

CHAPTER 7

PROMOTIONAL MANAGEMENT

Topics:

- A. Promotional Objectives
- B. Communication Process
- C. AIDA Model
- D. Diffusion Process (Adoption Curve)
- E. Communication Channels
- F. Communication Content and Structure
- G. Personal Selling (Dyadic Interaction)
- H. Sales Force Decisions
- I. Advertising Management Decisions
- J. Legal Aspects of Promotion

A. PROMOTIONAL OBJECTIVES

Topics:

1. Definition of Promotion
2. Function of Promotion
3. Objectives of Promotion

(1) Definition of Promotion

Definition of Promotion: *How* a marketer communicates *what* has to be communicated.

Specifically, promotion involves any identifiable effort on the part of the marketer to persuade consumers to *accept* the marketer's information and to store it in *retrievable* form. Since most customers do not and are not expected to act immediately on information received from a marketer, it is essential that the consumer accept the presented information, store it in memory until needed and to be able to retrieve the information from memory when the specific need arises.

The *How* of promotion is accomplished by using:

- Advertising
- Personal Selling
- Sales Promotion

- **Publicity**

Advertising: Impersonal mass communication (television, radio, magazine advertisements).

Personal Selling: Dyadic interaction - personal interaction between salesperson and customer.

Sales Promotion: Other forms of nonpersonal communication generally used on a non-regular basis (coupons, contests, sweepstakes).

Publicity: Positive or negative communication that may or may not be controlled by the marketer. Press releases by the company about its new products are controlled. Media stories about the company or its products are not controlled (e.g., tampered Tylenol, New Coke, Tickle Me Elmo).

The *What* of promotion involves communicating something about the other components of the marketing strategy.

- Target Market
- Marketing Mix (product, price, place, promotion)

Ads may portray the typical user of the advertised product in the ad and present information about the product, price, and sources of availability.

(2) Function of Promotion

The function of promotion is to *catalyze* transactions. If the promotional effort is successful, a transaction will take place which would not otherwise have occurred. [A catalyst gets something to occur, but does not change itself.]

If consumers would buy a given product or brand or shop at a particular store without any promotion, then there would be no need for promotion designed to accomplish this outcome.

(3) Objectives of Promotion

The objectives of promotion can be analyzed from three perspectives. At one level, promotion is designed to accomplish the following:

1. Reinforce present attitudes of target market.
2. Change attitudes or behavior of the target market

Marketers seek to keep current users of their market offering current users. Many advertisements are therefore designed to reinforce the present behavior and positive attitudes of these users.

Marketers also try to change the attitudes and/or behavior of nonusers within their target market (e.g., users of competitor offerings). Changing attitudes may involve changing beliefs and/or importance scores that make up the attitudes. Such change may then lead to a change in behavior.

Achieving a behavior change may also be possible without first changing attitudes. Once this behavioral change occurs, a change in attitude may then result so that the new behavior will be repeated.

From a **second** perspective, promotion is designed to accomplish the following objectives:

1. Inform
2. Persuade
3. Remind

An promotional effort may *inform* the target market about the important dimensions (a, scores) of the product and provide attribute information so that the consumer can form beliefs (b, scores) about the market offering.

An promotional effort may try *to persuade* the target market by reinforcing the consumer's attitude and/or behavior or by trying to get the consumer **to form** a given attitude or to carry out a particular behavior.

Finally, a promotional effort may just seek to *remind* the target market about the marketer's market offering. The efforts in this area can focus on the overall attitude or the components of an attitude.

The **third perspective** for the analysis of the objectives of promotion focuses on the nature of demand for the market offering. Demand can generally be increased by lowering the price of the market offering. However, the marketer can use promotion to *desensitize* customers to price by focusing on *non-price competition*.

Promotion can be used make the demand curve more inelastic so that the firm can sell the same number of units at a higher price. Giving the consumer reasons other than price for buying the product is the basis for this approach (e.g., higher quality, image). See Figure 9.1.1.

A marketer may also try to shift the demand curve to the right so that the marketer can sell more at the same price (i.e., no need to lower price to increase demand). See Figure 9.1.2.

Finally, a marketer may try to use promotion to make its demand curve less elastic as well as shift it to the right at the same time. In this way, the marketer seeks to sell more at a higher price. See Figure 9.1.3.

The three situations described under the third perspective are illustrated in Figure 9.1

Figure 9. 1.1

Make demand curve more inelastic. Make consumer less price sensitive. Sell same amount at higher price.

