-marketing program trying to achieve that would not be a prime concern with a sales promotion?
7. There's a paradox here, right? On the one hand, it is common to talk about building relationships and loyalty with the tools of direct marketing. On the other hand, direct-marketing tools such as junk e-mail and telephone interruptions at home during dinner are constant irritants. How does one build relationships by using irritants? In your opinion, when is it realistic to think that the tools of direct marketing could be used to build long-term relationships with customers?
8. What is it about direct marketing that makes its growing popularity a threat to the traditional advertising agency?

PERFORMANCE EXERCISES

1. This chapter discusses serious privacy concerns raised by database marketing. Today's marketers are gathering enormous amounts of information about individuals, and much of the database development occurs without the consent or awareness of consumers. Visit the following sites and explain the contribution of each to the issue of online privacy.

<http://www.bbbonline.org>

<http://www.truste.com>

2. Identify some of the recent direct mail and e-mail marketing items you have received. Did they target your relevant hobbies, interests, or work-related needs? If so, how did the marketer know of your specific interests? What previous consumer relationship have you had with these marketers, and do you react favorably to their direct marketing efforts? What convenience do consumers gain from today's direct marketing initiatives, and do you feel more loyalty to specific brands as a result of these efforts?

CASE STUDY

19-1 Don't Call Us, We'll Call You

The Federal Trade Commission's National Do Not Call Registry is one of the most popular and successful consumer-protection initiatives undertaken by the federal government. By signing up at the online registry, millions of American consumers have prohibited telemarketers from calling their personal phone numbers. Violators of the regulation face steep fines. Consumers' desire for privacy was the motivation for the launch of the FTC's "do not call" list, yet some groups angered by the initiative challenge its constitutionality. Visit the registry online and answer the following questions.

National Do Not Call Registry: <http://www.donotcall.gov>

1. Would you consider signing up at [donotcall.gov](http://www.donotcall.gov) to block telemarketers from calling your home phone number? Why or why not?
2. What groups might be opposed to the Do Not Call Registry, and why?
3. Do you think the National Do Not Call Registry violates the constitutional right to free speech? Explain.

19-2 Database Marketing

MyPoints.com is a leading provider of Internet direct marketing services. The company's service features a true "opt-in" database containing millions of members, and provides advertisers with an integrated suite of rewards-based media products that target, acquire, and retain customers. Web users can earn free rewards from name-brand merchants such as Target, Barnes & Noble Booksellers, and Blockbuster Video by regularly visiting Web sites, responding to targeted e-mail promotions, filling out surveys, shopping, or taking advantage of trial offers. The ultimate purpose of these rewards programs is to help marketers develop databases that track the shopping and surfing habits of Web consumers, resulting in more effective future marketing and advertising efforts.

MyPoints.com: <http://www.mypoints.com>

MyPoints.com Corporate Site: <http://www.mypoints.com/corp.com>

1. Based on the definition in the text, is MyPoints.com an example of a frequency-marketing program? What are the three basic elements that constitute a frequency-marketing program?
2. Read over the company information on MyPoints.com and explain how members accumulate and redeem loyalty points. How can one spend and earn points?
3. Visit the MyPoint.com corporate site and read about its advertising solutions. Who are some clients that partner with MyPoints.com and what benefits do they receive? What are some of the ultimate benefits of database marketing?

CHAPTER 20

After reading and thinking about this chapter, you will be able to do the following:



Explain the role of public relations as part of an organization's overall integrated brand promotion strategy.



Detail the objectives and tools of public relations.



Describe how firms are using buzz and viral marketing in the public relations effort.



Describe two basic strategies motivating an organization's public relations activities.



Discuss the applications and objectives of corporate advertising.

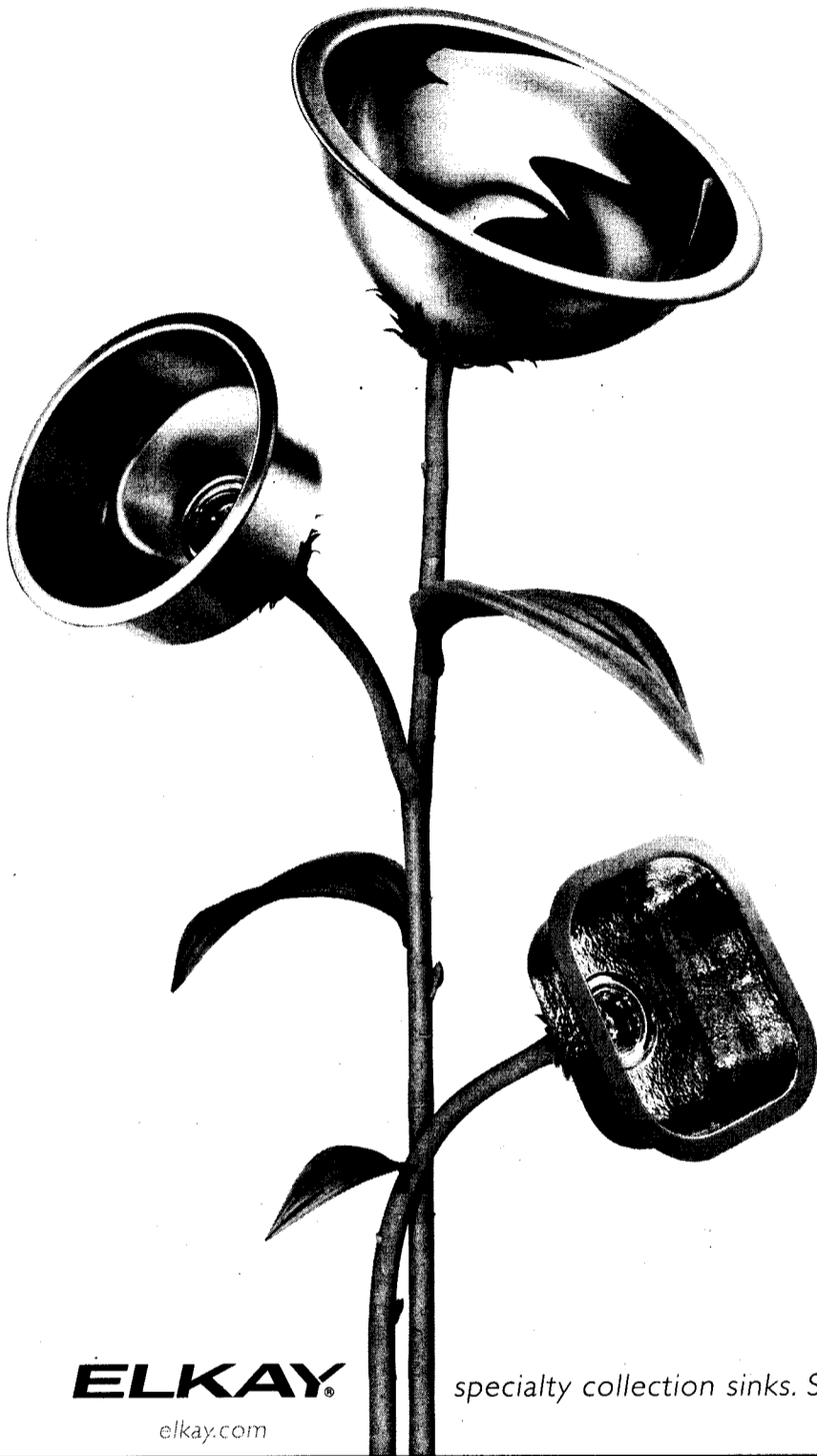
CHAPTER 17
Support Media,
Event Sponsorship,
and Branded
Entertainment

CHAPTER 18
Sales Promotion and
Point of Purchase
Advertising

CHAPTER 19
Direct Marketing

CHAPTER 20
Public Relations and
Corporate Advertising

Delight in everyday perfection.



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elkay.com

specialty collection sinks. Style that endures.

Introductory Scenario: The Buzz Biz. Spin, buzz, hype, PR, word of mouth, viral marketing—public relations goes by many names and has many variations and innuendoes. In the end, a good public relations campaign can have a powerful impact on a brand—positive or negative.

Consider the approach used by Handspring (now palmOne) when the firm introduced its new Treo 600 cell phone/PDA/digital camera combo to the market (see Exhibit 20.1). Typically, a feature-laden innovation like this would hit the market with a big ad campaign designed to attract widespread attention. But earlier models of the Treo were considered oversized and clumsy, and the firm needed new, positive “buzz” for the brand given the relatively negative buzz from previous launches.

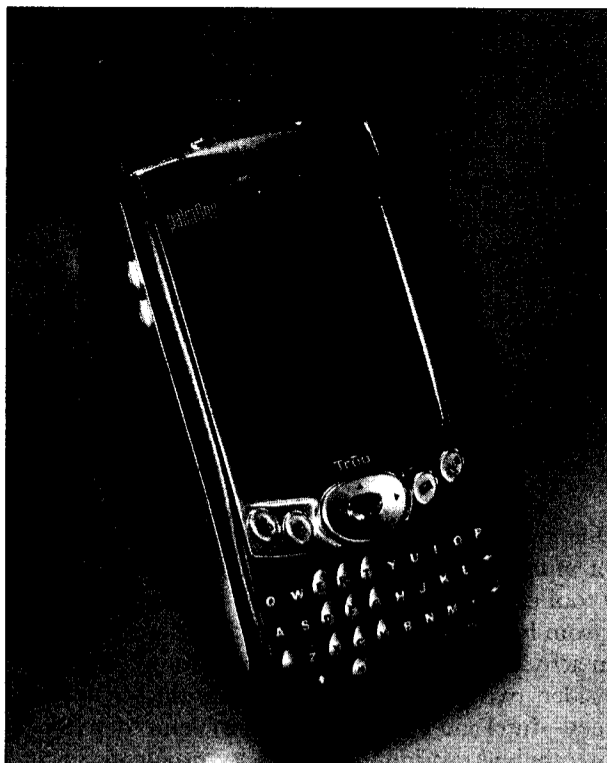
To get the public relations machinery going, Jeff Hawkins, the Treo product designer and chairman of the firm, nonchalantly carried the Treo 600 into a corporate publicity shot months before its actual market release. Gear-heads went wild. Gadget Web sites like Treocentral.com latched on to this early glimpse of the device like the CIA to spy photos. From that point on, the buzz flames were fanned with high-tech reviews and blog flogging in full swing. To “manage” the publicity in the press, Handspring made only two dozen Treo 600s available, and those went to reviewers and journalists who had been favorably disposed to earlier models.¹ The buzz campaign unfolded this way:

- Week 1: The 600’s release in Great Britain added to the mystique of the device and started a deafening chatter on gadget-freak Web sites like Gizmodo, which built huge anticipation in the United States. Bargainpda.com exclaimed, “At \$500, it can’t miss.”
- Week 2: Handspring lifts its self-imposed press “embargo” in the United States and gives influential *Wall Street Journal* tech writer Walter S. Mossberg first crack at the product. Mossberg writes a glowing review: “Handspring has done it again. . . . I love it.”
- Week 3: Coverage lags after the Mossberg review. The lull in national and local television coverage is a disappointment but tech Web sites are still talking up the 600 enough to keep the buzz alive.
- Week 5: The firm holds a press conference announcing narrower losses than expected by Wall Street. The launch of the new Treo is cited in every newscast and newspaper article. Typical of coverage is the CNET.com quote of Handspring CEO Donna Dubinsky: “Interest is tremendous and greater than we have seen in past launches.”
- Week 6: Treo 600s are sent to celebrities for “trial” periods.

In the end, Biz360, a media analysis company, estimated that the PR campaign was worth the equivalent of \$265,000 worth of advertising. That is likely a gross underestimation of impact, though, since it estimates only the “exposure” rather than the weight of a favorable review from an influential tech writer or a plug from a celebrity. Most importantly, the product introduction was a huge success. Over 100,000 Treo 600s were sold in the first month (despite a higher than originally anticipated \$600 price tag); more than 250,000 were sold in the first nine months; and production was ramped up to turn out another 800,000 units.²

The launch of the Treo 600 shows that public relations—or buzz, hype, or spin, as it is often called—is a “behind the scenes” process. It does not “appear” to be controlled by the firm or its advertising and promotion agencies. Indeed, as we will see, much of the public relations process is uncontrollable—the reviewers, after all, could have hated the Treo 600 and killed the launch and the brand.

1. Damon Darlin, “Anatomy of a Buzz Campaign,” *Business 2.0*, December 2003, 70–71.
 2. Paul Keegan, “How Palm Got Cool Again,” *Business 2.0*, June 2004, 92–98.

**EXHIBIT 20.1**

Before it employed widespread advertising, the Treo 600 launch relied heavily on public relations techniques to create a positive “buzz” in the market.

constituent groups. These constituent groups include customers, stockholders, suppliers, employees, government entities, citizen action groups, and the general public. Public relations is used to highlight positive events in an organization like quarterly sales and profits or noteworthy community service programs carried out by the firm. Or, conversely, public relations is used strategically for “damage control” when adversity strikes an organization. In addition, new techniques in public relations have fostered a bolder, more aggressive role for PR in some IBP campaigns.

1 Public Relations. Public relations focuses on communication that can foster goodwill between a firm and its many constituent

A New Era for Public Relations. A couple of corporate consultants have written a book, titled *The Fall of Advertising & The Rise of PR*, in which they try to argue that today’s “major” brands are born with publicity, not advertising. And further, that advertising should be used only to *maintain* brands once they have been *established* through publicity. We all got a big laugh out of that! To say that you can base the entire foundational launch of a brand on an uncontrollable technique like publicity is indefensible. To say that public relations has entered a new era—that would be a very true statement.

The new era for public relations has pretty much been timed with the new century. As corporate strategists began to demand more “action” and visibility for their promotional dollars, advertising (primarily) bore the brunt of some pretty heavy criticism. At the top of the criticism list is the blast leveled by the head of General Motors marketing (remember, GM spends \$3.5 billion a year on advertising alone), who said that traditional ad agencies are “soft and flabby” and that they no longer know how to “sell product by coming up with the big idea.”³ Before him, you had execs at PR agencies saying things like “I really do think that we’re seeing the demise of advertising. What helps companies build their businesses is hard-working PR.”⁴

3. Betsy Streisand, “Why the Great American Brands Are Doing Lunch,” *Business 2.0*, September 2003, 146.
4. Laurie Freeman, “From the Basement to the Penthouse,” *Advertising Age*, September 25, 2000, 40, 42.

But before we buy the proposition (especially from people who run PR agencies) that PR should be the centerpiece of every promotional effort, let's look at the current status of public relations in the array of promotional tools and get some perspective. First, in terms of perspective, let's consider the revenue stream of agencies who earn their money by providing services across the full array of promotional efforts. Only about 13 percent of all agency revenues are earned by providing PR services. The other 87 percent of revenue is generated by advertising and media, interactive, sales promotion, and direct marketing.⁵ Second, growth in agency revenues was led by direct marketing and interactive media, not public relations services. Finally, as we saw in Chapters 1 and 2, firms are investing heavily in advertising and promotion as a way to both launch *and* maintain brands. Control of the message and its dissemination are key the brand building effort. Is public relations more important than it was five years ago? Absolutely. Will it replace advertising? Let's make sure we're clear on that point. No.

Public Relations and Damage Control. One reason public relations will always remain an important and unique component of integrated brand promotions is that PR serves a role that no other promotional tool can. Public relations is the one and only tool that can provide damage control from bad publicity. Such public relations problems can arise from either a firm's own activities or from external forces completely outside a firm's control. Let's consider two classic public relations incidents that occurred at highly visible companies—Intel and Pepsi—and the problems they faced. In one case, the firm caused its own public relations and publicity problems; in the other, an external, uncontrollable force created problems for the firm. Let's see how they handled these very different PR problems.

Intel is one of the great success stories of American industry. Intel has risen from relative techno-obscurity as an innovative computer technology company to one of the largest corporations in the world with one of the most visible brands (who doesn't know "Intel Inside?"). Sales have grown from \$1.3 billion to more than \$40 billion in just 25 years. But all this success did not prepare Intel for the one serious public relations challenge that the firm encountered. In early 1994, Intel introduced its new-generation chip, the now-well-known Pentium, as the successor to the widely used line of X86 chips. But in November 1994, Pentium users were discovering a flaw in the chip. During certain floating-point operations, some Pentium chips were actually producing erroneous calculations—and even though the error showed up in only the fifth or sixth decimal place, power users in scientific laboratories require absolute precision and accuracy in their calculations.

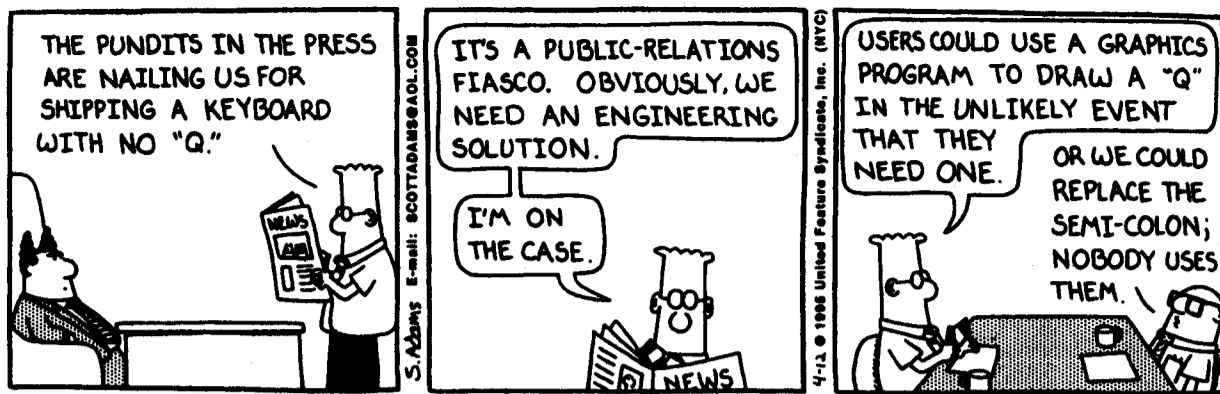
Having a defect in a high-performance technology product such as the Pentium chip was one thing; how Intel handled the problem was another. Intel's initial "official" response was that the flaw in the chip was so insignificant that it would produce an error in calculations only once in 27,000 years. But then IBM, which had shipped thousands of PCs with Pentium chips, challenged the assertion that the flaw was insignificant, claiming that processing errors could occur as often as every 24 days. IBM announced that it would stop shipment of all Pentium-based PCs immediately.⁶

From this point on, the Pentium situation became a runaway public relations disaster. Every major newspaper, network newscast, and magazine carried the story of the flawed Pentium chip. Even the cartoon series *Dilbert* got in on the act, running a whole series of cartoon strips that spoofed the Intel controversy (see Exhibit 20.2). One observer characterized it this way: "From a public relations standpoint, the train has left the station and is barreling out of Intel's control."⁷ For weeks Intel did nothing but publicly argue that the flaw would not affect the vast majority of users.

5. Kenneth Wylie, "Marketing Services Agencies—17th Annual Report." *Advertising Age*, May 17, 2004, S1.

6. Barbara Grady, "Chastened Intel Steps Carefully with Introduction of New Chip." *Computerlink*, February 14, 1995, 11.

7. James G. Kimball, "Can Intel Repair the Pentium PR?" *Advertising Age*, December 19, 1994, 35.



Source: Dilbert reprinted by permission of United Features Syndicate, Inc.

EXHIBIT 20.3

When Intel did not respond quickly and positively to problems with its Pentium chip, the press unloaded a barrage of negative publicity on the firm. Even Dilbert got into the act with this parody of Intel decision making.

Finally, in early 1995, Intel decided to provide a free replacement chip to any user who believed he or she was at risk. In announcing the \$475 million program to replace customers' chips, Andy Grove, Intel's highly accomplished CEO, admitted publicly that "the Pentium processor divide problem has been a learning experience for Intel."⁸

Intel's public relations and publicity problems were mostly of its own doing. But in many cases, firms are faced with public relations crises that are totally beyond their control. One of these cases, which goes down in history as a classic, happened to PepsiCo. In 1993, Pepsi had a public relations nightmare on its hands. Complaints were coming in from all over the United States that cans of Pepsi, Diet Pepsi, and Caffeine Free Diet Pepsi had syringes inside them. Other callers claimed their cans of Pepsi contained such things as a screw, a crack vial, a sewing needle, and brown goo in the bottom. Unlike Intel, Pepsi immediately mobilized a management team to handle the crisis. The team considered a national recall of all Pepsi products—no matter what the cost. The Food and Drug Administration (FDA) told Pepsi there was no need for such action, since no one had been injured and there was no health risk. The Pepsi team was sure that this was not a case of tampering in the production facility. A can of Pepsi is filled with cola and then sealed in nine-tenths of a second—making it virtually impossible for anyone to get anything into a can during production.

The president of Pepsi went on national television to explain the situation and defend his firm and its products. Pepsi enlisted the aid of a powerful and influential constituent at this point—the Food and Drug Administration. The commissioner of the FDA, David Kessler, said publicly that many of the tampering claims could not be substantiated or verified. A video camera in Aurora, Colorado, caught a woman trying to insert a syringe into a Pepsi can. Pepsi was exonerated in the press, but the huge public relations problem had significantly challenged the firm to retain the stature and credibility of a truly global brand.

What happened to Intel and Pepsi highlights why public relations (and particularly publicity) is such a difficult form of communication to manage. In many cases, a firm's public relations program is called into action for damage control, as the Pepsi ad in Exhibit 20.3 illustrates. Intel and Pepsi had to be totally reactive to the situation rather than, as can be done with the other tools in the integrated communications process, strategically controlling it. But while many episodes of public relations must be reactive, a firm can be prepared with public relations materials to conduct an orderly and positive goodwill and image-building campaign among its many constituents. To fully appreciate the role and potential of public relations in the broad communications efforts of a firm, we will consider the objectives of public relations, the tools of public relations, and basic public relations strategies.

8. Grady, "Chastened Intel Steps Carefully with Introduction of New Chip."

Pepsi is pleased to announce... ...nothing.

As America now knows, those stories about Diet Pepsi were a hoax. Plain and simple, not true. Hundreds of investigators have found no evidence to support a single claim.

As for the many, many thousands of people who work at Pepsi-Cola, we feel great that it's over. And we're ready to get on with making and bringing you what we believe is the best-tasting diet cola in America.

There's not much more we can say. Except that most importantly, we won't let this hoax change our exciting plans for this summer.

We've set up special offers so you can enjoy our great quality products at prices that will save you money all summer long. It all starts on July 4th weekend and we hope you'll stock up with a little extra, just to make up for what you might have missed last week.

That's it. Just one last word of thanks to the millions of you who have stood with us.

Drink All The Diet Pepsi You Want.
Uh Huh!



DIET PEPSI and UH HUH are registered trademarks of PepsiCo, Inc.

EXHIBIT 20.3

When the truth about the tampering with Pepsi cans was finally resolved, the firm took the opportunity for some positive public relations by running this ad. <http://www.pepsi.com>

- **Promoting a product or service.** Press releases, events, or brand “news” that increase public awareness of a firm’s brands can be pursued through public relations. Large pharmaceutical firms such as Merck and GlaxoSmithKline issue press releases when new drugs are discovered or FDA approval is achieved. Or a great story about the brand like the Treo 600 can create widespread buzz as well. (See the Creativity box for another example of positive PR as a brand promotion effort.)
- **Preparing internal communications.** Disseminating information and correcting misinformation within a firm can reduce the impact of rumors and increase employee support. For events such as reductions in the labor force or mergers of firms, internal communications can do much to dispel rumors circulating among employees and in the local community.
- **Counteracting negative publicity.** This is the damage control function of public relations, as we discussed earlier. The attempt here is not to cover up negative events, but rather to prevent the negative publicity from damaging the image of a firm and its brands. When a lawsuit was filed against NEC alleging that one of its cellular phones had caused cancer, McCaw Cellular Communications used public relations activities to inform the public and especially cellular phone users of scientific knowledge that argued against the claims in the lawsuit. And one industry’s public relations problems are another industry’s golden opportunity, as the ad in Exhibit 20.4 shows.
- **Lobbying.** The public relations function can assist a firm in dealing with government officials and pending legislation. Microsoft reportedly spent \$4.6 billion on such lobbying efforts when antitrust violations were leveled at the company. Industries maintain active and aggressive lobbying efforts at both the state and federal levels. As an example, the beer and wine industry has lobbyists monitoring legislation that could restrict beer and wine advertising.

Objectives for Public Relations.

Firms regularly encounter PR problems like Intel’s and Pepsi’s. Remember that a corporation is a complex business *and* social organization. As long as a firm has employees and operates facilities in a community, issues will arise. Recent examples of such issues are Nike and Boeing, very different kinds of companies but both encountering significant PR problems—Nike for its alleged “sweatshop” labor practices and Boeing for the ethical conduct of its now departed CEO Philip Condit.⁹ But the key to dealing with events as they arise is to have a structured approach to public relations, including a clear understanding of objectives for PR. Within the broad guidelines of image building, damage control, and establishing relationships with constituents, it is possible to identify six primary objectives of public relations:

- **Promoting goodwill.** This is an image-building function of public relations. Industry events or community activities that reflect favorably on a firm are highlighted. When Pepsi launched a program to support school music programs—programs hard hit by funding decreases—the firm garnered widespread public relations goodwill.

9. Stanley Holmes, “Free Speech or False Advertising,” *BusinessWeek*, April 28, 2003, 69–70; Lorraine Woellert, “Why Boeing Is Suddenly Making So Much Noise,” *BusinessWeek*, June 23, 2003, 35.

**EXHIBIT 20.4**

Public relations problems in one industry create opportunities in another. When medical research suggested that extensive cellular phone use could be linked to brain tumors, firms developed cell phone accessories to address the issue. Here, Jabra is alluding to the negative publicity and the medical research as the basis for its brand appeal.

<http://www.jabra.com>

Tuesday, June 5, 6:30 A.M. Eastern Time

Press Release

SOURCE: Myriad Genetics, Inc.

Myriad Genetics Discovers High Cholesterol Gene
CHD2 Enzyme is in Novel Pathway, May Lead to New Class of Cholesterol Lowering Drugs

Salt Lake City, June 5/PRNewswire/—Myriad Genetics, Inc. (NASDAQ: MYGN-news), has discovered a human gene responsible for high total cholesterol and low HDL (also known as "good cholesterol"), in individuals with early age myocardial infarction. The research shows that the gene's protein product is produced in abnormal amounts in these individuals and has enzymatic activity and other characteristics that suggest it will be readily amenable as a drug target. The CHD2 (Coronary Heart Disease 2) protein acts in a novel, previously unknown pathway, distinct from the cholesterol synthesis pathway that is acted upon by the statin class of drugs and other classes of drugs.

The CHD2 gene, and its function, was discovered by a combination of genetic analyses of families whose members had heart attacks at an early age and an analysis of biological pathways. In total, more than 5,000 individuals from 145 families were analyzed to identify the gene. The discovery in this population, made by Myriad in collaboration with scientists from the Cardiovascular Genetics Research Clinic at the University of Utah, means that abnormal levels of the CHD2 protein are critical to the development of disease. Because disorders of the CHD2 gene lead to high LDL cholesterol, low HDL cholesterol, and early-onset heart disease, inhibition of the gene with a small molecule drug is expected to lower cholesterol and reduce the risk of heart disease across the general population of individuals with high cholesterol. Current therapies, including the statins, are inadequate in lowering the total cholesterol to recommended levels in many patients. Heart disease remains the most common cause of death in the United States. Studies estimate that half of all men and one-third of women will develop heart disease during their lives.

"The discovery of this novel drug target for the treatment of heart disease points to the strengths of Myriad's integrated approach to drug development incorporating the best technologies of genomics and proteomics in a high-throughput, industrialized fashion," said Peter Meldrum, President and Chief Executive Officer of Myriad Genetics, Inc. "Myriad now has a full pipeline of earlier stage preclinical compounds to back up our lead prostate cancer drug, which has completed a Phase IIa human clinical trial, and we intend to aggressively advance these compounds toward commercialization."

EXHIBIT 20.5

A press release is good way to communicate positive information about a firm to a wide variety of constituents and stakeholders. Here, Myriad Genetics has issued a press release regarding a new drug designed to lower cholesterol. <http://www.myriad.com>

- **Giving advice and counsel.** Assisting management in determining what (if any) position to take on public issues, preparing employees for public appearances, and helping management anticipate public reactions are all part of the advice and counsel function of public relations.

The Tools of Public Relations. There are several vehicles through which a firm can make positive use of public relations and pursue the objectives just cited. The goal is to gain as much control over the process as possible. By using the methods discussed in the following sections, a firm can integrate its public relations effort with other brand communications.

Press Releases. Having a file of information that makes for good news stories puts the firm in a position to take advantage of free press coverage. Press releases allow a firm to pursue positive publicity from the news media. Exhibit 20.5 is a press release

announcing Myriad Genetics' discovery of a gene related to high cholesterol. Items that make for good public relations include the following:

- New products
- New scientific discoveries
- New personnel
- New corporate facilities
- Innovative corporate practices, such as energy-saving programs or employee benefit programs
- Annual shareholder meetings
- Charitable and community service activities

CREATIVITY

The Cat's Meow for PR

"Meow, meow, meow, meow. Meow, meow, meow, meow. Meow, meow, meow, meow, meow, meow, meow, meow."

Every cat lover knows the Meow Mix "Meow, Meow" song (and even cat haters too, but they won't admit it). So when Meow Mix Company wanted to launch a new campaign that would challenge the big cat-food marketers—Procter & Gamble and Nestlé—they knew they needed a novel approach. The firm worked with its advertising and public relations agencies—Kirshenbaum Bond & Partners and Lime Public Relations & Promotion, respectively—to develop a multifaceted and highly creative campaign using everything from TV programs for cats to a children's book, *Mr. Meow's Amazing ABC Adventure*, featuring an illustrated Mr. Meow.

Wait a minute—TV programs for cats!? That's right. When consumer researchers discovered that cat owners often leave their TVs on for their pets, Kirshenbaum and Lime execs had the idea to create an actual TV show for cats *and* their owners. So Kirshenbaum set out to create Meow TV—and take on the challenges of such a unique task. The show had to appeal to cat owners without being deathly dull or run out of content after one show. It also had to be something that would sell well to a cable or network channel and attract advertisers. And this all had to be accomplished for under \$400,000.

The result: Meow TV, produced by Half-Baked productions, launched on May 30, 2003, on the Oh! Oxygen cable network. It is hosted by Annabelle Gurwitch and her cat Stinky. It takes a silly but serious programming approach that mocks home shopping channels and exercise shows along with cat-related content. But regardless of the success or failure of the show itself (it was still on the air as of this writing and had its own Web site, <http://www.meowtv.com>), the PR value of the effort was enormous. Over 153 million impressions were achieved in print and broadcast media leading up to the show's release. When the question, "What cat-food company is making the first TV show for cats?" was asked on *The Hollywood Squares* TV game show, Claudia Strauss, president of Lime, said, "I knew we had done it." You just can't buy exposure like that.

Source: Lisa Sanders, "Meow Mix TV Pulls off PR Coup," *Advertising Age*, June 23, 2003.

The only drawback to press releases is that a firm often doesn't know if or when the item will appear in the media. Also, the news media are free to edit or interpret a news release, which may alter its intended message. To help reduce these liabilities, consultants recommend carefully developing relationships with editors from publications the organization deems critical to its press release program. And editors prefer information from firms that focuses on technical or how-to features and more case studies about company successes.

Feature Stories. While a firm cannot write a feature story for a newspaper or televise a story over the local television networks, it can invite journalists to do an exclusive story on the firm when there is a particularly noteworthy event. A feature story is different from a press release in that it is more controllable. A feature story, as opposed to a news release, offers a single journalist the opportunity to do a fairly lengthy piece with exclusive rights to the information. Jupiter Communications, a leading research organization that tracks Internet usage and generates statistics about the Internet, has a simple philosophy when it comes to using feature stories as a public relations tool. Says Jupiter's CEO, "It is our goal to get every research project we do covered somewhere. We know this is the cheapest, and maybe most effective, way to market ourselves."¹⁰

Company Newsletters. In-house publications such as newsletters can disseminate positive information about

10. Andy Cohen, "The Jupiter Mission," *Sales and Marketing Management*, April 2000, 56.



Companies have discovered that electronic distribution of newsletters is an effective and efficient way to offer consumers information in a low-key way. Here, Procter & Gamble has created an electronic newsletter that not only gets information out about the Tide brand of laundry detergent, but also helps create a community around Tide. How does Cheer (<http://www.cheer.com>) use its electronic newsletter to reinforce the notion that hip, young people use the product? Is competing brand Purex (<http://www.purex.com>) finding a way to build positive, ongoing relations with its consumers through its product site? What real effect do you think these public relations initiatives have?

a firm through its employees. As members of the community, employees are proud of achievements by their firm. Newsletters can also be distributed to important constituents in the community, such as government officials, the chamber of commerce, or the tourism bureau. Suppliers often enjoy reading about an important customer, so newsletters can be mailed to this group as well. Firms are also discovering that the Internet is an excellent way to distribute information that traditionally has been the focus of newsletters. Procter & Gamble has done just that at <http://www.tide.com/newsletter> (see Exhibit 20.6).

Interviews and Press Conferences. As in the Pepsi tampering crisis, interviews and press conferences can be a highly effective public relations tool.

Often, interviews and press conferences are warranted in a crisis management situation. But firms have also successfully called press conferences to announce important scientific breakthroughs or explain the details of a corporate expansion. The press conference has an air of importance and credibility because it uses a news format to present important corporate information. New technology is fostering the use of press conferences as a means of getting the word out.

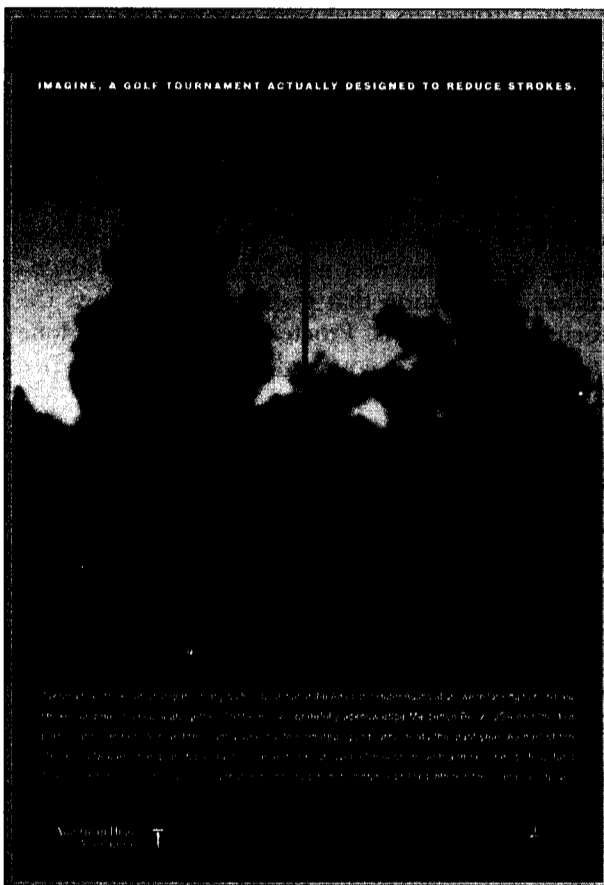
Sponsored Events. Sponsored events were discussed as a form of support media in Chapter 17. Sponsoring events can also serve as an important public relations tool. Sponsorships run the gamut from supporting local community events to sponsoring global events such as the World Cup soccer competitions. At the local level, prominent display of the corporate name and logo offers local residents the chance to see that an organization is dedicated to the community.

Another form of sponsorship is the fund-raiser. Fund-raisers of all sorts for non-profit organizations give positive visibility to corporations (see Exhibit 20.7). For many years, Chevrolet has sponsored college scholarships through the NCAA by choosing the best offensive and defensive player in each game. The scholarships are announced weekly at the conclusion of televised games. This sort of notoriety for Chevrolet creates a favorable image for viewers.

One of the most difficult aspects of investing in sponsorships is determining the positive payoff the organization can expect from such an investment. Typically, corporations will try to assess the effect of sponsorships by (a) establishing an evaluation procedure that tracks awareness generated from sponsorships, (b) establishing an event-tracking model that can identify target audience attitudes and purchase behavior, and (c) identifying the components of the sponsorship that were most effective in achieving awareness and attitude goals. While these are general criteria for assessing the effects of sponsorship, there is an important image effect of the sponsorship. This is where the public relations role for sponsored events is manifested. Current research shows that there is a positive transfer of image from the event to the brand—precisely the effect a company seeks when using a public relations tool.¹¹

Publicity. Publicity is unpaid-for media exposure about a firm's activities or its products and services, as we saw in the chapter-opening scenario about the Treo 600. Publicity is dealt with by the public relations function but cannot, with the exception of press releases, be strategically controlled like other public relations

11. Kevin P. Gwinner and John Eaton, "Building Brand Image through Event Sponsorship: The Role of Image Transfer," *Journal of Advertising*, vol. 28, no. 4 (Winter 1999), 47-57.



Sponsoring an event, especially one that benefits a charity, is another form of public relations.

efforts. This lack of control was demonstrated earlier in the chapter with respect to the situations faced by Intel and Pepsi. In addition, publicity can turn into a global problem for a firm. Benetton, the Italian sportswear maker, is another classic case of a firm that regularly has had to deal with negative publicity. The firm has learned several times (or maybe not at all) the lesson that public information about a brand is not always controllable. Benetton has created much of this uncontrollable publicity with its controversial advertising. In one instance the firm ran an ad depicting a white child wearing angel's wings alongside a black child wearing devil's horns. In another campaign, the firm featured death-row inmates to promote its clothing line, although company officials argued they were merely trying to raise public consciousness of the death penalty. The reaction to such advertising was severe enough that at one point German retailers refused to carry the company's products. Public relations professionals can react swiftly to publicity, as the team from Pepsi did, but they cannot control the flow of information. Despite the lack of control, publicity can build an image and heighten consumer awareness of brands and organizations. An organization needs to be prepared to take advantage of events that make for good publicity and to counter events that are potentially damaging to a firm's reputation.

One major advantage of publicity—when the information is positive—is that it tends to carry heightened credibility. Publicity that appears in news stories on television and radio and in newspapers and magazines assumes an air of believability because of the credibility of the media context. Not-for-profit organizations often use publicity in the form of news stories and public interest stories as ways to gain widespread visibility at little or no cost.

And publicity is not always completely out of the companies' control. During the 2001 Academy Awards, a bracelet worn by Academy Award-winning actress Julia Roberts caused quite a publicity stir. After Roberts won the award for best actress, she stood smiling (which we all know she does so well) and waving to the cameras, and suddenly the whole world wanted to know about the snowflake-design Van Cleef & Arpels bracelet that adorned her right (waving) wrist. What a lucky break! Not. The whole episode was carefully planned by Van Cleef's PR agency, Ted, Inc. The agency lobbied hard to convince Roberts that the bracelet and matching earrings were stunning with her dress, knowing that if she won the Oscar, she would be highly photographed wearing (and waving) the bracelet.¹²

Buzz and "Viral" Marketing. The newest "tools" of public relations are buzz and viral marketing. Essentially, both of these efforts are attempts at stimulating word-of-mouth among key target markets that might otherwise be impervious to more traditional advertising and promotional tools. **Buzz** can be defined as "seeding" the media, particularly the Internet, with news and information about a brand in an attempt to create positive word of mouth. **Viral marketing** is the process of consumers marketing to consumers via the Web (blogs and e-newsgroups) or

12. Beth Snyder Bulik, "Well-Heeled Heed the Need for PR," *Advertising Age*, June 11, 2001, S2.

through personal contact stimulated by a firm marketing a brand. The idea behind both buzz and viral marketing strategies is to target a handful of carefully chosen trendsetters in a target market and let their leadership act as a stimulus to demand for the brand.¹³

Some examples are in order here. Two firms that have tried to stimulate demand by using buzz to gain attention for their brands while shunning traditional media advertising are Vespa Scooters and Pabst Blue Ribbon beer. On a recent Saturday evening in Portland, Oregon, about a hundred serious bicyclists, many of whom were bike messengers and most of whom were tattooed, gathered near a fenced-off hard-top court and in teams of three began a “bike polo” contest. They played bike polo, drank beer, smoked cigarettes, and yelled at each other. The official sponsor for the event had no banners, no signs, and no on-site marketing rep. The sponsor was Pabst Blue Ribbon—PBR to the polo-bikers. Pabst has virtually shunned advertising and let the brand gravitate to being a symbol of the “lifestyle of dissent.” It seems to be working. Sales of PBR, which had been falling steadily since the 1970s, were up about 10 percent in 2003. In some parts of the country the increase has been even more dramatic—sales in the Chicago area, for example, were up 134 percent.¹⁴

In a very different setting, consider this scene at the cafes on Third Street Promenade in and around Los Angeles. A gang of sleek, impossibly attractive motorbikers pulls up and, guess what, they seem *genuinely* interested in getting to know you over an iced latte—their treat, no less! Sooner or later the conversation turns to their Vespa scooters glinting in the sun, and they eagerly pull out a pad and jot down an address and phone number—for the nearest Vespa dealer. The scooter-riding, latte-drinking models are on the Vespa payroll, and they’re paid to create buzz about the scooters by engaging hip café dwellers in conversation and camaraderie.¹⁵

Are buzz and viral marketing campaigns like these effective? Could be. All the information is still not in on what effect such campaigns can have or are having. We do know that public relations efforts like this can’t reach many people very fast, so niche markets seem to be the only place to even try such an effort.



Public Relations and New Media. The fact that firms large and small are using the Internet to distribute newsletters reveals only one application of new media for public relations purposes. Firms are using the Internet for a variety of public relations activities. Procter & Gamble at one point had to create a special section at its main Web site to battle nagging rumors that the firm has some sort of connection to satanic cults. The site offered facts about P&G’s moon-and-stars logo (the 13 stars represent the 13 original colonies, not a satanic symbol). The site also carried testimonials posted from the Billy Graham Evangelistic Association. The rumors were being spread through the Web, so P&G was fighting fire with fire by using the Web for a public relations counterattack.¹⁶

The issue was raised earlier that new media can create a “buzz” through word of mouth that with certain target segments is more effective than any other tactic. In a noisy and crowded competitive environment, mainstream promotional tools such as advertising, sales promotion, and sponsorships may get lost in the clutter. Public relations using new media, particularly Web sites, chat room posts, and Web press releases, can reach targeted audiences in a different way that carries more credibility than “in your face” company self-promotion. That was the true for New Line Cinema. This is the studio that has released the *Lord of the Rings* films. At first, the studio thought that it needed to shut down or sanction the more than 400 fan sites that were posting information about the films. But after reviewing the sites and the

13. Gerry Khermouch and Jeff Green, “Buzz-z-z Marketing,” *BusinessWeek*, July 30, 2001, 50–56.

14. Rob Walker, “The Marketing of No Marketing,” *New York Times Magazine*, June 22, 2003, 42–45.

15. Gerry Khermouch and Jeff Green, “Buzz-z-z Marketing,” *BusinessWeek*, July 30, 2001, 50–56.

16. Nicholas Kulish, “Still Bedeviled by Satan Rumors, P&G Battles Back on the Web,” *Wall Street Journal*, September 21, 1999, B1.

enormous positive buzz they were creating, the studio realized it made more sense to just let them buzz away to the benefit of the films.¹⁷

Where Is the Spin Control?

Throughout the text, we have seen that the Internet is a great place to create a buzz and spread the “word” at lightning speed. But the way “content” can be splashed across the Web, it is getting difficult to know what is real content and news versus what is corporate PR.

Here is the crux of the problem. The trend toward “dressing” public relations as “news” is being driven by economics. A standard press release on the Internet costs only a few hundred dollars to compose and distribute electronically, which makes the Web a bargain for information dissemination—but we knew that. Entering the scene, however, are content-hungry publishers. In an effort to provide their outlets with fresh text fast and cheap, they simply forward corporate news releases. Estimates are that a company that wants to create significant online presence with advertising would need to spend about \$500,000 monthly on various advertising, paid search, content development, and placement. But the price to news sites for most of PR content is zero.

This issue is particularly relevant when you consider that of the dot.com failures in 2000, 30 percent of the shutdowns were content providers. Despite the shakeout, the need for content continues to grow. If you’re a firm seeking a PR presence on the Internet, this is certainly good news, partly because the remaining number of sites featuring “news” areas (such as portals or special-interest sites) is nearly inestimable. But almost 100 million users currently visit the top 10 general news sites. The pressure within content providers to attract those eyeballs is huge. One analyst notes, “Online news outlets are not only competing against one another but against traditional media. The pressure to be the first or to scoop the others is immense. Rushed stories can mean less time for fact-checking and less time to interview subjects.”


As a test, visit some of these sites and see whether the articles are “news” or a company PR press release:

- ABCnews.com: Go to the MoneyScope section, <http://money.go.com>.
- America Online: Go to the Channels and click “news.” Locate the stories by selecting the “News Search” button at the top of the menu.
- CNET: Click “CNET Investor” or go directly to <http://investor.cnet.com> and check out the company press releases.
- Newsalert.com: Press releases are mixed in with news stories on the site from all the major wire organizations—CBS, Reuters, Business Wire, and UPI.

Source: Joanne R. Helperin, “Spinning Out of Control?,” *Business 2.0*, May 1, 2001, 54–56.

But many new Web sites run by amateurs, like blogs, that purport to be providing “inside, confidential, or late-breaking news” about an issue or a brand are highly susceptible to bogus press releases. Even the big news organizations like ABCnews.com and specialty sites like ZDnet.com for investors have a hard time deciphering what is real news and what is spin-doctored PR hype.¹⁸

Finally, there is a major drawback to new media when it comes to public relations. Because of the speed with which information is disseminated, staying ahead of negative publicity is indeed challenging. While word of mouth can be used to create a positive buzz, it can also spread bad news or, even worse, misinformation just as fast. When a crisis hits the Internet, one PR expert says, “‘Act quickly’ becomes ‘Act *even more* quickly.’”¹⁹ Acting quickly and responding with the right facts is the topic of the next section. And new Web sites, in an effort to get recognized (and these days even survive), are less likely to scrutinize public relations press releases as carefully as perhaps they should (see the Controversy box for a detailed discussion).

 **Basic Public Relations Strategies.** Given the breadth of possibilities for using public relations as part of a firm’s overall integrated brand promotion effort, we need to identify basic public relations strategies. Public relations strategies can be categorized as either proactive or reactive. **Proactive public relations strategy** is guided by marketing objectives, seeks to publicize a company and its brands, and takes an offensive rather than defensive posture in the public relations process. **Reac-**

17. Marc Weingarten, “Get Your Buzz to Breed Like Hobbits,” *Business 2.0*, January 2002, 96–97.

18. Joanne R. Helperin, “Spinning Out of Control?” *Business 2.0*, May 1, 2001, 54–56.

19. Kathryn Kranhold, “Handling the Aftermath of Cybersabotage,” *Wall Street Journal*, February 10, 2000, B22.



Biotechnology is helping him protect the land and preserve his family's heritage.

"In raising a better soybean crop that helps me conserve the topsoil, keep my land productive and help this farm support future generations of my family."
—Rad Gungviah, farmer

Biotechnology is helping Rad Gungviah to grow a type of soybean that requires less tilling of the soil. That helps him preserve precious topsoil and produce a crop with less impact on the land. Preserving topsoil today means a thriving farm for generations to come.

Biotechnology allows farmers to choose the best combination of ways to help grow their crops. It helps cotton farmers use fewer chemicals to protect their crops against certain pests. And, it's helping provide ways for developing countries to better feed a growing population. And, in the future, it can help farmers grow better quality, more nutritious food.

Biotechnology is also enhancing lives in other ways, helping to create more effective treatments for diseases such as leukemia and diabetes.

Biotechnology is helping create solutions that are improving lives today, and solutions that could improve our world tomorrow. If you're interested in learning more, visit our Web site or call the number below for a free brochure about biotechnology and agriculture.

COUNCIL FOR BIOTECHNOLOGY INFORMATION

good ideas are growing

1-800-980-8660
www.whybiotech.com

EXHIBIT 20.8

The biotechnology industry is taking a proactive approach to the controversies surrounding the industry and its processes.
<http://www.whybiotech.com>

Defensive public relations strategy is dictated by influences outside the control of a company, focuses on problems to be solved rather than opportunities, and requires a company to take defensive measures. These two strategies involve different orientations to public relations.²⁰

Proactive Public Relations Strategy. In developing a proactive public relations strategy, a firm acknowledges opportunities to use public relations efforts to accomplish something positive. Companies often rely heavily on their public relations firms to help them put together a proactive strategy. The biotechnology industry, for example, is subject to much controversy in the press regarding genetically altered food and seed products. The advertisement in Exhibit 20.8 from the biotechnology industry attempts to take a proactive approach to dealing with the controversies by presenting a positive image and information.

In many firms, the positive aspects of employee achievements, corporate contributions to the community, and the organization's social and environmental programs go unnoticed by important constituents. To implement a proactive public relations strategy, a firm needs to develop a comprehensive public relations program. The key components of such a program are as follows:

1. **A public relations audit.** A **public relations audit** identifies the characteristics of a firm or the aspects of the firm's activities that are positive and newsworthy. Information is gathered in much the same way as information related to advertising strategy is gathered. Corporate personnel and customers are questioned to provide information. The type of information gathered in an audit includes descriptions of company products and services, market performance of brands, profitability, goals for products, market trends, new product introductions, important suppliers, important customers, employee programs and facilities, community programs, and charitable activities.
2. **A public relations plan.** Once the firm is armed with information from a public relations audit, the next step is a structured public relations plan. A **public relations plan** identifies the objectives and activities related to the public relations communications issued by a firm. The components of a public relations plan include the following:
 - a. **Current situation analysis.** This section of the public relations plan summarizes the information obtained from the public relations audit. Information contained here is often broken down by category, such as product performance or community activity.
 - b. **Program objectives.** Objectives for a proactive public relations program stem from the current situation. Objectives should be set for both short-term and long-term opportunities. Public relations objectives can be as diverse and complex as advertising objectives. As with advertising, the focal point is not sales or profits. Rather, factors such as the credibility of product performance (that is, placing products in verified, independent tests) or the stature of the

20. These definitions were developed from discussions offered by Jordan Goldman, *Public Relations in the Marketing Mix* (Lincolnwood, IL: NTC Business Books, 1992), xi–xii.

- firm's research and development efforts (highlighted in a prestigious trade publication article) are legitimate statements of objective.
- c. **Program rationale.** In this section, it is critical to identify the role the public relations program will play relative to all the other communication efforts—particularly advertising—being undertaken by a firm. This is the area where an integrated brand promotion perspective is clearly articulated for the public relations effort.
 - d. **Communications vehicles.** This section of the plan specifies precisely what means will be used to implement the public relations plan. The public relations tools discussed earlier in the chapter—press releases, interviews, newsletters—constitute the communications vehicles through which program objectives can be implemented. There will likely be discussion of precisely how press releases, interviews, and company newsletters can be used.²¹
 - e. **Message content.** Analysts suggest that public relations messages should be researched and developed in much the same way that advertising messages are researched and developed. Focus groups and in-depth interviews are being used to fine-tune PR communications. For example, a pharmaceutical firm learned that calling obesity a “disease” rather than a “condition” increased the overweight population's receptivity to the firm's press release messages regarding a new anti-obesity drug.²²

A proactive public relations strategy has the potential for making an important supportive contribution to a firm's IBP effort. Carefully placing positive information targeted to important and potentially influential constituents—such as members of the community or stockholders—supports the overall goal of enhancing the image, reputation, and perception of a firm and its brands.

Reactive Public Relations Strategy. A reactive public relations strategy seems a contradiction in terms. As stated earlier, firms must implement a reactive public relations strategy when events outside the control of the firm create negative publicity. Coca-Cola was able to rein in the publicity and negative public reaction by acting swiftly after an unfortunate incident occurred in Europe. Seven days after a bottling glitch at a European plant caused teens in Belgium and France to become sick after drinking Coke, the firm acted quickly and pulled all Coca-Cola products from European shelves, and the CEO issued an apology.²³ But Coca-Cola's actions did not prevent negative consequences. Because of the incident, Coca-Cola went from being one of the most admired and trusted names in Europe to a company that ultimately had to start giving the product away to regain people's trust. The event was so catastrophic that Coke sales dropped 21 percent, and earnings were pummeled as well. But Coke's president of the Greater Europe Group said, “We reevaluated and retailored our marketing programs to meet the needs of consumers on a country-by-country basis and continue to reach out with marketing programs specifically designed to reconnect the brands with consumers.”²⁴ The programs relied heavily on integrated brand promotion strategies including free samples; dealer incentive programs; and beach parties featuring sound and light shows, live music DJs, and cocktail bars with free Cokes to win back the critical teen segment.²⁵ By early 2000, Coca-Cola was well on its way to recapturing the lost sales and market share.

It is much more difficult to organize for and provide structure around reactive public relations. Since the events that trigger a reactive public relations effort are

21. Ibid., 4–14.

22. Geri Mazur, “Good PR Starts with Good Research,” *Marketing News*, September 15, 1997, 16.

23. Kathleen V. Schmidt, “Coke's Crisis,” *Marketing News*, September 27, 1999, 1, 11.

24. Amie Smith, “Coke's European Resurgence,” *PROMO Magazine*, December 1999, 91.

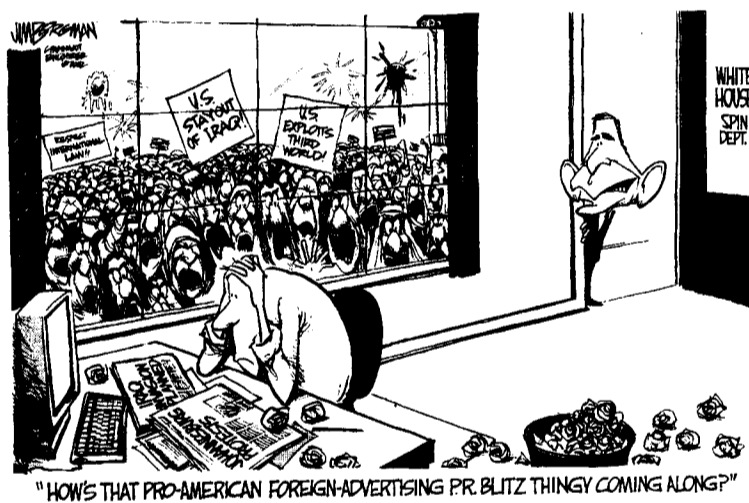
25. Ibid.

unpredictable as well as uncontrollable, a firm must simply be prepared to act quickly and effectively. Two steps help firms implement a reactive public relations strategy:

1. **The public relations audit.** The public relations audit that was prepared for the proactive strategy helps a firm also prepare its reactive strategy. The information provided by the audit gives a firm what it needs to issue public statements based on current and accurate data. In the Pepsi situation, a current list of distributors, suppliers, and manufacturing sites allowed the firms to quickly determine that the problems were not related to the production process.
2. **The identification of vulnerabilities.** In addition to preparing current information, the other key step in a reactive public relations strategy is to recognize areas where the firm has weaknesses in its operations or products that can negatively affect its relationships with important constituents. From a public relations standpoint, these weaknesses are called *vulnerabilities*. If aspects of a firm's operations are vulnerable to criticism, such as environmental issues related to manufacturing processes, then the public relations function should be prepared to discuss the issues in a broad range of forums with many different constituents. Leaders at Pepsi, Quaker Oats, and Philip Morris were taken somewhat by surprise when shareholders challenged the firms on their practices with respect to genetically modified foods. While the concern was among a minority of shareholders, there were enough concerned constituents to warrant a proxy vote on the genetically modified foods issue.²⁶

And, in an odd turn of events, we now see political figures firing up the public relations machinery to try to protect and enhance their image. When George W. Bush's popularity ratings started to wane due to the ongoing expense of conflict in Iraq and allegations of abuse of Iraqi prisoners, Bush hit the road with a campaign praising postwar developments (see Exhibit 20.9).²⁷ Tony Blair, the British Prime Minister, invokes the services of his spokesman, Alastair Campbell, to provide similar public relations service for the PM's positions.²⁸ Normally, organizations lobby the government or customers rather than the reverse.

Public relations is an prime example of how a firm (or an individual) can identify and then manage aspects of communication in an integrated and synergistic manner to diverse audiences. Without recognizing public relations activities as a component of the firm's overall communication effort, misinformation or disinformation could compromise more mainstream communications such as advertising. The coordination of public relations into an integrated program is a matter of recognizing and identifying the process as an information source in the overall IBP effort.



Politicians have discovered that public relations can be used to try to influence public perception.

26. James Cox, "Shareholders Get to Put Bio-Engineered Foods to Vote," *USA Today*, June 6, 2000, 1B.

27. Scott Lindlaw, "Bush Launches PR Campaign for Iraq Policy," Associated Press Online, October 9, 2003, accessed at <http://story.news.yahoo>, October 9, 2003.

28. James Blitz, "Tony Blair's Spin Doctor in War of Words with the BBC," *Financial Times*, June 28–29, 2003, 22.

A Final Word on Public Relations. And let's be clear: Public relations can be a positive contributor to the overall IBP effort. Whether that contribution comes from the damage

control function of PR or the positive, proactive strategies firms can implement. But there is no defensible argument to forward the proposition that public relations and

the publicity it can generate will be the lead strategy in launching or building a brand. Public relations is not controllable enough nor can it be implemented quickly enough to provide the impact a brand needs. As a support tool, PR plays a key role. As a lead strategy, it will fall flat. As an example of using public relations in a powerful and ideal way, consider how Guinness, the venerable Irish brewer, launched a PR effort that appealed to both long-time Guinness loyalists and a new generation of Guinness drinkers (see the Global Issues box).

Public Relations with Global Impact

Few brands generate as much cultural association as Guinness. The 250-year-old brand of stout beer has been attracting tourists to its St. James's Gate brewery in Dublin, Ireland, for more than a century. But executives at Guinness faced a tough challenge: The old reception area was totally inadequate to handle the thousands of tourists who flocked to the brewery each year. The task, however, was much larger than just building a new reception area. The brewery was the very pinnacle of the traditional image of the brand.

The task of building a new reception/visitor area was as much a public relations problem as it was a practical problem. The tradition of the brand image had to be preserved while thousands of tourists had to be accommodated. Guinness strategists conceived the problem this way:

- How to accommodate the ever-growing flock of devotees who come to Dublin to connect with the brand's "spiritual home"
- How to modernize the conference and meeting room facilities for corporate use
- How to maintain its traditional relationships with Guinness loyalists while also appealing to younger consumers, many of whom have watched their fathers quaff many a pint of Guinness

The last point was of particular concern to marketing managers at Guinness. Stout beer has, over the past 10 years, been challenged in Ireland by a wide range of new, contemporary beers and other alcoholic drinks targeted to younger drinkers.

The solution chosen for all the public relations and promotion issues the firm felt it faced was a new seven-story structure called The Guinness Storehouse. The Storehouse preserved and incorporated the five-story Market Street Storehouse, which had served as a Guinness storage facility in the early 1900s. The solution was an expensive one, with a price tag of over \$45 million. But the investment seems to be paying off. Within two years of its opening, the visitor center attracted its millionth visitor and the Storehouse is now the number one fee-paying tourist spot in all of Ireland. Most importantly, the Storehouse aims to evoke in visitors an affinity with the brand. With 10 million glasses of Guinness consumed every day around the world, it would appear this PR effort is an appropriate testimony to the brand.

Source: Arundhati Parmar, "Guinness Intoxicates," *Marketing News*, November 10, 2003, 4, 6.

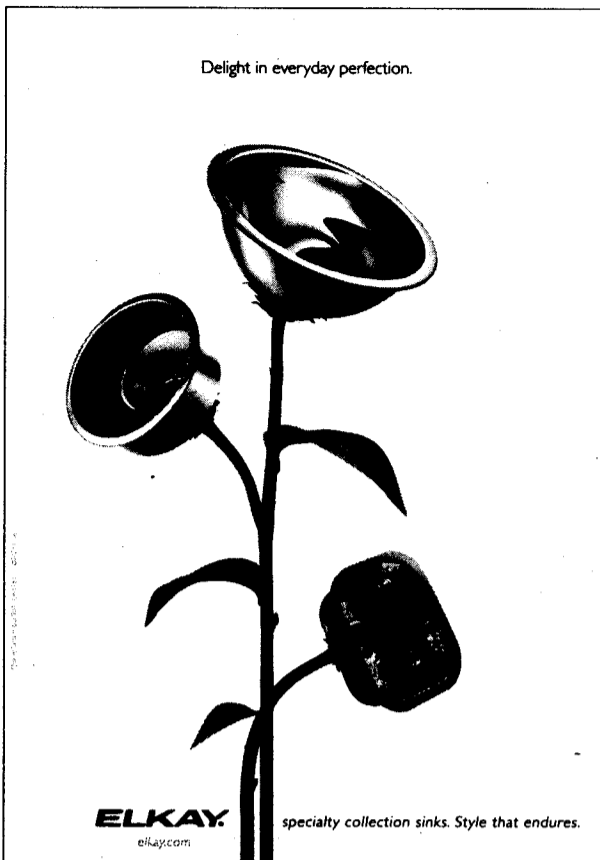
invested annually in media for corporate advertising campaigns. Interestingly, most corporate campaigns run by consumer-goods manufacturers are undertaken by firms in the shopping-goods category, such as appliance and auto marketers. Studies have also found that larger firms (in terms of gross sales) are much more prevalent users of corporate advertising than are smaller firms. Presumably, these firms have broader communications programs and more money to invest in advertising, which allows the use of corporate campaigns. Apple is a firm that has historically relied on broad corporate campaigns rather than promoting individual brands in the product line (see Exhibit 20.11).

Corporate Advertising

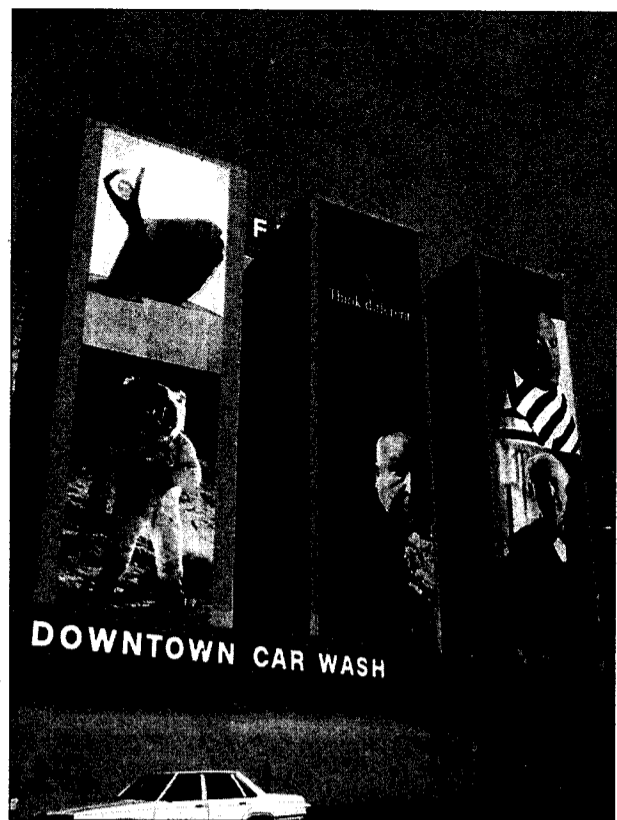
As we learned in Chapter 1, **corporate advertising** is not designed to promote a specific brand but rather is intended to establish a favorable attitude toward a company as a whole. A variety of highly regarded and highly successful firms use corporate advertising to enhance the image of the firm and affect consumers' attitudes. This perspective on corporate advertising is gaining favor worldwide. Firms with the stature of General Electric, Toyota, and Hewlett-Packard have invested in corporate advertising campaigns. Exhibit 20.10 shows a corporate campaign for Elkay—a high-end manufacturer of sinks and plumbing hardware.

The Scope and Objectives of Corporate Advertising.

Corporate advertising is a significant force in the overall advertising carried out by organizations in the United States. Billions of dollars are



Firms often use corporate advertising as a way to generate name recognition and a positive image for the firm as a whole rather than for any one of its brands. Here ELKAY touts the company name rather than any specific feature of its brand. <http://www.elkayusa.com>



Corporate image advertising is meant to build a broad image for the company as a whole rather than tout the features of a brand. Does this ad qualify as a corporate image ad? <http://www.apple.com>

In terms of media use, firms have found both magazine and television media to be well suited to corporate advertising efforts.²⁹ Corporate advertising appearing in magazines has the advantage of being able to target particular constituent groups with image- or issue-related messages. Hewlett-Packard chose to use both television and magazine ads in its corporate campaign (see Exhibit 20.12).³⁰ The campaign was designed to unify the image of the firm after its new CEO, Carly Fiorina, determined that the firm's image had become fragmented in the market. Magazines also provide the space for lengthy copy, which is often needed to achieve corporate advertising objectives. Television is a popular choice for corporate campaigns, especially image-oriented campaigns, because the creative opportunities provided by television can deliver a powerful, emotional message.

The objectives for corporate advertising are well focused. In fact, corporate advertising shares similar purposes with proactive public relations when it comes to what firms hope to accomplish with the effort. While corporate managers can be

29. David W. Schumann, Jan M. Hathcote, and Susan West, "Corporate Advertising in America: A Review of Published Studies on Use, Measurement and Effectiveness," *Journal of Advertising*, vol. 20, no. 3 (September 1991), 40.

30. Greg Farrell, "And Then There Was One H-P," *USA Today*, June 1, 2000, 5B.

The DNA of Silicon Valley.

The original company of inventors started here. 367 Addison Avenue, the garage out back. Two young inventors, radicals really, with a few simple tools and a passion to invent. In this garage more than a company was born. The spirit that has launched hundreds of companies was born. Today, this garage is still the workshop of the world's inventors, and it will be for years to come.

www.hp.com

EXHIBIT 20.13

Hewlett-Packard felt the company's image had become fragmented. This is one of the ads in a new corporate image campaign designed to unify the image of the firm. <http://www.hp.com>

Types of Corporate Advertising. Three basic types of corporate advertising dominate the campaigns run by organizations: image advertising, advocacy advertising, and cause-related advertising. Each is discussed in the following sections.

Corporate Image Advertising. The majority of corporate advertising efforts focus on enhancing the overall image of a firm among important constituents—typically customers, employees, and the general public. When IBM promotes itself as the firm providing “Solutions for a small planet” or when Toyota uses the slogan “Investing in the things we all care about” to promote its five U.S. manufacturing plants, the goal is to enhance the broad image of the firm. Bolstering a firm's image may not result in immediate effects on sales, but as we saw in Chapter 5, attitude can play an important directive force in consumer decision making. When a firm can enhance its overall image, it may well affect consumer predisposition in brand choice.³² Exhibit 20.13 is an example of an image-oriented corporate ad. In the ad, Bristol-Myers Squibb is touting the life-saving impact of its high-technology line of pharmaceuticals.

A distinguishing feature of corporate image advertising is that it is not designed to directly or immediately influence consumer brand choice. Energy giant BP developed a series of television and print ads that featured real people out on the street candidly answering questions about the environment, pollution, and the use of nat-

somewhat vague about the purposes for corporate ads, the following objectives are generally agreed upon:

- To build the image of the firm among customers, shareholders, the financial community, and the general public
- To boost employee morale or attract new employees
- To communicate an organization's views on social, political, or environmental issues
- To better position the firm's products against competition, particularly foreign competition, which is often perceived to be of higher quality
- To play a role in the overall integrated brand promotion of an organization as support for main product or service advertising

Notice that corporate advertising is not always targeted strictly at consumers. A broad range of constituents can be targeted with a corporate advertising effort. For example, when Glaxo Wellcome and SmithKline Beecham merged to form a \$73 billion pharmaceutical behemoth, the newly created firm, known as GlaxoSmithKline, launched an international print campaign aimed at investors who had doubts about the viability of the new corporate structure. The campaign was broadly image-oriented and led with the theme “Disease does not wait. Neither will we.”³¹

31. David Goetzl, “GlaxoSmithKline Launches Print Ads,” *Advertising Age*, January 8, 2001, 30.

32. For an exhaustive assessment of the benefits of corporate advertising, see David M. Bender, Peter H. Farquhar, and Sanford C. Schulert, “Growing from the Top,” *Marketing Management*, vol. 4, no. 4 (Winter-Spring 1996), 10–19, 24.



Two miracles. Three Bristol-Myers Squibb medicines.
And one very happy ending.

The little miracle above is Luke David Armstrong. The big one is his dad, Lance. Winner of the 1999 and 2000 Tours de France. And of an even more grueling battle—against testicular cancer. Using three Bristol-Myers Squibb cancer drugs, doctors worked with Lance to beat his

illness. For over three decades, Bristol-Myers Squibb has been at the forefront of developing cancer medicines. Now, we're working with Lance to spread the word about early detection, treatment, hope, and triumph. Learn more by visiting our Web site: www.bms.com.


 Bristol-Myers Squibb Company
Hope, Triumph, and the Miracles of Medicine

EXHIBIT 20.13

This corporate image ad for Bristol-Myers Squibb is touting the beneficial, life-enhancing effects of its high-technology pharmaceuticals. <http://www.bms.com>

ural resources and saying things like “I’d rather have a cleaner environment, but I can’t imagine me without my car.” One critic’s assessment is that the spots “don’t convey a lot of information” and that the campaign is likely to be successful in “getting the name equated in people’s minds with a progressive, forward-thinking company.”³³ An appropriate and important goal for corporate image advertising.

While most image advertising intends to communicate a general, favorable image, several corporate image advertising campaigns have been quite specific. When PPG Industries undertook a corporate image campaign to promote its public identity, the firm found that over a five-year period the number of consumers who claimed to have heard of PPG increased from 39.1 percent to 79.5 percent. The perception of the firm’s product quality, leadership in new products, and attention to environmental problems were all greatly enhanced over the same period.³⁴ Another organization that has decided that image advertising is worthwhile is the national newspaper *USA Today*.³⁵ The newspaper has spent \$1 million on print and outdoor ads that highlight the four color-coded sections of the newspaper: National, Money, Sports, and Life.

Advocacy Advertising. **Advocacy advertising** attempts to establish an organization’s position

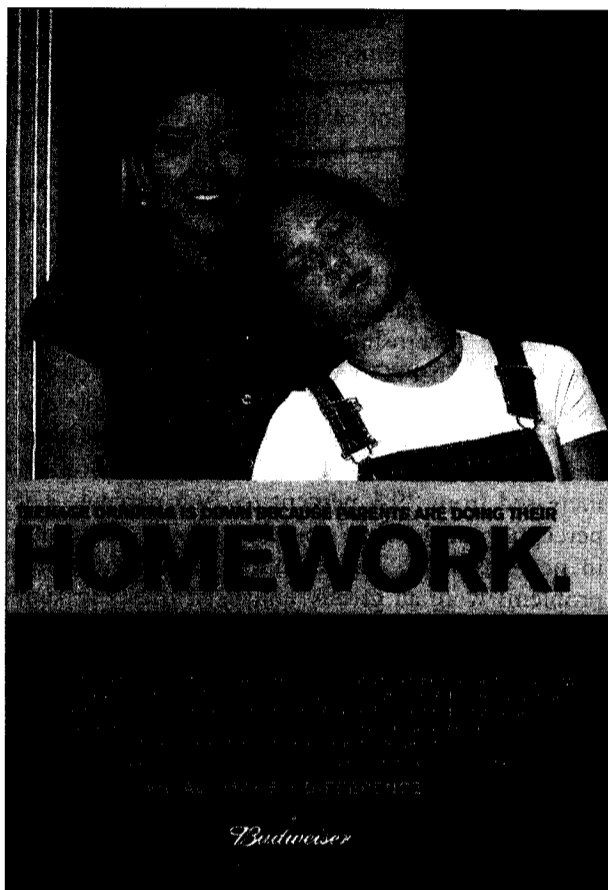
on important social, political, or environmental issues. Advocacy advertising is advertising that attempts to influence public opinion on issues of concern to a firm and the nature of its brands. For example, in a corporate advertising program begun in the early 1990s, Phillips Petroleum links its commitment to protect and restore bird populations and habitats to its efforts to reduce sulfur in gasoline. Some of the ads from this campaign can be viewed at <http://www.phillips66.com/about/Flyway/Tradition-Advertising.htm>. Typically, the issue in advocacy advertising is directly relevant to the business operations of the organization.

