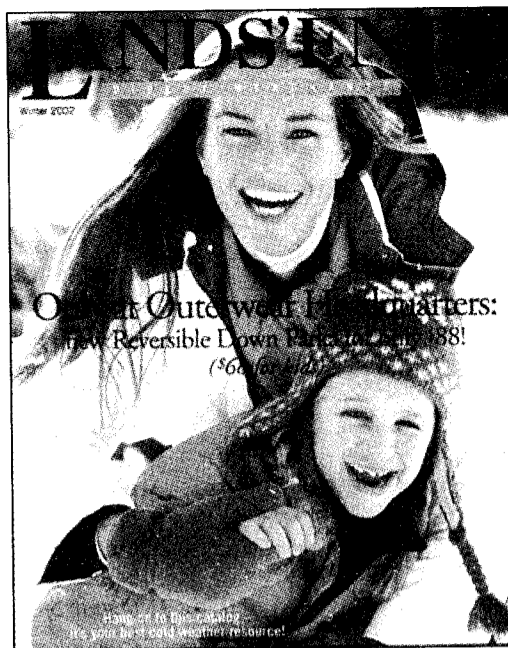


2000.<sup>16</sup> Because of the high volumes of SPAM that have been sent, and the fact that many consumers consider it a nuisance, the U.S. government has passed laws regulating its use.

Catalog-oriented companies like Lands' End have also increased their use of electronic media. Lands' End sells more apparel online than any other retailer (\$327 million in 2001); online sales constitute 21 percent of its total revenues. Interestingly, unlike many other e-mail marketers, the company does not use SPAM. It sends messages only to those who have agreed to receive them—an indication that junk mailing may not be necessary to be successful.<sup>17</sup> (See Exhibit 15-13.) The company recently aired television commercials to promote the ease and efficiency of using its online catalog, and sent customers in its existing database direct-mail pieces informing them of the same. In turn, many e-marketing companies now send out print catalogs to promote their sites.

While many consumers don't like SPAM or other forms of e-mail, studies have shown the effectiveness of e-mails. A study by Abacus indicated that in 2001 the value of online transactions increased by 47 percent while that of off-line catalogs remained the same. According to the study, the number of persons who received a catalog offline and then ordered online increased by 7 percent.<sup>18</sup>



**Exhibit 15-13** Lands' End is an effective Internet user

**Infomercials** Yes, even the infomercial has discovered the Net. The same people who brought you “Amazing Discoveries” infomercials on television now produce infomercials for the Internet (and they are not alone). One such infomercial, by iMall, a company based in Provo, Utah, runs marketing seminars on how to make money on the Internet. Other companies are expected to follow. Does this mean we will soon see FlowBees on the Web?

**E-Commerce** E-commerce, or direct sales on the Internet, has truly taken off. Online spending for the fourth quarter was expected to reach \$19.6 billion, a 23 percent gain over 2001.<sup>19</sup>

While more and more consumers buy online, consumer sales are only about one-fifth of those by business-to-business marketers. B-to-b sales are expected to be over \$6 trillion by 2004.<sup>20</sup> Many business-to-business companies like Applied Industrial Technologies, National SemiConductor, and Xerox have also found success in the world of e-commerce.

**Home Shopping Channels** In the direct-marketing chapter, we mentioned that QVC has taken its home shopping TV channel to the Internet in the form of iQVC. HSN also has an Internet shopping channel. In fall 2002, buy.com (the Internet-only company) announced that it would be initiating a new shopping channel on television.

Companies measuring the effectiveness of the Internet employ a variety of methods, most of which can be done electronically. As you will see in a moment, a number of companies provide Internet measures as part of a package; that is, they provide audience measurement information (demographics, psychographics, etc.) as “up-front” information, as well as some of the effectiveness measures described below. First, we will discuss some of the measures used to determine the effectiveness of a website. Then, we will discuss some of the companies providing these measures.

## Measuring Effectiveness of the Internet

### Audience Measures and Measures of Effectiveness

You will see that while the Internet industry has developed its own measures of effectiveness, there are some problems with these measures that must be considered when employing them. In an attempt to respond to criticism of the audience metrics employed, as well as to standardize some of the measures used to gauge effectiveness

**Figure 15-8** IAB  
Guidelines for Internet  
measurement

*Ad impression.* This is a measurement of responses from an ad delivery system to an ad request from the user's browser.

*Click.* This measure includes three forms: click-through, in-unit click and mouse-over. A *click-through* occurs when the viewer clicks on the ad to have information sent to him or her. The *in-unit click* and the *mouse-over* are ad interactions without the content being sent to the viewer.

*Visit.* A *visit* is defined as "one or more text and/or graphics downloads from a site qualifying as at least one page, without 30 consecutive minutes of inactivity, which can be reasonably attributed to a single browser for a single session." The browser must "pull" text or graphic content to be considered a visit.

*Unique measurement (browsers, visitors, and users).* This is the number of actual individual people, within a designated reporting timeframe, with activity consisting of one or more visits to a site or the delivery of pushed content. A unique user can be either (1) an actual individual who accesses a site (*unique visitor*) or (2) an actual individual who is pushed content and/or ads such as e-mail, newsletters, interstitials, and pop-up or pop-under ads. Each individual is counted only once in the unique-user or visitor measure for the reporting period. When no attempt is made to estimate the number of unique users based on the number of unique cookies received, the measure should be referred to as *unique browsers*.

*Page impression.* This is a measurement of the responses from a web server to a page request from the user's browser. Pagelike items should be counted as follows:

- Pop-ups—ad impressions
- Interstitials—ad impressions
- Pop-unders—ad impressions
- HTML newsletters (if opened)—page impressions (if ad only—ad impressions)
- Auto-refreshed pages—page impressions
- Frames—page impressions

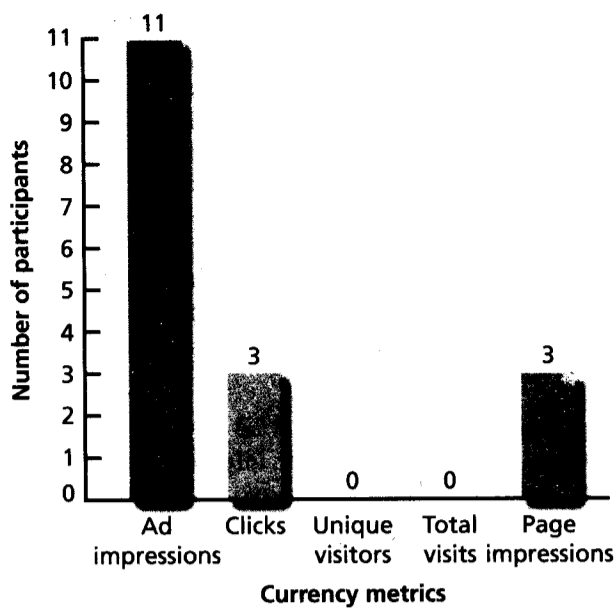
of the Internet, the Internet Advertising Bureau (IAB)—the largest and most influential trade group—combined with eight prominent Web publishers and two technology firms (in total representing nearly two-thirds of all industry revenue) to conduct research on these methods. In 2002 their report was completed, and the group created voluntary guidelines intended to make uniform the various incompatible systems that evaluate effectiveness of Internet advertisements. The guidelines included five measures that would allow for independent auditing and verification (Figure 15-8). It is believed that the adoption of these guidelines, along with objective auditing, will make the Internet a more attractive medium for many of those who advertise in traditional media. Figure 15-9 shows the frequency of use of these measures among the research agencies participating.

The measures suggested do not include a commonly employed method referred to as *hits*—the number of times that a specific component of a site is requested. Hits could include 100 people making one request each or one person making 100 requests. As a measure of communication effectiveness, hits have generally been considered a weak metric. Thus, while some may still track hits, many companies have abandoned this measure or place little emphasis on it.

Information on users is typically collected robotically by a **cookie**, an electronic device attached to your file (usually without your knowing it) that collects information on where you visit, how many times you visit, where you click, and the like. Due in part to weaknesses in previously employed measures and advertisers' desire for additional information, a number of other measures are now being employed, including the ones discussed below.

**Online Measuring** A joint venture between IntelliQuest and Millward Brown has led to a research tool employing online measuring that collects information regard-

Figure 15-9 Use of metrics by participating companies



ing demographics, psychographics, location of Web access, media usage, and buying habits. Clients can determine who saw their ads, determine reach, and ascertain whether the right target audience was reached. Advertisers can test the impact of their messages, receiving a report detailing impressions and clicks by time of day and day of the week.

In another joint venture, Amazon.com paid \$250 million in stock to acquire Alexa, a little-known service. The service tracks what sites are on the Internet and where, as well as who, goes to them. The appeal of Alexa is that it goes beyond “cookies,” which don’t track a user’s other Web visits. Alexa collects data on all Web activity by any user who signs up for it. Measures as to how much traffic a site gets, whether users like the site, and where they go next are all reported. The database is already twice the size of all the printed matter in the Library of Congress.<sup>21</sup>

**Recall and Retention** Ipsos-ASI performs 20,000 continuous daily interviews with Web users to determine recall and whether viewers remember the ads they see, as well as whether there is a “halo-effect” among ads.

**Surveys** Survey research, conducted both online and through traditional methods, is employed to determine everything from site usage to attitudes toward a site. Brand Optics tracks responses of Internet users to ads, e-mails, and other communications using cookies and surveys to track effectiveness.

**Sales** Of course, for the e-commerce marketers, a prime indicator of effectiveness is the number of sales generated. Adding information regarding demographics, user behaviors, and so on, can increase the effectiveness of this measure.

**Tracking** Some companies now offer more traditional tracking measures. For example, Dynamic Logic, Inc., provides information such as brand awareness, ad recall, message association, and purchase intent.

The above measures reveal that the Internet has its own set of criteria for measuring effectiveness and is also borrowing from traditional measures—for example, brand recall is becoming a major area of focus.<sup>22</sup> In 2002 the Association of Advertising Agencies and the Association of National Advertisers announced a system called *Advertising Digital Identification (Ad-Id)*. Ad-Id assigns advertising across all media a specific media code to facilitate cross-media buys. The goal of the coalition is to develop cross-media standards employing reach/frequency comparisons that include

the Internet. Many of the companies that provide research information in traditional media (Nielsen, Ipsos-ASI) are now extending their reach into the Internet world. Others (MediaMetrics, Forrester) have developed measures specifically for online users. Academics are also beginning to publish articles related to measuring effectiveness on the Internet. Studies on consumers' attitudes toward a site, response variations in e-mail surveys, and similarities between brick-and-mortar retailing and e-commerce are just a few of the many articles being published in academic journals to advance the measurement of the Internet.<sup>23</sup>

Unfortunately, not all of the methods used to measure Internet activity and effectiveness are accurate. We discuss some of these later in this chapter, under disadvantages of the Internet.

## Sources of Measurement Data

The number of sources available that provide information about the Internet is enormous. Below we provide a partial list just to give you some indication of the types of information available. Most of the companies listed are the largest and/or most cited sources, and the list is by no means intended to be exhaustive:

- *Arbitron*. Arbitron provides demographic, media usage, and lifestyle data on users of the Internet as well as other interactive media.
- *MRI and SMRB*. Both of these companies (discussed in Chapter 10) now provide information regarding viewership profiles for the Internet and other interactive media. Nielsen offers similar data.
- *Audit Bureau of Circulations*. This print agency is developing a product called WebFacts to certify Web counts.
- *Interactive Advertising Bureau (IAB)*. A trade organization of the Internet, IAB provides information on statistics, usage, and strategies regarding the Internet.
- *eMarketer*. This company publishes comparative data from various research sources and explains the different methods used to arrive at the projections. It also publishes its own projections.
- *Nielsen Net Ratings*. Nielsen provides audience information and analyses based on click-by-click Internet behavior through a meter installed on users' computers at home and work.
- *Jupiter MediaMetrics, Inc.* Previously separate companies, Jupiter, PC Meter, and MediaMetrics have joined to provide statistics and website information, including data on users, projections, trends, and so on.
- *Business 2.0 and Fast Company*. These business-to-business magazines target persons interested in the Internet, from both a technological and a business perspective, with emphasis on the latter.
- *Internet Advertising Report and office.com*. Both these organizations provide an online newsletter containing information on trends, statistics, and other articles of interest to Internet users. The latter focuses on the business community.

## Advantages and Disadvantages of the Internet

A number of advantages of the Internet can be cited:

1. *Target marketing*. A major advantage of the Web is the ability to target very specific groups of individuals with a minimum of waste cover-

age. For those in the business-to-business market, the Internet resembles a combination trade magazine and trade show, as only those most interested in the products and/or services a site has to offer will visit the site (others have little or no reason to do so). In the consumer market, through personalization and other targeting techniques, sites are becoming more tailored to meet one's needs and wants.

2. *Message tailoring*. As a result of precise targeting, messages can be designed to appeal to the specific needs and wants of the target audience. The interactive capabili-



ties of the Net make it possible to carry on one-to-one marketing with increased success in both the business and the consumer markets.

3. *Interactive capabilities.* Because the Internet is interactive, it provides strong potential for increasing customer involvement and satisfaction and almost immediate feedback for buyers and sellers. A recent study indicated that as many as 47 percent of Internet users multitask.<sup>24</sup> As multitasking increases, the interactive capabilities of the Internet will make this medium even more attractive.

4. *Information access.* Perhaps the greatest advantage of the Internet is its availability as an information source. Internet users can find a plethora of information about almost any topic of their choosing merely by conducting a search through one of the search engines. Once they have visited a particular site, users can garner a wealth of information regarding product specifications, costs, purchase information, and so on. Links will direct them to even more information if it is desired.

5. *Sales potential.* The numbers provided earlier in this chapter demonstrate the incredible sales numbers being generated in both the business-to-business and the consumer segments. Forecasts are for continued growth in the future.

6. *Creativity.* Creatively designed sites can enhance a company's image, lead to repeat visits, and positively position the company or organization in the consumer's mind. Visit some of the sites mentioned earlier to see what we mean.

7. *Exposure.* For many smaller companies, with limited budgets, the World Wide Web enables them to gain exposure to potential customers that heretofore would have been impossible. For a fraction of the investment that would be required using traditional media, companies can gain national and even international exposure in a timely manner.

8. *Speed.* For those requesting information on a company, its products, and/or its service offerings, the Internet is the quickest means of acquiring this information.

9. *Complement to IMC.* The Net both complements and is complemented by other IMC media. As such, it serves as a vital link in the integrative process.

While it is a potentially effective medium, the Internet also has its disadvantages:

1. *Measurement problems.* One of the greatest disadvantages of the Internet is the lack of reliability of the research numbers generated. A quick review of forecasts, audience profiles, and other statistics offered by research providers will demonstrate a great deal of variance—leading to a serious lack of validity and reliability. One company mentioned earlier, eMarketer, has attempted to reconcile such differences and explain the reasoning for the discrepancies (differences in methodologies employed), but the problem still exists. One of the industry's largest and most cited trade publications has written an exposé of a heavily cited Internet research company, referring to the numbers it provides as “scary.”<sup>25</sup> Others have stressed concerns over the fact that most site's figures are not audited, which may lead to rampant cheating in respect to the numbers reported.<sup>26</sup> The recent actions taken by the IAB to standardize metrics will help in reducing some of this problem. But due to difficulties involved in both measuring and forecasting in this medium, it remains necessary to proceed with caution when using these numbers.

2. *Websnarf.* At times, downloading information from the Net takes a long time. When there are a number of users, the time increases and some sites may be inaccessible due to too many visitors. For many users who expect speed, this is a major disadvantage. Broadband is helping to reduce this problem.

3. *Clutter.* As the number of ads proliferates, the likelihood of one ad's being noticed drops accordingly. The result is that some ads may not get noticed, and some consumers may become irritated by the clutter. Some studies already show that banner ads may be losing effectiveness for this very reason.

4. *Potential for deception.* The Center for Media Education has referred to the Web as “a web of deceit” in regard to attempts of advertisers to target children with subtle advertising messages. The Center, among others, has asked the government to regulate the Internet. In addition, data collection without consumers' knowledge and

permission, hackers, and credit card theft are a number of problems confronting the Internet.

5. *Privacy.* Like their direct-marketing counterparts, Internet marketers must be careful not to impinge upon the privacy of users. The IAB has issued a policy on privacy that it asks companies to abide by (see [www.iab.net](http://www.iab.net)).

6. *Limited production quality.* Although it is improving, net advertising does not offer the capabilities of many competitive media from a production standpoint. While the advent of advanced technologies and rich media is narrowing the gap, the Net still lags behind some traditional media in this area.

7. *Poor reach.* While the Internet numbers are growing in leaps and bounds, its reach is still far behind that of television. As a result, as discussed earlier, Internet companies have turned to traditional media to achieve reach and awareness goals. In addition, statistics show that only a small percentage of sites on the Internet are captured by search engines and that the top 50 sites listed account for 95 percent of the sites visited.<sup>27</sup>

8. *Irritation.* Numerous studies have reported on the irritating aspects of some Web tactics. These studies have shown consumers' discontent with clutter,<sup>28</sup> e-mail SPAM,<sup>29</sup> and pop-ups and pop-unders.<sup>30</sup> These irritating aspects will deter visitors from coming to the sites.<sup>31</sup> Ethical Perspective 15-2 expands on this issue.

Overall, the Internet offers marketers some very definite advantages over traditional media. At the same time, disadvantages and limitations render this medium as less than a one-stop solution. However, as part of an IMC program, the Internet is a very valuable tool.

## Additional Interactive Media

While the Internet has captured most of the attention of marketers, additional interactive media are also available and can be used as a contributor to an IMC program.

Interactive CD-ROMs, kiosks, and interactive phones have been used by marketers to provide information to their audiences. Agency executives stated that the most important capability of these media was their ability to be linked with traditional marketing projects.

One of the more attention getting and promising of the new interactive media is interactive TV. **Interactive TV**, or *iTV*, allows the viewer of a television program to interact with the program and/or the ads. Many marketers are betting on the fact that future computer users will access the Internet through their television sets. As noted earlier, multitasking will allow television viewers to watch an event—for example, a football game—and pull up information on players, history of the matchups between the teams, and other statistics without ever leaving the couch or the game. ABC promotes “enhanced TV” on its college football bowl games. (The numbers will appear in a window.) Or suppose you are watching the TV show *Friends* and like the sweater Rachel is wearing. You simply drag your mouse over to Rachel and click on her sweater, and a window will appear providing you with information regarding colors, materials, sizes, and costs. You may then ask to see other garments to mix and match with the sweater. You may then be asked if you wish to order and what shipping arrangements you prefer. If you have previously ordered, you are done, as your information has been stored in a database. If not, this first time you will be asked for personal information, including credit card number. You have ordered without leaving the couch or missing a minute of programming.

*Wink-enhanced advertisements* allow advertisers to communicate directly with Wink-subscribed viewers (4 million as of 2002) during a traditional 30- or 60-second spot. By clicking on an icon, advertisers can pose questions, offer samples, solicit contest entries, or even make a sale (Exhibit 15-14). For example, one Wink-enabled Ford ad asked viewers if they would like a Ford Outfitters catalog. If they wanted it, they were asked to select a model (Excursion, Expedition, or Explorer) and then to specify their interest in a two-door, four-door, or sport Track edition. Direct-mail pieces were then sent to respondents. Glaxo-SmithKline ran a similar ad allowing viewers to request information on its migraine medicine Imitrex. The company's six-month response goal was achieved in one week.<sup>32</sup>

## Effective Marketing or Deception and Invasion of Privacy?

The direct-marketing industry has taken its share of criticism from consumers and government agencies for a long time. Critics of direct marketing cite junk mail, telemarketing, and the selling of names contained in a database as just some of the reasons for their discontent. While it is a very effective medium for marketers, the mention of direct marketing conjures up negative connotations to many consumers. Now, it appears that the Internet may be taking a similar track.

Consider this: Estimates indicate that over 31 billion commercial e-mails were sent in 2002. Approximately one-third of these were automated mailings, including stock price alerts, newsletters, or sales/marketing messages. By the year 2006, the number of e-mails sent annually is expected to exceed 60 billion, with over 50 percent being commercial in nature. As noted by Mark Levitt, vice president of IDC Collaborative Computing Services and co-author of the estimates study, "Like water flowing out of a hose, e-mail has the potential to fill our inboxes and workdays, overwhelming our abilities to navigate through the growing currents of content." A study conducted by Ferris Research estimated that SPAM cost U.S. corporations \$8.9 billion in lost worker productivity in 2002. Other studies have shown that 59 percent of consumers can differentiate between legitimate e-mail and SPAM and are becoming more and more annoyed with the latter. Click-through rates on e-mails are also dropping. Permission-based online marketers have already experienced the negative impact of increased e-mails and expect to see response rates continue to decline. Many are already exploring other options.

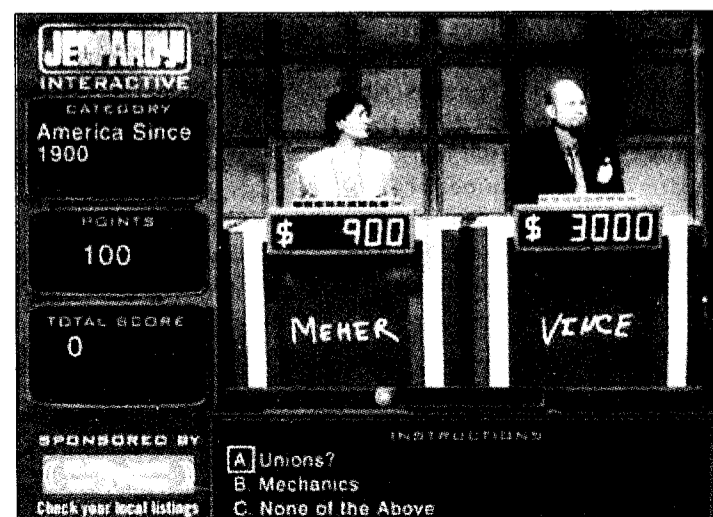
But e-mails are not the only problem. How many times have you visited a site only to be immediately confronted with an ad (pop-up) or exited a site and had to close one or more advertisements that you didn't want to see (pop-unders)? How many times have you been unable to close them, no matter how often you tried? How many times have you tried to "unsubscribe" to a site yet not been removed from its list? While these practices irritate consumers, many Internet marketers continue to conduct business in this manner, arguing that clicking off does not require a great deal of effort, or that consumers accept this as part of the Internet experience, or offering other unfounded excuses.

And now a new form of Internet deception has surfaced. The website of the *New York Times* recently refused to accept ads from Sony Electronics that the *Times* claims "blur the lines between advertising and editorial content." The ads—which appear in the form of journalistic articles—are written by freelance writers and are designed to appear as content on popular websites. The articles are accompanied by sidebars that link readers to SonyStyle.com for more information. The "advertorials" provide only a small subhead that reads "feature by Sony." Sony is spending \$10 million on 60 stories to appear on 40 different content sites including People.com, InStyle.com, National Geographic.com and others such as AOL and AOL Music. While Sony contends the articles are just a new means of presenting content, and sees nothing wrong with the practice, the *Times* refused to accept the argument, noting that "advertorial content must be clearly labeled to distinguish it from editorial content." Time, Inc., saw no problem with the content.

Like legitimate direct marketers, many marketers on the Internet are being hurt by the irritating and/or deceptive practices of others in their industry. But what can they do? A number of suggestions have been offered. First, the industry must police itself. The actions of the *New York Times* and of sites that refuse to accept pop-ups and pop-unders are one example. Second, trade organizations such as the Interactive Advertising Bureau (IAB) must take a more active role. Establishing and adhering to privacy guidelines is a good first step that individual companies can take on their own—for example, pursuing permission-based practices. The questionable practices discussed above—and numerous others not mentioned—are considered by many consumers to be, at best, an invasion of their privacy. A lack of action may lead to more drastic measures, as the direct-marketing industry can attest to—not the least of which is government action. It would be best for the Internet industry to regulate itself before it is too late.

Sources: Brian Morrissey, "SPAM Cost Corporate America \$9B Last Year," [www.internetnews.com](http://www.internetnews.com), Jan. 6, 2003, pp. 1-2; Tobi Elkin, "New York Times Web Site Refuses Sony Ads," [www.adage.com](http://www.adage.com), July 22, 2002, pp. 1-3; \_\_\_\_\_, "Study: E-Mail to Double by 2006," [www.internetnews.com](http://www.internetnews.com), Sept. 27, 2002, pp. 1-2; \_\_\_\_\_, "Sifting through Spam and E-Mail Marketing," *eMarketer Daily*, Sept. 24, 2002, pp. 1-2.

**Exhibit 15-14** Interactive television has been slow to catch on



Many marketers believe that the rapid adoption of iTV is just around the corner. Others feel that it is a very large corner, given that the promise of iTV has not been fulfilled, even though the technology has been around for quite some time. (A number of test markets have proved to be unsuccessful and have been abandoned.) While numbers vary (*eMarketer* estimates that 20 percent of households will have iTV in 2002 and 50 percent by 2005; others predict less), the fact remains that over 75 percent of consumers still need to be convinced that they should interact with their TV sets. A study indicated that 72 percent of U.S. viewers had no interest in interactive services.<sup>33</sup> Another study, conducted in 2002 in Europe—where iTV has been more rapidly adopted than in the United States—found that 94 percent of interactive customers haven't purchased anything through their TVs, 35 percent are not interested in doing so, and 40 percent can't figure it out.<sup>34</sup>

Nevertheless, some companies have demonstrated successful interactive campaigns. Volvo sponsored a two-week interactive television campaign during the NCAA basketball tournament in March 2002 and another on the Bravo cable television network later in the year. The company stated that it was “surprised” at the number of inquiries the campaign generated, and it considered the campaign a big success.<sup>35</sup> Another car dealer, Toyota, will run an integrated campaign using print, TV, and outdoor, as well as interactive and online ads, to introduce its new 4Runner. The campaign will be designed to drive viewers to a portal sight to gain more information, while providing Toyota with a database of interested parties.<sup>36</sup>

While interactive TV sounds like the future, so far the results have not been as encouraging as marketers had hoped for. Two of the test markets for the concept have proved to be failures, and the major content providers like General Electric (NBC) and Walt Disney Company (ABC) have expressed less interest in the concept than had been expected. Microsoft's WebTV (now MSN TV) has seen limited growth since 2000,<sup>37</sup> and OpenTV—although it has grown—is still of relatively small size.<sup>38</sup> It may just be that when viewers are watching TV, they just want to watch TV—we will wait to see.

## Wireless

A rapidly growing interactive medium capturing the attention of marketers is **wireless** communication. While still in its early stages, some companies are already sending advertisements, coupons, and direct-response offers through cell phones and PDAs. By 2002 an estimated \$53 million was being spent on mobile ads in Europe, with estimates that the United States would surpass that amount by 2006. Some applications already integrate global positioning satellite (GPS) technologies, changing the messages sent based on the geographic location of the user. Companies have already begun to use product placements in games as well as to offer special promotions. While just beginning, wireless is already an integrated medium.

# Summary

This chapter introduced you to the Internet and interactive media. It explained some of the objectives for these media and how they can be used in an IMC program.

The discussion of the Internet focused on understanding the key terms used in the industry, the objectives sought when using the Internet, and Internet communications strategies. In addition, the role of the Internet in an IMC program was discussed, with an explanation of how all the IMC program elements can be used with the Internet. Advantages of the

Internet—including the ability to target markets, interactive capabilities, and relationship building—were discussed. In addition, disadvantages—including high costs, unreliable measurements and statistics, and relatively low reach (compared to that of traditional media)—were reviewed. Sources of Internet measurement data were also provided.

The Internet has been the most rapidly adopted medium of our time. It holds great potential for both business-to-business and consumer marketers. However, contrary to popular belief, the Internet

is not a stand-alone medium. Its role in an integrated marketing communications program strengthens the overall program as well as the effectiveness of the Internet itself.

Interactive media have not yet fulfilled their promise. While still in its infancy, the medium has not received the acceptance and use expected. Test market indications are that the medium still needs improvements—particularly in content—before reaching mass acceptance. Wireless is starting to experience growth.

## Key Terms

Internet, 486  
World Wide Web (WWW), 486  
website, 490  
e-commerce, 494

banner ads, 496  
sponsorships, 496  
content sponsorship, 496  
pop-ups, 496

pop-unders, 496  
interstitials, 498  
push technologies, 498  
webcasting, 498  
personalization, 498

links, 498  
SPAM, 500  
cookie, 502  
interactive TV, 506  
wireless, 508

## Discussion Questions

1. One of the problems slowing the rate of adoption of the Internet as an advertising medium is the fact that this medium has been slow to adopt traditional advertising metrics. Discuss why this has been the case, and what must be done to overcome this problem.

2. Interactive television has not been adopted by consumers as rapidly as was expected. Give some reasons for this slower than expected adoption rate, and what *iTV* must do to overcome these problems.

3. What is meant by wireless? Provide examples of companies that currently are employing this communications medium. For what type of companies might wireless best be suited?

4. The IAB recently provided guidelines for metrics for use by those in the Internet industry. Explain what these guidelines entailed and why they are important.

5. Provide examples of companies with which you are familiar that have successfully integrated the Internet into their communications programs. Explain the role of the Internet in these IMC programs.

6. The Internet is growing at an extremely rapid pace. At the same time there are indications that this growth will slow. Discuss some factors that may lead to decreased growth of the use of this medium.

7. Discuss the objectives marketers may be seeking in their

use of the Internet. Which is the Internet best suited for?

8. Explain the different forms that advertisers might use to advertise on the Internet. Discuss some of the advantages and disadvantages associated with each.

9. A number of Internet marketers have been criticized as engaging in unethical practices. Discuss some of the practices that might be considered unethical. What should be done to curtail these practices?

10. What is interactive TV? Explain how interactive television differs from traditional television. Give an example of how a company might employ this medium.

# Sales Promotion

## 16

### Chapter Objectives

1. To understand the role of sales promotion in a company's integrated marketing communications program and to examine why it is increasingly important.
2. To examine the various objectives of sales promotion programs.
3. To examine the types of consumer- and trade-oriented sales promotion tools and the factors to consider in using them.
4. To understand how sales promotion is coordinated with advertising.
5. To consider potential problems and abuse by companies in their use of sales promotion.

# Sales Promotion Has an Interesting History as Well

Advertising has a long and fascinating history and has had a major impact, both good and bad, on our culture. Advertising has entertained, moved, and motivated consumers for more than



a century, and many of the images created by advertisers have become cultural icons—Ronald McDonald, the Marlboro Man, Tony the Tiger, and the Energizer Bunny, to name just a few. Much has been written about the history of advertising and how it reflects society and its whole range of activities. However, sales promotion also has a very rich and interesting history: Marketers have developed and used a variety of techniques over the past century to give consumers an extra incentive to use their products and services. Many of the sales promotion offers that motivate consumers today and have become part of their everyday lives have been around for nearly a century or more.

The oldest, most widely used, and most effective sales promotion tool is the cents-off coupon.

Coupons have been around since 1895 when the C.W. Post Co. first began using the penny-off coupon to help sell its new Grape Nuts cereal brand. Procter & Gamble began using coupons in 1920, and its first ones were metal coins that were good for discounts or buy-one-get-one-free deals. Those were soon replaced by cheaper, more convenient paper versions, which have been around ever since. Another classic promotional tool is the premium offer, which dates back to 1912 when Cracker Jack began offering “a prize in every box.” Ovaltine developed one of the first interactive premiums in 1930, when it gave away decoder rings that were needed to decode secret messages broadcast in *Little Orphan Annie* radio shows in the 30s. The promotion was brought back 20 years later as television became the new mass medium and the rings were used to decode messages in *Texas Rangers* TV shows. Perhaps no company has used premium offers as effectively as McDonald’s, which launched its Happy Meals in 1979 and has been using them ever since. Happy Meals account for a significant portion of McDonald’s sales and have made the company the world’s largest toy manufacturer.

Marketers also have a long history of taking their promotional programs to the customer. The first Oscar Mayer Wienermobile hit the streets in 1936, when the nephew of the company’s founder had the idea of introducing a 13-foot-long hot dog on wheels. Soon it was seen driving the streets of Chicago, promoting Oscar Mayer “German Style Wieners.” Seven updates and 66 years later, there is now a fleet of eight Wienermobiles that cruise the highways of America and other countries playing 21 versions of the famous Wiener Jingle and helping to promote the brand. Pepsi is another company that took a promotional program on the road, with its launch of

the famous “Pepsi Challenge” in 1975, which was one of the most successful promotions ever used to attract users of a competing brand. Pepsi took on its archrival and industry leader Coca-Cola in a hard-hitting promotion that challenged consumers to taste the two brands in blind taste tests. Pepsi ran the challenge promotion for nearly a decade and relaunched it again in 2000 as it began cruising for a new generation.

Contests and sweepstakes also have an interesting history. Pillsbury launched its first Bake-Off Contest in 1949, when the company’s advertising agency created the contest to celebrate the company’s 80th birthday and invited homemakers to share their treasured recipes. The response was so great that Pillsbury decided to hold the contest again in subsequent years, and the Bake-Off has become an institution as well as the nation’s most prestigious cooking competition. Many of the winning recipes in each year’s competition have become part of the repertoire of home cooks and have led to innovative new products from Pillsbury.

McDonald’s has taken another institution, the world-famous Monopoly board game, and turned it into a long-running and immensely popular contest. The first McDonald’s Monopoly game contest was in 1987, and its collect-and-win format and big prizes generated tremendous interest and excitement and was very effective at generating repeat business. McDonald’s began running the game annually in 1991, tweaking it each year by adding

new partners and prizes and making the game more complex with new iterations such as the Pick Your Prize twist. However, in 2001 the game had the most surprising twist of all: The FBI used it to collect evidence against an embezzlement ring that had been stealing high-value game pieces throughout the years. It remains to be seen if McDonald’s will try to bring back the popular game.

Another promotional program of historical significance is the American Airlines AAdvantage frequent-flyer program, which was launched in 1981. The program created a new currency and has set the gold standard for loyalty marketing as it now has nearly 44 million members. American also has a steady stream of partners that offer AAdvantage miles as an incentive to encourage consumers to purchase their products and services. Loyalty programs have also become very prevalent in many other industries such as hospitality, rental cars, and retailing.

Many of the marketers discussed here are promotional pioneers, as they have found creative ways to provide consumers with an extra incentive to purchase their brands. The success of these promotions has had a major impact on consumers throughout the years and also has resulted in similar programs being developed by competitors. Such promotions show that advertising is not the only IMC tool with a rich and interesting history.

Sources: “A Look at 16 Campaigns That Helped Redefine Promotion Marketing,” *Promo*, March 2002, pp. 58–70; [www.bakeoff.com/history](http://www.bakeoff.com/history).

As discussed in the opening vignette, marketers have come to recognize that advertising alone is not always enough to move their products off store shelves and into the hands of consumers. Companies also use sales promotion methods targeted at both consumers and the wholesalers and retailers that distribute their products to stimulate demand. Most companies’ integrated marketing communications programs include consumer and trade promotions that are coordinated with advertising, direct marketing, and publicity/public relations campaigns as well as sales force efforts.

This chapter focuses on the role of sales promotion in a firm’s IMC program. We examine how marketers use both consumer- and trade-oriented promotions to influence the purchase behavior of consumers as well as wholesalers and retailers. We explore the objectives of sales promotion programs and the various types of sales promotion tools that can be used at both the consumer and trade level. We also consider how sales promotion can be integrated with other elements of the promotional mix and look at problems that can arise when marketers become overly dependent on consumer and trade promotions, especially the latter.



**Sales promotion** has been defined as “a direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the ultimate consumer with the primary objective of creating an immediate sale.”<sup>1</sup> Keep in mind several important aspects of sales promotion as you read this chapter.

First, sales promotion involves some type of inducement that provides an *extra incentive* to buy. This incentive is usually the key element in a promotional program; it may be a coupon or price reduction, the opportunity to enter a contest or sweepstakes, a money-back refund or rebate, or an extra amount of a product. The incentive may also be a free sample of the product, given in hopes of generating a future purchase, or a premium that serves as a reminder of the brand and reinforces its image, such as the miniature race car premium offer that ties into Tide’s NASCAR sponsorship (Exhibit 16-1). Most sales promotion offers attempt to add some value to the product or service. While advertising appeals to the mind and emotions to give the consumer a reason to buy, sales promotion appeals more to the pocketbook and provides an incentive for purchasing a brand.

Sales promotion can also provide an inducement to marketing intermediaries such as wholesalers and retailers. A trade allowance or discount gives retailers a financial incentive to stock and promote a manufacturer’s products. A trade contest directed toward wholesalers or retail personnel gives them extra incentive to perform certain tasks or meet sales goals.

A second point is that sales promotion is essentially an *acceleration tool*, designed to speed up the selling process and maximize sales volume.<sup>2</sup> By providing an extra incentive, sales promotion techniques can motivate consumers to purchase a larger quantity of a brand or shorten the purchase cycle of the trade or consumers by encouraging them to take more immediate action.

Companies also use limited-time offers such as price-off deals to retailers or a coupon with an expiration date to accelerate the purchase process.<sup>3</sup> Sales promotion attempts to maximize sales volume by motivating customers who have not responded to advertising. The ideal sales promotion program generates sales that would not be achieved by other means. However, as we shall see later, many sales promotion offers end up being used by current users of a brand rather than attracting new users.

A final point regarding sales promotion activities is that they can be *targeted to different parties* in the marketing channel. As shown in Figure 16-1, sales promotion can be broken into two major categories: consumer-oriented and trade-oriented promotions. Activities involved in **consumer-oriented sales promotion** include sampling, couponing, premiums, contests and sweepstakes, refunds and rebates, bonus packs, price-offs, frequency programs, and event marketing. These promotions are directed at consumers, the end purchasers of goods and services, and are designed to induce them to purchase the marketer’s brand.

As discussed in Chapter 2, consumer-oriented promotions are part of a promotional pull strategy; they work along with advertising to encourage consumers to purchase a particular brand and thus create demand for it. Consumer promotions are also used by retailers to encourage consumers to shop in their particular stores. Many grocery stores use their own coupons or sponsor contests and other promotions to increase store patronage.

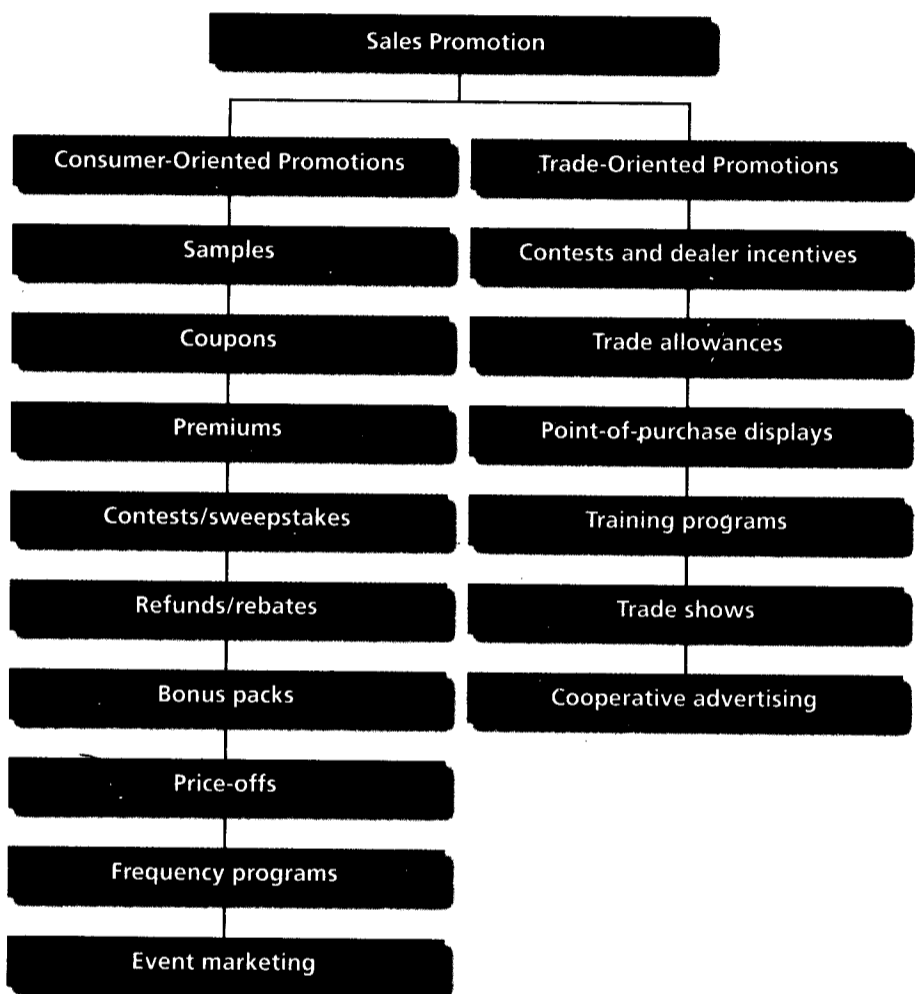
**Trade-oriented sales promotion** includes dealer contests and incentives, trade allowances, point-of-purchase displays, sales training programs, trade shows, cooperative advertising, and other programs designed to motivate distributors and retailers to carry a product and make an extra effort to push it to their customers. Many marketing programs include both trade- and consumer-oriented promotions, since motivating both groups maximizes the effectiveness of the promotional program.

## The Scope and Role of Sales Promotion

**Exhibit 16-1** Procter & Gamble offers a premium offer to provide extra incentive to purchase Tide and Downy



Figure 16-1 Types of sales promotion activities



## The Growth of Sales Promotion

While sales promotion has been part of the marketing process for a long time, its role and importance in a company's integrated marketing

communications program have increased dramatically over the past decade. Consumer sales promotion-related spending increased from \$56 billion in 1991 to nearly \$100 billion in 2001.<sup>4</sup> Marketers also spend an estimated \$150 billion each year on promotions targeted at retailers and wholesalers. Consumer packaged goods firms continue to be the core users of sales promotion programs and tools. However, sales promotion activity is also increasing in other categories, including health care, computer hardware and software, consumer electronics, and service industries.

Not only has the total amount of money spent on sales promotion increased, but the percentage of marketers' budgets allocated to promotion has grown as well. For many years advertising was the major component in the promotional mix of most consumer-product companies. Until the 1980s, nearly half of marketers' promotional dollars was spent on advertising campaigns designed to create or reinforce brand awareness and build long-term loyalty. However by the mid- to late 80s, a fundamental change had occurred in the way most consumer-product companies were marketing their products. The proportion of the marketing budget allocated to sales promotion rose sharply, while the amount spent on media advertising declined. The increase in spending on sales promotion at the expense of media advertising continued throughout the decade of the 90s and into the new millennium. Currently, estimates are that marketers spend between 60 and 75 percent of their promotional budgets on sales promotion, with the remainder being allocated to media advertising.<sup>5</sup>

Allocation of marketing budgets among consumer promotions, trade promotions, and media advertising varies by industry and company. For example, trade promotion

accounts for nearly 50 percent of the budget for consumer packaged-goods companies, with 27 percent going to consumer promotion and 24 percent to media advertising.<sup>6</sup> Moreover, a significant amount of the monies that marketers allocate to media advertising is spent on ads that deliver promotional messages regarding contests, games, sweepstakes, and rebate offers.<sup>7</sup> Surveys have shown that marketers devote about 17 percent of their ad budgets to promotional messages.<sup>8</sup> Promotional messages are also used to help attract attention to image-building ads. For example, the ad shown in Exhibit 16-2 delivers a message informing consumers of the Chevy Avalanche Outdoor Adventure Sweepstakes.

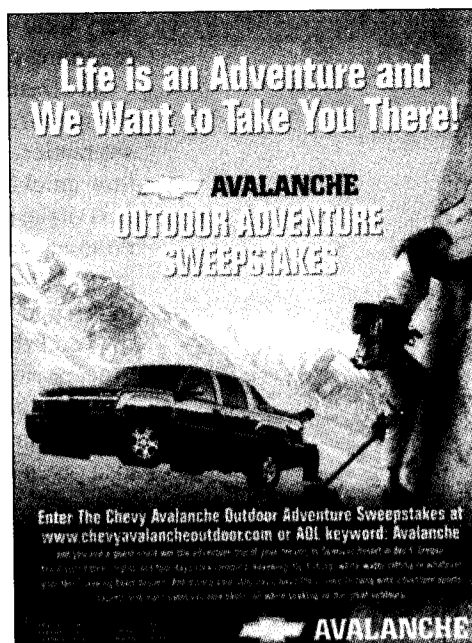
## Reasons for the Increase in Sales Promotion

The reallocation of the marketing budget concerned many marketers who still viewed media advertising as the primary tool for brand building and saw sales promotion programs as little more than gimmicks that contributed little to brand equity. However, most have recognized that consumers may love certain brands but often want an extra incentive to buy them. Marketers also know they must partner effectively with trade accounts, and this often means providing them with an additional incentive to stock and promote their brands and participate in various promotional programs.

A major reason for the increase in spending on sales promotion is that the promotion industry has matured over the past several decades. Increased sophistication and a more strategic role and focus have elevated the discipline and its role in the IMC program of many companies.<sup>9</sup> In the past, sales promotion specialists would be brought in after key strategic branding decisions were made. Promotional agencies were viewed primarily as tacticians whose role was to develop a promotional program such as a contest or sweepstakes or a coupon or sampling program that could create a short-term increase in sales. However, many companies are now making promotional specialists part of their strategic brand-building team, a move that puts sales promotion on par with media advertising. Promotional agencies have expanded their integrated marketing capabilities as well as their expertise in branding and helping their clients build relationships with their customers. For example, Exhibit 16-3 shows an ad for DVC Worldwide, one of the leading promotion agencies, that touts the agency's expertise in strategy and brand building.

There are also a number of other factors that have led to the increase in the importance of sales promotion and the shift in marketing dollars from media advertising to consumer and trade promotions. Among them are the growing power of retailers, declining brand loyalty, increased promotional sensitivity, brand proliferation, fragmentation of the consumer market, the short-term focus of many marketers, increased accountability, competition, and clutter.

**The Growing Power of Retailers** One reason for the increase in sales promotion is the power shift in the marketplace from manufacturers to retailers. For many years, manufacturers of national brands had the power and influence; retailers were just passive distributors of their products. Consumer-product manufacturers created consumer demand for their brands by using heavy advertising and some consumer-oriented promotions, such as samples, coupons, and premiums, and exerted pressure on retailers to carry the products. Retailers did



**Exhibit 16-2**  
Advertisements are often used to deliver messages about promotions such as sweepstakes

**Exhibit 16-3** DVC Worldwide touts its expertise in branding

very little research and sales analysis; they relied on manufacturers for information regarding the sales performance of individual brands.

In recent years, however, several developments have helped to transfer power from the manufacturers to the retailers. With the advent of optical checkout scanners and sophisticated in-store computer systems, retailers gained access to data concerning how quickly products turn over, which sales promotions are working, and which products make money.<sup>10</sup> Retailers use this information to analyze sales of manufacturers' products and then demand discounts and other promotional support from manufacturers of lagging brands. Companies that fail to comply with retailers' demands for more trade support often have their shelf space reduced or even their product dropped.

Another factor that has increased the power of retailers is the consolidation of the grocery store industry, which has resulted in larger chains with greater buying power and clout. These large chains have become accustomed to trade promotions and can pressure manufacturers to provide deals, discounts, and allowances. Consolidation has also given large retailers more money for advancing already strong private label initiatives, and sales promotion is the next step in the marketing evolution of private label brands. Private label brands in various packaged-good categories such as foods, drugs, and health and beauty care products are giving national brands more competition for retail shelf space and increasing their own marketing, including the use of traditional sales promotion tools. Well-marketed private label products are forcing national brand leaders, as well as second-tier brands, to develop more innovative promotional programs and to be more price-competitive.<sup>11</sup>

**Declining Brand Loyalty** Another major reason for the increase in sales promotion is that consumers have become less brand loyal and are purchasing more on the basis of price, value, and convenience. Some consumers are always willing to buy their preferred brand at full price without any type of promotional offer. However, many consumers are loyal coupon users and/or are conditioned to look for deals when they shop. They may switch back and forth among a set of brands they view as essentially equal. These brands are all perceived as being satisfactory and interchangeable, and consumers purchase whatever brand is on special or for which they have a coupon.

**Increased Promotional Sensitivity** Marketers are making greater use of sales promotion in their marketing programs because consumers respond favorably to the incentives it provides. A major research project completed by Promotion Decisions, Inc., tracked the purchase behavior of over 33,000 consumers and their response to both consumer and trade promotions. The results showed that 42 percent of the total unit volume of the 12 packaged-good products analyzed was purchased with some type of incentive while 58 percent was purchased at full price. Coupons were particularly popular among consumers, as 24 percent of the sales volume involved the use of a coupon.<sup>12</sup>

An obvious reason for consumers' increased sensitivity to sales promotion offers is that they save money. Another reason is that many purchase decisions are made at the point of purchase by consumers who are increasingly time-sensitive and facing too many choices. Some studies have found that up to 70 percent of purchase decisions are made in the store, where people are very likely to respond to promotional deals.<sup>13</sup> Buying a brand that is on special or being displayed can simplify the decision-making process and solve the problem of overchoice. Professor Leigh McAlister has described this process:

As consumers go down the supermarket aisle they spend 3 to 10 seconds in each product category. They often don't know the regular price of the chosen product. However, they do have a sense of whether or not that product is on promotion. As they go down the aisle, they are trying to pensively fill their baskets with good products without tiresome calculations. They see a "good deal" and it goes in the cart.<sup>14</sup>

**Brand Proliferation** A major aspect of many firms' marketing strategies over the past decade has been the development of new products. Consumer-product companies are launching nearly 30,000 new products each year, according to the research firm Marketing Intelligence Service (compared with only 2,689 in 1980).<sup>15</sup> The market has become saturated with new brands, which often lack any significant advantages that can be used as the basis of an advertising campaign. Thus, companies increasingly depend

on sales promotion to encourage consumers to try these brands. In Chapter 4, we saw how sales promotion techniques can be used as part of the shaping process to lead the consumer from initial trial to repeat purchase at full price. Marketers are relying more on samples, coupons, rebates, premiums, and other innovative promotional tools to achieve trial usage of their new brands and encourage repeat purchase (Exhibit 16-4).

Promotions are also important in getting retailers to allocate some of their precious shelf space to new brands. The competition for shelf space for new products in stores is enormous. Supermarkets carry an average of 30,000 products (compared with 13,067 in 1982). Retailers favor new brands with strong sales promotion support that will bring in more customers and boost their sales and profits. Many retailers require special discounts or allowances from manufacturers just to handle a new product. These slotting fees or allowances, which are discussed later in the chapter, can make it expensive for a manufacturer to introduce a new product.

**Fragmentation of the Consumer Market** As the consumer market becomes more fragmented and traditional mass-media-based advertising less effective, marketers are turning to more segmented, highly targeted approaches. Many companies are tailoring their promotional efforts to specific regional markets. Sales promotion tools have become one of the primary vehicles for doing this, through pr into local flavor, themes, or events. For example, fast-food restaurants a pizza chains such as Domino's spent a high percentage of their marketin local tie-ins and promotions designed to build traffic and generate sale trade areas.<sup>16</sup>

A number of marketers are also using sales promotion techniques to target ethnic markets. For example, Sears targets the Hispanic market by hosting grassroots events at stores and tie-ins with local festivals. Sears also develops other promotions targeted specifically at the Hispanic community. For example, the "Los Heroes De Mi Vida" contest shown in Exhibit 16-5 invited young people of Hispanic heritage to submit an essay to honor a person who has had a positive influence on their lives. Diversity Perspective 16-1 discusses how a number of companies are using sales promotion tools to target the African-American market.

Marketers are also shifting more of their promotional efforts to direct marketing, which often includes some form of sales promotion incentive. Many marketers use information they get from premium offers, trackable coupons, rebates, and sweepstakes



Exhibit 16-4 Sales promotion tools such as coupons are often used to encourage trial of a new brand

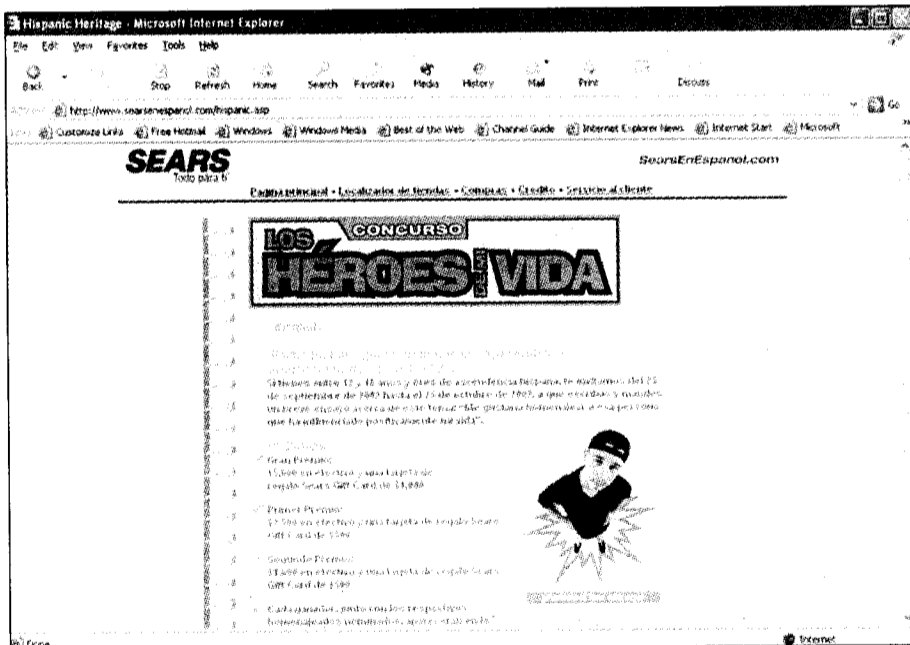


Exhibit 16-5 Sears targets the Hispanic market with this promotion

## DIVERSITY PERSPECTIVE 16-1

# Using Sales Promotion to Target African-Americans

The African-American market has become very important to many marketers as this segment accounts for two-thirds of the money spent by minorities in the United States and commands an estimated \$572 billion in purchasing power. African-Americans represent about 13 percent (36.4 million) of the U.S. population, and nearly half belong to the middle class. According to the most recent U.S. census, 5.3 million of the 12.8 million African-American households earn more than \$35,000 annually; nearly 14 million now live in the suburbs, and 10 percent of those suburban dwellers earn more than \$100,000 annually.

Traditionally, marketers have targeted African-Americans and other ethnic markets by running ads in the various TV, radio, and print media that reach these markets. However, many marketers are discovering that sales promotion techniques are often more effective ways to reach these markets and can be very valuable in developing relationships with them. For example, American Airlines has developed several programs to entrench its brand in the African-American community. One of these programs is called "Comfort Zone," an effort whose name played on two themes: the literal comfort of the extra leg room in American cabins, and the figurative level of satisfaction African-Americans have with the airline. The program centered on Comfort Zone parties in American's five hub markets. Urban radio stations held call-in contests giving away passes to the parties, which featured raffles awarding trips and cruises. American followed the campaign by sponsoring Sisters in the Spirit, a national gospel tour, and also teamed with Coca-Cola for a sweepstakes giving away trips to Hawaii that were advertised in various African-American magazines including *Ebony* and *Black Enterprise*.

Other companies are using ongoing promotional programs to reach the African-American market. For example, Volvo Cars North America has launched its largest minority-targeted promotion ever, a Buckle Up for Safety campaign run in conjunction with the Edward Davis Education Foundation and the National Highway Traffic Safety Administration. The goal of the campaign is to promote seat belt usage within the African-American and Hispanic communities—particularly among young adults—and to reinforce the proper use of car and booster seats for infants and children.

Mott's Inc. has expanded its annual Hawaiian Punch Black History "Our Words! Our Art!" contest from 8 to 16 markets. The month-long promotion asks students to share what they have learned about African-American historical figures. First- and second-graders submit artwork, while fourth- through sixth-graders



write essays. Forty-five winners, selected by the National Association of Black School Educators, win family trips to Disney World. Burger King also has developed a connection with the African-American community by celebrating its heritage. The company sponsors Black History month through a campaign called "Everyday Heroes" that recognizes the achievements of more obscure figures such as chess grand master Morris Ashley and Brigadier General Ronald Coleman. The chain distributed more than 10 million special calendars through its restaurants during the 2002 promotion. African-Americans and Hispanics account for 30 percent of Burger King's overall sales.

Marketers are also using sales promotion tools in conjunction with cause-related marketing to connect with African-Americans. For example, Kraft Foods recently partnered with Motown Records on *Women of the Times*, a 10-song CD featuring African-American singers such as Erykah Badu and Patti LaBelle that was sold through point-of-purchase displays in grocery stores. The CD could be purchased for \$2.99 with three Kraft proofs of purchase, and the company donated 25 cents of each purchase to the United Negro College Fund.

Sales promotion is becoming an integral part of marketer efforts to reach the African-American market and build a genuine connection with this important segment. As DiversityInc.com notes, "The African-American market is positioned to make or break profits for many leading U.S. companies." Many companies are hoping that their promotional efforts will help them fully entrench their brands in the African-American community.

Sources: Matthew Kinsman, "Equal Opportunities," *Promo*, February 2002, pp. 14-16; Lafayette Jones, "A Sign of the Times," *Promo*, February 2002, pp. 16-17.

to build databases for future direct-marketing efforts. As marketers continue to shift from media advertising to direct marketing, promotional offers will probably be used even more to help build databases. The technology is already in place to enable marketers to communicate individually with target consumers and transform mass promotional tools into ways of doing one-to-one marketing.<sup>17</sup>

**Short-Term Focus** Many businesspeople believe the increase in sales promotion is motivated by marketing plans and reward systems geared to short-term performance and the immediate generation of sales volume. Some think the packaged-goods brand management system has contributed to marketers' increased dependence on sales promotion. Brand managers use sales promotions routinely, not only to introduce new products or defend against the competition but also to meet quarterly or yearly sales and market share goals. The sales force, too, may have short-term quotas or goals to meet and may also receive requests from retailers and wholesalers for promotions. Thus, reps may pressure marketing or brand managers to use promotions to help them move the products into the retailers' stores.

Many managers view consumer and trade promotions as the most dependable way to generate short-term sales, particularly when they are price-related. The reliance on sales promotion is particularly high in mature and slow-growth markets, where it is difficult to stimulate consumer demand through advertising. This has led to concern that managers have become too dependent on the quick sales fix that can result from a promotion and that the brand franchise may be eroded by too many deals.

**Increased Accountability** In addition to pressuring their marketing or brand managers and sales force to produce short-term results, many companies are demanding to know what they are getting for their promotional expenditures. Results from sales promotion programs are generally easier to measure than those from advertising. Many companies are demanding measurable, accountable ways to relate promotional expenditures to sales and profitability. For example, Kraft Foods uses computerized sales information from checkout scanners in determining compensation for marketing personnel. Part of the pay managers receive depends on the sales a promotion generates relative to its costs.<sup>18</sup>

Managers who are being held accountable to produce results often use price discounts or coupons, since they produce a quick and easily measured jump in sales. It takes longer for an ad campaign to show some impact and the effects are more difficult to measure. Marketers are also feeling pressure from the trade as powerful retailers demand sales performance from their brands. Real-time data available from computerized checkout scanners make it possible for retailers to monitor promotions and track the results they generate on a daily basis.

**Competition** Another factor that led to the increase in sales promotion is manufacturers' reliance on trade and consumer promotions to gain or maintain competitive advantage. The markets for many products are mature and stagnant, and it is increasingly difficult to boost sales through advertising. Exciting, breakthrough creative ideas are difficult to come by, and consumers' attention to mass-media advertising continues to decline. Rather than allocating large amounts of money to run dull ads, many marketers have turned to sales promotion.

Many companies are tailoring their trade promotions to key retail accounts and developing strategic alliances with retailers that include both trade and consumer promotional programs. A major development in recent years is **account-specific marketing** (also referred to as *comarketing*), whereby a manufacturer collaborates with an individual retailer to create a customized promotion that accomplishes mutual objectives. For example, Coppertone's promotion agency created an account-specific promotion for "Spot the Dog Scavenger Hunt" that was based on the iconic Little Miss Coppertone losing her dog in a Wal-Mart store (Exhibit 16-6). The in-store scavenger hunt involved having consumers find clues throughout the store, fill in a game piece, and receive a prize. The game piece promoted Coppertone's rub-free adult and children's spray and included a \$2 Wal-Mart-specific rebate coupon. The promotion resulted in a 6 percent increase in Coppertone sales during the promotion.

**Exhibit 16-6** Coppertone developed an account-specific promotion for Wal-Mart



Estimates are that marketers will soon be spending more than half of their promotion budgets on account-specific marketing. A number of companies are developing promotional programs for major retail accounts such as supermarket chains, mass merchandisers, and convenience stores.<sup>19</sup>

Retailers may use a promotional deal with one company as leverage to seek an equal or better deal with its competitors. Consumer and trade promotions are easily matched by competitors, and many marketers find themselves in a promotional trap where they must continue using promotions or be at a competitive disadvantage. (We discuss this problem in more detail later in the chapter.)

**Clutter** A promotional offer in an ad can break through the clutter that is prevalent in most media today. A premium offer may help attract consumers' attention to an ad, as will a contest or sweepstakes. Some studies have shown that readership scores are higher for print ads with coupons than for ads without them.<sup>20</sup> However, more recent studies by Starch INRA Hooper suggest that magazine ads with coupons do not generate higher readership.<sup>21</sup> A recent study found that promotional messages are very prevalent in both magazine and newspaper ads, particularly the latter. Sweepstakes, games, and contests were prevalent in magazine ads, while coupons and sales offers were used the most in newspaper advertising.<sup>22</sup>

## Concerns about the Increased Role of Sales Promotion

Many factors have contributed to the increased use of sales promotion by consumer-product manufacturers. Marketing and advertising executives are concerned about how this shift in the allocation of the promotional budget affects brand equity. As noted in Chapter 2, *brand equity*, or consumer franchise, is an intangible asset of added value or goodwill that results from consumers' favorable image, impressions of differentiation, and/or strength of attachment to a brand.

Some critics argue that sales promotion increases come at the expense of brand equity and every dollar that goes into promotion rather than advertising devalues the brand.<sup>23</sup> They say trade promotions in particular contribute to the destruction of brand franchises and equity as they encourage consumers to purchase primarily on the basis of price.

Proponents of advertising argue that marketers must maintain strong franchises if they want to differentiate their brands and charge a premium price for them. They say advertising is still the most effective way to build the long-term franchise of a brand: It informs consumers of a brand's features and benefits, creates an image, and helps build and maintain brand loyalty. However, many marketers are not investing in their brands as they take monies away from media advertising to fund short-term promotions.

Marketing experts generally agree that advertising plays an important role in building and maintaining a brand's image and position, which are core components of its equity. Many are concerned that if the trend toward spending more on sales promotion at the expense of media advertising continues, brands may lose the equity that advertising helped create and be forced to compete primarily on the basis of price. Many of these concerns are justified, but not all sales promotion activities detract from the value of a brand. It is important to distinguish between consumer franchise-building and nonfranchise-building promotions.

## Consumer Franchise-Building versus Nonfranchise-Building Promotions

Sales promotion activities that communicate distinctive brand attributes and contribute to the development and reinforcement of brand identity are **consumer franchise-building (CFB) promotions**.<sup>24</sup> Consumer sales promotion efforts cannot make consumers loyal to a brand that is of little value or does not provide them with a specific benefit. But they can make consumers aware of a brand and, by communicating its specific features and benefits, contribute to the development of a favorable brand image. Consumer franchise-building promotions are designed to build long-term brand prefer-



**IF YOUR TRADE PROMOTION DOLLARS AREN'T BUILDING YOUR BRAND, WHAT THE HELL ARE THEY BUILDING?**

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**Exhibit 16-7** This promotion agency stresses the importance of using trade promotions to build brand equity

ence and help the company achieve the ultimate goal of full-price purchases that do not depend on a promotional offer.

For years, franchise or image building was viewed as the exclusive realm of advertising, and sales promotion was used only to generate short-term sales increases. But now marketers are recognizing the image-building potential of sales promotion and paying attention to its CFB value. Surveys have found that nearly 90 percent of senior marketing executives believe consumer promotions can help build brand equity while nearly 60 percent think trade promotions can contribute.<sup>25</sup> Marketers recognize that the value of sales promotion extends well beyond quick-fix tactics such as price-off deals. Most sales promotion agencies recognize the importance of developing consumer and trade promotions that can help build brand equity. For example, Exhibit 16-7 shows an ad for Ryan Partnership that stresses how the agency develops trade promotions that help build brand equity.

Companies can use sales promotion techniques in a number of ways to contribute to franchise building. Rather than using a one-time offer, many companies are developing frequency programs that encourage repeat purchases and long-term patronage. Many credit cards have loyalty programs where consumers earn bonus points every time they use their card to charge a purchase. These points can then be redeemed for various items. Most airlines and many hotel chains offer frequent-flyer or guest programs to encourage repeat patronage. Many retail stores have also begun using frequency programs to build loyalty and encourage repeat purchases.<sup>26</sup>

Companies can also use sales promotion to contribute to franchise building by developing an offer consistent with the image of the brand. An example of a successful consumer brand-building promotion is the Search for 2000 Uses Sweepstakes promotion for WD-40, shown in Exhibit 16-8. The WD-40 Company positions its brand as the leading multipurpose problem solver that cleans, protects, penetrates, lubricates, and displaces moisture like no other product on earth. The marketing strategy for WD-40 is to continually promote the myriad of uses for the product. The Search for 2000 Uses Sweepstakes, which was launched to coincide with the new millennium, asked consumers to suggest their use for WD-40 in order to be entered for a chance to win various prizes such as WD-40 can radios, T-shirts, and baseball caps and a grand prize of \$10,000 in company stock. The sweepstakes

**WIN \$10,000 IN WD-40 COMPANY STOCK. HOW SLICK IS THAT?**

Want the hot Wall Street tip of the day? Here it is. Enter our Search for 2000 Uses Sweepstakes and be eligible to win \$10,000 worth of WD-40 Company stock. Plus lots of other prizes. For Sweepstakes details, get that bullish feeling and go to [www.wd40.com](http://www.wd40.com).

**Exhibit 16-8** WD-40's Search for 2000 Uses Sweepstakes is an excellent example of a consumer brand-building promotion

reinforced WD-40's image as a multipurpose problem solver and also encouraged consumers to visit the company's website to enter their uses.

**Nonfranchise-building (non-FB) promotions** are designed to accelerate the purchase decision process and generate an immediate increase in sales. These activities do not communicate information about a brand's unique features or the benefits of using it, so they do not contribute to the building of brand identity and image. Price-off deals, bonus packs, and rebates or refunds are examples of non-FB sales promotion techniques. Trade promotions receive the most criticism for being nonfranchise building—for good reason. First, many of the promotional discounts and allowances given to the trade are never passed on to consumers. Most trade promotions that are forwarded through the channels reach consumers in the form of lower prices or special deals and lead them to buy on the basis of price rather than brand equity.

Many specialists in the promotional area stress the need for marketers to use sales promotion tools to build a franchise and create long-term continuity in their promotional programs. Whereas non-FB promotions merely borrow customers from other brands, well-planned CFB activities can convert consumers to loyal customers. Short-term non-FB promotions have their place in a firm's promotional mix, particularly when competitive developments call for them. But their limitations must be recognized when a long-term marketing strategy for a brand is developed.

## Consumer-Oriented Sales Promotion

In this section, we examine the various sales promotion tools and techniques marketers can use to influence consumers. We study the consumer-oriented promotions shown in Figure 16-1 and discuss their advantages and limitations. First, we consider some objectives marketers have for sales promotion programs targeted to the consumer market.

### Objectives of Consumer-Oriented Sales Promotion

As the use of sales promotion techniques continues to increase, companies must consider what they hope to accomplish through their consumer promotions and how they interact with other promotional activities such as advertising, direct marketing, and personal selling. When marketers implement sales promotion programs without considering their long-term cumulative effect on the brand's image and position in the marketplace, they often do little more than create short-term spikes in the sales curve.

Not all sales promotion activities are designed to achieve the same objectives. As with any promotional mix element, marketers must plan consumer promotions by conducting a situation analysis and determining sales promotion's specific role in the integrated marketing communications program. They must decide what the promotion is designed to accomplish and to whom it should be targeted. Setting clearly defined objectives and measurable goals for their sales promotion programs forces managers to think beyond the short-term sales fix (although this can be one goal).

While the basic goal of most consumer-oriented sales promotion programs is to induce purchase of a brand, the marketer may have a number of different objectives for both new and established brands—for example, obtaining trial and repurchase, increasing consumption of an established brand, defending current customers, targeting a specific market segment, or enhancing advertising and marketing efforts.

**Obtaining Trial and Repurchase** One of the most important uses of sales promotion techniques is to encourage consumers to try a new product or service. While thousands of new products are introduced to the market every year, as many as 90 percent of them fail within the first year. Many of these failures are due to the fact that the new product or brand lacks the promotional support needed either to encourage initial trial by enough consumers or to induce enough of those trying the brand to repurchase it. Many new brands are merely new versions of an existing product without unique benefits, so advertising alone cannot induce trial. Sales promotion tools have become an important part of new brand introduction strategies; the level of initial trial can be increased through techniques such as sampling, couponing, and refund offers.

The success of a new brand depends not only on getting initial trial but also on inducing a reasonable percentage of people who try the brand to repurchase it and

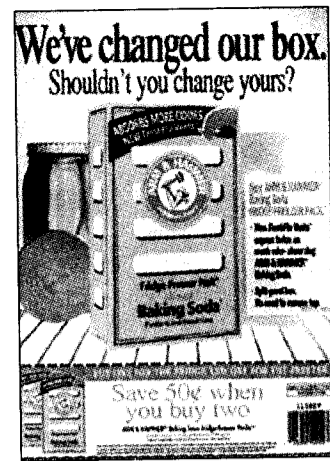
establish ongoing purchase patterns. Promotional incentives such as coupons or refund offers are often included with a sample to encourage repeat purchase after trial. For example, when Lever Brothers introduced its Lever 2000 brand of bar soap, it distributed millions of free samples along with a 75-cent coupon. The samples allowed consumers to try the new soap, while the coupon provided an incentive to purchase it.

**Increasing Consumption of an Established Brand** Many marketing managers are responsible for established brands competing in mature markets, against established competitors, where consumer purchase patterns are often well set. Awareness of an established brand is generally high as a result of cumulative advertising effects, and many consumers have probably tried the brand. These factors can create a challenging situation for the brand manager. Sales promotion can generate some new interest in an established brand to help increase sales or defend market share against competitors.

Marketers attempt to increase sales for an established brand in several ways, and sales promotion can play an important role in each. One way to increase product consumption is by identifying new uses for the brand. Sales promotion tools like recipe books or calendars that show various ways of using the product often can accomplish this. One of the best examples of a brand that has found new uses is Arm & Hammer baking soda. Exhibit 16-9 shows a clever freestanding insert (FSI) that promotes the brand's new fridge-freezer pack, which absorbs more odors in refrigerators and freezers.

Another strategy for increasing sales of an established brand is to use promotions that attract nonusers of the product category or users of a competing brand. Attracting nonusers of the product category can be very difficult, as consumers may not see a need for the product. Sales promotions can appeal to nonusers by providing them with an extra incentive to try the product, but a more common strategy for increasing sales of an established brand is to attract consumers who use a competing brand. This can be done by giving them an incentive to switch, such as a coupon, premium offer, bonus pack, or price deal. Marketers can also get users of a competitor to try their brand through sampling or other types of promotional programs.

One of the most successful promotions ever used to attract users of a competing brand was the Pepsi Challenge. In this campaign, Pepsi took on its archrival, industry leader Coca-Cola, in a hard-hitting comparative promotion that challenged consumers to taste the two brands in blind taste tests (Exhibit 16-10). The Pepsi Challenge promotion included national and local advertising, couponing, and trade support as part of a fully integrated promotional program. The campaign was used from 1975 to the early 80s and was instrumental in helping Pepsi move ahead of Coke to become the market share leader in supermarket sales. In response Coke launched a variety of counterattacks, including the controversial decision to change its formula and launch New Coke in 1986. Pepsi brought back the promotion in 2000 to recruit a new generation of brand

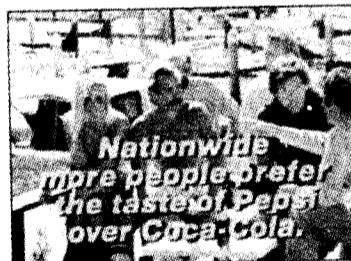


**Exhibit 16-9** Arm & Hammer used this FSI to promote a specific use for the product

**Exhibit 16-10** The Pepsi Challenge was a very successful promotion for attracting users of a competing brand



ANNCR: All across America people are taking the Pepsi Challenge. In California here's what they are saying.  
TRACY KUERBIS: Pepsi really is the better drink.  
DAVE JOHNSON: I've proven to myself now that I like Pepsi better.



ANNCR: Nationwide more people prefer the taste of Pepsi over Coca-Cola.  
CHERIE BOOTH: I think today's test was very honest.  
DAVE: Pepsi has a better product and that's probably why they are running a test like this because it's



obvious how many people over here have picked Pepsi.  
SUZANNE MACK: Being able to compare the two, I'd pick Pepsi.  
CHERIE: If someone offered me either or, I choose the Pepsi.  
ANNCR: What will you say? Take the Pepsi Challenge and find out.

**Exhibit 16-11** Perdue Farms' "Masterpieces in Chicken" contest was targeted at mothers and their children

**Your child's chicken masterpiece could land your family in Paris!**

The shape they draw today could become the chicken nugget they eat tomorrow.

Get your young masterpieces to design a chicken nugget that would be a fun shape to eat! If your child wins, they shape and because the best PERDUE nugget and you and your child will go to Paris, York City, where your child will be crowned as "Perdue's Masterpiece in Chicken Artist of the Year!" Then your family of 2 will vacation in Paris, France, where you'll also have the chance to meet the artist!

Visit us on the web at [www.perdue.com](http://www.perdue.com)

**OFFICIAL ENTRY FORM**  
**Here's my masterpiece!**  
 Please my masterpiece!

Child Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_  
 Name of Parent or Legal Guardian: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_ E-Mail: \_\_\_\_\_

**SAVE 55¢**  
 What you buy any time PERDUE Fresh Resealed Chicken breast.  
 Best them as your price is best!

switchers. Taste tests comparing Pepsi and Pepsi ONE with Coca-Cola products were conducted in more than 30 cities. This latest version of the challenge also included a cross promotion designed to further engage young consumers in Pepsi products. Consumers taking the Pepsi Challenge had their photos taken and posted online at [pepsi.com](http://pepsi.com), generating awareness of and traffic to Pepsi's website.

**Defending Current Customers** With more new brands entering the market every day and competitors attempting to take away their customers through aggressive advertising and sales promotion efforts, many companies are turning to sales promotion programs to hold present customers and defend their market share. A company can use sales promotion techniques in several ways to retain its current customer base. One way is to load them with the product, taking them out of the market for a certain time. Special price promotions, coupons, or bonus packs can encourage consumers to stock up on the brand. This not only keeps them using the company's brand but also reduces the likelihood they will switch brands in response to a competitor's promotion.

**Targeting a Specific Market Segment** Most companies focus their marketing efforts on specific market segments and are always looking for ways to reach their target audiences. Many marketers are finding that sales promotion tools such as contests and sweepstakes, events, coupons, and samplings are very effective ways to reach specific geographic, demographic, psychographic, and ethnic markets. Sales promotion programs can also be targeted to specific user-status groups such as nonusers or light versus heavy users.

Contests have become a popular sales promotion tool for targeting specific market segments. For example, Perdue Farms, Inc., the country's fourth-largest poultry producer, developed a contest to support its Fun Shapes line of breaded chicken nuggets among its core target of women between the ages of 25 and 49 and its secondary market of children ages 2 to 12. The Fun Shapes line is a series of different and uniquely shaped nuggets including basketball, baseball, tic-tac-toe, dinosaur, and space-theme designs. Its promotion agency, DVC, developed a contest known as the Perdue "Masterpieces in Chicken" that invited children to design the nugget shape they would most like to see Perdue add to its line of fun shapes (Exhibit 16-11). The grand-prize winner was designated "Artist of the Year" and received an all-expense paid family trip to Paris for a guided tour of the Louvre and passes to Euro-Disney. The winning design was also made into a shape by Perdue and introduced into its line in 2000. The program received thousands of entries and in the weeks during and after the promotion, sales volume increased by 10 percent.

**Enhancing Integrated Marketing Communications and Building Brand Equity** A final objective for consumer-oriented promotions is to enhance or support the integrated marketing communications effort for a brand or company. Building brand equity and image has traditionally been done through advertising. However, sales promotion techniques such as contests or sweepstakes and premium offers are often used to draw attention to an ad, increase involvement with the message and product/service, and help build relationships with consumers. For example, one of the objectives of Perdue Farms' "Masterpiece in Chicken" promotion was to increase consumers' involvement level by encouraging them to interact with the brand. The promotion contributed to brand equity by using a contest that was fun and relevant to both mothers and children.

IMC Perspective 16-2 discusses how a number of marketers are recognizing the value of contests as a way of building and/or maintaining brand equity.

## Using Contests to Build Brand Equity

Building and/or maintaining brand equity has become an important goal for marketers as they develop their sales promotion strategies. Companies are asking their promotion agencies to think strategically and develop promotional programs that can do more than just generate short-term sales. They want promotions that require consumers to become more involved with their brands and offer a means of presenting the brand essence in an engaging way. Many marketers are recognizing that a well-designed and -executed contest can be a very effective way to engage consumers and differentiate their brands. Contests are experiencing resurgence as marketers focus less on awareness and more on ways to engender consumer interaction and get their branding messages across.

One of the reasons for the growing popularity of contests is that they can be used to get consumers to think about a brand and how they can relate to it. Some companies are using contests rather than sweepstakes as the latter are seen as less involving and less motivating. Because of the additional work involved in participating, contests attract brand loyalists who are not just entering to win a big prize. The right type of contest can also transcend its role as a promotional tool and help build the brand franchise. For example, the Pillsbury Bake-Off, which has been around since 1949, requires participants to whip up their favorite dishes featuring Pillsbury ingredients. The contest has been adapted to fit the times, and now includes an "Easy Cook Night" for contemporary on-the-go eating habits and a \$1 million grand prize. The final round brings 100 chefs together for a televised bake-off, and thousands of recipe books are distributed annually. Eighty percent of the female entrants now have careers, and 10 percent of the entries in recent years have come from men. The director of corporate promotion and marketing for Pillsbury notes, "Prizes are certainly part of the incentive, but the real motivation is the fundamental desire for recognition."

Contests can also be helpful in rejuvenating struggling brands by creating interest and excitement that can get consumers to become involved with them. When the Georgia-Pacific Corp. acquired the Brawny paper-towel business a few years ago, it inherited a declining brand. As part of its effort to rebuild the



brand, the company wanted to leverage the Brawny Man icon as well as gain insight into the modern-day woman's opinions as to what makes a man brawny. In the summer of 2002 Georgia-Pacific conducted the "Do You Know a Brawny Man™?" promotion, which included a contest asking women to send in photos and 150-word descriptions explaining why their guys are as rugged as the product. More than 40,000 entry forms were downloaded from the Brawnyman.com website, and over 4,000 people wrote to the company to nominate someone to be the Brawny Man. Five finalists were selected, and consumers were able

to vote online and through the mail to choose a winner, whose picture appeared on the package for a few weeks. Information gathered from the entrants was used by the Brawny marketing team to develop a permanent Brawny Man image to replace the smiling lumberjack, who was long overdue for a makeover.

Marketers feel that contests can often provide them with insight into consumers who use their brands. Campbell Soup Co. has run a "What Do You Do With Your Pace?" recipe contest for several years as a way of understanding how its customers actually use the salsa brand. The contest averages about 12,000 entries and has produced some interesting tidbits into how consumers use the product. A recent grand-prize winner submitted a recipe for banana bread that included salsa as an ingredient. Thales Navigation, manufacturer of the Magellan GPS navigation system, ran a contest requiring entrants to write an essay about their off-road adventures. The winner was sponsored in the Jaos Adventure Road Rally, an annual high-tech scavenger hunt that sends participants into the Nevada desert looking for cues with GPS devices.

More marketers are realizing that contests can get consumers to think more about a product than about the prize they might win. As the brand manager for Brawny paper towels notes: "For the winner, the contest provides 15 minutes of fame. For the consumer, it provides a better opportunity to relate to the brand than just seeing it as they walk down the aisle."

Sources: Evan Perez and Chad Terhune, "Today, 'Brawny' Men Help with the Kids and the Housework," *The Wall Street Journal*, Oct. 4, 2002, p. B2; Matthew Kinsman, "May the Best Brand Win," *Promo*, August 2002, pp. 45-47.

## Consumer-Oriented Sales Promotion Techniques

### Sampling

Marketers use various sales promotion techniques to meet the objectives just discussed. Figure 16-2 shows the extent to which these consumer promotions are used by packaged-goods companies.

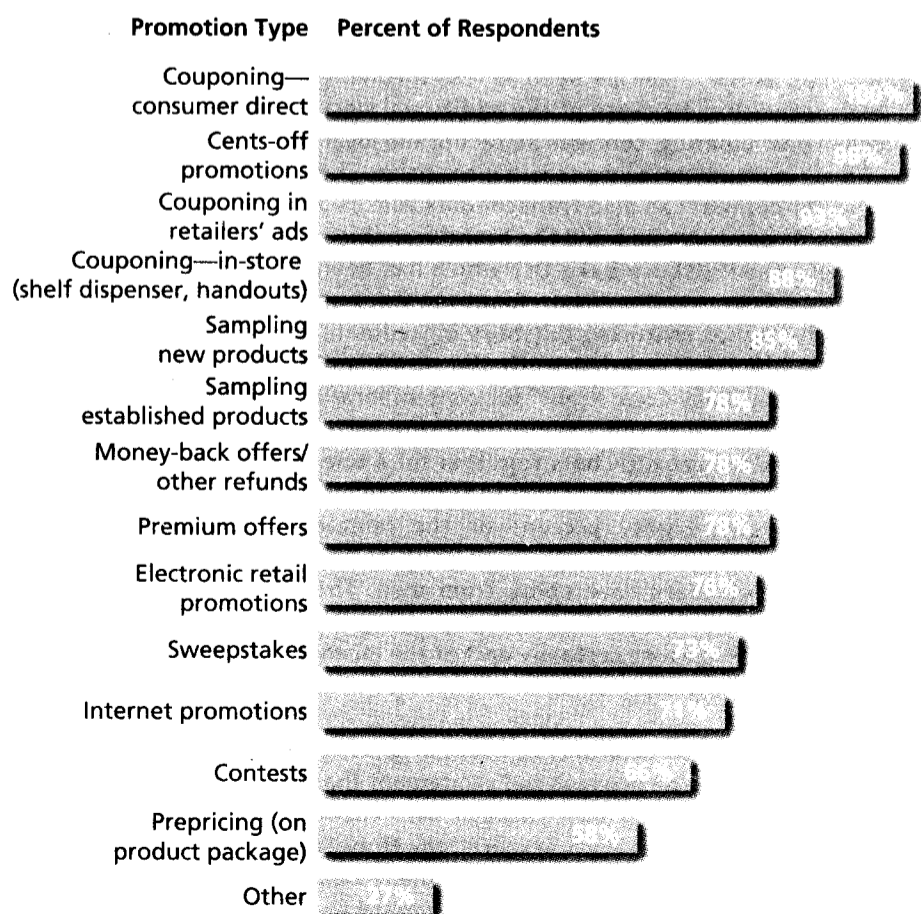
**Sampling** involves a variety of procedures whereby consumers are given some quantity of a product for no charge to induce trial. Sampling is generally considered the most effective way to generate trial, although it is also the most expensive. As a sales promotion technique, sampling is often used to introduce a new product or brand to the market. However, as Figure 16-2 shows, sampling is also used for established products as well. Some companies do not use sampling for established products, reasoning that samples may not induce satisfied users of a competing brand to switch and may just go to the firm's current customers, who would buy the product anyway. This may not be true when significant changes (new and improved) are made in a brand.

Manufacturers of packaged-goods products such as food, health care items, cosmetics, and toiletries are heavy users of sampling since their products meet the three criteria for an effective sampling program:

1. The products are of relatively low unit value, so samples do not cost too much.
2. The products are divisible, which means they can be broken into small sample sizes that are adequate for demonstrating the brand's features and benefits to the user.
3. The purchase cycle is relatively short, so the consumer will consider an immediate purchase or will not forget about the brand before the next purchase occasion.

**Benefits and Limitations of Sampling** Samples are an excellent way to induce trial as they provide consumers with a risk-free way to try new products. A

**Figure 16-2** Types of consumer promotions used by packaged-goods manufacturers



major study conducted by the Promotion Marketing Association in 2002 found that the vast majority of consumers receiving a sample either use it right away or save it to use sometime later.<sup>27</sup> Sampling generates much higher trial rates than advertising or other sales promotion techniques.

Getting people to try a product leads to a second benefit of sampling: Consumers experience the brand directly, gaining a greater appreciation for its benefits. This can be particularly important when a product's features and benefits are difficult to describe through advertising. Many foods, beverages, and cosmetics have subtle features that are most appreciated when experienced directly. Nearly 70 percent of the respondents in the PMA survey indicated they have purchased a product they did not normally use after trying a free sample. The study also found that samples are even more likely to lead to purchase when they are accompanied by a coupon.

While samples are an effective way to induce trial, the brand must have some unique or superior benefits for a sampling program to be worthwhile. Otherwise, the sampled consumers revert back to other brands and do not become repeat purchasers. The costs of a sampling program can be recovered only if it gets a number of consumers to become regular users of the brand at full retail price.

Another possible limitation to sampling is that the benefits of some products are difficult to gauge immediately, and the learning period required to appreciate the brand may require supplying the consumer with larger amounts of the brand than are affordable. An example would be an expensive skin cream that is promoted as preventing or reducing wrinkles but has to be used for an extended period before any effects are seen.

**Sampling Methods** One basic decision the sales promotion or brand manager must make is how the sample will be distributed. The sampling method chosen is important not only in terms of costs but also because it influences the type of consumer who receives the sample. The best sampling method gets the product to the best prospects for trial and subsequent repurchase. Some basic distribution methods include door-to-door, direct-mail, in-store, and on-package approaches.

*Door-to-door sampling*, in which the product is delivered directly to the prospect's residence, is used when it is important to control where the sample is delivered. This distribution method is very expensive because of labor costs, but it can be cost-effective if the marketer has information that helps define the target market and/or if the prospects are located in a well-defined geographic area. Some companies have samples delivered directly to consumers' homes by including them with newspapers. Sunday papers have become an increasingly attractive way of mass distributing samples. However, there are also a number of newspapers that can now distribute a sample into a subscriber segment as small as 250 households with little increase in costs to marketers. Many newspapers distribute samples through polybags which are plastic bags that serve as covers for the paper and deliver a promotional message along with the sample. (Exhibit 16-12).

*Sampling through the mail* is common for small, lightweight, nonperishable products. A major advantage of this method is that the marketer has control over where and when the product will be distributed and can target the sample to specific market areas. Many marketers are using information from geodemographic target marketing programs such as Claritas's Prizm or Microvision to better target their sample mailings. The main drawbacks to mail sampling are postal restrictions and increasing postal rates.

*In-store sampling* is increasingly popular, especially for food products. The marketer hires temporary demonstrators who set up a table or booth, prepare small samples of the product, and pass them out to shoppers. The in-store sampling approach can be very effective for food products, since consumers get to taste the item and the demonstrator can give them more information about the product while it is being sampled. Demonstrators may also give consumers a cents-off coupon for the sampled item to encourage immediate trial purchase. While this sampling method can be very effective, it can also be expensive and requires a great deal of planning, as well as the cooperation of retailers.

**Exhibit 16-12** Polybags are used by many newspapers to distribute samples

**POLYBAGS**

Let your message stand out with **POLYBAGS**—the only way to get your message in front of the right people, at the right time, and in the right place.

**PROMINENT POSITIONING**  
Polybags are the first thing readers see, and their message stands out prominently.

**THE OPPORTUNITY TO STAND ALONE**  
Your ad stands apart from the competition.

**TARGETED CIRCULATION**  
By using **POLYBAGS**, you can target the exact number of readers you want.

**OPTIONS**  
You have a variety of colors and sizes to choose from.

**PRODUCT SAMPLES**  
Include customers with a sample of your product included in the polybag.

**GUARANTEED POSITIONING**  
A polybag gets your ad guaranteed positioning that is better than the front page of any newspaper when you are going to appear even before the newspaper is printed.





**Exhibit 16-13** Armor All uses on-package samples for related products

*On-package sampling*, where a sample of a product is attached to another item, is another common sampling method (see Exhibit 16-13). This procedure can be very cost-effective, particularly for multiproduct firms that attach a sample of a new product to an existing brand's package. A drawback is that since the sample is distributed only to consumers who purchase the item to which it is attached, the sample will not reach nonusers of the carrier brand. Marketers can expand this sampling method by attaching the sample to multiple carrier brands and including samples with products not made by their company.

*Event sampling* has become one of the fastest-growing and most popular ways of distributing samples. Many marketers are using sampling programs that are part of integrated marketing programs that feature events, media tie-ins, and other activities that provide consumers with a total sense of a brand rather than just a few tastes of a food or beverage or a trial size of a packaged-goods product. Event sampling can take place in stores as well as at a variety of other venues such as concerts, sporting events, and other places.

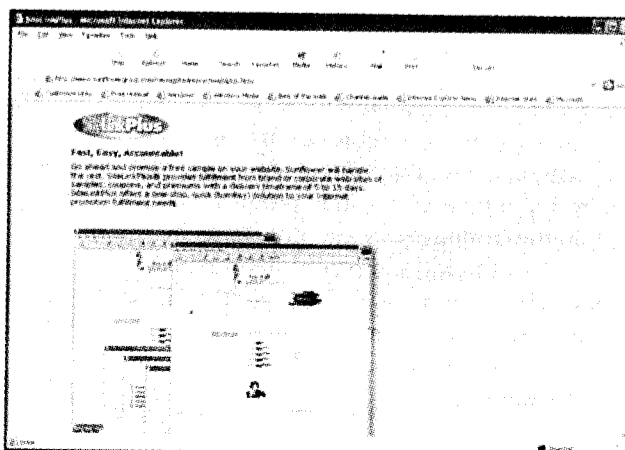
**Other Methods of Sampling** The four sampling methods just discussed are the most common, but several other methods are also used. Marketers may insert packets in magazines or newspapers (particularly Sunday supplements). Some tobacco and cereal companies send samples to consumers who call toll-free numbers to request them or mail in sample request forms. As discussed in Chapter 14, these sampling methods are becoming popular because they can help marketers build a database for direct marketing.

Many companies also use specialized sample distribution services such as Advo Inc. and D. L. Blair. These firms help the company identify consumers who are nonusers of a product or users of a competing brand and develop appropriate procedures for distributing a sample to them. Many college students receive sample packs at the beginning of the semester that contain trial sizes of such products as mouthwash, toothpaste, headache remedies, and deodorant.

The Internet is yet another way companies are making it possible for consumers to sample their products, and it is adding a whole new level of targeting to the mix by giving consumers the opportunity to choose the samples they want. Catalina Marketing's ValuPage.com sampling and distribution service now has over one million members. The Sunflower Group's SiteLinkPlus program offers companies a fulfillment service from their brand or corporate websites for samples, coupons, and premiums (Exhibit 16-14). The service asks consumers qualifying questions on brand loyalty, product usage, and lifestyles that can be used by marketers to target their samples and other promotional offers more effectively.

Some companies cut back on their sampling programs in recent years because they felt they were too expensive, wasteful, and fraught with distribution problems. However, several factors have led to a resurgence in sampling recently. First, big companies like Advo and Time Warner have entered the sampling business, which creates more competition and helps keep sampling costs down. Also, a combination of technology and creativity is driving new sampling methods that let marketers target more

**Exhibit 16-14** The Sunflower Group's SiteLinkPlus provides companies with a fulfillment service for samples





efficiently. Yet another factor may be the everyday low-pricing strategies that have prompted companies such as Procter & Gamble to move away from coupons and other price promotions in favor of samples. Many marketers are finding that sampling meets the complementary goals of introducing consumers to their products and getting retailers to support their promotional programs.

## Coupons

The oldest, most widely used, and most effective sales promotion tool is the cents-off coupon. Coupons have been around since 1895, when the C. W. Post Co. started using the penny-off coupon to sell its new Grape-Nuts cereal. In recent years, coupons have become increasingly popular with consumers, which may explain their explosive growth among manufacturers and retailers that use them as sales promotion incentives. As Figure 16-2 showed, coupons are the most popular sales promotion technique as they are used by nearly all the packaged-goods firms.

Coupon distribution rose dramatically over the past 30 years. The number of coupons distributed by consumer packaged-goods marketers increased from 16 billion in 1968 to a peak of 310 billion in 1994. Since 1994 coupon distribution has been declining, and it dropped to 239 billion in 2001. According to NCH Promotional Services, a company that tracks coupon distribution and redemption patterns, nearly 80 percent of consumers in the United States use coupons and nearly 25 percent say they always use them when they shop. The average face value of coupons distributed increased from 21 cents in 1981 to 83 cents in 2001. The average face value of the 4 billion coupons that were redeemed in 2001 was 74 cents.<sup>28</sup>

Adding additional fuel to the coupon explosion of the past several decades has been the vast number of coupons distributed through retailers that are not even included in these figures. In most markets, a number of grocery stores make manufacturers' coupons even more attractive to consumers by doubling the face value.

**Advantages and Limitations of Coupons** Coupons have a number of advantages that make them popular sales promotion tools for both new and established products. First, coupons make it possible to offer a price reduction only to those consumers who are price-sensitive. Such consumers generally purchase *because* of coupons, while those who are not as concerned about price buy the brand at full value. Coupons also make it possible to reduce the retail price of a product without relying on retailers for cooperation, which can often be a problem. Coupons are generally regarded as second only to sampling as a promotional technique for generating trial. Since a coupon lowers the price of a product, it reduces the consumer's perceived risk associated with trial of a new brand. Coupons can encourage repurchase after initial trial. Many new products include a cents-off coupon inside the package to encourage repeat purchase.

Coupons can also be useful promotional devices for established products. They can encourage nonusers to try a brand, encourage repeat purchase among current users, and get users to try a new, improved version of a brand. Coupons may also help coax users of a product to trade up to more expensive brands. The product category where coupons are used most is disposable diapers, followed by cereal, detergent, and deodorant. Some of the product categories where coupons are used the least are carbonated beverages, candy, and gum.

But there are a number of problems with coupons. First, it can be difficult to estimate how many consumers will use a coupon and when. Response to a coupon is rarely immediate; it typically takes anywhere from two to six months to redeem one. A study of coupon redemption patterns by Inman and McAlister found that many coupons are redeemed just before the expiration date rather than in the period following the initial coupon drop.<sup>29</sup> Many marketers are attempting to expedite redemption by shortening the time period before expiration. The average length of time from issue date to expiration date for coupons in 2001 was 3.2 months, for grocery products. However, coupons remain less effective than sampling for inducing initial product trial in a short period.

A problem associated with using coupons to attract new users to an established brand is that it is difficult to prevent the coupons from being used by consumers who

already use the brand. For example, General Foods decided to reduce its use of coupons for Maxwell House coffee when research revealed the coupons were being redeemed primarily by current users. Rather than attracting new users, coupons can end up reducing the company's profit margins among consumers who would probably purchase the product anyway.

Other problems with coupons include low redemption rates and high costs. Couponing program expenses include the face value of the coupon redeemed plus costs for production, distribution, and handling of the coupons. Figure 16-3 shows the calculations used to determine the costs of a couponing program using an FSI (free-standing insert) in the Sunday newspaper and a coupon with an average face value of 74 cents. As can be seen from these figures, the cost of a couponing program can be very high. Former Procter & Gamble chairman Durk Jager, who led efforts to rein in the company's use of coupons in the late 90s, has argued that they are extremely inefficient. He contends that it may cost as much as \$50 to move a case of goods with coupons that may generate only \$10 to \$12 in gross profit.<sup>30</sup> Marketers should track coupon costs very carefully to ensure their use is economically feasible.

Another problem with coupon promotions is misredemption, or the cashing of a coupon without purchase of the brand. Coupon misredemption or fraud occurs in a number of ways, including:

- Redemption of coupons by consumers for a product or size not specified on the coupon.
- Redemption of coupons by salesclerks in exchange for cash.
- Gathering and redemption of coupons by store managers or owners without the accompanying sale of the product.
- Gathering or printing of coupons by criminals who sell them to unethical merchants, who in turn redeem them.

Estimates of coupon misredemption costs are as high as \$500 million.<sup>31</sup> Many manufacturers hold firm in their policy to not pay retailers for questionable amounts or suspicious types of coupon submissions. However, some companies are less aggressive, and this affects their profit margins. Marketers must allow a certain percentage for misredemption when estimating the costs of a couponing program. Ways to identify and control coupon misredemption, such as improved coding, are being developed, but it still remains a problem.

**Figure 16-3** Calculating couponing costs

<b>Cost per Coupon Redeemed: An Illustration</b>	
1. Distribution cost 55,000,000 circulation × \$6.25/M	\$343,750
2. Redemptions at 1.8%	990,000
3. Redemption cost 990,000 redemptions × \$.74 face value	\$732,600
4. Retailer handling cost and processor fees 990,000 redemptions × \$.10	\$99,000
5. Total program cost Items 1 + 3 + 4	\$1,175,350
6. Cost per coupon redeemed Cost divided by redemption	\$1.19
7. Actual product sold on redemption (misredemption estimated at 20%) 990,000 × 80%	792,000
8. Cost per product moved Program cost divided by amount of product sold	\$1.48

**Coupon Distribution** Coupons can be disseminated to consumers by a number of means, including freestanding inserts in Sunday newspapers, direct mail, newspapers (either in individual ads or as a group of coupons in a cooperative format), magazines, and packages. Distribution through newspaper *freestanding inserts* is by far the most popular method for delivering coupons to consumers, accounting for 84 percent of all coupons distributed in 2001. This growth has come at the expense of vehicles such as manufacturers' ads in newspapers (newspaper ROP), newspaper co-op ads, and magazines.

There are a number of reasons why FSIs are the most popular way of delivering coupons, including their high-quality four-color graphics, competitive distribution costs, national same-day circulation, market selectivity, and the fact that they can be competition-free due to category exclusivity (by FSI company). Prices for a full-page FSI are currently about \$6 to \$7 per thousand, which makes FSI promotions very efficient and affordable. Because of their consumer popularity and predictable distribution, coupons distributed in FSIs are also a strong selling point with the retail trade.

The increased distribution of coupons through FSIs has, however, led to a clutter problem. Consumers are being bombarded with too many coupons, and although each FSI publisher offers product exclusivity in its insert, this advantage may be negated when there are three inserts in a Sunday paper. Redemption rates of FSI coupons have declined from 4 percent to only 1.3 percent and even lower for some products (Figure 16-4). These problems are leading many marketers to look at ways of delivering coupons that will result in less clutter and higher redemption rates, such as direct mail.

*Direct mail* accounts for about 2.1 percent of all coupons distributed. Most are sent by local retailers or through co-op mailings where a packet of coupons for many different products is sent to a household. These couponing programs include Metro-mail's Red Letter Day, Advo System's Super Coups, and Cox Target Media's Valpak. IMC Perspective 16-3 discusses how Cox Target Media recently redesigned the familiar Valpak blue envelope that delivers billions of coupons each year and created an advertising campaign to improve the image of the direct-mail piece.

Direct-mail couponing has several advantages. First, the mailing can be sent to a broad audience or targeted to specific geographic or demographic markets such as teenagers, senior citizens, Hispanics, and other market segments. Firms that mail their

Media	Grocery Products	Health and Beauty Products
FSI	1.3%	0.8%
Newspaper	0.8	0.4
Magazine	1.0	0.6
Direct mail	3.2	3.5
Regular in-pack	6.3	2.6
Regular on-pack	8.4	13.7
In-pack cross-ruff	4.7	8.4
On-pack cross-ruff	5.8	6.2
Instant on-pack	18.1	40.8
Instant on-pack cross-ruff	5.3	4.9
Handout electronically dispensed	7.2	4.8
On-shelf distributed	8.3	5.8
All other handouts in store	3.3	4.4
All other handouts away from store	4.0	4.2

**Figure 16-4** Coupon redemption rates by media type

Source: NCH Marketing Services, 2002 Trend Report.

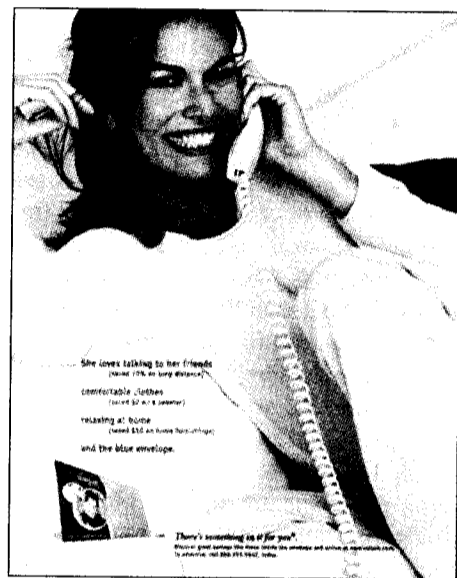
## IMC PERSPECTIVE 16-3

# Getting Consumers to Love the Valpak Blue Envelope

Cox Target Media provides direct-marketing services and solutions to advertisers who want to reach specific target audiences. Its first branded product, the Valpak blue envelope, has been mailed to consumers for over 35 years and is currently distributed to more than 50 million homes and businesses throughout the United States, Canada, Puerto Rico, and the United Kingdom. Every year, 500 Valpak mailings deliver over 15 billion coupons and advertising offers to consumers in highly recognizable light blue envelopes. Valpak is sold through a network of over 220 independent franchisees and has a varied reputation that depends on the quality of the local business owner and content mix. As a direct-mail product, Valpak relies on consumers to open the envelope and examine the contents to spur increased redemptions of the coupons and other promotional offers for its clients' products.

In 2001 Cox Target Media conducted extensive research to determine the overall awareness, growth potential, and consumer perception of the blue envelope. The research showed that Valpak's blue envelope was perceived as a locally mailed product and that its dated design, which had not changed in 15 years, was a turn-off to image-conscious national advertisers. Cox wanted to attract new advertisers as users of its service and leverage relationships with its existing clients, and it recognized that these problems had to be addressed. In 2002 Cox redesigned the blue envelope and launched an extensive advertising campaign to reposition Valpak with the consumer. The new design includes an updated Valpak logo as well as a Valpak.com logo to send shoppers online, splashy graphics and re-energized blue colors to refresh the envelope, and lively color photos that change with the seasons.

Cox also created the Valpak "Loves" advertising campaign with the goal of upscaling the Valpak image in the mind of consumers and potential advertisers. The campaign was designed to connect the contents of the blue envelope with the activities and objects that are already central to the end users' lives. Four television commercials and four complementary print ads were created featuring consumers who closely profile the demographics of people who already take advantage of the coupons and other savings offers found within Valpak. They are everyday, yet upscale, people who enjoy everyday pleasures like improving their homes or engaging in a family outing. The ads also highlight the categories of content and savings that Cox's research indicated consumers want to find inside the blue envelope. The tagline used in all of the commercials and print ads is "There's something in it for you," which



reinforces the benefits consumers receive from the offers contained in the Valpak envelope.

The four TV commercials created for the campaign ran on national spot television in 92 Nielsen Designated Market Area territories. Valpak franchise owners were also invited to supplement the national spot placement by purchasing additional time on local stations. Two of the commercials were adapted to 10- and 20-second formats to accommodate the inclusion of local advertiser's logos or information or local Valpak mailing-date information. For the national print campaign, Valpak ads were run in a selection of women's aspirational magazines including *Martha Stewart Living* and *Oprah* as well as service publications such as *Woman's Day*, *Redbook*, and *Good Housekeeping*.

The "Loves" campaign has been successful in improving both consumer and advertiser perceptions of the quality associated with the Valpak brand and the contents of the blue envelope. Valpak has always been perceived as the best, as well as the best known, of all the cooperative direct-mail marketing vehicles. The repositioning campaign has helped Cox attract a number of high-profile, national advertisers as promotional partners, including 20th Century Fox Studios, CBS, H&R Block, and Burger King. It has also been successful in getting consumers to think twice before tossing out the ubiquitous blue envelopes that appear in their mailboxes. They know there truly is "something in it" for them.

Source: Melissa Fisher, vice president of marketing and communication, Cox Target Media.

own coupons can be quite selective about recipients. Another important advantage of direct-mail couponing is a redemption rate of over 3 percent, much higher than for FSIs. Direct-mail couponing can also be combined with a sample, which makes it a very effective way to gain the attention of consumers.

The major disadvantage of direct-mail coupon delivery is the expense relative to other distribution methods. The cost per thousand for distributing coupons through co-op mailings ranges from \$10 to \$15, and more targeted promotions can cost \$20 to \$25 or even more. Also, the higher redemption rate of mail-delivered coupons may result from the fact that many recipients are already users of the brand who take advantage of the coupons sent directly to them.

The use of *newspapers* and *magazines* as couponing vehicles has declined dramatically since the introduction of FSIs. In 2001 only 1.3 percent of coupons were distributed via newspapers. The advantages of newspapers as a couponing vehicle include market selectivity, shorter lead times with timing to the day, cooperative advertising opportunities that can lead to cost efficiencies, and promotional tie-ins with retailers. Other advantages of newspaper-delivered coupons are the broad exposure and consumer receptivity. Many consumers actively search the newspaper for coupons, especially on Sundays or “food day” (when grocery stores advertise their specials). This enhances the likelihood of the consumer at least noticing the coupon. Problems with newspapers as couponing vehicles include higher distribution costs, poor reproduction quality, clutter, and declining readership of newspapers; all contribute to low redemption rates.

The use of magazines as a couponing vehicle has also declined steadily since the introduction of FSIs. Magazines now account for only about 2 percent of the total number of coupons distributed each year. Distribution of coupons through magazines can take advantage of the selectivity of the publication to reach specific target audiences, along with enhanced production capabilities and extended copy life in the home. However, the cost of distributing coupons through magazines is very high and redemption rates are low (just under 1 percent).

Placing coupons either *inside* or on the *outside* of the *package* is a distribution method that accounted for about 3 percent of the coupons distributed in 2001. The in/on-package coupon has virtually no distribution costs and a much higher redemption rate than other couponing methods, averaging between 3 and nearly 14 percent. An in/on-pack coupon that is redeemable for the next purchase of the same brand is known as a **bounce-back coupon**. This type of coupon gives consumers an inducement to repurchase the brand.

Bounce-back coupons are often used with product samples to encourage the consumer to purchase the product after sampling. They may be included in or on the package during the early phases of a brand’s life cycle to encourage repeat purchase, or they may be a defensive maneuver for a mature brand that is facing competitive pressure and wants to retain its current users. The main limitation of bounce-back coupons is that they go only to purchasers of the brand and thus do not attract nonusers. A bounce-back coupon placed on the package for Kellogg’s Eggo brand waffles is shown in Exhibit 16-15.

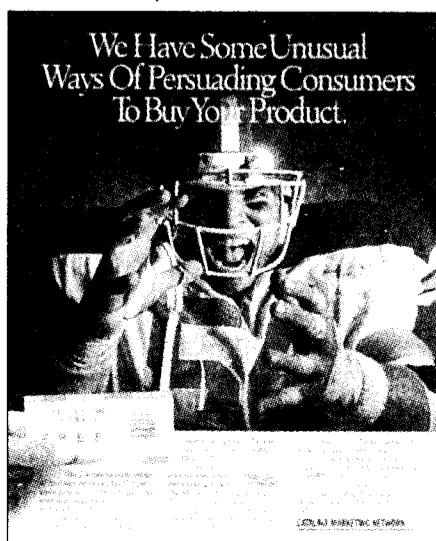
Another type of in/on-pack coupon is the **cross-ruff coupon**, which is redeemable on the purchase of a different product, usually one made by the same company but occasionally through a tie-in with another manufacturer. Cross-ruff coupons have a redemption rate of 4 to 8 percent and can be effective in encouraging consumers to try other products or brands. Companies with wide product lines, such as cereal manufacturers, often use these coupons.

Yet another type of package coupon is the **instant coupon**, which is attached to the outside of the package so the consumer can rip it off and redeem it immediately at the time of purchase. Instant coupons have the highest redemption levels of all types of coupons, averaging around 18 percent for grocery products and jumping to over 40 percent for health and beauty items. However, the redemption level is

Exhibit 16-15 Kellogg’s uses an on-package coupon to encourage repurchase



**Exhibit 16-16** Catalina Marketing promotes its checkout coupons



much lower for instant cross-ruff coupons, as it averages around 5 percent. Instant coupons give consumers an immediate point-of-purchase incentive, and can be selectively placed in terms of promotion timing and market region. Some companies prefer instant coupons to price-off deals because the latter require more cooperation from retailers and can be more expensive, since every package must be reduced in price.

Another distribution method that has experienced strong growth over the past 10 years or so is **in-store couponing**, which includes all co-op couponing programs distributed in a retail store environment. This medium now accounts for around 8 percent of total coupon distribution. Coupons are distributed to consumers in stores in several ways, including tear-off pads, handouts in the store (sometimes as part of a sampling demonstration), on-shelf dispensers, and electronic dispensers.

Most of the coupons distributed in stores are through ActMedia's Instant Coupon Machine. This coupon dispenser is mounted on the shelf in front of the product being promoted. It has blinking red lights to draw consumers' attention to the savings opportunity. These in-store coupons have several advantages: They can reach consumers when they are ready to make a purchase, increase brand awareness on the shelf, generate impulse buying, and encourage product trial. They also provide category exclusivity. In-store couponing removes the need for consumers to clip coupons from FSIs or print ads and then remember to bring them to the store. Redemption rates for coupons distributed by the Instant Coupon Machine are very high, averaging about 6 to 8 percent.

Another popular way to distribute in-store coupons is through electronic devices such as kiosks or at the checkout counter. Some electronically dispensed coupons, such as Catalina Marketing Corp.'s Checkout Coupon, are tied to scanner data at each grocery store checkout. When the specified product, such as a competitive brand, is purchased, the consumer receives a coupon at the checkout for the company's brand (Exhibit 16-16). Companies also use this system to link purchases of products that are related. For example, a consumer who purchases a caffeine-free cola might be issued a coupon for a decaffeinated coffee.

Major advantages of electronically dispensed checkout coupons are that they are cost-effective and can be targeted to specific categories of consumers, such as users of competitive or complementary products. Since 65 to 85 percent of a manufacturer's coupons are used by current customers, marketers want to target their coupons to users of competitive brands. Redemption rates are also high for electronically dispensed coupons, averaging around 5 to 7 percent.

**Couponing Trends** Over the past four years the number of coupons distributed has declined by nearly 20 percent. While the average American household is still being barraged with nearly 3,000 coupons per year, many marketers have cut back on their use of coupons because of concerns over costs and effectiveness. Critics argue that coupons cost too much to print, distribute, and process and that they don't benefit enough consumers. Consumers redeemed less than 2 percent of the 239 billion coupons distributed in 2001. Former Procter & Gamble CEO Durk Jager echoed the sentiment of many consumer-product companies when he said, "Who can argue for a practice that fails 98 percent of the time?"<sup>32</sup>

Despite the growing sentiment among major marketers that coupons are inefficient and costly, very few companies, including Procter & Gamble, are likely to abandon them entirely.<sup>33</sup> Although most coupons never get used, consumers use some of them and have come to expect them. More than 80 percent of consumers use coupons and nearly one-quarter say they use them every time they shop. With so many consumers eager for coupons, marketers will continue to accommodate them. However, companies as well as the coupon industry are looking for ways to improve on their use.

Marketers are continually searching for more effective couponing techniques. General Mills, Kellogg, and Post replaced brand-specific coupons with universal coupons good for any of their cereal brands. For example, to make its couponing spending more efficient, Post began using universal coupons worth \$1.50 off two boxes (matching the average cereal-coupon discount of 75 cents) and cut coupon distribution in half. Even though Post

dropped only half as many coupons, redemption rates reached 6 percent, far exceeding the FSI average of less than 2 percent.<sup>34</sup>

Some marketers are broadening their use of account-specific direct-mail couponing, in which coupons are cobranded with individual retailers but can be used by consumers at any retail store. Procter & Gamble began using account-specific couponing with Tide detergent and has broadened the program to include mailings for a number of other brands.<sup>35</sup>

Some marketers and retailers are looking to the Internet as a medium for distributing coupons. Several companies now offer online couponing services. Catalina Marketing started Valupage.com as a way for marketers to reach consumers at home with promotions traditionally offered in-store, including coupons. Consumers can log on to the website, type in their Zip code and choose from a list of participating grocery stores in their area and download manufacturer- and retailer-sponsored coupons. A number of retailers, particularly supermarkets, are also using the Internet to distribute coupons to encourage consumers to shop at their stores. Cox Target Media also offers consumers the opportunity to access coupons online, through Valpak.com. The website makes the same coupons and offers available to consumers that come in the Valpak direct-mail envelope (Exhibit 16-17).

## Premiums

Premiums are a sales promotion device used by many marketers. A **premium** is an offer of an item of merchandise or service either free or at a low price that is an extra incentive for purchasers. Many marketers are eliminating toys and gimmicks in favor of value-added premiums that reflect the quality of the product and are consistent with its image and positioning in the market. Marketers spend over \$4 billion a year on value-added premium incentives targeted at the consumer market. The two basic types of offers are the free premium and the self-liquidating premium.

**Free Premiums** Free premiums are usually small gifts or merchandise included in the product package or sent to consumers who mail in a request along with a proof of purchase. In/on-package free premiums include toys, balls, trading cards, or other items included in cereal packages, as well as samples of one product included with another. Surveys have shown that in/on-package premiums are consumers' favorite type of promotion.<sup>36</sup>

Package-carried premiums have high impulse value and can provide an extra incentive to buy the product. However, several problems are associated with their use. First,

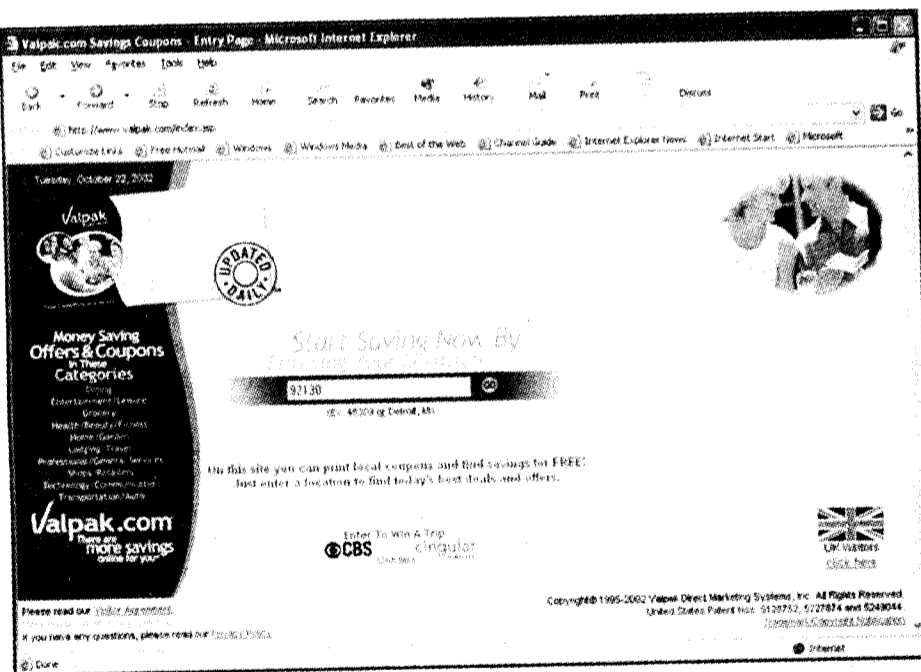
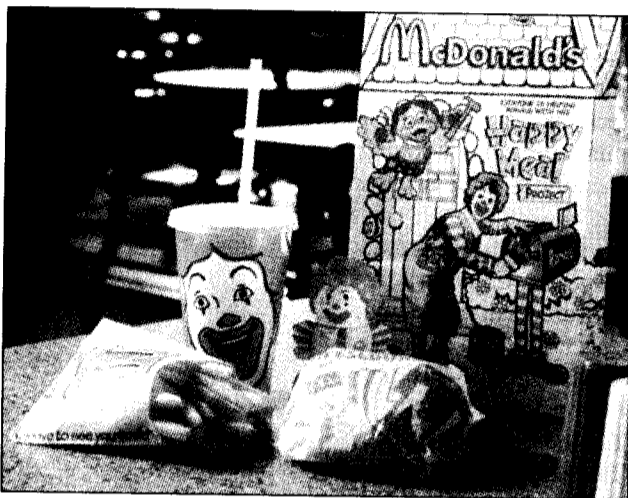


Exhibit 16-17 Coupons are now available online



**Exhibit 16-18** McDonald's Happy Meals use toys to help attract children

there is the cost factor, which results from the premium itself as well as from extra packaging that may be needed. Finding desirable premiums at reasonable costs can be difficult, particularly for adult markets, and using a poor premium may do more harm than good.

Another problem with these premiums is possible restrictions from regulatory agencies such as the Federal Trade Commission and the Food and Drug Administration or from industry codes regarding the type of premium used. The National Association of Broadcasters has strict guidelines regarding the advertising of premium offers to children. There is concern that premium offers will entice children to request a brand to get the promoted item and then never consume the product. The networks' policy on children's advertising is that a premium offer cannot exceed 15 seconds of a 30-second spot, and the emphasis must be on the product, not the premium.

Since most free mail-in premium offers require the consumer to send in more than one proof of purchase, they encourage repeat purchase and reward brand loyalty. But a major drawback of mail-in premiums is that they do not offer immediate reinforcement or reward to the purchaser, so they may not provide enough incentive to purchase the brand. Few consumers take advantage of mail-in premium offers; the average redemption rate is only 2 to 4 percent.<sup>37</sup>

Free premiums have become very popular in the restaurant industry, particularly among fast-food chains such as McDonald's and Burger King, which use premium offers in their kids' meals to attract children.<sup>38</sup> McDonald's has become the world's largest toymaker on a unit basis, commissioning about 750 million toys per year for its Happy Meals (Exhibit 16-18). Many of the premium offers used by the fast-food giants have cross-promotional tie-ins with popular movies and can be very effective at generating incremental sales. McDonald's gained a major competitive advantage in the movie tie-in premium wars in 1996 when it signed an agreement with Disney giving McDonald's exclusive rights to promotional tie-ins with Disney movies for 10 years.<sup>39</sup>

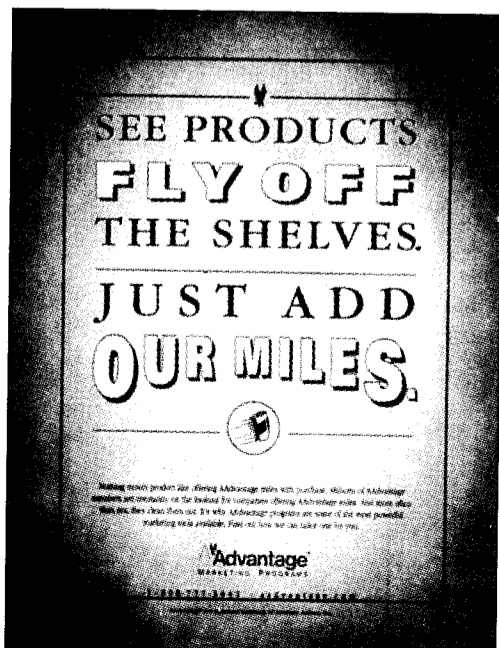
One of the fastest-growing types of incentive offers being used by marketers is airline miles, which have literally become a promotional currency. U.S. airlines make more than an estimated \$2 billion each year selling miles to other marketers. Consumers are now choosing credit-card services, phone services, hotels, and many other

products and services on the basis of mileage premiums for major frequent-flyer programs such as American Airlines' AAdvantage program or United Airlines' Mileage Plus program. Exhibit 16-19 shows a trade ad run by American Airlines promoting the value of AAdvantage miles as a promotional incentive that companies can offer their customers to help generate sales.

**Self-Liquidating Premiums** Self-liquidating premiums require the consumer to pay some or all of the cost of the premium plus handling and mailing costs. The marketer usually purchases items used as self-liquidating premiums in large quantities and offers them to consumers at lower-than-retail prices. The goal is not to make a profit on the premium item but rather just to cover costs and offer a value to the consumer.

In addition to cost savings, self-liquidating premiums offer several advantages to marketers. Offering values to consumers through the premium products can create interest in the brand and goodwill that enhances the brand's image. These premiums can also encourage trade support and gain in-store displays for the brand and the premium offer. Self-liquidating premiums are often tied directly to the advertising campaign, so they extend the advertising message and contribute to consumer franchise building for a brand. For example, Philip Morris

**Exhibit 16-19** American Airlines promotes the value of AAdvantage miles as a purchase incentive





offers Western wear, outdoor items, and other types of Marlboro gear through its Marlboro Country catalog, which reinforces the cigarette brand's positioning theme.

Self-liquidating premium offers have the same basic limitation as mail-in premiums: a very low redemption rate. Fewer than 10 percent of U.S. households have ever sent for a premium, and fewer than 1 percent of self-liquidating offers are actually redeemed.<sup>40</sup> Low redemption rates can leave the marketer with a large supply of items with a logo or some other brand identification that makes them hard to dispose of. Thus, it is important to test consumers' reaction to a premium incentive and determine whether they perceive the offer as a value. Another option is to use premiums with no brand identification, but that detracts from their consumer franchise-building value.

## Contests and Sweepstakes

Contests and sweepstakes are an increasingly popular consumer-oriented promotion. Marketers spent nearly \$2 billion on these promotions in 2001. These promotions seem to have an appeal and glamour that tools like cents-off coupons lack. Contests and sweepstakes are exciting because, as one expert has noted, many consumers have a "pot of gold at the end of the rainbow mentality" and think they can win the big prizes being offered.<sup>41</sup> The lure of sweepstakes and promotions has also been influenced by the "instant-millionaire syndrome" that has derived from huge cash prizes given by many state lotteries in recent years. Marketers are attracted to contests and sweepstakes as a way of generating attention and interest among a large number of consumers.

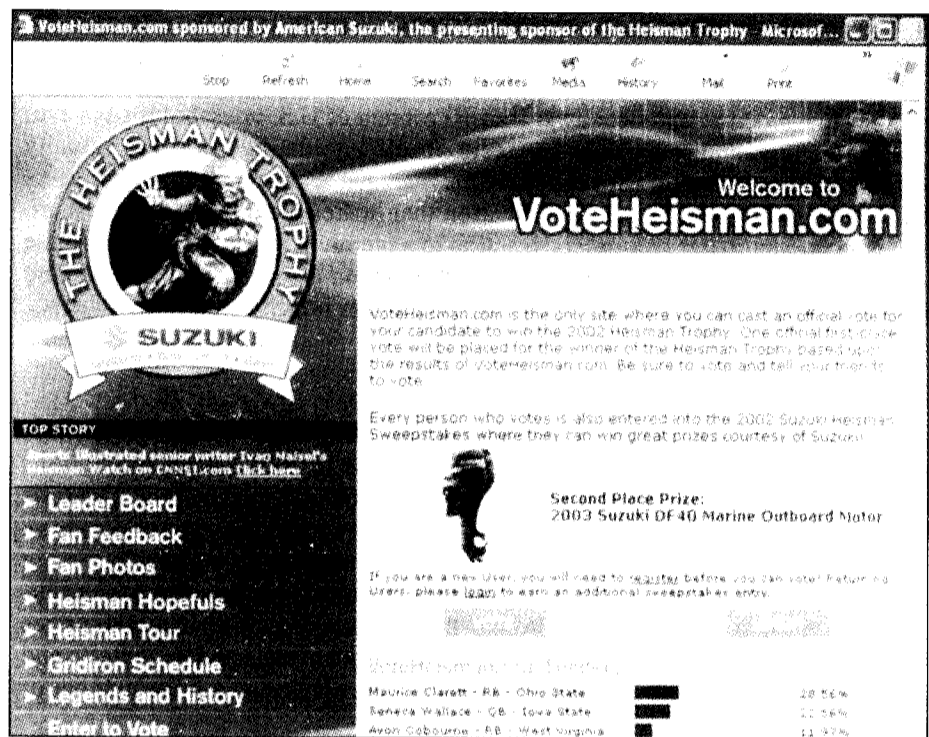
There are differences between contests and sweepstakes. A **contest** is a promotion where consumers compete for prizes or money on the basis of skills or ability. The company determines winners by judging the entries or ascertaining which entry comes closest to some predetermined criteria (e.g., picking the winning teams and total number of points in the Super Bowl or NCAA basketball tournament). Contests usually provide a purchase incentive by requiring a proof of purchase to enter or an entry form that is available from a dealer or advertisement. Some contests require consumers to read an ad or package or visit a store display to gather information needed to enter. Marketers must be careful not to make their contests too difficult to enter, as doing so might discourage participation among key prospects in the target audience.

A **sweepstakes** is a promotion where winners are determined purely by chance; it cannot require a proof of purchase as a condition for entry. Entrants need only submit their names for the prize drawing. While there is often an official entry form, handwritten entries must also be permitted. One form of sweepstakes is a **game**, which also has a chance element or odds of winning. Scratch-off cards with instant winners are a popular promotional tool. Some games occur over a longer period and require more involvement by consumers. Promotions where consumers must collect game pieces are popular among retailers and fast-food chains as a way to build store traffic and repeat purchases.

Because they are easier to enter, sweepstakes attract more entries than contests. They are also easier and less expensive to administer, since every entry does not have to be checked or judged. Choosing the winning entry in a sweepstakes requires only the random selection of a winner from the pool of entries or generation of a number to match those held by sweepstakes entrants. Experts note that the costs of mounting a sweepstakes are also very predictable. Companies can buy insurance to indemnify them and protect against the expense of awarding a big prize. In general, sweepstakes present marketers with a fixed cost, which is a major advantage when budgeting for a promotion.

Contests and sweepstakes can get the consumer involved with a brand by making the promotion product relevant. For example, contests that ask consumers to suggest a name for a product or to submit recipes that use the brand can increase involvement levels. Nabisco developed an "Open a box, make up a snack," promotional contest for its three top cracker brands—Ritz, Triscuit, and Wheat Thins. Consumers sent in their favorite recipes, which were then made available on a dedicated website and at a toll-free number. Marketers can use contests and sweepstakes to build brand equity by connecting the prizes to the lifestyle, needs, or interests of the target audience.

**Exhibit 16-20** The Suzuki Heisman Sweepstakes ties into the popularity of college football's top award



Sweepstakes and games can also be used to generate excitement and involvement with a popular and timely event and/or as a way to get consumers to visit a company's website. For example, Suzuki sponsored a sweepstakes that was tied to its sponsorship of the 2002 Heisman Trophy, which is the award given each year to the top college football player (Exhibit 16-20). One official vote was placed in the selection of the winner of the Heisman Trophy based on the results of the voting. Each person who voted was also entered into the Suzuki Heisman Sweepstakes. The contest was an effective way of associating Suzuki with this prestigious award and encouraging consumers to visit the website, where they would learn more about the company's vehicles.

**Problems with Contests and Sweepstakes** While the use of contests and sweepstakes continues to increase, there are some problems associated with these types of promotions. Many sweepstakes and/or contest promotions do little to contribute to consumer franchise building for a product or service and may even detract from it. The sweepstakes or contest often becomes the dominant focus rather than the brand, and little is accomplished other than giving away substantial amounts of money and/or prizes. Many promotional experts question the effectiveness of contests and sweepstakes. Some companies have cut back or even stopped using them because of concern over their effectiveness and fears that consumers might become dependent on them.<sup>42</sup> The sweepstakes industry also received a considerable amount of negative publicity recently. Lawsuits were filed by a number of states against American Family Publishing for misleading consumers regarding their odds of winning large cash prizes in AFP's annual magazine subscription solicitation sweepstakes.<sup>43</sup>

Numerous legal considerations affect the design and administration of contests and sweepstakes.<sup>44</sup> These promotions are regulated by several federal agencies, and each of the 50 states has its own rules. The regulation of contests and sweepstakes has helped clean up the abuses that plagued the industry in the late 1960s and has improved consumers' perceptions of these promotions. But companies must still be careful in designing a contest or sweepstakes and awarding prizes. Most firms use consultants that specialize in the design and administration of contests and sweepstakes to avoid any legal problems, but they may still run into problems with promotions, as discussed in IMC Perspective 16-4.

A final problem with contests and sweepstakes is participation by professionals or hobbyists who submit many entries but have no intention of purchasing the product or

## McDonald's and Others Learn the Perils of Promotions

Contests, sweepstakes, and premium offers are often used by marketers to give consumers an extra incentive to purchase their products. However, when these promotions don't go as planned, they can embarrass a company or even create legal problems. A number of high-profile companies known for their marketing excellence have experienced problems with promotions over the years. Kraft Food and PepsiCo encountered problems resulting from printing errors and computer glitches, while more recently McDonald's was the victim of a conspiracy to steal high-value game pieces from its long-running Monopoly game promotion. These botched promotions were embarrassing for the companies and resulted in the loss of goodwill as well as money.

Kraft was one of the first to learn how expensive it can be when a promotion goes awry. In 1989, a printing error resulted in the printing of too many winning game pieces for a match-and-win game promotion. Kraft canceled the promotion but still had to spend nearly \$4 million to compensate the winners—versus the \$36,000 budgeted for prizes. The snafu gave birth to the “Kraft clause,” a disclaimer stating that a marketer reserves the right to cancel a promotion if there are problems and hold a random drawing if there are more winners than prizes.

A few years later, PepsiCo had a major problem when a bottle-cap promotion offering a grand prize of 1 million pesos (about \$36,000) went wrong in the Philippines. Due to a computer glitch, the winning number appeared on more than 500,000 bottle caps, which would have made the company liable for more than \$18 billion in prize money. When the error was discovered, Pepsi announced that there was a problem and quickly offered to pay \$19 for each winning cap, which ended up costing the company nearly \$10 million. The furor caused by the botched promotion prompted anti-Pepsi rallies, death threats against Pepsi executives, and attacks on Pepsi trucks and bottling plants.

McDonald's also ran into a major problem with a promotion when winning game pieces were embezzled from its popular Monopoly game promotion. McDonald's ran its first Monopoly game promotion in 1987 and began running it annually in 1991. The company was able to run the game so long because it worked on many different levels. Consumers knew how to play the game, its big prizes generated excitement and interest, and its format—which required participants to collect all the Monopoly board game pieces to win—drove repeat traffic into the restaurants. McDonald's also

spent large amounts of money on ads promoting the game and kept refining it with new iterations such as a Pick Your Prize twist. However, in August 2001 the Federal Bureau of Investigation arrested eight people for embezzling winning game pieces from the Monopoly game as well as the company's “Who Wants to Be a Millionaire” sweepstakes in order to divert nearly \$24 million worth of prizes to co-conspirators.

The conspiracy is believed to have begun as early as 1995, and the FBI investigation, which was conducted with McDonald's cooperation, lasted two years before the arrests were made. Fifty-one people were indicted in the case, nearly all of whom either pleaded guilty or were convicted following trial. Among those pleading guilty was the director of security for McDonald's promotional agency, Simon Marketing, who stole the winning tickets and conspired with the others to distribute them to a network of recruiters who solicited individuals to falsely claim they were legitimate game winners.

Following the arrests McDonald's immediately fired Simon Marketing, as did several other of the agency's clients, including Kraft Foods and Philip Morris Co. To win back consumer confidence, McDonald's ran a five-day instant giveaway promotion over the Labor Day weekend in which consumers could win 55 cash prizes ranging from \$1,000 to \$1 million. The company also created an independent task force comprised of antifraud and game security experts to review procedures for future promotions.

The promotion scandal that rocked McDonald's sent shock waves through the industry and threatened to undermine consumer trust in contests and sweepstakes in general. Marketers are now more carefully reviewing their contests and sweepstakes as well as the companies that manage them. However, most industry experts maintain that McDonald's was a rare victim in an industry conducted honestly and legitimately and policed by many private and public watchdogs. While marketers will continue to use contests, sweepstakes, and games, they will be taking extra precautions to safeguard them to avoid the problems Kraft, PepsiCo, and McDonald's encountered.

Sources: Kate McArthur, “Guilty Verdict for Four in McDonald's Sweepstakes Scandal,” *AdAge.com*, Sept. 3, 2002; Kate McArthur, “McSwindle,” *Advertising Age*, Aug. 27, 2002, pp. 1, 22; Cara Beardi, “Scandal May Impact Other Sweepstakes,” *Advertising Age*, Aug. 27, 2002, p. 22; Betsy Spethmann, “The Perils of Promotion,” *Promo*, November 1996, pp. 22, 134.

**Exhibit 16-21** Intuit uses a rebate offer to promote its Quicken software products

service. Because most states make it illegal to require a purchase as a qualification for a sweepstakes entry, consumers can enter as many times as they wish. Professional players sometimes enter one sweepstakes several times, depending on the nature of the prizes and the number of entries the promotion attracts. Newsletters are even available that inform them of all the contests and sweepstakes being held, the entry dates, estimated probabilities of winning for various numbers of entries, how to enter, and solutions to any puzzles or other information that might be needed. The presence of these professional entrants not only defeats the purpose of the promotion but may also discourage entries from consumers who think their chances of winning are limited.

## Refunds and Rebates

**Refunds** (also known as *rebates*) are offers by the manufacturer to return a portion of the product purchase price, usually after the consumer supplies some proof of purchase. Consumers are generally very responsive to rebate offers, particularly as the size of the savings increases. Rebates are used by makers of all types of products, ranging from packaged goods to major appliances, cars, and computer software. Exhibit 16-21 shows an ad promoting a \$30 rebate on Intuit's popular tax and financial software products, TurboTax and Quicken.

Packaged-goods marketers often use refund offers to induce trial of a new product or encourage users of another brand to switch. Consumers may perceive the savings offered through a cash refund as an immediate value that lowers the cost of the item, even though those savings are realized only if the consumer redeems the refund or rebate offer. Redemption rates for refund offers typically range from 1 to 3 percent for print and point-of-purchase offers and 5 percent for in/on-package offers.

Refund offers can also encourage repeat purchase. Many offers require consumers to send in multiple proofs of purchase. The size of the refund offer may even increase as the number of purchases gets larger. Some packaged-goods companies are switching away from cash refund offers to coupons or cash/coupon combinations. Using coupons in the refund offer enhances the likelihood of repeat purchase of the brand.

Rebates have become a widely used form of promotion for consumer durables. Products such as cameras, sporting goods, appliances, televisions, audio and video equipment, computers, and cars frequently use rebate offers to appeal to price-conscious consumers. The use of rebates for expensive items like cars was begun by Chrysler Corp. in 1981 to boost sales and generate cash for the struggling company. Rebates are now common not only in the auto industry and other durable products but for packaged-goods products as well.

**Evaluating Refunds and Rebates** Rebates can help create new users and encourage brand switching or repeat purchase behavior, or they can be a way to offer a temporary price reduction. The rebate may be perceived as an immediate savings even though many consumers do not follow through on the offer. This perception can influence purchase even if the consumer fails to realize the savings, so the marketer can reduce price for much less than if it used a direct price-off deal.

Some problems are associated with refunds and rebates. Many consumers are not motivated by a refund offer because of the delay and the effort required to obtain the savings. They do not want to be bothered saving cash register receipts and proofs of purchase, filling out forms, and mailing in the offer.<sup>45</sup> A study of consumer perceptions found a negative relationship between the use of rebates and the perceived difficulties associated with the redemption process.<sup>46</sup> The study also found that consumers perceive manufacturers as offering rebates to sell products that are not faring well. Nonusers of rebates were particularly likely to perceive the redemption process as too complicated and to suspect manufacturers' motives. This implies that companies using rebates must simplify the redemption process and use other promotional elements such as advertising to retain consumer confidence in the brand.

When small refunds are being offered, marketers may find other promotional incentives such as coupons or bonus packs more effective. They must be careful not to overuse rebate offers and confuse consumers about the real price and value of a product or service. Also, consumers can become dependent on rebates and delay their purchases or purchase only brands for which a rebate is available. Many retailers have become disenchanted with rebates and the burden and expense of administering them.<sup>47</sup>

## Bonus Packs

**Bonus packs** offer the consumer an extra amount of a product at the regular price by providing larger containers or extra units (Exhibit 16-22). Bonus packs result in a lower cost per unit for the consumer and provide extra value as well as more product for the money. There are several advantages to bonus pack promotions. First, they give marketers a direct way to provide extra value without having to get involved with complicated coupons or refund offers. The additional value of a bonus pack is generally obvious to the consumer and can have a strong impact on the purchase decision at the time of purchase.

Bonus packs can also be an effective defensive maneuver against a competitor's promotion or introduction of a new brand. By loading current users with large amounts of its product, a marketer can often remove these consumers from the market and make them less susceptible to a competitor's promotional efforts. Bonus packs may result in larger purchase orders and favorable display space in the store if relationships with retailers are good. They do, however, usually require additional shelf space without providing any extra profit margins for the retailer, so the marketer can encounter problems with bonus packs if trade relationships are not good. Another problem is that bonus packs may appeal primarily to current users who probably would have purchased the brand anyway or to promotion-sensitive consumers who may not become loyal to the brand.

## Price-Off Deals

Another consumer-oriented promotion technique is the direct **price-off deal**, which reduces the price of the brand. Price-off reductions are typically offered right on the package through specially marked price packs, as shown in Exhibit 16-23. Typically, price-offs range from 10 to 25 percent off the regular price, with the reduction coming out of the manufacturer's profit margin, not the retailer's. Keeping the retailer's margin during a price-off promotion maintains its support and cooperation.

Marketers use price-off promotions for several reasons. First, since price-offs are controlled by the manufacturer, it can make sure the promotional discount reaches the consumer rather than being kept by the trade. Like bonus packs, price-off deals usually present a readily apparent value to shoppers, especially when they have a reference price point for the brand and thus recognize the value of the discount.<sup>48</sup> So price-offs can be a strong influence at the point of purchase when price comparisons are being made. Price-off promotions can also encourage consumers to purchase larger quantities, preempting competitors' promotions and leading to greater trade support.

Price-off promotions may not be favorably received by retailers, since they can create pricing and inventory problems. Most retailers will not accept packages with a specific price shown, so the familiar *X* amount off the regular price must be used. Also, like bonus packs, price-off deals appeal primarily to regular users instead of attracting nonusers. Finally, the Federal Trade Commission has regulations regarding the conditions that price-off labels must meet and the frequency and timing of their use.

## Frequency Programs

One of the fastest-growing areas of sales promotion is the use of **frequency programs** (also referred to as *continuity* or *loyalty programs*). American Airlines was one of the first major companies to use loyalty programs when it introduced its AAdvantage frequent-flyer program in 1981. Since then frequency programs have become commonplace in a number of product and service categories, particularly travel and hospitality, as well as among retailers. Virtually every airline, car rental company, and hotel chain has some type of frequency program. American Airlines has nearly 44 million

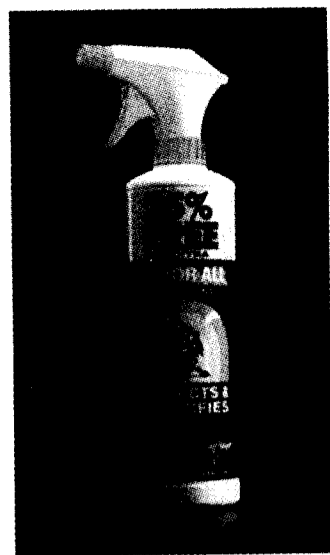


Exhibit 16-22 Bonus packs provide more value for consumers



Exhibit 16-23 Examples of price-off packages

**Exhibit 16-24** Kellogg's Eet & Ern loyalty program targets younger consumers

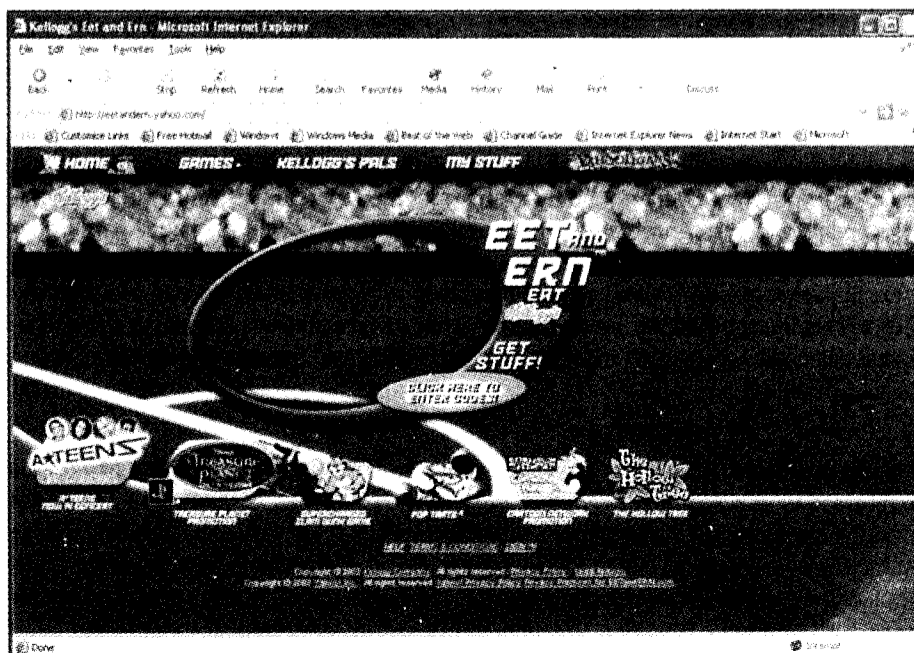
members in its AAdvantage program, while Marriott International has enlisted more than 18 million business travelers into its Rewards program.

Many packaged-goods companies are also developing frequency programs. Pillsbury, Nestlé, Kraft, and others have recently introduced continuity programs that offer consumers the opportunity to accumulate points for continuing to purchase their brands; the points can be redeemed for gifts and prizes. For example, Kellogg launched a frequency program called "Eet and Ern" that targets younger consumers. The program allows them to find a 10-character code on the inside of specially-marked packages of Kellogg products, enter the code at the EetandErn.com website, and receive a downloadable reward (Exhibit 16-24). They can also participate in other special promotions including contests, sweepstakes, special offers, games and other activities. The frequency program has been very effective and has helped Kellogg increase its sales despite the overall decline in cereal industry sales.<sup>49</sup>

Frequency programs have become particularly popular among grocery stores.<sup>50</sup> Nearly 7,000 supermarkets now have loyalty programs that offer members discounts, a chance to accumulate points that can be redeemed for rewards, newsletters, and other special services. Loyalty programs are also used by a variety of other retailers, including department stores, home centers, bookstores, and even local bagel shops.

There are a number of reasons why frequency programs have become so popular. Marketers view these programs as a way of encouraging consumers to use their products or services on a continual basis and as a way of developing strong customer loyalty. Many companies are also realizing the importance of customer retention and understand that the key to retaining and growing market share is building relationships with loyal customers. Frequency programs also provide marketers with the opportunity to develop databases containing valuable information on their customers that can be used to better understand their needs, interests, and characteristics as well as to identify and track a company's most valuable customers. These databases can also be used to target specific programs and offers to customers to increase the amount they purchase and/or to build stronger relationships with them.

As frequency programs become more common, marketers will be challenged to find ways to use them as a means of differentiating their product, service, business, or retail store. It has been argued that many of the loyalty programs developed by packaged-goods marketers are really short-term promotions that overreward regular users and do little to develop long-term loyalty.<sup>51</sup> Marketers must find ways to make them true loyalty programs rather than just frequent-buyer programs. This will require the careful management of databases to identify and track valuable customers and their purchase history and the strategic use of targeted loyalty promotions.



## Event Marketing

Another type of consumer-oriented promotion that has become very popular in recent years is the use of event marketing. It is important to make a distinction between *event marketing* and *event sponsorships*, as the two terms are often used interchangeably yet they refer to different activities. **Event marketing** is a type of promotion where a company or brand is linked to an event or where a themed activity is developed for the purpose of creating experiences for consumers and promoting a product or service. Marketers often do event marketing by associating their product with some popular activity such as a sporting event, concert, fair, or festival. However, marketers also create their own events to use for promotional purposes. For example, RC Cola staged events to launch RC Edge Maximum Power, a new soda targeted at teens that contains Indian ginseng and taurine in addition to caffeine. RC put together a 25-market tour that included radio tie-ins and “Edgy” events such as white-water rafting and skydiving at which samples of the product were distributed (Exhibit 16-25). The comarketing promotion Coppertone created for Wal-Mart, which was discussed earlier in the chapter, is an example of an in-store event marketing activity.

An **event sponsorship** is an integrated marketing communications activity where a company develops actual sponsorship relations with a particular event and provides financial support in return for the right to display a brand name, logo, or advertising message and be identified as a supporter of the event. Event marketing often takes place as part of a company’s sponsorship of activities such as concerts, the arts, social causes, and sporting events. Decisions and objectives for event sponsorships are often part of an organization’s public relations activities and are discussed in the next chapter.

Event marketing has become very popular in recent years as marketers develop integrated marketing programs including a variety of promotional tools that create experiences for consumers in an effort to associate their brands with certain lifestyles and activities. Marketers use events to distribute samples as well as information about their products and services or to actually let consumers experience the product.

## Summary of Consumer-Oriented Promotions and Marketer Objectives

The discussion of the various sales promotion techniques shows that marketers use these tools to accomplish a variety of objectives. As noted at the beginning of the chapter, sales promotion techniques provide consumers with an *extra incentive or reward* for engaging in a certain form of behavior such as purchasing a brand. For some types of sales promotion tools the incentive the consumer receives is immediate, while for others the reward is delayed and is not realized immediately. Marketers often



**Exhibit 16-23** RC Cola used event marketing to introduce Edge Maximum Power

**Figure 16-5** Consumer-oriented sales promotion tools for various marketing objectives

Consumer Reward Incentive	Marketing Objective		
	Induce trial	Customer retention/loading	Support IMC program/build brand equity
	<ul style="list-style-type: none"> <li>• Sampling</li> <li>• Instant coupons</li> <li>• In-store coupons</li> <li>• In-store rebates</li> </ul>	<ul style="list-style-type: none"> <li>• Price-off deals</li> <li>• Bonus packs</li> <li>• In- and on-package free premiums</li> <li>• Loyalty programs</li> </ul>	<ul style="list-style-type: none"> <li>• Events</li> <li>• In- and on-package free premiums</li> </ul>
	<ul style="list-style-type: none"> <li>• Media- and mail-delivered coupons</li> <li>• Mail-in refunds and rebates</li> <li>• Free mail-in premiums</li> <li>• Scanner- and Internet-delivered coupons</li> </ul>	<ul style="list-style-type: none"> <li>• In- and on-package coupons</li> <li>• Mail-in refunds and rebates</li> <li>• Loyalty programs</li> </ul>	<ul style="list-style-type: none"> <li>• Self-liquidating premiums</li> <li>• Free mail-in premiums</li> <li>• Contests and sweepstakes</li> <li>• Loyalty programs</li> </ul>

evaluate sales promotion tools in terms of their ability to accomplish specific objectives and consider whether the impact of the promotion will be immediate or delayed. The chart in Figure 16-5 outlines which sales promotion tools can be used to accomplish various objectives of marketers and identifies whether the extra incentive or reward is immediate or delayed.<sup>52</sup>

It should be noted that in Figure 16-3 some of the sales promotion techniques are listed more than once because they can be used to accomplish more than one objective. For example, loyalty programs can be used to retain customers by providing both immediate and delayed rewards. Shoppers who belong to loyalty programs sponsored by supermarkets and receive discounts every time they make a purchase are receiving immediate rewards that are designed to retain them as customers. Some loyalty promotions such as frequency programs used by airlines, car rental companies, and hotels offer delayed rewards by requiring that users accumulate points to reach a certain level or status before the points can be redeemed. Loyalty programs can also be used by marketers to help build brand equity. For example, when an airline or car rental company sends its frequent users upgrade certificates, the practice helps build relationships with these customers and thus contributes to brand equity.

While marketers use consumer-oriented sales promotions to provide current and/or potential customers with an extra incentive, they also use these promotions as part of their marketing program to leverage trade support. Retailers are more likely to stock a brand, purchase extra quantities, or provide additional support such as end-aisle displays when they know a manufacturer is running a promotion during a designated period. The development of promotional programs targeted toward the trade is a very important part of the marketing process and is discussed in the next section.

## Trade-Oriented Sales Promotion Objectives of Trade-Oriented Sales Promotion

Like consumer-oriented promotions, sales promotion programs targeted to the trade should be based on well-defined objectives and measurable goals and a consideration of what the marketer wants to accomplish. Typical objectives for promotions targeted to marketing intermediaries such as wholesalers and retailers include obtaining distribution and support for new products, maintaining support for established brands, encouraging retailers to display established brands, and building retail inventories.

**Obtain Distribution for New Products** Trade promotions are often used to encourage retailers to give shelf space to new products. Manufacturers recognize that only a limited amount of shelf space is available in supermarkets, drugstores, and other major retail outlets. Thus, they provide retailers with financial incentives to



stock new products. For example, Lever Brothers used heavy sampling and high-value coupons in the successful introduction of Lever 2000 bar soap. However, in addition to these consumer promotions, the company used discounts to the trade to encourage retailers to stock and promote the new brand.

While trade discounts or other special price deals are used to encourage retailers and wholesalers to stock a new brand, marketers may use other types of promotions to get them to push the brand. Merchandising allowances can get retailers to display a new product in high-traffic areas of stores, while incentive programs or contests can encourage wholesale or retail store personnel to push a new brand.

**Maintain Trade Support for Established Brands** Trade promotions are often designed to maintain distribution and trade support for established brands. Brands that are in the mature phase of their product life cycle are vulnerable to losing wholesale and/or retail distribution, particularly if they are not differentiated or face competition from new products. Trade deals induce wholesalers and retailers to continue to carry weaker products because the discounts increase their profit margins. Brands with a smaller market share often rely heavily on trade promotions, since they lack the funds required to differentiate themselves from competitors through media advertising.

Even if a brand has a strong market position, trade promotions may be used as part of an overall marketing strategy. For example, Heinz has relied heavily on trade promotions to hold its market share position for many of its brands. Many consumer packaged-goods companies count on trade promotions to maintain retail distribution and support.

**Encourage Retailers to Display Established Brands** Another objective of trade-oriented promotions is to encourage retailers to display and promote an established brand. Marketers recognize that many purchase decisions are made in the store and promotional displays are an excellent way of generating sales. An important goal is to obtain retail store displays of a product away from its regular shelf location. A typical supermarket has approximately 50 display areas at the ends of aisles, near checkout counters, and elsewhere. Marketers want to have their products displayed in these areas to increase the probability shoppers will come into contact with them. Even a single display can increase a brand's sales significantly during a promotion.

Manufacturers often use multifaceted promotional programs to encourage retailers to promote their products at the retail level. For example, Exhibit 16-26 shows a brochure that Chicken of the Sea International provided to retailers showing the various promotions the company planned to use during the year for its Chicken of the Sea

**Get Hooked on Our Support!**

Not other full line seafood supplier provides consumers with so many impactful promotions and offers. This promotional plan for 2001 is a sure way to "hook 'em," "hook 'em" and "ree' 'em" in to your store!

	New Year (Jan-Feb)	Spring (Mar-May)	Summer (Jun-Aug)	Back-to-School (Sept-Oct)	Holiday (Nov-Dec)
<b>In-Store Radio</b>					
<b>Public Relations</b>	■ All Products	■ All Products	■ All Products	■ All Products	■ All Products
<b>Catalina Check Out Coupon</b>	■ Tuna	■ Tuna	■ Tuna	■ Tuna	■ All Products
<b>Meals.com</b>	■ All Products	■ All Products	■ All Products	■ All Products	■ All Products
<b>Customer/Market Programs</b>	■ All Products	■ All Products	■ All Products	■ All Products	■ All Products
<b>Direct Mail</b>	■ All Products	Specialty ■ Salmon	Specialty ■ Salmon	■ Tuna	Specialty ■ Salmon
<b>Insignia POPPS</b>	■ Tuna	■ Tuna	■ Tuna	■ Tuna	■ Tuna
<b>In-Store Demos</b>	■ All Products	■ All Products	■ All Products	■ All Products	Specialty ■ Salmon
<b>Coupons</b>		■ Tuna ■ Salmon ■ Salmon	■ Tuna ■ Salmon ■ Salmon	■ Tuna ■ Salmon ■ Salmon	■ Tuna ■ Salmon ■ Salmon
<b>On-Pack Coupons</b>	■ Salmon ■ Salmon				
<b>DBC's with Recipe Book</b>					
<b>Cross Buy Coupons for S&amp;B</b>					
<b>National PSI</b>			■ Tuna	■ Tuna	
<b>Shelf Take One</b>	■ All Products	■ All Products	■ All Products	■ All Products	■ All Products
<b>Shippers</b>					
<b>Magazine Advertising</b>				■ Salmon Specialty	■ Salmon Specialty
<b>Taste of Home Cooking</b>					
<b>Quick Cooking Magazine</b>		■ Salmon Specialty			
<b>Cooking Schools</b>	■ All Products	■ All Products	■ All Products	■ All Products	■ All Products
<b>Website: www.chickenofthesea.com</b>					
<b>Consumer Recipes, Offers &amp; More!</b>					

**From Shore to Store**  
Chicken of the Sea® has been in the seafood industry since 1944. In fact, we were one of the first brands that called for "hook 'em" promotions. When does the season start? In season. Chicken of the Sea® has always been quality and integrity. That's why our products are sold in over 100,000 retail outlets.

**The Winning Taste**  
For the second year in a row, the following Chicken of the Sea® products were judged "Best Tasting" out of all major brands by the American Tasting Institute:  
• Solid White Tuna in Spring Water  
• Solid White Tuna in Canola Oil  
• Chunk Light Tuna in Spring Water  
• Chunk Light Tuna in Canola Oil  
• Chicken® Brand  
• Skipped® Brand  
• Skipped® Brand  
Our packaging will automatically feature the 2001 Taste Award seal in honor of "hook 'em" the attention of consumers.

**Exhibit 16-26** This brochure shows retailers the various promotions Chicken of the Sea planned to use for its various products

**Exhibit 16-27** This contest sponsored by Chicken of the Sea was targeted toward food-service distributors

**Chicken of the Sea**  
Foodservice

**You'll Be Going Places With "Recipes For Profits!"**

Van Camp Seafood's "Recipes For Profits" program delivers more than success—it may also be your ticket to paradise! We'll be conducting four drawings of the "Recipes For Profits" Merchandising Materials Request forms. If your name is listed as DSR on the form we randomly select, you'll win a great vacation package to anywhere in the continental U.S., the Cayman Islands, Aruba or Maui!

**May The Best DSR Win!**  
Encourage your restaurateurs to add our delicious new recipes to their menus and utilize our "Recipes For Profits" merchandising materials. The more Merchandise Request

Forms that they send in between now and August, the better your chances to get away from it all. Note that the drawings are taking place in four separate time frames, based on postmarked dates of entries received.

Look for this Merchandising Materials Request Form in the "Recipes For Profits" Merchandising Brochure. It could be your winning ticket!

See Other Side for Details

brand tuna and salmon. The company used a variety of promotional tools to support the brands and increase retailer participation. These included advertising in magazines, local newspapers, FSI and checkout coupons, in-store displays, premium offers, recipe handouts, Web support, contests, and a continuity program.

**Build Retail Inventories** Manufacturers often use trade promotions to build the inventory levels of retailers or other channel members. There are several reasons manufacturers want to load retailers with their products. First, wholesalers and retailers are more likely to push a product when they have high inventory levels rather than storing it in their warehouses or back rooms. Building channel members' inventories also ensures they will not run out of stock and thus miss sales opportunities.

Some manufacturers of seasonal products offer large promotional discounts so that retailers will stock up on their products before the peak selling season begins. This enables the manufacturer to smooth out seasonal fluctuations in its production schedule and passes on some of the inventory carrying costs to retailers or wholesalers. When retailers stock up on a product before the peak selling season, they often run special promotions and offer discounts to consumers to reduce excess inventories.

## Types of Trade-Oriented Promotions

Manufacturers use a variety of trade promotion tools as inducements for wholesalers and retailers. Next we examine some of the most often used types of trade promotions and some factors marketers must consider in using them. These promotions include contests and incentives, trade allowances, displays and point-of-purchase materials, sales training programs, trade shows, and co-op advertising.

**Contests and Incentives** Manufacturers may develop contests or special incentive programs to stimulate greater selling effort and support from reseller management or sales personnel. Contests or incentive programs can be directed toward managers who work for a wholesaler or distributor as well as toward store or department managers at the retail level. Manufacturers often sponsor contests for resellers and use prizes such as trips or valuable merchandise as rewards for meeting sales quotas or other goals. Exhibit 16-27 shows a contest Chicken of the Sea sponsored for food-service distributors who call on restaurants.

Contests or special incentives are often targeted at the sales personnel of the wholesalers, distributors/dealers, or retailers. These salespeople are an important link in the distribution chain because they are likely to be very familiar with the market, more frequently in touch with the customer (whether it be another reseller or the ultimate consumer), and more numerous than the manufacturer's own sales organization. Manufacturers often devise incentives or contests for these sales personnel. These programs may involve cash payments made directly to the retailer's or wholesaler's sales staff to encourage them to promote and sell a manufacturer's product. These payments are known as **push money** (pm) or *spiffs*. For example, an appliance manufacturer may pay a \$25 spiff to retail sales personnel for selling a certain model or size. In sales contests, salespeople can win trips or valuable merchandise for meeting certain goals established by the manufacturer. As shown in Figure 16-6, these incentives may be tied to product sales, new account placements, or merchandising efforts.

While contests and incentive programs can generate reseller support, they can also be a source of conflict between retail sales personnel and management. Some retailers want to maintain control over the selling activities of their sales staffs. They don't want their salespeople devoting an undue amount of effort to trying to win a con-

- **Product or Program Sales**  
Awards are tied to the selling of a product, for example:
  - Selling a specified number of cases
  - Selling a specified number of units
  - Selling a specified number of promotional programs
- **New Account Placements**  
Awards are tied to:
  - The number of new accounts opened
  - The number of new accounts ordering a minimum number of cases or units
  - Promotional programs placed in new accounts
- **Merchandising Efforts**  
Awards are tied to:
  - Establishing promotional programs (such as theme programs)
  - Placing display racks, counter displays, and the like

test or receive incentives offered by the manufacturer. Nor do they want their people becoming too aggressive in pushing products that serve their own interests instead of the product or model that is best for the customer.

Many retailers refuse to let their employees participate in manufacturer-sponsored contests or to accept incentive payments. Retailers that do allow them often have strict guidelines and require management approval of the program.

**Trade Allowances** Probably the most common trade promotion is some form of **trade allowance**, a discount or deal offered to retailers or wholesalers to encourage them to stock, promote, or display the manufacturer's products. Types of allowances offered to retailers include buying allowances, promotional or display allowances, and slotting allowances.

**Buying Allowances** A buying allowance is a deal or discount offered to resellers in the form of a price reduction on merchandise ordered during a fixed period. These discounts are often in the form of an **off-invoice allowance**, which means a certain per-case amount or percentage is deducted from the invoice. A buying allowance can also take the form of *free goods*; the reseller gets extra cases with the purchase of specific amounts (for example, 1 free case with every 10 cases purchased).

Buying allowances are used for several reasons. They are easy to implement and are well accepted, and sometimes expected, by the trade. They are also an effective way to encourage resellers to buy the manufacturer's product, since they will want to take advantage of the discounts being offered during the allowance period. Manufacturers offer trade discounts expecting wholesalers and retailers to pass the price reduction through to consumers, resulting in greater sales. However, as discussed shortly, this is often not the case.

**Promotional Allowances** Manufacturers often give retailers allowances or discounts for performing certain promotional or merchandising activities in support of their brands. These merchandising allowances can be given for providing special displays away from the product's regular shelf position, running in-store promotional programs, or including the product in an ad. The manufacturer generally has guidelines or a contract specifying the activity to be performed to qualify for the promotional allowance. The allowance is usually a fixed amount per case or a percentage deduction from the list price for merchandise ordered during the promotional period.

**Slotting Allowances** In recent years, retailers have been demanding a special allowance for agreeing to handle a new product. *Slotting allowances*, also called

## CAREER PROFILE

### John Boyle

#### Marketing Analyst, Chicken of the Sea International

Choosing a major is an important decision for undergraduate students. This decision determines the nature of one's college experience and, ultimately, one's career path. I decided to major in marketing as an undergraduate at San Diego State University because I felt this degree would provide me with a number of exciting career opportunities. I also chose marketing because I was intrigued by the way marketers analyze consumers to understand their purchase behavior and the strategies they develop to compete against one another.

After finishing my Bachelor's Degree I decided to continue my education and pursue an MBA, as I wanted to study marketing in more depth. While pursuing my MBA, I had the opportunity to take courses in areas such as advertising and promotion, consumer behavior, marketing research and strategic marketing, all of which prepared me quite well for an entry level position in the field. My educational experience at SDSU was gratifying, and focusing on marketing turned out to be an excellent decision.

I went to work for Chicken of the Sea International (COSI) after finishing my MBA degree. Since joining COSI I have been working as a Marketing Analyst and have had the opportunity to provide input into decisions that directly affect the direction of the company. I work closely with brand managers on a daily basis and, together, we make marketing decisions for a diverse product line. Chicken of the Sea sells a variety of products ranging from canned tuna to salmon as well as the new pouch pack versions of these products.

An important part of my job as a marketing analyst is to procure, organize, analyze, and disseminate information which provides the foundation for strategic, as well as tactical decisions. I work with many areas of the business, but most closely with marketing communications which includes our advertising, sales promotion and online marketing functions. Sales promotion

is a particularly important element of our IMC program because of its ability to directly influence customer behavior. While advertising is used to build the image of our brands over time, we use various types of promotions to elicit a direct response and drive short-term sales. Sales promotions are focused on getting consumers to take action, whether it be redeeming a

coupon for one of our products or getting them to save product labels and submit them in exchange for a free movie ticket. Our sales promotion programs are also targeted toward the retailers as we have a variety of programs that are designed to encourage them to stock and promote our products.

Measuring the effectiveness of sales promotions is a challenging but vital component of our promotion program. Technological advances in our industry have greatly enhanced our ability to evaluate promotions. For example, we have access to a variety of rich external data sources including point-of-sale data generated by super-market scanners, consumer panel data, and retailer loyalty card information. Internal data sources such as coupon redemption databases and factory shipments are also valuable. Consumer click-stream data from online grocery retailing websites is a promising new frontier in the area of sales promotion evaluation.

Designing effective sales promotions is a challenging but important task. We constantly ask ourselves the obvious questions: What worked, what didn't, and why? Was the price discount large enough, or was there a competitive promotion being run simultaneously? Perhaps the contest prize value should be increased, or maybe the retailer didn't pass the entire trade discount on to consumers.

It's very exciting to deal with real world marketing problems every day and to use a variety of concepts I studied in business school to develop innovative ways to solve them. The payoff comes from seeing the results and knowing what I do has made a difference.



**“It’s very exciting to deal with real world marketing problems every day.”**

*stocking allowances, introductory allowances, or street money*, are fees retailers charge for providing a slot or position to accommodate the new product. Retailers justify these fees by pointing out the costs associated with taking on so many new products each year, such as redesigning store shelves, entering the product into their computers, finding warehouse space, and briefing store employees on the new product.<sup>53</sup> They also note they are assuming some risk, since so many new product introductions fail.

Slotting fees can range from a few hundred dollars per store to \$50,000 or more for an entire retail chain. Manufacturers that want to get their products on the shelves nationally can face several million dollars in slotting fees. Many marketers believe slotting allowances are a form of blackmail or bribery and say some 70 percent of these fees go directly to retailers' bottom lines.

Retailers can continue charging slotting fees because of their power and the limited availability of shelf space in supermarkets relative to the large numbers of products introduced each year. Some retailers have even been demanding **failure fees** if a new product does not hit a minimum sales level within a certain time. The fee is charged to cover the costs associated with stocking, maintaining inventories, and then pulling the product.<sup>54</sup> Large manufacturers with popular brands are less likely to pay slotting fees than smaller companies that lack leverage in negotiating with retailers.

In late 1999 the Senate Committee on Small Business began taking action against the practice of using slotting fees in the grocery, drugstore, and computer software industries because of the fees' negative impact on small business.<sup>55</sup> The committee recommended that the Federal Trade Commission and Small Business Administration take steps to limit the use of slotting fees because they are anticompetitive. A recent study by Paul Bloom, Gregory Gundlach, and Joseph Cannon examined the views of manufacturers, wholesalers, and grocery retailers regarding the use of slotting fees. Their findings suggest that slotting fees shift the risk of new product introductions from retailers to manufacturers and help apportion the supply and demand of new products. They also found that slotting fees lead to higher retail prices, are applied in a discriminatory fashion, and place small marketers at a disadvantage.<sup>56</sup>

**Problems with Trade Allowances** Many companies are concerned about the abuse of trade allowances by wholesalers, retailers, and distributors. Marketers give retailers these trade allowances so that the savings will be passed through to consumers in the form of lower prices, but companies such as Procter & Gamble claim that only 30 percent of trade promotion discounts actually reach consumers because 35 percent is lost in inefficiencies and another 35 percent is pocketed by retailers and wholesalers. Moreover, many marketers believe that the trade is taking advantage of their promotional deals and misusing promotional funds.

For example, many retailers and wholesalers engage in a practice known as **forward buying**, where they stock up on a product at the lower deal or off-invoice price and resell it to consumers after the marketer's promotional period ends. Another common practice is **diverting**, where a retailer or wholesaler takes advantage of the promotional deal and then sells some of the product purchased at the low price to a store outside its area or to a middleperson who resells it to other stores.

Forward buying and diverting are widespread practices. Industry studies show that nearly 40 percent of wholesalers' and retailers' profits come from these activities. In addition to not passing discounts on to consumers, forward buying and diverting create other problems for manufacturers. They lead to huge swings in demand that cause production scheduling problems and leave manufacturers and retailers always building toward or drawing down from a promotional surge. Marketers also worry that the system leads to frequent price specials, so consumers learn to make purchases on the basis of what's on sale rather than developing any loyalty to their brands.

The problems created by retailers' abuse led Procter & Gamble, one of the country's most powerful consumer-product marketers, to adopt **everyday low pricing (EDLP)**, which lowers the list price of over 60 percent of its product line by 10 to 25 percent while cutting promotional allowances to the trade. The price cuts leave the overall cost of the product to retailers about the same as it would have been with the various trade allowance discounts.

P&G argues that EDLP eliminates problems such as deal buying, leads to regular low prices at the retail level, and helps build brand loyalty among consumers. Yet the EDLP strategy has caused great controversy in the trade, which depends heavily on promotions to attract consumers. Some retailers took P&G products off the shelf; others cut their ads and displays of the company's brands. Retailers prefer to operate on a *high/low strategy* of frequent price specials and argue that EDLP puts them at a disadvantage against the warehouse stores and mass merchandisers that already use everyday low pricing. They also say that some products, such as those that are bought on impulse, thrive on promotions and don't lend themselves to EDLP. Retailers rely on promotions like end-of-aisle displays and price discounts to create excitement and generate incremental sales and profits from products like soft drinks, cookies, and candy.<sup>57</sup>

Critics of EDLP also note that while the strategy may work well for market leaders whose brands enjoy high loyalty, it is not effective for marketers trying to build market share or prop up lagging products. Moreover, many consumers are still motivated more by promotional deals and specials than by advertising claims from retailers promoting everyday low prices.

Despite the criticism, P&G says EDLP is paying off and volume has grown faster in its brands that have switched to the pricing strategy. P&G extended its use of everyday low pricing to international markets, including the United Kingdom and Italy.<sup>58</sup> P&G continues to make changes in the way sales promotions are being used by packaged-goods marketers. The company has taken steps in recent years to simplify its promotional programs by cutting back on many types of promotions including bonus packs, premiums, coupons, and cents-off packs. P&G has long been a bellwether for the packaged-goods industry and its changes with regard to the use of consumer and trade promotions are likely to create a ripple effect among other marketers.<sup>59</sup>

**Displays and Point-of-Purchase Materials** The next time you are in a store, take a moment to examine the various promotional materials used to display and sell products. Point-of-purchase (POP) displays are an important promotional tool because they can help a manufacturer obtain more effective in-store merchandising of products. Companies in the United States spend more than \$15 billion a year on point-of-purchase materials, including end-of-aisle displays, banners, posters, shelf cards, motion pieces, and stand-up racks, among others. Point-of-purchase displays are very important to marketers since many consumers make their purchase decisions in the store. In fact, some studies estimate that nearly two-thirds of a consumer's buying decisions are made in a retail store. Thus, it is very important for marketers to get the attention of consumers, as well as to communicate a sales or promotional message, through POP displays.

A recent measurement study from Point-of-Purchase Advertising International (an industry trade association) and the Advertising Research Foundation estimates that the cost-per-thousand-impressions figure for POPs is \$6 to \$8 for supermarket displays.<sup>60</sup> The CPM figure is based on findings that a grocery store display makes an average of 2,300 to 8,000 impressions per week, depending on store size and volume. Although this study has shown that POP displays are very effective at reaching consumers, difficulties in getting retail stores to comply with requests for displays often makes it difficult for marketers to use them.<sup>61</sup> Moreover, many retailers are decreasing the amount of signage and displays they will accept as well as the messages they can communicate. Also, as account-specific promotions become more popular, some retailers are requiring customized POP materials. For example, 7-Eleven has taken over the responsibility for the production of all POP materials from vendors—who must still pay for them. The goal is to give 7-Eleven complete control over its in-store environment.

Despite these challenges, marketers recognize that point-of-purchase displays are an important part of their promotional programs. Many continue to develop innovative methods to display their products efficiently, make them stand out in the retail environment, and communicate a sales message to consumers. It should be noted that the importance of creative POP displays is not limited to grocery or convenience stores. Point-of-purchase displays are also important to companies that distribute their prod-

ucts through other types of retail outlets, such as home improvement, consumer electronic, and sporting goods stores. For example, Exhibit 16-28 shows an award-winning POP display for Wilson Sporting Goods Co. that was designed to keep the company's high-end baseball gloves off the shelves and separate from other gloves. The gloves needed a product-specific display that would promote them as the "Official Glove of Major League Baseball" and also maximize space while merchandising more product.

Many manufacturers help retailers use shelf space more efficiently through **planograms**, which are configurations of products that occupy a shelf section in a store. Some manufacturers are developing computer-based programs that allow retailers to input information from their scanner data and determine the best shelf layouts by experimenting with product movement, space utilization, profit yields, and other factors.<sup>62</sup>

**Sales Training Programs** Another form of manufacturer-sponsored promotional assistance is sales training programs for reseller personnel. Many products sold at the retail level require knowledgeable salespeople who can provide consumers with information about the features, benefits, and advantages of various brands and models. Cosmetics, appliances, computers, consumer electronics, and sporting equipment are examples of products for which consumers often rely on well-informed retail sales personnel for assistance.

Manufacturers provide sales training assistance to retail salespeople in a number of ways. They may conduct classes or training sessions that retail personnel can attend to increase their knowledge of a product or a product line. These training sessions present information and ideas on how to sell the manufacturer's product and may also include motivational components. Sales training classes for retail personnel are often sponsored by companies selling high-ticket items or complex products such as personal computers, cars, or ski equipment.

Another way manufacturers provide sales training assistance to retail employees is through their own sales force. Sales reps educate retail personnel about their product line and provide selling tips and other relevant information. The reps can provide ongoing sales training as they come into contact with retail sales staff on a regular basis and can update them on changes in the product line, market developments, competitive information, and the like.

Manufacturers also give resellers detailed sales manuals, product brochures, reference manuals, and other material. Many companies provide videocassettes for retail sales personnel that include product information, product-use demonstrations, and ideas on how to sell their product. These selling aids can often be used to provide information to customers as well.

**Trade Shows** Another important promotional activity targeted to resellers is the **trade show**, a forum where manufacturers can display their products to current as well as prospective buyers. According to the Trade Show Bureau, nearly 100 million people attend the 5,000 trade shows each year in the United States and Canada, and the number of exhibiting companies exceeds 1.3 million. In many industries, trade shows are a major opportunity to display one's product lines and interact with customers. They are often attended by important management personnel from large retail chains as well as by distributors and other reseller representatives.

A number of promotional functions can be performed at trade shows, including demonstrating products, identifying new prospects, gathering customer and competitive information, and even writing orders for a product. Trade shows are particularly valuable for introducing new products, because resellers are often looking for new merchandise to stock. Shows can also be a source of valuable leads to follow up on through sales calls or direct marketing. The social aspect of trade shows is also important. Many companies use them to entertain key customers and to develop and maintain relationships with the trade. A recent academic study demonstrated that trade shows generate product awareness and interest and can have a measurable economic return.<sup>63</sup>



**Exhibit 16-28** This award-winning point-of-purchase display plays an important role in the merchandising of Wilson baseball gloves

**Cooperative Advertising** The final form of trade-oriented promotion we examine is **cooperative advertising**, where the cost of advertising is shared by more than one party. There are three types of cooperative advertising. Although the first two are not trade-oriented promotion, we should recognize their objectives and purpose.

**Horizontal cooperative advertising** is advertising sponsored in common by a group of retailers or other organizations providing products or services to the market. For example, automobile dealers who are located near one another in an auto park or along the same street often allocate some of their ad budgets to a cooperative advertising fund. Ads are run promoting the location of the dealerships and encouraging car buyers to take advantage of their close proximity when shopping for a new automobile.

**Ingredient-sponsored cooperative advertising** is supported by raw materials manufacturers; its objective is to help establish end products that include the company's materials and/or ingredients. Companies that often use this type of advertising include Du Pont, which promotes the use of its materials such as Teflon, Thinsulate, and Kevlar in a variety of consumer and industrial products, and NutraSweet, whose artificial sweetener is an ingredient in many food products and beverages. Perhaps the best-known, and most successful, example of this type of cooperative advertising is the "Intel Inside" program, sponsored by Intel Corporation, which is discussed in IMC Perspective 16-5.

The most common form of cooperative advertising is the trade-oriented form, **vertical cooperative advertising**, in which a manufacturer pays for a portion of the advertising a retailer runs to promote the manufacturer's product and its availability in the retailer's place of business. Manufacturers generally share the cost of advertising run by the retailer on a percentage basis (usually 50/50) up to a certain limit.

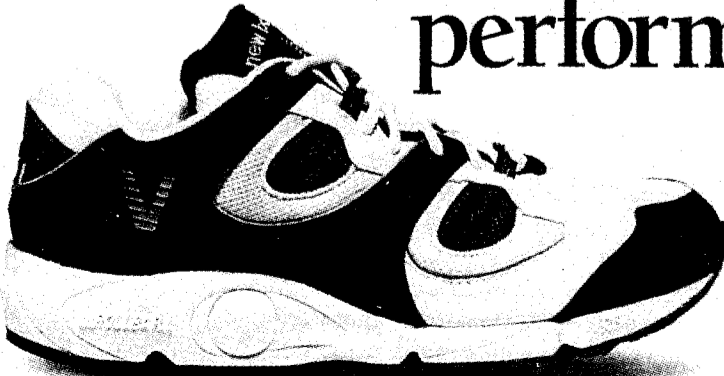
The amount of cooperative advertising the manufacturer pays for is usually based on a percentage of dollar purchases. If a retailer purchases \$100,000 of product from a manufacturer, it may receive 3 percent, or \$3,000, in cooperative advertising money. Large retail chains often combine their co-op budgets across all of their stores, which gives them a larger sum to work with and more media options.


Cooperative advertising can take on several forms. Retailers may advertise a manufacturer's product in, say, a newspaper ad featuring a number of different products, and the individual manufacturers reimburse the retailer for their portion of the ad. Or the ad may be prepared by the manufacturer and placed in the local media by the retailer. Exhibit 16-29 shows a cooperative ad format for New Balance athletic shoes that retailers in various market areas can use by simply inserting their store name and location.

Once a cooperative ad is run, the retailer requests reimbursement from the manufacturer for its percentage of the media costs. Manufacturers usually have specific

**Exhibit 16-29** This New Balance ad is an example of vertical cooperative advertising

Performance fit in a  
performance shoe.



new balance 

Men's M851NV

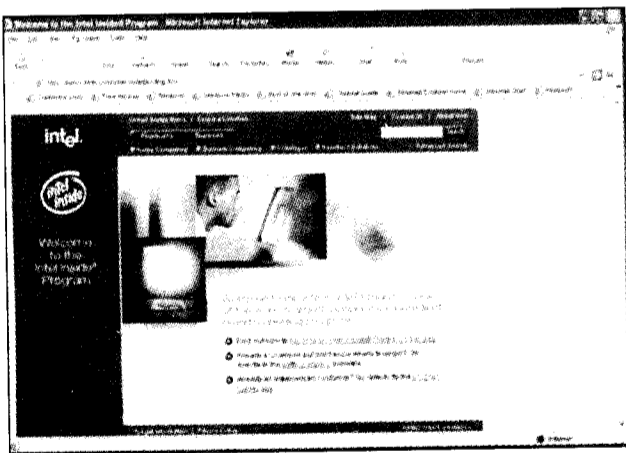
© 1987 New Balance Athletic Shoe, Inc., Boston, MA 02114. All rights reserved.



# Intel Inside: The Co-op Program That Changed the Computer Industry

If you were to ask most owners of personal computers what is inside their PCs, chances are they would respond by saying, “an Intel.” And there’s a good reason why. Over the past decade consumers have been exposed to hundreds of millions of dollars’ worth of ads for personal computers each year that carry the “Intel Inside” logo. The logo has become ubiquitous in PC ads as a result of a landmark cooperative advertising program that is lauded as the most powerful ever and the definitive model for successful “ingredient” branding.

In 1989 Intel was the first computer chip manufacturer to advertise directly to consumers. Its goal was to persuade PC users to upgrade to Intel’s 386SX chip from the 286. Known as the “Red X” campaign, the ads depicted the number 286 with a bold, spray-painted X over it. In 1990 Intel selected a new agency, Dahlin Smith White, Salt Lake City, which created the now-famous tagline “Intel. The Computer Inside.” The goal of the campaign was to build awareness and position Intel as the real brains of the computer. In early 1991 Intel began pitching the program to PC makers, and IBM, creator of the first Intel-powered personal computer, became the first computer maker to use the logo. Intel then began talking to PC makers about the creation of a co-op fund in which Intel would take 5 percent of the purchase price of processors and put it in a pool to create funds for advertising. The “Intel Inside” co-op program was officially launched in July 1991 and works as follows: In return for showing the logo in print ads and on the PCs, a computer maker can get back 5 percent of what it pays Intel for chips, with the money to be applied to ads paid for jointly by the PC vendor and Intel. More than 150 computer makers signed on to the program and began using the “Intel Inside” logo in their ads.



As the program began, Intel started playing up the logo in its own print ads as well. In November 1991 it moved the campaign to television with the classic “Power Source” spot, which magically took viewers on a whirlwind tour of the inside of a computer to show how the Intel chip streamlined upgrading of a PC. In 1993 Intel introduced the Pentium processor brand with a national TV campaign. However, the company was putting the bulk of its advertising budget into the “Intel Inside” co-op program. In 1995 Intel expanded the co-op program to include TV, radio, and in-flight ads. The move led to a boom in PC ads on television featuring the Intel auditory signature at the end of each commercial. In 1997 Intel expanded the co-op program to include Internet ads and provided incentives to PC makers to place ads on media-rich websites. Intel has also extended the co-op program into retail promotions as well.

Since the co-op program began, Intel has pumped into it an estimated \$4 billion, and this has been an awfully smart investment. Intel’s share of the micro-processor market has grown from 56 percent in 1989 to nearly 80 percent in 2002, and the company’s revenue has gone from \$3 billion to nearly \$30 billion. Nearly 90 percent of the more than 17,000 PC print ads run in the United States carry the “Intel Inside” logo. The program has influenced a generation of PC users and propelled growth of the entire computer industry.

According to positioning expert Al Ries, “Intel Inside” will go down in history as one of the more magnificent campaigns of the century. He notes, “It’s brilliant, and, in a sense, it pre-empted the branding of personal computers.” Branding guru Jack Trout notes, “They took an old idea—ingredient branding—which Du Pont pioneered, and took it into technology.” Trout was an early believer in the program; he told *Advertising Age* in a 1991 interview that conceptually it was a good idea, although Intel would need consistent advertising over time for the logo to have much meaning.

Intel’s advertising has been consistent over the past decade as its various ad campaigns have strengthened its brand image and demonstrated the power of various generations of Intel Pentium processors. These campaigns have featured the “Bunny People,” who were a takeoff on the workers who wear so-called bunny suits to keep chip labs sterile, as well as the Blue Man Group performance artists. In late 2002, Intel launched a new global brand campaign called “Yes” that is designed to connect with young adults and showcase the benefits of a digital lifestyle. The commercials capture today’s digital lifestyle by showing

people using their computers for digital photography, CD-burning, instant messaging, and movie-making. The ads play off the famous tagline by showing people burning CDs and then cutting to the copy line “Intel Inside your music” or by showing how a digital photo can be used followed by the line “Intel Inside your photos.” The commercials end with the line “Can a better computer really change your life? Yes.”

In its early stages the Intel Inside program encountered criticism, as many advertising and computer marketing executives were skeptical about Intel’s abil-

ity to differentiate its chips. The head of one agency noted: “Most people who buy computers don’t even know that chip is there. They care about the performance of the computer. It really doesn’t matter what the chip is.” Well, some may still not know exactly what a microprocessor chip does, but apparently it does matter if there is an “Intel Inside.”

Sources: Tobi Elkin, “Intel Goes for a New Overall Branding Look,” *Advertising Age*, Sept. 1, 2002, pp. 3, 43. Tobi Elkin, “Co-op Crossroads,” *Advertising Age*, Nov. 15, 1999, pp. 1, 24, 26.

requirements the ad must meet to qualify for co-op reimbursement, such as size, use of trademarks, content, and format. Verification that the ad was run is also required, in the form of a tearsheet (print) or an affidavit from the radio or TV station (broadcast) and an invoice.

As with other types of trade promotions, manufacturers have been increasing their cooperative advertising expenditures in recent years. Some companies have been moving money out of national advertising into cooperative advertising because they believe they can have greater impact with ad campaigns in local markets. There is also a trend toward more cooperative advertising programs initiated by retailers, which approach manufacturers with catalogs, promotional events they are planning, or advertising programs they have developed in conjunction with local media and ask them to pay a percentage of the cost. Manufacturers often go along with these requests, particularly when the retailer is large and powerful.<sup>64</sup>

## 554 Coordinating Sales Promotion and Advertising

Those involved in the promotional process must recognize that sales promotion techniques usually work best in conjunction with advertising and that the effectiveness of an ad campaign can be enhanced by consumer-oriented sales promotion

efforts. Rather than separate activities competing for a firm’s promotional budget, advertising and sales promotion should be viewed as complementary tools. When properly planned and executed to work together, advertising and sales promotion can have a *synergistic effect* much greater than that of either promotional mix element alone.

Proper coordination of advertising and sales promotion is essential for the firm to take advantage of the opportunities offered by each tool and get the most out of its promotional budget. Successful integration of advertising and sales promotion requires decisions concerning not only the allocation of the budget to each area but also the coordination of the ad and sales promotion themes, the timing of the various promotional activities, and the target audience reached.

### Budget Allocation

While many companies are spending more money on sales promotion than on media advertising, it is difficult to say just what percentage of a firm’s overall promotional budget should be allocated to advertising versus consumer- and trade-oriented promotions. This allocation depends on a number of factors, including the specific promotional objectives of the campaign, the market and competitive situation, and the brand’s stage in its life cycle.

Consider, for example, how allocation of the promotional budget may vary according to a brand’s stage in the product life cycle. In the introductory stage, a large amount of the budget may be allocated to sales promotion techniques such as sampling and couponing to induce trial. In the growth stage, however, promotional dollars may be used primarily for advertising to stress brand differences and keep the brand name in consumers’ minds.

When a brand moves to the maturity stage, advertising is primarily a reminder to keep consumers aware of the brand. Consumer-oriented sales promotions such as coupons, price-offs, premiums, and bonus packs may be needed periodically to maintain consumer loyalty, attract new users, and protect against competition. Trade-oriented promotions are needed to maintain shelf space and accommodate retailers' demands for better margins as well as encourage them to promote the brand. A study on the synergistic effects of advertising and promotion examined a brand in the mature phase of its life cycle and found that 80 percent of its sales at this stage were due to sales promotions. When a brand enters the decline stage of the product life cycle, most of the promotional support will probably be removed and expenditures on sales promotion are unlikely.

### Coordination of Ad and Promotion Themes

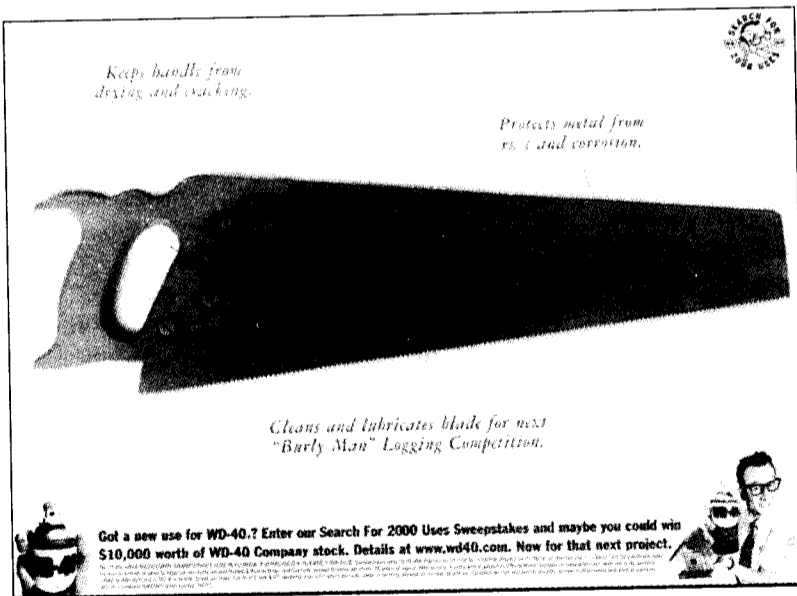
To integrate the advertising and sales promotion programs successfully, the theme of consumer promotions should be tied in with the advertising and positioning theme wherever possible. Sales promotion tools should attempt to communicate a brand's unique attributes or benefits and to reinforce the sales message or campaign theme. In this way, the sales promotion effort contributes to the consumer franchise-building effort for the brand.

At the same time, media advertising should be used to draw attention to a sales promotion program such as a contest, sweepstakes, or event or to a special promotion offer such as a price reduction or rebate program. An example of this is the ad shown in Exhibit 16-30 for WD-40, which promotes the Search for 2000 Uses Sweepstakes that was discussed earlier and shown in Exhibit 16-8. Note how both the magazine ad and the sweepstakes promotion integrate the variety-of-uses positioning theme used for WD-40.

### Media Support and Timing

Media support for a sales promotion program is critical and should be coordinated with the media program for the ad campaign. Media advertising is often needed to deliver such sales promotion materials as coupons, sweepstakes, contest entry forms, premium offers, and even samples. It is also needed to inform consumers of a promotional offer as well as to create awareness, interest, and favorable attitudes toward the brand.

By using advertising in conjunction with a sales promotion program, marketers can make consumers aware of the brand and its benefits and increase their responsiveness to the promotion. Consumers are more likely to redeem a coupon or respond to a price-off deal for a brand they are familiar with than one they know nothing about.



**Exhibit 16-30** This WD-40 ad promotes the 2000 Uses Sweepstakes and is consistent with the positioning theme used for the brand

Presenting Some Of The 2000 Body Parts  
You Can Clean With Lever 2000.



The Deodorant Soap That's Better For Your Skin.

- Lever 2000: New special skin-caring ingredients.
- It won't dry your skin like other deodorant soaps can.
- It's been clinically proven better for your skin than any soap-bar deodorant soap.



- You can use Lever 2000 everywhere: on hands, arms, feet, face, body parts. And plenty more. All your 2000 parts.

**Exhibit 16-31** Creative advertising was coordinated with sales promotion in the successful introduction of Lever 2000 soap

Moreover, product trial created through sales promotion techniques such as sampling or high-value couponing is more likely to result in long-term use of the brand when accompanied by advertising.<sup>65</sup>

Using a promotion without prior or concurrent advertising can limit its effectiveness and risk damaging the brand's image. If consumers perceive the brand as being promotion dependent or of lesser quality, they are not likely to develop favorable attitudes and long-term loyalty. Conversely, the effectiveness of an ad can be enhanced by a coupon, a premium offer, or an opportunity to enter a sweepstakes or contest.

An example of the effective coordination of advertising and sales promotion is the introductory campaign Lever Brothers developed for its Lever 2000 bar soap. As noted earlier in the chapter, Lever Brothers used high-value coupons, sent samples to half of U.S. households, and offered discounts to retailers as part of its introductory marketing blitz. These sales promotion efforts were accompanied by heavy advertising in print and TV with the tagline "Presenting some of the 2000 body parts you can clean with Lever 2000" (Exhibit 16-31).

Sales promotion was important in inducing trial for Lever 2000 and continued after introduction in the form of couponing. But it was the strong positioning created through effective advertising that converted consumers to regular users. Repeat sales of the brand were at about 40 percent even after heavy discounting ended. Just six months after its introduction, Lever 2000 became

number-two deodorant soap in dollar volume, with an estimated 8.4 percent of the \$1.5 billion bar-soap market.<sup>66</sup>

To coordinate their advertising and sales promotion programs more effectively, many companies are getting their sales promotion agencies more involved in the advertising and promotional planning process. Rather than hiring agencies to develop individual, nonfranchise-building types of promotions with short-term goals and tactics, many firms are having their sales promotion and advertising agencies work together to develop integrated promotional strategies and programs. Figure 16-7 shows how the role of sales promotion agencies is changing.

**Figure 16-7** The shifting role of the promotion agency

Traditional	New and Improved
1. Primarily used to develop short-term tactics or concepts.	1. Used to develop long- and short-term promotional strategies as well as tactics.
2. Hired/compensated on a project-by-project basis.	2. Contracted on annual retainer, following formal agency reviews.
3. Many promotion agencies used a mix—each one hired for best task and/or specialty.	3. One or two exclusive promotion agencies for each division or brand group.
4. One or two contact people from agency.	4. Full team or core group on the account.
5. Promotion agency never equal to ad agency—doesn't work up front in annual planning process.	5. Promotion agency works on equal basis with ad agency—sits at planning table up front.
6. Not directly accountable for results.	6. Very much accountable—goes through a rigorous evaluation process.

The increasing use of sales promotion in marketing programs is more than a passing fad. It is a fundamental change in strategic decisions about how companies market their products and services. The value of this increased emphasis on sales promotion has been questioned by several writers, particularly with regard to the lack of adequate planning and management of sales promotion programs.<sup>67</sup>

Are marketers becoming too dependent on this element of the marketing program? Consumer and trade promotions can be a very effective tool for generating short-term increases in sales, and many brand managers would rather use a promotion to produce immediate sales than invest in advertising and build the brand's image over an extended time. As the director of sales promotion services at one large ad agency noted: "There's a great temptation for quick sales fixes through promotions. It's a lot easier to offer the consumer an immediate price savings than to differentiate your product from a competitor's."<sup>68</sup>

Overuse of sales promotion can be detrimental to a brand in several ways. A brand that is constantly promoted may lose perceived value. Consumers often end up purchasing a brand because it is on sale, they get a premium, or they have a coupon, rather than basing their decision on a favorable attitude they have developed. When the extra promotional incentive is not available, they switch to another brand. A study by Priya Raghuram and Kim Corfman examined whether price promotions affect pretrial evaluations of a brand.<sup>69</sup> They found that offering a price promotion is more likely to lower a brand's evaluation when the brand has not been promoted previously compared to when it has been frequently promoted; that price promotions are used as a source of information about a brand to a greater extent when the evaluator is not an expert but does have some product or industry knowledge; and that promotions are more likely to result in negative evaluations when they are uncommon in the industry. The findings from this study suggest that marketers must be careful in the use of price promotions as they may inhibit trial of a brand in certain situations.

Alan Sawyer and Peter Dickson have used the concept of *attribution theory* to examine how sales promotion may affect consumer attitude formation.<sup>70</sup> According to this theory, people acquire attitudes by observing their own behavior and considering why they acted in a certain manner. Consumers who consistently purchase a brand because of a coupon or price-off deal may attribute their behavior to the external promotional incentive rather than to a favorable attitude toward the brand. By contrast, when no external incentive is available, consumers are more likely to attribute their purchase behavior to favorable underlying feelings about the brand.

Another potential problem with consumer-oriented promotions is that a **sales promotion trap** or spiral can result when several competitors use promotions extensively.<sup>71</sup> Often a firm begins using sales promotions to differentiate its product or service from the competition. If the promotion is successful and leads to a differential advantage (or even appears to do so), competitors may quickly copy it. When all the competitors are using sales promotions, this not only lowers profit margins for each firm but also makes it difficult for any one firm to hop off the promotional bandwagon.<sup>72</sup> This dilemma is shown in Figure 16-8.

A number of industries have fallen into this promotional trap. In the cosmetics industry, gift-with-purchase and purchase-with-purchase promotional offers were

		Our Firm	
		Cut back promotions	Maintain promotions
All Other Firms	Cut back promotions	Higher profits for all	Market share goes to our firm
	Maintain promotions	Market share goes to all other firms	Market share stays constant; profits stay low

Figure 16-8 The sales promotion trap



# Summary

For many years, advertising was the major promotional mix element for most consumer-product companies. Over the past decade, however, marketers have been allocating more of their promotional dollars to sales promotion. There has been a steady increase in the use of sales promotion techniques to influence consumers' purchase behavior. The growing power of retailers, erosion of brand loyalty, increase in consumers' sensitivity to promotions, increase in new product introductions, fragmentation of the consumer market, short-term focus of marketing and brand managers, and increase in advertising clutter are some of the reasons for this increase.

Sales promotions can be characterized as either franchise building or nonfranchise building. The former contribute to the long-term development and reinforcement of brand identity and image; the lat-

ter are designed to accelerate the purchase process and generate immediate increases in sales.

Sales promotion techniques can be classified as either trade- or consumer-oriented. A number of consumer-oriented sales promotion techniques were examined in this chapter, including sampling, couponing, premiums, contests and sweepstakes, rebates and refunds, bonus packs, price-off deals, frequency programs, and event marketing. The characteristics of these promotional tools were examined, along with their advantages and limitations. Various trade-oriented promotions were also examined, including trade contests and incentives, trade allowances, displays and point-of-purchase materials, sales training programs, trade shows, and cooperative advertising.

Advertising and sales promotion should be viewed not as separate activities but rather as complemen-

tary tools. When planned and executed properly, advertising and sales promotion can produce a synergistic effect that is greater than the response generated from either promotional mix element alone. To accomplish this, marketers must coordinate budgets, advertising and promotional themes, media scheduling and timing, and target audiences.

Sales promotion abuse can result when marketers become too dependent on the use of sales promotion techniques and sacrifice long-term brand position and image for short-term sales increases. Many industries experience sales promotion traps when a number of competitors use promotions extensively and it becomes difficult for any single firm to cut back on promotion without risking a loss in sales. Overuse of sales promotion tools can lower profit margins and threaten the image and even the viability of a brand.

## Key Terms

sales promotion, 513  
consumer-oriented sales promotion, 513  
trade-oriented sales promotion, 513  
account-specific marketing, 519  
consumer franchise-building (CFB) promotions, 520  
nonfranchise-building (non-FB) promotions, 522

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horizontal cooperative advertising, 552  
ingredient-sponsored cooperative advertising, 552  
vertical cooperative advertising, 552  
sales promotion trap, 557

## Discussion Questions

1. Discuss the role of sales promotion as a part of the promotional mix and how it can be integrated with other marketing communication tools.
2. Discuss how sales promotion can be used as an acceleration tool that can speed up the selling and/or purchasing process and increase a company's sales volume.
3. Discuss the various factors that have led to companies shifting more of their marketing budgets to sales promotion. Discuss the pros and cons of this reallocation of marketers' advertising and promotion budgets.
4. IMC Perspective 16-1 discusses how marketers are using contests as a way of increasing involvement with their products and/or services and building brand equity. Discuss how a contest can be used to increase involvement and contribute to brand equity. Find an example of a contest that you believe contributes to the equity of a brand and explain how it does so.
5. Discuss how samples and coupons can be used to generate trial of a new product or increase consumption of an established brand.
6. Discuss how sales promotion programs can be integrated with a company's online strategy and how the Internet can be used as part of a company's sales promotion efforts.
7. In recent years a number of marketers have questioned the economic feasibility of couponing programs. Discuss the various reasons marketers are questioning the value of coupons. Evaluate the arguments for and against the use of coupons.
8. IMC Perspective 16-4 discusses the problems McDonald's encountered as a result of the conspiracy to embezzle winning game pieces from the company's popular Monopoly game promotion. Do you think McDonald's will ever be able to use the Monopoly game promotion again? Why or why not?
9. What is meant by trade-oriented sales promotion? Discuss the various types of trade promotions and reasons why marketers use them.
10. What is meant by a slotting allowance or fee? Evaluate the arguments for and against retailers charging slotting fees to manufacturers.
11. Describe the various forms of cooperative advertising and the reasons they are used by marketers.
12. What is meant by a sales promotion trap or spiral? Evaluate the promotional war that was begun by Dell Computer when the company began using sales promotion offers to help sell personal computers. What are the options for other personal computer companies in deciding whether to match Dell's promotional offers?





# Public Relations, Publicity, and Corporate Advertising

## 17

### Chapter Objectives

1. To recognize the roles of public relations, publicity, and corporate advertising in the promotional mix.
2. To know the difference between public relations and publicity and demonstrate the advantages and disadvantages of each.
3. To understand the reasons for corporate advertising and its advantages and disadvantages.
4. To know the methods for measuring the effects of public relations, publicity, and corporate advertising.

# Does the Success of Public Relations Mean the Death of Advertising?

Just about a decade ago, some people involved in the public relations (PR) industry were asking marketers to stay out of their domain. These tra-



ditional PR people were arguing that marketing and public relations always have been separate communications functions and that they should forever stay that way. My how things have changed!

Recently, two very well known marketing consultants released a book titled *The Fall of Advertising and the Rise of PR*. The gist of the book is that while advertising is still the most dominant medium used by marketers, declining advertising effectiveness means that this communications tool is no longer effective for introducing and building new brands. The only way to build a brand now, they contend, is through public relations. While this obviously led to book burnings in advertising agencies around the world, what

made it worse is that the authors—Al Ries and his daughter Laura Ries—are well known and respected marketers! Al Ries (along with a former coauthor, Jack Trout) is best known for first introducing the concept of positioning. And what could be more marketing than that? But now, say the Rieses, consumers have changed, and the communications program and the way we think about branding must change with it. Consumers now learn about products and brands through means other than advertising—the Rieses contend that some brands including Palm, Starbucks, and the Body Shop have succeeded with no advertising—and advertising has lost credibility. The Rieses contend that companies now must create brand images through publicity and media that consumers rely on for more “objective” information. The role of advertising, they say, is to maintain the brand image. And the Rieses are not the only ones who feel this way. Linda Recupero, vice president of the brand marketing company Burson-Marsteller, in New York—which was responsible for the successful PR launches of Botox and Segway—agrees with the premise that PR is more effective in building a brand in the introduction stage. Executives from large marketing companies like Gillette, Unilever, and Georgia-Pacific have also weighed in on the side of public relations.

But not everyone is buying the death-of-advertising argument yet—including some PR executives. Thomas Harris, a public relations consultant, calls the book “a gross generalization” that overlooks other public relations functions beyond publicity. Harris argues that publicity can be a powerful tool for mature brands—not just introductions—citing the Pillsbury Bake-Off as just one example. Others have taken issue with the Rieses’ contention that advertising is now

only useful for promoting mature brands, citing their own examples of successful brand introductions supported heavily by advertising. Many advertising and PR people feel that it is hard to control the message disseminated through PR channels. Heinz's introduction of green ketchup in an EZ Squirt bottle is one such example. While Heinz got \$10 million worth of free publicity—three times what was to be spent on advertising—the publicity hijacked the marketing plan when word of the launch leaked out two months before Heinz was ready. Heinz's marketing plan called for the emphasis to be placed on the bottle design, while the publicity focused on the green color of the ketchup. While it all ended up okay, Heinz marketing managers admit they were lucky that the green color didn't turn kids off.

So will public relations replace advertising as the mainstay of the communications budget? Not likely, say Jack Neff and others writing in *Advertis-*

*ing Age*. They note that even with major declines in 2001, advertising spending dwarfed that of PR—\$31.74 billion to \$4.31 billion—and that PR spending actually declined more than did advertising spending. Rance Crain, also of *Advertising Age*, sees advertising and PR working together as a “one-two” punch, with PR as the relationship builder. Crain notes that “integration seems to be the way of the future,” arguing that “whatever the disciplines used, they all must work together to give a unified message to the consumer.” While opinions differ, no one seems to be saying that public relations should return to its traditional function. Wonder what those PR people who told marketers to stay away are thinking?

Sources: Rance Crain, “Marketers Look at New Ideas, and PR Becomes the ‘Closer,’” *Advertising Age*, July 29, 2002, p. 15; Jack Neff, Cara Dipasquale, and Jean Halliday, “Ries’ Thesis: Ads Don’t Build Brands, PR Does,” *Advertising Age*, July 15, 2002, p. 14; Jack Neff, “Will PR Kill Advertising?” *advertisingage.com*, July 16, 2002, pp. 1–6.

Regardless of which side you take in the advertising–public relations argument, one thing is clear—the role of public relations in the communications program has changed. While some people may disagree as to the importance and/or power of this program element, few, if any, would contend that it is business as usual.

Publicity, public relations, and corporate advertising all have promotional program elements that may be of great benefit to marketers. They are integral parts of the overall promotional effort that must be managed and coordinated with the other elements of the promotional mix. However, these three tools do not always have the specific objectives of product and service promotion, nor do they always involve the same methods you have become accustomed to as you have read this text. Typically, these activities are designed more to change attitudes toward an organization or issue than to promote specific products or affect behaviors directly (though you will see that this role is changing in some organizations). This chapter explores the roles of public relations, publicity, and corporate advertising, the advantages and disadvantages of each, and the process by which they are employed. Examples of such efforts—both successful and unsuccessful—are also included.

**Public Relations** What is public relations? How does it differ from other elements of marketing discussed thus far? Perhaps a good starting point is to define what the term *public relations* has traditionally meant and then to introduce its new role.

### The Traditional! Definition of PR

A variety of books define **public relations**, but perhaps the most comprehensive definition is that offered by the *Public Relations News* (the weekly newsletter of the industry):

the management function which evaluates public attitudes, identifies the policies and procedures of an organization with the public interest, and executes a program of action (and communication) to earn public understanding and acceptance.<sup>1</sup>

Public relations is indeed a management function. The term management should be used in its broadest sense; it is not limited to business managements but extends to other types of organizations, including nonprofit institutions.

In this definition, public relations requires a series of stages, including:

1. The determination and evaluation of public attitudes.
2. The identification of policies and procedures of an organization with a public interest.
3. The development and execution of a communications program designed to bring about public understanding and acceptance.

This process does not occur all at once. An effective public relations program continues over months or even years.

Finally, this definition reveals that public relations involves much more than activities designed to sell a product or service. The PR program may involve some of the promotional program elements previously discussed but use them in a different way. For example, press releases may be sent to announce new products or changes in the organization, special events may be organized to create goodwill in the community, and advertising may be used to state the firm's position on a controversial issue.

## The New Role of PR

As discussed in the introduction to this chapter, in an increasing number of marketing-oriented companies, new responsibilities have been established for public relations. It takes on a much broader (and more marketing-oriented) perspective, designed to promote the organization as well as its products and/or services.

The way that companies and organizations use public relations might best be viewed as a continuum. On one end of the continuum is the use of PR from a traditional perspective. In this perspective public relations is viewed as a nonmarketing function whose primary responsibility is to maintain mutually beneficial relationships between the organization and its publics. In this case, customers or potential customers are only part of numerous publics—employees, investors, neighbors, special-interest groups, and so on. Marketing and public relations are separate departments; if external agencies are being used, they are separate agencies. At the other end of the continuum, public relations is considered primarily a marketing communications function. All noncustomer relationships are perceived as necessary only in a marketing context.<sup>2</sup> In these organizations, public relations reports to marketing. As the book by the Rieses clearly indicates, for many companies the PR function is moving more and more toward a “new role,” which is much closer to a marketing function than a traditional one.

The new role of public relations envisions both strong marketing and strong PR departments. Rather than each department operating independently, the two work closely together, blending their talents to provide the best overall image of the firm and its product or service offerings.

Writing in *Advertising Age*, William N. Curry notes that organizations must use caution in establishing this relationship because PR and marketing are not the same thing, and when one becomes dominant, the balance required to operate at maximum efficiency is lost.<sup>3</sup> He says losing sight of the objectives and functions of public relations in an attempt to achieve marketing goals may be detrimental in the long run. Others take an even stronger view that if public relations and marketing distinctions continue to blur, the independence of the PR function will be lost and it will become much less effective.<sup>4</sup> In fact, as noted by Cutlip, Center, and Broom, marketing and public relations are complementary functions, “with each making unique but complementary contributions to building and maintaining the many relationships essential for organizational survival and growth. To ignore one is to risk failure in the other.”<sup>5</sup> This position is consistent with our perception that public relations is an important part of the IMC process, contributing in its own way but also in a way consistent with marketing goals.

## Integrating PR into the Promotional Mix

Given the broader responsibilities of public relations, the issue is how to integrate it into the promotional mix. Philip Kotler and William Mindak suggest a number of alternative organizational designs: Either marketing or public relations can be the dominant function; both can be equal but separate functions; or the two can perform the same roles.<sup>6</sup> While each of these designs has its merits, in this text we consider public relations an IMC program element. This means that its broad role must include traditional responsibilities.

Whether public relations takes on a traditional role or a more marketing-oriented one, PR activities are still tied to specific communications objectives. Assessing public attitudes and creating a favorable corporate image are no less important than promoting products or services directly.

## Marketing Public Relations (MPR) Functions

Thomas L. Harris has referred to public relations activities designed to support marketing objectives as **marketing public relations (MPR)** functions.<sup>7</sup> Marketing objectives that may be aided by public relations activities include raising awareness, informing and educating, gaining understanding, building trust, giving consumers a reason to buy, and motivating consumer acceptance. MPR adds value to the integrated marketing program in a number of ways:

- *Building marketplace excitement before media advertising breaks.* The announcement of a new product, for example, is an opportunity for the marketer to obtain publicity and dramatize the product, thereby increasing the effectiveness of ads. When Volkswagen reintroduced the Beetle, a great deal of anticipation was created through public relations prior to the availability of the cars.
- *Creating advertising news where there is no product news.* Ads themselves can be the focus of publicity. There seems to be as much hype about the ads on the Super Bowl as there is for the game itself. The “Switch” campaign of Apple Computers has generated much publicity for the ads.
- *Introducing a product with little or no advertising.* This strategy has been implemented successfully by a number of companies, including Hewlett-Packard, Kinetix, Ty, and Crayola. Gillette uses PR as the lead medium in every new product launch.<sup>8</sup>
- *Providing a value-added customer service.* Butterball established a hotline where people can call in to receive personal advice on how to prepare their turkeys. The company handled 25,000 calls during one holiday season. Many companies provide such services on their Internet sites. Chicken of the Sea provides recipes to visitors of its site (which of course suggest using Chicken of the Sea tuna).
- *Building brand-to-customer bonds.* The Pillsbury Bake-Off has led to strong brand loyalty among Pillsbury customers, who compete by submitting baked goods. The winner now receives a \$1 million prize!
- *Influencing the influentials*—that is, providing information to opinion leaders.
- *Defending products at risk and giving consumers a reason to buy.* By taking constructive actions to defend or promote a company’s products, PR can actually give consumers a reason to buy. Energizer’s national education campaign that urges consumers to change the batteries in their fire alarms when they reset their clocks in the fall has resulted in a strong corporate citizen image and increased sales of batteries.

An excellent example of using MPRs in an integrated program is a strategy employed by Victoria’s Secret. A spot ad that appeared on the Super Bowl (cost, \$1.5 million) announcing a live webcast of the Victoria’s Secret fashion show that would appear a few days later generated mountains of publicity. An estimated 5 billion people worldwide were made aware of Victoria’s Secret. The rush to view the show led to so many users signing on that servers throughout the world overloaded, causing many to crash—and this led to even more publicity. Combining these two events with in-

store merchandising also paid off, as sales rose by 13 percent. The Web presence produced 600,000 new catalog requests, 1.1 million registrations for e-mail updates, and orders from 136 nations. The company has now increased its television budget, as well as its spending in magazines like *Elle* and *Vogue*, to broaden its integrated approach.<sup>9</sup> Additional successful implementations of MPRs are shown in Figure 17-1.

Harris notes that there are a number of advantages of using MPR:<sup>10</sup>

- It is a cost-effective way to reach the market.
- It is a highly targeted way to conduct public relations.
- It benefits from the endorsement of independent and objective third parties who have no association with the product.
- It achieves credibility.
- It supports advertising programs by making messages more credible.
- It breaks through the clutter.
- It circumvents consumer resistance to sales efforts.

He also notes that there are disadvantages, including the following:

- There is a lack of control over the media.
- It is difficult to tie in slogans and other advertising devices.
- Media time and space are not guaranteed.
- There are no standard effectiveness measures.

One of the major threats expressed by Harris is that MPRs may lead to public relations' becoming subservient to marketing—a concern expressed by many opponents of MPR. However, if employed properly and used in conjunction with other traditional public relations practices as well as IMC elements, MPR can continue to be used effectively.

- *Segway*. The strange-looking motorized transport device was introduced with no advertising, yet it generated an estimated 758 million impressions valued at \$70 million to \$80 million through free publicity. The company did not plan to advertise until over a year after the introduction.<sup>11</sup> (Exhibit 17-1.)
- *Wonderbra*. With almost no advertising support beyond billboards in major markets, Wonderbra created anticipation for the launch of the first Wonderbra in 1994. Already behind two major competitors, the company relied heavily on public relations coverage and media hype to create awareness and gain attention for the product launch. The same strategy has continued over the years, and Wonderbra has become the number-one push-up bra in the United States.
- *Rockport*. Just another shoe company in the 1980s, Rockport was convinced by its public relations agency to promote the concept of "fitness walking" through a series of MPR initiatives. Rockport became known as the "Walking Shoe Company," achieving a tenfold increase in sales.
- *Arbor Mist Wine*. After several years of researching consumer trends and brand preferences for wine, Canandaigua found that younger women (among others) were dissatisfied with the choices of alcoholic beverages available to them. Positioning the product as "Snapple with an attitude," and as a fun wine, Arbor Mist used wine festivals and wine tastings for local media to achieve its success. By building one-on-one relationships with the media, Arbor Mist's PR team was able to generate significant publicity in New York, Chicago, Miami, and Los Angeles. The company became the first wine ever to ship 1 million cases in less than 100 days.
- *California Kiwifruit Commission*. While the commission has been around since 1935, its public relations efforts have primarily focused on disseminating health and nutritional information about kiwis. Through a more marketing-oriented public relations campaign, the commission was able to increase sales by as much as 300 percent in stores and achieved a 12 percent increase in new users.

Figure 17-1 MPR adds value to the marketing program

**Exhibit 17-1** Segway used publicity to launch its new product



## The Process of Public Relations

The actual process of conducting public relations and integrating it into the promotional mix involves a series of both traditional and marketing-oriented tasks.

### Determining and Evaluating Public Attitudes

You've learned that public relations is concerned with people's attitudes toward the firm or specific issues beyond those directed at a product or service. The first question you may ask is why. Why is the firm so concerned with the public's attitudes?

One reason is that these attitudes may affect sales of the firm's products. A number of companies have experienced sales declines as a result of consumer boycotts. Procter & Gamble, Coors, Nike, and Bumble Bee Seafoods are just a few companies that responded to organized pressures. A string of SUV accidents led to major problems for 102-year-old Bridgestone/Firestone. In response to the problem, Firestone replaced nearly 900,000 tires and implemented a communications program to counter the negative publicity, a program including television commercials, personal visits to dealers, and print advertising such as that shown in Exhibit 17-2. As a result of the campaign,

**Exhibit 17-2** Firestone responds to negative publicity

**Making It Right.**  
*You have our word on that.*

When you buy tires, you're not just buying rubber and steel. You want the confidence that your tires will get you to your destination—safely. Your safety is our primary concern. We want you to have confidence in the way Firestone tires are made and the way they perform. We'll do whatever it takes, however long it takes, to gain your trust.

We call this our "Making It Right" plan. With your satisfaction as our goal, Firestone is expanding warranties and making important enhancements in manufacturing and quality control. In the role of watchdogs, a new team of top technical and quality control managers has been assembled to continuously analyze tire and safety data. They'll act to resolve issues *before* they become problems. We believe in our tires. We want to prove to you that you can believe in them as well. **We'll make it right. It's that simple.**

**Firestone**  
America's Top Rated Tire  
John Walbridge, CEO

Firestone lost none of its 10,000 independent tire dealers and two years later was on the road to recovery.

Second, no one wants to be perceived as a bad citizen. Corporations exist in communities, and their employees may both work and live there. Negative attitudes carry over to employee morale and may result in a less-than-optimal working environment internally and in the community.

Due to their concerns about public perceptions, many privately held corporations, publicly held companies, utilities, and media survey public attitudes. The reasons for conducting this research are many:

1. *It provides input into the planning process.* Once the firm has determined public attitudes, they become the starting point in the development of programs designed to maintain favorable positions or change unfavorable ones.
2. *It serves as an early warning system.* Once a problem exists, it may require substantial time and money to correct. By conducting research, the firm may be able to identify potential problems and handle them effectively before they become serious issues.
3. *It secures support internally.* If research shows a problem or potential problem exists, it will be much easier for the public relations arm to gain the support it needs to address this problem.
4. *It increases the effectiveness of the communication.* The better it understands a problem, the better the firm can design communications to deal with it.<sup>12</sup>



## Establishing a PR Plan

In a survey of 100 top and middle managers in the communications field, over 60 percent said their PR programs involved little more than press releases, press kits for trade shows, and new product announcements.<sup>13</sup> Further, these tools were not designed into a formal public relations effort but rather were used only as needed. In other words, no structured program was evident in well over half of the companies surveyed! As we noted earlier, the public relations process is an ongoing one, requiring formalized policies and procedures for dealing with problems and opportunities. Just as you would not develop an advertising and/or promotions program without a plan, you should not institute public relations efforts haphazardly. Moreover, the PR plan needs to be integrated into the overall marketing communications program. Figure 17-2 provides some questions marketers should ask to determine whether their PR plan is workable.

Cutlip, Center, and Broom suggest a four-step process for developing a public relations plan: (1) define public relations problems; (2) plan and program; (3) take action and communicate; and (4) evaluate the program.<sup>14</sup> The questions in Figure 17-2 and the four-step planning process tie in with the promotional planning process stressed throughout this text.

## Developing and Executing the PR Program

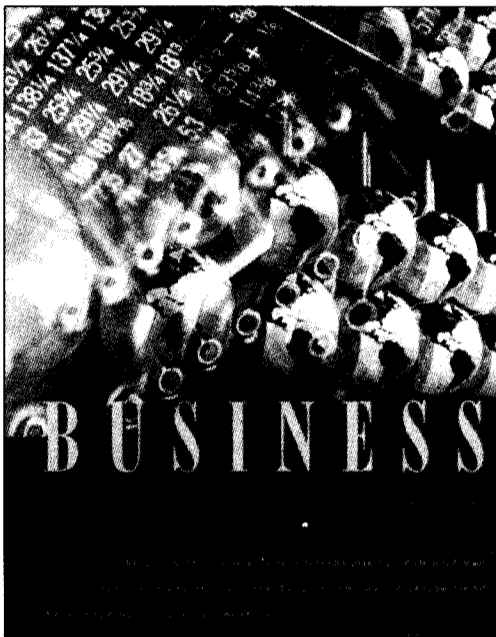
Because of the broad role that public relations may be asked to play, the PR program may need to extend beyond promotion. A broader definition of the target market, additional communications objectives, and different messages and delivery systems may be employed. Let us examine this process.

**Determining Relevant Target Audiences** The targets of public relations efforts may vary, with different objectives for each. Some may be directly involved in selling the product; others may affect the firm in a different way (e.g., they may be aimed at stockholders or legislators). These audiences may be internal or external to the firm.

**Internal audiences** may include the employees of the firm, stockholders and investors, members of the local community, suppliers, and current customers. Why are community members and customers of the firm considered internal rather than external? According to John Marston, it's because these groups are already connected with the organization in some way and the firm normally communicates with them in the ordinary routine of work.<sup>15</sup> **External audiences** are those people who are not closely connected with the organization (e.g., the public at large).

1. Does the plan reflect a thorough understanding of the company's business situation?
2. Has the PR program made good use of research and background sources?
3. Does the plan include full analysis of recent editorial coverage?
4. Do the PR people fully understand the product's strengths and weaknesses?
5. Does the PR program describe several cogent, relevant conclusions from the research?
6. Are the program objectives specific and measurable?
7. Does the program clearly describe what the PR activity will be and how it will benefit the company?
8. Does the program describe how its results will be measured?
9. Do the research, objectives, activities, and evaluations tie together?
10. Has the PR department communicated with marketing throughout the development of the program?

**Figure 17-2** Ten questions for evaluating public relations plans



**Exhibit 17-3** An example of a newsletter used for internal communication

It may be necessary to communicate with these groups on an ongoing basis for a variety of reasons, ranging from ensuring goodwill to introducing new policies, procedures, or even products. A few examples may help.

**Employees of the Firm** Maintaining morale and showcasing the results of employees' efforts are often prime objectives of the public relations program. Organizational newsletters, notices on bulletin boards, paycheck envelope stuffers, direct mail, and annual reports are some of the methods used to communicate with these groups. Exhibit 17-3 shows one such internal communication used by the Business School at San Diego State University.

Personal methods of communicating may be as formal as an established grievance committee or as informal as an office Christmas party. Other social events, such as corporate bowling teams or picnics, are also used to create goodwill.

**Stockholders and Investors** You may think an annual report like the one in Exhibit 17-4 just provides stockholders and investors with financial information regarding the firm. While this is one purpose, annual reports are also a communications channel for informing this audience about why the firm is or is not doing well, future plans, and other information that goes beyond numbers.

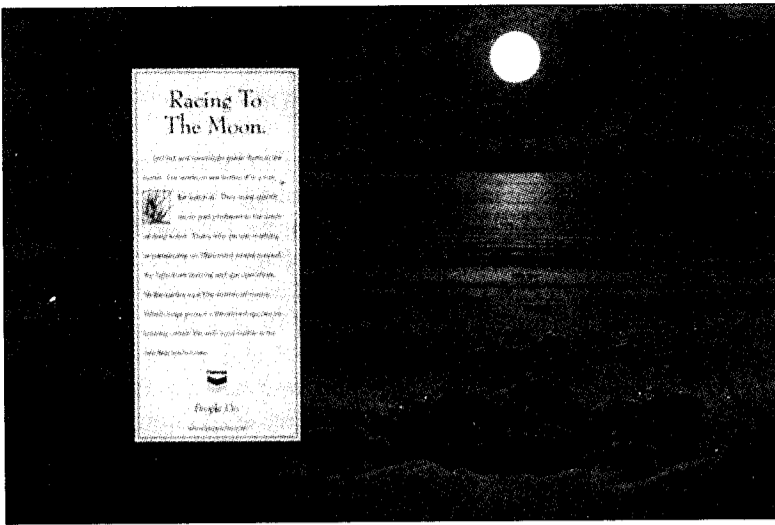
For example, McDonald's has successfully used annual reports to fend off potential PR problems. One year the report described McDonald's recycling efforts to alleviate consumers' concerns about waste; another report included a 12-page spread on food and nutrition. Other companies use similar strategies, employing shareholders' meetings, video presentations, and other forms of direct mail. General Motors' annual public interest report is sent to shareholders and community members to detail the company's high standards of corporate responsibility. GM also produces a sustainability report to update interested parties on its progress. Companies have used these approaches to generate additional investments, to bring more of their stocks "back home" (i.e., become more locally controlled and managed), and to produce funding to solve specific problems, as well as to promote goodwill.

**Community Members** People who live and work in the community where a firm is located or doing business are often the target of public relations efforts. Such efforts may involve ads informing the community of activities that the organization is

**Exhibit 17-4** Annual reports serve a variety of purposes



**Exhibit 17-5** Chevron demonstrates concern for the public



engaged in—for example, reducing air pollution, cleaning up water supplies, or, as shown in Exhibit 17-5, protecting turtles. (As you can see, the community can be defined very broadly.) Demonstrating to people that the organization is a good citizen with their welfare in mind may also be a reason for communicating to these groups.

**Suppliers and Customers** An organization wishes to maintain *goodwill* with its suppliers as well as its consuming public. If consumers think a company is not socially conscious, they may take their loyalties elsewhere. Suppliers may be inclined to do the same.

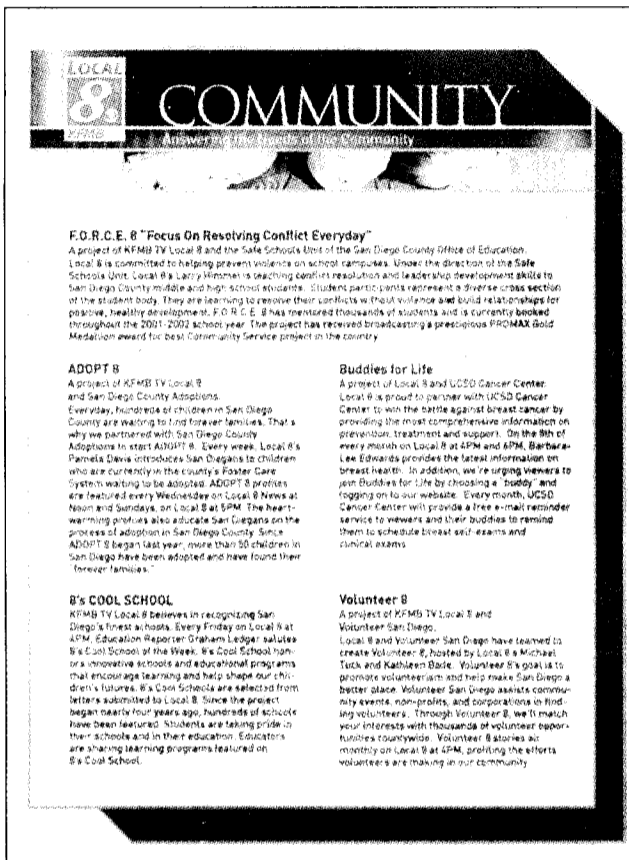
Sometimes sponsoring a public relations effort results in direct evidence of success. For example, the “Just say no” to drugs campaign was a boon to companies manufacturing drug testing kits, hospitals offering drug rehabilitation programs, and TV news programs’ ratings.<sup>16</sup> Indirect indications of the success of PR efforts may include more customer loyalty, less antagonism, or greater cooperation between the firm and its suppliers or consumers.

Sometimes a public relations effort is targeted to more than one group. For example, San Diego Gas & Electric (SDGE), the public utility company for the San Diego area, has suffered from extreme negative attitudes among its customers due to its high rates. This problem was aggravated when a series of management blunders resulted in even higher rates and SDGE announced plans to build a nuclear plant in one of the lagoons near the ocean, resulting in protests from consumers and environmentalists. Stockholders and potential investors lacked trust, and employee morale was low. (Company cars with the SDGE logo on the doors were vandalized, and drivers were threatened to the point where the identifying logos had to be removed.)

The public relations plan developed to deal with these problems targeted a variety of publics and employed a number of channels. TV spots showed consumers how to save energy, print ads explained the reasons for the energy purchases made by management, and PR programs were developed to foster more community interaction. These programs have led to much more favorable attitudes among all the publics targeted. (At least employees can put the SDGE logo back on their cars.)

Relevant audiences may also include people not directly involved with the firm. The press, educators, civic and business groups, governments, and the financial community can be external audiences.

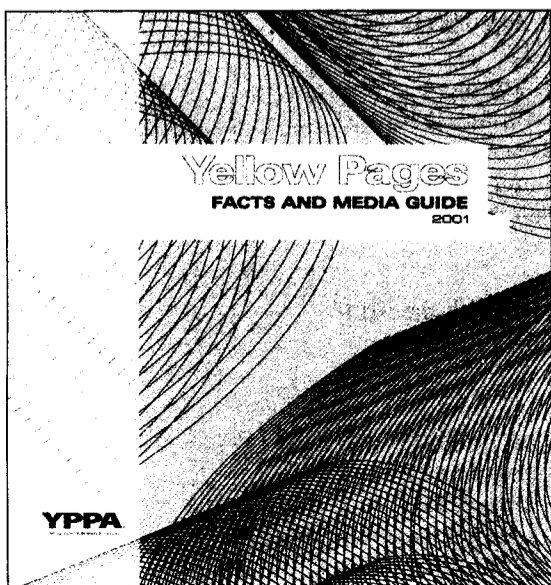
**The Media** Perhaps one of the most critical external publics is the media, which determine what you will read in your newspapers or see on TV, and how this news will be presented. Because of the media’s power, they should be informed of the firm’s actions. Companies issue press releases and communicate through conferences, interviews, and special events. The media are generally receptive to such information as long as it is handled professionally; reporters are always interested in good stories.



**Exhibit 17-6** The media employ public relations to enhance their image in the community

tion functions, and sponsorships are all designed to create goodwill. Corporate executives' service on the boards of nonprofit organizations also generates positive public relations

**Exhibit 17-7** The Yellow Pages provide information about the medium



**Governments** Public relations often attempts to influence government bodies directly at both local and national levels. Successful lobbying may mean immediate success for a product, while regulations detrimental to the firm may cost it millions. Imagine for a moment what FDA approval of NutraSweet meant to Searle or what could happen to the beer and wine industries if TV advertising were banned. The bicycle helmet industry sometimes experiences sales increases of 200 to 400 percent in a state when it passes a helmet law.

After decades of criticism from special-interest groups, the beer industry was forced to take steps to counteract legislation and other forms of government intervention similar to those affecting the cigarette and liquor industries. The beer industry's response was to support its political action committee, called Six-PAC, so that the committee could become more visible and active in its lobbying efforts in Washington, D.C. One of the first moves was to establish a new image for the industry, with a new slogan titled "Family businesses delivering America's beverage." Increased campaign contributions to candidates and pressures to investigate groups the industry felt were "gunning for beer" were also initiated. The lobby's efforts have paid off. While cigarettes and liquor continue to fall under attack and have had excise taxes levied on them, the beer industry remains unscathed and has a much more favorable reputation.<sup>17</sup>

**Financial Groups** In addition to current shareholders, potential shareholders and investors may be relevant target markets. Financial advisors, lending institutions, and others must be kept abreast of new developments as well as financial information, since they

In turn, the media are concerned about how the community perceives them. Exhibit 17-6 is a public relations piece distributed by a San Diego TV station that describes a variety of ways the station benefits the community.

**Educators** A number of organizations provide educators with information regarding their activities. The Direct Marketing Association, the Promotional Products Association, and the Yellow Pages Publishers Association (YPPA), among others, keep educators informed in an attempt to generate goodwill as well as exposure for their causes. These groups and major corporations provide information regarding innovations, state-of-the-art research, and other items of interest (Exhibit 17-7). YPPA provides materials specifically designed for educators.

Educators are a target audience because, like the media, they control the flow of information to certain parties—in this case, people like you. *BusinessWeek*, *Fortune*, and *Fast Company* magazines attempt to have professors use their magazines in their classes, as does *The Wall Street Journal*, *The New York Times*, and *Advertising Age*, among others. In addition to selling more magazines, such usage would also lend credibility to the mediums.

**Civic and Business Organizations** The local Jaycees, Kiwanis, and other nonprofit civic organizations also serve as gatekeepers of information. Companies' financial contributions to these groups, speeches at organiza-





**Exhibit 17-9** Reebok announces sponsorship of Shakira

**Press Conferences** We are all familiar with **press conferences** held by political figures. While used less often by organizations and corporations, this form of delivery can be very effective. The topic must be of major interest to a specific group before it is likely to gain coverage. Usually major accomplishments (such as the awarding of the next Super Bowl or Olympics location), major breakthroughs (such as medical cures), emergencies, or catastrophes warrant a national press conference. On a local level, community events, local developments, and the like may receive coverage. Companies often call press conferences when they have significant news to announce, such as the introduction of a new product or advertising campaign. Sports teams use this tool to attract fan attention and interest when a new star is signed. TV3, a Malaysian broadcast system, held an international press conference to announce its introduction of an interactive TV service. Reebok held a press conference and issued a press release to announce it had signed rock star Shakira to an endorsement agreement. The Grammy Award-winning artist would be featured in Reebok's advertising campaign, and Reebok would sponsor her tour. Print ads, billboards, in-store displays, and consumer promotions were also included as part of the IMC package (Exhibit 17-9).

**Exclusives** Although most public relations efforts seek a variety of channels for distribution, an alternative strategy is to offer one particular medium exclusive rights to the story if that medium reaches a substantial number of people in the target audience. Offering an **exclusive** may enhance the likelihood of acceptance. As you watch television over the next few weeks, look for the various networks' and local stations' exclusives. Notice how the media actually use these exclusives to promote themselves.

**Interviews** When you watch TV or read magazines, pay close attention to the personal interviews. Usually someone will raise specific questions, and a spokesperson provided by the firm will answer them. For example, when four people died from eating tainted hamburgers at Jack in the Box restaurants, the company's president gave personal interviews with the press to detail the corrective actions the company would take. Microsoft's president, Steve Ballmer, appeared in a number of personal interviews to present the company's position in a legal case brought against it by the U.S. government. Monica Lewinsky's first TV interview with Barbara Walters of ABC was a major coup for the network, as the ratings were among the highest ever recorded. (The interview just happened to take place during "sweeps"!)

**Community Involvement** Many corporations enhance their public images through involvement in the local community. This involvement may take many forms, including membership in local organizations like the Kiwanis or Jaycees and contributions to or participation in community events. For example, after Hurricane Floyd created so much damage in the South, a number of companies came to the assistance of those experiencing losses. Retail Alliance provided \$1 million in interest-free loans to small businesses. Lowe's stores contributed \$5,000 and the Franciscus Company, a Virginia Beach condo developer, donated furnishings from professionally decorated model homes.<sup>18</sup> In addition, a local trade association raised \$53,000 for victims in less than one week. A flood in Venezuela, which killed hundreds, brought aid from governments and businesses from around the world. Similar actions were taken after floods in the Midwest by Provident Bank, Parmalat USA (milk donations), and Wal-Mart, among others. The media also devoted free airtime to aid victims by coordinating activities, announcing programs and food drop-off points, and so on. After the September 11 terrorist attacks, corporations from all over the world donated time, money, and other types of assistance in a variety of forms to help victims. The subsequent war in Afghanistan resulted in countries' lending assistance by providing medical supplies, clothing, equipment, and food and shelter to people in that country.

**The Internet** As mentioned briefly in Chapter 15, the Internet has become a means by which companies and organizations can disseminate public relations information. Just as in the print media, companies have used the Web to establish media relations and government, investor, and community relationships; deal with crises; and even conduct cause marketing. Companies have used their websites to address issues, as well as to provide information about products and services, archive press releases, link to other articles and sites, and provide lists of activities and events. In October 2002, poultry processor Pilgrim's Pride issued a nationwide recall of 27.4 million pounds of cooked sandwich meat—the largest meat recall in U.S. history—after warnings of possible contamination from listeria. While not linked directly to the illness, the company wanted to be sure that its products were not responsible. To assist in providing information to consumers, Pilgrim's Pride called a press conference, issued press releases, and provided information on its website (Exhibit 17-10).<sup>19</sup> Other Internet tools, including e-mails and e-mail newsletters, have also been used effectively.

Shel Holtz notes that while there are many similarities between public relations activities conducted in traditional media and those conducted on the Internet, three main elements account for the differences between the two:

1. The Internet offers a more limited opportunity to gain attention due to short exposure times.
2. The Internet offers the opportunity to build internal links that provide the media with instant access to additional sources of information on the issue.
3. The Internet offers the ability to provide much more substantial information. Print and broadcast materials are confined by time and space limitations, while the Internet can literally provide volumes of information at a fingertip—or click of a mouse.<sup>20</sup>

Holtz also notes that while public relations activities are increasing on the Internet, and will continue to do so, PR people have been some of the slowest to adopt the new technology. However, as more and more media people and PR people gain confidence, the Internet will become a major source of public relations activities.

Other methods of distributing information include photo kits, bylined articles (signed by the firm), speeches, and trade shows. Of course, the specific mode of distribution is determined by the nature of the story and the interest of the media and its publics.

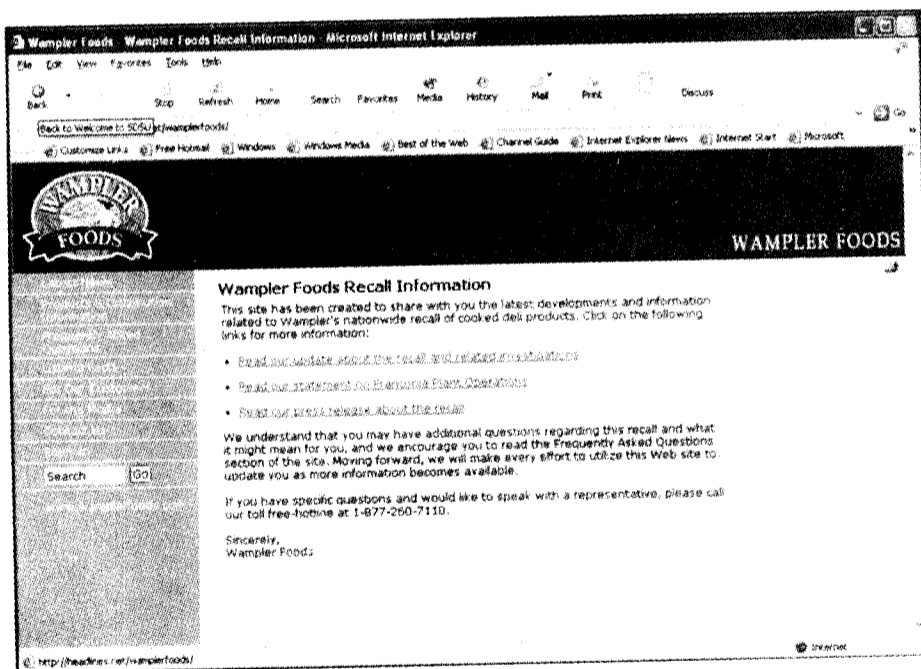


Exhibit 17-10 Pilgrim's Pride responds to negative publicity

Exhibit 17-11 Olympus capitalizes on positive publicity in its advertising

## Advantages and Disadvantages of PR

Like the other program elements, public relations has both advantages and disadvantages.

Advantages include the following:

1. *Credibility.* Because public relations communications are not perceived in the same light as advertising—that is, the public does not realize the organization either directly or indirectly paid for them—they tend to have more credibility. The fact that the media are not being compensated for providing the information may lead receivers to consider the news more truthful and credible. For example, an article in newspapers or magazines discussing the virtues of aspirin may be perceived as much more credible than an ad for a particular brand of aspirin.

Automotive awards presented in magazines such as *Motor Trend* have long been known to carry clout with potential car buyers. Now marketers have found that even lesser media mean a lot as well. General Motors' Pontiac division played up an award given to Pontiac as "the best domestic sedan" by *MotorWeek* in a 30-minute program carried by about 300 public broadcasting stations. Likewise, Chrysler trumpeted the awards given to its Jeep Cherokee by *4-Wheel & Off Road* magazines.<sup>21</sup> It has become a common practice for car companies to promote their achievements.

News about a product may in itself serve as the subject of an ad. Exhibit 17-11 demonstrates how Olympus used favorable publicity from a variety of sources to promote its digital camera. A number of auto manufacturers have also taken advantage in their ads of high customer satisfaction ratings reported by J. D. Powers & Associates, an independent research firm specializing in automotive research.


2. *Cost.* In both absolute and relative terms, the cost of public relations is very low, especially when the possible effects are considered. While a firm can employ public relations agencies and spend millions of dollars on PR, for smaller companies this form of communication may be the most affordable alternative available.

**Best Consumer Digital Camera**  
(MacUser EddyAwards, Jan. '97)

**Product of the Year**  
(InfoWorld, Jan. '97)

**Stellar**  
(Windows Sources, Jan. '97)

★★★★★  
(Computer Life, Feb. '97)

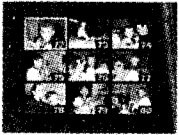


**Any questions?**

**Plenty. How many pictures does the D-200L take?**  
Up to 80.

**You're not sure?**  
You can shoot in both high-resolution or standard formats. And switch back and forth whenever you want. Even delete the shots you don't want at any time.

**How do I know which ones to delete or keep?**  
You can instantly view the images you just captured.



**Where?**  
On the color LCD screen. One at a time or nine at a time.

**What's the resolution?**  
640 x 480. But you're not buying a pixel taker. It's the pictures you're after. And

picture quality is where the D-200L really outperforms the competition.

**Who says?**  
*InfoWorld*, for one: "The image quality far surpassed any of the other digital cameras." And *Windows Sources*: "It delivers the best images we've seen from a consumer-level camera."

**What about the lens?**  
It's a razor sharp, wide angle, macro, Olympus glass lens.

**Flash?**  
With red-eye reduction, fill flash and auto mode.

**But does it feel like a camera?**  
With an optical viewfinder and Olympus design, it follows in the footsteps of the Stylus series, the most successful line of 35mm cameras in the world.

**Okay, I take a color shot. Now what?**  
Download the image into a computer, either Windows™ PC or a Mac®. Then go to town.

**Talk to me.**  
Create multiple images from one image. Or combine several. Add and subtract color. Retouch. Crop.

**Go on.**  
E-mail it across the Internet. Put it on a Web page. Store it on disk.

**Suppose I want to be creative?**  
With the included Adobe PhotoDeluxe™ software you can make greeting cards and real estate listings, design layouts, put together mail-order catalogs and newsletters. All in full living color.

**Hold it! How much is all of this going to cost me?**  
\$599.

**That's it?**  
That's it.

**There must be a science to all this.**  
And an art.

To learn more about the D-200L and how it completes the ideal home or office imaging system, contact your Olympus Marketing Representative at 1-800-622-6372. They'll also tell you all about the new Olympus personal storage system and CD writer.

**OLYMPUS**  
THE ART & SCIENCE OF IMAGING™

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Krispy Kreme, a donut shop, started in 1934 in Winston-Salem. While the one store slowly grew into a 34-state chain over the years, it was really not a popular, well-known national brand. Then with a strong PR program and a subsequent IPO, Krispy Kreme took off. When a new Krispy Kreme shop opens today, press coverage and free publicity almost eliminate the need for advertising.

Many public relations programs require little more than the time and expenses associated with putting the program together and getting it distributed, yet they still accomplish their objectives.

3. *Avoidance of clutter.* Because they are typically perceived as news items, public relations messages are not subject to the clutter of ads. A story regarding a new product introduction or breakthrough is treated as a news item and is likely to receive attention. When Steven Jobs (the founder of Apple Computer) announced his return to Apple, after being with another firm for years, all the networks covered it, as did major newspapers and magazines. Some (like CNN) devoted two- to three-minute segments to the story.

4. *Lead generation.* Information about technological innovations, medical breakthroughs, and the like results almost immediately in a multitude of inquiries. These inquiries may give the firm some quality sales leads.

5. *Ability to reach specific groups.* Because some products appeal to only small market segments, it is not feasible to engage in advertising and/or promotions to reach them. If the firm does not have the financial capabilities to engage in promotional expenditures, the best way to communicate to these groups is through public relations.

6. *Image building.* Effective public relations helps to develop a positive image for the organization. A strong image is insurance against later misfortunes. For example, in 1982, seven people in the Chicago area died after taking Extra Strength Tylenol capsules that had been laced with cyanide (after they reached the store). Within one week of the poisonings, Tylenol's market share fell from 35 to only 6.5 percent. Strong public relations efforts combined with an already strong product and corporate image helped the product rebound (despite the opinions of many experts that it had no chance of recovering). A brand or firm with a lesser image would never have been able to come back. The ad in Exhibit 17-12 demonstrates the power of a strong image. The Firestone tire recall cited earlier is another example. Because of a strong image established over 102 years of doing business, Firestone was able to weather the storm and recover from the incident.

Perhaps the major disadvantage of public relations is the potential for not completing the communications process. While public relations messages can break through the clutter of commercials, the receiver may not make the connection to the source. Many firms' PR efforts are never associated with their sponsors in the public mind.

Public relations may also misfire through mismanagement and a lack of coordination with the marketing department. When marketing and PR departments operate independently, there is a danger of inconsistent communications, redundancies in efforts, and so on.

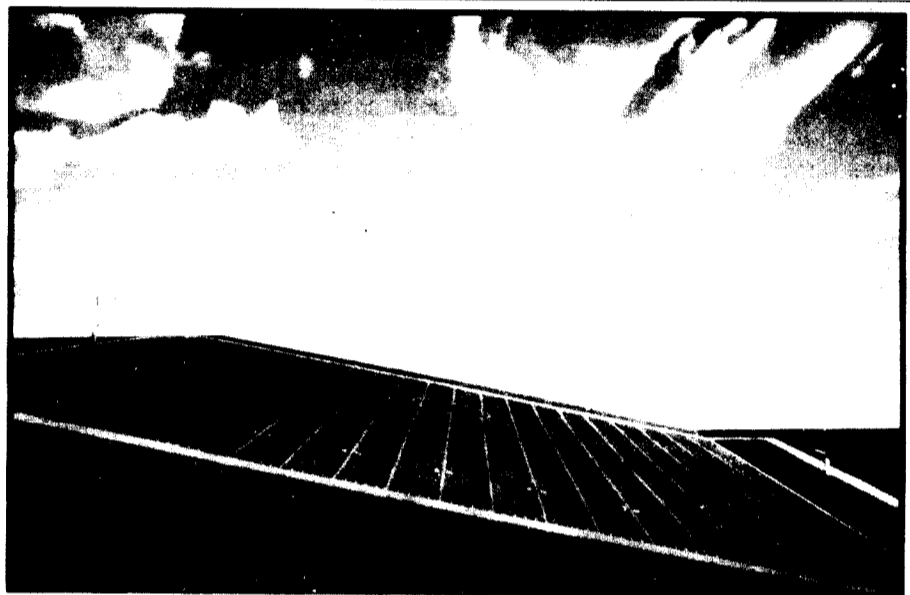
The key to effective public relations is to establish a good program, worthy of public interest, and manage it properly. To determine if this program is working, the firm must measure the effectiveness of the PR effort.

## Measuring the Effectiveness of PR

As with the other promotional program elements, it is important to evaluate the effectiveness of the public relations efforts. In addition to determining the contribution of this program element to attaining communications objectives, the evaluation offers other advantages:

1. It tells management what has been achieved through public relations activities.
2. It provides management with a way to measure public relations achievements quantitatively.
3. It gives management a way to judge the quality of public relations achievements and activities.

This Wall Street Journal ad stresses the value of a strong brand and/or corporate image



**WHY A STRONG BRAND IMAGE GIVES YOU AN ALMOST UNFAIR ADVANTAGE.**

**[ In a world of parity products and services, nothing can tilt things more dramatically in your favor than powerful brand and corporate advertising ]**

A brand or corporate image is not something that can be seen, touched, tasted, defined, or measured. Intangible and abstract, it exists solely as an idea in the mind. Yet it is often a company's most precious asset.

When in the 1980s corporations laid out billions for the companies that owned brands like Kraft, Jell-O, Del Monte, Maxwell House and Nabisco, it wasn't the products themselves they were after, but the enduring power of warm images, feelings, and impressions associated with the brand names. In fact, when the dust finally settles, it will become clear that the megamergers, takeovers, and

leveraged buyouts of that decade were primarily about the acquisition of brands.

Yet despite their enormous value, brands are not immune to neglect, and in the face of a tough economy and strong competition, companies are often tempted to sacrifice brand and corporate advertising for short-term promotion. While such strategies can yield immediate results, over time they can weaken and tarnish the brand.

Studies conducted on the PIMS (Profit Impact on Market Strategy) data base prove that companies that put



more money behind their image advertising are more likely to be market dominators, ranking first in a category and having sales volume one-and-a-half times greater than the

nearest competitor. Moreover, the larger the ratio of brand advertising to promotion, the greater the return

on investment (ROI). When only a quarter of a company's advertising/promotion budget is spent on brand advertising, the ROI is 18%. When the ratio is increased to 50/50, the return can be over 70% higher.

Backing your brand in good times and bad—keeping that image in front of people can mean higher profits as well as leadership.

PROMOTING AND MAINTAINING a brand is one of advertising's most important jobs. And that means choosing the media for your message with care. For more and more companies, the best environment is the Wall Street Journal. The Journal has always operated on the principle that there is a direct link between the quality of our editorial and the quality of the advertising we attract. We have the impressive list of corporations appearing in our journal issue.

In The McGraw-Hill Research series of The Workplace Marketing Leadership Panel, The Journal was awarded top honors in five separate categories, including editorial quality and reader involvement, more evidence of The Journal's unmatched stature and prestige.

If you're looking for a publication that can add value to your brand, there's no better brand than ours. The Wall Street Journal.

**THE WALL STREET JOURNAL**  
The world's business daily in English.

As shown in Figure 17-4, a number of criteria may be used to measure the effects of PR programs. Raymond Simon suggests additional means for accomplishing this evaluation process, including the following:

- *Personal observation and reaction.* Personal observation and evaluation by one's superiors should occur at all levels of the organization.
- *Matching objectives and results.* Specific objectives designed to attain the overall communications objectives should be related to actions, activities, or media coverage. For example, placing a feature story in a specific number of media is an objective, quantitative, and measurable goal.<sup>22</sup>
- *The team approach.* Harold Mendelsohn suggests that one way to achieve attitude and behavior modification through public information campaigns is the **team approach**, whereby evaluators are actually involved in the campaign.<sup>23</sup> By using research principles and working together, the team develops—and accomplishes—goals.

A system for measuring the effectiveness of the public relations program has been developed by Lotus HAL. The criteria used in the evaluation process follow:

- Total number of impressions over time
  - Total number of impressions on the target audience
  - Total number of impressions on specific target audiences
  - Percentage of positive articles over time
  - Percentage of negative articles over time
  - Ratio of positive to negative articles
  - Percentage of positive/negative articles by subject
  - Percentage of positive/negative articles by publication or reporter
  - Percentage of positive/negative articles by target audience
- *Management by objectives.* Executives and their managers act together to identify goals to be attained and the responsibilities of the managers. These goals are then used as a standard to measure accomplishments.
  - *Public opinion and surveys.* Research in the form of public opinion surveys may be used to gather data to evaluate program goal attainment.
  - *Audits.* Both internal and external audits may be used. **Internal audits** involve evaluations by superiors or peers within the firm to determine the performance of the employee (or his or her programs). **External audits** are conducted by consultants, the client (in the case of a PR agency), or other parties outside the organization.

A number of other bases for evaluation can be used. Walter Lindenmann says three levels of measures are involved: (1) the basic, which measures the actual PR activities undertaken; (2) the intermediate, which measures audience reception and understanding of the message; and (3) the advanced, which measures the perceptual and behavioral changes that result.<sup>24</sup>

Some organizations may use a combination of measures, depending on their specific needs. For example, Hewlett-Packard uses impression counts, awareness and preference studies, in-house assessments, press clippings counts, and tracking studies.<sup>25</sup>

In summary, the role of public relations in the promotional mix is changing. As PR has become more marketing oriented, the criteria by which the programs are evaluated have also changed. At the same time, nonmarketing activities will continue to be part of the public relations department and part of the basis for evaluation.

**Publicity** refers to the generation of news about a person, product, or service that appears in broadcast or print media. To many marketers, publicity and public relations are synonymous. In fact, publicity is really a subset of the public relations effort.

But there are several major differences. First, publicity is typically a *short-term* strategy, while public relations is a concerted program extending over a period of time. Second, public relations is designed to provide positive information about the firm and is usually controlled by the firm or its agent. Publicity, on the other hand, is not always positive and is not always under the control of, or paid for by, the organization. Both positive and negative publicity often originates from sources other than the firm.

In most organizations, publicity is controlled and disseminated by the public relations department. In this section, we discuss the role publicity plays in the promotional program and some of the ways marketers use and react to these communications.

## The Power of Publicity

One of the factors that most sets off publicity from the other program elements is the sheer power this form of communication can generate. Unfortunately for marketers, this power is not always realized in the way they would like it to be. Publicity can make or break a product or even a company.

Earlier we discussed the substantial drop in Tylenol sales after extensive media coverage of the tampering with its products while on store shelves. The Johnson &

# Publicity

Johnson marketing efforts (including a strong public relations emphasis) designed to aid recovery were a model in proficiency that will be studied by students of marketing (in both the classroom and the boardroom) for many years. By January 1983, almost 100 percent of the original brand share had been regained. When Odwalla's brand was threatened by negative publicity resulting from contaminated juice, the company immediately recalled the product, increased safety measures, and paid medical bills for those who had become ill. It also established a website and 800 numbers to make information easily available to concerned customers (Exhibit 17-13). The company has regained 100 percent of its market share as a result of these efforts. Unfortunately, a marketer cannot always capitalize on positive publicity or control the effects of negative publicity so effectively.

Why is publicity so much more powerful than advertising or sales promotion—or even other forms of public relations? First, publicity is highly credible. Unlike advertising and sales promotions, publicity is not usually perceived as being sponsored by the company (in the negative instances, it never is). So consumers perceive this information as more objective and place more confidence in it. In fact, *Consumer Reports*, the medium responsible for one of the examples previously cited, recently ran an ad campaign designed to promote its credibility by noting it does not accept advertising and therefore can be objective in its evaluations.

Publicity information may be perceived as endorsed by the medium in which it appears. For example, publicity regarding a breakthrough in the durability of golf balls will go far to promote them if it is reported by *Golf* magazine. *Car & Driver's* award for car of the year reflects the magazine's perception of the quality of the auto selected.

Still another reason for publicity's power is its news value and the frequency of exposure it generates. When Krispy Kreme opened a store in Woodbury, Minnesota, anxious consumers camped out overnight waiting for the store to open. Every local television station covered the event—some with live reports from the scene.<sup>26</sup> The free

Figure 17-13 Odwalla assures customers of its quality

**odwalla**

**Odwalla Leads The Industry In Quality Assurance**

- Dr. Douglas Archer, former Deputy Director at the FDA's Center for Food Safety and Applied Nutrition said, "Odwalla's facility is the best I have seen with regards to systems aimed at assuring product safety."
- Over 90% of Odwalla's capital expenditures in the last two years have gone directly toward improving quality assurance at the plant and throughout our system. We are committed to continuous investment and improvement.
- Odwalla heat treats all of its juices and fruit purees except its fresh squeezed citrus juices. Odwalla's 100% Apple, Pure Pressed Carrot and citrus mixers are flash pasteurized in a process that quickly heats the juice to a temperature high enough to kill harmful bacteria, then cools it immediately to maintain freshness and nutrition.
- Odwalla has implemented the fresh juice industry's first HACCP plan. While the FDA has acknowledged that it may take years for the industry to follow suit, our HACCP plan already exceeds the FDA's recently published food safety objectives.
- Odwalla uses outside, independent laboratory testing, our own microbiology lab and computer analysis to monitor the effectiveness of its safety practices. Also, our A.M. Sensory Panel meets daily to taste every batch of juice we make.
- In 1998, Odwalla will source 1500 tons -- 100% of the nation's supply -- of HACCP certified apples from McAfee Apple Gardens. For other suppliers, Odwalla has stringent specifications, including the requirement of a Certificate of Analysis.
- Dr. Ranzell "Nick" Nickelson, one of the nation's top food science and HACCP experts, sits on Odwalla's Board of Directors and chairs the board's committee on quality assurance and nutrition.
- Odwalla cleans and sorts incoming fruit before it even enters the plant. Once inside, the fruit goes through an additional, fully separate line for cleansing, sorting and sanitizing again. Apple, carrot and citrus each has its own line and process which is specifically designed for its unique characteristics.
- Odwalla is the first in the industry to invest in a hyper-sanitized "clean room" where juices are blended and bottled.
- For more information on how we ensure quality control from Soil to Soul, please visit [www.odwalla.com](http://www.odwalla.com) or call 1-800-odwalla.

publicity (advertising?) is often repeated in other locales where Krispy Kreme opens a shop, and it occurs for other well-hyped products as well.

The bottom line is that publicity is news, and people like to pass on information that has news value. Publicity thus results in a significant amount of free, credible, word-of-mouth information regarding the firm and its products.

## The Control and Dissemination of Publicity

In some of the examples cited earlier, the control of publicity was not in the hands of the company. While in some instances it is the firm's own blunder to allow information to leak out, companies like KMart and Martha Stewart could do nothing to stop the media from releasing negative information. When publicity becomes news, it is reported by the media, sometimes despite the efforts of the firm. In these instances, the organization needs to react to the potential threat created by the news. IMC Perspective 17-1 reports on some interesting examples.

A good example of one company's efforts to respond to adverse publicity is shown in Exhibit 17-14. Tree Top's problems began when all the major news media reported that the chemical Alar, used by some growers to regulate the growth of apples, might cause cancer in children. Despite published statements by reliable scientific and medical authorities (including the surgeon general) that Alar does not cause cancer, a few special-interest groups were able to generate an extraordinary amount of adverse publicity, causing concern among consumers and purchasing agents. A few school districts took apples off their menus, and even applesauce and juice were implicated. Tree Top ran the ad in Exhibit 17-14 to state its position and alleviate consumers' fears. It also sent a direct mailing to nutritionists and day care operators. The campaign was successful in assuring consumers of the product's safety and rebuilding their confidence.

In other instances, however, publicity must be managed like any other promotional tool. For example, when Martha Stewart was accused by the SEC (Securities and Exchange Commission) of insider trading, the negative publicity had severe consequences for her company. Sales dropped, stocks plummeted, and advertisers withheld ads waiting to see what would happen.<sup>27</sup>

Publicity can also work for marketers. A number of kids' toys (Pokemon, Power Rangers) achieved significant sales due to high levels of positive publicity and word-of-mouth advertising. Sales of Cabernet Sauvignon increased an average of 45 percent in the month after a CBS *60 Minutes* report that daily moderate consumption of red wine can reduce the risk of heart disease. There are many more examples of the positive impact publicity can have.

Marketers like to have as much control as possible over the time and place where information is released. One way to do this is with the **video news release (VNR)**, a publicity piece produced by publicists so that stations can air it as a news story. The videos almost never mention that they are produced by the subject organization, and most news stations don't mention it either. Many pharmaceutical companies like Pfizer, Aventis, and AstraZeneca have used VNRs, as have GNC, Mercedes, Nieman Marcus, and others.

In their efforts to manage publicity and public relations, marketers are continuously learning more about these activities. Courses are offered and books written on how to manage publicity. These books cover how to make a presentation, whom to contact, how to issue a press release, and what to know about each medium addressed, including TV, radio, newspapers, magazines, and direct-response advertising. They discuss such alternative media as news conferences, seminars, events, and personal letters, as well as insights on how to deal with government and other legislative bodies. Because this information is too extensive to include as a

**Exhibit 17-14** Tree Top responds to the threat of negative publicity



**At Tree Top,  
100% Pure Means  
100% Safe.**

Our business is children. And nobody goes to greater lengths to protect their health. That's why Tree Top instituted strict safety procedures years ago to keep Alar out of our products. Right from the start, we require growers to certify their fruit is not treated with Alar. Then we sample and test the fruit before it's processed. Over 8,000 of these tests have been conducted in the last year alone. Fact is, we've rejected tons of apples because they haven't measured up to Tree Top's high standards. As a final safety check, the finished product is continuously sampled throughout the day, everyday. As a result, we can assure you that all Tree Top juices and applesauce are 100% safe to consume. There's been a lot said about Alar lately. But no matter what you've heard, they weren't talking about Tree Top.

**We Always Give You 100%.**

## Peace Signs, Bobbleheads, Space Sprouts, and Other PR Blunders

The power of publicity is well known to marketers, who constantly attempt to manage it to create “buzz” about their products and/or services. In success stories like the movie *Blair Witch Project*, The PT Cruiser, and Vespa Scooters, positive publicity played a big part. But what happens when good intentions go wrong? Following are some of the marketing efforts that did not work out so well.

- *McDonald's Bobbleheads*. It seems like everybody is marketing bobbleheads these days. The hot trend of creating the figurine likenesses of people, usually athletes, has been adopted by a variety of companies as well as nonprofits and universities (San Diego State gave away Marshall Faulk bobbleheads). Unfortunately, some of the characters had an excess of lead paint on them, rendering them unsafe for children. McDonald's discovered the problem through its own testing and recalled 100,000 of the likenesses of Chicago Bears players Brian Urlacher and Anthony Thomas. (The figurines were being sold for \$5 each in areas just outside Chicago.) The company then alerted the Consumer Products Safety Commission, which issued a recall. McDonald's claimed that the manufacturer—Bobbie Dreams—distributed the products prior to seeing the test results. While no consumers were hurt, you can be sure the relationship between McDonald's and Bobbie Dreams was.

- *Burger King et al.* In 2001, the U.S. Consumer Products Safety Commission ordered four fast-food chains to recall toy premiums that posed a risk to small children. Burger King Corp. and Alcone Market-

ing Group were forced to recall 2.6 million of the “Hourglass Space Sprout” and “Look for Me Bumblebee” toys after learning that the toys, when broken, released small beads that could cause children to choke if the children put the beads in their mouths. Although no one was hurt, at least 18 incidents were reported. When the problem was discovered, Burger King notified the CPSC and subsequently hired outside safety experts to review future operations.

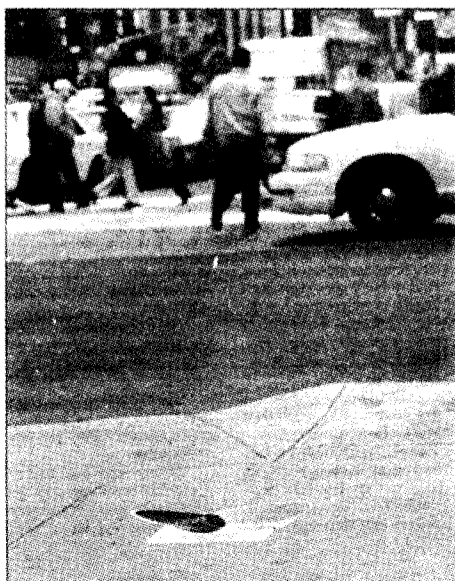
- *FedEx*. FedEx's well-liked Super Bowl spot which featured the Wizard of Oz munchkins inhaling helium to raise their voices was not so well liked by everyone. The National Inhalant Prevention Coalition, the National PTA, and the Partnership for a Drug Free America banded together to ask FedEx to discontinue airing the spot. The company did so just a few weeks after its initial showing.

- *IBM*. City officials in Chicago and San Francisco threatened to bring lawsuits against IBM because peace symbols, penguins, and hearts were spray-painted on city sidewalks to promote the introduction of IBM's new Linux-based operating system. IBM said the sidewalks were supposed to be painted in biodegradable chalk, instead of the graffiti paint that was used by the contractors. IBM learned about the problem when a painter hired by Ch'rewd Marketing and Promotions was arrested for criminal damage to property, vandalism, and possession of spray paint. Both cities threatened IBM with fines as well as costs associated with cleaning up each of 100-plus paintings. Sun Microsystems, Inc., a competitor of IBM, attempted to turn IBM's gaff into a PR bonanza of its own by offering to clean up the paint to “clean up after IBM.”

- *Microsoft*. In the fall of 2002, New York City sent Microsoft a summons for defacing public property when Microsoft logo butterfly decals were pasted on sidewalks, streets and other public properties to announce the launch of MSN 8.0 software.

In each of these cases, and there are many, many more to report, a marketing effort turned into a public relations problem. Fortunately, no one was hurt—except the pride of the companies involved, their pocketbooks, and their contractual relationships.

Sources: Kate MacArthur, “McDonald's Recalls Lead Paint Bobbleheads,” Sept. 20, 2002, *AdAge.com*, p. 1; Margie Mason, “San Francisco and Chicago Officials Rankled by IBM's 'Peace' Ads,” *www.individual.com*, Apr. 30, 2001, pp. 1-2; Thor Olavsrud, “Sun Offers to Clean Up IBM Mess,” *www.Internetnews.com*, Apr. 30, 2001, p. 1; Jeanie Casison, “Toy Story,” *Incentive*, October 2001, pp. 10-11.



single chapter in this text, we suggest you peruse one of the many books available on this subject for additional insights.

## Advantages and Disadvantages of Publicity

Publicity offers the advantages of credibility, news value, significant word-of-mouth communications, and a perception of being endorsed by the media. Beyond the potential impact of negative publicity, two major problems arise from the use of publicity: timing and accuracy.

**Timing** Timing of the publicity is not always completely under the control of the marketer. Unless the press thinks the information has very high news value, the timing of the press release is entirely up to the media—if it gets released at all. Thus, the information may be released earlier than desired or too late to make an impact.

**Accuracy** A major way to get publicity is the press release. Unfortunately, the information sometimes gets lost in translation—that is, it is not always reported the way the provider wishes it to be. As a result, inaccurate information, omissions, or other errors may result. Sometimes when you see a publicity piece that was written on the basis of a press release, you wonder if the two are even about the same topic.

## Measuring the Effectiveness of Publicity

The methods for measuring the effects of publicity are essentially the same as those discussed earlier under the broader topic of public relations. Rather than reiterate them here, we thought it would be more interesting to show you an actual example. Figure 17-5 is a model developed by Ketchum Public Relations for tracking the effects of publicity. (I guess we just provided Ketchum with some free publicity.)

One of the more controversial forms of advertising is **corporate advertising**. Actually an extension of the public relations function, corporate advertising does not promote any one specific product or service. Rather, it is designed to promote the firm overall, by enhancing its image, assuming a position on a social issue or cause, or seeking direct involvement in something. Why is corporate advertising controversial? A number of reasons are offered:

1. *Consumers are not interested in this form of advertising.* A Gallup and Robinson study reported in *Advertising Age* found consumers were 35 percent less interested in corporate ads than in product-oriented advertising.<sup>28</sup> This may be because consumers do not understand the reasons behind such ads. Of course, much of this confusion results from ads that are not very good from a communications standpoint.
2. *It's a costly form of self-indulgence.* Firms have been accused of engaging in corporate image advertising only to satisfy the egos of top management. This argument stems from the fact that corporate ads are not easy to write. The message to be communicated is not as precise and specific as one designed to position a product, so the top managers often dictate the content of the ad, and the copy reflects their ideas and images of the corporation.
3. *The firm must be in trouble.* Some critics believe the only time firms engage in corporate advertising is when they are in trouble—either in a financial sense or in the public eye—and are advertising to attempt to remedy the problem. There are a number of forms of corporate advertising, each with its own objectives. These critics argue that these objectives have become important only because the firm has not been managed properly.
4. *Corporate advertising is a waste of money.* Given that the ads do not directly appeal to anyone, are not understood, and do not promote anything specific, critics say the monies could be better spent in other areas. Again, much of this argument has its foundation in the fact that corporate image ads are often intangible. They typically do not ask directly for a purchase; they do not ask for investors. Rather, they present a

## Corporate Advertising

**Figure 17-5** The Ketchum Effectiveness Yardstick (KEY)—a strategic approach to the measurement of public relations results

At Ketchum, we believe strongly that it is possible to measure public relations effectiveness. We also believe strongly that measuring public relations results can be done in a timely and cost-efficient manner.

Our strategic approach to public relations measurement involves a two-step process:

1. Setting in advance very specific and clearly defined public relations goals and objectives, and,
2. Pinpointing those levels of measurement that are crucial to the organization in determining to what extent those specific public relations goals and objectives have been met.

In the model, there are three levels for measuring PR effectiveness:

- Level #1—the Basic level for measuring public relations OUTPUTS. This measures the amount of exposure an organization receives in the media, the total number of placements, the total number of impressions, and/or the likelihood of having reached specific target audience groups. Research tools often used when conducting Level #1 measurement include content analysis or publicity tracking studies, secondary analysis, segmentation analysis, and basic public opinion polls.
- Level #2—the Intermediate level for measuring public relations OUTGROWTHS. Outgrowths measure whether or not target audience groups actually received the messages directed at them, paid attention to them, understood the messages, and retained those messages in any shape or form. Research tools often used when conducting Level #2 measurement include focus groups; in-depth interviews; telephone, mail, face-to-face, or mall intercept surveys; testing techniques; and recall studies.
- Level #3—the Advanced level for measuring public relations OUTCOMES. This measures opinion, attitude, and/or behavior change to determine if there has been a shift in views and/or how people act when it comes to an organization, its products, or its services. Research tools often used when conducting Level #3 measurement include before-and-after studies, experimental and quasi-experimental research, ethnographic studies, communications audits, and multivariate analyses of data.
- The different levels of measuring public relations impact can be plotted on a yardstick in a hierarchical fashion. Here is a graphic displaying the KETCHUM EFFECTIVENESS YARDSTICK (KEY), which summarizes from left to right these levels of public relations measurement:



Level #1	Level #2	Level #3
Basic—Measuring OUTPUTS	Intermediate—Measuring OUTGROWTHS	Advanced—Measuring OUTCOMES
Media placements	Receptivity	Opinion change
Impressions	Awareness	Attitude change
Targeted Audiences	Comprehension	Behavior change
	Retention	

More detailed information about Ketchum's strategic approach to measuring public relations effectiveness may be obtained by contacting Graham Hueber, Vice President and Director of Research at Ketchum.



position or try to create an image. Because they are not specific, many critics believe their purpose is lost on the audience and these ads are not a wise investment of the firm's resources.

Despite these criticisms and others, corporate advertising has increased in use. It's been estimated that more than 7 percent of all advertising dollars spent are for corporate advertising, meaning billions of dollars are spent on this form of communication.<sup>29</sup>

While corporate advertising has generally been regarded as the domain of companies such as USX, Phillips Petroleum, Aventis, and Deutsche Telekom (that is, companies that primarily sell directly to the consumer market), this is no longer the case. Beatrice Foods, BASF, and Procter & Gamble are just a few consumer-product companies running corporate image ads, and Lucent Technologies, Microsoft, and Pfizer have also increased expenditures in this area.

Since the term *corporate advertising* tends to be used as a catchall for any type of advertising run for the direct benefit of the corporation rather than its products or services, much advertising falls into this category. For purposes of this text (and to attempt to bring some perspective to the term), we use it to describe any type of advertising designed to promote the organization itself rather than its products or services.

## Objectives of Corporate Advertising

Corporate advertising may be designed with two goals in mind: (1) creating a positive image for the firm and (2) communicating the organization's views on social, business, and environmental issues. More specific applications include:

- Boosting employee morale and smoothing labor relations.
- Helping newly deregulated industries ease consumer uncertainty and answer investor questions.
- Helping diversified companies establish an identity for the parent firm rather than relying solely on brand names.<sup>30</sup>

As these objectives indicate, corporate advertising is targeted at both internal and external audiences and involves the promotion of the organization as well as its ideas.

## Types of Corporate Advertising

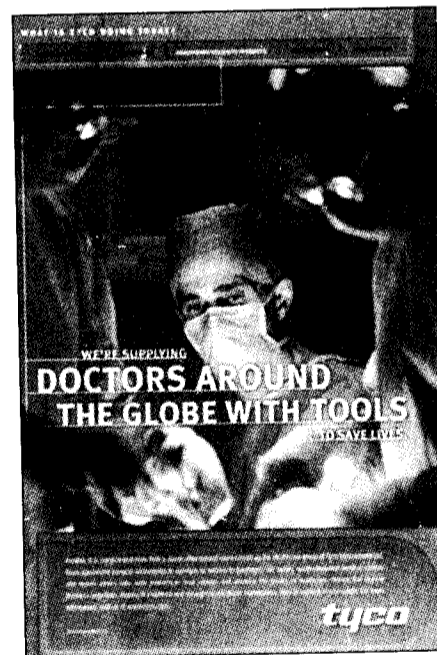
Marketers seek attainment of corporate advertising's objectives by implementing image, advocacy, or cause-related advertising. Each form is designed to achieve specific goals.

**Image Advertising** One form of corporate advertising is devoted to promoting the organization's overall image. **Image advertising** may accomplish a number of objectives, including creating goodwill both internally and externally, creating a position for the company, and generating resources, both human and financial. A number of methods are used:

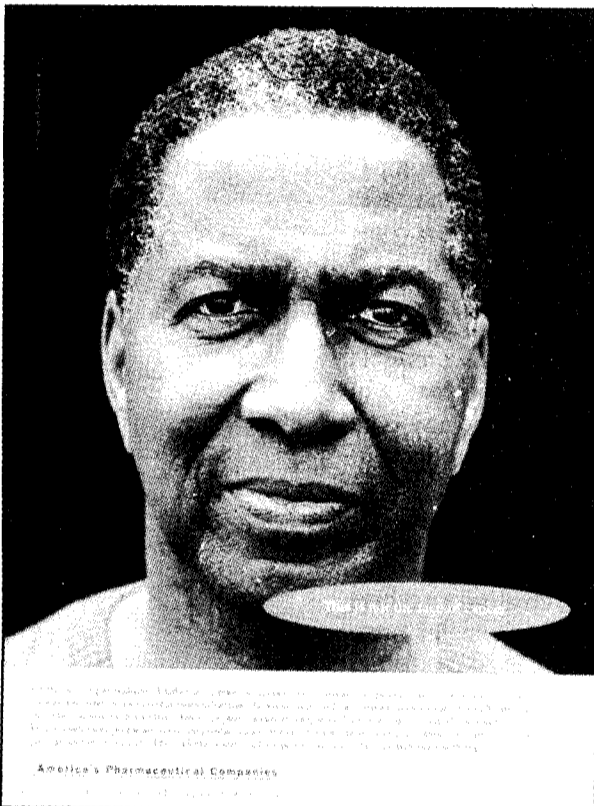
1. *General image or positioning ads.* As shown in Exhibit 17-15, ads are often designed to create an image of the firm in the public mind. The exhibit shows how Tyco is attempting to create an image of itself as a market leader and health care expert, not a toy company. A number of companies have created new names—for example, Accenture, Verizon, and Allianz—in an attempt to create a new image.

Other companies and organizations have used image advertising to attempt to change an existing image. The American Medical Association (AMA), responding to its less-than-positive image among many Americans who perceived doctors negatively, ran a series of ads portraying doctors in a more sensitive light. It spent over \$1.75 million to highlight the caring, sharing, and sensitive side of AMA members.<sup>31</sup> *Penthouse* magazine attempted to change its image with advertisers by running ads in trade magazines that showed *Penthouse* was not just a magazine with pictures of

**Exhibit 17-15** Tyco uses image advertising to avoid confusion



**Exhibit 17-16** The pharmaceutical industry uses image advertising



**Exhibit 17-17** KitchenAid supports the fight against breast cancer



nude females. The ad for America's pharmaceutical companies (Exhibit 17-16) casts the industry in a very favorable light. In 2002 Philip Morris Company, Inc., shareholders voted to change the company's name to Altria Group, Inc. Altria is derived from the Latin word meaning to "reach higher." Philip Morris CEO, Geoffrey Bible, said that the name was being changed to reflect the fact that the company was no longer just a cigarette company and that the new name better reflects its diversity. Others contend the move was an attempt to disassociate itself from the negative image of cigarettes.

2. *Sponsorships.* A firm often runs corporate image advertising on TV programs or specials. For example, the Hallmark or IBM specials and documentaries on network TV and Mobil and Gulf Oil program sponsorships on public TV are designed to promote the corporation as a good citizen. By associating itself with high-quality or educational programming, the firm hopes for a carryover effect that benefits its own image.

Other examples of sponsorships include those run by Outback Steak House (LUPUS), Providian Financial (children and youth), McDonald's (UNICEF), and GM (Make-A-Wish). Exhibit 17-17 shows KitchenAid's sponsorship of the fight against breast cancer.

Visa considers sponsorships an important part of its integrated marketing communications. It has sponsored the Olympics, the U.S. decathlon team, U.S. basketball's dream team, the U.S. Gymnastics Federation, the U.S. Open Tennis Championships, and Major League Baseball's All-Star game. According to John Bennett, senior VP for international marketing communications, the sponsorships are designed to fulfill specific business objectives while providing support for the recipients.<sup>32</sup> Figure 17-6 shows a few of the companies that decided an Olympic sponsorship would be good for them.

3. *Recruiting.* The Mattel piece presented in Exhibit 17-18 is a good example of corporate image advertising designed to attract new employees. If you are interested in working in an innovative and family-oriented company, you might be interested in Mattel.

**Figure 17-6** On Board.  
Some of the U.S. Olympic sponsors

AT&T	Lucent
Bank of America	Marker
Blue Cross	Monster.com
Blue Shield	NuSkin
Budweiser	Office Depot
Delta	Qwest
Gateway	Seiko
General Motors	Sensormatic
Hallmark	Texaco
Home Depot	United
Jet Set	York

The Sunday employment section of most major metropolitan newspapers is an excellent place to see this form of corporate image advertising at work. Notice the ads in these papers and consider the images the firms are presenting.

4. *Generating financial support.* Some corporate advertising is designed to generate investments in the corporation. By creating a more favorable image, the firm makes itself attractive to potential stock purchasers and investors. More investments mean more working capital, more monies for research and development, and so on. In this instance, corporate image advertising is almost attempting to make a sale; the product is the firm.

While there is no concrete evidence that corporate image advertising leads directly to increased investment, at least one study shows a correlation between the price of stock and the amount of corporate advertising done.<sup>33</sup> Firms that spend more on corporate advertising also tend to have higher-priced stocks (though a direct relationship is very difficult to substantiate).

This thing called image is not unidimensional. Many factors affect it. Figure 17-7 shows the results of a survey conducted by the Hay Group and *Fortune* magazine on the best corporate reputations in the United States. The most admired firms did not gain their positions merely by publicity and word of mouth (nor, we guess, did the least admired).

A positive corporate image cannot be created just from a few advertisements. Quality of products and services, innovation, sound financial practices, good corporate citizenship, and wise marketing are just a few of the factors that contribute to overall image. In addition, the type of product marketed and emotional appeal also contribute. The survey mentioned above demonstrated that profits and stock performances had little to do with reputation and that once a reputation is acquired, it has lasting power. A study conducted by Harris Interactive and the Reputation Institute showed that companies are ranked differently on key corporate attributes including emotional appeal, social responsibility, workplace environment, and vision and leadership (among 16

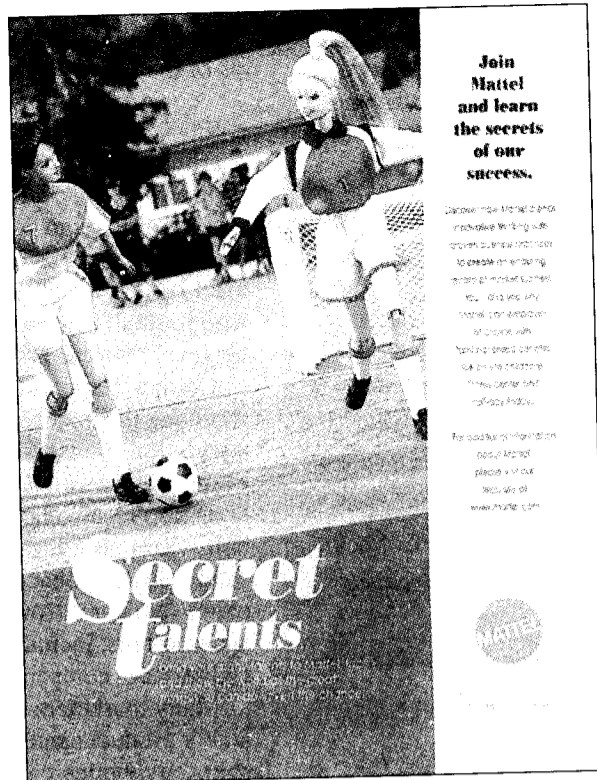


Exhibit 17-18 Mattel ad designed to attract new employees

Rank	Company	Total Return (%)	
		2001	1996-2001
1	General Electric	-15.1	21.2
2	Southwest Airlines	-17.3	33.7
3	Wal-Mart Stores	9.0	39.1
4	Microsoft	52.7	26.3
5	Berkshire Hathaway	6.5	17.3
6	Home Depot	12.1	36.0
7	Johnson & Johnson	14.0	20.5
8	FedEx	29.8	18.5
9	Citigroup	0.1	28.9
10	Intel	4.9	14.1
	Top ten average	9.7	25.5
	S&P 500	-11.89	10.70

Source: *Fortune*, Mar. 4, 2002.

Figure 17-7 *Fortune's* most reputable corporations

**Figure 17-8** The Top 10 *Business Ethics*' list of top 100 corporate citizens

Rank	Company
1	IBM
2	Hewlett-Packard
3	Fannie Mae
4	St Paul Cos
5	Procter & Gamble
6	Motorola Inc.
7	Cummins Engine
8	Herman Miller
9	General Mills, Inc.
10	Avon Products

Source: [www.business-ethics.com/100best.htm](http://www.business-ethics.com/100best.htm).

others).<sup>34</sup> Figure 17-8 shows some of the results of *Business Ethics* magazine's analysis of the 100 best corporate citizens for 2002.

**Event Sponsorships** As we noted in the last section, corporate sponsorships of charities and causes has become a popular form of public relations. While some companies sponsor specific events and/or causes with primarily traditional public relations objectives in mind, a separate and more marketing-oriented use of sponsorships is also on the increase. Such **event sponsorships** take on a variety of forms, as shown in Figure 17-9. Anything from golf apparel and equipment to concerts, stadiums, and college football bowl games is now a candidate for corporate sponsorship. Sometimes, however, this can prove to be a risky venture, as shown in IMC Perspective 17-2.

Companies spent over \$9.5 billion on event sponsorships in 2002, with sports receiving the majority of event sponsorship monies. Among the most popular sporting events for sponsorship are auto racing, golf and tennis tournaments, and running events. Professional sports leagues and teams as well as Olympic teams and competitions also receive large amounts of sponsorship money. Bicycle racing, beach volleyball, skiing, and various water sports are also attracting corporate sponsorship. Traditionally, tobacco, beer, and car companies have been among the largest sports event sponsors. Now a number of other companies have become involved in event sponsorships, including beverage companies, airlines, telecommunications and financial services companies, and high-tech firms.

Many marketers are attracted to event sponsorship because it gets their company and/or product names in front of consumers. By choosing the right events for sponsorship, companies can get visibility among their target market. For example, RJR Nabisco was heavily involved in sponsoring auto racing under its Winston and Camel cigarette brands. The company's market research showed that racing fans fit the demographic profile of users of these brands and consumers would purchase a product that sponsored their favorite sport.<sup>35</sup> For tobacco companies, which are prohibited from advertising on radio and TV, event sponsorship is also a way to have their brand names seen on TV. President Clinton issued an executive order in 1996 that would have prohibited any form of advertising of tobacco sponsorships at sporting events after 1998. The tobacco companies appealed this order in the courts on the grounds that to prohibit advertising a legal product violates free speech.<sup>36</sup> In 2000, the Supreme Court struck down the law, although a settlement did place further restrictions on such sponsorships.<sup>37</sup> A number of international sports are currently considering such bans.<sup>38</sup>

Many companies are attracted to event sponsorships because effective IMC programs can be built around them and promotional tie-ins can be made to local, regional, national, and even international markets. Companies are finding event sponsorships an excellent platform from which to build equity and gain affinity with target audiences as well as a good public relations tool.

Most companies focus their marketing efforts on specific market segments and are always looking for ways to reach these target audiences. Many marketers are finding that sales promotion tools such as event sponsorships, contests and sweepstakes, and

**Figure 17-9** Annual sponsorship spending in North America by property (\$ millions)

	1996	1997	1998	1999	2002
Sports	\$3,540	\$3,840	\$4,556	\$5,100	\$6,430
Entertainment tours and attractions	566	650	680	756	865
Festivals, fairs, events	512	558	612	685	834
Causes	485	535	544	630	828
Arts	323	354	408	460	610
Total	\$5,426	\$5,937	\$6,800	\$7,631	\$9,567

Source: Adapted from *Promo*, June 1, 2002.

## Naming Stadiums—An Expensive and Risky Business

There was a time when stadiums and arenas were named after their sports teams and/or cities. There were the Boston Gardens in Boston, Tiger Stadium in Detroit, Wimbledon in Wimbledon, and Old Trafford in Old Trafford (where the Manchester United U.K. football team plays). But all of that has changed. Boston Gardens is now the Fleet Center (named after a bank), and stadiums named after companies include Conseco Fieldhouse (home of the Indiana Pacers and named after an insurance company), Reebok Stadium (sports equipment and apparel), Bradford and Bingley Stadium (savings and loan) in the U.K., and ANZ Stadium (bank), North Power Stadium (power company), and Aussie Stadium (Aussie Home Loans) in Australia. Let's not forget Qualcomm Stadium (San Diego), PNB Park (Pittsburgh), and the United Center (Chicago). And the list goes on.

What's behind the name changes? According to Liz Miller, former sports executive, it's "money, money, money"—and a lot of it. Consider the following amounts, which were paid for naming rights: FedEx Field (Washington, D.C., 27 years), \$205 million; American Airlines Center (Dallas, Texas, 30 years), \$4,195 million; ANZ Stadium (Brisbane, Australia), \$27 million (\$50 million in Australian dollars); Molson Centre (Montreal, Canada, 20 years) \$21 million (\$33 million in Canadian dollars); and Eircom Park (Dublin, Ireland, 20 years) \$21 million (\$23 million in euros). And the prices continue to escalate, as there are apparently more investors than there are stadiums and arenas.

Why would companies be willing to pay that much? One reason is to create the brand awareness and high-profile exposure that come with having one's name associated with a sports franchise. Another is to make an impression on Wall Street, indicating that the company has now become a major force in the market. Every time someone attends the venue or watches a game broadcast from the stadium, he or she sees the company name, argue the buyers—and the payback is well worth it. Consumers remember the names of corporate sponsors, says Jed Pearsall, president of Performance Research, a Rhode Island-based market research firm. And, finally, the ability to interact and network with the cities and their franchises adds value, the buyers say.

Is it really worth it—either to the companies or the franchises themselves? You may remember Enron Field in Houston, named after the now unpopular



Enron Corporation. That deal wasn't so good for the franchise or the city of Houston. Savvis Communications (St. Louis), Fruit of the Loom (Miami), and PSINet (Baltimore) are others whose names appeared on stadiums or arenas before they went bankrupt. Then there is the TWA Dome, where the St. Louis Rams play. TWA, bankrupt, was bought out by American Airlines. In such cases, the stadium names don't bode well for the cities, whose teams become associated with the problems, and they are particularly bad for the franchises, which often

end up in court with other bankruptcy creditors.

Then there are the public relations and publicity aspects of the deals. As long as things are going well, the move looks like a good one. But a number of problems other than bankruptcy can lead to PR nightmares. For example, in Denver, fans wanted to keep the name Mile High Stadium when a new field was built. They initiated a lawsuit when the naming rights were sold to Invesco for \$120 million—bad publicity. Soldier Field in Chicago was named in memory of World War I veterans. When the city council sought naming rights, many people were not very happy (as you might imagine!). When people in Southern California felt that they were being ripped off by their electric company, Southern California Edison, they wondered about the utility's investment in Edison Field. In general, the public often wonders whether companies are spending their monies wisely when they pay such large amounts of money for naming rights. They wonder even more when the same companies go bankrupt.

Consider the case of the Portland, Oregon, triple-A baseball team (whose stadium happens to be called PGE Park). The team gained publicity by having an "Arthur Andersen Appreciation Night" promotion in which there were paper shredding competitions and in-stadium money certificates hidden throughout the stadium. Anyone named Arthur or Andersen got in free, and the first Arthur Andersen received a gift pack and free suite for the game—all a tongue-in-cheek event making fun of Arthur Andersen, Enron's accounting agency. And then, of course, people think about Enron Field.

Sources: Tim Nudd, "Enron Field," *Adweek*, July 15, 2002, p. 34; Greg Johnson, "Some Fumbles in Arena Name Game," *Los Angeles Times*, Apr. 20, 2001, pp. C1-3; brandchannel.com.

### Exhibit 17-19 Advocacy ads take a position on an issue

Let me ask you something...  
how would you feel  
if all your phone conversations  
last night were secretly taped and  
made public  
today?

That's what Uncle Sam did to Walter Lawley.  
And what he did to you was worse. You gave the tapes to a  
consumer or an unrelated party and the person's lips  
to talk. Usually to lunch and round burgers. Then the FBI  
spies on friends, lawyers, talk to a lot of rules and pressure  
her to become an informer. But the special prosecutor (a  
person she had the right to control, a lawyer) did not matter to  
prosecutors. And the FBI began to be worse. Walter's name  
but we do know that he used to be a waiter and before  
he had never obtained a product in the case.  
This may be legal. But is it right?  
I could not tell you by a few of the tapes. It's a  
conspiracy to be organized by the law? The answer is, of course,  
no. And when you see to what it does, it's a very good  
concerned. And it's a good friend?  
That's about it.

© 1988  
Equifax Information Services, Inc.  
1500 17th Street  
Newark, New Jersey 07102  
Newark 07102

**Advocacy Advertising** A third major form of corporate advertising addresses social, business, or environmental issues. Such **advocacy advertising** is concerned with propagating ideas and elucidating controversial social issues of public importance in a manner that supports the interests of the sponsor.<sup>40</sup>

While still portraying an image for the company or organization, advocacy advertising does so indirectly, by adopting a position on a particular issue rather than promoting the organization itself. An example is shown in Exhibit 17-19. Advocacy advertising has increased in use over the past few years and has also met with increased criticism. The ads may be sponsored by a firm or by a trade association and are designed to tell readers how the firm operates or management's position on a particular issue.

Sometimes the advertising is a response to negative publicity or to the firm's inability to place an important message through public relations channels. Sometimes the firm just wants to get certain ideas accepted or have society understand its concerns.

Advocacy advertising has been criticized by a number of sources (including consumer advocate Ralph Nader). But as you can see in Exhibit 17-20, this form of communication has been around for a long time. AT&T engaged in issues-oriented advertising way back in 1908 and has continued to employ this form of communication throughout the 20th century. Critics contend that companies with large advertising budgets purchase too much ad space and time and that advocacy ads may be misleading, but the checks and balances of regular product advertising also operate in this area.

For example, an ad run by the seven regional Bell operating companies that addressed the threat of Japanese technologies in the telecommunications industry was perceived by some members of Congress (the group the ads were designed to influence) as Japan-bashing and

sampling are very effective ways to reach specific geographic, demographic, psychographic, and ethnic markets.

Event sponsorship has become a good sales promotion tool for reaching specific target markets. Golf tournaments are a popular event for sponsorship by marketers of luxury automobiles and other upscale products and services. The golf audience is affluent and highly educated, and marketers believe that golfers care passionately about the game, leading them to form emotional attachments to brands they associate with the sport.

Marketers can also turn their sponsorships into effective integrated marketing opportunities. For example, Cadillac is an umbrella sponsor of the Senior PGA Tour, which fits well with its attempt to target age 40-plus professionals with incomes exceeding \$60,000. On-site signage and vehicle displays are part of the sponsorship deal. The Team Cadillac golfers, including such notables as Lee Trevino and Arnold Palmer, wear the automaker's logo during tournaments and also help in public relations by giving media interviews and representing Cadillac at tie-in events. In the weeks preceding an event, dealers send out as many as 20,000 direct-mail pieces to owners and prospects inviting them to visit a dealership for a test drive and to pick up tournament tickets and hospitality passes. Response to the direct-mail offerings averages 16 percent. Cadillac also gets automotive advertising exclusivity on the ESPN telecasts and often airs commercials featuring the Team Cadillac members.

Cadillac attributes \$250 million in vehicle sales directly to its involvement with the tour since 1990. The dollar figure comes from tracking sales to prospects who respond to Cadillac's direct-marketing programs built around the tournament.<sup>39</sup>

A major issue that continues to face the event sponsorship industry is incomplete research. As marketers become interested in targeted audiences, they will want more evidence that event sponsorship is effective and is a good return on their investment. Measuring the effectiveness of event sponsorships is discussed in Chapter 19.

**Exhibit 17-20** Advocacy ads have been used for years



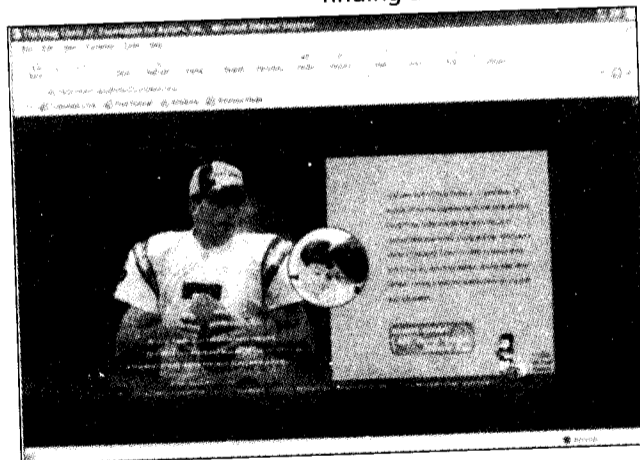
offensive. When the ad backfired, the campaign was immediately halted and the agency that developed it was fired.<sup>41</sup> The ultimate judge, of course, is always the reader.

**Cause-Related Advertising** An increasingly popular method of image building is **cause-related marketing**, in which companies link with charities or nonprofit organizations as contributing sponsors. The company benefits from favorable publicity, while the charity receives much-needed funds. Spending on cause-related marketing has increased more than 300 percent since 1990, reaching \$828 million in 2002. Proponents of cause marketing say that association with a cause may differentiate one brand or store from another, increase consumer acceptance of price increases, generate favorable publicity, and even win over skeptical officials who may have an impact on the company.<sup>42</sup> Cause-marketing relationships can take a variety of forms. Making outright donations to a nonprofit cause, having companies volunteer for the cause, donating materials or supplies, running public service announcements, or even providing event refreshments are some of the ways companies get involved. Exhibit 17-21 shows Doug Flutie's support for the Doug Flutie, Jr., Foundation's attempts to find a cure for autism.

While companies receive public relations benefits from their association with causes, with 80 percent of consumers saying they have a more positive impression of companies that support a cause, they sometimes receive financial rewards as well.<sup>43</sup> Visa's "Reading is Fundamental" campaign led to a 17 percent increase in sales, BMW saw sales increase when it sponsored a program to eradicate breast cancer, and Wendy's International in Denver saw sales increase by more than 33 percent when a portion of purchases was contributed to Denver's Mercy Medical Center.<sup>44</sup>

At the same time, not all cause marketing is a guarantee of success. Cause marketing requires more than just associating with a social issue, and it takes time and

**Exhibit 17-21** Doug Flutie's foundation cause is finding a cure for autism





effort. Companies have gotten into trouble by misleading consumers about their relationships, and others wasted money by hooking up with a cause that offered little synergism. One survey showed that over 300 companies had associated themselves with breast cancer concerns, with most becoming lost in sponsorship clutter. Others have simply picked the wrong cause—finding that their customers and potential customers either have little interest in or don't like the cause. In some cases, cause marketing is considered nothing more than shock advertising. Finally, the results of cause-marketing efforts can sometimes be hard to quantify.

## Advantages and Disadvantages of Corporate Advertising

A number of reasons for the increased popularity of corporate advertising become evident when you examine the advantages of this form of communication:

1. *It is an excellent vehicle for positioning the firm.* Firms, like products, need to establish an image or position in the marketplace. Corporate image ads are one way to accomplish this objective. A well-positioned product is much more likely to achieve success than is one with a vague or no image. The same holds true of the firm. Stop and think for a moment about the image that comes to mind when you hear the name IBM, Apple, Johnson & Johnson, or Procter & Gamble.

Now what comes to mind when you hear Unisys, USX, or Navistar? How many consumer brands can you name that fall under ConAgra's corporate umbrella? (Swiss Miss, Wesson, La Choy, and many others.) While we are not saying these latter companies are not successful—because they certainly are—we are suggesting their corporate identities (or positions) are not as well entrenched as the identities of those first cited. Companies with strong positive corporate images have an advantage over competitors that may be enhanced when they promote the company overall.

2. *It takes advantage of the benefits derived from public relations.* As the PR efforts of firms have increased, the attention paid to these events by the media has lessened (not because they are of any less value, but because there are more events to cover). The net result is that when a company engages in a public relations effort, there is no guarantee it will receive press coverage and publicity. Corporate image advertising gets the message out, and though consumers may not perceive it as positively as information from an objective source, the fact remains that it can communicate what has been done.

3. *It reaches a select target market.* Corporate image advertising should not be targeted to the general public. It is often targeted to investors and managers of other firms rather than to the general public. It doesn't matter if the general public does not appreciate this form of communication, as long as the target market does. In this respect, this form of advertising may be accomplishing its objectives.

Some of the disadvantages of corporate advertising were alluded to earlier in the chapter. To these criticisms, we can add the following:

1. *Questionable effectiveness.* There is no strong evidence to support the belief that corporate advertising works. Many doubt the data cited earlier that demonstrated a correlation between stock prices and corporate image advertising. A study by Bozell & Jacobs Advertising of 16,000 ads concluded that corporate advertising contributed to only 4 percent of the variability in the company's stock price, compared with a 55 percent effect attributable to financial factors.<sup>45</sup> A second study also casts doubts on earlier studies that concluded that corporate advertising worked.<sup>46</sup>

2. *Constitutionality and/or ethics.* Some critics contend that since larger firms have more money, they can control public opinion unfairly. This point was resolved in the courts in favor of the advertisers. Nevertheless, many consumers still see such advertising as unfair and immediately take a negative view of the sponsor.

A number of valid points have been offered for and against corporate advertising. Two things are certain: (1) No one knows who is right, and (2) the use of this communications form continues to increase.



## Measuring the Effectiveness of Corporate Advertising

As you can tell from our discussion of the controversy surrounding corporate advertising, there need to be methods for evaluating whether or not such advertising is effective:

- *Attitude surveys.* One way to determine the effectiveness of corporate advertising is conducting attitude surveys to gain insights into both the public's and investors' reactions to ads. The Phase II study conducted by market research firm Yankelovich, Skelly & White is one of the best-known applications of this measurement method.<sup>47</sup> The firm measured recall and attitudes toward corporate advertisers and found that corporate advertising is more efficient in building recall for a company name than is product advertising alone. Frequent corporate advertisers rated better on virtually all attitude measures than those with low corporate ad budgets.
- *Studies relating corporate advertising and stock prices.* The Bozell & Jacobs study is one of many that have examined the effect of various elements of corporate advertising (position in the magazine, source effects, etc.) on stock prices. These studies have yielded conflicting conclusions, indicating that while the model for such measures seems logical, methodological problems may account for at least some of the discrepancies.
- *Focus group research.* Focus groups have been used to find out what investors want to see in ads and how they react after the ads are developed. As with product-oriented advertising, this method has limitations, although it does allow for some effective measurements.

While the effectiveness of corporate advertising has been measured by some of the methods used to measure product-specific advertising, research in this area has not kept pace with that of the consumer market. (One study reported that only 35 of the Fortune 500 companies ever attempted to measure performance of their annual reports.<sup>48</sup> The most commonly offered reason for this lack of effort is that corporate ads are often the responsibility of those in the highest management positions in the firm, and these parties do not wish to be held accountable. Interestingly, those who should be most concerned with accountability are the most likely to shun this responsibility!

## Summary

This chapter examined the role of the promotional elements of public relations, publicity, and corporate advertising. We noted that these areas are all significant to the marketing and communications effort and are usually considered differently from the other promotional elements. The reasons for this special treatment stem from the facts that (1) they are typically not designed to promote a specific product or service and (2) in many instances it is harder for the consumer to make the connection between the communication and its intent.

Public relations was shown to be useful in its traditional respon-

sibilities as well as in a more marketing-oriented role. In many firms, PR is a separate department operating independently of marketing; in others, it is considered a support system. Many large firms have an external public relations agency, just as they have an outside ad agency.

In the case of publicity, another factor enters the equation: lack of control over the communication the public will receive. In public relations and corporate advertising, the organization remains the source and retains much more control. Publicity often takes more of a reactive than a proactive approach, yet it may be more instrumental (or detri-

mental) to the success of a product or organization than all other forms of promotion combined.

While not all publicity can be managed, the marketer must nevertheless recognize its potential impact. Press releases and the management of information are just two of the factors under the company's control. Proper reaction and a strategy to deal with uncontrollable events are also responsibilities.

Corporate advertising was described as controversial, largely because the source of the message is top management, so the rules for other advertising and promoting forms are often not applied. This

element of communication definitely has its place in the promotional mix. But to be effective, it must be used with each of the other elements, with specific communications objectives in mind.

Finally, we noted that measures of evaluation and control are

required for each of these program elements, just as they are for all others in the promotional mix. We presented some methods for taking such measurements and some evidence showing why it is important to use them. As long as the elements of public relations, pub-

licity, and corporate advertising are considered integral components of the overall communications strategy, they must respect the same rules as the other promotional mix elements to ensure success.

## Key Terms

public relations, 564

marketing public

relations (MPR), 566

internal audiences, 569

external audiences, 569

press release, 573

press conference, 574

exclusive, 574

team approach, 579

internal audits, 579

external audits, 579

publicity, 579

video news release (VNR),

581

corporate advertising, 583

image advertising, 585

event sponsorships, 588

advocacy advertising, 590

cause-related marketing,

590

## Discussion Questions

1. The lead-in to the chapter discusses a new book that argues that public relations should replace advertising as the primary means of introducing new products. Explain arguments in favor and opposed to this position. What do you conclude?

2. A number of companies have experienced public relations problems resulting from product recalls, product failures, etc. Describe some of the steps companies can take to minimize the impact of this negative publicity.

3. Describe some of the criteria used by companies to measure effectiveness of the public relations program. Provide examples.

4. Explain why public relations and publicity may have more impact on the consumer than other IMC program elements (for example, advertising, direct marketing, etc.). Provide case examples.

5. The text describes various forms of corporate advertising. Find examples of each type and discuss whether the company has effectively employed this form.

6. Discuss the advantages that the Internet offers for those responsible for conducting public relations activities. Describe how these activities are different than traditional methods.

7. Discuss some of the advantages associated with the use of

MPRs. What are some of the disadvantages?

8. Explain why traditional public relations practitioners might be unhappy with the organization's use of MPRs. Take a position as to whether this criticism is justified.

9. List and describe the advantages and disadvantages of the use of public relations in an IMC program. Provide an example of an appropriate use of public relations in this mix.

10. What is a video news release (VNR)? Provide an example of a situation in which a company might employ the use of a VNR. Discuss some of the ethical implications (if any) in using this tool.



# Personal Selling

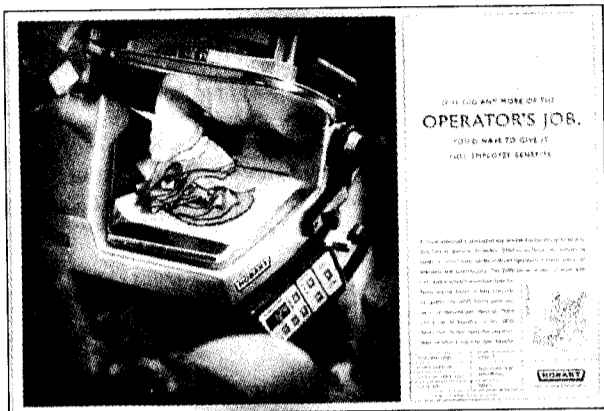
## 18

### Chapter Objectives

1. To understand the role of personal selling in the integrated marketing communications program.
2. To know the advantages and disadvantages of personal selling as a promotional program element.
3. To understand how personal selling is combined with other elements in an IMC program.
4. To know ways to determine the effectiveness of the personal selling effort.

# Motivating the Sales Force—Not an Easy Task

Regardless of how good one's advertising, public relations, and other IMC programs are, for many companies, it is the sales force that is called on to close the deal—particularly those in the business-to-business market. As you might imagine, there is always a need for good salespeople, and companies do whatever they can to attract and



retain them and to motivate them to continue to do good work—regardless of the industry.

As the business environment changes, so too do the needs and wants of the sales force. In the past, when the salesman was the breadwinner, money worked well. By providing the sales force with the opportunity to earn more money by working harder, motivation was easily achieved. But now, times have changed. Dual-worker families, more emphasis on lifestyles, and more opportunities are just some of the factors that are resulting in more diversified salespeople and that explain why money in and of itself doesn't cut it like it used to. So companies have explored a number of options, as seen in the following examples:

- *Jupiter Media Metrix.* As the competition between Jupiter and its number-one rival

Forrester Research (both provide Internet research services) intensified, Forrester hung a sign in its headquarters' office inspiring employees to "Beat Jupiter." In response, Jupiter initiated a motivation of its own: leather boxing gloves in the lobby showcase of its New York offices. Each quarter, the sales rep who "scores the biggest knockout" against rival Forrester gets to autograph the gloves.

- *Hobart.* The Ohio-based commercial food manufacturer—whose equipment is in the White House—outfitted the White House cafeteria on the TV show *West Wing* with its equipment. The product placement was well received by the sales force, but to add even more to the punch, the national sales force meeting was held in Hollywood and top-performing salespeople got to tour the set and meet actor Martin Sheen. As noted by Dean Landeche, vice president of marketing for Hobart, "It became the buzz around our campus for quite some time."
- *Guardian Life Insurance.* Among the hardest groups to motivate are the sales forces of insurance companies. As noted by one ex-agent, "The industry is unique in a sense in that we are working with unmotivated buyers—people who have a need for what an agent sells, but do not believe they need to buy it yet. We all deny we are going to die." Keeping salespeople motivated is critical, and companies have taken various approaches. Guardian Life Insurance has created an online "university," available 24 hours a day, to provide its sales force with desired

training. The company also holds regional motivational sales meetings and provides access to outside motivation sources. Sales reps demand, and receive, constantly updated information on “hot topics” to keep them as aware of trends as their increasingly sophisticated clients are.

Other companies have come up with their own incentives, ranging from money to trips to trophies. Mark McMaster, writing in *Sales & Marketing Management* magazine, suggests 51 possibilities, including:

- Have each salesperson bring a joke to the sales meeting.
- Hold a meeting where the only agenda item is popcorn.

- Rent a Porsche Boxster for use by the top performer for the weekend.
- Adopt an animal at the zoo and name it after the top achiever.
- Bring in a comedian for a 7 A.M. sales meeting.

McMaster provides another 46 possibilities, including playing games of tag, providing hotel upgrades, and encouraging practical jokes in the office. Interestingly, none of these include paying more money. Maybe money just doesn't motivate people anymore!

Sources: Mark McMaster, “51 Ways to Motivate Your Sales Force (on Any Budget),” *Sales & Marketing Management*, March 2002, pp. 30–31; Dana James, “Something in Common,” *Marketing News*, May 27, 2002, pp. 11–14; Eileen Courter, “Keeping Your Sales Force Happy,” *Advisor Today*, October 2001, pp. 50–58; Laurie Luczak, “Sock It to ‘Em,” *Sales & Marketing Management*, October 2001, pp. 57–64.

## The Scope of Personal Selling

The chapter opener demonstrates just a few of the ways organizations attempt to motivate salespeople and illustrates how they are integrating the personal selling function into the overall marketing communications program through the use of product placements, sales promotions, and other IMC tools. The changing marketplace has had a significant impact on how personal selling activities are conducted and how successful firms will compete in the future. In Chapter 1, we stated that while we recognize the importance of personal selling and the role it plays in the overall marketing and promotions effort, it is not emphasized in this text. Personal selling is typically under the control of the sales manager, not the advertising and promotions department. A study conducted by *Sales & Marketing Management* showed that in 46 percent of the companies surveyed, sales and marketing are totally separate departments.<sup>1</sup> But personal selling does make a valuable contribution to the promotional program. As you can see by the introduction to this chapter, additional IMC tools are used in conjunction with personal selling, with the salespeople themselves often the receivers. To develop a promotional plan effectively, a firm must integrate the roles and responsibilities of its sales force into the communications program. Strong cooperation between the departments is also necessary.

This chapter focuses on the role personal selling assumes in the IMC program, the advantages and disadvantages of this program element, and the basis for evaluating its contributions to attaining communications objectives. In addition, we explore how personal selling is combined with other program elements, both to support them and to receive support from them.

**Personal selling** involves selling through a person-to-person communications process. The emphasis placed on personal selling varies from firm to firm depending on a variety of factors, including the nature of the product or service being marketed, size of the organization, and type of industry. Personal selling often plays the dominant role in industrial firms, while in other firms, such as makers of low-priced consumer nondurable goods, its role is minimized. In many industries, these roles are changing to a more balanced use of promotional program elements. In an integrated marketing communications program, personal selling is a partner with, not a substitute for, the other promotional mix elements.

Manufacturers may promote their products *directly* to consumers through advertising and promotions and/or direct-marketing efforts or *indirectly* through resellers and salespeople. (A sales force may call on customers directly—for example, in the insurance industry or real estate. But this chapter focuses on the personal selling function as it exists in most large corporations or smaller companies—that is, as a link to resellers or dealers in business-to-business transactions.) Depending on the role defined by the organization, the responsibilities and specific tasks of salespeople may differ, but ultimately these tasks are designed to help attain communications and marketing objectives.

Personal selling differs from the other forms of communication presented thus far in that messages flow from a sender (or group of senders) to a receiver (or group of receivers) directly (usually face to face). This *direct* and *interpersonal communication* lets the sender immediately receive and evaluate feedback from the receiver. This communications process, known as **dyadic communication** (between two people or groups), allows for more specific tailoring of the message and more personal communications than do many of the other media discussed. The message can be changed to address the receiver's specific needs and wants.

In some situations, this ability to focus on specific problems is mandatory; a standard communication would not suffice. Consider an industrial buying situation in which the salesperson is an engineer. To promote the company's products and/or services, the salesperson must understand the client's specific needs. This may mean understanding the tensile strength of materials or being able to read blueprints or plans to understand the requirements. Or say a salesperson represents a computer graphics firm. Part of his or her responsibility for making a sale may involve the design of a software program to solve a problem unique to this customer. Mass communications cannot accomplish these tasks. Personal selling plays a critical role not just in industrial settings but in the consumer market as well.

The great entrepreneur Marshall Field said, "The distance between the salesperson and the potential buyer is the most important three feet in business."<sup>2</sup> Personal selling is important in selling to consumers and resellers. Consumer-product companies must secure distribution, motivate resellers to stock and promote the product, and so on.

Why is personal selling so important? Let's examine its role with respect to other promotional program elements.

## Determining the Role of Personal Selling

The first questions a manager needs to ask when preparing the promotional program are what the specific responsibilities of personal selling will be and what role it will assume relative to the other promotional mix elements. To determine its role, management should be guided by four questions:

1. What specific information must be exchanged between the firm and potential customers?
2. What are the alternative ways to carry out these communications objectives?
3. How effective is each alternative in carrying out the needed exchange?
4. How cost effective is each alternative?<sup>3</sup>
  - *Determining the information to be exchanged.* In keeping with the objectives established by the communications models in Chapter 5, the salesperson may have a variety of messages to communicate, such as creating awareness of the product or service offering, demonstrating product benefits for evaluation, initiating trial, and/or closing the sale. It may also be necessary to answer questions, counter misconceptions, and discover potentially unmet needs.
  - *Examining promotional mix alternatives.* In previous chapters, we discussed the roles of advertising and sales promotion, direct marketing, and public relations/publicity. Each of these program elements offers specific advantages and disadvantages, and each needs to be considered when the promotional mix is developed. Personal selling is an alternative that offers distinct

**Figure 18-1** When the sales force is a major part of the IMC mix

Product or Service	Channels
Complex products requiring customer application assistance (computers, pollution control system, steam turbines)	Channel system relatively short and direct to end users Product and service training and assistance needed by channel intermediaries
Major purchase decisions, such as food items purchased by supermarket chains	Personal selling needed to push product through channel Channel intermediaries available to perform personal selling function for supplier with limited resources and experience (brokers or manufacturer's agents)
Features and performance of the product requiring personal demonstration and trial by the customer (private aircraft)	
Price	Advertising
Final price is negotiated between buyer and seller (appliances, cars, real estate)	Advertising media do not provide effective link with market targets
Selling price or quality purchased enables an adequate margin to support selling expenses (traditional department store compared to discount house)	Information needed by buyer cannot be provided entirely through advertising and sales promotion (life insurance) Number and dispersion of customers will not enable acceptable advertising economies

advantages in some situations but is less appropriate in others, as evidenced in Figure 18-1.

- *Evaluating the relative effectiveness of alternatives.* The effectiveness of each program element must be evaluated based on the target market and the objectives sought. Personal selling is effective in many situations, but other program elements may be more attractive in other cases. For example, advertising may do a better job of repeating messages or reaching a large number of people with one distinct, consistent message.
- *Determining cost effectiveness.* One of the major disadvantages of personal selling is the cost involved. (Cahners Research estimates the average cost per sales call could be as high as \$329.)<sup>4</sup> While the cost of a personal sales call may not be prohibitive in industrial settings where a single purchase can be worth millions of dollars, the same cost may be unfeasible in a consumer market. Other media may be able to communicate the required message at a much lower cost.

## The Nature of Personal Selling

To integrate the personal selling effort into the overall promotional program, we must understand the nature of this tool. Let us look at how personal selling has evolved over the years and then examine some of its characteristics.

The personal selling task encompasses a variety of responsibilities (some of which we discuss in the next section). Like other aspects of the promotional mix, these responsibilities are constantly changing. As noted by Thomas Wotruba, the personal selling area is constantly evolving as the marketing environment itself evolves.<sup>5</sup> Wotruba identifies five distinct stages of personal selling evolution, shown in Figure 18-2.

1. **Provider stage.** Selling activities are limited to accepting orders for the supplier's available offering and conveying it to the buyer.
2. **Persuader stage.** Selling involves an attempt to persuade market members to buy the supplier's offerings.
3. **Prospector stage.** Activities include seeking out selected buyers who are perceived to have a need for the offering as well as the resources and authority to buy it.