Figure 9. 1.2

Shift demand curve to the right. Sell more at the same price (i.e., no need to lower price to increase demand).

Figure 9. 1.3

Combination of the first two approaches. Increase price and sell more.

B. COMMUNICATION PROCESS

The communication process is described in Figure 9.2. The communication moves from the source to the receiver through the identified stages. Throughout the process, noise can interfere with the communication.

Figure 9.2, The Communication Process

In order for communication to take place the encoding and the decoding processes must be carried out correctly. If the encoding is correct but the decoding is incorrect, communication does not occur. Similarly, if the encoding is incorrect but the decoding is correct, communication does not take place.

Source: The creator and sender of the communication.

Encoding: Translating what has to be communicated. To communicate danger, the source can use the word danger, the color red, or a loud siren.

Message Channel: The vehicle used to transmit the communication. The directly spoken word, radio, television, print media can all be used to transmit a communication.

Decoding; Translating what was communicated. Hearing the word danger, seeing the color red, or hearing a loud siren must be assigned the correct meaning.

Receiver: The recipient of the communication.

Noise: Anything that interferes with the communication process. Noise can be one's past attitude or experience or actual noise. An uncontrolled vertical hold, static on the radio, or a barking dog during a television commercial can all interfere with the communication process.

There must also be a common field of experience for the source and receiver. In order for communication to take place, words and symbols must have the same meaning for both parties. This commonality is illustrated in Figure 9.3. For example, a French speaking person finds it difficult to communicate to an English speaking person, if neither party understands the other's language. Figure 9.3 illustrates this aspect of commonality.

Figure 9.3. Common Field of Experience

C. AIDA MODEL

The AIDA model identifies the four stages through which a communication is designed to move a consumer with respect to the eventual purchase of a product. Stages:

- Attention
- Interest
- Desire
- Action

Attention: Consumer is aware of communication for market offering.

Interest: Consumer focuses on communication for market offering.

Desire: Consumer's desire for market offering is heightened or aroused.

Action: to acquire market offering.

The stages of the promotion-oriented *AIDA model* can be linked to the stages of the consumer-oriented *adoption process*.

| Adoption Process consumer/product-oriented | AIDA Model promotion-oriented |
|---|--|
| Awareness | Attention (get) |
| Interest | Interest (hold) |
| Evaluation | Desire (arouse) |
| Trial | Action (obtain) |
| Decision | |
| Confirmation | |

D. DIFFUSION PROCESS (ADOPTION CURVE)

The diffusion process is also known as the adoption curve. The diffusion process identifies the sequence of groups which decide to purchase (adopt) a specific product as the product diffuses (penetrates) through the market.

Marketers want to study this concept since the different groups seek product information from different sources. It is therefore prudent for the marketer to identify each group so that effective communication can take place.

Adopter Groups:

- Innovators
- Early Adopters
- Early Majority
- Late Majority Laggards

The adopter groups refer to those consumers who have acquired the product, Nonadopters are not included.

Diffusion Process Categories

| Group | % of Market | Sources of Information |
|----------------|-------------|--|
| Innovators | 2.5% | Scientific sources, press releases, other innovators |
| Early Adopters | 13.5% | Advertising, retail salespeople |
| Early Majority | 34% | Early adopters, advertising, retail salespeople |
| Late Majority | 34% | Advertising, retail salespeople |
| Laggards | 16% | Other laggards |

The group percentages reflect a conceptual distribution which reflects the area under a normal curve (1 and 2 standard deviations from the mean).

The critical group for a marketer is the *early adopter* group. It is this group that serves as the *opinion leaders* for the larger *early majority* group. The innovators are not opinion leaders.

E. COMMUNICATION CHANNELS

Types of Channels:

- Horizontal
- Vertical
- Formal
- Informal

Horizontal: Communication involving individuals at the same social level.

Vertical: Communication involving individuals at different social levels.

Formal: The original communicator can control what is being

communicated.

Informal: The original communicator cannot control what is being communicated.

Communication Channels

| | Formal | Informal |
|------------|---|--|
| Horizontal | Communication involving entities at same social level and original communicator controls what is being communicated. | Communication involving entities at same social level and original communicator cannot control what is being communicated. |
| Vertical | Communication involving entities at different social levels and original communicator can control what is being communicated. | Communication involving entities at different social levels and original communicator cannot control what is being communicated. |

Examples:

Horizontal/Formal: Two manufacturers discussing their new products with each other at a trade show.