Cause-Related Advertising. **Cause-related advertising** features a firm’s affiliation with an important social cause—reducing poverty, increasing literacy, and curbing drug abuse are examples—and takes place as part of the cause-related marketing efforts undertaken by a firm. The idea behind cause-related marketing and advertising is that a firm donates money to a nonprofit organization in exchange for using the company name in connection with a promotional campaign. The purpose of cause-related advertising is that a firm’s association with a worthy cause enhances the image of the firm in the minds of consumers. The ad in Exhibit 20.14, in which Anheuser-Busch is promoting the control of teenage drinking, fits this definition perfectly. This campaign helps establish the firm as a responsible marketer of alcoholic beverages, its primary business, while also helping society deal with a widespread social problem.

33. “Campaign Close-up—BP,” *Sales and Marketing Management*, February 2004, 13.

34. Schumann, Hathcote, and West, “Corporate Advertising in America,” 43, 49.

35. Keith J. Kelly, “USA Today Unveils Image Ads,” *Advertising Age*, February 6, 1996, 8.



October 20, 14

In this cause-related corporate campaign, Anheuser-Busch is promoting the control of teenage drinking. This campaign helps establish the firm as a responsible marketer of alcoholic beverages. <http://www.beeresponsible.com>

Cause-related advertising is thus advertising that identifies corporate sponsorship of philanthropic activities. Each year, *PROMO Magazine* provides an extensive list of charitable, philanthropic, and environmental organizations that have formal programs in which corporations may participate. Most of the programs suggest a minimum donation for corporate sponsorship and specify how the organization's resources will be mobilized in conjunction with the sponsor's other resources.

Some very high-profile cause-related marketing programs have made extensive use of cause-related advertising. The Dixie Chicks promoted the World Wildlife Fund during a summer tour and donated proceeds of album sales to the organization. Eddie Bauer and Crystal Geyser Spring Water are brands using cause-related marketing as they support American Forests' ReLeaf program.³⁶

Firms are also finding that new media outlets such as the Internet offer opportunities to publicize their cause-related activities. This is especially true for environmental activities that firms are engaged in. The higher-education, upscale profile of many Web users matches the profile of consumers who are concerned about the natural environment. When firms engage in sound environmental practices, the Web is a good place for these firms to establish a "green" presence. "Green site" operators (<http://www.greenmarketplace.com> and [http://www](http://www.envirolink.org)

www.envirolink.org are examples) give firms a forum to describe their environmental activities.³⁷

While much good can come from cause-related marketing, there is some question as to whether consumers see this in a positive light. In a study by Roper Starch Worldwide, 58 percent of consumers surveyed believed that the only reason a firm was supporting a cause was to enhance the company's image.³⁸ The image of a firm as self-serving was much greater than the image of a firm as a philanthropic partner.

The belief among consumers that firms are involved with causes only for revenue benefits is truly unfortunate. Firms involved in causes do, indeed, give or raise millions of dollars for worthy causes. And the participation by U.S. firms in supporting worthy causes is broad based. About 92 percent of all U.S. companies contribute to a cause and spend over \$770 million annually supporting causes.³⁹ While there is some suspicion among adult consumers; there is growing evidence that cause marketing and advertising may be much more effective with teenagers. Researchers have found that 67 percent of teens shop for clothing and other items with a "cause" in mind, and more than half said they would switch to brands or retailers that were associated with a good cause.⁴⁰ In the words of one teen, "I bought a lot of my clothes at the Gap because they support the environment."⁴¹

Corporate advertising will never replace brand-specific advertising as the main thrust of corporate communications. But it can serve an important supportive role

36. Stephanie Thompson, "Good Humor's Good Deeds," *Advertising Age*, January 8, 2001, 6.

37. Jacquelyn Ottman, "Stalking the Green Consumer on the Internet," *Marketing News*, February 26, 1996, 7.

38. Geoffrey Smith and Ron Stodghill, "Are Good Causes Good Marketing?," *BusinessWeek*, March 21, 1994, 64-65.

39. John Palmer, "We Are the Children," *PROMO Magazine*, February 2001, 55-57.

40. Melinda Ligos, "Mall Rats with a Social Conscience," *Sales and Marketing Management*, November 1999, 115.

41. *Ibid.*

ETHICS**McDonald's Markets Itself as a Good Corporate Citizen**

In 2004 McDonald's held a day-long media event to try to show the public it is a good corporate citizen. This was an attempt to counteract negative publicity on food safety, nutrition, and workers' rights. Critics claim they contribute to the United States' obesity crisis.

As the world's largest hamburger chain, McDonald's has taken the burden of recent criticism of the U.S. fast-food industry. The company was the subject of the documentary film *Super Size Me*, in which the filmmaker ate only McDonald's food and tracked his weight gain and other health problems for a month. In addition, the company's chief executive, Jim Cantalupo, died in April 2004 at the age of 60, apparently from a heart attack. Then two teenagers filed a high-profile lawsuit that said McDonald's food made them overweight. With all of these negative things occurring it is critical that McDonald's use corporate advertising to build a positive image for the company. At the day-long media event at the company's headquarters in Oak Brook, Illinois, McDonald's executives discussed new healthier products, efforts to deal with its labor practices, and efforts to recycle.

Consider McDonald's actions in the marketplace and ask yourself these questions:

- Does McDonald's have any responsibility beyond its shareholders?
- What is the role of personal responsibility in all this?
- Does McDonald's advertising make people eat too much?
- Should fast food advertising be more carefully regulated?
- Does McDonald's use of cartoon characters and clowns unfairly target children?

for brand advertising, and it can offer more depth and breadth to an integrated brand promotion program. One fundamental criticism corporate managers have of corporate advertising is the difficulty of measuring its specific effects on sales. If the sales effects of brand-specific advertising are difficult to measure, those for corporate advertising campaigns may be close to impossible to gauge.

SUMMARY

- Explain the role of public relations as part of a firm's overall integrated brand promotion strategy.

Public relations focuses on communication that can foster goodwill between a firm and constituent groups such as customers, stockholders, employees, government entities, and the general public. Businesses utilize public relations activities to highlight positive events associated with the organization; PR strategies are also employed for “damage control” when adversity strikes. Public relations has entered a new era, as changing corporate demands and new techniques have fostered a bolder, more aggressive role for PR in IBP campaigns.

- Detail the objectives and tools of public relations.

An active public relations effort can serve many objectives, such as building goodwill and counteracting negative publicity. Public relations activities may also be orchestrated to support the launch of new products or communicate with employees on matters of interest to them. The public relations function may also be instrumental to the firm's lobbying efforts and in preparing executives to meet with the press. The primary tools of public relations experts are press releases, feature stories, company newsletters, interviews and press conferences, and participation in the firm's event sponsorship decisions and programs.

- Describe how firms are using buzz and viral marketing in the public relations effort.

Firms are using the Internet for a variety of public relations activities. In Chapter 18, we saw that new media can create “buzz” through word of mouth that with certain target segments is more effective than any other tactic. In a noisy and crowded competitive environment, mainstream promotional tools such as advertising, sales promotion, and sponsorships may get lost in the clutter. Public relations using new media, particularly Web sites, chat room posts, and Web press releases, can reach targeted audiences in a different way, and carry more credibility than “in your face” company self-promotion. Viral marketing is similar to buzz, although it will typically rely on direct contact between opinion leaders and influencers and a narrowly targeted market niche. Finally, there is a major drawback to new media when it comes to public relations. Because of the speed with which

information is disseminated, staying ahead of negative publicity is indeed challenging. While word of mouth can be used to create a positive buzz, it can also spread bad news or, even worse, misinformation just as fast.

- Describe two basic strategies motivating an organization's public relations activities.

When companies perceive public relations as a source of opportunity for shaping public opinion, they are likely to pursue a proactive public relations strategy. With a proactive strategy, a firm strives to build goodwill with key constituents via aggressive programs. The foundation for these proactive programs is a rigorous public relations audit and a comprehensive public relations plan. The plan should include an explicit statement of objectives to guide the overall effort. In many instances, however, public relations activities take the form of damage control, and in these instances the firm is obviously in a reactive public relations strategy mode. While a reactive strategy may seem a contradiction in terms, it certainly is the case that organizations can be prepared to react to bad news. Organizations that understand their inherent vulnerabilities in the eyes of important constituents will be able to react quickly and effectively in the face of hostile publicity.

- Discuss the applications and objectives of corporate advertising.

Corporate advertising is not undertaken to support an organization's specific brands, but rather to build the general reputation of the organization in the eyes of key constituents. This form of advertising uses various media—but primarily magazine and television ads—and serves goals such as enhancing the firm's image and building fundamental credibility for its line of products. Corporate advertising may also serve diverse objectives, such as improving employee morale, building shareholder confidence, or denouncing competitors. Corporate advertising campaigns generally fall into one of three categories: image advertising, advocacy advertising, or cause-related advertising. Corporate advertising may also be orchestrated in such a way to be very newsworthy, and thus it needs to be carefully coordinated with the organization's ongoing public relations programs.

KEY TERMS

public relations
publicity
buzz
viral marketing

proactive public relations strategy
reactive public relations strategy
public relations audit
public relations plan

corporate advertising
advocacy advertising
cause-related advertising

QUESTIONS

1. Explain how the release of Handspring's Treo 600 cell phone/PDA/digital camera combo discussed in the chapter opener serves to illustrate the effectiveness of buzz and viral marketing as new tools of public relations.
2. In what ways has public relations entered a new era? Is it likely that continued momentum will drive public relations to become the centerpiece of promotional efforts in the future, as some experts predict? Explain.
3. Review the criteria presented in this chapter and in Chapter 17 regarding the selection of events to sponsor. Obviously, some events will have more potential for generating favorable publicity than others. What particular criteria should be emphasized in event selection when a firm has the goal of gaining publicity that will build goodwill via event sponsorship?
4. Would it be appropriate to conclude that the entire point of public relations activity is to generate favorable publicity and stifle unfavorable publicity? What is it about publicity that makes it such an opportunity and threat?
5. There is an old saying to the effect that "there is no such thing as bad publicity." Can you think of a situation in which bad publicity would actually be good publicity?
6. Most organizations have vulnerabilities they should be aware of to help them anticipate and prepare for unfavorable publicity. What vulnerabilities would you associate with each of the following companies?
 - R. J. Reynolds, makers of Camel cigarettes
 - Procter & Gamble, makers of Pampers disposable diapers
 - Kellogg's, makers of Kellogg's Frosted Flakes
 - ExxonMobil, worldwide oil and gasoline company
 - McDonald's, worldwide restaurateur
7. Review the three basic types of corporate advertising and discuss how useful each would be as a device for boosting a firm's image. Is corporate advertising always an effective image builder?

CONFIDENTIAL EXPERIENCE

1. Whether responding to claims of unfair labor practices, corporate censorship, or responsibility over the obesity crisis, businesses constantly use the tools of public relations to anticipate and react to negative publicity and bad events. Corporate scandals, environmental disasters, and other general mishaps quickly snowball into big controversies, and can damage a firm's reputation with consumers. Search news sources, business magazines, or the Internet to identify a recent corporate crisis that required "damage control" by a firm. Describe the extent of the crisis and who was involved. Identify tools and strategies of public relations that were employed to manage the crisis. How has the issue been resolved to date? Do you think the company could have avoided the controversy or done more to resolve the problem in the eyes of stakeholders? Explain.

2. This chapter discusses the many ways new media contributes to the activities of public relations. After reading the section of this chapter on Public Relations and New Media, visit the following sites and explain how each contributes to online public relations.

Beerresponsible: <http://www.beeresponsible.com>

CSRwire: <http://www.csrwire.com>

eReleases: <http://www.ereleases.com>

Atomic: <http://www.atomicpr.com>

CINOTHEQUE

20-1 Objectives for Public Relations

The goal of the public relations function is to manage positive public relations efforts as well as to soften the impact of negative events that threaten the relationship between businesses and consumers. Agencies must set very specific objectives for promoting healthy public relations, and must use the right tools to maintain the good reputation of their clients. McSpotlight is a consumer-protection organization that directs its efforts to raise awareness among fast-food customers.

McSpotlight: <http://www.mcspotlight.org>

1. What is the purpose of the McSpotlight organization?
2. Of the primary objectives for public relations listed in the chapter, which is most likely to direct the McDonald's public relations effort in response to McSpotlight?
3. What public relations tools is McSpotlight using to achieve its goals? What public relations tools do you suppose McDonald's uses most often to counteract negative publicity?

20-2 Public Relations Agencies

Carter Ryley Thomas ranks among the largest independent agencies in the nation. CRT boasts a values-based philosophy that guides the firm's employees in their everyday decisions. The agency is recognized as one of the best PR firms to work for in America, and has been named among the top mid-sized PR firms in the country.

Carter Ryley Thomas Public Relations:

<http://www.crtpr.com>

1. Browse the site and describe one of the recent public relations campaigns CRT has conducted for its clients.
2. What objectives and tools guided the campaign?
3. Was the effort characteristic of a proactive public relations strategy or a reactive one?
4. What direct benefits do you believe the client received as a result of this public relations strategy?

PART 5*Cincinnati Bell™***Cincinnati Bell Wireless: Growing and Sustaining the Brand after Launch**

There's a predictable aspect to advertising and marketing: Last year's results are last year's results. After a few bottles of champagne are popped to celebrate a good year, it's time to do it all again. And the new year will most certainly present opportunities and challenges that will need to be addressed in one's advertising and IBP planning, if a brand like Cincinnati Bell Wireless is to continue to thrive and grow. As we saw at the end of Part 4 of this case, 1998 was a very good year for Cincinnati Bell Wireless. Could CBW and its partner Northlich hope for a repeat performance in 1999? What were the prospects for continued growth of their wireless business? Jack Cassidy, then president of CBW, was proud of what CBW had been able to accomplish in its launch year, but by the fourth quarter of 1998, planning was already under way to make 1999 even better.

There were good reasons to be optimistic about CBW's prospects, heading into 1999. Consumers responded immediately to the superior features of digital PCS technology versus analog cellular, and CBW had emerged as the market leader for digital PCS in Cincinnati and surrounding communities. More generally, wireless phone service was evolving from a specialized technology adopted by a few to a mass-market product. The 30 percent annual growth rates in adoption of wireless phone services were projected to continue into 1999, making Cincinnati a market-place with substantial, unfulfilled market potential.

Another thing that is predictable in advertising and marketing: If you have spotted a great opportunity for growing your business, rest assured that many of your competitors will have spotted it too. This would be CBW's biggest challenge heading into 1999. At least five wireless competitors envious of CBW's success in 1998 were preparing to do everything in their power to rob CBW of some of that success in 1999. These included Nextel, AirTouch Cellular, GTE Wireless, Ameritech, and Sprint PCS. Sprint represented an especially formidable foe because it offered the same state-of-the-art technology as CBW, and as a nationwide player was prepared to spend heavily behind its own brand-building campaign in 1999. No one expected that the Cincinnati market could support six wireless service providers. Only the strong would survive, and 1999 would prove to be a critical year in separating the weak from the strong.

Refining the CBW Advertising and IBP Plan for 1999. The launch plan implemented by Northlich on behalf of Cincinnati Bell Wireless had produced outstanding results. But before moving forward to create new executions for 1999, Northlich reassessed the plan by reevaluating the key strategic issues from Thorson and Moore's strategic planning triangle (see Part 2 of this case if you need a refresher). Before selecting the mix of persuasion tools to be deployed in 1999, Northlich reassessed both the appropriate target segment(s) and the focal value proposition(s) for the brand. Direct feedback from the marketplace was essential in this reevaluation.

Target Segment Identification. You may recall that CBW and Northlich had initially targeted MOPES (managers, owners, professionals, and entrepreneurs) in the launch campaign. While the campaign was effective in reaching these high-value business users, it was also clear that a market existed beyond those who would use the phone for business purposes. Almost overnight, wireless phone service had moved from novelty to necessity in the lifestyles of affluent, time-starved consumers. So Northlich entered 1999 with two target segments clearly specified. One was young (25-plus), college-educated, working professionals who (much like the MOPES) represented a high-value segment that used their phones to enhance on-the-job productivity. The second was an older (45 to 54) group of well-educated professionals who appeared to be adopting wireless phone service as a convenient alternative to the wired phone for everyday communication. These two segments were labeled Charter 500 Customers and Charter 100 Customers, respectively, indicating the pool of monthly minutes (that is, 500 and 100) that was expected to be most attractive to each.

Consolidating the Value Proposition for the CBW Brand. Northlich and Cincinnati Bell launched the wireless brand with a value proposition featuring the functional benefits of this new service. To assess whether this proposed value was in fact being recognized by its customers, Northlich conducted a series of focus groups in January 1999 to hear directly from CBW customers what they liked most about this new service. In their customers' own words, CBW stood for *flexible, best choice, simple and affordable, no surprises, no contracts, reliable, and putting me in control*. Based on this qualitative research, the CBW value proposition for 1999 became a more focused version of what it had been in 1998. The goal for all advertising was to convince target audiences that CBW represented the "Simple Choice" for wireless communication. Additionally, to be in sync with Nokia's increasingly fashionable phones, CBW also aspired to be perceived as current and cool. The smart choice, cool enough to set current trends, was the brand equity that CBW set out to own in 1999.

Building the Brand and Growing the Business. Here we will describe several of the various persuasion tools that were deployed to build the CBW brand in 1999. Much as it had done in the launch campaign, Northlich again called on its multidisciplinary teams to generate a sophisticated, multilayered advertising and IBP campaign to sustain and grow the CBW brand. The campaign in 1999 integrated nearly all the tools that you have learned about in the previous 20 chapters, but in the following discussion we will emphasize the IBP tools that were featured in Chapters 17 through 20.

Equity Building. As the foundation for continuing success, Northlich used several tools to reinforce what consumers knew about the CBW brand. Several television spots were developed with the goal of cultivating CBW's brand equity as the smart and cool choice. Like the "Classroom" and "Big Easy" spots described in Part 4, the emphasis of the new ads for 1999 was to position CBW as the simple, smart choice in wireless, and to portray signing contracts and complicated pricing schemes as an old-fashioned way of doing business. One particularly creative execution in 1999 was an ad that spoofed *Antiques Road Show*, PBS's most popular prime-time program at the time. In this ad a clunky analog cellular phone was written off as a worthless artifact of some bygone era, with of course a CBW phone being represented as the only appropriate choice for modern living. If imitation is the sincerest form of flattery, the creatives at Northlich must have been very flattered when Sprint PCS basically copied this ad execution as part of its national television campaign in 2001.¹

1. Suzanne Vranica, "Madison Avenue Plays on Antiques' Lure," *Wall Street Journal*, May 16, 2001, B7.

In 1999 the creatives at Northlich also generated several out-of-the-box outdoor ad executions to contribute to the equity-building effort. A sample is provided in Exhibit IBP 5.1. This "Carol & Ted" ad was designed for one of the city's most prominent billboards; this billboard is equipped with a special feature where it can support three rotating panels, which can be programmed to rotate on any sequence that a client wants. So panels A, B, and C were designed to be rotated in a methodical sequence, delivering the punch line that if contracts scare you, then CBW is definitely the right choice.

The special genius associated with this outdoor ad came in how it was deployed to create a public relations coup for Cincinnati Bell. Rather than rotate through all the panels initially, only panel A from Exhibit IBP 5.1 was displayed for the first week. This drove all the local TV news departments wild with curiosity, and became

Carol, will you marry me?
— Ted

Ted, NO.
— Carol

Trouble with commitment?
NO CONTRACTS. 

EXHIBIT IBP 5.1

The "Carol & Ted" three-panel billboard.

INTEGRATED BRAND PROMOTION

a regular topic during the evening news. Why make your marriage proposal on the city's most visible billboard? Who was Ted? Carol? Did they live and work in Cincinnati? On and on it went. In week two, panel B was revealed. Carol said no! Poor Ted. He must be heartbroken. Would we ever hear from Ted again? By the time the third week came, when CBW was ready to reveal panel C, the local media had drummed up so much attention around this billboard that nearly everyone in the city would ultimately learn that the punch line was CBW's swipe against wireless service providers that make you sign contracts. This is a wonderful example of how a little creativity can pay big dividends in getting low-cost, mass exposure for a brand-building message.

Closing the Sale. As noted in Chapter 18, many diverse sales promotion tactics are employed by marketers to supplement their advertising for the purpose of closing the sale. The kind of tactics used and the frequency of use depend on one's industry and competitive field. Turns out that the telecommunications business is intensely competitive, and 1999 would be a year of wireless warfare in Cincinnati.² So, beyond the general brand-building ads, Northlich and CBW also worked fervently to create and advertise a series of sales promotions designed to persuade new customers to take that plunge and activate their wireless phone service with Cincinnati Bell.

The competitive intensity of the wireless phone business means that, ideally, one should have a fresh sales promotion ready to go each and every month. Northlich pretty much delivered on this demanding schedule. Sample print ads from the Valentine's Day promotion of February 1999 and the March Madness promotion of March 1999 appear in Exhibits IBP 5.2 and 5.3. Other sales promotions included a

store @ Cincinnati Bell

You get one chance to tell her how you feel.
Subtlety is not an option.

Leave the understatement for lesser occasions. This is the Nokia 5160 for "Sappho's Day," with a heart-attachable cover that lets your phone match your mood. Flip it on and off, turn it off that. Using the phone is equally un-challenging, with one simple button for the features you use most. Priced at \$145, it comes with a \$50 love gift, your choice of the phone cover or a \$50 gift certificate. Rate plans start at \$15 a month. All of which brings new meaning to the words "love connection."

Cincinnati Bell wireless

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EXHIBIT IBP 5.2

There's nothing like a \$50 gift certificate for flowers to get people's attention in mid-February.

store @ Cincinnati Bell

Foam hand, \$6.95

- increased hand temperature
- not available in left hand usage
- risk of poking eye out

THE PRICE OF BEING A FAN

Nokia 5160, \$99

- free 100 phone cover with activation
- no contracts
- some wireless rates in 48ET cities across the U.S.

Cincinnati Bell wireless

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store @ Cincinnati Bell

www.cincinnati.com
1-800-333-1100

Atlanta
 1000 Peachtree St.
 Atlanta, GA 30309

Baltimore
 1000 Light St.
 Baltimore, MD 21202

Boston
 1000 State St.
 Boston, MA 02116

Chicago
 1000 N. Dearborn St.
 Chicago, IL 60610

Dallas
 1000 Ross Ave.
 Dallas, TX 75202

Denver
 1000 17th St.
 Denver, CO 80202

Detroit
 1000 Woodward Ave.
 Detroit, MI 48226

Houston
 1000 West Loop West
 Houston, TX 77030

Los Angeles
 1000 Wilshire Blvd.
 Los Angeles, CA 90017

Minneapolis
 1000 Hennepin Ave.
 Minneapolis, MN 55402

New York
 1000 Broadway
 New York, NY 10018

Philadelphia
 1000 Market St.
 Philadelphia, PA 19107

Portland
 1000 Commercial St.
 Portland, OR 97204

San Francisco
 1000 Market St.
 San Francisco, CA 94102

Seattle
 1000 4th Ave.
 Seattle, WA 98101

Washington
 1000 K St.
 Washington, DC 20004

Atlanta
 1000 Peachtree St.
 Atlanta, GA 30309

Baltimore
 1000 Light St.
 Baltimore, MD 21202

Boston
 1000 State St.
 Boston, MA 02116

Chicago
 1000 N. Dearborn St.
 Chicago, IL 60610

Dallas
 1000 Ross Ave.
 Dallas, TX 75202

Denver
 1000 17th St.
 Denver, CO 80202

Detroit
 1000 Woodward Ave.
 Detroit, MI 48226

Houston
 1000 West Loop West
 Houston, TX 77030

Los Angeles
 1000 Wilshire Blvd.
 Los Angeles, CA 90017

Minneapolis
 1000 Hennepin Ave.
 Minneapolis, MN 55402

New York
 1000 Broadway
 New York, NY 10018

Philadelphia
 1000 Market St.
 Philadelphia, PA 19107

Portland
 1000 Commercial St.
 Portland, OR 97204

San Francisco
 1000 Market St.
 San Francisco, CA 94102


Seattle
 1000 4th Ave.
 Seattle, WA 98101

Washington
 1000 K St.
 Washington, DC 20004

EXHIBIT IBP 5.3

March Madness is the perfect time to help sports fans show their true colors.

2. Mike Boyer, "Wireless Wars," *Cincinnati Enquirer*, November 15, 1998, E1, E4.



This summer, you're going to fight traffic, chase kids, relax by the pool, race to meetings, order dinner, ask someone else to pick it up, cheer on the soccer team, solve the latest work crisis....

It will all be easier with Cincinnati Bell Wireless.

Sign up today and SAVE \$80 on our most popular phone, PLUS get FREE, unlimited long distance calling, and 4 free tickets to the Newport Aquarium.

Name _____
Address _____
City State Zip _____

Dear Name:

There's no question that your life is hectic. You rush from one place to another, juggle demands constantly and wear many hats. That's why we're sending you information about Cincinnati Bell Wireless — a tool you can use every day to put you more in control of what life stands your way.

Cincinnati Bell Wireless gives you more freedom. More freedom makes life simpler.

Sometimes you need to stay in touch, but you can't be tied down waiting for a call at your home or office. With Cincinnati Bell Wireless, you can wait patiently by the phone for that important call — while you're heading across town to pick up the kids. Or you can order dinner while you're stuck in traffic. You get the picture! It's like being in two places at the same time. Life is simpler. More productive, too.

Say good-bye to long distance charges and hello to extra features.

Cincinnati Bell Wireless has kindred all kinds of ways to save you money. Like giving you unlimited, free long distance calling to and from anywhere in the U.S. And, giving you helpful features like Caller ID, VoiceMail and Call Waiting at no additional charge.

Save \$80 on the Nokia 5160 — our most popular phone.

- One of the longest operating times in the industry. The Nokia 5160 gives you up to 3 hours of talk time and up to 8 days of standby time with the standard Nokia battery. You won't have to constantly charge batteries or worry about running out of battery power.
- Small enough for pocket or purse. Check out the "actual size" photo in the enclosed brochure, and you'll see another reason



(see photo)

Incredible Offer!
But hurry, offer ends August 14, 1999.

Save \$80 long distance Newport Aquarium

FREE, unlimited 4 free tickets

Just call 1-877-595-2CBW.
Or visit our website: www.cbwireless.com



EXHIBIT IBP 5.4

This direct mail piece carried all the incredible news about Summer Splash.

Mother's Day event, a Summer Splash, Fall Football Faceplates, and a host of offers during the holiday season in late fall, where 40 percent of annual activations are typically generated. All of these events included a price deal on a Nokia phone, and/or a freebie such as a \$50 floral gift certificate, to help close the sale.

Another tool for delivering news about an exciting sales promotion to carefully targeted households is direct mail. Northlich and CBW deployed this tool skillfully in 1999. An example of their collaboration from the Summer Splash promo is shown in Exhibit IBP 5.4. Examine this direct mail piece carefully and you'll find all the right elements for closing a sale. The piece features a great offer: a nice price on a spiffy Nokia phone plus four free tickets to the then newly opened Newport Aquarium—everyone's number one destination in the summer of 1999. Note as well the clear call to action: "Hurry, this incredible offer ends August 14!" How can I sign up? With CBW it's always easy. Take your pick: the toll-free number; the Web site, <http://www.cbwireless.com>; or any Cincinnati Bell Wireless retail outlet, including Best Buy, Circuit City, Office Depot, and Staples. This is great local sales execution, making the smart choice an obvious choice.

Nurturing Relationships with Customers. Cincinnati Bell is an experienced database marketer. Working with Northlich, the company created a number of innovative programs in 1999 designed to reward, engage, and build a bond

with existing CBW customers. Too often marketers make the mistake of spending all their advertising dollars trying to win new customers, and they take existing customers for granted. Then they wonder why their churn rates exceed industry averages. As we saw in Part 4 of this case, in its first year CBW had churn rates well below industry averages. No slippage would be acceptable in 1999.

Database marketing at its best is about building enduring relationships with customers, and CBW used its customer database in an attempt to do just that in 1999. Relationships depend on communication, and to foster that communication CBW launched its own branded newsletter—*The Talk*. The cover page of the summer 1999 issue is shown in Exhibit IBP 5.5. The communication goals for *The Talk* involved things such as keeping customers aware of changes taking place in the wireless industry, tips for making your phone more convenient to use and program, and details about special promotions designed exclusively for CBW customers. *The Talk* also encouraged customer comments and complaints by phone (877-CBW-8877) or e-mail (thetalk@cinbell.com).

Well, a newsletter like *The Talk* can be a great thing when you have something special to talk about. So, as part of its Summer Splash extravaganza, CBW decided to throw a party to celebrate the first anniversary of its launch. But what kind of party makes sense if your brand stands for *smart, current, and cool*? And whom should we invite? How about a rock 'n' roll concert for 10,000 of our closest friends—only CBW customers allowed. Perfect. Using *The Talk* to deliver its exclusive invitations,

t h e **talk**
summer 1999

**Exclusive Customer Event!
Win Free Tickets**

to the CINCINNATI BELL WIRELESS BIRTHDAY BASH,
presented by NOKIA, featuring a performance by Hootie and the Blowfish!

We're throwing a rockin' party (literally) to celebrate the one-year birthday of Cincinnati Bell Wireless. We'd like to invite the people who have made the first year such a success - you - to help us whip it up.

The Cincinnati Bell Wireless Birthday Bash, presented by Nokia Mobile Phones, featuring a performance by Hootie and the Blowfish, will go down on August 26 at the Funtan Center. This event is open only to customers and friends of Cincinnati Bell Wireless. And the only place you'll hear about this birthday bash is through The Talk.

Every Cincinnati Bell Wireless customer who's had active service on or before June 18, 1999 will have a chance to win two free tickets to the concert. Here's how to enter:

1. Register to Win. Call 1-877-873-1495 by August 8, 1999. Then enter your ten-digit wireless phone number at the prompt.
2. Watch Your Mail for Tickets. Cincinnati Bell Wireless will draw 5,000 winners at random and mail two tickets to the winners' wireless billing address. Tickets will be sent via first-class mail on August 16, 1999.
3. Party with the Band. Once you get your tickets, you're ready to rock and roll. Cincinnati Bell Wireless Style: Funtan Center, August 25. Show starts at 8:00 p.m.

EXHIBIT IDP 5.5

Newsletters are an increasingly common tool for would-be relationship builders.

friends who tell two more friends, and all of a sudden you've touched a whole lot of customers and potential customers with a powerful brand-building message. You're probably starting to get the hint that 1999 turned out to be another very good year for Cincinnati Bell Wireless.

Measuring Up in 1999. When a client understands its business and its customers like Cincinnati Bell, and an agency understands how to execute advertising and integrated brand promotion like Northlich, good things are going to happen in the marketplace. This certainly proved to be the case for CBW's launch in 1998, when more than 60,000 activations were achieved by year's end. But things turned out just as well or maybe even a little better for CBW in 1999. By December 1999 Cincinnati Bell had activated over 150,000 customers for its wireless business; CBW's market share had more than doubled versus one year earlier, with much of this gain coming from consumers who were abandoning the rapidly fading analog cellular format. With creative advertising, aggressive promotions like March Madness and Summer Splash, adept direct marketing, and a flair for public relations, CBW established itself as a feisty local brand ready to defend its home turf against telecommunication heavyweights such as Sprint and AT&T. Smart, current, and cool is right where they wanted to be.

Five Years in Review. . . As the new century arrived, Cincinnati Bell Wireless remained on a steep growth curve. CBW rode that growth wave and captured more market share than any of the six competitors it faced. Through a focus on keeping things simple and having the coolest phones out there, CBW had become the wireless provider of choice in the Cincinnati metro area. Continued investment in advertising and integrated brand promotion kept the product in the forefront. By the end of

CBW was able to attract about 10,000 of its customers to a free concert featuring Hootie & the Blowfish. In addition, Nokia got so caught up in the activity that they ended up footing most of the bill for the evening's entertainment, turning it into a huge win for CBW and CBW customers.

An event like this Hootie concert works in several ways to stir passion for a brand. First, the band put on a great show, leaving everyone with memories of a pleasant evening that are now connected to the CBW brand. Additionally, the local news media would of course create a big fuss over this event, making anyone who attended feel that, as a CBW customer, they really did get to be part of something special. Pity those poor souls who haven't gotten the message about which wireless brand in Cincinnati is *smart, current, and cool*.

It also turns out that every time someone activates a CBW phone, Cincinnati Bell sets aside two dollars for Boomer Esiason's foundation for the cure of cystic fibrosis. Esiason, former quarterback for the Cincinnati Bengals, is one of the city's mega-celebrities, and he was on hand for the Hootie concert to accept a check to his foundation for more than \$200,000. It was an evening filled with passion and emotion. Passion and emotion drive brand loyalty and turn customers into brand advocates who then go out and tell two friends who tell two

2001 CBW had best-in-class market share numbers of just over 40 percent and a churn rate at an industry low of 1.5 percent.

The growth of wireless began to slow in 2002. As a result, the advertising budget had to be cut and the mix of IBP tools in use was adjusted accordingly. CBW continued to have a weekly presence in newsprint and a steady presence on radio, but TV spending was confined to heavy promotional periods such as the back to school and holiday seasons. By 2002 the product itself was becoming more similar across all carriers. No longer was PCS the cool new technology; it was the same technology all were using. Also, no longer were Nokia phones available at only Cincinnati Bell. They were everywhere. This made the competitive environment much more challenging and a strong brand with a focused message even more important. Through it all CBW continued to have success, in fact winning the J. D. Power award for customer service. Through 2002, some growth continued for CBW and churn was kept at an industry-low level; however, more change was on the way in the world of

wireless sales. By the end of the year there was a major threat to CBW—the threat of no longer having the most current or coolest wireless services.

By 2003, CBW management faced a daunting challenge. All major competitors were in the process of upgrading, or already had upgraded, their networks to next-generation technology. Code Division Multiple Access (CDMA) and Global System for Mobile Communications (GSM) were the new models for wireless, and they could now allow for better access to e-mail, picture taking and sending, and popular new features like custom ring tones and color screens. Because CBW was not in a position to upgrade its network and offer the newest services, it found itself in a battle to keep its status as the “smart, current, and cool” provider. In an effort to fend off competition until the new services would be available, CBW continued to rely on the essence of its brand: As we see in Exhibit IBP 5.6, this involved keeping things simple with no contracts and, as shown in Exhibit IBP 5.7, offering terrific deals on the latest and greatest new phones, like this one from Panasonic.

Five years is a long time to consider. We hope that along the way in learning about the wireless phone business, you have also learned a lot about advertising and integrated brand promotion. There are many lessons in this comprehensive case history that are typical of advertising and IBP in all walks of business life. As we come to the end, there is one last lesson to make note of, and there is none more important. Recall in 1998 that CBW launched with a product (i.e., digital PCS) that

performed better, at a better price, than the existing competition. Five years later, with competitive challengers on all sides, things had changed dramatically. No longer did CBW have the superior performing service; in fact, they had fallen a little behind in the latest technologies. Without the best product to advertise in 2003, there is simply no way that their advertising could work as well as it did in 1998 and 1999. It is a simple and perhaps obvious truth that great advertising will always start with a great product. Without distinctive benefits to offer consumers, it's hard to know what to talk about. So, find great products to advertise, and you'll live happily ever after.

Wireless Contract

WE WILL PROVIDE SERVICE BASED ON THE FOLLOWING SERVICE AGREEMENTS:

IF YOU'RE UNHAPPY, TELL SOMEONE WHO CARES. WE'VE GOT YOU LOCKED IN. NYAH, NYAH, NYAH, NYAH, NYAH.

If you get a wireless phone from some other company, and you're not happy with it, what can you do? Pay them \$200 or so to get free. Or live with bad service. Some choice. Instead, get a phone from the people with no contracts - the people who'll run your business every day.

UNLIMITED night & weekend minutes + 1000 anytime minutes

Roaming on AT&T's nationwide network and long distance All for **\$35*** monthly with Custom ConnectionsSM

No-Contract Wireless
Call 1.877.CALL.CBW

\$19.99* with Custom ConnectionsSM

Go with the people who live around here. **Cincinnati BellSM**

Strong brands deliver a consistent message about what they do and do not stand for. Here we see CBW keeping its eye on the ball with yet another jab at those who want you to sign a contract.

Used with permission from Cincinnati Bell. All rights reserved.

Five years after its offer of the Nokia 6160, CBW hadn't lost sight of the appeal of a cool phone.

Used with permission from Cincinnati Bell. All rights reserved.

save \$70
while supplying
your own phone.

Right now, add a cool new Panasonic camera phone and you can subtract from the price. Subtract from the plan, too. And subtract those wireless contracts forever.

See, we believe in rewarding good customers, so the more you add, the more we subtract. That means phones priced from just \$60, and a variety of rate plans to save you money. Come in today and see how the savings can really add up.

\$35 per month

we subtract \$120 per year

Cincinnati Bell
Call, click, or come see us. 513.565.SAVE.

EXERCISE

1. Review Thorson and Moore's strategic planning triangle from Part 2 of this case study. What were the key strategic issues that Northlich had to reconsider as part of the planning process for 1999? What changes (if any) did this reconsideration lead to in the advertising and IBP campaign that Northlich would execute for CBW in 1999?
2. Using this CBW example, explain how equity-building advertising, sales promotions, and direct marketing programs can be used in combination to produce the kind of outcome that all clients are looking for. What makes the combination of these tools more potent than any one of the tools by itself?
3. Local brands need to be creative in capitalizing on their local roots if they are to stave off the attacks of powerful national brands. The folks at Northlich and CBW seem keenly aware of this point. Provide three examples from the 1999 campaign that illustrate CBW's willingness to connect to issues or events that are meaningful in its local community.
4. In 1999, Jack Cassidy launched a second wireless service under the brand name i-wireless, specifically targeted to consumers in the 16-to-24 age segment. Compare the Web sites for Cincinnati Bell Wireless (<http://www.cbwireless.com>) and i-wireless (<http://www.i-ontheweb.com>). What features or aspects of the two Web sites serve to differentiate these two brands? Based on what you find at these Web sites, how would you describe the similarities and differences in the value propositions for these two brands?



Douglas A. Zarkin
Director of Marketing and Creative
Services (Avon Future—mark),
Avon Products Inc.

When the world's leading direct seller of beauty and related products wanted to launch a new fashion and beauty experience for women by women, the company looked to an unlikely candidate to develop and launch its campaign—a guy. Douglas Zarkin, an up-and-coming brand-development professional and co-founder

of Grey Global Group's youth-and-entertainment subsidiary G WHIZ, was hired by Avon Products, Inc. in early 2002 to develop the company's new Gen-Y targeted cosmetics brand: mark. Zarkin's background in youth-related advertising and marketing made him an ideal candidate to shape a direct-selling Avon business for a younger demographic, and, after some good-natured harassment from the all-female cosmetics team, the new director went to work on the firm's newest line of beauty products. Avon's appointment turned out to be an equal-opportunity success story: mere months after its launch, mark brought home \$17 million and had enlisted over 25,000 enthusiastic young reps—entrepreneurial women pleased to “meet mark.” The venture earned the cosmetics-and-accessories line top honors as *CosmoGIRL Magazine's* Best New Brand and gave Zarkin a seat among *Brandweek's* 2004 Top 10 Marketers of the Next Generation.

To anyone familiar with Douglas Zarkin's impressive resume of past clients, agencies, and brand successes, the thirty-something director's early achievement at Avon might not come as a surprise. What may strike some as unusual, however, is that Zarkin's ascendant career in advertising and marketing started out, as he puts it, “completely by accident.” Recounting the progression from his days as a college student to his present-day status as the envy of all *Queer Eye* fans, Zarkin humorously gibes, “I graduated from American University wanting to be the next Gordon Gecco from *Wall Street*. I had no idea I'd end up being Max Factor.” The young graduate may have had Wall Street aspirations, but it didn't take him long to follow his creative muse, first to Saatchi & Saatchi, and later to Grey Worldwide where he got his break developing global youth-targeted product directives for M&M Mars, Konami Video Games, Reebok, and others. Each step along the way, Zarkin applied his brand-promotion philosophy to his own career advancement: “Think of yourself as a brand,” invites the Avon director. “What is your point of difference? How do you differentiate yourself from the pack?” Zarkin's ability to see himself as the brand has been instrumental in scoring good positions with highly respected firms.

Being Doug Zarkin must be pretty good. He is the toast of thousands of young enterprising women from all over the states and around the world. Zarkin is perhaps stating the obvious when he claims that the greatest thing about his job is, “Meeting successful mark representatives and knowing that I have played a part in helping them to achieve their dreams.” If the svelte models appearing in the “meet mark” TV spots are representative of the mark reps whose dreams he has helped to achieve, his point is well taken. Unfortunately for Zarkin, he does miss out on some of the fun at mark make-up parties: “With the exception of our skincare, there is not much of the product we produce that I can use or experience. It makes marketing just a bit more difficult versus working on something that I can better relate to as a man (i.e., sneakers, soda)!” It's a small price to pay.

Zarkin's interesting positions come with many attractive perks. Overseeing the creative process means going to TV and print shoots, and this places Zarkin in and around celebrities. “I am probably one the few people not having played college or pro sports that can actually say that they have tossed a touchdown pass to Jerry Rice and gotten an assist from Magic Johnson,” says the Avon director. “There's often a lot of down time when you are doing a commercial or a program, and so we just started playing around on the set. Zarkin received his own fifteen minutes of advertising fame when a model failed to show up for an M&M

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CAREERS IN MARKETING,
COMMUNICATIONS, IBP,
AND ADVERTISING

Mars photo shoot: "The next thing I knew I was in front of the camera as part of the national print campaign."

When one evaluates the creative ideas and marketing strategies behind Avon's new brand of beauty and accessory products, it's no wonder that *Brandweek* named Zarkin one of the top 10 Marketers of the Next Generation. In an age of saturated media and increasing market fragmentation, Zarkin has created a hip, lifestyle platform that makes direct selling relevant to a whole new generation. "It is becoming increasingly more difficult to break through the clutter and find interesting ways to reach young people without seeming too overt," explains Zarkin. Beyond the make-up parties and socials that form the foundation of Avon's success, Zarkin finds creative ways to integrate mark across various media and even into branded entertainment. Millions of TV viewers saw mark billboard ads during the firing scenes of NBC's *The Apprentice*, and the brand made its way into a storyline of NBC's daytime drama *Passions*. Mark appeared in a three-minute MTV segment that highlighted the life of a young female mark representative. Zarkin's covert operations even extend to the mark "magalog," a blended retail catalog and magazine that contains feature stories about celebrities in addition to product information.

Douglas Zarkin has a blazing career, and the lifestyle appeal he has created for Avon's mark brand portends an even brighter future for the American University alum. To the casual observer, mark may seem like just another line of cosmetics. But in Zarkin's world, mark is a new beauty experience for young women. It's makeup you can buy or sell. It's about girls getting together, sharing tips, stories, and, yes, products—over 250 beauty products designed for today's young women. As the relaxed and sophisticated bathtub beauty asks at the close of one of Zarkin's TV spots, "Have you met mark?"