Horizontal/Informal: Two consumers talking to one another about the merits of a new brand of toothpaste. Two cats talking to one another about the merits of Meow Cat mix.

Vertical/Formal: A television advertisement for Coca Cola. A newspaper advertisement for a seat sale by Northwest Airlines.

Vertical/Informal: A Ford dealer's salesman giving his views about a new General Motors automobile to a consumer.

F. COMMUNICATION CONTENT AND STRUCTURE

Topics:

1. Immunization (Inoculation) Effect
2. Sleeper Effect

(1) Immunization Effect

The *immunization effect* focuses on the structure of the message. In particular, the concern is whether the marketer should develop a one-sided or two-sided message.

A *one-sided message* only present positive statements about the market offering. A *two-sided message* presents both positive and negative statements about the market offering.

All products have good (positive) and bad (negative) characteristics (e.g., higher quality products cost more). The decision that the marketer must make is whether to develop a one-sided or two-sided communication. In most cases, a one-sided communication is developed.

If the marketer expects the competition to attack the negative features of a particular market offering, then a two-sided communication should be developed. By giving some attention to the negative features of the market offering, purchases will be immunized against later attack on these negative features by the competition. L'Oreal ads indicate that the product may cost more, but concludes with the words, "...but I'm worth it." As a result, if the competition attacks L'Oreal on its price, the ad will not be very effective since L'Oreal purchasers knew this fact before the purchase and would have concluded that they are worth the extra cost. Thus, L'Oreal purchasers have been *immunized* from later attack by the competition.

This effect may also explain why health warnings on cigarette packages and in advertisements in Canada and the U.S. are not very effective with respect to smokers. Smokers have, in some way, rationalized that they are immune to health Concerns.

A consumer who has not been inoculated with respect to the negative features of a product will be more susceptible to later attempts at attitudinal or behavioral persuasion than those who have not faced such communications.

(2) Sleeper Effect

The *sleeper effect* focuses on the nature of the communicator in a communication rather than on the content or structure of the communication. A communicator in an advertisement can be perceived in a positive, negative, or neutral way by the consumer. Obviously, marketers want to avoid negative communicators. Using a positive communicator, however, can be more expensive than using a neutral communicator.

If the person in an advertisement has no meaning to the consumer, then that spokesperson is considered to be a *neutral communicator*. If the consumer views the communicator in a negative way and is discouraged from purchasing the market offering, then the spokesperson is considered to be a *negative communicator* to this market. Finally, if the consumer views the communicator in a positive way and is more likely to be persuaded to make a purchase because of the presence of this spokesperson, then the communicator is considered to be a *positive communicator*.

Sports personalities and television and movie stars are often used as positive communicators (Candice Bergen, Bill Cosby, Wayne Gretzky). Unfortunately, such personalities do not come cheap. Furthermore, the marketer must be aware that a positive communicator can become a negative communicator (e.g., Ben Johnson, Pee Wee Herman, Michael Jackson, Anita Bryant, O.J. Simpson, Mike Tyson).

What the research shows is that, relative to a neutral communicator, a positive communicator will increase the acceptance of a communication and a negative communicator will decrease the acceptance of the communication. The positive communicator therefore has a *prestige effect* and the *negative communicator* has a negative effect.

Over time, if the communicator is not reinstated in the communication, there is a separation in the minds of the consumer between the communication and the communicator. As a result, the prestige effect will wear off and the negative effect will wear off. Thus, relative to the neutral situation, the acceptance level of the positive communicator situation will decrease and the acceptance level for the negative communicator situation will increase.

The wearing off of the prestige effect and the wearing off of the negative effect is what is referred to as the *sleeping effect*.

What this concept means is that, if a positive communicator eventually becomes a negative communicator in the eyes of the consumer, all the marketer needs to do is to no longer use the communicator in question in the advertisement. Over time, consumers will cease to disassociate the communicator and the market offering (e.g., O.J. Simpson and Hertz, Anita Bryant and the Florida Orange Growers).

G. PERSONAL SELLING (DYADIC INTERACTION)

A change agent can influence another individual using the following means:

- Force
- Patronage
- Attractiveness
 - Similarity
 - Physical similarity
 - Ideological similarity
 - Likeability
- Credibility
 - Technical Expertise
 - Trustworthiness

The salesperson is a change agent - attempting to persuade the customer to purchase from the represented company. Under normal business circumstances, *force* is not a viable option for the

salesperson - i.e., a salesperson cannot force a customer to make a purchase.

The salesperson uses patronage when he or she manipulates the terms of trade to persuade the customer to make a purchase. A lower price, a bonus product, free delivery, free credit, free units of the product for every nth product purchased are such examples. The car salesperson often uses patronage by offering a lower price to close a sale.

Attractiveness

There are two dimensions for the attractiveness component:

- Similarity
- Likeability

Furthermore, the similarity dimension consists of:

- Physical Similarity
- Ideological Similarity

Physical similarity focuses on the physical characteristics of the two interacting parties (i.e., the salesperson and the customer). Age, sex, race, height, and weight are some of the main physical characteristics that could be relevant to a selling situation.

Physical similarity is particularly important during the initial contact between the two parties. Customers tend to prefer to initially interact with salespeople who are physically similar to themselves. A male shopping for lingerie for Valentine's Day is not at ease approaching a female salesperson for help. A college student is more likely to interact with life insurance salesperson who is a recent college graduate than with an older salesperson. But why is it okay for a young male to purchase underwear in a store with elderly female clerks?

For long term interaction, *ideological similarity* is more important. A similarity in terms of attitudes, beliefs, and values will increase the likelihood of repeat interactions. The sales staff in a heavy metal record store is similar to its clientele. It would not be wise to hire an Anti-smoker to work in a cigar store or a member of the Women's Christian Temperance Movement to work in a liquor store.

Likeability refers to the extent to which the salesperson is looked upon in a favorable manner by the customer. The salesperson can increase the degree of likeability by supporting the self-image of the customer. This can be accomplished by evaluating the decisions by the customer in a positive way (e.g., that dress looks good on you!). [A salesperson should not treat customers like Al Bundy, the shoe salesperson, does in the *Married With Children* television show.] In the movie *Pretty Woman*, when Julia Roberts goes into the upscale fashion store initially, she is treated rudely - the sales clerks did not support her self-image.

Credibility

The credibility component consists of:

- Technical Expertise
- Trustworthiness

Technical expertise refers to the level of product knowledge of the salesperson. *Trustworthiness* focuses more on the intangible aspects of the sale - i.e., those aspects that the customer cannot immediately evaluate (e.g., future delivery date, whether the product will shrink if washed).

Overall, being more positive on each of the components and dimensions identified in the Dyadic Interaction model will make the salesperson more effective during the selling process.

H. SALES FORCE DECISIONS

- Company Sales Force vs. Independent Agents
- Compensation Plan
 - Straight Salary
 - Straight Commission
 - Combination Salary/Commission Plan
- Sales Force Size

Company Sales Force vs. Independent Agents

The marketer can decide to use its own sales force or to higher independent sales agents. The latter are compensated based on straight commission. The indifference point in sales can be determined when comparing the two approaches.

Compensation Plan

The marketer can pay the sales force a straight salary, a straight commission, or a combination salary/commission. The selected approach is a function of sales force motivation and the tasks to be accomplished. An indifference point in sales can be determined when comparing the straight salary and the straight commission rate approaches.

Straight Salary: Salespeople receive a fixed amount per time period, regardless of the level of sales.

Straight Commission: Salespeople receive a percent age of sales as compensation.

Combination Salary/Commission: Salespeople receive a fixed amount per time period plus a

percentage of sales as compensation.

Sales Force Size

Sales force size is a function of the tasks to be accomplished,,
the time available for the different tasks per salesperson.

I. ADVERTISING MANAGEMENT DECISIONS

- Cost Per Thousand (CPM) Approach
- Milline Rate Approach
- Marginal Analysis Approach

See Marketing Mathematics for these techniques.

Cost Per Thousand (CPM) Approach:

Milline Approach:

Marginal Analysis Approach:

J. LEGAL ASPECTS OF PROMOTION

Proportionate Terms for Allowances

Misleading Advertising

Testimonials

Pyramid Selling

Referral Selling

Bait and Switch

Sale Above Advertised Price

Promotional Contests

Proportionate Terms for Allowances:

Misleading Advertising:

Testimonials;

Pyramid Selling:

Referral Selling:

Marketing Mentor - A Primer for Introductory Marketing - Promotion - Draft

Bait & Switch:

Sale Above Advertised Price:

Contests: