Sales And Promotions Management

DMGT507

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UNIVERSITY

SALES AND
PROMOTIONS MANAGEMENT

SYLLABUS

Sales and Promotions Management

Objectives: The course aims at developing sales management skills. Moreover the course aims to develop a strong foundation of concepts of IMC so that they will be able to apply these concepts in the industry.

S. No	Description
1.	Sales management and control, Buyer seller dyads, Diversity of personal selling situations, AIDAS theory of selling, Selling process.
2.	Recruiting and Selecting sales personnel, Executing and evaluating sales training program.
3.	Motivating and compensating sales personnel
4.	Sales meetings and sales contests, The sales budget
5.	Types of sales quota and Quota setting procedure, Sales territory concept, Reasons and Procedures for setting up and revising sales territories, Assignment of sales personnel to territories and routing and scheduling of sales personnel.
6.	Integrated Marketing Communication, Advertising Strategy: Fundamentals of an advertising campaign, Finding the Big Idea, Creative execution in advertising
7.	Sales promotion: Types of sales promotions, budget allocation, designing sales promotion program.
8.	Direct marketing, Public relations, Publicity and Corporate Advertising.
9.	The Print Media, The Broadcast Media, Out of home media, Steps involved in media planning
10.	DAGMAR approach to setting objectives and measuring advertising effectiveness.

CONTENTS

Unit 1: Introduction to Sales Management

Objectives

After studying this unit, you will be able to:

- State the concept of sales management and control

- Identify the relevance of buyer seller dyads

- Realise the diversity of personal selling situations

- Explain AIDAS theory of selling

- Discuss Selling Process

Introduction

Before the industrial revolution the marketing task was relatively simple because the economic scene was dominated by small scale enterprises. The only problem was to produce goods for consumers which were sold out without any difficulty. Selling the goods was no problem. In fact all phases of the business operations, including manufacturing and selling, were generally supervised by one individual and more attention was paid to manufacturing problems rather than the marketing problems.

The importance of marketing problems was realised only after the industrial revolution which started in England in 1760 and immediately thereafter in United States. The American Revolution necessitated the need for finding out untapped markets because the nearby markets were unable to absorb the increased quantities of manufactured goods. This gave a lot of importance to marketing activities. With the increase in production more land, labour and capital was required which gave rise to corporate form of organisations. There were bigger organisations which required more delegation of powers in manufacturing and administration. Thus the sales department was given importance and it became a separate functional department.

As the business activity became more complex and dynamic, the term "sales management" changed due to the changes in business operations. Earlier the sales management was solely concerned with the direction of the sales force personnel. However, at present the term "sales management" has a broader significance and includes all such marketing activities as advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising.

We can safely say that sales is the "cutting edge" of any business operations. It is that part of a company, however big or small, that meets the firm's customers, from whom the business is derived. The people, who are engaged in this activity, meet customers and get information about the products or services which are being sold and provide feedback to the firm. This information is then understood and interpreted by the firm and the firm reacts accordingly. It then translates the marketing plan into marketing performance and action. American Marketing Association has defined sales management as "the planning, direction and control of selling personnel including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to personnel sales force".

1.1 Overview of Sales Management

Managing the sales function is a critical skill for the success of distributors and manufacturers in the power transmission/motion control industry. Sales management entails:

1. Defining desired corporate results.

2. Working with business partners to ensure goals of both organizations complement one another.

3. Determining the specific activities required to achieve company and partner objectives.

4. Implementing a compensation plan that motivates salespeople to achieve corporate objectives.

5. Providing needed training and coaching to enable salespeople to meet their goals.

6. Establishing appropriate monitoring systems to ensure activities are taking place.

7. Measuring results.

Sales management is attainment of an organization's sales goals in an effective & efficient manner with the help of other management functions of planning, staffing, training, leading &

controlling organizational resources. Revenue, sales, and sources of funds fuel organizations and the management of that process is the most important function.

Sales Management, however, is concerned with the process of encouraging customers to exchange their funds for your services or goods. An essential sales leadership role is to establish a sense of purpose or vision and clear direction to get there. A key element of a business' strategic 12-month plan is to answer the question: "Where will all the sales come from?" The sales plan isn't a guesstimate. It takes its direction from the marketing strategy and is based on thorough research and a considered positioning of the company within the market place.

Sales planning involves predicting demand for the product and demand on the sales assets (machines, people, or a combination of both). Failure to plan always means lost sales. Planning insures that when a consumer wishes to purchase the product, the product is available, but it also means opportunities for additional sales are presented and the sales assets are available to exploit these opportunities. Planning should allow for meeting increasing customer demand for more products, services and/or customization as the business is growing, but also react quickly when demand decreases. Sales planning improves efficiency and decreases unfocused and uncoordinated activity within the sales process.

Sales goals are an essential tool. The goals can be very simple (sell so many orders of product A) or more involved, depending upon how involved the sales process is. Ideally, the sales goals should involve encouraging the sales process to be performed and not focus simply on the end result.

Example: If the sales process involves a walk-in customer, the sale is important, but the up-sell may be as important. Consequently, the sales goal would involve both metrics.

Sales tracking is an integral part of ongoing planning and development in sales management. Ideally, sales information should be gathered on the sales process and not on the end result. The fact that you sold ten widgets is valuable for accounting purposes, but the fact that so many were walk-ins, so many were out-bound phone sales, and so many were up-sells, and which sales person or asset did what, would be better information.

The most difficult part of tracking selling activities is ascertaining whether or not the activities can be tracked effectively and economically. In the end, management must have measurable methods of knowing if sales representatives are correctly engaging in the activities that produce revenue. This leads to three key metrics: the right activities, the right way, the right amount. An individual sale is a stepwise process and key activities, or "Transitional Milestones", must be achieved along the way. Sales Management must collect data on how the sales function as a whole, as well as individual sales personnel, are progressing through these "Transitional Milestones" to determine the likelihood of future revenue.

Software used for sales tracking should allow sales team leaders to control sales tasks completion by using reminders and notifications, highlighting overdue tasks, analyzing task history, as well as keep detailed information on customers and, as important, the people who didn't buy.

If your sales task management system is really great and duly implemented, the sales manager is informed about all details of your company's sales process in real time and know who does what, when, and how.

The sales reporting includes the key performance indicators of the sales force.

The Key Performance Indicators indicate whether or not the sales process is being operated effectively and achieves the results as set forth in sales planning. It should enable the sales managers to take timely corrective action deviate from projected values. It also allows senior management to evaluate the sales manager

More "results related" than "process related" are information regarding the sales funnel and the hit rate.

Sales reporting can provide metrics for sales management compensation. Rewarding the best managers without accurate and reliable sales reports is not objective.

Also, sales reports are made for internal use for top management. If other divisions' compensation plan depends on final results, it's needed to present results of sales department's work to other departments.

Finally, sales reports are required for investors, partners and government, so the sales management system should have advanced reporting capabilities to satisfy the needs of different stakeholders.

1.2 Sales Management and Control

Control is a function of every management to ensure that operations are being carried out as per the plan to achieve the objectives. Sales control ensures the achievement of personal selling objectives. Sales coordination is very essential to ensure proper conduct of sales operations by different functionaries in the field.

The sales manager's position in the company can be compared to the commander of an army unit on the war front; his success or failure will decide the fate of the war. The sales manager has to produce tangible results and for this to happen he has to have a clear view of his job responsibility. His position is unique in the sense that he represents the company in the market which treats him as the company. Sales control is the most important task for the sales department of a company. It is the control tool for ensuring that the marketing activities of a company are directed towards the marketing objectives.

Table 1.1: Types of Sales Control

	Type of Control	Prime Responsibility	Purpose of Control	Approaches
1	Annual plan control	Top level managers	To examine whether the planned results are being achieved	- Sales analysis - Market shares analysis - Marketing expenses to sales ratio
2	Profitability control	Sales controller	To examine where the company is making or losing money	Customer attitude Tracking profitability by - Product territory - Market share - Trade channel - Order size - Sales audit

Steps in Designing a Sales Control System

1. Objective setting
2. Designing different control levels
3. Designing a reporting system and a feedback system
4. Deciding tools and techniques of control
5. Variance analysis and reasons thereof

1.3 Buyer Seller Dyads

The interaction between a buyer and a seller comprises a buyer-seller dyad. It is the effectiveness of communication between the salesperson and the customer during the sales process decides the success of the sales call. The seller can interact with the buyer by using various techniques. The most important of them all, where both get an equal opportunity to express, is personal selling.

Personal selling can be defined as "The oral presentation of a company's products, or services to one or more prospective purchasers for the purpose of making a sale". It is the art of successfully persuading prospects or customers to buy products or services from which they can derive suitable benefit thereby increasing their total satisfaction, i.e., delight.

The terms personal selling and salesmanship have different meanings. Salesmanship is a seller initiated effort that provides prospective buyers with information and motivates them to make favourable decisions concerning the seller's product or services. Personal selling on the other hand is a two-way communication involving individual and social behaviour. It aims at bringing the right product to the right customer. It is used for creating product awareness, stimulating interest, developing brand preference, negotiating price, etc.

Example: Personal selling is used extensively in complex and highly technical products like computers, electronic typewriters, digital phones, microwaves, Aquaguard, remote controlled appliances, etc. It is used for selling to industrial consumers who may be having technical queries and want to purchase in bulk.

The increase in competition from foreign and domestic sources has increased the importance of personal selling.

The salesman acts as a catalyst and consultant to the customer by providing information and benefits of the products. He also works out the details, manner and timing of giving physical possession to the customer. Personal selling is basically used during the product launching stage when a firm cannot afford a large expenditure for advertising. Thus, personal selling is an integral part of communication mix. It becomes important because it educates the consumer and makes him understand the special functions and attributes of the product.

Personal selling is a tool for building up buyer's preference, conviction and action. The reason is that personal selling when compared with advertising, has three distinct benefits.

Personal Confrontation

Personal selling involves an alive, immediate and interactive relationship building between two or more persons. Each party is able to observe the other's needs and characteristics at close hand and make immediate adjustment.

Cultivation

Personal selling permits plenty of relationships to spring up, ranging from a matter-of-fact selling relationship to deep personal friendship. Effective sales representatives will normally keep their customers best interest at heart if they want to maintain long term relationship.

Response

Personal selling puts the buyer under some obligation for having listened to the sales talk. The buyer has the greater need to attend and respond, even if the response is a polite "thank you".

These distinctive qualities come at a cost. A sales force represents a greater long term cost commitment than advertising. Advertising can be turned on and off, but the size of sales force is much difficult to alter.

1.3.1 Advantages of Personal Selling

Following are the advantages of personal selling because of which it is the most commonly used promotion tool:

1. Ability to close sales.

2. Ability to hold customer attention.

3. Immediate feedback and two-way communication.

4. Presentation is tailored to individual needs.

5. Ability to target customer precisely.

6. Ability to cultivate relationship.

7. Ability to get immediate action.

1.3.2 Disadvantages of Personal Selling

Despite all these advantages of personal selling, it is not without disadvantages because of which sometimes companies may hesitate to adopt personal selling as a promotion tool.

1. High cost per contact.

2. Inability to reach some customers effectively.

1.3.3 New Approaches in Selling

Changes are taking place rapidly in selling and sales management. In order to bring down the cost of personal selling, companies are tying to tele marketing and other direct selling methods.

Buyers are becoming more sophisticated, knowledgeable and demanding. They want to deal with those people who have product knowledge and experience.

The intermediaries want help in determining inventory levels' preparing trade advertising and planning, displays and layouts. Customers want presentations based on facts, products and services that help them to solve their problem.

The Sales person just doing the talking and smiling is out of date. Therefore, the emphasis is on developmental roles, team selling, selling through computer and Market Information System (MIS) as well as on tele marketing. Today the demand is for those sales persons who are qualified, trained, capable to sell and can make long term problem solving relationship with the prospects. It requires the recognition of their service and rewarding them adequately for their efforts.

Direct Marketing

Direct marketing is an emerging form of distribution and promotion that combines elements of personal selling and advertising. It is an interactive communication. It is done by mail, telephone or by electronic media to establish direct relationship with customers. It can be done for specific and immediate action when desired. Currently communication and computer technology have come together to give birth to tele-marketing – a very powerful cost effective tool for business to reach target customers and business markets. The rapid growth of tele-marketing is the result

of its cost advantage. It delivers individual selling message to specific prospects at an affordable cost.

Direct marketing is targeted marketing. There is a measurable response and a feedback is built into every direct marketing activity.

Telemarketing

It emerged during the 1980's as the second major direct marketing technique. Marketers encouraged consumers to use toll free telephone numbers to purchase products in the comfort of their homes. Catalogue marketers, departmental and specialist stores, airlines, hotels, rental car companies and other travel agencies urged the consumers to call toll free numbers. These applications are known as inbound telemarketing.

Out-bound tele marketing is the second approach in telemarketing. This involves contacting buyers directly on phone for selling merchandise. Many banks use this approach to sell retirement accounts and financial products. Other major users of out-bound tele marketing are colleges, medical research organisations and other non-profit groups for soliciting contributions.

Caselet   **Nature's Essence Banks on Personal Selling**

When everybody is jumping onto the retail bandwagon, Delhi-based Nature's Essence, makers of personal care products, hopes to take on the biggies through what it believes is its strength – direct selling and personal reach.

It looks to cash in on the "beauty wave" that is spreading across the country, thanks to the mushrooming of salons in every nook and corner.

The 10-year-old company sells its range of value-for-money aromatherapy and herbal products, and other cosmetics for skin, hair and body care through 600 distributors, across 10,000 salons and an equal number of retail outlets (both kirana and organised stores).

Around 60 per cent of Nature Essence's revenue (₹ 30 crore) comes from salons, the company's biggest catchments area.

Says Mr Saurabh Nanda, Executive Director: "We have always believed in direct interface with salons to educate and create awareness about our products and concepts. Our strength is technical education and personal reach. We hope to take the salon count to 30,000 by the end of the financial year, especially in the B and C cities, and rural areas, which offer huge potential.

"The margins in the salon are higher than that in retail. Of course, retail too is catching up. We have been in retail only for the last two years and we hope to take the retail store count to 20,000 by the year-end."

Nature's Essence Range of Products

Nature's Essence is available in Big Bazaar, Apollo and Guardian Life Care pharmacies and Reliance Retail outlets. It is in talks with Subhiksha, Vishal Mega Mart, and Marks and Spencer too.

Contd...

> **Global Presence**
>
> Nature's Essence is also present globally in markets such as South Africa, Mauritius, Reunion Island and the Caribbean, where its products are primarily sold through direct selling in trade fairs, seminars and workshops, apart from a significant retail presence in the GCC countries. It is also sold under a private label in the US and Australia. In India too, the products are sold through television for a private label.
>
> The company plans to raise ₹ 100 crore in two years through an IPO to fund its retail expansion plan, said Mr Nanda. Nature's Essence is looking to set up its own exclusive boutiques that will not only sell products but also educate and train beauticians. It is also looking to enter the organic foods market soon. Immediate plans include introducing a premium product in the colour cosmetics category.
>
> Nature's Essence has a production unit in Haridwar and is setting up another unit in Uttaranchal. It is eyeing revenues of ₹ 100 crore in two years.

Source: thehindubusinessline.com

1.4 Diversities of Personal Selling Situations

The situation in which a salesperson approaches a prospective customer to make a sale is termed as a Selling Situation. All selling situations are not the same. There are two types of selling situations:

1.   Service Selling

2.   Developmental Selling

1.4.1 Service Selling

Salespersons in a bank often make sales calls to customers who may already be aware of the company's products. This type of selling is less complex as the customers already know the brand.

Example: A salesperson making a call from ICICI Bank is likely to face less difficulty, as it does not require convincing the customer about the company and about the value for money that the product offers.

So, service selling aims to obtain orders from existing customers whose habits and patterns of thought are already conducive to the products.

*Example: **Consider a scenario**:* Ram Mehta is a senior sales team leader at the XYZ branch of ABC Bank. He has been assigned the target of sourcing 20 savings account of the bank. His team comprises of four salespersons.

He divides his team into two groups. The first group is assigned the northern part of the city. They decide to approach customers who already have a savings account with the bank or had transactions with the bank in the past. During their conversation with customers, they are delighted when most of the customers reveal that they like banking with ABC Bank. This opportunity can be encashed by offering a savings account with a host of benefits for their spouses or kids who don't have a savings account. These salespersons realize that they don't need to convince this group about the quality of services offered at ABC Bank. Thus, the sales process is smooth and successful in most cases.

Service selling also includes sales of newer or enhanced versions of products offered by the company, salespersons still need to convince them regarding new product being offered.

1.4.2 Developmental Selling

Developmental selling aims at converting prospects into customers. It attempts to create customers out of people who may not, view the company products favourably, be unaware of the company's products, or are resistant to changing their present source of supply. It is relatively tougher than service selling. It requires a lot of convincing before a customer finally agrees to buy the product.

*Example: **Continuing with the above given scenario:*** The second team at ABC Bank is assigned the southern region of the city. They decide to contact customers who don't have any past experiences with the bank and are banking with other competing banks. The team is faced with the task of convincing prospective customers about the value for money of their product. One prospective customer, Shweta Sharma shows some inclination towards the deal. Shyam, the Group Leader, attempts to convince Shweta by conducting a detailed presentation about the bank's history, its services, its reputation in the market, the benefits of the account, happy experiences of the existing customers etc. and then following up rigorously. Shyam's efforts finally pay off and he makes a successful sale.

So the diverse nature of the situation is quite evident from the scenario. One developmental selling requires much more convincing and creativity on the part of the salesperson.
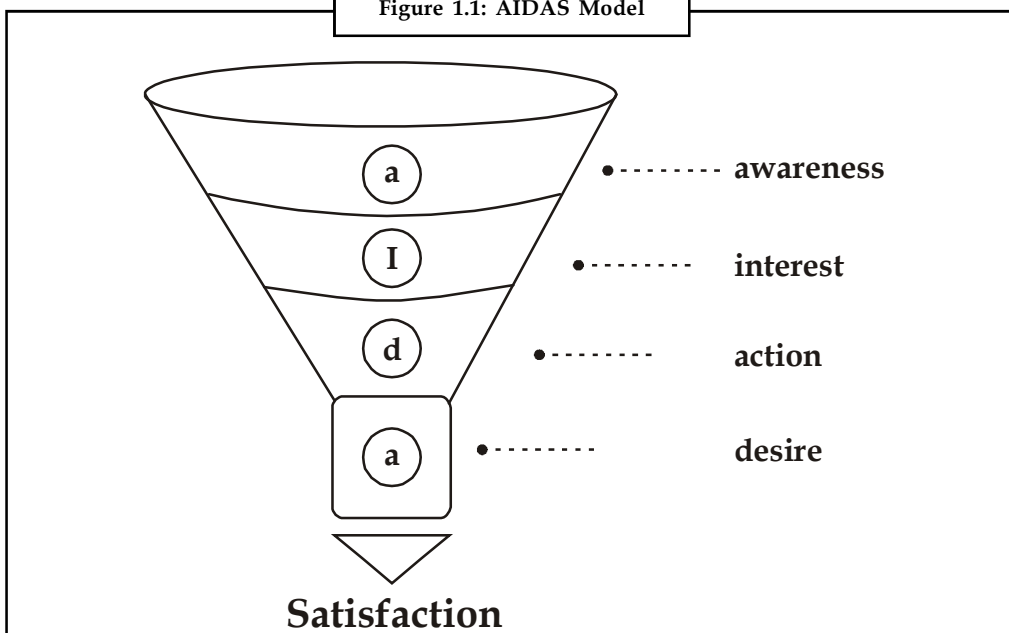
Task   Meet two salespersons from different fields and ask them what challenges they face in their job. Do they face similar challenges? Do they face any field specific challenges?

1.5 AIDAS Theory of Selling

Figure 1.1: AIDAS Model

Did u know? AIDA theory was developed by American advertising and sales pioneer, E. St. Elmo Lewis in 1898. He created his AIDA (Attention/Awareness, Interest, Desire and Action) funnel model on customer studies in the US life insurance market to explain the mechanisms of personal selling. Later evolutions of the theory have edited the AIDA steps and therefore, another step- satisfaction- has been added. Psychological writings of William James (original thinker in and between the disciplines of physiology, psychology and philosophy) also support this theory.

This theory is based on the premise that during a sales presentation, the prospect consciously goes through five different stages: Awareness/Attention, Interest, Desire, Action and Satisfaction. The details of five components of AIDAS theory are as follows.

Awareness/Attention

The salesperson should attract the prospect to his presentation before he actually goes into the details of the same.

1. This is to ensure that the prospect becomes receptive to the presentation.

2. Unless the salesperson involves the prospect's mind in the presentation, his total effort may go unnoticed or unregistered.

3. Drawing the prospect's attention, therefore, is tantamount to dissociating him from other assignments and involving him in the presentation, both physically and mentally, so as to gain maximum from the sales meeting.

Interest

The salesperson should ensure that the prospect remains glued to his presentation throughout its length and that he does not wander away from the same.

The salesperson should be make efforts to know the interests, likes, dislikes, attitude and motivation of the prospect and should proceed with the presentation, keeping in view all these factors.

Desire

The salesperson should consciously try to bring the prospect into this stage of readiness to the point of buying his product.

1. He should concentrate on projecting the benefits of his product to the prospect. He should go even to the extent of presenting benefits according to the motivation of the prospect. For example, if the prospect is motivated more by safety need, then an insurance salesman can put stress on the safety benefits provided by the insurance plans he is offering.

2. The salesperson should also be prepared to anticipate the resistance to his sales presentation in terms of objections or questions from the prospect.

3. Not only that, he should be prepared with several answers and explanations to the anticipated objections.

Action

Once the salesperson has been successful in taking his prospect through the three stages, as discussed above, he should induce the prospects into actually buying the product.

1. It would be interesting for us to understand that even after going through the three stages of attention, interest and desire, the prospect may still have some doubt or some inertia which will stop him from taking the final decision of actually buying the product.

2. Hence, it becomes an important task for the salesperson to help his prospect in taking the final decision.

Example: At times, we ourselves have also experienced that inertia, as a prospect. You might have liked the benefits offered by a Platinum Card of HDFC Bank as briefed to you during a sales presentation. The salesperson might have handled all of your objections quite satisfactorily. It is now up to you to take the final decision of buying the card. But we keep on thinking whether to go for the same or not. Try to recollect all the points put across by the salesperson. You may even consult your spouse or parents. Thus, you delay the purchase.

As we may observe, the salesperson tries to push us into a situation to take a decision. He offers us many incentives to take instant action. He should exercise all his skills and creativity to close the sale as soon as possible. This is what is expected of a salesperson in this stage.

Satisfaction

Once the prospect has placed an order, the salesperson ensures that the prospect carries the impression of having taken the right decision. He should always thank the prospect and even go to the extent of saying, "I appreciate your choice sir, you have taken an excellent decision".

1. The salesperson should also ensure that the delivery of the service takes place within the time frame and all other promises are kept, regarding freebies, discounts, etc.

2. Moreover, the salesperson should try to keep in touch with his prospect and should keep enquiring about the experience of the customer with the service.

1.6 Selling Process

Successful selling calls for an integrated approach devised from the experience of the sales personnel. The approach comprises of series of steps.

Figure 1.2: Selling Process

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        Prospecting
            │
        Pre-approach
            │
         Approach
            │
Presentation and Demonstration
            │
    Handling Objections
            │
         Closing
            │
        Follow-up
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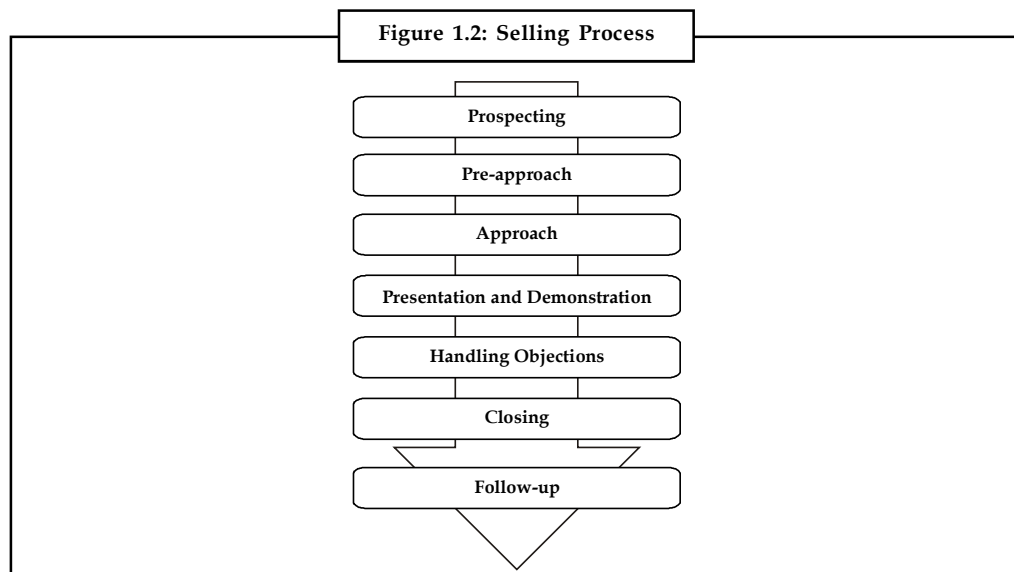
Each of these steps is further described in brief.

1.6.1 Prospecting

Prospecting is the process of identifying prospective buyers of the product. Prospects may be individuals or institutions. Hence, identifying the prospects and discovering newer customer needs and preferences is a part of prospecting. A prospect is qualified if he has the authority, need, ability and eligibility to buy.

Identification of prospects is a taxing job and every sales person should try to collect information about the potential customers from all available sources. Some of the sources and techniques employed for finding prospects are as follows:

Current Customers

The current satisfied customers act as one of the best source of prospective customers. Besides they are also easier to attract while selling additional goods and services.

Referrals of Satisfied Customers or Endless Chain

The satisfied customers act as a good source of referrals; sales persons ask the existing satisfied customers for names of relatives, friends or business associates who might need similar product or service. When the sales person contacts these prospects for sale they provide further information or referrals regarding more potential customers. Thus, the process continues and hence is called the 'Endless Chain'. Such a source has been employed for selling Reader's Digest.

Centre of Influence

This technique is based on referrals by a person, who has information about other people or an influence over them. Such a person can help a sales person to identify good prospects. Some of the categories of people to whom such persons belong are housewives, bankers, local politicians, etc.

Spotters/Sales Trainees

Sometimes a company employs sales trainees specifically for helping the sales persons identify the prospects. The sales trainees are referred to as 'spotters'. This greatly helps in reducing the time and effort required for qualifying a prospect by the sales person alone.

Cold Canvassing

This technique basically involves calling on a potential customer without any prior appointment. Here, the sales person just goes in and introduces himself to the prospect and inquires about the need of the product or service by the prospect. But this technique involves a lot of time and effort as a large number of calls do not materialise.

Directories

Directories are an abundant source of finding potential customers. Besides the regular telephone directories, membership directories of trade associations and professional societies or civic and social organisations are a good source for prospects.

1.6.2 Pre-approach

By this stage, the salesperson should know the prospect's likes and dislikes, his needs, preferences, habits, nature, behaviour, economic and social status etc. Based on all this information, the salesman has the necessary tools to plan his visit/interview with the prospect and can give an effective sales presentation. This kind of preparation to meet the prospect is called the pre-approach.

Significance of Pre-approach

The following factors describe the importance of the pre-approach method:

1. It is a method by which a salesman concentrates only on the prospects and not the suspects, thus saving his time and energy.

2. It helps a salesman gain all the possible information about the prospect before approaching him.

3. As the salesman has prior knowledge about the prospect, he is able to give a sales presentation more efficiently, effectively and with confidence.

4. The sales presentation is focused around the needs of the prospect and is short, meaningful and to the point.

Usage of Prospecting Time

Quality usage of prospecting time means that the sales force must plan its time in such a manner that maximum time is made available for those prospects who are likely to give a large volume of business to the company. It follows that the least time must be spent on activities that are required to support such objectives and devoting more time on significant prospects.

Example: Productive time which could otherwise be spent in meeting prospective clients is spent by the sales force in travelling, organizing the documentation, completing paper work and attending meetings.

With value time being spent in non-selling activities, the result is that, on an average, a salesman spends only one-third of his usage time in meeting prospects.

To avoid this wastage of time, the sales force has to be more organised and recognise key prospects who are more likely to give large volume of business to the company.

Example: The most important prospects or the key account holders are those who are likely to give a large volume of business to the company. Hence, such a segment should be categorised as grade A; on the same lines, those customers who would not give very much business to the company or those who are likely to deal with the company on a one time basis may be given grade B, and so on. Now, a bank salesperson, to utilize his time more productively and qualitatively, must spend most of his time in meeting and concentrating their efforts on grade A customers and then on other graded customers.

1.6.3 Approaching

In this stage the prospect and the salesperson come in contact with each other face to face. Here the salesman has an opportunity to understand and interact with the prospect in a better way.

Methods of Approach

No one method can be described as the best, since different methods are suitable for different prospects. It is, however, possible to start the approach with one method and end it with another.

1. *Cashing in on Brand Name or the Company's Reputation*: This is the commonest of all the methods.

   (a) The salesman here uses the influence of the brand name of his product or the reputation of his company to attract the attention of his prospect.

   (b) This method, however, is not suitable for lesser known firms or brands.

2. *Customer Benefit Approach:* In this approach the salesman arouses his prospect's interest by making the prospect realize that buying the product will definitely benefit him.

   (a) Statements such as "Would you like to cut down your credit card bills by 40%" or "Would you like to earn more interest on your savings" or "Would you be interested in a personal loan that is provided to you within 2 hours without much hassles" etc. will definitely arouse the curiosity of the prospect and develop an interest in learning more about the product.

3. *Innovative Product Opens the Door to the Salesman:* Under this approach, the product examined must be new in the market, better designed, unique, attractive and appealing to the customer.

   (a) When credit cards were launched in India, it generated a lot of curiosity.

4. *The Premium Approach:* Under this approach, salesmen generally give away small gifts or novelties to the prospect to draw attention to them and the product.

   (a) A Bank salesperson can offer free services like anytime credit card bill request service over phone, or upto 5% discount on usage of credit card. This method is generally popular with housewives.

5. *The Shock Approach:* Under this method, the salesman highlights rising crime rates, uncertainties, risks of old age etc. which forces the prospects into thinking about such factors.

   (a) This method is useful for products such as insurance, wealth management, savings account, locker facility etc.

6. *The Approach of 'Making the Prospect Feel Important':* The salesman should always remember that it is the prospect who has to make the buying decision.

   (a) Salespersons often use lines like, "you are our esteemed customer" or "we are happy to be associated with you" etc. to make the customers feel important.

7. *The Survey Approach:* Before approaching a prospect, the salesman must survey the needs and preferences of the prospect so as to give an effective presentation that is to the point and useful to the prospect.

   (a) This technique can be very useful in cases where the prospect is a corporation or high-net worth individual.

8. *Interactive Approach:* Under this approach, the salesman asks the prospect some questions and in this way interacts with him.

   (a) The questions should be specific, appropriate and match the requirements of the prospect.

(b)   This approach may also be combined with other approaches such as the Customer Benefit Approach and should arouse the prospect's curiosity.

The choice of approach depends on the type of service and the type of prospect.

1.6.4 Presentation and Demonstration

A good presentation is as important as a good product. The significance of a good presentation of the product can be gauged from the fact that many a time an attractively packed presentation is sufficient to sell the product.

On several occasions a customer goes to a bank to deposit money or make a draft but is attracted towards a banner on wall which is attractively displayed and mentions benefits of using that bank's credit card. This influences him to such an extent that he suddenly feels the need to buy that product and makes the purchase.

Notes   Essentially, a good presentation should fulfil the following requirements:

1.   Quick presentation creates a good impression in the mind of the customer as he feels that he is being dealt with promptly and this satisfies his feeling of self-importance.

2.   Attractively packaged, decorated and well-organised articles create a good impression in the mind of the prospect.

3.   The salesman should explain the product with its features and price advantage to the customer in simple and easy terms.

4.   The presentation can also be given through models, slides, pictures and videos to make the presentation interesting.

5.   An intelligent salesman should never compare his product with rival products. Under circumstances, he can stress on high points of his offering rather than pointing out the negatives of the rivals.

6.   It is very important that the customer be shown the kind of quality that he is looking for. Too many varieties will only confuse the customer, while too little does not help him make a choice.

7.   Half the battle is won, if the salesman is able to make the product appeal to the customer's senses. If the product appeals to the prospect, he will make a subconscious decision to own that product.

Demonstration is an exercise to prove the characteristics of the product. It highlights various attributes of the product such as utility, performance, service and quality. Demonstration happens mostly when the product is tangible.

However, in case of savings account the salesman can demonstrate the auxiliary services like net banking tools. During a sales presentation, the salesman describes the product to the prospect but it is only during the demonstration that the customer gets an opportunity to verify the facts about the product. Hence, demonstration is imperative and essential for a prospect to make a buying decision.

1.6.5 Handling Objections

Prospects usually show resistance against buying products by pointing out real or imaginary hurdles and by voicing objections. Objections, even if insincere, should be met with utmost courtesy. Problems may arise if the customer's needs are hidden. Thus, the sales person should try to understand what the customer's explicit needs are.

There are two major techniques of discovering hidden objectives. They are:

1. Keep the prospect talking

2. Use the insight gained by experience, i.e., the sales person should have extensive knowledge of their own products as well as those of competitors.

Prospects can raise many kinds of objection and salesperson should handle them effectively. Some ways to handle objections are given in Table 1.2.

Table 1.2: Customer Objections and Handling Techniques

Objection on Price	• Cheaper variations of the same products can be shown. • Cash memos of bills of previous customers can be shown or some discount can be offered as a last resort.
Objection on quality	• Reference of prominent customers may be given and the product be supplied in the right size, color etc. • Prominent features of the product may be compared and elaborated with other brands
Objection on after sales service	• Regular contact must be maintained with the customers after sales has occurred • Free service coupons can be given
Objection on payment	• The product can be offered on credit or on installments on verifying the identity of the customer. • Offer him various options of making payment
Objections on timings	• The salesman should use his intelligence and tact to convince the customer and persuade him to take a decision on the spot. • Offer incentives on 'on-spot' purchase

However the handling of objections is a very difficult job. If the customer is bent on postponing his decision it is very difficult for a salesman to make effective sales. A customer can walk out of the presentation or drop the call any time making excuses. Salesperson should try to avoid these situations.

1.6.6 The Close

This is the last stage and the most crucial stage for a salesman. The whole exercise becomes useless if the sale does not take place. The main aim of the close is to convince the prospect to sign the order form or to place an order immediately rather than in the future.

Table 1.3: Types of Close

Type of Close	
Action Close	Here the sales person takes an action that will complete the sale like negotiating for supplying financial assistance to the prospects.
Gift Close	The sales person provides an added incentive on immediately buying the product.

Contd...

Benefit Close	Here the sales person restates the benefits of the product in order to elicit a positive response from the prospect.
Direct Close	It is a simple technique and is most appropriate if the buyer is showing strong positive buying motives. The sales person gives a summary of the major points of the presentation and directly asks for the order.
Alternative Close	This technique provides the customer with alternatives with regard to the product like a black or red colored one or payment on cash or credit basis.
Objection Close	If an objection is the major hurdle in the way of making sales, the sales person should try to gain a commitment from the buyer that if the objection is removed he will buy the product.

The salesman should be alert and use his good judgment to spot an opportunity when he is in a position to close the sale.

1. This requires judging the mood, attitude and perception of the prospect.

2. Although this comes through experience and constant understanding of different types of prospects, the general rule remains that right from the start the salesman should be calm and should give due regard and importance to the views of the prospect.

3. It is also important that through proper planning, prospecting, presentation and demonstration the salesman should try to capture the attention of the prospect and not let the prospect change his mind.

After sales, he should follow up with calls and letters to ensure that the customer is satisfied.

1.6.7 Follow up

Post-purchase follow up is very important in building customer confidence and long-term relationship with the company. It is instrumental in management of key accounts in banks.

1. The salesperson contacts customer to learn if there are any problems and answers any questions that the customer does.

2. He also contacts customers regularly to ascertain that they are happy with their purchase and offered services.

3. Relationship selling not just focuses on selling the product but to understand changing customer needs, and solving their problems.

As long as both the customer and the seller are successful in achieving their goals, the relationship continues to prosper.

Task   Assume any of the following roles: salespersons from insurance sector or personal care sector or IT sector or healthcare industry. Prepare your standard sales pitch and deliver it before the class. Any one or two students can assume to be the customers. See how you would have to make prompt changes in your pitch according to customers.

Case Study ## P&G's New Sales and Distribution System in India

It is a subject that is being discussed in hushed tones inside every fast moving consumer goods (FMCG) company today. Project Golden Eye – the code name for Procter & Gamble's (P&G) latest initiative in rationalising its sales and distribution system – isn't exactly an eyewash.

On the contrary, it raises some fundamental questions about channel design and network strategy – issues which are agitating the minds of a great many FMCG companies.

For long, Hindustan Lever's famed distribution system was the only benchmark available. In other words, increased reach meant increased volumes. So the more the number of outlets you could bring under your distribution coverage, the better were your chances of hitting critical mass.

So, almost every year, every FMCG company prided itself on setting ambitious targets to expand its distribution cover, appoint new distributors and plumb for volume growth. For almost a decade, P&G too strained every sinew to match the Lever juggernaut. It pushed for growth not just in urban markets but also tried very hard to establish direct coverage of rural markets.

But in its quest for reach, P&G, like many other FMCG companies, overlooked one critical factor: the cost of extending distribution cover. After failing to aggressively challenge Lever in soaps and detergents, P&G has rewritten its focus areas: laundry (Ariel), sanitary napkin (Whisper) and Vicks. What's more, it has junked its original strategy of promoting top-end products.

While the process of redrawing the organisational boundaries was on, two things became apparent. One, 85 per cent of its sales came from the top 30 towns. Two, its current volumes did not justify a large distributor network. Even in a market like Mumbai, there were close to six distributors.

A large distributor network meant that no single distributor had large enough volumes to achieve an attractive return on investment. This resulted in each distributor trying to extend its reach to push up volumes. But with P&G's portfolio of high margin low volume products, merely extending reach only increased the cost of servicing, not the offtake per outlet.

Today, P&G is busy slashing its number of distributors down to one-tenth of its size and reworking the margin structure. This has sparked off a debate among marketers whether it makes business sense.

In many ways, P&G's initiative raise two clear issues. One, is a large direct distribution cover necessarily a strength for every market? Can an alternate model emerge in India which results in large cost savings and, yet, is also effective in meeting marketing objectives?

More, not Less

At the heart of P&G's new system is the implicit assumption that lower reach does not lead to significantly lower offtake. 'My marketing objectives tell me that our brands are over-distributed', explains a P&G manager. If sales analysis shows that 95 per cent of Ariel or Whisper sales comes from 70 per cent of the outlets, then it counts for very little if distribution cover is actually reduced.

Contd...

Given that the two prongs of FMCG distribution are cost and availability, P&G is likely to get a significant cost advantage, without losing out on availability, by cutting down on reach.

Apart from reducing costs by knocking down direct coverage, how does P&G hope to achieve significant cost saving in its supply chain? That's where P&G has started rationalising its distributors network. The intent: cut down the number of its distributors to about one-tenth of the current size. In Madhya Pradesh, for instance, P&G will now have just one distributor, who will operate like a super-stockist. "So if 5 distributors were handling ₹ 6 crore of business, now that entire business will be consolidated under one distributor," says a sales manager with Marico, who has been closely monitoring the new P&G system.

Earlier, since each distributor was working with small volumes, it wasn't economical for P&G to replenish them frequently. As a result, the average inventories lying with the distributor would be significantly high, forcing them to tread on the company's margins.

That is a dangerous loop for any distribution system; typically, channel design in any FMCG system is driven by distributor's economics. The key issue is: How effectively can you leverage your distribution? "For most companies, managing distributor inventory is not seen as critical to channel design. Primary sales is where companies hand off", explains a senior consultant. "So as long as the company has sold enough to the distributor, it is not interested", said he.

Now, a distributor evaluates a company on how it is faring largely on return of investment (ROI). Simply put, ROI, in a working capital intensive business, is the number of rotations (or the number of times that the distributor can turnover his investment in stocks) multiplied by the margin per rotation.

The consequences of ignoring distributor ROI can be disastrous. Take the recent example of a leading FMCG company which attempted to benchmark its distributor economics with Hindustan Lever. The findings were startling.

The distributor margin for the company was 6 per cent while it was 5 per cent for Levers. Distributor stock levels for this company was an average of 4 weeks, while for Lever it is 2 weeks. Assuming that the distributors gave no credit to the market, the company's distributor ended up rotating his stock 13 times (52 weeks over 4 weeks) as against a Lever distributor who rotated his stock 26 times.

Now, given that the distributor aimed to hit a return of 30 per cent (the risk-free rate of return was 30 per cent if the distributor invested in the money market), the margin that had to be kept aside to achieve the above ROI was 2.5 per cent. The corresponding figure for a Lever distributor was 1.2 per cent.

This effectively meant that the amount of money that the company distributor could spend on distribution (buying vans, investing in sales people, etc.) was 3.5 per cent, while for the Lever distributor it was 1.2 per cent.

The writing on the wall was clear: despite its lower distributor margins, Lever was successful in getting higher distribution. So, even though the FMCG company in question spent ₹ 14 crore more by way of higher margins, it ended up with poorer distribution. The reason: it fundamentally did not manage distributor ROI.

The result can be disastrous. Even in healthy FMCG distribution systems, poor ROI usually results in distributor dropouts of around 10 per cent. The result? It leaves a vacuum in distribution, leading to obvious share losses.

Contd...

Recently, a leading FMCG company in the household insecticides business could not find any distributors to service its key wholesale market in Begum Bazar for nearly three months, leading to a significant sharp drop. The company simply couldn't get any distributors to buy the economics of the business.

The other fall-out is that the distributor will stop extending credit in the market, resulting in retailers not picking up stocks. Gaps in distribution are then inevitable.

Competing on Size

Now, for P&G, by moving to a super-stockist set-up, it could now replenish its distributors more frequently and hence reduce their average stock-level. Not only is its system complexity lower, it can also look at building stronger relationships with its superstockists. By ensuring a better return on investment, P&G will now be in a position to make the distributors invest more in their distribution infrastructure. Sources in P&G say that they will now be able to replenish stocks every three days.

Moreover, P&G hopes to make significant cost savings through the increased throughput available to be a superstockist. By offering him more volumes and reducing the distribution reach (hence his cost of operations), P&G is now trying to shave off distributor margins by a full 2 per cent. This shaving will then be channelled into building advertising. A larger advertising kitty will undoubtedly help it to fight competitors, particularly Levers, on mass media without being beaten on share of voice in media.

Additionally, with a limited number of distributors, P&G will also not need to invest in C&F agents. The superstockist will be expected to invest in storage and warehousing space, so that the stock transfer from the company can take place as soon as the stocks are shipped into the warehouse.

In the final scheme of things, P&G has another reason for reducing the distributor's margins. That's because of the peculiar distributor psychology at work. As in the earlier example, as soon as the company is able to reduce distributor stocks from 4 weeks to around 2 weeks, at 6 per cent margin, the distributor begins to earn almost 60 per cent of return. "That can be the starting point of trouble", says a senior manager.

The key is to keep the distributor's ROI in a band between 30 per cent to 40 per cent. The moment it falls below 30 per cent, the distributor is inclined to undercut in a bid to recover his money. On the other hand, if ROI is as high as 60 per cent, the distributor is tempted to aim for a higher turnover by undercutting the distributor in the next territory.

Of course, the only brand that will continue to need wide distribution cover is Vicks cough drops. The reason is simple. Vicks competitive set is impulse-driven confectionery. But for P&G to extend direct distribution cover for a single brand like Vicks is simply far too costly. So it has chosen to adopt wholesale distribution for the Vicks line. "If you don't have a portfolio to support a massive distribution thrust in the hinterland, there is very little point in aiming for direction distribution", avers a senior manager with an FMCG company.

However, for its future product launches, it is apparent that P&G has chosen to focus on key urban markets. "Reducing cover is in line with future plans" affirms a sales manager at P&G. The era of jostling with Lever across the length and breadth of the country is over. Focus is P&G's new name of the game.

Question

Analyse the changes in the sales structure of P&G. Are they better than previous system?

Source: Business Standard, Tuesday, 1st Dec. 1998

1.7 Summary

- American Marketing Association has defined sales management as "the planning, direction and control of selling personnel including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to personnel sales force".

- Sales management is attainment of an organization's sales goals in an effective & efficient manner with the help of other management functions of planning, staffing, training, leading & controlling organizational resources.

- The salesman acts as a catalyst and consultant to the customer by providing information and benefits of the products. He also works out the details, manner and timing of giving physical possession to the customer.

- The sales person just doing the talking and smiling is out of date. Therefore, the emphasis is on developmental roles, team selling, selling through computer and Market Information System (MIS) as well as on tele marketing.

- The situation where a salesperson approaches a client to make a sale is termed as a Selling Situation. Selling situations can be of two types: Service Selling and Developmental Selling.

- The initials of the five words used to express AIDAS – attention, interest, desire, action and satisfaction – are the skeleton around which many sales functions are organised. According to this theory, the prospect goes through four mental stages before taking the decision to purchase or not to purchase.

- Before approaching a prospect every salesperson is advised to do a bit of homework regarding the company's name, size, authority, concern and general requirements.

- The salesperson should introduce himself, his company, the product under promotion, product presentation and overcome any customer objections.

1.8 Keywords

AIDAS: Attention, Interest, Desire, Action and Satisfaction

Direct Marketing: Combination of personal selling and advertising

Personal Selling: Interactive selling process with personal confrontation and response

Prospecting: Process essential in eliminating non-buyers

Sales Management: Managing sales personnel

Sales: Exchange of goods, services, or other property for money.

1.9 Self Assessment

Fill in the blanks:

1. If you are concerned with directing sales personnel and drafting out targets fro them, you are carrying out ……………………… activity.

2. A process that starts with recognition of consumers needs and ends in purchase of product by consumer is ……………………..

3. You get catalogues and brochures of different products and services with your newspapers. This approach is called ……………………..

4. Giving testimonials is a popular kind of approach. It is known as ………………..approach.

5. If a prospect is postponing the purchase date due to unavailability of cash, this refers to objection on……………………

6. If a salesperson assures you on financial assistance on purchase, such type of close is called…………………..close.

7. In……………stage of the AIDAS theory of personal selling, customers get awareness of the product.

8. In AIDAS, as in AIDAS theory of selling, 'D' stands for…………………..

9. In a ……………… selling situation, customers are already aware of the brand.

10. …………………stage of AIDAS model is most important from relationship management point of view.

1.10 Review Questions

1. In old times, the only problem was to produce goods for consumers which were sold out without any difficulty. Why do you think this happened?

2. Sales is the "cutting edge" of any business operations". Comment

3. "Sales professionals ultimately have more control of their lives, personally, professionally and financially." Do you agree? Give reasons.

4. "The old cliché is that a good salesperson can sell sand in the desert". Do you believe in the statement? Is the role of salespersons overstated?

5. "Marketing starts with the needs of the consumers and ends with their satisfaction." Keeping the statement in mind, can you draw a relationship between sales and marketing?

6. Discuss the concept of 'personal selling as an art of persuading consumers and providing delight'. With this make a distinction between salesmanship and personal selling.

7. "Personal selling involves an alive, immediate and interactive relationship building". Comment

8. "Buyers are becoming more sophisticated, knowledgeable and demanding". What are the companies doing to handle this?

9. Explain selling process to sell a club membership.

10. Discuss a hypothetical selling scenario from banking to explain the concept of developmental selling and service selling.

11. Suppose you are a salesperson in DRS Bank. You are responsible for generating business for the credit card division of the bank. Discuss the sales process that you will follow (in brief).

12. During a sales process, what objections can the prospects have? How can a salesperson handle these objections?

Answers: Self Assessment

1. Sales management   2. Selling

3. Direct Marketing   4. Referral

5. Payment   6. Action

7. Attention   8. Desire

9. Service   10. Satisfaction

1.11 Further Readings

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Unit 2: Recruitment, Selection and Training of Sales Personnel

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Objectives

After studying this unit, you will be able to:

- Know how sales personnel are recruites

- Discuss the procedure selection of salesmen

- Explain the techniques of training sales force

Introduction

In this unit we will emphasize on the recruitment and selection procedure and the training of the sales force.

"Recruitment is a process to discover the source of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force."

— Yoder

"Recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen."

— Byars and Rue

All the activities involved in securing the applications for the sales positions are referred to as recruitment. Recruitment sets out the necessary stages to clarify what kind of person is required, where he/she might be found and how to make the right choice. The choice of he/she is very significant.

Selection systems for sales personnel range from simple one-step systems consisting of nothing more than an informal personal interview to complex multistep systems incorporating diverse mechanisms designed to gather information about applicants for sales job. "A selection system is a set of successive 'screens' at any of which an applicant may be dropped from further consideration".

Training of the sales person will never become obsolete. As long as technology changes, new people enter the work force, businesses strive to improve, organisations will need training. The term "training" may change (e.g., it is currently referred to as learning, coaching, facilitating, etc.) but the concept remains the same people continually need help in mastering new skills, applying new knowledge and/or adjusting their attitudes.

2.1 Recruitment of Sales Personnel

According to Yoder, "The recruitment policy is concerned with quality and qualifications of manpower". It establishes broad guidelines for the staffing process. Generally, following factors are involved in the recruitment policy:

1. Number of recruits desired

2. Recruitment sources

3. Recruitment needs

4. Recruitment cost

5. Size of sales organisation

6. Rate of turnover

7. Forecasted sales volume

8. Government policies

9. Personnel policies of competing organisation

10. Organisational personnel policies.

Recruitment Process

Before an organisation begins recruiting applicants, it should form a checklist of questions which outline a chronological sequence for the recruitment and selection process as follows:

1. What kind of job is to be filled?

2. What sort of person would do this job successfully?

3. Where will this person be found?

4. What recruitment sources can be employed to find this person?

5. Which person is to be recruited out of the selected applications?

What Kind of Job is to be Filled?

This question has a wide spectrum of answers. Hence, to answer this question in totality following sub-questions are to be answered.

1. What is the main role for this job?

2. What does the job description include?

3. Whether the job description includes the following?

    (a) The name of the job;

    (b) Who is the Boss;

    (c) Why this job exists – its objectives;

    (d) How far the job holder is personally responsible for achieving results?

    (e) Control and use of people, materials and money.

4. Is this principally a job dealing with buyers in commercial organisation, dealing with retailers or dealing with end users?

5. Is the company looking for a future area or sales manager or is it looking only for someone to fill this specific job for a period of time?

6. What is the remuneration package for the job? What is the mix of salary?

7. What commissions and other benefits are going to be offered?

It is only when all these questions have been answered that it is possible to move on to think about the kind of person that is needed and the answers of other questions of the chronological sequence.

What Sort of Person would do the Job Successfully?

To find out the right person for the right job a "Person Specification Form" should be made depending upon the job specifications and organisational needs. The person specification form is a checklist of abilities separating those aspects which are essential (the job cannot be effectively done without them) and those which are desirable (it would be nice to have them but could manage without). By using the two categories of essential and desirable, a minimum candidate and an ideal candidate can be identified.

The following broad areas have been tried and tested in drawing up specifications for sales appointments.

Intellectual Abilities

It includes the requirement of the job in terms of general intelligence, judgement required (common sense) and the creativity necessary to recognise, introduce and adapt new ideas.

Motivation

Under this specification it has to be determined what things interest or motivate the sales persons towards the job. Is money the driving force, or progress, recognition, achievement are also important?

Specific Attainments

Does the job really require technical/professional knowledge or qualification? Is there a genuine need for some specific previous experience?

People Skills

It is essential in selling to be able to deal with people. Whether the sales person, to be recruited, has communication and leadership skills?

What impact can he bring in customers' mind through his communication skills?

Table 2.1: Person Specification Form

Characteristics to be assessed/measured	Essential	Desirable
1. Intellectual abilities		
(a) Creativity		
(b) Judgement		
(c) General Intelligence		
2. Motivation		
(a) Interests		
(b) Drive		
3. Specific Attainments		
(a) Technical/Professional knowledge or qualification		
(b) Specific experience		
4. People Skills		
(a) Impact		
(b) Communication		
(c) Leadership		
5. Working Conditions		
(a) Location		
(b) Hours		

Working Conditions

Finally, it is important to remember whether there are any specific conditions relating to mobility, hours of work, etc., which could effect the recruitment or selection of sales person.

Thus, the person specification form is used as the base for the selection process. A figure representing a person specification form is shown here. The first column is headed 'Characteristics to be assessed' the second and third column categories the 'Essential' and 'Desirable' characteristics.

Where will this Person be Found?

Now, we know what the job is and what kind of person is required for the job-only we need to find this person.

The person specification can help in looking at employees in other areas who may have no previous sales experience but whole profile in terms of their skills, their motivation, etc. could well make them excellent sales people. The various recruitment sources like advertisements, employment agencies, educational institutions, internal transfers, etc., will also help in this context.

The choice will depend on the nature of the job and on how many potential candidates there are. If a highly specialised salesman in a narrow market segment is required and there are only a few dozen likely contenders then the choice maker has to go spear fishing. A 'search' is undertaken either by the company or a reputable consultant. This individual approach to identifying potential candidates is likely to be fulfilled from the following resources:

1. *Employment Agencies:* Agencies often administer batteries of tests, check references and perform task otherwise done by the employer. Whenever an agency is used, it should receive a clear statement of the job's objective and a complete run-down of job specifications. Agencies need time to learn about an employing firm and its unique requirements of the interest to sales executive is the growing no. of agencies that take the initiative in searching but promising job candidates, employed or not, instead of confining themselves to "volunteer" applicants.

2. *Advertising:* Newspapers carry numerous advertisements publicising openings for sales personnel such advertisements appear both in classified sections and as display advertising so great is the number of prospective job candidates reached by a single advertisement that companies often try to reduce the volume of applications. If the employer publishes details about the company and job, fewer obviously unqualified persons will reply. Specific job details vary with the company and its situations and these should be in the ad if it is to attract good applicants. Some ads give the compensation range of successful company sales personnel. Others explain that the person selected is to replace a regular sales person in an established territory with active accounts. Still others specify that only highly qualified professional sales people need apply. Information of this sort helps to convince promising applicants that the opening is legitimate.

Example: Many companies come up with recruitment offers in Times Accent, supplement available with Times of India and HT Horizons, a supplement of Hindustan Times.

3. *Internal transfers:* Two additional internal sources are other departments and the non selling section of the sales department. Employees desiring transfers are already familiar with company policies and the personnel department has considerable detailed information about them. While little is known about their aptitude for selling, they often possess excellent product knowledge. Aptitude for selling of course, can be tested formally or by trial assignment to the field. Transfers are good prospects for sales positions whenever product knowledge makes up a substantial portion of sales training, since it may be possible to accelerate field assignments.

4. *Educational Institutions:* This source includes colleges, universities, technical and vocational institutes. They are supposed to have developed their ability to think, to reason logically and to express themselves reasonably well. Ordinarily, they do a good job of budgeting their time and managing their daily activities. Their main limitation is lack of selling experience and hence they need to be trained.

Did u know? Many big companies like ITC like to recruit fresh candidates from campuses only. They usually don't entertain outside applications from fresher.

5. *Salesmen of other Companies:* These are individuals currently employed as salesman for other companies. They are an attractive source of recruitment as they know the product, customers and competitors. They are also experienced sellers and therefore no money is required to be spent for their training. But their limitations are that they are a costly source as generally higher pay must be offered to them and they also do not possess the required degree of loyalty.

Which Person is to be Recruited out of the Selected Applications?

The simple answer to this is that the one who best fits the specification and who has the essential characteristics as defined should be recruited.

This implies an structured approach of three steps. These are:

First, compare application form or C.V. with the person specification and remove all those who do not meet the essential criteria.

Secondly, move on to those areas where the 'Measuring Instruments' and an assessment at interview are needed. For instance,

1. Education

2. Work history

3. Family background

4. Domestic and social situation

5. Present financial situation

6. Health

7. Leisure interests

8. Ambitions and future plans.

Thirdly, it involves the identification of the pattern of behaviour which will help in forming judgements. The terms patterns should be stressed – the company should look for a consistent picture at school, at work, in social life which shows, for example, tenacity, perseverance, commitment or lack of these.

After all the three steps have been followed and care has been taken to see that the candidate fits into the specific job requirements one can be sure of choosing the right candidate for the right job.

Caselet   **Recruiting Financial Planning Advisors (FPA) at Aviva**

The sales philosophy at Aviva is to build and nurture relationships with FPAs, who are also considered as part of the Aviva India family. Selling insurance being a strenuous job, FPAs need to be carefully selected. They are also walking brand ambassadors who can easily create lasting impressions. SMs and BMs, who supervise the FPAs, have to look at the following competencies while hiring advisors - honesty, hunger for money, social networks, willingness to devote time, and ability to learn continuously. The advisor has to be innovative as the market demands fresh approaches. Although in the beginning, a formal academic qualification was not a criterion, now academically qualified FPAs are sought, keeping in mind the necessity to pass the licensing examination. At the same time, an attempt to recruit fresh MBAs as FPAs did not succeed because of mismatch of expectations. Currently, graduation is the minimum required qualification for entry, which is relaxed only in exceptional cases.

The Agency Recruitment Team (ASTRA), a support vertical, handles FPA recruitment. A network of recruitment consultants have been built for sourcing prospects. While various

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channels like newspaper advertisements and referral schemes are also used for FPA recruitment, the personal network of SMs is critical. The referral method is also popular.

Many managers mentioned that earlier FPA selection was not rigorous, though selectors (BMs) made efforts to understand the motivation of prospects. The Sales HR16 Head, Rahul, admitted, "We did make some mistakes, leading to FPAs taking shortcuts and customer dissatisfaction. We took strong remedial action and publicized the action(s) in the local press. Awareness about consequences of unacceptable behavior or practices was ingrained among FPAs. Now, the recruitment process has been streamlined. We started inviting prospective advisors for a formal Business Opportunity Presentation (BOP) and a sales screening test (developed by LIMRA)." BOP focuses on the merits of being an FPA and the advantages, including opportunity to earn and other benefits like status, using one's social network, etc. However, there were observations from the field about sacrificing set processes (like reference checks) when there is pressure to recruit. With so many operators, finding good talent was a difficulty faced by the industry. 'Catch Them Young' was an Aviva India program launched to make higher secondary school students interested in insurance careers. Started in Delhi, it has been cascaded to other zones.

IRDA specifies that each advisor needs to undergo 50 hours (earlier 100) of classroom training and clear an examination conducted by Insurance Institute of India (III) to obtain the licence.

Source: www.findarticles.com

2.2 Selection

The process of selection of sales personnel differs from company to company depending upon the requirements. The applicant goes through various stages and the chances of selection get better as more and more stages are cleared. It is important for the company to find the suitable candidate, how he would be an asset to the company as well as fit well so that his requirements are also met.

2.2.1 Selection Process

As shown in the Figure 2.1, a commonly used selection process consists of seven steps. These are:

1. Preliminary Interview

2. Formal Application

3. Interview

4. Reference Check

5. Testing

6. Physical Examination

7. Employment Offer

Preliminary Interview

The initial screening is usually undertaken by the receptionist in the employment office. This interview is essentially a sorting process in which perspective applicants are given the necessary information about the nature of the jobs in the organisation. The necessary information then is elicited from the candidates relating to their education, experience, skill, salary demanded, the

reasons for leaving the present job, their job interest, physical appearance, age and facility of speech. If a candidate meets with the requirements of the organisation he may be selected for further action. If not, he is eliminated at this preliminary stage.
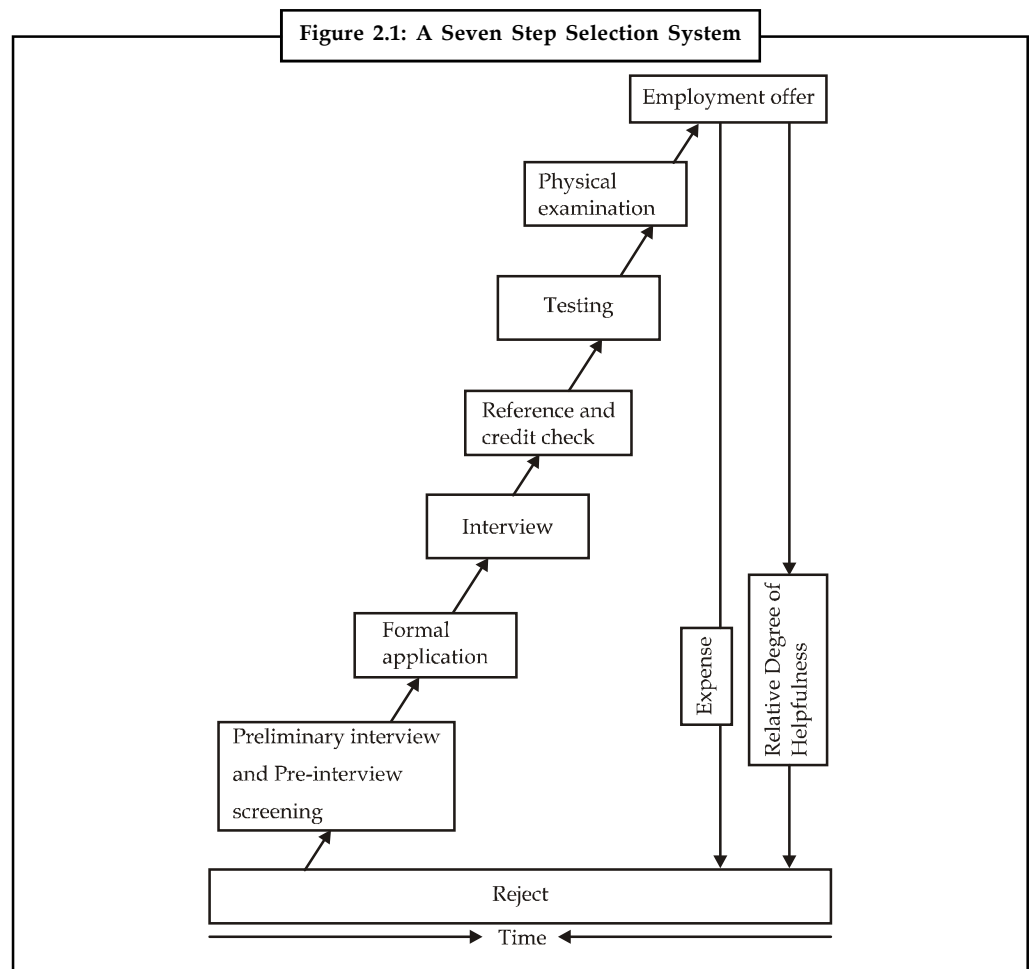
Formal Application Blank

An application blank is a brief history sheet of an employee's background and can be useful for future reference in case of need. An application blank is a traditional, widely accepted device for getting information from a prospective applicant which will enable the management to make a proper selection.

The blank provides preliminary information and helps in interview by indicating the areas of interest and discussion. It is a useful device for collecting historical data from the candidate as well as storing information for later reference.

Ideally each company should prepare its own formal application form as per its information requirements. But to save the time and cost of preparing its own application form it can follow a standard application form. Categories of information used in standard application forms on usual terms are:

1. *Personal*

    (a)   name

    (b)   address

    (c)   sex

    (d)   date of birth and age

    (e)   marital status

    (f)   children/dependents.

2. *Education*

    (a)   schooling : primary/secondary

    (b)   higher education: institutions

    (c)   qualifications

    (d)   specified training, e.g., apprenticeships, sales

    (e)   membership of professional bodies.

3. *Employment History*

    (a)   number of jobs held

    (b)   name of companies worked for

    (c)   duration and dates of employment

    (d)   positions, duties and responsibility.

4. *Other Interests*

    (a)   sports

    (b)   hobbies

    (c)   membership of societies/clubs.

Figure 2.1: A Seven Step Selection System

Employment offer

Physical examination

Testing

Reference and credit check

Interview

Formal application

Preliminary interview and Pre-interview screening

Expense

Relative Degree of Helpfulness

Reject

Time

Interview

An interview can be defined as an attempt at gathering information from the candidate concerning his suitability for the job under consideration. No method other than interview is quite as satisfactory in judging an individuals' ability in oral communication, personal appearance and attitude towards selling and personal impact on others which are most important for the person involved in selling.

Interview Decisions

The following important decisions have to be taken by the management regarding interviews

1. *Who:* The usual practice is to interview several persons and evaluate each applicant. In large sales organisation, district or branch sales manager handles the interview while in small organisations the responsibility lies with the top personnel of sales and marketing department.

2. *Where:* Similarly the place of interviewing also depends upon the size and degree of decentralisation in the organisation. In large and highly decentralised organisations the responsibility lies with district/branch/regional level sales department while in centralised organisations it lies with top personnel of sales and marketing department.

3.   *When:* A short interview is generally used at the initial stage of screening process as preliminary interview, while a detailed/depth interview is used at a later stage in the selection process.

Interviewing Techniques

Mainly four kinds of interviewing techniques are used in a sales organisation. These are:

1.   *Non-Directed/Non-Structured Interview:* This kind of interview does not follow a standard format of questions, instead it involves a relaxed discussion. Some personnel experts say that a non-directive technique yields maximum insight into an individual's attitude and interests. This method is perhaps the best way of probing an individual's personality in depth. The main drawback is that administering the interview and interpreting the results demands specialised instructions.

2.   *Patterned/Structured Interview:* In this method the interviewers are given a prepared list of questions or a specific outline of questions designed to elicit a basic core of information.

> *Notes*   McMurray explains why the patterned interview is likely to improve the judgment of the interviewers: First, the interviewer works from definite job specifications; he knows what qualities each job requires. Second, he has a plan, he knows what questions to ask. Third, he has been trained in the techniques of conducting an interview. Fourth, prior to interview, he has checked with outside sources and already knows a great deal about the applicant. Fifth, the interviewer himself has been carefully selected to assure that he has adequate intelligence and is emotionally well adjusted.

3.   *Interaction (Stress) Interview:* It is a highly complex technique. In this the interviewer assumes a hostile role towards the applicant. He deliberately puts him on the defensive by trying to annoy, embarrass and frustrate him. The interaction interview simulates the stresses the applicant would meet in actual selling and how he would react to them.

4.   *Rating Scales:* In this method results are obtained from comparable ratings of the same individual by different interviewers. The rating scales of the interview are so constructed that interviewers' ratings are channeled into a limited choice of responses. For instance, in evaluating the attitude of the candidate an interviewer is forced to choose from one of these answers: negative and complaining, pessimistic, positive and healthy, strong loyalty.

Reference Check

Sometimes applicants are asked to name as references those people on whom they can rely to speak about them.

The main purpose of reference checks as a selection tool is to verify the facts such as dates of employment, earnings, sales volume, absenteeism and nature of the past selling job. This typical procedure is to check the references by personal visit, telephone or letter.

Psychological Testing

"Tests are the most misused, the least understood, yet the most valuable sources of information about the applicants".

A psychological test can be defined both in a broad as well as narrow manner. Broadly, it has been defined as a "Systematic approach for comparing the behaviour of two or more persons".
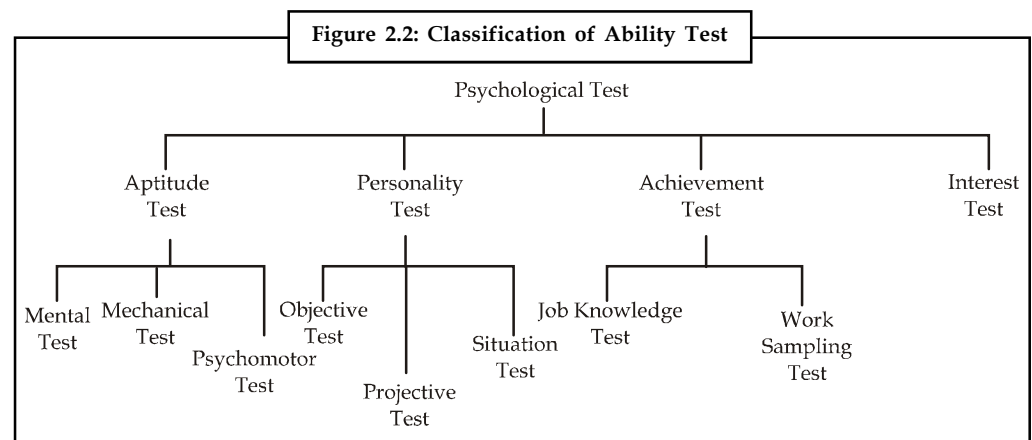
In narrow sense, "It is a sample of an aspect of an individual's behaviour, performance or attitude".

Thus, we may define it as a systematic procedure for sampling human behaviour.

Psychological testing is gaining greater importance as a selection tool of sales personnel because of sales management becoming more formalised and rising cost of selection and training. The major purpose of testing is to identify the various aspects of a persons' behaviour such as intelligence, achievements, interests, aptitude, personality traits, etc.

Different Types of Psychological Tests

Psychological tests are divided into four categories on the basis of human behaviour. But mostly, the three categories: Aptitude Test, Personality Test and Achievement Test are used in selection procedure of sales personnel.

Figure 2.2: Classification of Ability Test

Psychological Test

Aptitude Test — Personality Test — Achievement Test — Interest Test

Mental Test — Mechanical Test — Psychomotor Test — Objective Test — Projective Test — Situation Test — Job Knowledge Test — Work Sampling Test

1. *Aptitude or Ability Test:* These are used to measure the talent/ability of a candidate to learn the job or skill. They detect peculiarities or defects in a person's sensory or intellectual capacity. They focus attention on a particular type of talent, e.g., learning, reasoning or a mechanical bend of mind. Such tests may be of the following types:

    (a) *Mental or Intelligence Test:* They measure the overall intellectual activity or the Intelligence Quotient (IQ) of the candidate. They also determine the candidate's word fluency, memory, inductive reasoning, speed of perception and spatial visualisation.

    (b) *Mechanical Aptitude Test:* These measure the capacity of a person to learn a particular type of mechanical work as they measure a person's visual-motor coordination or integration.

    (c) *Psychomotor or Skill Test:* These tests measure a person's ability to do a specific job. They are administered to determine mental dexterity or mental ability and similar attributes involving muscular movement, control and coordination.

2. *Personality Tests:* These tests try to find out an individual's value system, his emotional reactions and maturity and his characteristic mood. Their major motive is to measure the basic make up or characteristics of individuals which are non-intellectual in nature.

    These tests can be categorised into the following types:

    (a) *Objective Test:* They measure neurotic tendencies, self-sufficiency, dominance-submission and self-confidence. These are scored objectively.

(b) *Project Tests:* In this the candidate is asked to project his own interpretation into certain standard stimulus situations which reflects his own values, motives and personality.

(c) *Situation Test:* This reveals the ability of a candidate to undergo stress and his demonstration of ingenuity under pressure. In short, we can say that it is a measure of applicant's reaction when he is placed in a particular situation.

3. *Achievement Tests (Proficiency Tests):* Achievement tests seek to determine how much the individual knows about a subject. They determine the admission feasibility of the candidate and measure what he is capable of doing.

    (a) *Tests for measuring job knowledge:* They are administered to determine degree of their qualification and feasibility to perform the job.

    (b) *Work sample tests:* They demand the administration of the actual job as a test.

4. *Interest Test:* It is assumed in the use of interest tests that a relationship exists between test and motivation. Hence, if two persons have equal ability, the one with a greater interest in a particular job is more successful. These tests aim at finding out the types of work in which the candidate is interested.

However, these are not used much in the selection procedure of sales personnel as significant variation has been found in the interest test scores of successful and unsuccessful sales persons.

Physical Examination

Sales persons' job requires unusual stamina, strength or tolerance of hard working conditions. The presence or absence of these qualities in the candidate is revealed by physical examination. The major purpose of physical examination in the selection procedure of sales persons is that:

1. It gives a clear indication whether candidate is physically able to perform the sales person's job in the company.

2. It prevents selection of people who suffer from some contagious diseases.

3. It discovers the existing disabilities of the candidate and a record of the same is maintained so that the question of company's responsibilities would be settled in the event of a workman's compensation claim.

2.2.2 Rating of Interviewee

Having studied all the factors related to selection process, these should now be rated on the placement summary. The various facts should be compared with the requirements of the main profile and a score noted in the appropriate box. He should be rated 1 for a perfect match, 2 for an average match, 3 for below average and 4 for totally unsatisfactory. Comments should be made in the appropriate column to explain apparent discrepancies. Overall comments can be made in the space provided.

The scores should not be totaled or averaged in arriving at the final recommendation, as the weighing of the various factors will vary. What the manager must do is to consider each candidate as a mixture of factors and by identifying strong and weak points, come to a recommendation and scores the man on the four-category scale. Category 1 men will normally be offered jobs immediately. Category 2 are not qualified in all respects and failing the appearance of anyone better, are worth employing. Only in dire circumstances, when it is imperative that someone be employed, should category 3 men be taken on. Category 4 staff should never be employed however desperate the manager might feel, for they can only create worse problems rather than solving them.

Two further considerations that the manager must take into account in arriving at his decision are the compatibility of the man with his future colleagues and superiors and the future management needs of the company.

How well a man fits into a team can often determine his success. It is usually fatal to put a dynamic, aggressive, ambitious twenty six year old into a sales force consisting of security minded senior citizens hanging on for their pensions. It is likewise dangerous to have a man who is over-compatible with his superior. This often comes about by "mirror-image" selection, a common fault of many inexperienced managers. Because a candidate happens to have a similar background to the manager, that is, comes from the same part of the country, went to the same school, shares an interest in water-polo and the like, it may be tempting to assume that he possesses similar business abilities but if a manager is prone to such temptations, it is better for him to ask a colleague to take over the interviewing.

Task

Ask your father that what selection process he went through for his first job. What selection process you went through for admission into your college? Is there any difference in the two selection processes?

Case Study

Process of Recruitment and Selection in ABN AMRO and AXIS Bank

ABN AMRO Bank

It's carried in 9 steps:

1. *Basic interview:* Interviews are designed to probe into areas that cannot be addressed by the application form or tests. These areas usually consist of assessing candidates' motivation, ability to work under stress, interpersonal skills and ability to fit-in the organization.

2. *Aptitude test:* These tests measure whether an individual has the capacity of latent ability to learn a given job if given adequate training.

3. *Typing test:* It may or may not occur

4. *Operation Round:* It includes

    (a)   Job Specifications

    (b)   Person specifications

5. *HR rounds:* Assess the skills/competencies required in each area based on the various factors.

6. *Selection:* Once the recruiting effort has developed a pool of candidates, the next step in the HRM process is to determine who is best qualified for the job. This step is called the selection process. Selection involves mutual decision and prediction. The enterprise decides whether to make a job offer and how attractive the offer should be. The job candidate decides whether the enterprise and the job offer fit his or her needs and personal goals.

Contd...

The process also seeks to predict which applicants will be successful if hired. Success, in this case, means performing well on the criteria the enterprise uses to evaluate employees.

7. *Reference:* Information generated from the references can be vital in the candidate's evaluation process, should be carefully carried out. Some of the broad guidelines are:

   (a) At least two references should be taken from each candidate

   (b) The references should have known the candidate professionally and should not be blood relatives. Check on family background should also be made through such independent referees.

   (c) If the references given by the candidate do not provide enough/relevant information, the candidate should be contacted for additional references

   (d) There should be a standardized format for reference checks to help avoiding missing out on vital information.

   (e) Request comments from the references in writing. However, the same can be done telephonically also and documented.

   (f) In case the hiring is being done through Consultants/Search partners, the onus of conducting reference checks on the candidate lies with them which should at all points of time be taken in writing.

8. *Medical checkup:* All candidates who have been given firm job offers and who have accepted the same, will be required to undergo a comprehensive health check-up. Some of the guidelines to be followed are:

   (a) Unit HR should tie up with a reputed hospital/clinic for carrying out the health check-up for prospective employees.

   (b) Some of the suggested tests are;

      (i) Blood Tests

      (ii) Complete Haemogram

      (iii) Blood Sugar (Fasting & PP) cost towards the check-up will be borne by the Company

      (iv) Only those persons who are certified as 'Medically Fit' by the Company certified doctor would be allowed to join.

9. *Appointment letter:* Finally deciding to hire a candidate, the final step in the process is to make a job offer. The following should be kept in mind while making an offer:

   (a) Job offers should be made face to face and not over the phone

   (b) Details of the candidates compensation and expectations should be taken well in advance to save time

   (c) Details of the offer should be kept ready before the candidate arrives (fitment in terms of salary to be in comparison with the salary band at that level)

   (d) The following documents/information should be provided to the prospective employee along with the job offer:

      (i) Company brochure

      (ii)   Latest Newsletter

      (iii) Address of website

      (iv) Details of joining formalities

      (v)   Working hours, Dress code

(e)   The offer letter should be handed over to the prospective employee in an envelope. Close the offer in style.

AXIS Bank

Axis Bank was the first of the new private banks to have begun operations in 1994, after the Government of India allowed new private banks to be established. The Bank was promoted jointly by the Administrator of the specified undertaking of the Unit Trust of India (UTI - I), Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and other four PSU insurance companies, i.e. National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd.

The Bank today is capitalized to the extent of ₹ 358.97 crores with the public holding (other than promoters) at 57.59%. The Bank's Registered Office is at Ahmedabad and its Central Office is located at Mumbai. Presently, the Bank has a very wide network of more than 729 branch offices and Extension Counters. The Banks has a network of over 3171 ATMs providing 24 hrs a day banking convenience to its customers. This is one of the largest ATM networks in the country the Bank has strengths in both retail and corporate banking and is committed to adopting the best industry practices internationally in order to achieve excellence. Become a business consultant. This implies that he/she knows the business well enough to advise and utilize his/her own company resources as well as outside of his/her own company's resources. As the discussion implies, this is not a short-term fix, and a long-term is what a salesman should aim for if he/she uses this approach.

Adaptive Selling

The reality of selling indicates that most salesman do not just follow a single approach at all times. Even while using one specific approach, a salesman may integrate elements of other approaches and therefore adapt how they sell. This is done constantly. Adaptive selling refers to the degree that salesmen alter their sales presentation or approaches across and during interactions with customers. This is because salesmen are responding to what they perceive of the prospective buyers.

There are five facets of adaptive selling. They are:

1.   Salesmen recognize that different sales approaches are required for different prospective buyers. No buyer is the same. A good salesman must be able to identify these differences, be it subtle or loud, and adapt accordingly.

2.   Salesmen have the confidence in their ability to use a variety of approaches. If not, it will fail. This confidence must come from the salesman, perhaps through experience and backing from the company.

3.   Salesman must have confidence in his/her own ability to alter approach during an interaction. This is the difficult part, where after speaking and utilizing a specific approach the salesman realizes that it is not working or the prospective buyer is not responding. The salesman must be able to react, and react fast. Here lies the issue of self-confidence.

Contd...

4. Collection of information to facilitate the adaptation. Salesmen must be able to walk in a room, walk up to prospective buyer, and judge based on the surroundings and their prior knowledge of the buyer as to how to approach the buyer.

5. The actual use itself of the various different approaches.

Formulation of Personal Selling Strategies

Efficacy of Personal Selling

Product, price, promotion and distributions are the focal strategies that a company uses to achieve its marketing objectives. These factors are also known as the elements of marketing mix. In view of the fact that markets are growing increasingly competitive each passing day, experts are not only advocating a sensible mix of these factors but also reports and resignation acceptance, if employed earlier (properly stamped by your previous employer, clearly Mentioning the designation and the contact no. of the officer accepting your resignation, last working day) Relieving letter if received, at the address as under.

Question

Discuss the strengths and weaknesses of recruitment and selecting system of both companies.

2.3 Training of Sales Force

Training of salesmen is essential to make them skilled. Just as a gifted athlete needs coaching and practice to perform at his best, similarly a sales person also requires proper training and development. After selection, personnel should be given formal training which includes planned programmes complete with schedules, lesson plans, visual aids, other teaching devices and systematic reviews and evaluation.

Informal training involves the continuous development of sales people. It is a prime responsibility of the supervisor and includes working with sales people, finding their activities and advising them on improvements that should be made. It is also known as field coaching.

Training varies with the sales person's career cycle Sales persons have varied backgrounds, experience levels, learning abilities, etc. and therefore have their own training needs. Another factor deciding the type of training is the stage of the career of the sales person.

Figure 2.3: Sales Person's Career Cycle
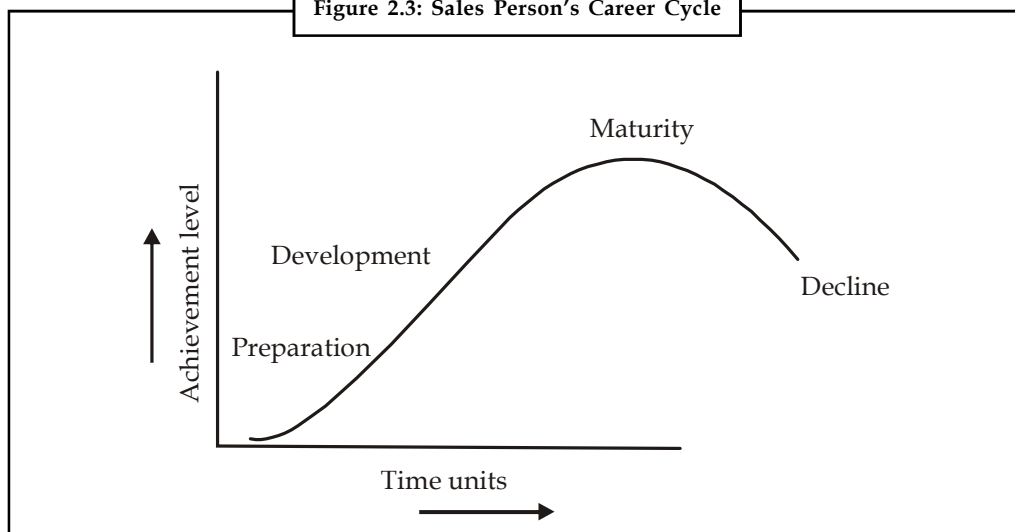
Sales person's career cycle is a conceptual framework which describes the stages through which a sales person passes in his career cycle. There are four basic stages of this cycle.

1. Preparation

2. Development

3. Maturity

4. Decline

Preparation

For the sales person the emphasis should be on orientation and training. He should know about the environment in which he has to function and given information about the company and the products he has to sell. Selling instructions and basic selling techniques are all important at this stage. Sometimes experienced sales persons new to the company must also be acquainted with the policies and practices of the company.

Development

This is the second stage when the salesman becomes productive. He should be supervised and provided field coaching. He should be able to identify the problems and be kept away from acquiring bad habits.

Maturity

In maturity stage, the productivity of the sales person levels off. He works "smarter than harder". Sometimes refresher training is required to be given to him to retrain and acquaint him with new concepts and techniques. They can also be given new challenges and transferred to new areas, new territories or can be promoted to more responsible positions. Sometimes due to inadequate training career plateauing takes place. Lack of relevant training hampers growth and development.

Decline

In this stage the sales person is a problem for the management. A lot of motivational retraining is required. The productivity of the salesman decreases considerably and is difficult to avert.

Training imparted at proper time develops right working habits and offsets the effect of detraining.

2.3.1 Aim of Training

Defining the specific and general aims of a training programme is the first step in training. General aims are translated into specific aims phrased in operational terms. These can be defined in two ways:

1. Identify initial training needs.

2. Continuing sales training programmes.

Identifying Initial Training Needs

The initial training needs of sales training programme can be identified by the analysis of three main factors.

Job Specification

The qualifications needed to perform the job are detailed in job specification. The set of job specifications needs scrutinising for clues to the points on which new personnel are most likely to need training.

Trainee's Background and Experience

The gap between the qualifications in the job specifications and those a trainee already has represents the nature and amount of training needed. But it is not always practical to adjust training precisely to individual differences and time and money are saved by putting all recruits through identical programmes.

In all organisations' determination of the recruits real training needs is essential to developing initial training programmes of optimum benefit to company and trainee alike.

Sales-related Marketing Policies

The analysis of sales related marketing policies is also necessary to determine initial sales training needs because the differences in products, markets and their selling practices and policies determines the differences in training programmes.

Example: Selling of highly technical goods involves training with lot of product information while selling of non-technical goods involves only initial sales training programmes.

Identifying Continuing Sales Training Programmes

The identification of continuing sales training needs means to identify training needs of experienced sales personnel which are felt due to changes in market, product, marketing policies, procedures, organisation and even in the sales personnel itself.

2.3.2 Methods of Training

The selection of appropriate training method for a training programme depends on the content of training. Few of the important and appropriate methods of sales training are: lecture, conference, demonstration, replaying, case-discussion, impromptu discussion, gaming, on-the-job training, programmed learning, correspondence courses.

The Lecture

Lecture is the method of learning through instructions from trainer to trainee. Trainees mainly watch and listen, although some versions of lecturing permit questions.

Advantages

1. It is more economical as compared to other methods.

2. It is the only method to cover the desired training content if initial sales training is brief.

3. It is the only practical way to handle instructions when the training group is too large but it can also provide training appropriately to smaller training groups through summary of major topics.

Disadvantages

1. Teaching is emphasised more than learning.

2. Only one-way communication between trainer and trainee prevails.

Personal Conference

The personal conference is an unstructured and informal method. It varies with the personalities of the trainer and the trainee and the topics discussed. The trainer and trainee jointly analyse problems such as effective use of selling time, route planning and call scheduling and also handling unusual selling problems.

Demonstration

The demonstration method of training is where sales managers plan and carry out a real selling call on a customer or prospect with the salesmen they are training present as silent observers. The method is most appropriately used for training new salesmen.

Role Playing

In this method first the trainer describes the situations and different personalities involved. Then the trainee is asked to play the role of those personalities in different situations. In the end both the trainer and trainee appraise each player's effectiveness and suggest how performance of each has been improved.

Thus, role playing can be defined as "a method of human interaction which involves realistic behaviour in an imaginary situation".

The merits of the role-playing method are:

1. Learning by doing is emphasised.

2. Human sensitivity and interactions are stressed.

3. The knowledge of results is immediate.

4. Trainee interest and involvement tend to be high.

5. Trainees learn to accept criticism from others and the group soon recognises that sound suggestions benefit everyone.

6. Role player's practice introspection through participating in the appraisal of their own performances.

7. Role playing provides chance to learn valuable tricks and gain acting experience.

Case Discussion (Learning by Doing)

The case is a set of data (real or fictional, written or oral). Miniature description and summary of such data presents issues and problems calling for solutions or action on the part of trainee.

Example: When the trainees are given cases to analyse, they are asked to identify the problem and to recommend tentative solutions through group discussions.

Gaming Simulation

This method is somewhat similar to role playing with a unique feature that it uses highly structured and contrived situations based on reality and players receive information feedback.

Advantages

1. Participants learn easily because they involve themselves in game play.

2. Players develop skills in identifying key factors influencing decisions.

3. Games have built-in information feedback features.

Limitations

1. Some minimum amount of time is required for playing, usually, three to four hours, which is not sufficient to provide desired learning experience.

2. Since the game designs are based on ordinary decision making process their rules often prevent play on unusual or novel approaches.

3. Poorly designed games may actually hinder instead of helping.

On-the-Job Training (Coach-and-pupil Method)

In this the salesmen are coached and instructed by skilled co-workers or by supervisors or by the special training instructor. They learn the job by personal observation and practice as well as occasionally handling it.

This method involves three steps. First, the coach who is an experienced sales person begins by describing particular selling situations, explaining various techniques and approaches. Next, accompanied by pupil, the coach makes actual sales call, discussing each with the trainee afterward.

Then, under coach supervision trainee makes sales calls, each one being followed by discussion and appraisal.

Programmed Learning (Teaching by Machine Method)

Programmed instruction involves a sequence of steps which are often set up through the central panel of an electronic computer as a guide in the performance of a desired operation or service of operation. It involves breaking down information into meaningful units and then arranging these in a proper way to form a logical and sequential learning programme or package for use with the machine.

But programmed instructions have not been widely adopted for sales training due to their high cost of operation and other constraints.

Correspondence Courses

Companies with highly technical products and small but widely deployed sales forces use correspondence courses to acquaint experienced sales people with new product development and applications.

It is most appropriate as an interim training method when trainees are scattered geographically but are assembled periodically for lectures, seminars, role playing and other instructions.

2.3.3   Execution of Sales Training

Execution is the fourth step of the A-C-M-E-E approach of sales training. It involves the following four key decisions:

1. Who will be the trainees?

2. Who will be the trainers?

3. When will the training take place?

4. Where will the training site be?

Who will be the Trainees?

The general criteria to identify trainees are:

1. Reward for good performance.

2. Punishment for poor performance.

3. Convenience of trainee and trainer.

4. *Seniority:* The greater the seniority, the greater opportunity for added training.

Who will be the Trainers?

The trainers who impart training during different training phases are:

1. *Initial Sales Training:* If the initial sales training is a line function then training is assigned to top sales executive but if it is a staff function then the responsibility of initial sales training is given to personnel director.

2. *Continuing Sales Training:* Responsibility for continuing sales training resides with the top sales executive. The top sales executive is in the best position to recognise the need and design and execute the sales training programme.

3. *Sales Training Staff:* In large organisations the sales training director reports to the top sale executive. The director conducts some training by himself and the rest is given on decentralised basis by district sales managers.

   In small organisations top sale executives have assistant sales managers or district managers to impart the training.

4. *Outside Experts:* Sometimes outside experts are also hired to conduct portions of sales training programmes relating to sales techniques like selling by telephone, prospecting, etc.

When will the Training take Place?

Generally the training programmes are held on adhoc basis. But a number of factors should be kept in mind while organising a training programme.

1. *Initial Sales Training Programmes:* Timing for initial sales training programmes depends upon the number of new personnel trained each year and this in turn depends upon the size of the sales force, sales personnel, turnover and management plans for changing sales force size.

Example: If a large number of sales persons are recruited, training programmes are scheduled several times a year whereas if a small number of sales persons are recruited, training programmes are infrequent.

2. *Continuing Sales Training Programme:* The principle of an effective sales training programme is that learning must be continuous-new information must be assimilated and other concepts modified in the light of new developments. This requires that each sales person's training should continue as long as he is on the job.

    Retraining helps in:

    (a) New refinements of selling techniques.

    (b) New product applications.

    (c) New customer problem.

    (d) New selling aids.

    (e) Overcoming the forgetting tendency of human brain.

Where will the Training Site be?

Training programmes are held either at centralised or decentralised points. The centralised programme generally provides better product training but higher costs are incurred in bringing trainees to the central point. But decentralised training has even more serious defects. It cannot be executed properly unless supervised by top management. Hence, an adhoc basis for centralised and decentralised training should be adopted by top management.

2.3.4 Evaluation of Training Programmes

This is the last but not the least step of the training programme. Evaluation involves the comparing of the training programme's aim with the results and measuring its impact on the sales person.

There is no direct method of measuring the impact of training but certain methods could provide indications whether the results are positive or not. These are:

1. Market share percentages

2. Written Tests

3. Observers which work with sales personnel.

Task   Consider any two companies in same product category and compare and contrast their training methods. Which company is a better 'trainer'?

2.4 Summary

- Recruitment is a process to discover the source of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.

- A selection system is a set of successive 'screens' at any of which an applicant may be dropped from further consideration.

- Before an organisation begins recruiting applicants, it should form a checklist of questions which outline a chronological sequence for the recruitment and selection process.

- The person specification form is a checklist of abilities separating those aspects which are essential (the job cannot be effectively done without them) and those which are desirable (it would be nice to have them but could manage without).

- The person specification can help in looking at employees in other areas who may have no previous sales experience but whole profile in terms of their skills, their motivation, etc. could well make them excellent sales people.

- The process of selection of sales personnel differs from company to company depending upon the requirements. The applicant goes through various stages and the chances of selection get better as more and more stages are cleared.

- The initial screening is usually undertaken by the receptionist in the employment office. This interview is essentially a sorting process in which perspective applicants are given the necessary information about the nature of the jobs in the organisation.

- An interview can be defined as an attempt at gathering information from the candidate concerning his suitability for the job under consideration.

- After selection, personnel should be given formal training which includes planned programmes complete with schedules, lesson plans, visual aids, other teaching devices and systematic reviews and evaluation.

- The qualifications needed to perform the job are detailed in job specification. The set of job specifications needs scrutinising for clues to the points on which new personnel are most likely to need training.

2.5 Keywords

Application Bank: Contains brief history of employees, used for reference

Aptitude Test: Used to judge ability to learn the job/skills

Internal Transfers: Switching between departments in same company

Interview: Attempt at gathering information from the candidate

Job Specification: Qualifications needed for a job

Recruitment: Process of discovering pool of manpower

Reference Check: Confirming your candidature by talking to your references

Selection: Process of eliminating unfit candidates and choosing fit ones

Stress Interview: Interviewer takes a hostile role to frustrate candidates

2.6 Self Assessment

Fill in the blanks:

1. You get a call from a company for a job opportunity. The company is probably looking for employee ………………………………

2. …………………… often acts as mediators between the company and prospective employees.

3. An important tool for creating a good first impression on employers is your ……………………

4. If in an interview, the interviewer is asking you questions that are unrelated to your field of interest deliberately to pin you down, the interview is most likely to be a ……………………..

5. The training method which is least effective due to lack of feedback from the employees is……………….

6. In general sense, training and ………………… are the same.

7. In a interview if an interviewer is asking you questions from diverse fields, the interview is most likely be ………………..one.

8. A statement containing all the details about the job is called…………….

9. The process of choosing right candidates for the job is known as……………

10. …………………..method of training involves actual field work.

2.7 Review Questions

1. "The recruitment policy is concerned with quality and qualifications of manpower". Keeping this statement in mind, explain the concept of recruitment.

2. Suppose you are the HR of a sales organisation selling insurance policies. What will you do to ensure that you choose right person for the job?

3. Critically analyse the role of employment agencies and internal transferring.

4. Assume yourself to be the Sales Manager of a car showroom. How will you ensure that the selection procedure is smooth and you select right candidates for the job?

5. Do you believe in the concept of Stress interviews? Do you think they are a good way to judge a candidates' mental strength? Give reasons.

6. "Tests are the most misused the least understood". Comment

7. "Training varies with the sales person's career cycle". Substantiate.

8. "Role playing is a method of human interaction which involves realistic behaviour in an imaginary situation". Discuss.

9. Suppose you are a sales manager of the credit card division of a banking firm. Which sources would you use to advertise vacancies in your division? Which type of test would you use to evaluate candidates?

10. "Training and learning are one of the same things". Substantiate

11. Analyse the role training in shaping the career of a salesperson.

12. "Salespersons need that passion to sell and not qualification." Do you agree? Give reasons for your answer.

Answers: Self Assessment

1. Recruitment
2. Employment agencies
3. CV/Resume
4. Stress Interview
5. Lectures
6. Learning
7. Unstructured
8. Job description
9. Selection
10. On-the-job

2.8 Further Readings

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Unit 3: Motivating and Compensating the Sales Force

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Objectives

After studying this unit, you will be able to:

●   Explain how to motivate the sales force

●   Know how sales force is compensated

Introduction

Motivation of the salesman is important because the salesman has a monotonous job to perform and he gets fed up very soon and wants a change. Through motivation the salesman is stimulated to action, so that he gets interested in the job and performs his duties to the best of his capability. "The primary purpose of motivation is to aid salesmen to satisfy their goals by stimulating

them to improve the efficiency of their work." Motivation can be defined in many ways, it is a psychological aspect and helps the salesman to a goal directed behaviour. Through motivation the needs of the salesmen may be fulfilled.

Compensation is a prime motivation for the salesmen. It is difficult to devise a sound compensation plan. It comes with experience and varies from company to company. It is designed keeping in view the company's goals, capabilities and requirements. The company wants to increase sales and profits at a minimum cost whereas the sales person is interested in maximising his earnings. An effective compensation plan takes care of both the parties. Therefore, a compensation plan must attract, retain and motivate capable sales personnel and also work within the company's budget.

3.1 Motivating the Sales Force

Motivation can be carried out through financial and non-financial incentives. It is a continuous process that carries on as the expectation of the sales person keep changing from time to time.

The main objectives of motivation are:

1.   To stimulate the salesmen to improve their efficiency.

2.   To establish cordial relationship between the managers and salesmen.

3.   To maintain high morale among the salesmen.

4.   To seek cooperation of the salesmen in achieving the sales target.

3.1.1 Need for Motivation

Motivation is specially required in sales management as the nature of job is different from the usual work that the other members of the organisation are engaged in:

1.   The job has a lot of obstacles for the salesman, as most of the customers visited don't entertain the salesmen by giving orders.

2.   The salesman has no family life as he is always enveloped in the market and the traders.

3.   He has to face acute competition from competitive products. There is no fixed hour of working for a salesman.

4.   The activities of a salesman are repetitive and he gets dissatisfied from repeating his work which becomes highly monotonous.

5.   He is under pressure both from the customer (wholesaler, retailers and consumers) and his supervisor, as both want to get the best from the deal. The salesman is sandwiched between the two parties.

6.   Too much of traveling and keeping away from home leads to health problems which affects the salesman in the long run.

7.   By working in fields the salesman does not have contacts with his fellowmen or the members of the organisation and is posted at very distant places most of the year. Thus, he does not have any group relationship and feels alone most of the time.

8.   He does not work to full capacity and does an average job to remain in the job. This can be overcome through proper motivation.

9.   Most salesmen have a variety of needs including physiological and social needs and thus feel that they can't satisfy their needs by remaining in the sales job which gives them lesser opportunities to socialise with their kith and kin.

10. Motivation helps to build the morale of the salesman; it is a driving force for the salesman. Motivation can overcome the lethargy and inactiveness of the salesman so that he can perform to the best of his ability.

3.1.2 Steps in Motivation

The salesmen can be motivated through logical steps which should be followed in a sequence.

Objectives

The objectives of motivation must be determined by the salesmen, the objectives could be different for different salesmen and for the different areas. However, the main aim of motivation is to encourage the salesman to give off his best.

Needs

The needs of the salesman must be satisfied and this can be done by joining into the depth of the expectation of salesmen, the position held by them, their mental attitude and differences between various salesmen.

Motivation of Salesmen

Salesmen can be motivated through financial or non-financial incentives or both; while deciding the same, financial condition of the organisation has to be taken into consideration. Salesmen can also be motivated by changing their territory or area of work. For no-financial incentives the salesmen can be given other prerequisites, like sending them for training along with their families, for a holiday trip in attractive locales.

Communication

It is necessary that the communication be already understood, it should be simple and should give special instructions to the salesmen. The interest of the company as well as that of the salesman must always be kept in mind so that both are mutually benefited.

Feedback

The result achieved from the motivation programme must be evaluated so that the effectiveness of the motivational programme can be assessed. The other points to be kept in mind is the development of the team spirit and development of satisfaction from the work, which is necessary for the success of the programme.

3.1.3 Maslow's Hierarchy of Needs

Maslow argued that needs form a hierarchy in the sense that, when no needs are fulfilled, a person concentrates upon his or her physiological needs. When these needs are fulfilled, safety needs become preponderant and become important determinants of behaviour. When these are satisfied, belongingness becomes important - and so on up the hierarchy.

Although Maslow's belief, that one set of needs only becomes important after lower order needs have been completely satisfied, has been criticised, the theory does have relevance to sales force motivation. First, it highlights the perhaps obvious point that a satisfied need is not a motivator of behaviour. Thus, for sales person who already receives a more than adequate level of

remuneration, additional payments may have no effect on motivation. Second, the theory implies that what may act as a motivator for one sales person may not be effective with another. This follows from the likelihood that different salespeople will have different combinations of needs.

Effective motivation results from an accurate assessment of the needs of the individual salespeople under the manager's supervision. The overriding need of one sales person may be reassurance and the building of confidence; this may act to motivate him or her. For another who has great need for esteem but a problem regarding work rate, the sales manager may try to motivate by displaying to colleagues at a sales meeting his or her relatively poor sales performance.

Notes **Maslow's Hierarchy of Needs**

Category	Type	Characteristics
Physical	1. Physiological	The fundamentals of survival, e.g., hunger, thirst
	2. Safety	Protection from the unpredictable happenings in life, e.g., accidents, ill health
Social	3. Belongingness	Striving to be accepted by those to whom we feel close and love (especially one's family) and to be an important person to them
	4. Esteem and status	Striving to achieve a high standing relative to other people; a desire for prestige and a high reputation
Self	5. Self-actualise	The desire for self-fulfillment in achieving action what one is capable of for one's own sake — 'Actualised in what he is potentially' (Maslow)

3.1.4 Herzberg's Two Factor Theory

Herzberg's dual factor theory distinguished factors which can cause positive dissatisfaction but cannot motivate (hygiene factors) and factors which cannot cause positive motivation.

Example: Hygiene factors included physical working conditions, security, salary and interpersonal relationships.

Directing managerial attention to these factors, postulated Herzberg, would bring motivation up to a 'theoretical zero' but would not result in positive motivation. If this were to be achieved, attention would have to be given to true motivators. These included the nature of the work itself which allows the person to make some concrete achievement, recognition of achievement, the responsibility exercised by the person, and the interest value of the work itself.

The inclusion of salary as a hygiene factor rather than as a motivator was subject to criticisms from sales managers whose experience led them to believe that commission paid to their salespeople was a powerful motivator in practice. Herzberg accommodated their view to some extent by arguing that increased salary through higher commission was a motivator through the automatic recognition it gave to sales achievement.

The sales person is fortunate that achievement is directly observable in terms of higher sales (except in missionary selling, where orders are not taken, e.g., pharmaceuticals, beer and selling to specifiers). However, the degree of responsibility afforded to salespeople varies a great deal.

Opportunities for giving a greater degree of responsibility to (and hence motivating) salespeople include giving authority to grant credit (up to a certain value) discretion to the salespeople. The results of an experiment with a group of British sales people by Paul, Robertson and Herzberg (1969) showed that greater responsibility given to salespeople by such changes resulted in higher sales success.

Herzberg's theory has been well received, in general, by practitioners, although academics have criticised it in terms of methodology and oversimplification. The theory has undoubtedly made a substantial contribution to the understanding of motivation at work, particularly in extending Maslow's theory to the work situation and highlighting the importance of job content factors which had hither to been badly neglected.

Figure 3.1
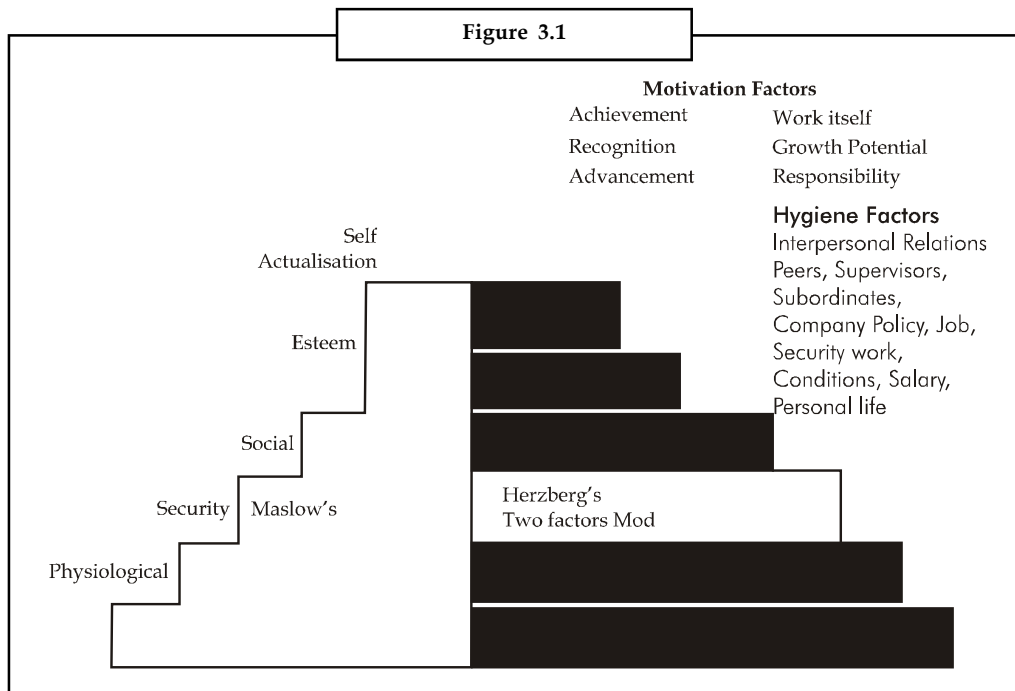
Source: Adapted form James H. Annely, Jr. James L.Gibson and John Mivancevich, Fundamentals of Management, Sixth Ed. (Plano, Texas; Business Publications Inc. 1987.

3.1.5 Financial Motivation Techniques

Mot salesmen prefer the financial benefit because the need at the lower level of organisation is more of physiological and safety needs, rather than those of esteem and self actualisation. Social needs are also necessary at all levels. The financial incentives include:

1. Higher salary

2. More commission

3. Other monetary incentives

4. Profit sharing

5. Travelling allowance

6. Bonus, etc.

The financial incentives become less affective after some time and thereafter the salesman is looking to non-financial incentives which have been discussed at length.

3.1.6 Non-financial Motivation Techniques

The simple motivational tools of early years such as only financial benefits prove to be a poor method of motivation beyond physiological and safety needs satisfaction on account of the unique aspects of a sales person's job.

The non-financial incentives, thus, become an important component of the motivation mix of a company. These are specially relevant as Dawson has pointed, "Business is on the threshold of a new era of human and social concern, which will inevitably result in greater attention to total human resource development by sales management".

Some of the unconventional factors that make a special rank on sales force motivation are discussed hereunder:

Meeting between Manager and Sales Force

These are highly regarded by sales managers in the motivation of their sales teams as this provides opportunity to managers to meet their sales force in the field, at head office and at the sales meetings/conventions.

These meetings allow the sales manager to understand the personality, needs and problems of each sales person. The manager can then better understand the causes of demotion/frustration in individual sales person and respond in a manner which takes into account the needs, problems and personality of the sales person. Sales techniques can thus be improved and confidence boosted. According to Likert, when the sales manager encourages an "open" style of management, salesmen are encouraged to discuss their problems and opportunities so that the entire sales team benefits from the experience of each salesman. This results in a greater sense of group loyalty and improved performance.

Example: The success of the marketing team can be easily attributed to the open door policy adopted by companies in India. As one manager put it, "I know all my team of 166 sales representatives personally, by name and make it a point to keep in touch with all of them. They can walk in any time with their problems and they have got the confidence that most of their problems will be handled to their satisfaction".

Clarity of Job

Clarity of job and what is expected from the sales person is a great motivator. The objectives when duly quantified and well defined, properly connected and linked with the reward and recognition serve as a source of motivation to the sales person.

Sales Targets or Quotas

If a sales target or quota is to be effective in motivating a sales person, it must be regarded as fair and attainable and yet offer a challenge to him. Because the sales person should regard the quota as fair, it is usually sensible to allow him to participate in the setting of the quota. However, the establishment of the quotas is ultimately the sales manager's responsibility and he will inevitably be constrained by overall company objectives. If sales are planned to increase by 10 per cent, then salesmen's quotas must be altered in a manner consistent with this objective. Variations around this average figure will arise through the sales managers knowledge of individual sales person and changes in commercial activity within each territory; for e.g., the liquidation of a key customer in a territory may be reflected in a reduced quota. Quotas can be set on rupee sales, unit volume, margin, selling effort or activity and product type. The attainment of a sales target or quota usually results in some form of financial benefit to the sales person.

Sales Contest

The sales contest is an important tool to motivate sales persons. The purpose of sales contest varies widely. It may encourage a high level of sales in general to increase the sales of a slow-moving product or to reward the generation of new customers. It provides an incentive to show better performance and secure more satisfactory results. However, sales contest has a few disadvantages. One such disadvantage is that it can encourage cheating.

Example: In one company which used a sales contest to promote sales at a series of promotional events around the country with its dealers, sales persons "stored up" orders achieved prior to the event in order to increase the apparent number of orders taken at the event.

Also, contests, by pitching sales person against sales person, militate against the spirit of mutual help and cooperation which can improve salesforce performance.

Sales Conventions and Conferences

These are the devices of group motivation. They provide opportunities for sales persons to participate, gain social satisfaction and express their views on matters directly affecting their work. They promote team work, dissolve social barriers, inspire and raise sales person's morale. Most of the companies in India are now a days adopting this method to motivate their salesforce.

Positive Effect

The positive effect method is also an important technique for motivating the salesforce to their best.

The proper application of praise, positive feedback, and human warmth and understanding can impel others to perform up to their capabilities. This must be done in a genuine way and not be perceived as overtly self serving.

Another form of motivation through positive effect occurs via a small group and peer relations. Friendship, support and comradeship frequently serve as vehicles for creating positive feelings towards company and job.

Leadership Style of the Manager

Leadership style of the manager plays an important role in motivating the sales person. Inspirational leadership refers to influence through referent power. Identification of charismatic charm is an important tool in the motivational strategy of the management. It infuses the images and expectations for extremes of effort, sacrifice achievement and in general "the right stuff". It is practiced through the use of professional speakers' special audio tapes and video tapes designed to arouse and stimulate sales persons. It also tries to create and perpetuate certain corporate myths and success stories, which indirectly motivates sales person to perform at their best.

Freedom to Work

In order to perform his onerous duties and responsibilities, the sales person must be given a reasonable amount of freedom and discretion in performing his job. Likert, in his studies, has mentioned that lack of discretion has a negative impact on employees job satisfaction. Discretion and freedom may be accomplished by allowing sales person to develop their own call patterns, more control over the types of promotional packages that they offer to their customers, etc.

Freedom or autonomy satisfies the psychological needs and is like power pay (which is a reward), making the job of sales person more important in the organisation.

Reward and Recognition

Although the sales quotas, sales contests, convention and conferences have positive carry over effects, these are short lived techniques of motivating salesmen. On the other hand reward and recognition of sales persons accomplishments are more enduring and relatively economic methods of motivation. Some of the ways to extend recognition and honour to sales person include conferring the title of "salesman of the month/year" congratulation telegrams from members of top management, sales trophies, offering memberships of social clubs, mention in company's news letter, certificate etc. Recognition and honour satisfy sales persons need for self esteem and self respect. These are like status pay - a public acknowledgment of the value that management places upon an individual.

Persuasion

One of the common and recommended forms for inducing high levels of motivation is through persuasion. In this situation, managers use rational arguments to convince sales persons that it is in their own best interest to act in a preferred way. Persuasion has the advantage of getting people to conclude that their actions were performed out of their own free will. This leads to higher levels of self direction than reward or coercive modes of influence where one perceives he or she acts more out of external compulsion than internal volition.

3.1.7 Financial Incentives

Now we come to the financial aspects of the motivational technique. Financial incentives are definitely a motivating factor, but they vary at the hierarchical level of the sales person. The need is great at lower end of the hierarchy. A financial incentive not only keep sales person on the company rolls but also motivates them to contribute to the growth of the company and thereby get grown individually. It is also an important managerial tool to control and direct sales force to attain the sales objectives.

A poorly developed or administered financial plan may invite unions to organise sales force as happened in some of the pharmaceutical companies in India. Therefore in the management and motivation of sales force, a fairly reasonable financial incentive plan plays a very important role. A sales force cannot be considered soundly managed unless there is a well developed and well administered company plan".

Case Study   **How to Motivate your Sales Force: The Accenture Way**

–by Richard J Bakosh

What motivates a sales force? It's an age-old question, of course. But these days, it's arguably more important than ever, as organizations in many industries and different parts of the world face critical talent shortages that could impede their plans for growth. During a time of worker scarcity, a better understanding of basic human needs and of the methods that can sustain high levels of motivation among a company's sales staff is important for two reasons. First, organizations need to motivate and engage their best workers to increase the chances those workers will stick around.

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Second, when a large percentage of a workforce is nearing retirement or being lured to different jobs, companies want to motivate those who remain to perform at the highest productivity levels possible. In both cases, it's a big challenge.

Based on Accenture research and on our client experience around the globe, we believe that when it comes to successful motivational approaches and incentive compensation strategies, sales executives must "go back to go forward."

That is, they must rediscover some of the basic and deeper truths about what factors – besides financial compensation –motivate their sales professionals, and then use those insights to design a more comprehensive approach to incentive management.

Creating a culture of trust; leveraging the power of peer recognition; and focusing on the enablers and tools that help salespeople reach their potential in an increasingly complex business environment – these are all critical parts of the overall picture of motivating a sales force more effectively. By gaining a deeper knowledge of human motivation, sales executives can put in place a more holistic approach – one that integrates people, process, technology and compensation strategies – to encourage and reward the behaviors that help produce high performance.

What's more, gaining insights into what really makes a sales force tick has benefits that go well beyond the sales organization, since many of the lessons also apply to workforces in general. Not all workers, of course, have motivations and incentives as tied to the very definition of their jobs as salespeople do. But today, those managing all types of workforces are beginning to understand what chief sales officers have known for years: When it comes to motivating people toward great performance, it's not just about the paycheck.

In other words, something more is going on. The question is, what?

More work, less to show for it If your sales professionals feel as if they're working harder today but have less to show for it, they may be right.

The most recent results from an annual sales performance optimization survey conducted by CSO Insights point to some troubling trends. For example, after two consecutive years of improvement, the percentage of salespeople making their quotas declined in this year's survey to just 57 percent.

The reasons for this decline become clearer upon closer analysis of the findings. For example, the average selling cycle is getting longer. Last year, nearly 14 percent of the firms surveyed reported an average sell cycle of one month or less; this year, that number dropped to just over 7 percent. The number of calls necessary to close a deal has also jumped: About 46 percent of firms said that a typical sales cycle requires six or more calls, up from 35 percent four years ago. And conversion rates-moving from the initial call to the presentation stage, and then converting proposals to sales-are trending down again.

What do these long sell cycles and declining conversion rates mean? First, they underscore the challenges and complexities of today's sales environment. As David Joyner, executive vice president of sales and account management for pharmaceutical services company Caremark, puts it: "The demands from customers and the pressure from competitors continue to rise, and that results in a marketplace that has higher expectations and more demands. To effectively sell solutions, and not just boxes, a salesperson needs to have more knowledge across a broader spectrum of products and services." That leads to what Joyner describes as "a situation where you have to know more and sell harder, but where you may be less effective in your overall success rates."

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A second implication of declining success rates is that traditional approaches to incentive management are no longer adequate to the task. Dion Joannou, North America president of communications giant Nortel Networks, notes that "it's important that a company's leadership work harder at really understanding people. I spend a fair amount of time thinking about the things, beyond just compensation, that are going to motivate my sales team."

Based on the results of Nortel sales team employee satisfaction surveys, for example, Joannou has divided the motivational dimension of his sales force into two categories. The first is what he calls "table stakes…the things you need to do just to get people fairly satisfied. Then, on top of that, another set of factors has to be in place if you intend to increase their motivation."

According to Joannou, the latter category "may not immediately sound anything like factors that appear in traditional motivation studies. They include things like sales enablement and tools, reducing quote cycle times, getting better documentation, and developing a product that is differentiated and therefore easier to sell. Those are some of the things that actually motivate salespeople – even more than sales compensation incentives."

Joannou recalls a recent sales meeting attended by the head of the company's supply chain management function. That executive listened carefully to the concerns expressed by the sales force about a number of supply chain issues that were sometimes interfering with selling to and servicing customers. "One of the most motivational things our salespeople heard that day was when the supply chain guy stood up and said, 'I understand your issues, and I'm going to fix them.' In some ways, that was received far better than any type of sales compensation or special bonus we could have put on the table that day."

Universal Needs

How can one best understand the factors that influence the motivation of a sales force? One way is to return to the work of Abraham Maslow, a pioneering American psychologist who introduced, in the 1940s, a hierarchical understanding of basic or innate human needs.

Generally depicted as a pyramid, the original version of Maslow's hierarchy set forth five levels of needs. The bottom four levels proceed through basic physiological needs, a need for safety, for belonging and for esteem. Finally, at the top of the hierarchy sits "self-actualization," something Maslow called a "growth need"-striving to live up to one's potential.

Central to the application of Maslow's hierarchy are two principles – first, that people are motivated to satisfy the lowest level of unmet need, and second, that a satisfied need cannot serve as a source of motivation. For example, a starving person can be motivated by the prospect of attaining food; a well-fed one cannot.

Maslow's hierarchy is based on the principle that human beings share a set of universal needs regardless of their culture and experiences. However, to apply that hierarchy to a business setting, Maslow's general principles must be expressed in terms more relevant to a particular workforce. The figure below provides that reinterpretation for a sales force, and shows four levels of motivational need.

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Compensation

Looking at the reconstructed figure, one can see fairly quickly why financial compensation alone is not sufficient to explain the motivations at work in a sales workforce. Financial compensation – though not, strictly speaking, a physiological need – is analogous to the lowest tier of needs in Maslow's hierarchy. It is basic and important, but it touches upon only one dimension of motivation, and a comparatively low-level one at that.

Caremark's Joyner sees it this way: "Salespersons in general have more needs than simply getting a paycheck. That is part of the reward, certainly, but once you have a fair compensation plan in place, then the real work of employee motivation begins." In other words, the carrot-and-stick approach – dangling financial rewards in front of a sales force – does not work very well once a person has reached an adequate income level and is motivated primarily by higher needs.

Trust

Above physiological needs on Maslow's hierarchy is the human need for safety and security. In a sales context, this need can also be understood as one involving the level of trust a sales force has in how it is treated and compensated.

Trust is a difficult thing to establish within a sales organization when it comes to the complex and ever-changing calculation of commissions. The story of Canadian telecommunications company Telus Corp. is instructive in this context. Telus was suffering from the effects of inconsistent and manually intensive incentive management processes, dependent on multiple data sources that have little or nothing in the way of audit trails and traceability. As a consequence, the company's salespeople were very skeptical about how their compensation was determined: Without reliable, detailed reporting on commission payments, the compensation system was a "black box" as far as the sales force was concerned.

When trust is absent, sales professionals generally respond by creating their own individualized shadow accounting processes – most often an automated spreadsheet or other tool they use to verify the accuracy of their paychecks and incentive payouts. While it might seem that no harm is done with such a process, in fact it can be a drain on performance and productivity. Estimates of productive selling time lost to shadow accounting activities can range from one-half day to two days per month per salesperson.

As Nortel's Joannou notes, "Decreasing the amount of time a salesperson spends on non-sales activities is critically important to raising overall productivity. Every minute spent by a salesperson verifying compensation data is one less minute available to meet with customers and close deals."

What can be done? In Telus's case, the company adopted a holistic enterprise incentive management solution driven by next-generation technologies to improve the level of trust, and to more closely align sales force behavior with not only the company's sales strategy but also its overall corporate strategy. When Telus implemented its new incentive management system, the trust level in its sales force grew.

Two years after the system's deployment, the average time spent by salespeople on shadow accounting activities dropped from 40 hours per month to 5 hours per month. The company's sales team recouped 17,730 days of additional selling time during the first year of deployment and 52,500 days the second year.

Contd...

Productivity also improved. Telus saw its total annual sales transactions grow from 1,328 to 16,656 for two years after the implementation of its enterprise incentive management system. In total, the company achieved a 103 percent return on investment by the end of the first year of deployment and an astounding 3,316 percent ROI by the second year.

Esteem and a Sense of Belonging

Moving further up the modified Maslow hierarchy, we come to two principles that are closely linked in terms of motivating a sales force: the need to belong and feel a part of a group, and the need to be held in esteem and receive recognition.

One important aspect of belonging and esteem is the respect accorded to individuals by senior management. But recognition from a peer group is also critical to motivating the sales force.

Joannou describes it this way: "There are two things that Nortel has never stopped or changed, even through challenging economic times. One is our annual sales conference, where we bring our sales team together, both to interact with each other in a forum setting, but also to do peer recognition. You get the sales team up there on stage and you reward them in front of their peers. That is hugely important to them."

The second thing Nortel has never changed is what Joannou and his team call their "circle of excellence." With this program, he continues, "we take the top 10 percent of our sales force and treat them to an all-expenses-paid trip to a nice location. One reason we've never cut that program, despite all of the cost pressures, is because it motivates your best performers to do even better because they want to be a member of this elite group."

In planning social or peer motivation programs, companies must bear in mind that such programs should be keyed to the transactional speed of the business. When a sales force is selling business solutions and not just products, the sales cycle is generally longer.

The shorter sales cycle for transactional sales, on the other hand, means that sales results must be posted at least once a month, and perhaps even more frequently. The posting itself becomes part of the reward, as it is a form of public peer recognition. Those results generate financial rewards as well, cycling back into the more basic elements of compensation-based motivation.

Creativity is often the key to devising meaningful recognition programs that have an impact on individual performance and the bottom line. At one company we have worked with, the top 10 percent of the sales force is rewarded with the authorization to hire an administrative assistant. It is an interesting case of the "rich getting richer," since these top performers can then leverage the additional help to generate even better sales. And the turnover rate for that level of the sales force is not just low; it is zero percent.

Fulfillment of Potential

At the highest level of Maslow's motivational hierarchy is what he called "self-actualization," which we have expressed more simply as the fulfillment of potential. People have an instinctual need to make the most of their unique abilities, and they advance toward that goal by having the conditions in place – which often means acquiring new knowledge and skills – that enable them to take on ever-greater challenges.

Understood in this context, it becomes clearer why such a high percentage of salespeople around the world appear so unmotivated and disengaged from their work and seem to lack a commitment to their organizations. The complexity of the business environment often means there are deep structural obstacles preventing salespeople from living up to their potential.

Contd...

In a sales environment, the rapid expansion of the basic catalog of products and services, the changing technical environment, and the need to sell in new ways to new customers place such a burden on the sales force that their existing knowledge simply may be inadequate to the task. Psychologists tell us that in response to this condition – known as cognitive overload – people often retreat back into modes of performance that make them more comfortable. And that can be deadly to an organization that needs its sales force to meet new challenges by performing in new ways.

More sophisticated tools can help here. For example, the Accenture Sales Workbench is a comprehensive, technology-based tool that delivers a salesforce-centric, role-based supportive environment that provides the knowledge, content, legacy applications, productivity tools, learning, collaboration and expert network capabilities that enable salespeople to take their performance to higher levels. The supportive environment created by the tool can also be tied to an enterprise wide performance management capability that links differentiated individual performance to higher workforce performance and, ultimately, to high performance for the organization as a whole.

A similar kind of sales workbench has been used effectively by a major US medical products distributor to increase the types and numbers of products it sells to physicians. Although the company offered more than 30,000 medical products, it found that most of its customers were consistently ordering from just a small percentage of the total catalog.

To help its sales force succeed, the company rolled out an application on a Tablet PC that is now used by its field sales force. One of the functions of the new application is what the company calls a "condition calculator." It uses data mining techniques – similar to the methods used by Amazon.com to link one customer's purchase patterns to those of other customers – to suggest additional products the physician may need based on what other doctors have purchased, on that doctor's own past buying preferences, and on known ways that multiple products can help serve patients better. As a result of using this new tool, the company has seen dramatic improvement in its sales performance, including a 400 percent increase in cross-selling.

These sales tools, along with improved training, put workers in a position where they have a better chance of overcoming cognitive overload-and, more important, a better chance of fulfilling their potential.

Going Back to Go Forward

In the face of complex performance environments and looming worker scarcity, sales executives must return to the basics of human motivation to understand why financial incentives alone cannot hope to move the behaviors of the sales organization in a direction that can support business growth. When compensation is approximately equal among the sales forces of competing companies, those with a better chance of achieving high performance will be the ones that recognize the importance of such things as peer recognition and a trusting relationship between salespeople and management.

Companies must also be better attuned to the challenges of the complex marketplace and of cognitive overload; the two often combine to impede the ability of the sales force to achieve its potential. It is vital to both personal and corporate success that critical workforces are given the tools they need to succeed in a more complicated marketplace. Technology is a key enabler here. Advanced solutions now provide real-time performance support for sales personnel at the time of need, and also provide links to companywide performance management systems.

By understanding how an integrated and holistic approach to motivation works – the importance of trust, of self-esteem, of social recognition, of improved chances to fulfill one's potential – traditional incentive compensation management strategies can be rethought and implemented in ways that improve the performance of the sales force and help the entire company achieve high performance.

Questions

1. Analyse the ways in which Accenture motivates its sales force. Do you think they are adequate?

2. Examine the role played by trust and self-esteem in motivation.

Source: accenture.com

Task   Consider any 3 companies and list the techniques adopted by them to motivate its personnel. Is their any difference in their ways?

3.2 Compensating the Sales Force

Sales compensation plans are aids to, rather than substitutes for, effective motivation. The basic appropriateness of a compensation plan is important and so is the way it is implemented and administered.

In established companies it is rarely necessary to design new sales compensation plans and sales executives concern themselves mainly with revising plans already in effect. Most changes are minor, instituted to bring the plan and marketing objectives into closer alignment. Major changes in the compensation plan are rare. Like most people sales personnel resist sweeping changes, particularly when this requires them to alter accustomed ways of doing things.

3.2.1 Requirements of a Good Compensation Plan

A good sales compensation plan fulfils seven requirements:

1. It provides a living wage in the form of a secured income.

2. The plan fits with the rest of the motivational programme.

3. The plan is fair – it does not penalise sales personnel because of factors beyond their control. Within the limits of security and other special circumstances, sales personnel receive equal pay for equal performance.

4. It is easy for sales personnel to understand – they are able to calculate their own earnings.

5. The plan adjusts pay to changes in performance.

6. It is economical to administer.

7. It helps in attaining the objectives of the sales organisation.

3.2.2 Designing a Compensation Package

A good compensation plan is built on solid foundation and therefore it requires a systematic approach to assure that no essential step is overlooked.

Defining a Sales Job

1. Re-examine the nature of the sales job and revise it if it is outdated.

2. Analyse sales department objectives for their effect on the sales person's job.

3. Check out for sales volume objectives, for instance, whether in rupees, units of products, or number of dealers and distributors and translate them into what is expected of the sales personnel, as group and individually.

4. The impact of sales related marketing policies are determined (like, credit policies, price policies, etc.)

5. Consider the current and proposed advertising and sales promotional programmes as they assist in clarifying the nature of the sales person's goals, duties and activities.

Consider the Company's General Compensation Structure

Most companies use job evaluation systems to determine the relative value of individual jobs. Its purpose is to arrive at fair compensation relationships among jobs. There are four job evaluation methods. Two are non-quantitative – simple ranking and classification or grading. Other two are quantitative - the point system and the factor comparison method.

Non-quantitative

1. *Simple Ranking:* This is an inexpensive job evaluation method. No attempt is made to determine the critical factors inherent in the job, only overall appraisal of the relative worth of different jobs is made.

2. *Classification or Grading:* In this method jobs are graded in terms of job responsibility, skills required, supervision given and received, exposure to unfavourable and hazardous working conditions and similar characteristics. All jobs within a grade are treated alike for compensation.

Quantitative

1. *Point System:* It involves defining factors common to most jobs. The specific factors generally include mental and physical skills, responsibility, supervision received and given, personality requirements and minimum education required. Each factor is assigned a minimum and maximum number of points, different ranges being associated in line with the relative importance of the factors. The use of point values makes it possible to determine the gap or distance between job classes.

2. *Factor Comparison Method:* This method resembles the point system but is more complex. It utilizes a scheme of ranking and cross comparisons to minimise error from faulty judgment. A selected number of key jobs typical of similar jobs throughout the company are evaluated. This is done by arranging them in rank order, from highest to lowest for each factor. As a check against this judgmental evaluation, the compensation money actually paid for each job is allocated to the factors, which automatically establishes the relationship among jobs for each factor. The judgmental ranking and the ranking by allocation of compensation are compared and differences are reconciled, or else the jobs are removed from the key list. On this basis, money amounts assigned to the several factors making up key jobs and additional jobs are evaluated and their monetary values for each factor interpolated into the scale. This procedure is repeated until all jobs are evaluated.

Consider the Compensation Patterns in Community and Industry

Because compensation levels for sales personnel are related to external supply and demand factors, it is important to consider the prevailing compensation patterns in the community and the industries. Management needs answers to five questions.

1. What compensation systems are being used?

2. What is the average compensation for similar positions?

3. How are other companies doing with their plans?

4. What are the pros and cons of departing from industries or community patterns?

5. What calibre of salespersons is required to be effective as well as cost efficient?

Determining Compensation Level

Management must determine the amount of compensation a sales person should receive on the average. The compensation level might be set through individual bargaining or on an arbitrary judgment basis. Management should ascertain whether the caliber of the present sales force measures up to what the company would like to have. If it is too low, or if the company should have lower-grade people than those currently employed, management should determine the market value of the sales personnel of the desired grade.

Management weighs the worth of the individual person by estimating the sales and profit money that would be lost if particular sales people resigned. Another consideration is the compensation amount the company can afford to pay.

Provide for the Various Compensation Elements

A sales compensation plan has as many as four basic elements:

1. A fixed element, either a salary or a drawing account to provide some stability of income.

2. A variable element to serve as an incentive.

Example: A commission, bonus, or profit sharing arrangement

3. An element covering the fringe or plus factor such as paid vacations, sickness and accident benefits, life insurance, pensions.

4. An element providing for reimbursement of expenses or payment of expense allowances.

Management selects the combination of elements that best fits the selling situation. The proportions that different elements bear to each other vary. However, most companies split the fixed and variable elements on a 60:40 or to 80:20 basis.

Special Company Needs and Problems

A sales compensation plan is no panacea for marketing ills, but it is often possible to construct a plan that increases marketing effectiveness. If a company's earnings are depressed because sales personnel overemphasize low margin items and neglect more profitable products, it may be possible, despite the existence of other managerial alternatives, to adjust the compensation plan to stimulate the selling of better balanced orders. Specifically, variable commission rates might be set on different products with higher rates applying to a neglected product.

Example: A firm might have a "small orders" problem. It is possible to design compensation plans that encourage sales personnel to write larger orders. Commission rates can be graduated so that higher rates apply to larger orders.

Consult the Present Sales Force

Management should consult the present sales personnel, in as much as many grievances have roots in the compensation plan. Management should encourage sales personnel to articulate their likes and dislikes about the current plan and to suggest changes in it. Criticism and suggestions are appraised relative to the plan or plans under consideration.

Reduce Tentative Plan to Writing and Pre-test it

For clarification and to eliminate inconsistencies the tentative plan is put in writing. Then it is pre-tested. The amount of testing required depends upon how much the new plan differs from the one in use. The greater the difference, the more thorough is the testing. Pre-tests of compensation plans are almost always mathematical and usually computerised. If the sales pattern has shown considerable fluctuations, speculations are made for period's representative of average, good and poor business.

Then a look is taken into the future. Utilising sales forecast data, new and old plans are applied to future periods. The plan is tested for the sales force as a group and for individuals faced with unique selling conditions. Analysis reveals whether the plan permits earnings in line with the desired compensation level. If deficiencies show up the plan may not be at fault; weaknesses can be traced to the way territorial assignments have been made or to inaccuracies in sales forecasts, budgets, or quotas.

To conduct a pilot test, several territories representative of different sets of selling conditions are selected. The proposed plan is applied in each one long enough to detect how it works under current conditions.

Revise the Plan

The plan is then revised to eliminate trouble spots or deficiencies. If alterations are extensive, the revised plan goes through further pre-test and perhaps another pilot test. But if changes have been only minor, further testing is not necessary.

Implement the Plan and Provide for Follow up

At the time the new plan is implemented, it is explained to the sales personnel. Management should convince them of its basic fairness and logic. Details of changes from the old plan and their significance require explanation. All sales personnel should receive copies of the new plan, together with written examples of the method used for calculating earnings. If the plan is at all complex, special training sessions are held and aimed at teaching sales personnel how to compute their own earnings.

Provisions for follow up are made. From periodic check ups need for further adjustments is detected. Periodic checks provide evidence of the plans' accomplishment and they uncover weaknesses needing correction.

Caselet

Finding the Right Pay Scale for your Sales Force

As told by Karen E. Klein

There is no tried-and-true formula for pay structure that holds across the board. The manner in which you compensate your salespeople will vary, depending on many complex factors, including your particular industry, your sales cycle, your company's market position, the strength of your product or service and – not least – your individual salesperson and his or her experience. Experts say that your best source of information will be found in the trade organizations and publications that serve your industry. Trade journals often do annual compensation surveys that should be helpful, and they will give you a sense of the pay standards that have been developed in your industry. "There are basic formulas for people who sell shoes, or insurance. There are mores in each market that have been developed by trial and error," says Ben Tenn, a sales, marketing, and distribution consultant who owns Tenn Consulting in Northridge, Calif. "You should reach out to other people in your industry. Ask salespeople that interview with you what they're being paid, and, if you get a chance, talk to your competitors about how they pay their sales force. "In general, companies that sell highly predictable products or services with very short sales cycles weight their compensation heavily on commissions. An outside sales rep, someone not a direct employee of your company, will make 100% commission. So, typically, will an insurance agent, and people who sell health club memberships, time shares, or dating services. Salespeople in food service and retail, such as waitresses and sellers of shoes, tend to make minimum wage as a base salary, with most of their income derived from tips and commission. On the other end of the spectrum are those selling consulting services or enterprise-wide software, industries where the sales cycle – the time between initial contact with a prospect to closing a deal – may be 6 to 18 months. In order to keep the salesperson from starving, he or she will need a reasonably good base salary until commission can be earned. In the middle range are those industries with sales cycles of three months or more – executive recruiters, technology salespeople, and those hawking telecommunications services – who tend to get salary-to-commission ratios in the 40-60 or 50-50 range.

If your business is a startup with a volatile product that may be a hit or a dud, you'll need to compensate your in-house sales force with a livable base salary, at least until they make contacts and sales take off. "In a small business, everything is negotiable. What you want is a sales staff that is hungry – but not too hungry, or they will be thinking about their own personal living situations too much to be effective in developing relationships with potential customers," says Sam Parker, co-founder of justsell.com, an Internet sales and marketing portal based in Fairfax, Va.

Source: businessweek.com

3.2.3 Types of Compensation Plans

There are only three basic type of compensation plans – straight salary, straight commission and a combination of salary and variable elements.

Straight Salary Plan

This is the simplest compensation plan. Under it, sales persons receive fixed sums at regular intervals (usually each week or month but sometimes every two weeks), representing total

payments for their services. Only 17.5% used this method. It is more common among industrial goods companies than consumers' goods companies. Firms that previously used the straight salary plan have switched over to combined basic salary with a variable element.

Advantages

1. There is control and direction over the sales personnel.

2. There is flexibility in adjusting the work.

3. Sales persons cooperate more if paid straight salary rather than commissions.

4. It is simple and economical to administer.

5. More stability of income.

6. Sales persons are relieved of much burden of planning their own activities.

Disadvantages

1. Since there is no direct monetary incentive many sales persons do only an average rather than an outstanding job.

2. There is tendency to under compensate productive sales persons and to over compensate poor performers.

3. If this exists for long, the turnover rate rises.

4. The morale of the sales persons is affected.

5. It is difficult to adjust to changing circumstances.

Straight Commission Plan

In this, sales persons are paid according to productivity. This method provides for progressive or regressive changes in commission rates as sales volume rises to different levels. Others provide for different commission rates for sale of different products, to different categories of customers, or during given seasons.

Straight commission plans fall into one of the two broad classifications:

1. Straight commission with sales persons paying their own expense. Advances may or may not be made against earned commissions.

2. Straight commission with the company paying expenses, with or without advances against earned commissions.

For this method non-selling duties are unimportant, rather getting order is the main objective.

Advantages

1. It provides maximum direct monetary incentives.

2. It provides means of cost control.

3. The straight commission plan is also characterised by great flexibility for revising commission rates for different products.

Weaknesses

1. Only customer orders are set by sales persons and they are careless about transmitting reports.

2. Sales persons neglect to follow up leads. They resist reduction in size of sales territories.

3. Sales persons push the easier to sell low margin items and neglect harder-to-sell high margin items.

Determine Commission Base

Important aspect of designing a straight commission system is to select the base on which to pay the commission.

1. If obtaining volume is the main concern then total sales is the base.

2. If sales personnel make collections on sales, then commissions are based on collections.

3. If a firm has excessive order cancellations, commissions can be based upon shipments, billings or payments.

4. To control price cutting by sales personnel, some companies base commissions on gross margin.

5. Some companies use net profits base, seeking simultaneously to control price cutting, selling expenses and net profits.

Salary Plus Commission

Most sales compensation plans are a combination of salary and commission plan. They develop as attempts to capture the advantages and offset the disadvantages of both the salary and commission systems.

In commission plan, executive has weak control on non-selling activities while in salary method it is not so.

Advantages

1. Security of stable income and financial incentive.

2. Management has greater control and apparatus to motivate sales force.

3. A cooperative spirit develops between salesmen and the company.

Disadvantages

1. Clerical costs are high.

2. The split between fixed and variable component is 60:40 to 80:20.

3.2.4 Factors Influencing Compensation Scheme

Irrespective of the basic structure of compensation, some factors cannot be overlooked while designing a compensation plan for companies.

Relation with Product Life Cycle (PLC)

All products undergo various stages of introduction growth, maturity and decline. The selling effort is related to this (PLC) stage.

When the product is in the introductory stage it is difficult to sell the product. Therefore the sales force must be dynamic, enterprising, willing to travel, to be able to establish the product in the market. It should have good knowledge of the product, good communication skills and tremendous willingness and endurance to pursue the goals that are to be achieved. Therefore in the introductory stage direct salary will be on the higher side and indirect benefits may not be introduced.

Growth Stage

In this stage the motivation of the sales force has to be maintained. Indirect incentive schemes have to be introduced. Incentives can be linked with achieving targeted quarters. This will help in the growth of the product.

Maturity

When the product firmly establishes itself the sales force needs a break. The indirect benefits like training programmes in good environmental locales foreign trips, promotions, basic increase in salary are given. This increases their knowledge and motivates them and gives them a new direction to do the job.

Decline Stage

When the sales of the product starts declining then added incentives may be given to generate fresh interest in the product. Efficient product managers who may be concentrating on different products are given added incentive to service the sales of the declining product.

Compensation Related with Demographic Characteristics

Different compensation packages are preferred by different sales persons depending upon their demographic characteristics, i.e., age and family life cycle. A bachelor can take high risks, is more enterprising and with high risks high awards are also promised. He can work on a straight commission or incentive scheme only. As one gets married he prefers stability with high basic component. When one gets older one wants more stability and preferably a direct salary.

Age	Salesmen Family life cycle	Preferred Job	Preferred compensation style
20-28	Bachelor	High risk, High reward Aggressive company	Straight commission or incentive
28-35	Married with one or two young children	Established company and stability	Intensive plan – Basic + incentive; preferably with higher basic component
35 & above	Married with growing up children	Stability and steady job	Preferably straight salary basic

Source: Marketing in India by S.N.

3.2.5 Use of Bonus

A bonus is an amount paid for accomplishing a specific sales task. Bonuses are paid for reaching a sales quota, performing promotion activities, obtaining new accounts, following up leads, setting up displays or carrying out other assigned tasks.

Bonuses are never used alone – they always appear with one of the main sales compensation methods. If used with the straight salary, the plan resembles the combination plan. If used with the straight commission plan, the result is a commission plan to which an element of managerial control and direction has been added. If used with the combination salary and commission plan, the bonus becomes a portion of the incentive income that is calculated from the commission.

3.2.6 Fringe Benefits

Fringe benefits, which do not bear direct relationships to job performance, range from 25-40 per cent of the total sales compensation package. Fringe benefits, like monetary compensation, are not motivating factors. In Maslow's hierarchy, fringe benefits contribute to fulfillment of safety and security needs, although some (such as payment of country club dues) contribute to fulfillment of esteem and other higher order needs.

As the variety of fringes has expanded, individual fringes have been added that appeal more to some groups than others – people with bad teeth are the ones most interested in dental insurance while those with children are the ones most interested in plans for paying education and tuition fees for dependents.

An increasing number of companies offer a "cafeteria" approach to fringe benefits.

In this approach, the company offers a core of basic benefits - the benefits required by law plus other traditional benefits, including paid vacations, medical, disability, and death benefits and a retirement programme. Employees then use credits (based on age, pay, family status and years of company service) to obtain optional benefits not included in the core; this lets employees select those benefits that best fit their needs. Also, because of changing needs employees are given opportunity to change their choice. Companies using the cafeteria also have "awareness programmes" aimed at making employees aware of the benefits available.

Fringe benefits are now an important part of every sales persons income. These are dealt as under:

1. *Company Benefits:* These constitute 25 to 40% of the basic pay. Fringe benefits differ from company to company. Insurance, paid vacation, paid leaves, retirement plans and educational assistance are a part of company benefits.

2. *Insurance:* Life insurance, health insurance, accident and disability, insurance are provided by most companies. Sometimes a part of insurance is paid by the salesman. Dental and vision care are also popular benefits introduced by many companies.

3. *Paid Vacations:* These are provided to sales persons with a long standing, who have served the company for a long period of time.

4. *Paid Leaves:* Includes, sick leave, maternity leave and are enjoyed by confirmed salesman who have worked for a considerable period of time.

5. *Retirement Plans:* Many companies contribute to pension plan for its employees. The sales person also contribute a part of their income through payroll deductions.

6. *Educational Assistance:* Many sales persons take advantage of company sponsored educational programmes. They sponsor candidates to courses useful to the company. Employers also grant release time to employees to attend courses.

7. *Sales Force Benefits:* Personal use of a company car and membership to clubs/associations is also provided to sales people. This helps them to get in touch with a lot of people connected with business so that the sales could be increased.

Notes **Fringe Benefits – A Compendium of Types Available to Sales Personnel in some Companies**

Time	Organisation's dues
Holidays	Trade association
Vacations	Civic clubs
Sick leave	Country clubs
Personal leave	Professional association
Sabbaticals	
Pregnancy leave	*Miscellaneous*
	Automobile
Retirement Programme	Use of vacation spot
Social security (mandatory)	Parking
Pension plan	Dry cleaning and laundry
Profit sharing	Lunches (all or part)
Salary reduction plans	Secretarial services
	Employee stock purchase plan
Insurance and Medical	Company-provided housing
Physical examinations	Legal services
Medical payments and reimbursements	Financial counselling
Hospitalisation insurance	Tuition for continuing education
Dental insurance	programmes
Disability insurance	Financial support for dependents
Life insurance	education
Travel insurance	Credit unions
Accident insurance	Discounts for purchases of company
Worker's compensation (mandatory)	products
Unemployment insurance (mandatory)	Child care payments
Cancer insurance	Matching funds to charities and schools
Psychotherapy expense	Company social events
	Company sports tournaments
	Payment of moving expenses

Source: Developed at a Shirt-sleeve Seminar, Atlanta Chapter, Sales and Marketing Executives International.

Besides these fringe benefits there can be other types of incentives:

1. *Profit Sharing:* If the company's profit rises then a cash bonus can be given.

2. *Stock Purchase Plan:* Employees can buy shares of the company at a discounted price. They can become shareholders of the company. This increases the loyalty of the sales people towards the company.

3. *Credit Union:* A company supported credit union to save and borrow as and when desired.

4. *Employee Services:* These include subsidised meals, recreational facilities, discount on company's products, etc.

5. *Cafeteria Approach:* In this the employees choose the desired benefits. This is a new approach in which there is a basket of benefits and the employee opts for some of these which are more beneficial to him.

Task   Find out the compensation practices of some of the best sales organisations in India.

3.3 Summary

- The primary purpose of motivation is to aid salesmen to satisfy their goals by stimulating them to improve the efficiency of their work.

- Motivation is specially required in sales management as the nature of job is different from the usual work that the other members of the organisation are engaged in.

- Maslow argued that needs form a hierarchy in the sense that, when no needs are fulfilled, a person concentrates upon his or her physiological needs. When these needs are fulfilled, safety needs become preponderant and become important determinants of behaviour and he moves so on up the hierarchy.

- Herzberg's dual factor theory distinguished factors which can cause positive dissatisfaction but cannot motivate (hygiene factors) and factors which cannot cause positive motivation.

- Most salesmen prefer the financial benefit because the need at the lower level of organisation is more of physiological and safety needs, rather than those of esteem and self actualisation.

- Sales compensation plans are aids to, rather than substitutes for, effective motivation. The basic appropriateness of a compensation plan is important and so is the way it is implemented and administered.

- Companies use mostly one of the following plans: Straight Salary Plan, Commission plan and Salary plus commission plan.

- Bonuses are paid for reaching a sales quota, performing promotion activities, obtaining new accounts, following up leads, setting up displays or carrying out other assigned task.

- The variety of fringes has expanded, individual fringes have been added that appeal more to some groups than others -people with bad teeth are the ones most interested in dental insurance while those with children are the ones most interested in plans for paying education and tuition fees for dependents.

3.4 Keywords

Bonus: An amount paid for accomplishing a specific sales task

Commission Plan: Sales persons are paid according to productivity

Fringe Benefits: Benefits other than monetary and incentives like insurance etc.

Hygiene Factors: Factors that cause positive dissatisfaction but cant motivate

Motivation: Psychological aspect and drives salesman behavior

Physiological Needs: Basic needs of food, clothing, shelter etc.

Self-Actualization Needs: Self-fulfillment and achievement needs

Straight Salary Plan: Sales persons receive fixed sums at regular intervals

3.5 Self Assessment

Fill in the blanks:

1. Desire to own a big house to show off status relates to…………………needs.

2. An untimely promotion due to consistent performance can act as a…………………..

3. Incentives given to salesmen to push up sales of a non-performing product is known as………………………..

4. Need for adventure is a part of ……………………. needs.

5. According to Herzberg's Theory, relationship between a salesman and supervisor is a ……………… factor.

6. …………………..method of evaluating compensation plan, tries to reduce errors to the minimum possible level.

7. In your organisation, if you are asked to choose from an array of benefits that suits you most, your company is following ……………approach.

8. ……………….is the most secure type of compensation from a salesman point of view.

9. A…………………plan brings out the maximum productivity out of a salesman.

10. Educational benefits and paid vacation are …………… offered by sales organisations.

3.6 Review Questions

1. "The primary purpose of motivation is to aid salesmen to satisfy their goals by stimulating them to improve the efficiency of their work." Comment.

2. "Motivation is a continuous process that carries on as the expectation of the sales person keep changing from time to time". Discuss.

3. Suppose you are sales manager of a pharmaceutical company. What measures will you take to ensure that your salesmen are motivated?

4. Is Maslow's theory relevant in today's world? Compare and contrast between Maslow's and Herzberg's theories.

5. "Compensation plans are aids to, rather than substitutes for, effective motivation". Do you agree? Explain.

6. Suppose you are the Sales Head of a direct marketing cosmetics company. In order to make a sound compensation plan for your company, what all things you need to keep in mind?

7. Compare and contrast the different compensation plans. Which one is most attractive according to you?

8. "As life progresses, needs also progress". Explain this statement in relation to compensation.

9. How is the concept of fringe benefits related to Maslow's theory? Suppose you have to make a bonus and fringe benefit plan for two categories of employees- 1 year in service and 5 years in service. Make appropriate plans for both.

10. Examine the role of non-financial factors in salesmen motivation.

11. Do you think the salesmen can still do well if they are given only financial incentives and no other motivation? Justify your answer

12. Which type of compensation plan is most suitable for a FMCG sales organisation and why?

Answers: Self Assessment

1.	Self-Esteem	2.	Motivators
3.	Sales Contests	4.	Self actualization
5.	Hygiene	6.	Factor Comparison
7.	Cafeteria	8.	Straight salary
9.	Target commission	10.	Fringe benefits

3.7 Further Readings

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Unit 4: Sales Meetings, Sales Contests and Sales Budget

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Objectives

Introduction

Objectives

After studying this unit, you will be able to:

- Explain the concept of sales meetings
- Discuss the use of sales contests
- Identify the components of sales budget

Introduction

This unit covers sales meetings, sales contests and sales budget. Sales meeting is a gathering in which a product or service is being discussed, and the benefits are outlined to the potential buyer. The sales meeting is not always a presentation format; it can sometimes be an informal conversation, phone call or online affair. The parties involved have this meeting between the initial contact and final purchase, in order to entice the customer. Sales contests are an incentive

scheme that rewards the salesperson who has the best results. A sales budget is the starting point for budgeting because inventory levels, purchases, and operating expenses are geared to the rate of sales activities and other cost drivers

4.1 Sales Meetings

The core of the selling process is the meeting that takes place between the prospect and the salesperson. At this stage of the selling process the salesperson will spend a considerable amount of time presenting the unique value proposition to the prospect. While the word "presenting" may imply that the salesperson takes center stage and does most of the talking by discussing the product's features and benefits, in actuality successful salespersons find effective presentations to be more of a two way conversation.

This section is designed to highlight key factors which can be used to make your presentation more effective. If you look at what you are doing as helping people to learn, which in any case is an excellent definition of training, then it makes sense to keep the group in mind and consider what helps people to team.

4.1.1 Ensuring that Learning Takes Place

There are several classic ways of positively assisting this process:

1. *Making the message relevant:* You need to keep the nature of the group in mind throughout, to make sure that what is said is in their language, rotates around the real job that they have to do and fits into their frame of reference. If the group sees the training message as tailored to them, representing their situation and if, above all, they think it will help them do the job better or more easily—or both—then they will take an interest and learn. Having clear, stated objectives for the session and seeking participants' agreement to them is also important.

2. *Use a logical order:* Any message is going to be easier to take on board if it is not a struggle to work out, so creating a good, clear and logical path through the content is important. The material provided should have a clear structure and the working method should be logical.

3. *Use appropriate emphasis:* The training message must prompt a concentration on it. This is helped by a number of things, such as varying the pace and also by repetition. Never be afraid to repeat, albeit in a different way, the key elements of the content. It is the combination of methods—lecture, discussion, an exercise etc.—which can do this and really enhance the likelihood of participants retaining the essentials of the message.

4.1.2 Do Not Assume it is Easy

Any kind of communication can be perhaps surprisingly, difficult. The difficulties stem from various factors, which, taking a positive view, means that you must:

1. Vary the pace and keep up the interest as the natural tendency of people is to let their minds wander rather than concentrate continuously.

2. Work at achieving an understanding by avoiding too much unfamiliar jargon, using visual aids to reinforce points, choosing your words carefully and fighting peoples' instinct to make judgments too soon by anticipating—often inaccurately—the totality of the message before it is even complete.

3.	Accept that change is always seen as threatening until its usefulness is clear; if you advocate change, make sure that you explain both how it can be achieved and what good results will flow for the members of the group.

4.	Accept also that there will be plenty of preconceived views and existing memories that act as filters to what you are saying; these may have to be aired and disposed of along the way if a new way is to replace them.

All these points speak of care being necessary and also flexibility.

## 4.1.3	Preparation

The difficulties mentioned above dictate the three key rules for a successful presentation: prepare, and prepare. It is that important. There is no substitute for being truly familiar with the material in front of you. It will not only facilitate progress through the material but make you more confident and thus more able to fine-tune, respond to questions and digress where appropriate and useful. A key part of preparation is creating guidelines that you can keep in front of you and which act as an effective prompt and make it easy to work through the content.

## 4.1.4	The Group

It may seem obvious but the session is not yours, it is the group's and all the focus of its preparation and delivery must reflect that. Ask yourself how it will be seen, does it reflect their needs, can it be used in their jobs — any question that will enhance this focus. The presenter who prepares only to make it easier for themselves is not so likely to create a session that will work well for others.

A second important point here is how the group will see you. Any lesson is more likely to be taken on board coming from someone the group respects rather than from someone perceived as 'trying to teach their grandmother to boil eggs'. A well-prepared presentation, even a well-turned out presenter, makes a difference. Your knowledge and your professionalism can enhance learning. On the one hand, you need to be perceived as the 'expert', at least to some degree; on the other hand' you should talk about the 'opportunities we have to improve sales performance', rather than saying something that comes across as 'you people must get your act together'. As was stated earlier, training is helping people to learn.

The third point is to bear in mind that training is often perceived as a cure for weak performance. In order to create an atmosphere where training is welcomed by the group, it is vital to ensure that the event is seen as other than being criticism. Stating that you intend to build on strengths, listing successes, talking about even better results, all help this process. The need for sales training is often linked to external change. This may range from increased competition to new customer expectations. Whatever the situation, even if there are some weaknesses of performance, you must start the exercise in a way that will make it more likely that people will listen and participate with an open mind.

## 4.1.5	Structure

The oldest maxim about communication is also one that offers good advice here: Tell them, tell them and tell them. This means that you should tell people what you are going to tell them (introduction), tell them (the main content), and then tell them what you have told them (summary). Whatever else you aim to do, this one thought will help to keep you on track.

Caution However, it is not sufficient to have a structure, you must make sure that it is visible and develop it as you go along, a process sometimes referred to as 'sign-posting. Frankly it is hardly possible to indulge in too much sign-posting as a session proceeds; it is a technique which allows the group to keep everything you say in context. They know the objectives, they know the structure and where you are in the sequence, how it fits in with what has been covered to date and what will come later, and can follow the thread that much more easily than with less information of this sort. So, the overall structure is classic: a beginning, a middle and an end. Consider the three in turn.

The Beginning

It is a common cliché that you only get one chance to make a good first impression; but it is true. It is always right to get off to a good start. People make rapid judgments at the start of the session ('Am I going to like this? Will it be useful?'); a good start gets them in the right frame of mind and is also good for the presenter's confidence.

At the beginning of the whole session all, the preliminaries need to be dealt with — the welcome, the administration and so on — and, at the same time, you must:

1. Gain the group's attention

2. Create (or begin to do so) the necessary rapport. The first can be helped by a striking start

3. Ask a question (even a rhetorical one)

4. Use a quotation (to make a point in a memorable manner)

5. Tell a story, an anecdote, or a true, recent or memorable occurrence

6. State a striking fact, say a statistic

7. Use something visual, a slide, a gesture to create impact or something just downright intriguing to give the necessary impact.

The second is helped by an immediate display of empathy, a focus on the group and how they see things and sheer enthusiasm — always potentially infectious — for the event and the topic.

The Middle

This is the core of the session, and must:

1. Review the content in detail

2. Ensure acceptance of the message

3. Maintain the attention of the group.

This structure and 'sign-posting' referred to above will keep the content unfolding logically and smoothly. Sufficient examples and anecdotes will exemplify what is said, add credibility and make it live; they will also help maintain interest especially if the session is kept reasonably participative with questions and discussion acting as raisins in the bread. Make sure that the words you use are sufficiently descriptive.

*Example:*You cannot say: "This is like ....'' too often. As the details of the core content come through here, the visual aids used will help maintain concentration and memory (and have an additional advantage as an extra aid to the presenter's memory).

In research carried out on behalf of Kodak, it appears that people take in information in a way that is made up of:

1. Visual—55 per cent

2. Tone of voice—37 per cent

3. Words—8 per cent

Assuming that this is correct, it is vital to create visual inputs for as much of the message as possible to increase the chances of more being taken in and remembered.

The End

Whether of the whole session or just of a segment of it, the final stage is an important one. There is a need to summarise and a need to end on a high note. The end is a pulling together; there should be no loose ends or unanswered questions, and, particularly, participants should leave confident that they have found something useful and, moreover, are well placed to implement what they have reviewed. The very end may consist of some sort of flourish. A quote, a punchy remark, an injunction to act, a little humour perhaps may all be appropriate on occasions. And the final word will often be a 'thank you'. If the group have worked hard, paid attention and you feel action will follow then this is not all your doing, it is theirs too, so thanks are certainly in order.

4.1.6 Key Principles of Presentation

Overall have

1. Clear objectives

2. A sound, and stated, structure

3. A focus on the audience's point of view

4. The right tone of voice and plan to earn a hearing not expect one.

The Beginning

This must respect the audience and make it clear that you will be accurately directing your message at them and their needs. Here you must:

1. Get off to a good start

2. Gain attention

3. Begin to build rapport

4. Make the group want to listen by starting to satisfy expectations, yet ensure that they keep an open mind for what is to come

5. Position the speaker appropriately (e.g., as confident, expert, credible)

6. State your theme, outline how you will go through it (structure) and make it clear that this will suit the group (you may also feel it appropriate to say how long you will take — If the timetable does not — and then stick to that time).

The Middle

This is the longest section; it must:

1.   Maintain and develop interest

2.   Develop the case through a logical sequence of sub-themes and points

3.   Illustrates, as necessary, with descriptive language and visual aids

4.   Overcome doubts and skepticisms, anticipate specific objections and deal with them and ensure that the building message is seen as of value to those listening.

The End

There is a need to finish on a high note, maybe with a flourish. The concluding part of the presentation must:

1.   Summarise and pull together the arguments

2.   Stress benefits to the group

3.   Make clear what action is now appropriate (and often actually ask for a commitment)

4.   Finish on a memorable note.

Throughout the presentation, the language and gestures (how you appear and the animation with which you go about the task is just as important as how you sound) used must be:

1.   Clear

2.   Natural

3.   Positive

4.   Courteous

Caution Remember to put emphasis on key points so that the overall impression is of out-and-out professionalism—your goal is to get your professional approach prompting people to think: 'This is the sort of person I could do business with' (or learn from).

4.1.7   Participative Techniques

Presentation must be blended with participation to make any training session truly successful. Quite simply, involvement makes it more likely that learning will take place and that practice will change as a result; long ago also when Aristotle said—What we have to learn to do, we learn by doing'—this principle was understood.

This principle is now backed up by research and this shows clearly that learning is more likely if participation is involved, and that retention of what is put over is much more likely. Because of this the more you can create involvement in the session—especially if this takes the form of actually practicing new techniques—the more likely it is that learning will be carried over and change real work practices for the better.

Prompting involvement can utilise a number of techniques, some as simple as asking a question, others more complex to set up, such as role-playing which is very much part of the proceedings.

Role playing is not always well conducted. It is important to address any concerns the group may have about it, perhaps based on prior, and poor, experience. Stressing the positive benefits, making it clear that they will be well briefed and that it is an opportunity will help get over any misapprehensions. The key benefits should be seen as useful.

A number of factors within the overall introductions and initial formalities can be used to break the ice and begin to get people involved. It is often important for people to realise early on that they will not be able to simply sit and listen; they will be expected to contribute. Such initial initiatives include:

1. *Issuing a simple instruction:* 'May I ask you just to fill in the name card in front of you before we continue.'

2. Asking for individuals to speak, perhaps to each other (where they do not all know each other): Introduce yourself to your immediate neighbours', for example, or: 'Ask the person next to you what they think is the most important objective today.'

3. Using discussion of the brief for the course to get people talking: 'Now that I have run through the objectives, can you think of anything else.'

4. The use of a formal 'icebreaker' exercise (as set out at the beginning of the workshop material).

During the review, the following needs to be discussed thoroughly:

1. Area wise/district wise/taluka wise budget vs. actual sales with respect to potential

2. Distributor wise sales

3. Outstanding along with collection plan

4. Sales rep performance review

5. Expenses on travel/vehicle/telephone etc.

6. Vehicle (2 wheeler/4 wheeler) utilization/log book/fuel efficiency

7. Market development activities/plan

At the end, action plan in writing with time frame which is to be reviewed during an implementable next cycle is prepared. Copy of action plan should be sent to regional sales manager.

Caselet   **A Strategic Message**

Companies must recognize that a sales meeting is not just a meeting anymore, it's a broadcast. In order for the meeting to be effective, it must be more than a group of people listening to speeches in a hotel room.

The most successful meetings deliver powerful messages. The message is the meeting—it is the key reason for the event, the driver of measurable results and, in turn, maximum return on investment. When you produce a powerful message, customers and prospects will identify the compelling value in what you have to offer and will view your business as a solution provider.

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> Setting the stage both on location and online is crucial so that the key message — the big-bang idea encapsulated in your company and its products or services — comes to the surface in a compelling manner and resonates with your audience well beyond the primary venue. What you say and how you say it are the most important elements of the meeting.

Source: www.entrepreneur.com

4.2 Sales Contests

Sales contests are a part of sales force management. It motivates the sales person to achieve higher sales in a given period of time. It is a special selling campaign, which offers and awards beyond the compensation plans. These are also established incentive techniques used in specific sales situations.

The contests can also be held for consumer as for dealers. The customers are motivated to use the products of the company and gain suitable rewards.

Example: In the Cricket World Cup of 2011, many companies held contests for customers asking them to predict the future outcome of the games lucky, draws, bumper draws were organised and other gimmicks were used to win the customers. In return, the companies offered free tickets to the cricket matches, cash prizes and other attractive gifts to boost the sales of the company.

The sales contests besides satisfying the personal needs of the customers and sales persons also provide motivation to them according to Maslow hierarchy of needs; contests fill both lower and higher needs including esteem and self-actualisation. Sales contests develop a team spirit and boost the moral of the salesman and make them efforts productive. Sales contests also give a lot of opportunity and experience to salesmen who in turn become more productive in their jobs.

For successful sales contests, planning is necessary, the customer needs must be identified and accordingly the sales contests should be planned. It requires expertise in developing sale contests. The help of outside experts agencies should be taken to organise a good contest. The objectives of the sales contests must be defined. These can be listed as follows:

1. To increase the sales volume
2. To sell new accounts
3. To get orders
4. To overcome a seasonal sales slump
5. To offset competitions
6. To offer special deals to distributors
7. To support consumer promotion
8. To improve the moral and goodwill of the sales people.

Contest Prizes

A Company can offer prizes in many forms to customers and dealers. The most popular methods of getting prizes are:

1. Cash

2.   Merchandise

3.   Travel

4.   Special Honours and Privileges

Cash

The Policy of giving cash prizes is very rare and is given in special cases. Cash prizes are given in special needs as given by the Maslow's hierarchy. It only fulfils the physiological, security needs. Once the basic needs are fulfilled human beings try to achieve higher order needs which cannot be fulfilled by cash alone. Thus this is a weak form of giving prizes. It should be substituted or linked with other types as well. Alternatively the cash prize must be substantiated to the tune of 20-25% of the sales persons' annual income.

Merchandise

It is a superior form than cash. Variety of prizes can be given under this method. Sometimes the trophies are given which are a constant reminder of the past performance and aspirations for the achievement. While giving merchandise the salesmen and their families can be considered to raise the moral of the workers. Merchandise is lasting and remains with the salesperson and inspires him throughout his career. This also brings good memories of the good work done by the salesmen.

Travel

Travel awards are very popular, extremely desirable and promotable. The salesmen are sent to luxury resorts and exotic places both in and outside of the country. The travel also provides trips for the winner spouses and their families, which motivates them greatly. An exotic trip abroad also has a lot of bragging value. Their travel trips can also be utilised for education and exchange of ideas from other sales persons. The travel prizes may also enable participation to various fairs and exhibitions that are organised abroad.

Special Honours and Privileges

Special honour can be conferred on salesmen for exemplary performance. These may include membership to prestigious clubs in the city. These types of awards strengthen the sales person's feelings of belongingness and social relations need. It also appeals to their esteem and self-actualisation needs. Special honour can also be conferred on salesmen by giving certificates and honours in the meeting of the company. Mentioning their names and their achievements in the monitoring their names and their achievements in the monthly/weekly bulletins of the company can also highlight the performance of the salesmen. To use sales contests effectively sales manager must consider the following points in particular.

1.   The sales contests must be simple. It must be understandable and should not be complicated to understand.

2.   The time of the contests must be specific. The target to be achieved must be given clearly for a particular period of time. Their goals must be clear to the salesmen and dealers.

3.   The goals must be set in such a manner that they are attainable and not impossible to achieve.

    S - Specific.

M - Measurable

A - Attainable

R - Realistic

T - Time bound.

4. Another important consideration is that the contests must be held at an appropriate time (time of the year, season, etc.) keeping is mind the goal be accomplished within the given time frame.

5. The manager must also consider the duration of the contests. This should neither be too long nor too short. Most writers are of the opinion that contests must be between one to four months. The ideal duration is about 4-6 weeks, in this period enthusiasm and interest of the contestants can be maintained in an effective manner.

6. The sales force must be kept up to date with the latest information. The changes, if any, in the contest should be intimated immediately. The latest standing in the competition must be known.

7. An adequate supply of promotion material must be provided to maintain enthusiasm. A theme may be selected for promotion, this may revolve round the festival or any national or international event.

Sales contests are means to stimulate sales personnel. They provide incentives to increase profits, sales value, achieve specific objects. The contests are also a means of breaking the monotony of every day work. The salesmen who are devoted and are able to achieve the specific targets get highly motivated and their morale is boosted. They are looking forward for such opportunities to show their skill and stand out in the competition. It gives them good ideas and chance to develop team spirit and interact with customers and fellow salesmen. Most progressive companies are using sales contests for their benefit, benefit of customers and dealers.

Task Collect information about the sales contests that are held at large sales organisations. If possible, also find out the effects of those contests on the performance of the sales force.

4.3 Sales Budget

A sales budget is a programme designed for a stipulated time frame that highlights the selling expenses and anticipated sales, quantitatively and in value terms. This helps in making an objective estimate of net profit on the selling operations. In a real sense, it is a statement aimed at comparing the revenue, net profits, sales volume and the selling expenses relating to a particular product or the entire business.

The first point in designing a sales budget is the anticipated sales volume. The top sales executives would be involved in this to the extent of their participation in the sales forecast.

There are three types of sales expenses:

1. *Fixed Expenses:* These expenses pertain to the compensation of salespersons, office rent, insurance and interest on fixed assets like vehicles, office space, office equipment, etc.

2. *Performance-related Expenses:* These include commissions, incentives, bonus and awards, etc.

3. *Activity-related Expenses:* These include travel and communication expenses, etc

4.3.1 Significance of Sales Budget

The importance of a sales budget cannot be over-emphasised. Its significance can be gauged from the factors given below:

1. It serves as a scale, or a yardstick, to measure the performance/progress of the company in terms of the performance of the sales personnel, regions, products, marketing channels and customers.

2. It helps identify the areas in which the company needs to strengthen or improve its performance.

3. It serves as an indicator to control the expenses associated with the sales activity and to keep a constant watch on the net profits of the company.

4. It helps in comparing the actual performance with the budgeted performance and takes corrective measures if drawbacks appear or to follow the strategy if the performance is good.

5. It helps the planners to frame policies for actual market situations and provides the platform to establish ways and means to get the business where they want it to be.

6. It provides vital statistics to relate and dedicate the resources in an effective manner so as to realise the forecasted sales and convert these figures into reality.

7. It helps keep expenses under control so that by using scarce resources, the objective of net profits may be achieved.

4.3.2 Factors affecting Sales Budget

The sales manager should take into consideration the following factors while preparing the sales budget:

1. Past sales figures and trend

2. Salesmen's estimates

3. Plant capacity

4. General trade prospects

5. Orders on hand

6. Proposed expansion or discontinuance of products

7. Seasonal fluctuations

8. Potential market

9. Availability of material and supply

10. Financial aspect

11. Other factors

    (a) The nature and degree of competition within the industry

    (b) Cost of distributing goods

    (c) Government controls, rules and regulations related to the industry and

    (d) Political situation — national and international — as it may have an influence upon the market.

The sales manager, after taking into consideration all these factors, will prepare the sales budget in terms of quantity and money, distinguishing between products, periods and areas of sales.

Example: ABC Banking Corporation Ltd. has three sales divisions at Delhi, Jaipur and Lucknow. The bank sells two products — Product A and Product B. The budgeted sales of the year ending 31ˢᵗ December 1998 at each place are given below:

Delhi	:	Product A 2,00,000 units @ ₹ 16 each
		Product B 1,40,000 units @ ₹ 10 each
Jaipur	:	Product B 2,20,000 units @ ₹ 10 each
Lucknow	:	Product A 3,00,000 units @ ₹ 16 each

The actual sales during the same period were as follows:

Delhi	:	Product A 2,50,000 units @ ₹ 16 each
		Product B 1,50,000 units @ ₹ 10 each
Jaipur	:	Product B 2,50,000 units @ ₹ 10 each
Lucknow	:	Product A 3,10,000 units @ ₹ 16 each

From the reports of the sales personnel, it was considered that the sales budget for the year ending 31ˢᵗ December 1999 would be higher than the 1998 budget in the following aspects:

Delhi	:	Product A 16,000 units
		Product B 10,000 units
Jaipur	:	Product B 26,000 units
Lucknow	:	Product A 20,000 units

Intensive sales campaigns in Jaipur and Lucknow are expected to result in additional sales of 50,000 units of Product A in Jaipur and 36,000 units of Product B in Lucknow.

You are requested to prepare a sales budget for the period ending 31ˢᵗ December 1999.

Solution:

Sales Budget

Division	Product	Budget for 1999			Budget for 1998			Actual for 1998		
		Qty	Price ₹	Value ₹	Qty	Price ₹	Value ₹	Qty	Price ₹	Value ₹
Delhi	A	2,16,000	16	34,56,000	2,00,000	16	32,00,000	2,50,000	16	40,00,000
	B	1,50,000	10	15,00,000	14,0,000	10	14,00,000	1,50,000	10	15,00,000
		3,66,000		49,56,000	3,40,000		46,00,000	4.00.000		55,00,000
Jaipur	A	50,000	16	8,00,000	—	—	—	—	—	—
	B	2,46,000	10	24,60,000	2,20,000	10	22,00,000	2,50,000	10	25,00,000
		2,96,000		32,60,000	2,20,000		22,00,000	2,50,000		25,00,000

Lucknow	A	3,20,000	16	57,20,000	3,00,000	16	48,00,000	3,10,000	16	49,60,000
	B	36,000	10	3,60,000	–	–	–	–	–	–
		3,56,000		54,80,000	3,30,000		48,00,000	3,10,000		49,60,000
Total	A	5,86,000	16	93,76,000	5,00,000	–	80,00,000	5,60,000	–	89,60,000
	B	4,32,000	10	43,20,000	3,60,000		36,00,000	4,00,000		40,00,000
		10,18,000		136,96,000	8,60,000		116,00,000	9,60,000		129,60,000

4.3.3 Methods of Allocating Sales Budget

The methods commonly used are:

1. *Affordable Method:* What is affordable? Many companies set the promotion budget at what they think the company can afford. This method is used by firms dealing in capital industrial goods. Also companies having small size of operation make use of this method.

2. *Rule of Thumb (Percentage of Sales Method):* Most companies set their sales budget as a specified percentage of sales (either current or anticipated). Mass selling goods and companies dominated by finance are major users of this method.

3. *Competitors Parity Method:* This method is used by large size companies facing tough competition. It presumes knowledge of competitors' activities and resource allocation.

4. *Objective and Task Method:* This method calls upon marketers to develop their budgets by identifying the objectives of sales function and then ascertaining the selling and related tasks to achieve objectives. Later the cost of each task/activity is calculated to arrive at the total budget. Adjustment to task or budgets can be made.

5. *Zero Base Budgeting:* A process in which sales budget for each year is initiated from zero base thus justifying all expenditure and discarding all conventions and rules of thumb. Its limitation is that it is very elaborate and time consuming process.

Task   Consider any two companies and study their annual reports available on their website. Analyse their budget and where they spent most of their money.

Case Study   ## Dilemma of a Sales Manager

Sales manager use diverse system to motivate their team. It is the responsibility of the sales manager that their team should achieve the target at the given interval of time. So sales manager inspire and motivate their team to achieve the target. Good sales managers appreciate their team by providing them financial incentives for their performance.

Carpet Products Limited manufactures a special variety of industrial carpet which is used by other manufacturing units to produce shoes and chappals. The market for the company's product comprises a few large public limited companies and a number of small units run

as proprietary or partnership concerns. The sales had in the past proved to be seasonal, with peak sales being recorded in the period January to July.

One year back the company had expanded its production capacity from 3,000 to 8,000 MT per annum. However, the actual production in the financial year just ended was restricted to 5,000 MT, mainly on account of lock of orders. The Cost Statement for the year indicated the following:

	Rs/MT
Raw Materials	1,500
Direct Labour and Supervision	700
Indirect Materials, Fuel, etc.	400
Depreciation, Insurance, etc.	1,700
Factory Cost of Production	5,500
Administrative, Selling and Interest Charges	400
Selling Price per MT (exclusive of all discounts, allowance for Freight, etc.)	6,000

The Managing Director was not satisfied by the under utilization of installed capacity and its effect on the profitability of the company. He called his senior managers to discuss the situation and means of improving the profitability of the concern. The Sales Manager, on whom the pressure was really on, tried to attribute the limitation of sales to norms for grant of credit followed by the company. He argued that under the strict norms for grant of credit followed by the company, only the larger public limited companies among the customers were put on the cash and carry list. This he maintained, led to an over dependence on the larger customers and an almost complete neglect of a section by offering them consisting of the small manufacturers came to this company only if the market was starved of the product. The Sales Manager pleaded for a more liberal credit policy which would also help increase the sales volume. He ruled out the possibility of procuring additional volume of business from the big customers who had already evolved a scheme sharing out their business among the different suppliers. Any attempt to obtain more business by offering discount to the bigger firms, the Sales Manager argued, will only lead to a retaliatory action by competitors and ultimately escalate into a price war which will only prove disastrous for the company. On the other hand, granting credit to the smaller customers will bring the company's policy in the line with competitors and will actually stimulate growth in the consuming industry with beneficial effects to the company.

The Managing Director, obviously undecided about the wisdom of extending credit to the smaller customers to boost sales volume, called for a detailed note from both the Sales Manager and the Credit Manager. He, however, pointed out that any such change of credit policy, even to boost sales. The Sales Manager, at this point, conveyed to the Managing Director, an offer he had just received from the Shoe Plast Limited, one of the receivables that this transaction would entail and reckoning interest at 18 percent per transaction would involve an interest burden of ₹ 1,54,150 whereas the profits from Shoe Plast Limited would pay for these additional supplies to be effected in the next three months, in the seventh month from date. It was, however, unwilling to pay any Limited ranked high in the ratings by the Credit Department and therefore, there should be no hesitation in accepting this offer for additional business.

The customer company was carrying out an expansion scheme at that time using partly its current resources to finance the same and was, therefore, finding itself in a difficult liquid situation. It however, expected this to be only temporary and anticipated that the position would improve considerably after six months. Shoe Plast Limited had and above the regular off-take if Plastic Products Limited agreed to give special credit among the smaller

Contd...

firms. He read out a long list of the smaller firms in the industry which include excellent record of the company in the matter of credit management and to the fact over as credit manager. Extending sales to the smaller manufacturers, he argued, was fraught with grave risks and the company, if it close to adopt such a policy, should be reconciled to an incidence of bad debts of about 6 percent each year, which he was quick to point margin the company appears to have its products.

Questions

1. What consideration he should take into account, while revising the budget of a company?

2. Advice the Managing Director how he should take the circumstances.

4.4 Summary

- The sales meeting is not just about the seller discussing the product, rather much more takes place during this part of the selling process.

- The goal of your meeting should be to deliver a powerful message for the audience and make it accessible to as many people as possible.

- Sales contests are means to stimulate sales personnel. They provide incentives to increase profits, sales value, achieve specific objects. The contests, are also a means of breaking the monotony of every day work.

- Sales budget is the statement of revenues and costs that are expected for a given time period and are among the most important control devices available to sales managers. A sales budget aids in sales planning and acts as both a standard of performance and a tool of control.

4.5 Keywords

Affordable Method: fixing the budget based on the resources (affordance)

Sales Budget: plan showing how resources shall be allocated to achieve sales goals

Sales Contests: a prize competition for salespeople, often part of an incentive program, designed to increase sales

Sales Meetings: A gathering in which a product or service is being discussed, and the benefits are outlined to the potential buyer.

Zero Based Budgeting: keeping the base for each other budget as zero (new base)

4.6 Self Assessment

Fill in the blanks:

1. ………………..is a two way conversation between salesperson and the prospective.

2. Training on sales meeting should be blended with …………………..

3. Sales contests are special………………..to promote sales and motivate the salespersons.

4. Special honours given to the salespersons cater to their………………..needs.

5. The goals of the sales contest should be……………

6. The ideal duration for a sales contest is………………weeks.

7.   ……………..are long lasting prizes given to the salespersons, which they can cherish for lifetime.

8.   …………………..is same for sales as service blueprint is for service.

9.   A company doesn't consider any of its past records for estimating new sales goals. It is following………………………method of budgeting.

10.   A company sets its budget by looking at its resources at hand. They are using ………………..method for budgeting.

4.7 Review Questions

1.   "Sales meeting is not just a sales presentation". Comment.

2.   "Training is often perceived as a cure for weak performance". Discuss.

3.   Analyse the importance of learning in making a good presentation.

4.   Explain the technique of a good sales meeting.

5.   Examine the relevance of sales contests.

6.   Is cash a better reward than merchandise or recognition? Give your viewpoint and justify.

7.   "Budget is a blue print to making profitable sales". Comment.

8.   As a sales manager of a software firm, how can you make effective use of sales budgets?

9.   Critically analyse the methods used for budgeting. Which one according to you is most efficient and effective?

10.   Suppose you are a sales manager of an insurance company. What factors would you consider while drafting out your sales budget.

11.   Use hypothetical figures to show the sales budget calculation of the sales division of XYZ Motors.

Answers: Self Assessment

1.	Sales meeting	2.	Participation
3.	Selling campaigns	4.	Self esteem
5.	S.M.A.R.T	6.	4-6
7.	Merchandise	8.	Sales budget
9.	Zero based budgeting	10.	Affordable

4.8 Further Readings

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Unit 5: Organising Sales Effort

CONTENTS

Objectives

After studying this unit, you will be able to:

- Explain how sales quotas are fixed

- Describe the concept of sales territory management

- Discuss the alignment of territories to sales personnel and routing

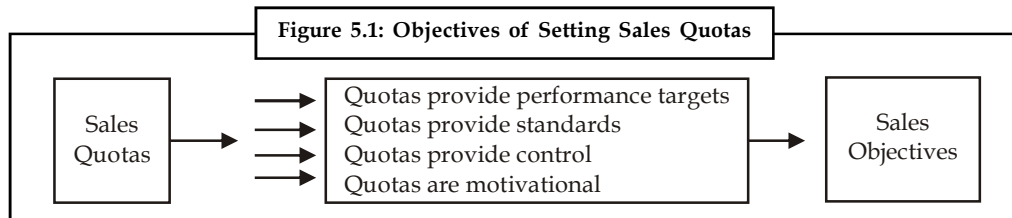- State the concept behind scheduling of sales personnel

Introduction

Many organizations that are poised for the big revenue and profitability growth need some changes to their sales systems to maximize their efforts. As organizations mature, the "we've always done it that way" method is not as effective as it once was. The companies need to organise their sales efforts to move step further in achieving objectives of revenue and profitability. Sales territory and quota management are important decisions in organising the sales efforts.
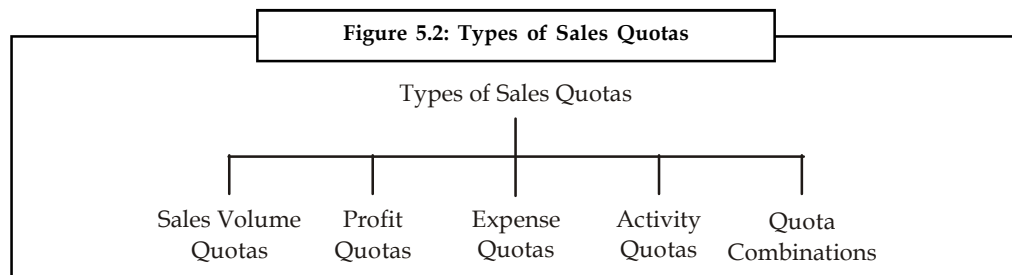
5.1 Sales Quotas

A sales quota refers to an expected routine assignment to sales units, such as territory, districts and branches, etc. Sales quotas are also assigned to individual salespeople over a particular time period and are used to plan, control and evaluate the selling activities of a company.

Sales quotas serve several purposes. The important objectives are shown in the figure below:

Figure 5.1: Objectives of Setting Sales Quotas

Sales Quotas → Quotas provide performance targets / Quotas provide standards / Quotas provide control / Quotas are motivational → Sales Objectives

5.1.1 Types of Sales Quotas

A sales organisation can set many types of quotas. The most common quotas are shown in the following figure:

Figure 5.2: Types of Sales Quotas

Types of Sales Quotas

Sales Volume Quotas | Profit Quotas | Expense Quotas | Activity Quotas | Quota Combinations
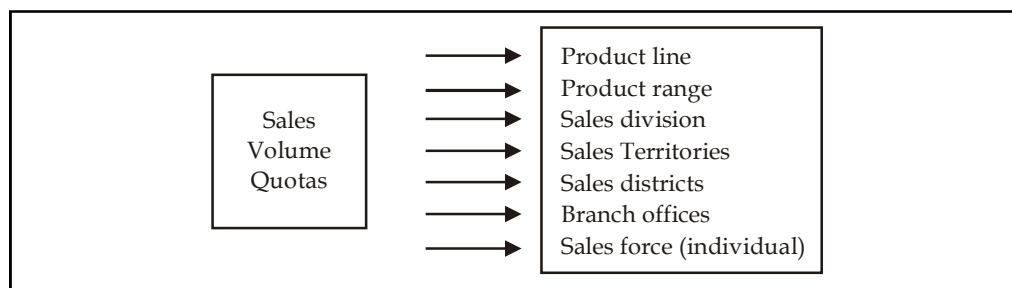
Let's discuss each one of them in brief.

Sales Volume Quotas

Sales volume quotas include sales in rupees or product unit objectives for a specific period of time.

Example: New East India Bank Ltd. calculates sales in rupees whereas Bajaj Motors calculates sales as number of cars sold. Sales volume quotas are first set for the entire year. The yearly total volume quota is then set for shorter time periods, such as three months, six months and nine months. The sales force is assigned their yearly quotas. Sales targets are set for the year for sales force so their aim is to sell throughout the year to achieve the total sales objective.

The sales volume quotas can be set in the following areas:

Sales Volume Quotas → Product line / Product range / Sales division / Sales Territories / Sales districts / Branch offices / Sales force (individual)

Example: The following example of M/s South India Ltd. shows sales volume quotas for Bangalore territory.

Sales Volume Quota of M/s South India Ltd. for Bangalore

Sales force	Sales Quota (in ₹)	Actual Sales (in ₹)	Difference	Performance Index
P Kumar	43,10,000	43,34,000	24000	100.6%
	2,16,02,000	2,10,14,000	-58800	

Sales Quota and Actual Performance for Month, Year: Another Example of Sales Volume Quota.'

Salesperson	Current Month				Year to Date			
	Quota	Sales	Per cent	Rank	Quota	Sales	Per cent	Rank
Ajit Kumar								
Basant Kumar								
Chetan Kumar								
Utkarsh								
F Singh								
G P Singh								
H R Sharma								
I L Gupta								
J K Jain								
K L Gupta								
L L Singh								
Mona Sharma								
N L Verma								
Oh P Aggarwal								
P R Singh								
R L Gupta								
Seema Gupta								
Tara Chand								

Profit Quotas

Profit quotas are particularly useful in multi-product companies where different products contribute to varying levels of profits. It creates opportunities for the salesperson to make optimum use of time.

The following example shows a situation in which a salesperson optimally balances his time between high and low profit yielding products.

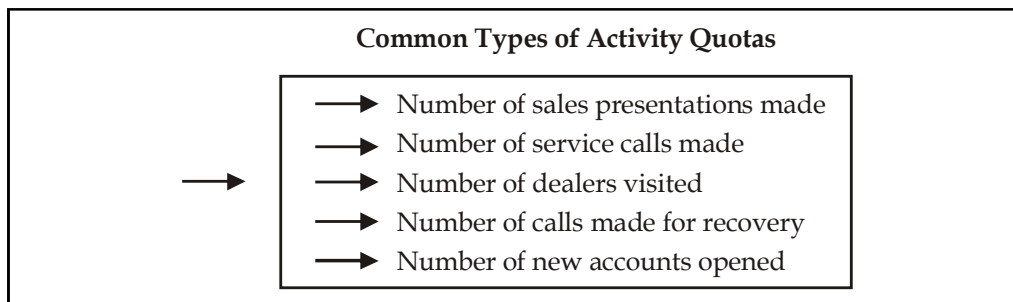| Product	Sales price per unit (₹)	Profit margin per unit (%) (₹)	Volume per month (Mr. Raj Kumar)	Net profit per month (Mr. Raj Kumar)
Product A	400	280 (70%)	60,000	168,00,000
Product B	200	80 (40%)	25,000	2,00,000
Product C	100	20 (20%)	10,000	2,00,000

Expense Quota

Expense quotas are related to selling costs within reasonable limits. Some companies set quotas for expenses linked to different levels of sales attained by their sales force.

Salespeople may receive an expense budget that is a percentage of the territory's sales volume. The salesperson must spend only this amount as expenditure.

Activity Quotas

These quotas set objectives for job-related duties useful for attaining salespeople's performance targets. Activity quotas are required to make the sales force perform other activities which have long-term implications on the goodwill of the firm.

A sales organisation must set a target level of performance for salespersons. Some common types of activity quotas prevalent in Indian companies are as follows:

```
┌────────────────────────────────────────────────────────────────┐
│              Common Types of Activity Quotas                     │
│                                                                  │
│              ┌──────────────────────────────────────┐           │
│              │  ──► Number of sales presentations made│          │
│              │  ──► Number of service calls made      │          │
│     ──►      │  ──► Number of dealers visited         │          │
│              │  ──► Number of calls made for recovery │          │
│              │  ──► Number of new accounts opened     │          │
│              └──────────────────────────────────────┘           │
└────────────────────────────────────────────────────────────────┘
```

Activity quotas typically should not be a basis for rewards. Rather, their attachment helps the manager better understand why salespeople do or do not meet their sales volume quota.

Quota Combinations

Many companies use a combination of these quotas. The two most commonly combined are sales volume and activity quotas. These quotas influence selling and non-selling activities.

It is also important not to have too many quotas; otherwise, the salespeople may become confused as to what is expected of them. Several quotas can be used but they should be on the most important activities — total sales volume and the products — that result in the most sales.

5.1.2 Quota Setting Procedure

Sales quotas are tricky to set because they can be affected by so many factors. It is not an easy task to predict how much a sales force will sell before the start of the year. In most cases, quotas are set based on last year's performance, growth forecasts, industry trends, and by what the competitors are doing. It happens in many cases that the companies have to adjust quotas mid-year to ensure that the salesmen don't get demotivated if a majority does not reach their quota or in rare cases, the sales exceed the quota and puts pressure on production. The sales managers follow a simple procedure to set the quotas. We will discuss them one by one:

1. *Set the parameters for developing quotas:* The quota setting procedure starts by looking at the previous performances of the ales team. Based on that, the sales managers try to set the kind of performance expected in future. Some common parameters that are used by the sales managers to develop quotas are:

    (a) *Past trends:* the quantity of specific product lines that were sold in various sales territories over time

(b) *Previous year's revenue:* the total revenue generated from sales of all products from various sales territories

(c) *Industry standards:* performance of the competitors in the industry

(d) *Territory analysis:* the quantity that a salesperson thinks can be sold in his or her territory based on the existing pipeline and recent successes

The best practice is to include several of these parameters while taking a decision.

Example: The sales manager might look at past trends while the sales team goes through records for a detailed territory analysis.

2. **Add the percentage of growth expected:** At this step, the sales head and the sales managers predict revenues for the next year. After that, they convert that expected revenue into quotas for sales force. The expectation should be realistic and challenging.

Example: Suppose last year's sales figure achieved was ₹ 1 Crore from Sales Territory A. The sales managers can keep the sales quota for the current year for the territory as 1.2 Crore (a 20% growth).

3. **Allot individual quotas to each sales personnel:** The next step is to divide the total revenue expected or the total sales quota by the number of salespeople to define the quota for each person. While doing this the sales managers should keep in mind that not all salespeople have equal capabilities and not all sales territories are created equal. They should consider the caliber of each salesperson individually before determining the appropriate quota to assign. They should consider the following factors before assigning quota:

    (a) *Experience of the salesmen:* Salesmen who have more experience of selling for the organisation and those who have well-developed pipelines and contacts within their territories are assigned a higher quota. They are likely to sell more than those who are new to the organisation and have lesser experience.

    (b) *Assigned job:* The nature of job is also considered while assigning quotas. The potential for sales of telemarketing personnel may be different from that of field sales force.

    (c) *Sales skills:* Sales aptitude and sales skills also differ from person to person. People with better sales skills and more assertiveness are more likely to result in higher sales results.

    (d) *Market potential:* Like salesmen, each territory is also different in its needs.

    (e) *Competition:* In some territories, the competition may be strong and thereby reduce the potential for sales. In other territories, competition may be weak or non-existent.

    After analyzing all these factors, the sales managers can determine the right quota for each salesperson.

4. **Make sure that the sales quotas are well understood by your sales team:** Sales managers should explain how these quotas are decided and how can the sales team go about achieving them. It is upto the leaders to make the sales team believe that these goals are achievable. If they are assured, then they can work toward meeting or exceeding their assigned quotas otherwise they might resist them.

5. **Adapt quotas to market realities:** The sales managers and the sales team must keep a track of the economy and the changing market conditions. Changes in market conditions are inevitable. With the changing market conditions, quotas may have to be changed

accordingly. This calls for periodic review of the quotas and make any necessary adjustments.

Task

Suppose you are the sales manager of a leading bank based and operating in Mumbai (or you can choose any other metropolitan city). Your bank has recently entered into mutual fund retailing. You have recruited new candidates for your mutual funds team. How would you allot target to your sales team in order to maximise your revenues?

Case Study

Swatantra Company

Swatantra Company was established in 1940 to market office equipment in the entire country. They carried the entire product line manufactured by its parent company in UK. After the partition of the country, the company's activities were confined to India. In keeping with the government's policy, the company started manufacturing some of the products in the country. However, it continued to market the products under the brand name of the company. The company had a sales force of more than 100 sales representatives who were responsible for promoting the sales in their respective territories.

With a view to keeping the sales force sufficiently motivated, the company compensated the salesmen on the basis of salary-cum-commission. The salaries varied according to the length of service, experience and performance of non-selling functions. The commission, on the other hand, was calculated on the basis of the percentage of the quota achieved. Thus, if a person achieved 130 per cent of the quota fixed, his commissions worked out to 30 per cent of his salaries for the year. But in case a person failed to accomplish his target, he was not entitled to any commission.

The quota in case of a new territory was fixed at ₹ 10,00,000 per annum and in subsequent years it was raised by 10 per cent of the quota achieved.

Mr. Kapur had joined the company in 1970 immediately after his graduation. After an initial training period of three months, he was allotted the newly created territory of South Delhi. During the period 1970-80, Kapur was consistently successful in achieving the sales quota fixed for the year. In 1980, Mr. Arora, a young man of 21, joined the company and after 3 months of training in Faridabad, was given the new territory of Faridabad. During the year 1981, Mr. Arora, who was employed on an initial salary of ₹ 500/- per month, received a pay packet of ₹ 1,000/- which consisted of his salary (₹ 500/-) and a commission of ₹ 500/- (since he achieved a sales target of 200 per cent). Mr. Kapur's emoluments for the same year, however, worked out to ₹ 950/- only, since he was just able to achieve the target fixed for the year.

Mr. Kapur (on entering the room): Sir, I am sorry to say that it is no longer possible for me to continue with this company any further where ....

Branch Manager: (interrupting him) Hold on, Kapur, calm down. Have a seat.

Mr. Kapur: (sitting on the chair) Sir, how can you expect me to keep calm, if I find that after 10 years of my service in this company I am no better than a youngster, who has joined only a year ago?

Contd...

Branch Manager: Oh, you are referring to Mr. Arora's performance this year.

Mr. Kapur: Sir, don't tell me that his performance was better than mine. Anyway, I don't care since I have decided to quit the company. I am sure if you were in my position you would not have accepted a pay packet of ₹ 950 — against Arora's pay packet of ₹ 1,000/-.

Branch Manager: I fully appreciate your viewpoint but I am helpless. You know the fixation of quotas is done at the head office and I have no say whatsoever.

Mr. Kapur: Sir, I am sure you will agree that the present system of quotas fixation is absurd. Just look at me. When I joined the company I was given a target of ₹ 10,00,000 but today I am supposed to achieve a target of ₹ 60,00,0000 from the same territory despite the growing competition in the industry.

Branch Manager: You are right, but .....

Mr. Kapur: (interrupting him) Sir, let's cut it short. All I wanted to say was that it would no longer be possible for me to continue in this company: In fact I have already got two offers (taking out some papers from his pocket).

Branch Manager: Hang on. How about seeing the Zonal Manager, who is coming to Delhi tomorrow? I shall definitely put a word for you.

Mr. Kapur: I won't mind, but I must repeat that I am determined to quit unless I get more than Arora and I am assured that the system of quota fixation would be changed to avoid such situations in the future.
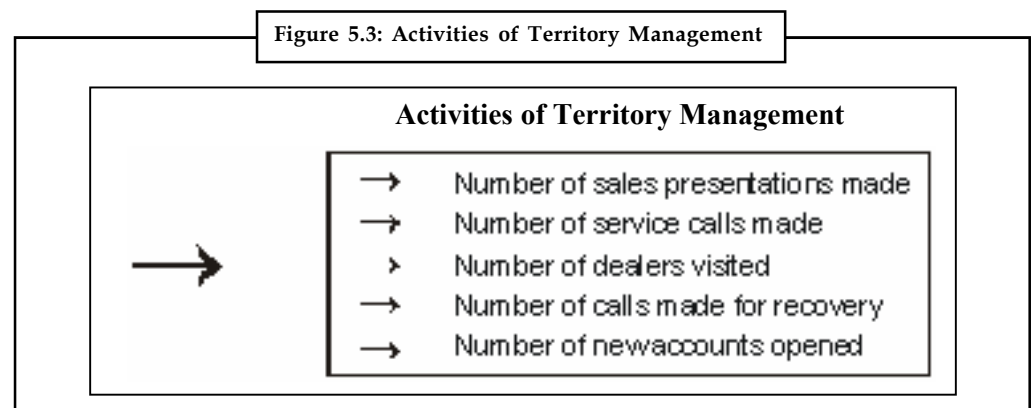
Questions

1. Critically evaluate the present system of quota fixation. Suggest a suitable method.

2. As the Zonal Manager, how would you handle the situation?

5.2 Sales Territory Management

A sales territory comprises of a group of customers or a geographical area assigned to a sales unit. The territory may or may not have geographic boundaries. A sales territory represents a group of customer accounts, an industry, a market or a specific geographical area. Territory management includes the market potential, number of customer accounts, the firms experience and market share in the territory, the capability of the salesperson assigned and the frequency of sales calls made.

The following diagram outlines the activities of territory management:

Figure 5.3: Activities of Territory Management

Activities of Territory Management

→ Number of sales presentations made
→ Number of service calls made
→ Number of dealers visited
→ Number of calls made for recovery
→ Number of new accounts opened

5.2.1 Reasons for Setting Sales Territories

A company can develop and use sales territories for various reasons. Some of the reasons are as follows:

1. To obtain entire coverage of the market

2. To establish a salesperson's responsibility

3. To evaluate performance

4. To improve customer relations

5. To reduce sales expenses

6. To allow better matching of salesperson to customer

7. To benefit salespeople and the company

5.2.2 Procedure for Setting up Sales Territories

In setting up or designing sales territories, these four steps must be followed:

1. Selecting a basic geographical control unit

2. Determining sales potentials in control unit

3. Combining control units into tentative territories

4. Adjusting for coverage difficulty and reallocating tentative territories.

The two basic approaches commonly used for designing sales territories are discussed below.

Market Build-up Approach

In this approach, an estimation of the present and potential products/services demand is made by looking at how the market is built up, who are its present/potential users, how much do they consume and at what frequency.

In this approach, information from trade directories, state publications, etc. is consolidated and then aggregated to understand an all India market potential for the product.

Example: If the market potential for a new deluxe car in Maharashtra is 1,00,000, Gujarat is 60,000 and Rajasthan is 50,000, it shows that the total market potential is of 2,10,000 cars in the country. This leads to an estimation of total sales calls required per area and number of salespersons required. Sales territories are then formed in such a manner that the sales potential and work load is distributed among areas.

The Workload Approach

This approach is designed by WJ Talley on the basis of the workload performed by salespersons. The following steps should be considered important when using the above approach:

1. Customers are grouped into class size according to the sales volume.

2. Optimum call frequencies for each class of customers are estimated.

3. Present and potential customers are then located geographically and arranged volume-wise and value-wise.

4. The number of present and potential customers in each volume/value group is then multiplied by the desired call frequency to get the total number of planned calls required for each geographical control unit.

Caselet

TNT turns to Territory Management

Taking the cue from the success of its new marketing strategy to increase its customer base in the UK, B2B express Distribution Company TNT India has embarked upon replicating the concept of 'Territory Management', which focuses on converting prospective customers through regular contact programmes and propagating its salient service quality and features. The customer base burgeoned by 194 per cent in one year during 2000-2001 from its base customer level of about 14,000.

Mr Sanjiv Kathuria, Head (Sales and Marketing), told that about 70 per cent of the customers using the express courier service have the potential to become regular customers.

However, the tendency to concentrate on the 30 per cent customer base yielding 70 per cent revenue has made the service providers complacent.

But, he added, with the competition intensifying, companies were facing pricing pressure due to increasing costs, particularly with TNT's network concentrated in Europe.

Maximising the use of resources, time and infrastructure to strengthen customer base would prove to be an effective marketing strategy to expand revenues and bottom line. The territory management concept, launched in Bangalore after its successful venture in Mumbai and Kolkata, has helped in evolving a uniform sales process and system through technology to bring prospective customers into TNT fold.

Source: thehindubusinessline.com

5.2.3 Revising Sales Territories

In different situations redesigning and relocation may have implication for profit contribution.

Situation I

Where sales potential of territories are equal but the salesman differ in their abilities.

Territory	Sales Potential	Salesman's name	Ability Index	Expected Sales	Expected Profit (say 25%)
1	20,000	x	1.0	20000	5000
2	20,000	y	0.6	12000	3000
3	20,000	z	0.4	8000	2000
Total	**60,000**			**40000**	**10000**

Situation II

Where management designs sales territories in such a way that sales potential of territories varies directly with the ability of the sales person.

Territory	Sales Potential	Salesman's name	Ability Index	Expected Sales	Expected Profit (Say 25%)
1	30,000	x	1.0	30000	7500
2	18,000	y	0.6	10800	2700
3	12,000	z	0.4	4800	1200
Total	**60,000**			**45600**	**11400**

Profit is increased in second situation where we have made an assumption that the ability index of the sales person remains the same irrespective of the territory which may not be true; sales persons have different effectiveness in different territories. If this is also taken into consideration then the relocation task will become more complex.

Market changes are taking place very frequently so the territories once formed do not hold good forever. The dynamics of market place necessitates the changes in territories as well.

Reasons for Revising Sales Territories

When a company first forms territories, it is not in a position to know everything. As it gets to know the customers, the types of accounts and the dynamics of business activity it has to bring about some changes. Revision of territories takes place due to following reasons:

1. *Customer Related Reasons:* Revision of a territory may take place due to shift in customers business which may be geographic or technical in nature or which may be related to the firm's product policies. More aggressive domestic or international competition may also necessitate change.

2. *Salesperson Related Reasons:* Revisions can start with physical or psychological changes. Sales person with advanced age may not have the energy to cope with the pressure required. Family problems of a sales person may necessitate changes. A sales person may also be frustrated due to inadequate challenges or due to monetary reasons. A change may be required due to any of these factors.

3. *Management Misjudgement:* These could be the underestimating of a sales potential of a territory. Underestimating the territory is more common than overestimating the territory. If the territory is large then a sales person just skims the territory rather than working thoroughly. If the sales are overestimated then territories formed are small or undersized.

Realignment also becomes necessary when new product lines are introduced as company's product mix may become too large or the product may reach the maturity stage. All these factors lead to change in territories.

## 5.3 Alignment of Sales Personnel to Territories and Routing

Routing refers to the setting up of a pattern for a salesperson to use when making sales calls. It is a tool for effective time and territory management.

Some salespeople can handle large territories and the travel associated with them, some territories require experienced salespeople, and some are best suited to new people. There are a few factors a manager needs to consider when assigning both new and experienced people to territories.

In today's complex selling situation, the presence of a well-thought-out daily and weekly route plan is required for effective management. The following may be considered basic route patterns of a territory.
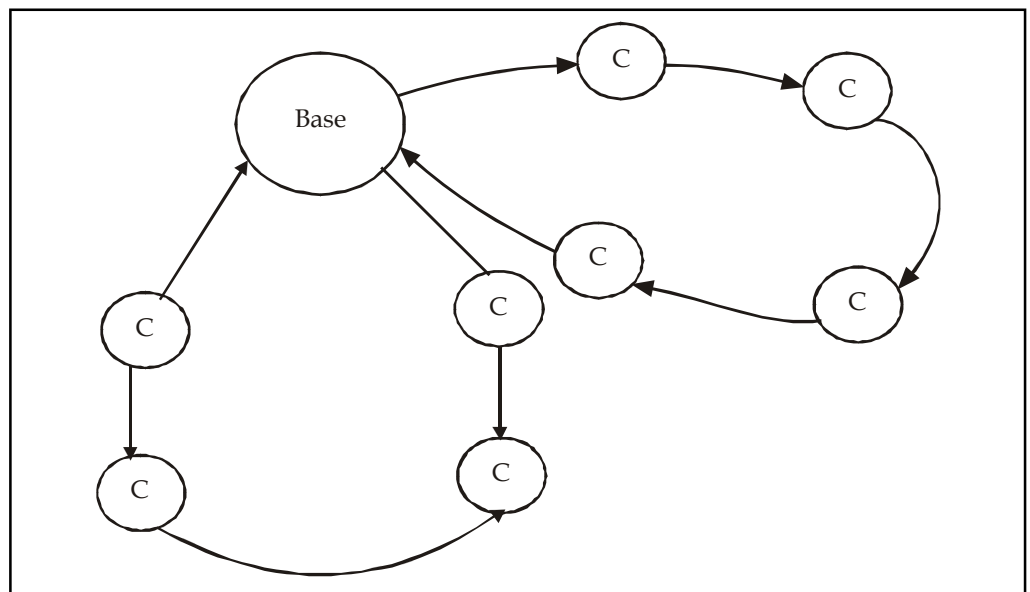
5.3.1 Straight Line Pattern
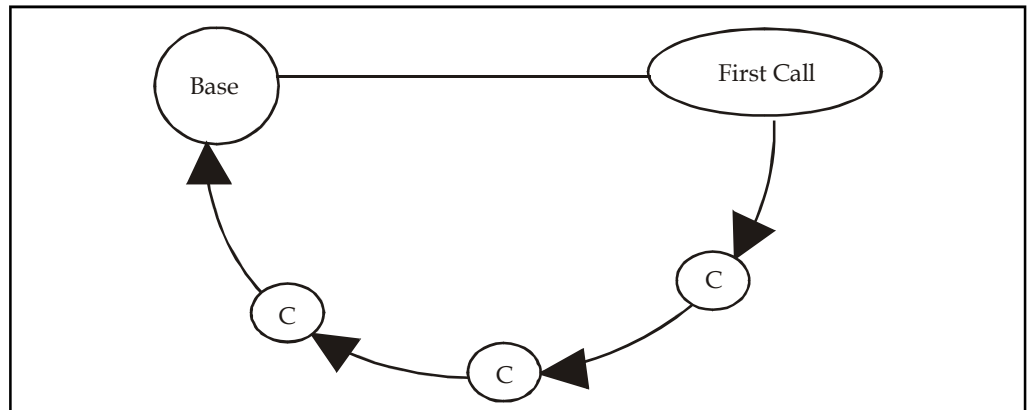
This pattern of travel starts from the outer perimeter and then works backwards to call on other accounts.

5.3.2 Clover Leaf Pattern

When accounts are randomly distributed through territory the clover leaf pattern is adopted. Careful planning of call schemes results in each clover leaf being a week's work. This is to facilitate the sales person in having free weekends.

This shape is more common in industrial markets and among companies which cultivate the market extensively rather than intensively.

5.3.3 Hub and Spoke
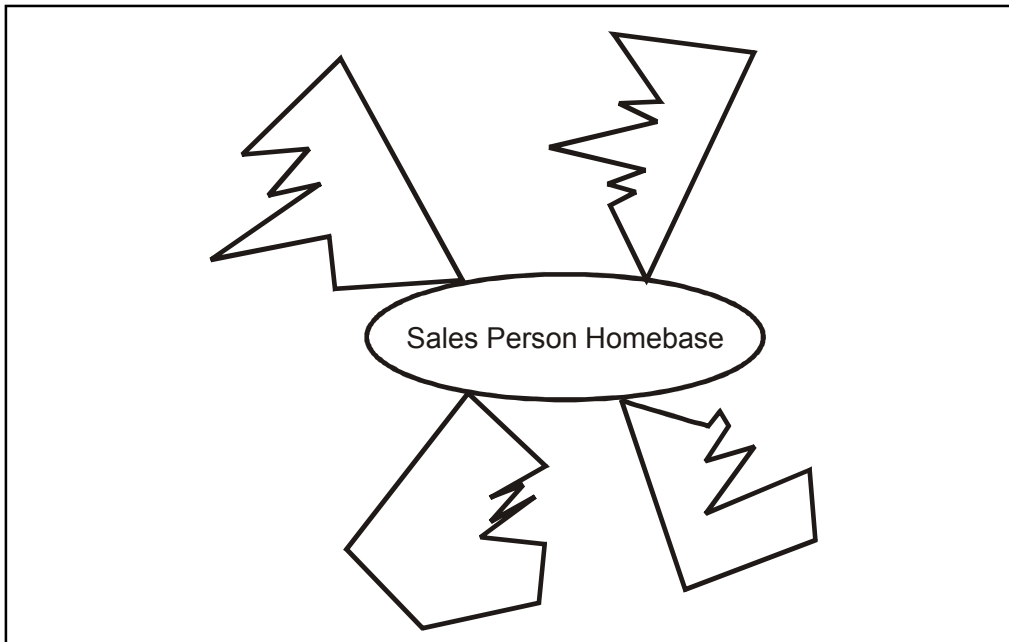
This is a hub and spoke rather than a circular pattern. In this several spokes radiate from the hub (residence of the sales person). Each calling pattern starts with the outer end of the spoke rather than a circular travelling route and the sales person works backward towards the hub in a zigzag manner.

5.3.4 Circular
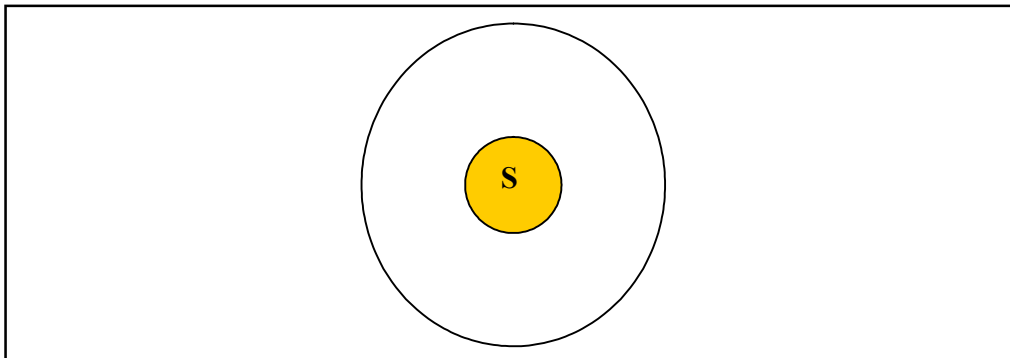
This is appropriate when accounts and prospects are evenly distributed throughout the area. Sales person is based at the centre, ensuring uniformity in the frequency of calls on customers and prospects.

5.4 Scheduling of Sales Personnel

Scheduling refers to establishing a fixed time when the salesperson will be at a customer's place of business. It is planning a salesperson's specific time of visits to customers

Proper routing and scheduling enables the salesperson to:

1.   Improve territorial coverage.

2.   Minimize wasted time.

3.   Establish communication between management and the sales force in terms of the location and activities of individual salespeople

Travelling Salesman's Problem

It would seem that there should be some sort of mathematical method for developing the shortest tours within a territory, but there is no way to develop the shortest route other than to try every combination or road possible. If the routes are constantly changing – as when a salesperson has a different set of prospects to visit everyday - then this is not feasible. Fortunately, there are some heuristics that can be used to find routes that *tend to be reasonably* short.

Largest Angle Heuristic
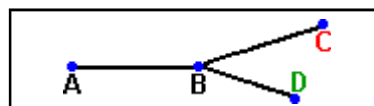
Consider the choice below:
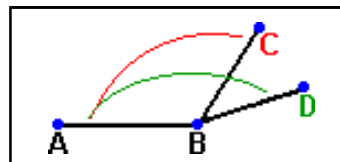
You have travelled from *Point A* to *Point B*. Should you travel next to *Point C* or *Point D*? Using the **Largest Angle Heuristic**, you should choose to travel to *Point D*. When choosing a route using the Largest Angle Heuristic, always travel next to a point, which generates the largest angle to the pointed, visited last.

This heuristic will help to ensure that the route is circular and *tends* to generate efficient routes.

Closest Next Heuristic

Consider the choice below:

You have travelled from *Point A* to *Point B*. Should you travel next to *Point C* or *Point D*? Using the **Closest Next Heuristic**, you should choose to travel to *Point D*. When choosing a route using the Closest Next Heuristic, always travel next to a point, which is closest to where you are right now.

This heuristic also *tends* to generate efficient routes. Which is better, the Largest Angle Heuristic or the Closest Next Heuristic? There is no good answer to this question; the only way to find the optimal route to a particular problem is to simulate every possible route on a computer (or by hand) – a very time consuming process. A realistic problem for a salesperson is to generate a *reasonably good* route for a single day. Using these heuristics, you might not always find the optimal route, but you can quickly rough out a route that *generally* is relatively good with very little investment in time.

In using these heuristics to make decisions, you should also use the **Look Ahead** procedure. That is, don't simply look at the next point in a route, but look ahead two points and try and use both of the above heuristics to make a decision for the next two points.

Task Consider any state in India and choose its key cities. Map the child insurance sales potential in those key areas of the state and based on that design sales territories. (Use internet to study the facts and figures about the state and its cities and prepare an estimate)

5.5 Summary

- Sales quotas are of major importance because they establish the 'end state'—the bottom line sought by the sales force. They are not static but dynamic guides to sales force behaviour.

- Quotas are constantly changing due to experience, feedback and internal and external forces related to the organisation. They are not static but dynamic guides to sales force behaviour.

- Quotas are constantly changing due to experience, feedback and internal and external forces related to the organisation.

- Territorial control allows actual performance to be compared with standards of performance for evaluation purposes. Companies want to avoid costly sales leakages.

5.6 Keywords

Expense Quotas: Related to selling costs within reasonable limits

Field Sales Force: Consists of salespersons who work primarily with customers in person

Routing: Setting up of a pattern for a salesperson to use when making sales calls

Sales Quotas: Expected routine assignment to sales units

Sales Territory: Geographical area or type of customers assigned to a sales unit such as salesperson, sales manager, franchisee, distributor, or agent.

5.7 Self Assessment

Fill in the blanks:

1. In………………quotas, the amount of sales or the number of units to be sold is assigned to the salesmen.

2. Setting sales quotas and sales volumes is a part of……………….

3. In……………approach of territory design, the customers are grouped as per the quantity of products bought by them.

4. An area in which a salesman operates is known as his……………….

5. If given a ………….route, the sales person works backwards in a zigzag manner.

6. A salesman is given a goal of making atleast 3 sales presentation daily. This is an example of ……………….quota.

7. …………………is a tool for effective time management.

8. …………………pattern of routing is more common in B2B markets.

9.   ………………quotas are more useful in multi-product companies.

10.   Sales quotas must be reviewed from time to time to adapt them to…………………

5.8 Review Questions

1.   Explain the different types of sales quotas. Which one according to you is most advantageous?

2.   Distinguish between market build-up approach and workload method of territory design.

3.   Compare and contrast the clover leaf route and circular route.

4.   According to you, on what basis should the sales quotas be assigned to the sales force?

5.   "Quotas can be motivators as well as demotivators". Discuss.

6.   Can you think of reasons why a firm might not want to have sales territories?

7.   Suppose you are the sales head of an IT hardware firm. Which type of quota will you use and how will you assign quotas to your sales team?

8.   Determining sales quotas can be a tricky task. Why?

9.   Suppose you are the sales manager of an Insurance company. You are given the responsibility of designing sales territories and aligning sales personnel to the territories. How will you go about it?

10.   Analyse the need for revising and realigning the territories.

11.   What do you mean by "we've always done it that way" method and why is it not as effective as it once was?

12.   Is it necessary to assign quotas and design sales territories? Give your viewpoint.

Answers: Self Assessment

1.	Sales volume	2.	Target setting
3.	Work load	4.	Territory
5.	Hub and spoke	6.	Activity
7.	Scheduling	8.	Clover leaf
9.	Profit	10.	Changing market conditions

5.9 Further Readings

Books   Ingram T.N., LaForge, R.W., Avila, R.A., (2006), *Sales Management*, 6th Edition, USA; Thomson South-Western

Johnston and Marshall, *Sales Force Management*, Tata McGraw Hill, 2007

SL Gupta, *Sales and Distribution Management*, Excel Books, New Delhi

Online links   www.salestrainingdrivers.com/sales-management/sales-quota/

www.sykronix.com/tsoc/courses/sales/routing.htm

www.thesalestrainingcenter.com/Territory_Management.asp

Unit 6: Introduction to
Integrated Marketing Communication

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Objectives

After studying this unit, you will be able to:

●   Discuss IMC as an integral part of marketing mix

●   Know the structure of advertising and promotion world

●   Identify the challenges and opportunities of promotion career

Introduction

The marketplace is becoming an increasingly complex arena of competitors' activities within a rapidly changing international environment. Companies try to be heard in these sophisticated and cluttered market conditions. They make every effort to speak with clear voices about their activities, products, and services. It is critically important to ensure that whatever is communicated, reaches their intended audiences in a clear and consistent manner. Communication is a unique tool used by marketers in an attempt to persuade consumers to act in a desired manner. The purpose of communications is to directly or indirectly influence individuals, groups, and organisations to facilitate exchanges by informing and persuading one or more audiences to accept a company's products and/or services. Organisations' indirectly influence exchanges by communicating suitable information about their activities and products/services to interest groups such as current and potential investors, regulatory agencies, financial institutions, and society in general. Marketing communications help a company to justify its existence and maintain a positive and healthy relationship with different groups.

The current view about marketing communications is an interactive dialogue between the organisation and its audiences, and that every type of brand contact with customers is important because it communicates something that can strengthen or weaken customers' view of the company.

6.1 IMC as an Integral Part of Marketing Mix

Different marketing and communication functions are generally managed as totally separate entities and such companies do not realise that marketing communication tools should be coordinated for communication effectiveness and present a consistent image to target markets.

Many companies recognise the need for increased strategic coordination of different promotional elements. Integrated Marketing Communication (IMC) is an attempt to coordinate various marketing and promotional activities to make marketing communication to target customers more effective and efficient. The first definition of IMC by American Association of Advertising Agencies says:

"… *a concept of marketing communications planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines - for example, general advertising, direct response, sales promotion, and public relations - and combines these disciplines to provide clarity, consistency, and maximum communications impact.*"

Don E. Schultz, "Integrated Marketing Communications:
Maybe Definition is in the Point of View," Marketing News January 18, 1993.

However, Don E. Schultz advocates for an even broader perspective that considers "*all sources of brand and company contact that a customer or prospect has with a product or service*. It requires firms to develop a total marketing communications strategy that recognises how all of a firm's marketing activities, not just promotion, communicate with its customers.

To fully appreciate IMC perspective, one has to look through the consumer's eyes. Many consumers' views of advertising include not only the advertising in TV, print, and other media but they also consider door-to-door selling, shopping bags, and even community sponsored events as advertising. The perceptions of consumers about a company's image, its products, or services depend on a number of other elements than promotion alone. Besides advertising, personal selling, sales promotion, PR/publicity, direct marketing, and messages on the Internet etc., other elements such as, package design, price of the product or service, selected distribution outlets, displays, news reports, word-of-mouth, gossip, experts' opinions, and financial reports also communicate powerfully.

All such communications, whether sponsored or not, create an integrated product in consumer's mind. This means that consumers, on their own, integrate all brand-related messages originating from the company or any other source and this determines their perception of the company.

The objectives of integrated marketing communications are to coordinate all of a company's marketing and promotional efforts to project and reinforce a consistent, unified image of the company or its brands to the market-place. The IMC approach is an attempt to improve over the traditional method of treating promotion elements as totally separate activities. IMC is an increasingly helping company to develop most suitable and effective methods to contact customers and other interested groups.

Thomas R. Duncan and Sandra E. Moriarty have called IMC as one of the "new generation" marketing approaches being used by companies to better focus their marketing efforts in acquiring, retaining, and developing relationships with customers and other stakeholders. A very important and fundamental reason, besides others, is the value of strategically integrating different elements of communications functions and take advantage of the resulting synergy among different tools in developing more effective and efficient marketing communication programmes. Experts say that IMC is one of the easiest ways to maximise return on investment in marketing and promotion. Tom Duncan and Steve Everett report that applying IMC in practice is tough as it leads to turf wars between departments and though companies want to adopt this, they do not know how to do it.

6.2 Structure of Promotion World

The major elements of promotion mix include advertising, sales promotion, personal selling, public relations and publicity, and direct marketing. Each element of promotion mix has its own unique attributes and associated costs. All these make up the structure of promotion.

Advertising

Advertising is any paid form of non-personal mass communication through various media to present and promote products, services, and ideas, etc. by an identified sponsor.

Advertising can be extremely cost effective because it can reach a large population at a low cost per person and the message can be repeated several times. TV commercials combine movement, visuals, sound, and colour. A company can attempt to enhance its own image and that of its brand by including celebrity endorsers in its ads appearing in various media.

TV advertising is expensive in terms of actual target audience reached. TV commercials are usually very brief to furnish meaningful information to audience. Advertising can rarely provide rapid feedback, measuring its effect on sales is difficult. Advertising clutter in almost all media is making advertising less capable of attracting consumer attention.

Sales Promotion

More recently, the Council of Sales Promotion Agencies has offered a more comprehensive definition, "Sales promotion is a marketing discipline that utilises a variety of incentive techniques to structure sales-related programmes targeted to customers, trade, and/or sales levels that generate a specific, measurable action or response for a product or service."

Examples of sales promotions include free samples, discounts, rebates, coupons, contests and sweepstakes, premiums, scratch cards, exchange offers, early bird prizes, various trade deals, etc. All such offers generally include specified limits, such as offer expiry date or a limited quantity of merchandise. Sales promotions are aimed at either increasing immediate sales, to increase support among marketer's sales force, or gain the support of resellers of company product.

Example: Recent scheme launched by ITC for its *Aashirwad* brand of wheat flour, wherein they are offering a small pack of *Vivel* shampoo free with 10 kg pack of *Aashirwad aata* is a sales promotion technique.

Personal Selling

Personal selling is a face-to-face paid personal communication and aims to inform and persuade prospects and customers to purchase products, services, or accept ideas of issues. It involves more specific communication aimed at one or several persons.

Personal selling is most effective but also more expensive than other promotion mix elements. It provides immediate feedback, allowing sellers to adjust their sales messages to improve the impact on customers. Personal selling helps sales people to determine and respond to customers' information needs and also interpret body language.

Public Relations and Publicity

Public relations is a broad set of communication activities employed to create and maintain favourable relationships with employees, shareholders, suppliers, media, educators, potential

investors, financial institutions, government agencies and officials, and society in general, such as annual reports, brochures, events sponsorship, sponsorship of various programmes beneficial for society.

Publicity is a tool of public relations. It is non-personal mass communication, but not paid for by the benefiting organisation for the media space or time. It appears in the form of news story about an organisation, its products, or activities. Some common tools of publicity include news releases, press conferences, and feature articles.

Unpleasant situations arising as a result of negative events may precipitate unfavourable public reactions for an organisation. To minimise the negative effects of such situations leading to unfavourable coverage, companies have policies and procedures in place to manage help any such public relations problems.

Direct Marketing

Direct marketing is vending products to customers without the use of channel members. It is a system by which firms communicate directly with target customers to generate the response or transaction. The response may be to generate an inquiry, a purchase, or even a vote. Direct marketing uses a set of direct-response media, such as direct mail, telephone, interactive TV, print, Internet, etc. Through these media, direct marketers implement the communication process.

Most companies use primarily conventional promotion mix elements to move products through intermediaries, many companies are adopting direct marketing as well to reach customers directly to generate immediate behavioural response.

Task   Find out all the sales promotional techniques that Coca Cola Company adopted in your city in last one year.

Caselet   **Put up a Fight to Stay in the Hunt**

In this highly competitive market, a business cannot afford to slack off and leave the competition without putting up a good fight. What your business was like a year or two ago may not be what it is right now. Gigantic changes are going on in the world and marketing strategies are no exemptions to that. Businesses should think outside the box. Observe who is doing better and then try to imitate them or better yet, outwit them. It will greatly benefit your company to do market research in order to determine your potential market and be able to make changes to your current marketing strategy. This is mainly done to draw uninterested customers to at least give your business a try. Your new product launch should make enough noise to ensure that it will remain in customer's memories and entice them to really try it. With the various media available today, you can maximise your visibility by not limiting your business to one media. Turn your company around by doing a major brand makeover. If there are not a lot of people who are buying your product or service, then perhaps it is because they literally do not see you. This is not a time when businesses are allowed to sober down on marketing techniques just because the economy is going down. Once the economy gets back on track, chances are people will no longer remember those that were not visible in the market during this time. You have to make your business a household name for people to remember you for long.

Source: http://www.brand-new-advertising.com

6.3 Structure of Advertising

Advertising is the structured and composed non-personal communication of information, usually paid for and usually persuasive in nature, about organisations, products, services, ideas by identified sponsors through various media.

First, advertising is a highly structured form of communication and employs both verbal and non-verbal elements. These elements are composed to fill predetermined space and time formats that are controlled by the sponsor.

Second, the focus of advertising is directed to groups of people rather than to individuals and for this reason it is non-personal or mass communication. The groups might be personal consumers, organisations, resellers, etc.

Third, most advertising is paid for by sponsors for the media time or space it uses to communicate its messages. However, sometimes public service messages are carried in media for which no payment is made.

Fourth, although most advertising messages are intended to be persuasive to accomplish the desired selling function, some ads appear only to inform people, examples being legal announcements, change of address, obituaries, etc., without any persuasive intent. They are ads all the way because they satisfy other aspects of definition.

Fifth, an ad identifies its sponsor. The identification of the advertiser does not remain unknown. The very purpose of advertising is to create awareness and distinction about a company or brand. The real-world sponsor is legally responsible for the created advertisement. Publicity may not be openly sponsored.

One cannot think that advertising is neutral. All advertisements are controlled by the marketers and are intended to serve the advertiser's interest in some way.

Advertising is an important element of promotion mix in most companies' marketing programmes. Almost all companies, whether large or small, domestic or multinational in the consumer goods, and services marketing and many industrial goods manufacturers use advertising. Most consumer goods companies depend heavily on advertising to sell their products.

6.4 Challenges and Opportunities of a Promotion Career

Advertising, marketing, promotions and public relations manager coordinate their companies' market research, marketing strategy, sales, advertising, promotion, pricing, product development, and public relations activities. In small firms, the owner or chief executive officer might assume all advertising, promotions, marketing, sales, and public relations responsibilities. In large firms, which may offer numerous products and services nationally or even worldwide, an executive vice president directs overall advertising, marketing, promotion, sales, and public relations policies.

Advertising managers: Advertising managers oversee advertising and promotion staffs, which usually are small, except in the largest firms. In a small firm, managers may serve as liaisons between the firm and the advertising or promotion agency to which many advertising or promotional functions are contracted out. In larger firms, advertising managers oversee in-house account, creative, and media services departments. The account executive manages the account services department, assesses the need for advertising and, in advertising agencies, and maintains the accounts of clients. The creative services department develops the subject matter and presentation of advertising. The creative director oversees the copy chief, art director, and associated staff. The media director oversees planning groups that select the communication

media – for example, radio, television, newspapers, magazines, the Internet, or outdoor signs – to disseminate the advertising.

Marketing managers: Marketing managers develop the firm's marketing strategy in detail. With the help of subordinates, including *product development managers* and market research managers, they estimate the demand for products and services offered by the firm and its competitors. In addition, they identify potential markets – for example, business firms, wholesalers, retailers, government, or the general public. Marketing managers develop pricing strategy to help firms maximize profits and market share while ensuring that the firm's customers are satisfied. In collaboration with sales, product development, and other managers, they monitor trends that indicate the need for new products and services, and they oversee product development. Marketing managers work with advertising and promotion managers to promote the firm's products and services and to attract potential users.

Promotions managers: Promotions managers supervise staffs of promotions specialists. These managers direct promotions programs that combine advertising with purchase incentives to increase sales. In an effort to establish closer contact with purchasers – dealers, distributors, or consumers – promotions programs may use direct mail, telemarketing, television or radio advertising, catalogs, exhibits, inserts in newspapers, Internet advertisements or Web sites, in-store displays or product endorsements, and special events. Purchasing incentives may include discounts, samples, gifts, rebates, coupons, sweepstakes, and contests.

Public relations managers: Public relations managers supervise public relations specialists. These managers direct publicity programs to a targeted audience. They often specialize in a specific area, such as crisis management, or in a specific industry, such as health care. They use every available communication medium to maintain the support of the specific group upon whom their organization's success depends, such as consumers, stockholders, or the general public. For example, public relations managers may clarify or justify the firm's point of view on health or environmental issues to community or special-interest groups.

Public relations managers also evaluate advertising and promotions programs for compatibility with public relations efforts and serve as the eyes and ears of top management. They observe social, economic, and political trends that might ultimately affect the firm, and they make recommendations to enhance the firm's image on the basis of those trends.

Public relations managers may confer with labor relations managers to produce internal company communications – such as newsletters about employee – management relations-and with financial managers to produce company reports. They assist company executives in drafting speeches, arranging interviews, and maintaining other forms of public contact; oversee company archives; and respond to requests for information. In addition, some of these managers handle special events, such as the sponsorship of races, parties introducing new products, or other activities that the firm supports in order to gain public attention through the press without advertising directly.

Work environment: Advertising, marketing, promotions, public relations, and sales managers work in offices close to those of top managers. Working under pressure is unavoidable when schedules change and problems arise, but deadlines and goals must still be met.

Substantial travel may be involved. For example, attendance at meetings sponsored by associations or industries often is mandatory. Sales managers travel to national, regional, and local offices and to the offices of various dealers and distributors. Advertising and promotions managers may travel to meet with clients or representatives of communications media. At times, public relations managers travel to meet with special-interest groups or government officials. Job transfers between headquarters and regional offices are common, particularly among sales managers. Long hours, including evenings and weekends are common.

Did u know? In 2006, about two-thirds of advertising, marketing, and public relations managers worked more than 40 hours a week.

Case Study **Promotions at Pizza Hut**

Pizza Hut has a sense of occasion, of being there at the right time. Be it a heart-shaped pizza on Valentine's Day or a special promotion during the Cricket World Cup, Pizza Hut is on the ball - with eye catching promotions. In the summer of 2000 in New Delhi, Pizza Hut launched its innovative Pizza Pooch menu as well as a Birthday Party package exclusively for kids in the 6 - 10 years age group. Senior marketing manager, Tricon Restaurants International said, "There is a specific reason to cater to this segment. Though, at this age children are under their parents' guidance, they perceive themselves to be teenagers and have the ability to choose or demand a particular brand of their own choice."

The $ 20 billion Tricon Restaurants that owns Pizza Hut, Taco Bell and Kentucky Fried Chicken (KFC) has nearly 29,000 outlets globally. The largest number of Pizza Hut outlets is in Paris, followed by Moscow and Hong Kong. Pizza Hut started operations in India nearly seven years ago with just a single outlet. It has realised the cultural differences in India and importance of religion in the consumption pattern of certain sub-cultures. Today it has spread in several cities and it also has a 100 per cent vegetarian restaurant in Ahmedabad.

Innovative promotional activities and a popular logo have helped Pizza Hut expanding. The senior marketing manager said, "Our focus is not just on offering a great pizza but also on providing excitement and good customer service." The manager further emphasised on the customer focused operations and intensive research done to find customer needs and satisfaction. Besides, Pizza Hut conducted in-house research on psychographics of Indian consumer that led to the use of cartoon characters in campaigns. The Indian Market Research Bureau (IMRB) also carries out regular surprise checks at different outlets to monitor the quality of service. Moreover, a regular test, CHAMPS (Cleanliness, Hospitality, Accuracy of order, Maintenance, Product quality and Speed of service) is conducted in-house.

The company says that its Pizza Pooch birthday package is full of fun and excitement. What is unique in the package is the nominal price of ₹ 125 per child that offers much more than only goodies in the main menu. The birthday party includes a well-decorated area within the Pizza Hut outlet with several gifts for the children. Moreover, the party is conducted by a trained host with lots of games, prizes and a special gift for the birthday child. Pizza Hut, better known as a family restaurant, takes the onus of relieving parents of the cumbersome job of clearing up the mess after the kiddies have enjoyed themselves thoroughly.

The Pizza Pooch menu, on the other hand, includes a wholesome delicious meal and a gift for the child. The menu has been intricately designed with pictorial games. A free set of crayons is provided to keep the children occupied while their parents dine. The campaigns created by HTA are eye-catching with cartoon characters on the mailers, hoardings and

print advertisements where the cartoon characters are aimed at matching varying moods of kids. The birthday part concept is not entirely original - local fast food major Nirula's has been doing it for years as does KFC.

Questions

1.   Do you think Pizza Hut promotion is successful? Give your reasons.

2.   Suggest one alternative promotion to attract girls to Pizza Hut. Why do you think this would be successful?

Source: A&M, August 15, 2000

6.5 Summary

●   The purpose of communications is to directly or indirectly influence individuals, groups, and organisations to facilitate exchanges by informing and persuading one or more audiences to accept a company's products and/or services.

●   The current view about marketing communications is that it is an interactive dialogue between the organisation and its audiences and that every type of brand contact with customers is important because it communicates something that can strengthen or weaken customers' view of the company.

●   Major promotion mix elements include advertising, sales promotion, personal selling, public relations publicity, and direct marketing. Each has its advantages and limitations.

●   Advertising is any paid form of non-personal mass communication through various media to present and promote products, services, ideas, etc. by an identified sponsor.

●   Sales promotion is a marketing discipline that utilises a variety of incentive techniques to structure sales-related programmes targeted to customers, trade, and/or sales levels that generate a specific, measurable action or response for a product or service.

●   Personal selling is a face-to-face paid personal communication and aims to inform and persuade prospects and customers to purchase products, services, or accept ideas of issues.

●   Public relations is a broad set of communication activities employed to create and maintain favourable relationships with employees, shareholders, suppliers, media, educators, potential investors, financial institutions, government agencies and officials, and society in general, such as annual reports, brochures, events sponsorship, sponsorship of various programmes beneficial for society.

●   Publicity is a tool of public relations. It is non-personal mass communication, but not paid for by the benefiting organisation for the media space or time. It appears in the form of news story about an organisation, its products, activities, etc.

●   Direct marketing is vending products to customers without the use of channel members. It is a system by which firms communicate directly with target customers to generate the response or transaction.

●   Selection of promotion mix elements depends on the nature of product and target market characteristics.

●   Advertising, marketing, promotions and public relations manager coordinate their companies' market research, marketing strategy, sales, advertising, promotion, pricing, product development, and public relations activities.

6.6 Keywords

Account Executive: Maintains the accounts of the clients

Advertising: Paid form of non-personal communication

Creative Director: Oversees copy chief, art director and associated staff

Direct Marketing: Vending products to customers without use of channel members

Integrated Marketing Communications: Attempt to coordinate marketing and promotional activities

Market Research Managers: Estimates demand for products and services offered

Media Director: Oversees planning group that selects communication media

Personal Selling: Face to face personal communication

Publicity: Non-personal communication, not paid for by the benefiting company

Sales Promotion: Short term incentives to boost sales

6.7 Self Assessment

State whether the following statements are true or false:

1. Marketing communications is a continuing dialogue between buyers and sellers.

2. Promotional techniques are instrumental in building company image.

3. Publicity can be a paid form of promotion with personal touch.

4. Sweepstakes is a technique used in personal selling.

5. Promotion managers take care of media space buying.

Fill in the blanks:

6. Regular repetition of advertisements of the same brand .... its image.

7. Buy one get one free scheme is a technique used for ....

8. Dell and Eureka Forbes use .... for promotion.

9. Vodafone advertisements featuring the pug that shows better network coverage and prompt customer care are .... advertisements.

10. .... take media buying decisions.

6.8 Review Questions

1. A start up, low-budget company wants to market its detergent powder in a phased manner. Suggest what promotional method(s) should it adopt, and why?

2. Suppose you are the marketing manager of a company. Your company was recently in news due to fraudulent allegations. What can do to improve your company's image?

3. Bring out the differences in advertising and publicity. Which one, according to you is more effective?

4. Critically analyse sales promotion as a promotional tool. In what situations, sales promotions most appropriate?

5. "Every type of brand contact with customers is important because it communicates something that can strengthen or weaken customers' view of the company". Discuss.

6. "To fully appreciate IMC perspective, one has to look through the consumer's eyes". Do you agree? Give reasons

7. Critically analyse direct marketing and personal selling as promotional tools.

8. How can advertising add to the identity of the company? Do you think that advertising is better than other promotional tools? Why?

9. Explain what do you mean by new generation marketing approaches? How do they differ from earlier approaches?

10. If given a chance would you like to be an advertising manager of a company? Why or why not?

Answers: Self Assessment

1. True
2. True
3. False
4. False
5. False
6. Reinforce/Enhance
7. Sales Promotion
8. Direct Marketing
9. Persuasion
10. Media Directors

6.9 Further Readings

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Unit 7: Advertising Strategy: Fundamentals

Objectives

After studying this unit, you will be able to:

- Discuss the fundamentals of an advertising campaign

- Realise the role of a big idea

Introduction

The history of advertising goes back to nearly 3000 BC. Communication has been a part of the selling process ever since the exchange of goods started between people. The basic reason for using advertising was the same as it is now. Modern advertising is largely a product of the twentieth century. The contribution of modern technology and research has led to high degree of sophistication in advertising. This unit will deal with the basics of advertising. Advertising strategy will include the determination of the advertising objectives that helps in understanding and evaluating the campaign in a better way, situational analysis that helps in knowing the current market conditions pertaining to advertisements, defining the target audience that helps channel all the efforts in the right direction and allocation of budget. This unit also includes insights into the big idea and the creative execution by the advertisers.

7.1 Fundamentals of an Advertising Campaign

Advertising must fit nicely into the marketing plans and can occur at three levels. The company can have an annual advertising plan, or the company may have an annual plan and advertising campaign plan that is closely focused on solving a specific communications problem. The third choice is to develop a copy strategy for an individual ad that runs independent of any campaign. The advertising plan and ad campaign are similar in outline and structure.

A campaign is an interrelated and coordinated set of promotional activities that focus on some single theme or idea and is built to accomplish some predetermined objective(s). An ad campaign includes a series of ads placed in different media based on an analysis of marketing and communication situations. An advertising plan aims at matching the right target audience to the right message and presents it in the right medium to reach that audience.

Usually, a campaign theme is developed to last for a long time, but depending on an advertiser's short-term objectives it could be short as well. Many campaign themes last only for a very short time because either they prove ineffective, or lack respond to changes in competitive or other marketing conditions. Some advertisers change their campaign themes often while some successful campaigns may last for years. For example, Nike has been using "Just do it" for quite sometime, and DeBeers theme "Diamonds are forever," has been continuing for a very long time, and "Marlboro country" campaign has continued for more than 40 years.

Advertising planning and managing steps include situation analysis, identifying target audience, determining objectives, setting budget, advertising strategy implementation, and evaluation. In most cases the ad agency's accounts executive develops the advertising plan or campaign.

7.1.1 Situation Analysis

Marketing plan provides the details pertaining to brand share, anticipated market conditions, competitors' share and past moves, and any legal constraints concerning the product category. The first step is to research and review the current business situation that is relevant to advertising. The aim is to analyse important current trends affecting the market, competitors' share and past moves, consumer behaviour, the company itself and earlier advertising and its impact, and the important attributes of product or brand and making sense of all this information and analysis to determine what should be done for the future success of the product or brand. It is difficult to achieve perfection in analysis and there will always be some aspect that is overlooked or improperly analysed, but it is best to analyse the situation to identify communication problems that hinder successful marketing of the product or brand and what advertising can do to create or take advantage of the opportunities. Clearly identifying the communication problem that advertising can successfully address is at the heart of advertising planning.

In case of new product situation, more in-depth analysis of various aspects of the market would be needed and involve research of some kind. Good advertising starts with a clear understanding of marketing goals based on thorough market analysis and the aim is to explore the answers to the two basic questions: Where are we today? And, how did we get here?

7.1.2 Target Audience

A critical decision is to define the specific target audience for the product or service and involves finding and precisely defining those variables that indicate who and where are the best prospects in respect to demographic characteristics, geographic location, psycho-graphic variables, and behavioural patterns. Typically, this is larger than the target market. For example, the advertiser may target the heavy users but many light and non-users are also exposed to the message. Ned

Anschuetz found that brand popularity cuts across all levels of purchasing frequency. It will also be necessary to find out the accessibility of the target audiences. Obviously, how the target audience is defined would influence the message and media strategies. Consumer research may be needed to find out:

1.   Who buys the product?

2.   What do they really buy?

3.   When do they buy?

4.   Who is the end-user?

Knowing the target audiences' life-style, motivations, and behavioural patterns, etc. helps in deciding whom the advertiser wants to reach, and also helps creative people to write messages for real audiences and communicate more effectively.

Bases for Market Segmentation

Geographic Segmentation: Geographic units are the basis to divide the markets. These units may be nations, states, regions, areas of certain climatic conditions, or urban and rural divide. For example, Tata Safari considers the terrain as one of the segmentation variables. People in West Bengal have different food habits than people in South India. Exporters often divide the market as Western countries, African countries, etc.

Demographic Segmentation: Market segmentation can be based on demographic variables such as race, age, sex, family size, income, education, and social class.

Example: Shaving products for women are based on demographic variable of gender. Toy manufacturers, such as Funskool, Fisher Price, and Mattel Toys segment the market on the basis of age of children. Pepsi and Coca-Cola segment on the basis of age. Automobile manufacturers segment the market on the basis of income as an important variable. Producers of refrigerators, washing machines, microwave ovens etc. take family size as one of the variables in segmenting the market. Some readymade garment producers segment the market on the basis of social class, such as Van Heusen, Louis Philippe, Chirag Din, Arrow, Zodiac and others.

In general, the social class can represent lower, middle, or upper class depending on education, income, and status, etc. For example, an engineer and a clerk are considered as members of different social class.

Psychographics Segmentation: When segmentation is based on personality or life-style variables, it is called psychographics segmentation. Consumers have a certain image of themselves. This describes their personality. There are people who are ambitious, aggressive, confident, impulsive, modern, conservative, loners, gregarious, extrovert, and introvert, etc. Some motorcycle manufacturers segment the market on the basis of personality variables, such as macho image, independent, and impulsive. Some liquor, cigarette, apparel manufacturers, and others segment the market on the basis of personality and self-image. Marketers often are not concerned about measuring how many people have the characteristic because they assume that a substantial number of people in the market either have these characteristic or want to have them.

Life-style: This indicates how people live and spend their time and money. Life-style analysis provides a broad view of consumers because it segments markets on the basis of how they spend their time (activities), the importance of things in their surroundings (interests), and their beliefs on broad issues and themselves (opinions). This is popularly called AIO analysis. Demographic variables are also used in life-style segmentation. Table 7.1 presents some dimensions from major categories of life-style.

	Table 7.1: Life-style Categories and Examples		
Activities	**Interests**	**Opinions**	**Demographics**
Work	Family	Themselves	Age
Hobbies	Home	Social issues	Education
Social events	Job	Politics	Income
Vacation	Community	Business	Occupation
Entertainment	Recreation	Economics	Family size
Club membership	Fashion	Education	Dwelling
Community	Food	Products	Geography
Shopping	Media	Future	City size
Sports	Achievements	Culture	Stage in life cycle

Source: "The Concept and Application of Life Style Segmentation." By Joseph T. Plummer Journal of Marketing, p. 34, published by American Marketing Association.

There are other approaches to using psychographics segmentation. Stanford Research Institute (SRI) developed a popular approach to psychographics segmentation, called VALS (values and life-styles), based on Abraham Maslow's theory of need hierarchy and the concept of personality characteristics developed an approach to segment consumers according to their values and life-styles in U.S.A. Advertisers faced some problems with this method and SRI refined the research as VALS 2, which puts less emphasis on values and more on psychological support of consumer behaviour. This approach predicts consumer behaviour by profiling their attitudes.

According to the current classification scheme (Figure 7.1), VALS typology breaks consumers into eight groups based on their primary motivations and resources. Primary motivations represent the type of goals, pattern of attitudes and activities that help people reinforce, sustain, or modify their social self-image. This is a fundamental human need. This scheme shows consumers' primary motivations as: Ideals, Achievement, and Self-expression. Each of these three main motivations typifies distinct attitudes, life-styles, and decision-making approaches. The scheme shows a kind of continuum: high resources - high innovation to low resources - low innovation. Ideals, achievement, and self-expression are three specific patterns that relate to consumer behaviour. Consumers with the ideals (principles) motivation get involved in introspection to make choices and are less inclined to consider physical experiences or social pressure. Choices of consumers with achievement motivation are in relation to the anticipated reactions and concerns of others in the group to which they belong. Those with self-expression (action) motivation base their choices on consideration to related activity. They place value on feelings resulting from action.

Innovators (formerly actualisers): This segment is small in size compared to other seven but may be the most attractive market because of their high incomes. They are among those who are at the leading edge of change. Innovators are established or getting established leaders in business or government, yet they seek challenges. Image is important to them as an expression of their taste, independence, and character. These people are successful, sophisticated, active, and with high self-esteem. They are interested in growth and development; they explore, and express themselves in many different ways. They have social and intellectual interests, and are open to social change. They are guided sometimes by ideals and at other times by desire and are fond of reading. They prefer premium products to display their success to others.

Figure 7.1: Current Framework of Values and Lifestyle (VALS)
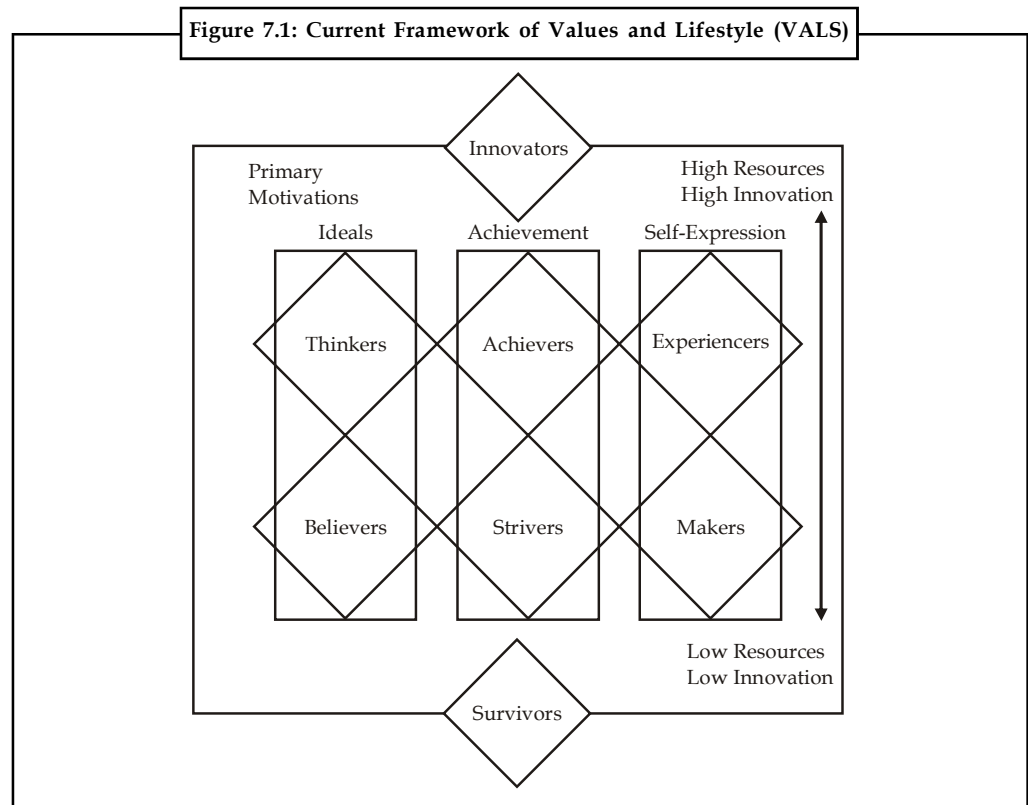
Source: www.future.sri.com

Thinkers (formerly fulfilled): Thinkers distinctive feature is that they adopt a rational approach to decision-making. Thinkers are motivated by ideals and exhibit behaviour according to the views of how the world is or should be. They are mature in their outlook, satisfied, comfortable, are well-educated, reflective people who value order, knowledge, and responsibility. They like their home and family, are satisfied with their careers, and enjoy their leisure activities at home. They are open-minded about new ideas and accept social change. As consumers, they are conservative and practical. They purchase products for their durability, functionality, and value.

Believers: Both, thinkers and believers are motivated by ideals. They are not well-educated and the moral code of conduct is deeply rooted in their psyche and is inflexible. Believers are conservative, conventional and have deep beliefs based on tradition, family, religion, and community. Their routines are established and largely influenced by home, family, religion, and social organisation. Their behaviour as consumers is predictable and conservative. Their income is modest but enough to meet their needs.

Achievers: They are motivated by the desire for achievement and make choices based on a desire to enhance their position, or to facilitate their move to another group's membership for which they aspire. They have goal-oriented life-styles and a deep commitment to career and family. They are more resourceful and active. Achievers are inclined to seek recognition and self-identity through achievement at work and in their personal lives. They have high economic and social status and patronise prestige products and services and time-saving devices that exhibit success to their peers. They value consensus, predictability, and stability over risk, and intimacy.

Strivers: They are trendy and fun-loving and are motivated by achievement. They are dependent on others to indicate what they should be and do. They believe money represents success and never seem to have enough of it. Their self-definition is based on approval and opinion of others

around them. They are impulsive by nature, get easily bored, are unsure of themselves, and low on economic, social, and psychological resources. Strivers try to mask the lack of enough rewards from their work and family, and to conceal this they attempt to appear stylish. They try to emulate those with higher incomes and possessions, generally beyond their reach. Strivers are active consumers, shopping to them is both a social activity and an opportunity to show their peers their ability to buy. They read less but prefer to watch television.

Survivors (formerly strugglers): They have narrow interests; their aspirations and actions are constrained by low level of resources. Strivers are comfortable with the familiar and are basically concerned with safety and security. They are ill-educated, with strong social bonds, low-skilled, and are poor. They feel powerless and unable to have any impact or influence on events and feel the world is changing too quickly. As consumers they show the strongest brand loyalties, especially if they can purchase them at a discount. They are cautious consumers and represent only a modest market. They watch a lot of television, read women's magazines, and tabloids.

Experiencers: They are young, full of vitality, enthusiastic, impulsive and rebellious and motivated by self-expression. They are avid consumers and spend a high proportion of their income on fashion, entertainment, and socialising. Their desire is to feel good and having "cool" stuff. They are college educated and much of their income is disposable. They have an abstract disregard for conformity and authority. Experiencers seek excitement and variety in their lives and like to take risks. Their patterns of values and behaviour are in the process of being formulated. They are fond of outdoor recreation, sports, and social activities. They spend heavily on clothing, music, and fast food.

Makers: Their motivation is self-expression. They like to be self-sufficient, have sufficient income and skills to accomplish their desired goals. Makers are energetic, like to experience the world, build a house, have families, raise children, and have sufficient skills backed with income to accomplish their projects. They are practical people and have constructive skills and energy to carry out their projects successfully. Their outlook is conservative, they are suspicious of new ideas, respect government and authority, but resent any intrusion on their rights. They are not impressed with others wealth and possessions.

Life-style segmentation is particularly useful as a variable in case of product categories where the users' self-image is considered an important factor, for instance perfumes, beer, jewelry, autos, and other ego-intensive products.

Psychographics segmentation variables are used on a limited scale for several reasons. To accurately measure psychographics variables is rather difficult, compared to other types of segmentation bases. The relationship between psychographics variables and the consumer needs is often difficult to document. Psychographics segments may not be reachable. For example, it may be difficult to reach introverted people at a reasonable cost.

Caution There are two versions of the VALS analysis, VALS 1 and VALS 2. The one explained above is VALS 2.

7.1.3 Advertising Objectives

Objectives help communications between the ad agency accounts executive and the creative team members, and help coordinate the efforts of copywriters, media specialists, media buyers, and professionals involved in advertising research. Objectives also provide a standard against which the results can be measured.

Sales are a convenient and really attractive advertising objective for many managers but they are usually unsuitable for most advertising managers because advertising is just one factor among many others that influence sales. Other factors that may have a significant effect on sales are product features, price, distribution, personal selling, publicity, packaging, competitors' moves, and changing buyer needs, etc.

Many experts recognise the fact that advertising creates delayed or carryover effect and no matter how much money is spent on advertising, it may not necessarily have an immediate impact on sales. The carryover effect creates additional difficulty in determining the precise relationship of advertising and sales. Darral G. Clarke found that for low-priced, mature, and frequently purchased products the carryover effect of advertising on sales lasts, up to nine months.

Understanding specific consumer problems is often the key to developing appropriate advertising campaign. Advertising creates its most powerful impact when it is used to solve narrowly defined Short-term advertising objectives are realistic and long-term objectives are ambitious. Advertising communications objectives can be put in a pyramid form. First the lower-level objectives, such as awareness, knowledge or comprehension are accomplished. Subsequent objectives may focus on moving prospects to higher levels in the pyramid to elicit the desired behavioural responses such as, associating feelings with the brand, trial, or regular use etc. It is easier to accomplish ad objectives located at the base of the pyramid than the ones towards the top. The percentage of prospective customers will decline as they move up the pyramid towards more action-oriented objectives, such as regular brand use. Irrespective of the fact whether the brand is new or established, the pyramid can be used to determine appropriate advertising objectives. What is required is to determine, where the target audience lies with respect to the various levels in the pyramid. Some possible objectives can be:

1. Increasing the percentage of target consumers who associate specific features or benefits with company's brand.

2. Increasing number of target consumers who prefer company's brand rather than competing brands.

3. Increasing company's brand usage rate among existing consumers.

4. Encouraging company's brand trial among non-users.

Russell H. Colley proposed DAGMAR (Defining Advertising Goals for Measured Advertising Results) approach. He also proposed 52 advertising objectives. Colley believed communications effects are the logical basis for setting advertising objectives.

"Advertising's job, purely and simply, is to communicate to a defined audience, information and a frame of mind that stimulates action. Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time and at the right cost."

DAGMAR approach proposes that communications objectives be based on a hierarchical model with four stages:

1. *Awareness:* Involves making target audience aware of the existence of the brand or company.

2. *Comprehension:* The purpose is to develop an understanding among audience of what the product is and what it would do for them.

Case Study

The Body Shop and Marketing

The Body Shop recorded rapid growth during the 1970s and 1980s. However, its founder, Anita Roddick had publicly dismissed the role of marketing. It is well-known that she publicly ridiculed marketing for putting the interests of shareholders before the needs of society. She also held in similar low esteem the financial community that she referred to as "merchant wankers." While things were going very favourably, nobody seemed to mind her sceptical approach. After all, it was possible that she had actually found a new way of doing business, and the results so far stood to prove it. But how even such a famous and admired person as Anita Roddick could manage indefinitely without consulting the fundamental principles of marketing, wondered marketing experts and others. By the end of the 1990s, The Body Shop was experiencing bad times and the sceptics among the marketing and financial field were quick to point out the folly of its founder's apparently idiosyncratic ways.

From a high in 1992, The Body Shop shares dropped to a low witnessed at the start of 2003, despite the market index rising over that period. Profit remained similarly depressed, with performance in almost all European, North American, and Far Eastern markets stagnant.

Yes, everybody recognised that Anita Roddick has been the dynamo behind The Body Shop's success. From a small single outlet, she inspired and managed the growth of the chain to some 1500 familiar green-fronted establishments in 46 countries around the world. Yet, until the late 1990s, she continued to boast that The Body Shop had never used, or needed, marketing. Much of the company's success has been tied to its promotional approach by campaigning for the pursuit of social and environmental issues. But while Roddick campaigned for everything from physical torture of wives and Siberian tigers to the poverty-stricken mining communities of Southern Appalachia, the company was facing major problems in all its key markets.

Part of the problem of The Body Shop was its failure to fully comprehend the dynamics of its market place. Positioning on the basis of good causes may have been enough to launch the company into the public mind in the 1970s, but what it now needed was a sustainable long-term positioning. Other companies soon launched similar initiatives. For example, the Boots Pure Drug Company matched one of The Body Shop's earliest claims that it did not test its products on animals. Competitors had copied even the very feel of The Body Shop store that included its décor, staff, and product displays. How could the company stay ahead in terms of maintaining its distinctive positioning when many others had similar differentiation? Its causes seemed to become increasingly remote from the real concerns of shoppers. While most shoppers in UK may have been swayed by a company's unique claim to protect animals, it is not clear how many would be moved by its support for Appalachian miners? If there was a Boots or Superdrug store next door, why should a buyer shell out a premium price to buy from The Body Shop? The Body Shop may have pioneered a very clever business launching formula over twenty-five years ago, but the concept had been successfully copied by others. And these other companies had made enormous strides in terms of their social and environmental concerns and awareness.

Part of the company's problem has been blamed on the inability of Roddick to delegate. She is reported to have spent almost half of her time globetrotting in propagating support of her good causes, but did have a problem in delegating marketing strategy and

implementation. Numerous capable managers who were brought in to try to implement professional management practices apparently gave up in bewilderment at the lack of discretion that they were given, and then left dismayed.

The Body Shop's experience in America typified Roddick's pioneering style, which frequently ignored sound marketing analysis. She sought a new way of doing business in America, but in doing so she dismissed the experience of older and more sophisticated retailers - such as Marks & Spenser and Sock Shop, which came unscratched in what is a very difficult market. The Body Shop decided to enter the US markets in 1988 not through a safe option such as a joint venture or a franchising agreement, but instead by setting up its own operation from scratch, according to Roddick's principles of changing the business rulebook and cutting out the greedy American business community. But this was an exceedingly risky move. Her store format was based on the British town centre model. She did not bother to appreciate the fact that Americans spend most of their money in out-of-town malls. In 1996, the US operation lost 3.4 million pounds.

Roddick's critics claim that she has a naïve view of herself, her company, and business in general. She has consistently argued her philosophy that profits and principles don't mix, despite the fact that many of her financially successful competitors have been involved in major social initiatives.

The rift between Roddick's and others' view of the world was revealed in the results of an innovative independent social audit that The Body Shop commissioned in 1966. The company was prompted to commission the study after the report following media criticism that its social and environmental credentials might not actually be as good as the company claimed. The results highlighted eye-opening shortcomings in virtually every one of the company's stakeholder relationships. The company scored well in certain areas such as promoting human and civil rights, pollution control, product information, wages, and benefits, women's opportunities, and energy conservation; but it scored really badly on issues of corporate governance, relationships with shareholders, responsiveness to complaints of customer and franchises, accuracy of promotional claims, communication, and reaction to criticism.

Critics claim that had Roddick not dismissed and ridiculed the need for marketing for so long, The Body Shop could have certainly avoided future problems that it faced. But by 2000, it was paying the price for not having devoted sufficient resources to new product development, to innovation, to refreshing its product ranges, and to moving the business forward. It seems that heroes can change the rulebook when the tide is flowing with them, but adopting the disciplines of marketing allows companies to anticipate and react when the tide begins to turn against them.

N.B: The Body Shop was sold to L'Oreal, the world's largest cosmetics manufacturer, in March 2006, for £ 656 million. Dame Anita Roddick gained personally to the tune of £130 million. Since British and French companies have very divergent views on strategy and day-to-day management, it remains to be seen how successful the union will ultimately turn out to be. For The Body Shop, it's yet another chapter in its struggle to remain relevant in a changing world.

Questions

1.   Analyse the significant issues in the case. Was Anita right in ridiculing the marketing?

2.   How has Anita Roddick positioned The Body Shop and maintained its identity with social and environmental causes as a unique positioning approach?

7.1.5   The Communications Media

Communications media involve all the media vehicles that might carry the marketer's advertising message and include TV, radio, newspapers, magazines, billboards, Internet and others. The selection of right media vehicle(s) is very important to reach the targeted audience.

7.1.6 The Advertising Message

Advertising message involves everything that the marketer plans to say in its ads and how it plans to say both verbally and non-verbally are critical aspects.

Both the advertising agency and the client team must understand and agree to these four elements of advertising strategy before beginning any creative work. In most advertising agencies, the account management is responsible for developing strategy. In some agencies, depending on the necessity, account planners first research the market. Then they prepare the advertising strategy in consultation with account management personnel and their final approval. After completing the task of strategy development, account department prepares a creative brief (often referred as copy platform, a work plan, copy or creative strategy document) to communicate the strategy to the creative team. It is a simple written statement of the most significant issues to consider and guide the team in the development of an advertisement or campaign. The statement addresses the following issues:

1.   *Who?* Who is the potential customer in terms of geographic, demographic, behaviouristic and psychographics qualities? What is the personality profile of a typical prospect?

2.   *Why?* Does the consumer have specific needs and wants the ad message should focus upon and appeal to? There are two broad categories of appeals. Rational appeals are directed at the consumer's practical, functional need for the product or service, whereas the emotional appeals aim at the consumer's psychological, social and symbolic needs.

3.   *What?* Are there any special features of the product or service to satisfy the consumer's needs? What factors support the product claim? How is the product positioned? What image or personality of the brand can be created or has been created? What perceived strengths or weaknesses of the brand need to be addressed?

4.   *Where, when, and how?* In which market area, what time of the year and through what medium will these messages be delivered?

5.   *What style, approach, or tone* (emotional or factual) will the campaign use? Generally what will the copy say?

Maslow's Need-hierarchy and Selected Advertising Appeals

	Rational Approach	**Emotional Approach**	
Self-actualisation Needs	Opportunity for more leisure	Ambition avoidance of physical labour Curiosity Entertainment	Pleasure of reaction Simplicity Games and sports, physical activity
Esteem Needs	Dependable quality. Dependability in use Enhancement of earnings Variety of selection	Pride of personal appearance Pride of possession	Style/beauty Taste

Contd...

Social	Cleanliness	Cooperation	Romance
Needs	Economy in attraction	Devotion to others Guilt, shame Humour Home comfort	Sexual Social achievement Social approval Sympathy
Safety Needs	Durability Safety Protection of others	Fear, health	Security
Physiological Needs	Rest, sleep	Appetite	Personal comfort

Creative brief only identifies the benefits to be presented to the consumers but how these benefits will be presented is the domain of creative specialists. A typical creative brief may include the following:

1. *An Objective Statement:* A specific, concise statement of what the advertising is expected to achieve or what problem is it supposed to solve. The statement also includes the name of the brand and a specific but brief description of the target audience.

2. *A Support Statement:* A brief statement of the evidence that backs up the product promise.

3. *A Tone or Brand Character Statement:* A brief description of the tone of advertising or the long-term brand character. Tone statements refer to short-term emotional description of the advertising strategy (tone may convey quality, beauty, sophistication, etc.) Brand character statements relate to long-term descriptions of brand's values (finest material, patented technology, hand-crafted, etc.)

Task   Take any one print advertisement and identify the objective statement, the support statement and the brand character statement used in it.

7.1.7 Budget Allocation

Advertising objective setting may be significantly influenced by the limitations of the budget. Budget decisions are critical as the money spent on advertising may mean, the difference between success and failure. The greatest power of advertising lies in its cumulative, long-term reinforcement effect. It builds consumer preferences and goodwill, which helps to enhance the reputation and value of the company's name and its brand. As an element of marketing communications mix, advertising is an investment in future sales.

Unfortunately, budget allocated to advertising is considered as current business expense, cutting into profits, rather than an investment. For this reason when a firm faces tough times, the axe falls on advertising expenditures like other expense items. This is understandable but short-sighted, as this may affect the brand's image and erode its equity.

According to Robert D. Buzzell and Frederick D. Wiersema, market share is a prime indicator of profitability.

1. Additional advertising normally increases sales, but at some point, however, the rate of return declines.

2. Sales response for advertising may build over time, but it is not durable, and a consistent investment is important.

3. There are minimum levels of ad expenditure below which, advertising expenditures have no effect on sales.

4. There will be some sales even if the marketer does not advertise.

5. Culture and competition impose saturation limits and beyond this no amount of advertising can increase sales.

Setting advertising budget is not an easy task. There is no way to be absolutely certain that a company is spending the right amount. Some critics say that large consumer packaged goods marketers tend to spend too much on image advertising without really knowing its effects. They overspend as a form of "insurance" against not spending enough. Industrial companies generally underspend on advertising, underestimating the power of company and product image in pre-selling and tend to rely too heavily on their sales forces to bring in sales.

Marketers should consider some specific factors when setting the advertising budget:

1. *Product life cycle stage:* New products typically need large advertising budget to create awareness, develop preference, and induce product trial/purchase. Mature brands usually require lower budget as a ratio to sales.

2. *Market share:* Brands enjoying high market share usually need more advertising push as a percentage of sales compared to low-share brands. Taking share from competitors requires larger advertising expenditure than just maintaining the current status.

3. *Intensity of competition and clutter:* In a market with many competitors and high spending on advertising, there is bound to be advertising clutter. A brand must advertise more heavily to be seen and heard above the noise in the market.

4. *Advertising frequency:* When many advertising repetitions are needed to communicate the brand's message to the target consumers, the advertising budget must be large.

5. *Product differentiation:* When a brand cannot be differentiated significantly and resembles other brands in a product category, it requires heavy advertising to set it apart from its competitors.

Did u know? Ama Carmine found that high amount of advertising perceived by consumers is often interpreted as an indicator of product quality. Consumers reason being that because of high quality the advertiser is backing the product with high intensity of advertising.

7.1.8 Advertising Strategy Implementation

Advertising strategy has four important elements of creative mix: Identifying the target market and defining the audience, deciding the product's positioning, developing advertising message, and selecting the communication media. Advertising objectives determine what is desired in terms of consumer response, and advertising strategy describes how to accomplish the objectives.

7.2 The Big Idea

After developing the advertising strategy, the next step is the creative process. The creative team develops a message strategy and the search begins for the big idea. The message strategy may be developed before, during, or after the creative process of searching for the big idea.

"The Great Idea in advertising is far more than the sum of the recognition scores, the ratings and all the other superficial indicators of its success; it is in the realm of myth, to which measurements cannot apply."

–Leo Bogart

Notes   **Great Advertising Elements**

The Creative Council of David Ogilvy & Mather Worldwide found that examples of great advertising have certain elements in common:

1. *Potent strategy:* The strategy is the heart of advertising. It is impossible to do great advertising if the strategy is weak or does not exist at all.

2. *A strong selling idea:* Great advertising promises a benefit to the consumer. The idea must be simple and it must be clear. The brand must be integrated into the selling idea.

3. *Stands out:* A great ad is memorable, even when competing for attention with news and entertainment.

4. *Always relevant:* Prospects can always relate the advertising to their experience and to the role of the product in their lives.

5. *Can be built into campaign:* No matter how clever an idea may be, if you cannot make it into a campaign, it is not a great idea.

Source: Luis Basser, "Creative Paths to Great Advertising." Viewpoints, September/October 1991, pp. 23-24

In the ad biz, "The Big Idea" is the Holy Grail, the creative solution that in a few words or images sums up the compelling reason to plop down your hard-earned cash for something you may not have known you even needed. Big Ideas have something called "legs"; they can be called upon again and again in different ways. Some Big Ideas include: "The Pepsi Generation," "Just do it" and the Energizer Bunny.

In the academy, theorists are also on the lookout for the Big Idea. There, the Big Idea is called a "paradigm shift." Among other things, it seeks something known as "parsimony," a simple concept or equation that explains a lot. Rational choice, that we naturally seek pleasure and avoid pain, is the Big Idea of classical economics. Who owns the means of production and the social relations that result is the Big Idea of Marxism. The relationship of matter to the speed of light is the Big Idea of Einstein's Theory of Relativity. The biggest of the Big Ideas of recent times is deconstruction, which underlies much of what we call theories of post-modernism.

The Big Idea is the creative concept that becomes the foundation for all advertising platforms. It's the engagement vehicle that takes an offer, a concept, a product, and allows for the mobilization to the masses. And since this idea is all about connecting, it has become commonplace for people in the industry to associate idea creation with creative types and the agencies where they reside.

If we go back to the quote from Ogilvy, he contends that it takes a big idea to attract the attention of consumers. Even the customers can own the big idea. For the past two years, Doritos has used the Super Bowl, the world's largest football and advertising event, as a stage to put The Big Idea in the hands of consumers. This year during the Oscars, Dove allowed the audience to vote and determine which commercial the company should run. While these are two very small examples, it is becoming more obvious that those who once owned The Big Idea are now turning it into a job for someone else to do for them.

The Message Strategy is a brief description and explanation of overall creative approach of an ad campaign. It is composed of three elements:

1. *Verbal Element:* This furnishes guidelines for what the advertising message should say. It includes the considerations that affect the choice of words and the relationship of copy approach to the medium.

2. *Non-verbal Element:* This, points to the overall nature of graphics, any visuals that must be incorporated and their relationship to the media that will be used for the ad.

3. *Technical Element:* This refers to the preferred way of execution and mechanical outcome, budget and scheduling limitations as a result of chosen media and any specific requirements for each ad, such as logos, slogans, or the address.

Though, in most advertising campaigns the starting point of message strategy are the verbal elements, yet the nature of these elements is such that they are all intertwined and evolve simultaneously. For example, the language and imagery can influence each other quite significantly. The message strategy must conform to the advertising strategy outlined in the creative brief.

Creativity is probably one of the most frequently used terms in advertising circles. Perhaps so much attention to creativity is given because people consider the specific challenge of developing an advertising message as the domain of creative people. Individuals and advertising agencies often build up reputations for their creativity.

Some people exhibit more creativity than others, but the creativity is present within all of us. It is the creativity that helped humans to discover and harness fire, domesticate animals and cultivate fields. Without creativity, the human race probably would not have survived.

Notes

Get that Big Idea: Twelve Tested Creative Hot Buttons

To answer the question, what makes a creative message effective, here are twelve recurring qualities found in most sales-effective advertising as measured by research firm McCollum Spielman Worldwide.

1. Brand rewards/benefits are highly visible through demonstration, dramatisation, life-style, feelings, or analogy.

2. The brand is the major player in the experience (the brand makes the good times better).

3. The link between the brand and execution is clear (the scenario revolves around and highlights the brand).

4. The execution has a focus (there is a limit to how many images and vignettes the consumer can process).

5. Feelings (emotional connectives) are anchored to the needs and aspirations of the target consumer.

6. Striking, dynamic imagery is characteristic of many successful executions, enhancing their ability to break out of clutter.

7. An original, creative signature or mystique exists in many of the best commercials to bond the consumer to the brand and give it a unique personality.

Contd...

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8. In food and beverage advertising, high taste appeal is almost always essential.

9. The best creative ideas for mature brands often use fresh new ways of revitalising the message.

10. Music (memorable, bonded tunes and lyrics) is often a key to successful executions for many brands.

11. When humour is used, it is relevant, with a clear product purpose.

12. When celebrities are used, they are well matched to brands and have credibility as users/endorsers and their delivery is believably enthusiastic.

Advertising creativity is the ability to come up with fresh, perhaps unconventional, unique, appropriate and effective ideas that can be used as solutions to an advertiser's communications problems. A creative idea can be appropriate and effective only when it is relevant to the target audience's needs, wants, or aspirations. Probably this is the reason that some ads are successful in winning the awards for creativity but fail to help the client in accomplishing the desired goal, as they are not relevant to the target audience. The creative specialists must recognise that the purpose of adverting is to assist in selling the product or service and good advertising must communicate in a manner that helps the client achieve this goal.

Example: Creative use of visuals helps capture attention
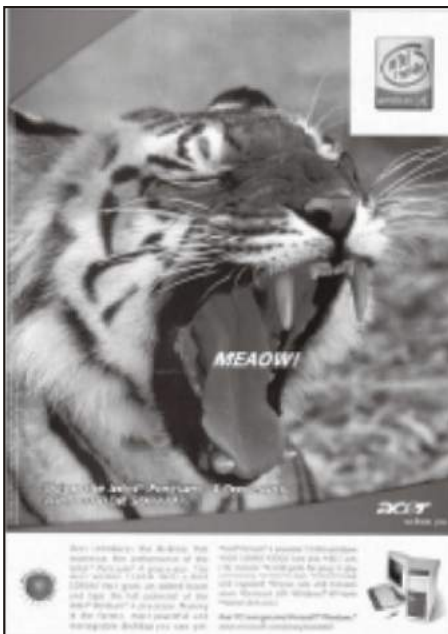
Most ads are the result of much sweat, tears and persistence. Many advertising professionals are of the opinion that creativity in advertising can best be viewed as a process and the creative success is mostly achieved by following an organised approach. There is no infallible formula that guarantees the creation of effective advertising. As mentioned earlier, many advertising professionals reject attempts to standardise creativity or develop any rules.

Caselet

What's a Big Idea?

– by Shunu Sen

FIRST, we must define the words 'a big idea' as used by marketing and advertising people. The important thing to remember is that the big idea in advertising is an association with the brand; but is not the brand benefit.

I would define a big idea as being a distinctive expression or a creative device which is uniquely associated with the brand and the brand promise.

The big idea is normally associated with a product or a range of products that are strong brands. A strong brand is a brand which delivers unique, relevant and motivating consumer benefits.

The brand benefit is then supported by a big idea that satisfies (usually) an emotional benefit.

This is important that the big idea should do so, almost by definition. Hence, to complete my earlier definition, I would say that a strong brand is a brand which delivers consistently and over a period of time unique, relevant and motivating functional benefits. Moreover, the brand is often supported by a strong emotional benefit, which is anchored to the brand by the big idea.

Let me give some examples of successful brands, which have had big ideas. (As, almost by definition, unsuccessful brands cannot have a big idea).

My first example would be a visual device supported by a unique music track. The brand is Liril and the big idea is 'the girl in the waterfall' and the unique sound track. The Liril big idea has been a part of the Liril advertising which for nearly 25 years catapulted the brand into a leadership position in the premium toilet soap market.

Going further back in history, I believe the Maharaja in the Air India communication can be considered a big idea; as indeed, the memorable phrase 'Made for each other; tobacco and filter perfectly matched' which was the big idea behind the Wills filter cigarette brand.

The big idea could be in the product itself; for example Polo, 'the mint with a hole' is a big idea, which differentiates the brand while supporting the key functional benefit of mouth freshness in the mint category.

Brand ambassadors are usually spokespersons for the brand. But the association between Zakir Hussain and Taj Mahal tea supports the quality claim of the brand exceedingly well. In my book, this association between brand and a well-known personality is a big idea; not just by itself but in the manner in which the brand advertising has developed the association between the personality and the product.

Another such example, which is, in my view, a big idea is the association between NIIT and Vishwanathan Anand.

There are many more big ideas. Some of the recent examples are the slogans 'Hamara Bajaj' for Bajaj motorcycles and scooters and the words 'Chaar boondon wala' for Ujala wash additive.

However, one of the key lessons from the examples given above is that a big idea grows with time.

There are many examples where such big ideas have been cast away by brand managers and advertising agencies without realising that in many ways they are actually tearing out the heart of the advertising communication.

Big ideas take time to be created and can only be created in the context of the brand promise. The big idea is never extraneous to the brand strategy. Indeed, it could be the biggest differentiator that the brand has in today's complex and complicated communication world and should be nurtured and supported so that today's creative device becomes the big idea for the future.

Source: thehindubusinessline.com

No one really knows why one person can consistently create successful ads and why the other person meets repeated failures. A creative individual is most likely to be one:

1. Who can produce a large number of ideas quickly (conceptual fluency)

2. Is original

3. Is capable of separating source from content in evaluating information

4. Suspends judgement and avoids early commitment

5. Is inclined to be less authoritative

6. Accepts personal impulses

7. Is capable of judging independently

8. Possesses a rich, bizarre fantasy life.

Alex F. Osborn, former head of BBDO agency (Applied Imagination, Charles Scribner & Sons, 1953) established the Creative Education Foundation and suggested a more comprehensive creative process that involves the following seven steps:

1. *Orientation:* Pointing out the problem

2. *Preparation:* Gathering pertinent data

3. *Analysis:* Breaking down the relevant material

4. *Ideation:* Piling up alternative ideas

5. *Incubation:* Putting the problem aside to invite spontaneous ideas at some later, unguarded time.

6. *Synthesis:* Putting the pieces together, and

7. *Evaluation:* Judging the resulting ideas.

	Table 7.2: Some Big Ideas	

Company/Brand	Ad campaign theme
Amul	"Taste of India."
De Beers	"A diamond is forever."
BMW	"The ultimate driving machine."
Nike	"Just do it."
Hallmark cards	"When you care enough to send the very best,"
Timex watches	"It takes a licking and keeps on ticking."
Wills cigarettes	"Made for each other."
Videocon	"Bring home the leader."
Philips	"Let's make things better."
BPL	"Believe in the best."
Femina magazine	"For the woman of substance."
Woodland shoes	"Leather that weathers."
Citibank	"Unfixed deposit."
Maggi	"2-Minute noodles."

Notes President of the American Association of Advertising Agencies, John O'Toole describes the big idea as a: "Flash of insight that synthesizes the purpose of the strategy, joins the product benefit with desire in a fresh, involving way, brings the subject to life and makes the reader or the audience stop, look and listen."

(*The Trouble with Advertising, 2nd ed., New York: Random House, 1985*)

This description of 'big idea' presumably refers to the creative specialist's experience in generating the idea, which links the product or service-benefit to a relevant purchase situation and clearly refers to the processing step in the consumer response process.

Jerome Jeweler writes in his book Creative Strategy in Advertising: "The major selling idea should emerge as the strongest singular thing you can say about your product or service. This should be the claim with the broadest and most meaningful appeal to your target audience. Once you determine the message, be certain you can live with it; be sure it stands strong enough to remain the central issue in every ad and commercial in the campaign."

(*Creative Strategy in Advertising, Belmont, CA: Wadsworth, 1981.*)

7.3 Summary

- Advertising strategy will include the determination of the advertising objectives that helps in understanding and evaluating the campaign in a better way, situational analysis that helps in knowing the current market conditions pertaining to advertisements, defining the target audience that helps channel all the efforts in the right direction and allocation of budget.

- A campaign is an interrelated and coordinated set of promotional activities that focus on some single theme or idea and is built to accomplish some predetermined objective(s).

- An advertising plan aims at matching the right target audience to the right message and presents it in the right medium to reach that audience.

- Marketing plan provides the details pertaining to brand share, anticipated market conditions, competitors' share and past moves, and any legal constraints concerning the product category.

- A critical decision is to define the specific target audience for the product or service and involves finding and precisely defining those variables that indicate who and where are the best prospects in respect to demographic characteristics, geographic location, psychographic variables, and behavioural patterns.

- Objectives help communications between the ad agency accounts executive and the creative team members, and help coordinate the efforts of copywriters, media specialists, media buyers, and professionals involved in advertising research.

- It is interesting to note that advertising communication objectives awareness, knowledge or comprehension, liking, preference, and conviction are all mental responses, not visible to an observer.

- Advertising message involves everything that the marketer plans to say in its ads and how it plans to say both verbally and non-verbally are critical aspects.

- Budget decisions are critical as the money spent on advertising may mean, the difference between success and failure. The greatest power of advertising lies in its cumulative, long-term reinforcement effect.

- According to Leo Bogart, the Great Idea in advertising is far more than the sum of the recognition scores, the ratings and all the other superficial indicators of its success; it is in the realm of myth, to which measurements cannot apply.

7.4 Keywords

Advertising Creativity: Ability to come up with unique and effective ideas

Big Idea: Idea that is creative and that clicks with audiences

Brand Comprehension: Know facts and attributes of the brand

Psychographic Segmentation: Segments audience on the basis of life-styles, values and attitudes

7.5 Self Assessment

State whether the following statements are true or false:

1. McDonald's 'I am loving it' is an example of an advertising campaign.

2. Choosing a target audience on the basis of social class is part of psychographic segmentation.

3. You buy a blue shirt because your friends say that you look smart in blue. Your primary motivation is achievement.

4. We can call Maggi's 'two minute noodles' a big idea.

5. The behavior of the believers (as in VALS personality types) is predictable and conservative.

Fill in the blanks:

6. Brands like Wills life-style, Colourplus, Tommy Hilfiger segment the market on the basis of …………………………..

7. The best way to target strivers is to advertise on……………………………….

8. According to DAGMAR approach, consumers learn about the attributes of the brand in the ……………………..stage.

9. A…………………..idea is consistent with the needs and wants of the target audience.

10. A ………………..is sometimes also referred to as a paradigm shift.

7.6 Review Questions

1. Discuss the importance of setting up objectives and defining a target market.

2. Critically analyse the VALS analysis used in life-style segmentation.

3. "Setting up advertising budget is not an easy task". Do you agree with the statement? Give reasons for your answer

4. What do you mean by 'big idea'? Give examples from real world scenario.

5. Suppose you are going to start a fast food retailing business. How would you segment the market and which markets will you target?

6. How would you position your toy retailing store in the market (discuss your positioning strategies) and what will be your promotional objectives?

7. Consider various brands of cars in the Indian market (Atleast 5 brands from different manufacturers). Determine how each brand is positioned and the distinctiveness of their positioning.

8. Express your views on Bajaj Pulsar's 'Definitely Male' campaign. Was it a big idea? How did the campaign help in the growth of the brand?

9. "B2C companies often over-spend on advertising whereas the B2B companies under-spend on advertising". Substantiate (Use appropriate examples)

10. DHL has launched a new promotional campaign in India wherein they stress on their wider reach. Their tagline says that "No one knows Asia-Pacific as we do". Analyse the message. What issues does this message address?

Answers: Self Assessment

1.	True	2.	False
3.	True	4.	True
5.	True	6.	Social class
7.	TV	8.	Comprehension
9.	Creative	10.	Big idea

7.7 Further Readings

Books   Batra, Aaker and Myers, *Advertising Management*, Pearson Education.

Kruti Shah and Alan D'Souza, *Advertisement and Promotions-An IMC Perspective*, Tata McGraw Hill.

Russel H Colley, *Defining Advertising Goals for Measured Advertising Results*, Association of American Advertisers.

S H H Kazmi and Satish K Batra, *Advertising and Sales Promotion*, Excel Books, New Delhi.

Notes

Online links

advertising.about.com/.../televisionandradio/a/tvadvertising.htm

en.wikipedia.org/wiki/Creative_strategies_in_advertising

www.admedia.org

www.enotes.com/small-business.../advertising-strategy

www.entrepreneur.com/marketing/.../article177002.html

www.financialexpress.com/...advertising-strategy/514151

www.printadvertising.com

www.templetons.com/brad/tvfuture.html

Unit 8: Advertising Strategy: Creative Execution

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Objectives

After studying this unit, you will be able to:

- Discuss the execution of print advertisements and television commercial

- Describe execution of radio commercial and online advertisements

Introduction

The customers don't see the clever media plan or all the cool technology - they see the ads. Initial planning is important but it is nothing without a proper creative execution. So, once the strategy is complete, the focus now shifts to delivering outstanding creative execution. A brief for the project is developed and the designers, copywriters, public relations practitioners, Web specialists and marketers work collaboratively on the creative concepts. In this unit we are going to study how the advertising strategy is executed in print, broadcast and online media.

8.1 Print Advertisement

The key format elements in print advertising are headline, subheads, body copy, slogans, seals, logos, signatures, visual elements, and layout.

Headline

The headline contains the words in the leading position in the advertisement. These are the words that will be read first or are positioned with the intent to draw the readers' most attention. The headlines are almost invariably set in larger, dark type and generally set apart from body copy to make them prominent. The headline is considered as the most important part of a print ad by most advertising professionals.

The fundamental function of the headline is to attract the readers' attention, get them interested, and lead them in the entire ad message. One popular technique to capture the attention is to occupy the entire top half of the ad with a headline written in large letters. The visual portion of the ad is obviously important, but research has shown the headline is generally the first thing persons read in a print advertisement, followed by the visual or illustration. It has also been reported that only 20% of those who read the headline read the body copy too. To attract the attention, the headline must put forth the main appeal, theme, or proposition, giving powerful reason to read the more detailed and persuasive information contained in the body copy about the product or service. In some print ads the body copy is totally absent, and headline along with illustration must communicate the total ad message. Advertisers select specific publications that interest certain target segments and engage the attention and interest of those most likely to buy a particular product or service. For example, the headline of 'media2india.net' advertisement in A&M magazine would interest only those who want to advertise on the Internet.

There is no formula that can be recommended for writing a good headline. Copywriters use many different variations and a number of factors need to be considered in evaluating an effective headline:

1. The headline should use short, simple words, usually not exceeding 10.

2. The headline should include an invitation to the prospect, primary product or service benefits, name of the brand, and an interest-provoking idea to induce readership of rest of the advertisement.

3. The words in the headline should be selective, appealing only to prime prospects.

4. The headline should include an action verb.

Example: Headline saying it all

Advertisers use benefit headlines to promise the prospects some rewarding experience with the product or service. Such headlines are just simple statements of the product's most important benefit.

The news/information headline announces news or promises information. The headline of Maruti Alto ad read, "Alto makes it debut outside of Japan for the first time - in India."

Copywriters use curiosity-invoking and provocative headlines to stimulate question and thoughts. Samsung DVD headline read, "Don't Buy DVD." To learn more, the reader must continue reading the body copy. Sometimes the readers won't read any further than the headline. To avoid this, the creative specialist designs visuals to clarify the message or provide some story appeal.

To encourage readers to find an answer in the body copy of the ad, copywriters often use a question headline. The headline of Kenstar microwave oven ad read, "Why Kenstar Microwave Oven?" A good headline of this type arouses reader's curiosity and imagination. If the reader can answer the question quickly, or negatively, the rest of the ad probably will not be read. If the headline reads, "Do you want to buy insurance?" the reader can answer "No" and turns the page without reading any further.

Readers often pay attention to command headlines that order to do something. The Matiz ad headline read, "GET YOUR MATIZ TODAY!" Sometimes a command headline is used as a request.

Copywriters use selective headlines to attract particular group(s) of customers. For example, ulearntoday.com is aimed at CBSE, ISC, IIT, and JEE students. Probably, others than such students won't pay attention to this ad.

Subheads

Many ads have only one headline, but one or more secondary heads called subheads, are also common. A subhead is an additional smaller headline that may appear above or below the headline. When the subhead is above the headline, it is referred as a kicker or overline, and is often underlined. Subheads sometimes also appear in body copy. Subheads are usually set smaller than the headline but larger than the body copy, and may appear in boldface or italic type. Subheads are often used to enhance the readability by highlighting key sales points and support the interest step best. Subheads are longer than the headline, more like a sentence and serve as a stepping-stone from headline to body copy.

Body Copy

The main text portion included in the advertisement is called the body copy. The body copy contains the complete sales story and is the logical continuation of the headline and subheads. It covers the attributes, benefits, and the utility of the product or service, but getting the audience to read the body copy is often difficult. It is estimated that just about ten percent readers actually read the body copy. The body copy must be long enough to accommodate the complete message and short enough to retain the reader's interest. The copywriter must speak to the prospect's self-interest, explaining how the product or service will satisfy the consumer's need.

Notes **Types of Body Copy**

Approach	Description
Straightforward	It is factual coy, usually written in the words of an anonymous or unacknowledged source.
Narrative	This type of copy tells the story in first person.
Dialogue	The copy lets the reader "listen in" on a conversation.
Explanation	Copy explains how something works.
Translation	Presents technical information, such as that written for high technology and medical industries, must be defined and translated into understandable language.

Slogans or Theme Lines and Taglines

Many slogans are used as successful headlines (a series of ads run under an umbrella theme). Slogan is a clever phrase that serves as a reminder of a brand, company image, or theme. It provides continuity to a series of ads in a campaign and also helps creating a positioning statement. DeBeers use the slogan, "Diamonds are forever," Nike uses the slogan, "Just do it," and Philips slogan is, "Let's make things better." Taglines are used at the end of an ad to summarise the point of an ad message to make it memorable (Let Us Make Things Better). A tagline used consistently on all marketing messages becomes a slogan.

Seals, Logos, and Signatures

A seal is awarded when a product meets standards established by a particular agency or institute, such as ISI mark, ISO 9002, or Energy Star etc. These seals provide an independent, valued endorsement to the advertiser's product.

Logo and signatures are special designs of the advertiser's company or the product name. Logo is distinctive mark that identifies brand or company. Signature is the name of company or brand written in a distinctive type style. They appear in all the company ads, are immediately recognised and give the product individuality at the point of sale, such as Apple, Muscleman of MRF, Kellogg's, Intel Inside, and hp etc.

Visual Elements

Visual elements are a major component in print advertising and are the responsibility of artists and/or photographers. The purpose of visual elements is to:

1. Capture the reader's attention.

2. Clarify claims made by the advertising copy.

3. Identify the subject of the advertisement.

4. Show the product in actual use situation.

5. Convince the readers about copy claims.

6. Arouse the reader's interest in the headline.

7. Emphasize the brand's unique features.

8. Create a positive impression of the brand or advertiser.

9. Qualify readers by stopping those who are legitimate prospects.

Layout

A layout is an orderly physical arrangement of headline, subheads, body copy, slogan, seal, logo, signature, and the visual elements into a finished advertisement. It shows where each component of the ad will be placed and gives guidelines to people working on the ad creation. Copywriter learns how much space is available to work with and how much copy should be written. It helps art director in determining the size of the visuals. Layouts are usually done as rough and presented to the advertiser to get the preliminary approval.

Notes

Example: Layout of Gillette Advertisement

Design Principles

Ads must be designed to attract consumer attention immediately as the advertiser has only a second or two to capture the reader's attention. Good design not only commands attention but also holds it and communicates as much information as possible in the shortest amount of time and makes the message easier to understand. The basic design rules include the following:

1. *Unity:* Unity is considered as the most important design principle. All creative advertising has a unified design. The complete layout (copy, visual, headline, logo etc.) should appear as a single unified composition. If the ad does not have unity, it falls apart and becomes a visual confusion. Unity contributes orderliness to elements.

2. *Balance:* There is a belief among many designers that balance is a fundamental law of nature. Balance means controlling the size, tone, weight, and position of the elements in the ad. It occurs when equal weights or forces are equidistant from a reference point, which is the imaginary vertical line drawn from the centre of the advertisement.

3. *Contrast:* Contrast means variety. It imparts life to a layout and adds emphasis to selected elements. Variations in the size, shape, and colour of layout elements create contrast. Altering type to bold or italic brings attention to a word or phrase and creates contrast between type elements.

4. *Sequence or eye movement:* The ad should be arranged in an orderly manner so that consumers can read it from left to right and top to bottom. Arrangement of elements in a sequence helps direct the reader's eye in a structural motion. The elements should be placed in a manner that the eye starts where the advertiser wants it to start and traverses its course throughout the ad. The more common arrangements are "Z" and "S."

5. *Emphasis or proportion:* Emphasis refers to division of space among layout elements. That is, accentuating or focusing on an element or group of elements so that they stand out among elements of layout for pleasing optical effect. The designer decides whether to put more stress on illustration, headline, the logo, or the copy. If all the elements get equal emphasis, the ad ends up with no emphasis at all.

Using Colour

Colour is another physical element of layout and can be used with impact only if its dimensions are understood. Basic principles of layout design are the same for both colour and black-and-white. The decision to use colour, and how much of it, can influence the development of copy and art and the production of finished print advertisement. The use of colour directly influences the cost of advertisement, but offers significant advantages.

1.   Colour adds attention-capturing value to the advertisement.

2.   Colour can help in imparting emphasis to important elements in an ad.

3.   Colour can add a sense of realism or atmosphere.

4.   Colour can help easy identification of brand name, package, and trademark.

5.   Colour imparts a feeling of quality and prestige to the advertisement.

Print advertising has potential to contend with television. Print has the ability to generate astonishing, eye-catching colours in advertisements. Use of colour suits many product categories, such as food items, fabrics, and fashion items etc.

Typography and Copy Testing

Art directors' responsibility is to select the most appropriate type styles to enhance the desired product-personality and complement the tone of the ad. The appearance of ads is significantly affected by typefaces, design, and readability. Though, good type selection does not offset the effect of a weak headline, poor bodycopy, or an inappropriate illustration, but it can work to enhance the interest and attract readers' attention.

It is essential that production managers and graphic artists understand the five major type groups, the artistic variations within a type family, and the structure of type. They should always consider the four important concepts when selecting type: readability, appropriateness, harmony or appearance, and emphasis.

Task   Collect a few print advertisements and find out which type of headline is used and are they well designed.

8.2 Television Commercial

Television is a powerful advertising medium and has the unique ability of combining visuals, words, sounds, motion, and technology. With high levels of advertising clutter in this medium, producing commercials that can communicate effectively is a complex and expensive process. TV can be used to produce a variety of appeals and executions, not possible with print. However, the viewer cannot control the pace of ad message, as is the case with print medium.

There are two basic components of a TV commercial: the video and the audio. The video consists of the sight or visual part, and the audio part is made up of spoken words, music, or other sounds. These two components must work in a synergistic manner to produce the desired impact.

Video Elements

The visual elements generally dominate the commercial and include all those elements that are seen on the TV screen. It is important that these visual elements are successful in attracting the viewer's attention and communicate the image, idea, or message. It may be required to carefully combine a number of visual elements to produce an effective commercial. For example, the decisions may concern the product, the presenter, action sequences, close-ups, customer interview, humour, comparison, graphics, characters, colour, symbols, lighting etc.

Audio Elements

This portion includes accompanying music, voices, and special sound effects. The voices could include two or more persons appearing in the commercial who are involved in a conversation, or it could be a single individual appearing as a spokesperson, or it could be voiceover (the message is delivered or the action sequence is described by an unseen presenter).

In many commercials, background music helps create a pleasant mood among audiences. In many other commercials, music is used to break through the advertising clutter and attract the audience attention, evoke feelings, and communicate the ad message. There is enough evidence to suggest that creation of positive mood proves favourable in making consumers more receptive toward the advertising message.

Jingles, and catchy songs built around the product or service that communicate the advertising theme and messages are another important musical element of commercials. Nirma washing powder, Bajaj two-wheeler, Lifebuoy, Ujala, and many others have used catchy songs. Britannia biscuits use the jingle "Ting, Tring, Ting Ting" as a form of product identification at the end of the commercial. Jingles are often very memorable and serve as good reminder of the product.

Planning and Production of TV Commercial

In planning a TV commercial, the first major decisions focus on the type of appeal and the execution style that will be used. Television is the most versatile medium and suits rational, emotional, moral or combination of these appeals. To break through the advertising clutter, the advertisers must often combine rational and emotional buying motives to positively influence the audience. Most TV audience watch TV programmes for their entertainment value and commercials that are capable of primarily entertaining and providing information are more successful.

A written down version of TV commercial is called a script. It brings together various elements of a commercial and provides detailed description of its video and audio portions. The video portion covers the camera actions and angles, scenes, special techniques, and other important descriptions.

After developing and finalising the basic elements of the script, art director and the writer together create the storyboard. It is a series of drawings to show the layout or visual plan of the proposed commercial. The storyboard presents the drawings of different video scenes and the detailed description of the audio part that is associated with each scene. Those involved in the production and approval of the commercial get a clear picture from the storyboard of what the finished commercial will look like. An animatic is the videotape of storyboard along with the soundtrack. This is sometimes used for client presentations or pre-testing the commercial.

The production phase of the commercial starts after the client approves the storyboard or 'animatic'.

Task Make a group of 5 people. You all are required to make a commercial for a newly launched fairness cream. After deciding the script, situation and characters, enact it before the class.

Example: 1. **A Storyboard with Cartoon Characters**

2. **Storyboard with Sketches**

Notes

3. *Storyboard for Maruti ad*

The film opens on four Rajasthani men sitting near a desert.

The next shot is of a Maruti car – occupied by a man and his wife - driving along the desert.

"*Bahut door jaana hai, car toh check kar lo,*" advises the wife. Seeing the four men, the husband stops the car.

Not really sure of a Maruti service station there, he asks them if there is one around.

To the couple's surprise, the four men point towards four different directions.

VO: "*Jayegein aap jahan, payegein aap Maruti Suzuki service station wahan.*"

Source: TV Ad Indx/www.iBankLive.com

Caselet

The Vodafone ZooZoo Campaign

Vodafone is on a roll. They have been the highest gainer in terms of the people who have decided to port out of their existing operator and switch to Vodafone. But as predicted earlier, MNP has not been a game changer. Less than 1% of the total subscribers have decided to switch their operator. But this post is not about MNP, it's about the 3G campaign featuring Vodafone India's brand ambassadors "The ZooZoo community" and their hero "Zoo 3G". If the tales of zoozoo weren't enough on television you will still not miss the ZooZoo 3G avatar. If you fare high on the geek meter (a nerd like me), you'll catch him on YouTube, Journal websites, Google ads and news portals. If you toil through the streets like a bus driver or a rickshaw puller, you'll catch him on almost every second billboard. If you are a frequent flier, you'll not miss on the airport. If you happen to be at the Delhi airport around this time, you'll see a Zoozoo city out there. Every aesthetically sound corner for advertising has a Zoozoo banner. And if that's not enough, the community kids are spreading the most popular form i.e. Word-of-Mouth. The important thing to note is that the whole campaign is "Integrated". The term IMC (Integrated Marketing Communications) is literally engraved in all books and research papers on promotional strategy, but sadly very few practitioners adopt it. Vodafone's 3G -ZooZoo campaign is an immaculate example of an integrated marketing communication (IMC) campaign. If CocaCola gave shape to the santa, the future generations will remember vodafone for zoozoo.

About ZooZoos

The egg headed white creatures with big ballooned bodies are characters promoted by Vodafone since the second season of Indian Premier League (IPL). Vodafone had asked Ogilvy & Mather to create a series of 30 advertisements which could be aired each day during the IPL Season 2. They are used to promote various value added services of Vodafone.

Contd...

Although they look animated, they are actually humans in wearing "ZooZoo" costumes. These ads were created by Ogilvy & Mather, the agency handling Vodafone advertisements. They were shot by Nirvana Films in Cape Town, South Africa.

The Idea was conceived by Rajiv Rao, the national creative director at Ogilvy India. The characters were named ZooZoo because Rajiv and his team "wanted something that sounded cute, lovable and a bit mad like the characters". Rajiv also "wanted to make real people look as animated as possible".

The character

The Zoozoos are thin small-bodied women covered in layers of fabric. Each facial expression of the character is made of rubber and pasted on the actors to reduce the time and cost for shoot. The effect was achieved by a variety of methods including reducing the footage frame-rates, using the right material for the body suits to ensure a wrinkle free outer layer when the characters moved, and keeping backgrounds simple in terms of detailing color (grey). The sets were made larger than life to make the characters look smaller. The whole of first series was shot in a record time of 10 days. ZooZoo ad campaign also won the PETA (People for Ethical Treatment of Animals) glitter box award for replacing the pug (remember Hutch) with ZooZoo (considered to be a more humane alternative).

The response by Indian audience was phenomenal. Although experts claim that the ads did not achieve the target of increasing VAS usage. ZooZoos have become a brand in themselves with ZooZoo T-shirts and other accessories being sold at retail chains apart from thousands of visits to their YouTube advertisements and over 2 million fans on Facebook pages

Source: http://www.domainofhope.com/2011/03/vodafone-zoozoo-3g-campaign-integrated.html

8.3 Radio Commercial

Great radio advertising is very difficult. Print and television ads have the advantage of using visual images that become a powerful source of attracting the audience attention. Radio advertising is difficult and different because it requires awakening images in the listener's mind by using sound, music, and voices. There is no visual or colour to attract the audience attention, except the sound. There is opportunity to play with the listeners' imagination, often referred as the theatre of the mind.

The scriptwriter has to be sure that the listeners will believe the message. It must deliver the right words to the right audience and must ask herself/himself if the message strongly communicates the brand position. The writer can create pictures in sound, such as the ice cubes falling in a glass, a telephone ringing, crowds roaring, water running, car stopping, child crying, someone sighing, paper being torn, thunder of lightening, rain falling, winds blowing etc. Sound has an extraordinary ability to enter listeners' minds and create mental pictures. The copywriter uses words, sound, and music to create images, influence recall, and kindle emotions.

The warmth of human voice is an important factor in communicating the ad message. Carefully selected words describe the product, arrest the attention, generate interest, and build desire among listeners that can lead to desired behaviour.

Sound has the ability to generate suspense, anger, excitement, joy, sorrow, or almost any kind of mood desired by the writer. Sound can be used to create effects of opening doors, footsteps, barking of dogs, telephone ringing, knocking on the door, gunfire, moaning, laughter and numerous others.

Music has been called as the universal language. Different type of music appeals to different emotions and is a powerful source of grabbing the listener's attention and generating feelings. Jingles are a popular means of helping listeners to remember a slogan. There are no hard-and-fast rules about the structure of a radio commercial. What is critically important is to grab the attention of the listener within the first five seconds of the radio spot. It could be a statement, a question, some benefit, a promise, sound effect, or music etc. that will stimulate the audience to listen for more. Some selected techniques based on recommendations from Guidelines for Radio Copywriting, (Reed Bunzel, National Association of Broadcasters, 1982) are mentioned here:

Expand on the introduction and work it into part of the selling offer. A sound effect can be used to attract attention and then inserted throughout the spot to maintain the interest in the product.

1. Describe the fundamental aspect of the product. Why is it better than some other similar solutions?

2. Emphasize the benefits of owning the product. Rational and emotional benefits (do good, feel good, or look good) such as economy, reliability, quality, appreciation, approval, status, and achievement etc.

3. Explain the selling points that deliver the desired benefits and important extra benefits.

4. Communicate the enjoyment that comes from ownership.

5. Mention the disadvantages of not owning the product.

6. At the end of the spot, close it with product theme or punch line, and invite to act.

7. The close should be set up powerfully.

The basic ingredient in a radio commercial is the promise of an important and persuasive benefit from the listener's point of view. After determining the key promise to be communicated, the writer uses selected words and sounds to communicate the product message. Some ways to put the punch in the copy are as follows:

1. *Keep it simple and short (KISS):* Build the commercial around one central idea. Too many copy points can confuse the listener. Write for the ear and not for eyes. Use simple words and short sentences. The copy needs to be conversational.

2. *Maintain clarity:* At the end of the commercial, the listener should understand the message points. The message facts must communicate the big idea. Delete unnecessary words and any side issues. The message should flow in logical sequence.

3. *Create rapport:* The tone of voice should be warm and personal as if talking to a friend, or just one or two people. Frequently address the listeners as you. That is how they address their friends.

4. *Make it believable:* Each product has its good points, but avoid making overstatements and obvious exaggerations. Listeners are not fools. Tell the truth; be straightforward and convey the impression of being a trusted friend.

5. *Make it interesting:* A boring commercial is the surest way to make listeners indifferent to it. It is the manner of presentation that makes the products or services interesting or fascinating. Reward the listeners with some useful information.

6. *Create distinctiveness:* Give the commercial a distinct character. The first few seconds are critical in capturing or losing the listener's attention. While concluding the message, repeat the product promise and register the brand name. Urge the listener to act now.

The first step in preparing the radio commercial is to appoint a producer, who prepares the cost estimates, and selects a recording studio. Subsequently, the producer casts the commercial (with or without the help of a casting director). If music is to be included in the commercial, the producer selects a music director and chooses the music. At this stage, the producer may deem it necessary to conduct a rehearsal. In the next phase, the music and sounds are taped separately, and the studio mixes music, sounds with voices. The final step is to prepare the master tape for shipping to radio stations.

8.4 Online Advertisements

The aim of marketers is to create ads that will ensure high involvement of consumers and interactive advertising on the Internet promotes more customer involvement because the site visitors initiate most of the action. The experience during this interaction can create favourable or unfavourable brand attitudes.

Designing Web Site

Web pages can combine elements and design styles from all different media (print, film, sound, and games). In addition to this, the need to search and navigate creates an entirely new design form whose major challenge is the ease of use.

Web site pages should be designed like posters in which the graphics are eye-catching but not demanding too much downloading time. To keep them simple, the advertiser should use one or two typefaces and avoid the use of capitals and letter spacing that distorts the words. Black type on a high-contrast background usually is most suitable. Everything should be big enough to be seen on the smallest screen.

Navigation is a critical factor to move through Web pages. It should be convenient for users to move through the site and find easily the information they look for. There should be navigation buttons to help users return to the home page. Web sites and banners should include instructions, such as "click here". It would be of added advantage if users can customise the site to fit their needs in case they wish to visit it regularly.

Interactivity is another important issue. To take advantage of special strengths of this medium, there will be interactive elements that facilitate contacting the company with questions, complaints, suggestions, and comments etc. It is critical importance to have enough qualified manpower to handle customer queries speedily and satisfactorily.

A major strength of Internet sites is feedback communication. An effective site collects information from visitors in a systematic manner that can be useful in strategic planning. Copy testing methods are being developed to evaluate a site's potential to motivate click-through behaviour.

Michael Glaspie, capturing attention with banners in order of impact depends on copy, colour, and graphics. For copy he recommends free offers, fear, curiosity, humour, or the big promise. For colour he recommends using yellow, orange, blue, and green instead of the reds and blacks. Animated banners offer value because they increase ad space by rotating copy. The loading of banners should not take too long, otherwise customers are quite likely to lose interest in the ads.

One source of inspiration of Website design comes from professor Jean Trumbo's Web page: www.wisc.edu/agjourn/trumbo/vcindex/. Another useful site is www.eMarketers,com, an excellent resource for designing Websites.

According to a study by Kim Doyle, Anastasia Minor, and Carolyn Weyrich, banners that sit in the lower corner of the screen next to the scroll bar generated a 228 percent higher click-through rate than ads at the top of the page. Banner ads that are one-third down the page generated 77 percent more click-through compared to those on the top.

Another study by Hairong Li reported that, large, dynamic banners do not generate higher click-through rates than small, static banners. Incentive banners though, do increase click-through rates when compared to ads without incentives.

Case Study   Sofio Soap

Mahajan smiled wanly and clasped the soap in his hands, as if protecting it from an unseen predator. He was wondering with quiet concern if the 30-year-old brand would last long. Zeni India, where Mahajan was marketing manager, was taking a long, hard look at the soap, as it was proving to be a strain on resources.

There were varying stories about how Sofio was launched. Some said the brand was a 'gift' from the departing English parent company. Others claimed that it was created for the then chairman's British wife, as the Indian climate did not agree with her skin. They also claimed that the lady also coined the copy "The honest soap that loves your skin" was also coined by the lady. The line had stuck through three decades. Only the visuals had changed, with newer models replacing the older ones.

Zeni was basically a specialty products company producing household hygiene, fabricare and dental care products. Sofio was the only soap in its product mix, produced and marketed by Zeni. Its reliable quality and value delivery had earned it a lot of respect in the market. Sofio's equity was such that Zeni was known as the Sofio Company. Indeed, the brand name Sofio denoted purity, reliability and gentle skincare.

In 1994, Zeni UK increased its stake in the Indian subsidiary to 51%. Within months, all of Zeni's products were given a facelift, thanks to the inflow of foreign capital. New packaging, new fragrances, new formulations and more variants were introduced.

Only Sofio was left untouched. For, although it had a growing skincare business following some strategic acquisitions in Europe in the early eighties, Zeni UK was not a soap company. The UK marketing team ran an audit of every brand and product in the company's portfolio. But when it came to Sofio, it faltered. "We don't know this one," officials at the parent company said.

"We don't want this one to be touched," Mahajan had said protectively, a sentiment that was endorsed by the managing director, Rajan Sharma. "Sofio is too sacred, we will leave it as it is," he said.

But the UK marketing team was confounded. What was a lone soap doing in the midst of toilet cleaners and fabric protectors, they wondered. However, they somehow agreed that their proposed revamp strategy would only look at up-gradation, not tinkering with what wasn't broken.

Indeed, for 30 long years no one had tampered with the Sofio brand. And Mahajan felt there was no reason to start now. Sofio, in his view, was a self-sustaining brand. That was a bit of an understatement because advertising for the brand was moderate and Zeni India had never used any promotional gimmick for it.

Now, after four years of nurturing the other categories, Zeni UK had decided to launch its Vio range of skincare products in India. But Sofio's presence and profile were a major roadblock to Vio's success. "It will create dissonance, confuse our skincare equity and

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deter the articulation of Vio's credo. It will stand out as a genetic flaw," argued the UK marketing head. "You need to do a rethink on Sofio. Ideally, we should just close it down."

Mahajan protested. "Why? It has such a strong equity and loyal following. So much has been invested in it all these years. Why give up all that?"

Rajan, however, had another idea. "Let us then extend the Sofio brand." He said. It was the simplest solution. Companies were now investing heavily in creating new equities for their brands. But in Sofio's case, Zeni was already sitting on a brand with a terrific equity. He felt that extending this equity to other categories, such as skincare products would be successful.

But Sofio needed a new positioning before it could be extended. Till a few years ago, it had been in premium category, priced at ₹ 15. Then new brands with specific positioning and higher price tags entered the market. This created a level above ₹ 15 soaps and pushed Sofio down to the mid-priced range. So Sofio's price was not commensurate with its premium position and image.

Over the years, Sofio had become so sacred that Zeni India had been too scared to do anything to it. As a result, the soap was left with niche category of loyal users. This category neither shrank or increased, just kept getting older and older and with it the brand also kept growing older. For example, when Mahajan's wife had her first baby at 25, her mother had recommended Sofio for her dry skin and also for baby's tender skin because it contained sesame oil. That was in 1979. Today, Mahajan's daughter had turned 21 and was being wooed by Dove, Camay, even Santoor and Lifebuoy Gold, with their aggressive advertising. Sofio had begun to lose its image of being contemporary as newer brands came in with newer values.

Today, at 46, Mahajan's wife still used Sofio, but when she recommended Sofio to her daughter, she said, "But Sofio is a soap for mothers, for older people."

That was a major problem. The Sofio brand had aged and Zeni India hadn't even been aware of it. While its equity had grown with its users, its personality had aged considerably in the last 30 years. "I don't think you can keep the personality young, unless you keep renewing the brand. The objective now is to widen your equity so that your image becomes young," continued Rajan. "For instance, if today you were to personify a Sofio user now, it would be a woman of 45 years using the same brand for many years, who is averse to experimenting, very skincare conscious, very trusting and very one-dimensional. As you can see, this is not a very competitive personality. These are the strengths of our Sofio, but these are also its weaknesses," he analysed.

The context had changed. Today, youth demanded brands that stood for freedom and fearlessness. They demanded bold brands that dared to cure, not just preserve. "Preservation is for old people. Those are the attributes being presented in evolved markets," said Rajan. To make Sofio contemporary, the attributes had to be re-framed, he felt. "You can't make a young brand trusting, caring, loving, without adding other attributes to it. Today, youth stands for freedom, for laughter, for frankness, for forthrightness. That's what Close Up, Lifebuoy Gold, Vatika and other brands propagate. So, either come clean and say it is for older skin which needs trust and kindness, or reposition the brand," said Rajan.

Repositioning was also necessary to address another anomaly in Sofio's image: its perceived premium. Zeni India had been unable to do anything about Sofio slipping into the mid-price range following the entry of more expensive brands. Now, as Rajan mulled over the brand extension plan, Mahajan felt that Sofio's premium positioning was its core equity and that had to be maintained.

"If you are premium priced in the consumer's mind, your extensions are automatically perceived as premium. So, if you don't present the other products as premium, the consumer will not see them as extensions of the brand," he said. "For example, if you are to launch a shampoo which is priced lower than Sunsilk, but higher than Nyle and Ayur, then whatever the rationale, the consumer will not accept your product. "It is not the Sofio I know," will be the feeling," he said.

Mahajan felt that since premium positioning was one of Sofio's equity values, it would be very difficult to convince consumers that the brand was being extended without hanging on to this particular value. "Will they buy your rationale that the very same values and equity would now be available at a low price? To be in the premium segment now, you have to price it at ₹ 35 or 40, almost on a par with Dove," he said. "With Dove retailing at ₹ 45, Sofio will be perceived as a cheaper option."

"We can't simply raise the price," said Rajan. "What are we offering for that increase? You can't add value because you don't want to tamper with the brand. The consumers will then ask, "Sofio used to be so cheap, what has happened now? The user will forget that 15 years ago, ₹ 10 was expensive, because all her comparisons would be in today's context," said Rajan.

"So what's the option?" asked Mahajan. "You don't have to be expensive to be premium," said Rajan. Sofio already has the image of a premium brand, thanks to its time-tested core values of purity, credibility and reliability. What we can do is reinforce the premium through communication and positioning. In fact, we should have tinkered with Sofio long ago. That is what HLL did with Lux. It also launched a bridge brand, Lux International, in the premium category," said Rajan.

"How could we have done anything to the brand?" asked Mahajan. "The product had such a strong following. It stood for gold, for sesame oil, for its subtle earthy perfume. We changed the packaging periodically, but that's all we could do. Remember the time we brought out a transparent green Sofio with the fragrance of lime? It bombed in the market."

Rajan was not in favour of the premium positioning. It appeared very short-sighted to him, given the bigger plan to extend the brand. "Where are the volumes in the premium segment? He asked. "For some reason, every manufacturer feels that skincare can be an indulgence of only the moneyed class. As a result, there is a crowd in the premium end of the market. Do we want to be yet another player in the segment?"

Fifteen years ago, Sofio was perceived as a premium product. But today, global brands like Revlon, Coty and Oriflame were delivering specific premium platforms. Sofio did not have a global equity. "Let us revisit the brand and examine what it stood for 15 years ago and examine the relevance of those attributes in today's context," suggested Rajan. "Sofio stood for care, consciousness, love, quality and all that. But today, are these enough to justify a premium position?" he asked Mahajan. "These attributes are viable in the mid-priced segment." He said.

"The mid-priced brand is the proverbial washerman's dog," said Mahajan. "You don't know whether you are at the bottom end of the premium range or at the top-end of the low-priced range. You end up creating an image of being on the opportunity fence. It is a mere pricing ploy, with no strategic value."

Rajan could understand Mahajan's fears. Some brands in a similar dilemma had managed to redefine their equity. For instance, HLL created a low-priced variant of Rin without incurring much dilution to the washing bar's equity. Rin was always perceived as a premium, high quality product that gave superior washing results. It was always several

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notches above Nirma. Rin was intended to be a stepping-stone for users to convert to Surf, a premium brand of HLL. Nirma users were people who upgraded from laundry soaps and were looking for a basic clean wash. Nirma stood for a different kind of personality - cheap, harsh, but effective. Rin, on the other hand, was sophisticated, gentle, effective and expensive.

Mahajan and Rajan were faced with many critical decisions. It was, however, decided that as a first step, with appropriate changes in the formulations, an entry level Sofio Care, a medium-priced Sofio Glow and a high-end Sofio Plus would be launched.

Questions

1. Analyse the case and develop the segment(s) profiles.

2. Suggest an appropriate positioning.

3. What media, and copy strategies would you recommend?

8.5 Summary

- Though, in most advertising campaigns the starting point of message strategy are the verbal elements, yet the nature of these elements is such that they are all intertwined and evolve simultaneously.

- Advertising creativity is the ability to come up with fresh, perhaps unconventional, unique, appropriate and effective ideas that can be used as solutions to an advertiser's communications problems.

- The key format elements in print advertising are headline, subheads, body copy, slogans, seals, logos, signatures, visual elements, and layout.

- The headline contains the words in the leading position in the advertisement. These are the words that will be read first or are positioned with the intent to draw the readers' most attention.

- A subhead is an additional smaller headline that may appear above or below the headline. When the subhead is above the headline, it is referred as a kicker or overline, and is often underlined.

- The body copy contains the complete sales story and is the logical continuation of the headline and subheads. It covers the attributes, benefits, and the utility of the product or service, but getting the audience to read the body copy is often difficult.

- Slogan is a clever phrase that serves as a reminder of a brand, company image, or theme. It provides continuity to a series of ads in a campaign and also helps creating a positioning statement. A tagline used consistently on all marketing messages becomes a slogan.

- A layout is an orderly physical arrangement of headline, subheads, body copy, slogan, seal, logo, signature, and the visual elements into a finished advertisement.

- Good design not only commands attention but also holds it and communicates as much information as possible in the shortest amount of time and makes the message easier to understand. The basic design rules include- unity, balance, contrast and sequencing.

- Colour is another physical element of layout and can be used with impact only if its dimensions are understood. Basic principles of layout design are the same for both colour and black-and-white.

- Television is a powerful advertising medium and has the unique ability of combining visuals, words, sounds, motion, and technology. With high levels of advertising clutter in this medium, producing commercials that can communicate effectively is a complex and expensive process.

- The visual elements generally dominate the commercial and include all those elements that are seen on the TV screen. It is important that these visual elements are successful in attracting the viewer's attention and communicate the image, idea, or message.

- Audio elements in TV ads can be music, conversation or special sound effects.

- In radio commercials, there is no visual or colour to attract the audience attention, except the sound. There is opportunity to play with the listeners' imagination, often referred as the theatre of the mind.

- Interactive advertising on the Internet promotes more customer involvement because the site visitors initiate most of the action. The experience during this interaction can create favourable or unfavourable brand attitudes.

- Web pages can combine elements and design styles from all different media (print, film, sound, and games). In addition to this, the need to search and navigate creates an entirely new design form whose major challenge is the ease of use.

8.6 Keywords

Body copy: Main text included in the advertisement

Headline: Words in leading position in an advertisement

Kicker: When the subheading is above the headline

Layout: Orderly arrangement of all the elements of an ad

Logo: Distinctive mark that identifies a brand or a company

Script: Written down version of TV commercial

Seal: Awarded when a company meets standard of a particular agency or institute

Signature: Name of a company written in distinctive typestyle

Slogan: Clever phrase that reminds of brand, company image and theme

Storyboard: Series of drawings to show the layout or visual plan of the commercial

Tagline: Summarizes the point of the ad and makes it memorable

8.7 Self Assessment

State whether the following statements are true or false:

1. A headline read 'buy one pay none'. It is a benefit headline.

2. Storyboard along with a soundtrack is called animatic.

3. Current tagline being used by Videocon is 'the Indian multinational'.

4. Color red can be associated with the print ads of Idea Cellular.

5. Five different coloured inter-connected rings can be associated with the logo of Olympic Games.

Fill in the blanks:

6. Tagline used by Britannia is…………………………..

7. 'Go grab it' is a ……………………..headline.

8. …………………………can be instrumental in helping the listeners remember a slogan.

9. Current tagline used by…………………..is 'Be a little Dillogical'.

10. …………………….select the appropriate type styles to be used in print advertisements.

8.8 Review Questions

1. The headline is considered as the most important part of a print ad by most advertising professionals. Why?

2. Collect five print advertisements and mention what kind of headline they use. Do you think their headlines could have been better? Suggest few headlines for them.

3. "A good design of print ads not only commands attention but also holds it". Comment.

4. Take an example of any visual ad and critically analyse its video and audio elements.

5. "Radio commercials play with listeners' imaginations". Substantiate the statement and mention the prerequisites of a good radio commercial.

6. "While developing online ads, focus should be on interactive advertising". Comment.

7. Create a storyboard for a visual advertisement of any motorcycle brand of your choice.

8. "It seems logical to keep the message short and simple when advertising on radio". Substantiate

9. Can the jingles used in television ads serve as an identity of the brand while advertising on radio? Justify your answer by giving suitable examples.

10. Comment on the talking Volkswagen Vento's print ad that appeared in Times of India. Discuss the effectiveness of such an attempt.

Answers: Self Assessment

1. False
2. True
3. False
4. False
5. True
6. Eat healthy, think better
7. Command
8. Jingles
9. Lays
10. Art directors

8.9 Further Readings

Books   Batra, Aaker and Myers, *Advertising Management*, Pearson Education.

Kruti Shah and Alan D'Souza, *Advertisement and Promotions-An IMC Perspective*, Tata McGraw Hill.

Notes

Russel H Colley, *Defining Advertising Goals for Measured Advertising Results*, Association of American Advertisers.

S H H Kazmi and Satish K Batra, *Advertising and Sales Promotion*, Excel Books, New Delhi.

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Unit 9: Sales Promotion

CONTENTS

Objectives

Introduction

Objectives

After studying this unit, you will be able to:

- Discuss types of sales promotions

- List the types of Internet promotions

- Know how budget is allocated for sales promotion

- Realise how sales promotion program is designed

Introduction

Sales promotions are announced both, by manufacturers and retailers. Manufacturer announced promotions might be directed at consumers, resellers, or both. Manufacturers may also announce sales promotion for its sales force. Sales promotions may also originate from retailers aimed at consumers. The retailer-originated promotions' main objective is to increase store traffic rather than sell any specific brand. Manufacturer announced consumer promotions constitute "pull" strategy and retailer promotions are based on "push" strategy. Sales promotions are more effective when combined with advertising and "pull-push" strategies are used at the same time.

9.1 Types of Sales Promotions

9.1.1 Consumer Promotions

Sales promotions directed at end-users are called consumer sales promotions. Usually, consumer promotions are either "same for less" or "more for the same" type and may get translated into a

straight price-cut or added value. 'Interest promotions' may or may not require the purchase of anything such as free samples, free premiums, contests, and sweepstakes. The objective of such promotions is to stimulate consumer interest in products, services, activities, and special events.

"Consumer franchise-building" promotions are those which reinforce consumer brand preference and include a product-related selling message, such as in case of free premiums, free samples, coupons and patronage awards. "Non-franchise building" promotions include price discounts, price-packs, premiums not related to the purchased product, contests and sweepstakes, and ad refund offers. Some commonly used consumer promotions are briefly discussed:

Price Discount (also called cents-off): The customers pay a certain amount less than the regular price of the product or service if purchased within a specified period. This can yield short-term sales increase, can serve as an incentive to try a new product, and can also help product sales during off-season.

Bonus-Pack: An additional quantity of the purchased product is offered free with standard pack. The producer may develop special larger-sized pack containing more product quantity but the price is proportionately low. A variation of this offer is "buy two, take one free." These offers are generally limited to low-bulk items or ready-to-wear dresses, and sometimes footwear. There are stray cases when a buyer would get a 14-inch TV free with the purchase of a 21-inch TV.

Samples: It is an offer of some amount of product or service free or at a very nominal price. One major concern of the marketer is to put the product in the consumer's hand, which often is the key to success in many product categories and some services. The main objective of sampling is to induce initial product trial and let the consumer have the first hand experience with the product or service. Sampling is probably the most successful approach when the product is new, is not a market leader to induce trial.

Premiums: A premium (gift) is a reward given to the consumer for performing a particular act, generally purchasing a product or service. The premium may be free or available to the consumer by paying a price well below the regular market price. Getting a printer free with the purchase of a computer, or getting a Swiss knife well below the market price when the consumer purchases a microwave oven, are typical examples of premium.

Refund or Rebate (the terms are used interchangeably): Rebate offer, refers to some amount of money repaid to customers sometime after the purchase when a customer submits the specified proof-of-purchase to manufacturer. The manufacturer "refunds" part of the price paid by the customer via mail.

Frequent-User Reward: These are incentives to reward those, who frequently purchase the product or service, such as frequent-flier incentives to air passengers. The purpose is to encourage repeat purchases or repeated visits to a particular retail store. Locality grocery or general stores use this approach on an ongoing basis for their regular customers to encourage store loyalty. Usually such programmes cover a fairly long period to offer customers ample opportunity to respond favourably.

Coupons: Coupons can be viewed as certificates offered by manufacturers or retailers that entitle the owner to some stated savings or claim on the specified thing. Coupons bear a date of expiry and cannot be redeemed after that date. Coupon is a versatile tool and can be used to accomplish many different sales promotion objectives.

Consumer Contests, Sweepstakes, and Games: These promotions often generate considerable interest, excitement, and enthusiasm among consumers. Individuals compete based on their analytical or creative abilities. The participants can win cash, jewelry, trips, or some merchandise. A panel of judges examines the contest entries and the best one or more entries are declared as winners. In a sweepstakes, participating consumers' names are put in a draw. A game offers

something to consumers such as missing numbers or letters to complete a certain numbered digit or product or brand name. A consumer, who does it within the promotion period, wins the prize.

Exchange or Buy-Back Offers: Some consumer durables once bought are not replaced for a very long time in India. To encourage such consumers to replace their old products with a new one, companies or their authorized dealers offer buy-back or exchange offers. The manufacturer or the dealer pays some reasonable amount for the old product and sells a new one. Often this new product is offered on convenient interest-free installments.

Point-of-Purchase Displays: In-store presentations and exhibitions of products along with relevant information fall under this category. The message is clearly "come and get it, we have it." There is a saying in Hindi "Jo Dikhta Hai Woh Bikta Hai," (whatever is displayed, gets sold). Producers often supply such displays to retailers. Retailers like to use POP materials if they are attractive, informative, and capable of having impact. Effective displays stimulate customer interest, increase store-traffic, and often encourage unplanned purchases.

Example: ITC has launched a sales promotion to boost the sales of its Aashirwad brand of wheat flour. They are offering a Vivel shampoo worth ₹ 15 with every 10Kg pack of Aashirwad Aata.

Coca Cola has recently cut the price of its Coke Can from ₹ 25 to ₹ 20

Panasonic is offering an assured gift with every purchase of a Panasonic product during this diwali.

9.1.2 Trade Promotions

Trade promotions are directed at resellers (distributors, dealers, wholesalers, and retailers). Trade sales promotions are part of "push" strategy of producers. The objectives of trade sales promotions are different from consumer promotions. Producers realise the importance of retailer support. They are in the final contact in distribution chain and can influence customers in more ways. Consumers sometime seek retailer's suggestions before making a purchase and retailers in many cases can influence the product choice. The main objectives of trade promotions include:

1. Build strong relations with channel members.

2. To stimulate in-store merchandising support, such as arranging displays, shelf space, feature advertising etc.

3. Gain distribution of new products.

4. Gain support for existing brands.

5. Manipulate levels of inventory held by wholesalers and retailers.

Trade Allowances: The purpose of trade allowances is to offer financial incentives to resellers in order to motivate them to make a purchase. A trade allowance can be offered in a variety of ways:

Buying Allowances: A producer pays a reseller some fixed amount or money or discount for purchasing a certain minimum quantity of product within the specified period of time. The payment may be given in the form of a cheque from the producer or a discounted invoice.

Free Goods: Reseller is required to buy a certain number of product cases and for each case purchased, a certain amount of free quantity of the same product is offered. For example, the offer might be, "One pack containing one dozen of product free on purchase of 12 packs".

Slotting Allowances (also called stocking, or introductory allowance): This is the money paid to retailers to stock new products. William L. Wilkie, Debra M. Desrochers, and Gregory T. Gundlach found that retailers justify this by pointing out the costs they incur by stocking so many new products every year and to cover risks associated with new products. Many firms are uncomfortable with this type of allowance.

Buy-Back Allowance: Producers sometime offer retailers the opportunity to re-stock. This promotion immediately follows another type of deal and offers incentives for new purchases. After the first promotion if the inventory levels with retailers are very low or almost depleted, producers may offer this second incentive to build inventory level to normal with retailers.

Advertising Allowances: The manufacturer pays the dealer or retailer a certain amount of agreed upon money to advertise the producer's product. This amount can be a fixed rupee amount or a percentage of gross purchase during a specified time period.

Display Allowance: This is a direct payment of money or free goods to the retailer for each item purchased if the party agrees to set up a POP display, or running in-store promotional programme as specified by the marketer. The marketer requires the retailer to sign an agreement specifying the activity to be performed before the allowance is given.

Contests and Incentives: Manufacturers sometimes use trade contests and special incentives to stimulate greater support and selling effort from dealers and salespeople and achieve sales targets, and other objectives. The prizes might include items such as TV, stereo, and trip to exotic places etc. Sometimes these contests and incentives are offered to sales people of the distributors, dealers, wholesalers, or retailers. These rewards involve cash payment to sales people to specially sell the producer's product. This type of cash payment is called push money or SPIFF.

Cooperative Advertising: The manufacturer agrees to share a certain amount of media costs with the dealer for advertising his products. This deal is usually based on product quantity purchased. The dealer must show proof that the ads were released then only the payment is made. Most of these ads appear in newspapers.

Dealer Loader: A dealer loader is a premium that a marketer gives to retailers for buying a specified quantity of a product. A dealer loader may be a premium to retailers for just buying the specified product quantity or the condition may be to display it for the duration of promotion and afterwards the item is given to retailers as premium.

Training Programme: Manufacturers impart training about their own brands to the sales staff of wholesaler or retailer at their (wholesaler's or retailer's) location. Michele Marchetti and Andy Cohen reported that Microsoft launched a training programme "Helping Clients Succeed" aimed at value-added resellers. The three-day workshop was designed to help resellers, better understand Microsoft Software.

9.2 Internet Promotions

The number of companies using Internet promotions is increasing. Contests and sweepstakes are among the most commonly used to motivate people to visit marketers' Internet sites. America Online frequently conducts prize promotions to attract users to its advertisers' areas. The prizes may range between substantial sums of money to daily prizes including merchandise decorated with the online service's logo.

Example: In India, some popular Internet promotion sites are Hungama.com and Contest to win where companies such as Pepsi, Cadbury, Sony, and Levis frequently run online contests and offer exciting prizes.

This trend is gradually catching up in our country with increased availability of Broadband Internet and more and more households acquiring computers.

9.3 Budget Allocation

The allocation of monetary resources to sales promotion is determined by the promotion strategy of the firm. When the monetary resources are allocated to promotion, managers often wonder whether they have allocated the right amount. Most major firms keep a contingency reserve. In most cases, first the total amount of money for promotion is determined and then it is budgeted for different activities. Before deciding the allocation of funds to sales promotion, the management should evaluate relevant factors such as type of the product, its stage in PLC, the market situation and level of competitive activity etc. All these factors, alone or in combination, can significantly affect the promotional budget.

Commonly used Budgeting Methods

There are five important techniques, which are commonly used to allocate funds to sales promotion.

1. *Percentage of Sales Method:* The percentage of sales method to allocate the funds is probably most popular among companies. In this approach, the budget is determined by taking a fixed percentage of sales. The sales figure taken could pertain to previous year, or the average of several past years. This percentage could also be based on the forecasted sales of the year under consideration. A definite advantage of this approach is that the expenditures are directly related to the sales. If a company sold more in the last year or the average sales of previous years was more, it is assumed that the company would have more funds for promotion budget this year. The method is quite simple and the calculation is easy and understandable.

    The technique suffers from some serious limitations, though. The assumption inherent in this method is that the promotion is a result of sales rather than a cause. This method also does not consider the possibility that sales may decline because of too little promotion or increased competitive activity, or that the sales do not take advantage of a rising potential. Using percentage of sales approach to arrive at promotion budget may mean under-spending when the market opportunities are high and overspending when the market potential is low. In using percentage of sales approach, it would be advantageous not only to consider the past sales but also the sales forecast for the next year. In spite of these limitations, this method remains a fairly popular method. However, this method cannot be used for a new company.

2. *Unit of Sales Method:* companies dealing in high priced products, generally consumer durable goods, such as four and two wheeler autos, refrigerators, washing machines, microwave ovens, entertainment electronics and many other items, commonly use this method. Instead of rupee-value of sales as in the previous method, the base is the physical volume of either the past or anticipated sales. This figure of units is then multiplied by a fixed amount of money to reach the budget amount.

Example: A two-wheeler auto manufacturer might allocate ₹ 2,000 per unit for sales promotion.

The advantages and the limitations of this approach are the same as those of the already mentioned percentage of sales method. It has the same convenience of simplicity as well as the shortcomings.

3. *Competitive Parity Method:* Many marketers feel comfortable in matching or basing their sales promotion budget to that of the major competitors. The logic attributed to this method is that the collective minds of the companies in the industry probably generate promotion budgets that are close to optimal and any departure from the industry norms may lead to promotion war. This method has the advantage of recognising the importance of competition in sales promotion. If a competitor's promotion budget is very high, then spending too little on promotion will amount to wasting money. Often, this approach sends clear signals to other firms and minimises the chances of marketing warfare. The method is easy to use because the only information required is about the amount of money expended by competitors. This information is generally available in different industry publications.

    There are limitations inherent in this approach. Assuming that there are three major competitors, each might have a different sized budget. This approach also assumes that the company's objectives are the same as those of the competitors and that the competitors' budget allocations to promotion are correct. It is likely that the situation of the company considering budget allocation is unique and whatever the competition is doing should not be followed. The information about the competitors' expenditures on promotion is available only after the money has been spent and may have no relevance to the future. There seems to be no solid logical explanation supporting this method. This approach to allocating the monetary resources to sales promotion fails to reflect the individual company's marketing requirements.

4. *All-you-can-afford Method:* In using this approach to budget allocation, the amount that is left over after all other relevant allocations have been made is earmarked for sales promotion. This approach is used, generally, by companies with small budget or by some other companies, large as well as small, when they are introducing a new product. It is merely an availability oriented budget and quite unsophisticated. Apparently, there is no realisation that in a competitive market situation sales promotion may influence sales in many ways.

5. *Objective-and-task Method:* As mentioned earlier, the promotion budget is determined by the overall promotional strategy. Objective-and-task approach is one which is driven by strategy. This is also the most popular technique to decide the sales promotion budget. The promotion manager starts by making a thorough study of the market, the product, competition, and consumer behaviour in order to set appropriate promotion objectives. These objectives may relate to increasing short-term sales, introducing a new product, stimulate trial, or increasing distribution, etc., within a specified period of time. The next step is to determine how much money would be necessary to accomplish each task involved in achieving the objectives. If costs happen to be more than the money available, then either the promotion objectives are adjusted or more funds are made available from the contingency reserve or by reducing the budgets of other promotional activities.

A major advantage of this method is that it is a bottom-up approach in developing the budget. This method works and is not dependent on past or future sales or how much the competition has spent. The promotion manager is concerned with those factors which are considered controllable. This method is particularly suitable for new products where the promotion has to be developed from a scratch. It is equally suitable for existing products as well. The results of this method are directly related to the preciseness of the objectives and the amount of money allocated to each activity.

Often objectives stated are vague and accurate money allocation is difficult. These aspects pose problems in some cases.

Theoretically Optimal Expenditures: Promotion planners use a sales response model to determine the budget that will maximise profits. The model is solved analytically, or by using a simulation approach. The "optimal" budget may not be taken literally but serves as a guideline. This is not a commonly used method.

In many companies, sales promotion is considered as something extra, not a strategic part of the company's overall promotion plan. Such thinking undermines the strategic marketing value of sales promotion and budget allocation to this function is not taken seriously. It often comes under consideration when there is a threatening competitive move and based on experience or opinion, some allocation is made to sales promotion.

Task   Interview the marketing executive of a consumer product company. Determine how the budget allocation is made for promotions.

Caselet   **The Brand Economies of Sales Promotions**

There has been an alarming rise in the number of sales promotion exercises conducted by brands these days. Often the growth of the sales promotion budget is at the expense of the brand building budget. Sales is critical for the survival of brands and the growing demands of investors puts pressure on brands to deliver higher sales volumes in a tougher and increasingly combative marketplace. In this scenario, the increasing reliance on sales promotion exercises is understandable even if occasionally short sighted.

Sales promotions can be used to achieve many objectives. Boosting sales, building brand excitement, revitalizing trade, attracting new consumers, liquidating excess inventory, demoralizing newly launched brands are but some of the many reasons that inspire sales promotion exercises.

The effectiveness of any program is evaluated by comparing the extent of its success with expectation and by contrasting this with the costs involved in achieving this degree of success. A program that has a very low level of success but does not cost anything need not be considered a success and similarly a program that exceeds the expectations at an enormous cost to the brand also need not be considered a success. The important point that is often missed out is that to understand the true effectiveness of a sales promotion exercise all the costs direct and indirect, obvious and hidden must be taken into account.

Frequently or poorly conducted sales promotion exercises can have a debilitating effect on brand equity and the associated hidden costs must be also be taken into account while evaluating the effectiveness of a sales promotion budget. These hidden costs are the outcomes of the decrease of brand equity as a result of sales promotions. And this is the cost component that most evaluations of sales promotions do not consider. If there are any gains to the brand's equity due to the promotion then this needs to be reduced from the costs of the exercise.

Source: www.allaboutbranding.com

9.4 Sales Promotion Planning Guidelines

Planning process starts with situation analysis. To start with, the promotion planners must first consider the corporate policy with regard to sales promotion. Joseph S. Mair has recorded one such policy statement in Handbook of Sales Promotion, ed. Stanley M. Ulanoff. The policy says:

1. "Sales promotion is an integral part of the marketing mix."

2. "Sales promotion should be used as an offensive weapon in the brand's marketing arsenal, not merely as a defensive reaction when a problem arises."

3. "Sales promotion should extend and reinforce the brand's advertising and positioning, whenever possible."

4. "Sales promotion should be developed as campaigns, not as single, unrelated events."

5. "Good sales promotions are built upon sound strategic planning."

The first step in promotion planning is situation analysis. This would include product or brand performance analysis, competitive situation including the promotion activities of major competitors, distribution situation, and consumer behaviour with respect to sales promotions. Political/legal aspects concerning sales promotion are also considered. Based on marketing objectives and strategies, the promotion objectives would be developed. It is critically important to set unambiguous and measurable objectives and these should be developed in coordination with advertising and other promotion mix elements. The next step would be the allocation of budget to sales promotion out of the combined total budget for advertising and sales promotion.

Considering the objectives and the budget allocation, each promotion event must be carefully created. There is vast choice of promotion tools, and the combination of these tools seems to be endless. Each sales promotion tool has its own advantages and disadvantages and these may change when different tools are combined.

Sales Promotion Objectives

Some of the important objectives of sales promotion include:

1. Increase sales volume

2. Attract new customers

3. Launch new product and increase trial

4. Encourage repeat purchase

5. Clearance of excessive inventories

6. Motivate dealers to stock and sell more

7. To gain advantageous shelf-space

8. To increase store traffic

9. To block competitors' moves

10. Motivate sales force

Type of Promotion to use

There are three types of promotions that can be used, singly, or in combination:

1. Consumer promotion

2. Trade promotion, and

3. Sales force promotion

There are two major approaches for consumer and trade promotions:

1. Same for less, and

2. More for the same

Immediate Value Offer vs Delayed Value Offer: Sales promotions can offer immediate value to consumers or the re-sellers, such as a discount, extra goods, or a premium. The delayed value promotions reward the consumer or re-seller sometime after the purchase of the product or service, such as rebates, contests and sweepstakes, frequent flier offer, or after making multiple purchases. Immediate value offers produce a stronger impact, stimulate customers for unplanned purchases, and encourage brand switching at the point-of-purchase.

Example: There is significant brand switching in toiletries, laundry products, soft drinks, and cooking oils, etc.

Delayed value offers produce a weaker response because the reward for behaviour is possible after some time lag. However, the effect of delayed value offers is longer lasting. When a customer is required to collect proof of multiple purchases, there is a reminder of the product and the customer is also exposed to longer duration of product usage.

Price-Cut vs Extra Value Offer: The manufacturer or the retailer may offer "same for less" in the form of a price discount on the promoted product. Or, there could be an offer of extra value, which would be "more for the same". For example, a special bonus-pack that contains more quantity of the same product without any increase in the price, or a premium offered free with the purchased product. This extra value offered is independent of the promoted product and has more value to the customer than the cost to the marketer. Such premiums can be quite helpful in building the long-term brand strength of certain brands. Consumer promotions, which frequently offer price cut, or extra quantity of the same product, generally degrade the perceived value of the brand and may weaken its brand strength.

Manufacturers of high-involvement products prefer not to offer straight price discounts because this approach may disrupt the price-quality perception of customers, who may develop some negative evaluation of the product. Straight price reductions may be used only in case this type of promotion is common to the category. In general, price cuts are limited to low-end products in a product-line and prove to be more effective. A variety of "more for the same" or extra-value promotions can be used for expensive high-involvement products. For example, some computer manufacturers are adding accessories in their offer.

In case of low-involvement products, major portion of sales promotion budget is allocated for rewarding the consumers at the time of purchase by cutting the price or offering extra quantity of the product (immediate value offer). This is especially true if the product category is susceptible to unplanned or impulse buying and variety seeking; offers that encourage consumers to buy multiple units; continuity promotions, such as in-pack or on-pack coupons; and interest promotions that excite consumers, such as contests and sweepstakes.

Which Products to Promote

Resellers perceive inventory risk associated with stocking or not stocking the product on promotion. The following conditions may be the cause of risk perception:

1. When the consumer demand for the product is unpredictable.

2. When the inventory holding costs are high.

3. When the product is seasonal.

4. When the product is likely to go out of fashion quickly.

Choice of Market Areas

Strong brands are good traffic builders and when such brands are inexpensive and low bulk to transport and store, there is considerable forward buying and diversion in non-deal areas by the trade. Sales promotions of similar value should be announced at the same time everywhere. Higher inventory risk would require that promotions be developed for separate markets. Excess product stocks from one market can be shifted to another market with more sales potential.

Promotion, Timing, Duration and Frequency

When the product or brand inventories are less than normal in trade channels, the objective of the promotion would be to build inventories. When the inventories with the traders are high, then the objective would be to clear the inventories. It is inadvisable for the producer to announce a promotion, when the retailer shelves are full with the competitive brand, because the promotion is quite likely to prove unprofitable. If the product use were linked to weather conditions, then this factor would affect the consumer demand and the timing of promotion.

The duration of consumer promotion should be such that a larger percentage of customers get exposed to the promotion offer. In case of some product categories, interval between two successive purchases may give an idea about the duration. Low-involvement products are usually purchased more frequently and hence the duration of the deal for this category can be shorter.

In case of high-involvement category products, to induce a sense of urgency, the duration of the offer can be short. To attract the second wave of customers, it may prove to be advantageous to announce the extension of the deal period.

Frequency of promotion depends on competitive situation, deal sensitivity of customers, the interest of the trade, and the complexity of the promotion offer. Very frequent promotions of high-involvement category products may create negative impressions about the quality and price relationship of the product. Trade deals often become necessary to motivate dealers to arrange displays and participate in contests.

Rate of Discount, Terms and Conditions

What should be the minimum level of benefit in terms of price-cut or value addition that would attract the attention of the target customers to induce the desired change in purchase behaviour? Planners have to ascertain the j.n.d (Weber's Law) and answer this question.

A smaller discount figure on high priced products would translate in high monetary figure and would appear significant enough to attract customer attention and is likely to influence purchase behaviour. In case of low priced products, a higher percentage figure can be associated with the purchase of multiple units of the product. Generally, the price elasticity of low priced products is high because consumers do not perceive much difference between brands, and do not mind switching to another brand. Customers can also stock more units of low priced and low bulk products in response to promotion offer. Higher discounts should be considered to achieve large short-term sales of low priced products. Strong brands in general do not involve any inventory risk, serve as traffic builders, and would not require higher discounts.

In case of trade promotion, the producer may specify the minimum purchase value or the quantity of product to avail the benefit of promotion. Payment terms may be specified, or the

terms may be related to display arrangement and its timing. Consumer promotion may require coupon expiry date, or rebate claim date. Contests and sweepstakes would require spelling out the conditions of participation, etc. Depending on the specific type and technique of promotion, market conditions, and consumer response pattern, there would be different terms and conditions associated with sales promotion.

Notes

Protection from Competition

Sales promotions in general are easily imitated by competitors and legally there is nothing that any manufacturer can do about such moves. The very purpose of gaining short-term competitive advantage is lost to the manufacturer. For example, if a marketer announces "one cake of soap free with three cakes purchased" and other competitors announce the same or some similar deals on their brands then the advantage is likely to be lost. One way to gain some protection is to develop a promotion, which would be complex to copy and allow reasonably lengthy start to the innovator. Another way is to join hands with other well-known non-competing firms and develop an exclusive joint promotion (tie-in promotion) that cannot be imitated in a hurry. For example, Ariel and Vimal Suiting developed a joint promotion.

Promotion Evaluation

Sales effect before, during, and after the sales promotion can be measured by studying the sales figures. In case of objectives related to trial purchase, or change in consumer awareness and attitude as a result of increase in perceived value of the product, measurement may be difficult.

Pre-testing can be conducted by using focus groups and consumer panels. Portfolio test is relatively expensive but a more effective method. A portfolio of sales promotions is prepared and shown to consumers in person and their responses are noted. It is often quite helpful to evaluate the response of resellers before implementing the promotion programme. The simplest way is to seek resellers' opinion and suggestions.

Concurrent testing is done when the sales promotion is in progress. Concurrent testing may permit the promotion manager to modify the sales promotion if needed. In case of consumer contest the response to promotion can be adjudged by the number of entries received at some interval and if need be the contest period can be extended.

Post-testing assesses the change in consumer awareness and attitude. To assess this, telephone calls, questionnaire mailed to consumers, and personal interviews can be used. To measure the sales effect, sales figures before the promotion period can be compared with figures at the end of promotion, and one month after the promotion ends. It is very likely that the sales in the month following promotion will come down. If the sales return to pre-promotion levels then perhaps, the sales jump was because of brand switchers and deal prone consumers. However, if the regular sales settle at higher than normal period levels then definitely the promotion proved successful in increasing the long-run sales by attracting new customers and perhaps also attracted customers away from other competing brands.

Task

Develop a complete sales promotion programme for a new brand of cellular phone.

Case Study **Cosmofem Magazine**

Rahul Jain, the Vice President circulation of Cosmofem, was talking with some of his juniors about magazines and related problems in India. "You very well know that magazines are a different product altogether. They don't buy magazines the way they shop for TVs or buy cold drinks. The best selling magazines bring back the customers into the bookstores. People specifically ask for their preferred magazines because they know what they want. The readers cannot be fooled into buying just any magazine that they have no inclination to read, and if they don't want to read a magazine they will not buy it regardless of the price. If they don't want a magazine for one hundred rupees, probably they will not take it for seventy rupees also."

Marketing magazines is a very different ball game. Ask any publisher and you will learn there are at least four different prices; subscription, news stand, subscription renewal and test prices. There might even be a variation in these prices in different markets.

Cosmofem is a women fashion magazine launched in India about five years ago. Alpha Media Line, an American publisher, promotes the magazine and its American version is one of the most popular magazines around. The foreign version, by the same name, is also available in India and is priced at ₹ 350. The Indian version of Cosmofem is priced at ₹ 80 and that makes it one of the most expensive magazines in the market. During the last five years of its presence, the magazine has been through several phases of market fluctuations and competition. Cosmofem's strongest competitor is a well-established magazine promoted by on of the largest media house in India. The magazine, named Femifeel, is in the market for the last nearly 20 years and was market leader in women fashion magazine segment till the last two years. The reasons for losing market leadership, as pointed out by analysts, were the absence of any serious competition and the magazine's quality left much to be desired.

Interestingly, even the editors of Femifeel believe this to some extent. The editor of Femifeel said in a recent discussion about the market and competition. "We pioneered the concept of a fashion magazine related to fashion and personality and relatively new concepts of fitness and accessories, etc., for women of upper and upper-middle class. The magazine stayed clear of other cookery and story magazines and we positioned Femifeel as the magazine for modern woman. There was no other magazine positioned this way and we could retain all of this market. The entry of Cosmofem and other magazines during the last five years has changed the market equation completely. We had to seriously rethink about all the aspects such as content, look, price and circulation in the wake of new competition. Though our Femifeel and Cosmofem are very different on one crucial aspect, the price. Femifeel is priced at ₹ 30 and Cosmofem was initially priced at ₹ 55, which was considered quite a high price for a magazine four years ago."

All India circulation figures of two magazines

Year	Femifeel	Cosmofem
1992	80,000	8,000
1993	72,000	14,000
1994	63,000	20,000
1995	55,000	32,000
1996	48,000	44,000

Contd...

Rahul Jain is pondering over the major issues bothering him about the market. He has realised that after 1996, the circulation of Cosmofem has not grown as per expectations and the advertisers may shy away if this trend continues for long. Another issue bothering him is that so far the magazine has not been able to create the desired brand image that they aimed for. Rahul discussed this issue with the marketing head and concluded that the following points needed urgent attention:

1. The need to develop a strong image that appeals to women in the age group 21 to 35 years.

2. Increase the subscription figures.

3. Increase news stand sales.

4. Enhance magazine visibility in fashion and beauty related associations.

Questions

1. Develop a questionnaire to understand the reading habits and target market preferences for a women's fashion magazine.

2. Develop a sales promotion plan to increase the number of subscribers by 10 per cent in one year's time.

3. Suggest sales promotion to increase the sales from news stands.

9.5 Summary

- Sales promotions are short term incentives provided by the company to boost sales. Some marketers tried reaching customers directly with these tools on a one-to-one basis to assess whether this can stimulate immediate behavioural response and now direct marketing is a rapidly growing discipline in marketing.

- Sales promotions directed at end-users are called consumer sales promotions. Usually, consumer promotions are either "same for less" or "more for the same" type and may get translated into a straight price-cut or added value.

- Some of the sales promotional techniques include premiums, rebates, discounts, contests, schemes, sweepstakes, samples, coupons, free gifts, trade allowances, buy back allowances etc.

- The first step in sales promotion planning is situation analysis. The next step would be the allocation of budget to sales promotion out of the combined total budget for advertising and sales promotion.

- Sales effect before, during, and after the sales promotion can be measured by studying the sales figures. In case of objectives related to trial purchase, or change in consumer awareness and attitude as a result of increase in perceived value of the product, measurement may be difficult.

9.6 Keywords

Consumer Sales Promotions: Sales promotions directed at consumers

Premiums: Rewards for an act usually purchase

Sales Promotions: Short-term incentives to boost sales

Stocking Allowance: Money paid to the retailers to stock new products

Trade Promotions: Sales promotions directed at resellers

9.7 Self Assessment

State whether the following statements are true or false:

1. Schemes like 'buy two and pay for one' are known as premiums.

2. Giving 10 candies free in a jar of 200 candies is a promotion offer directed usually at consumers.

3. Immediate price discounts are more beneficial if you want consumers to switch brands.

4. 'Point of Purchase' displays are more effective for impulse products like candies and chips.

5. Companies often give buying allowance to the consumers to attract them towards their brands.

Fill in the blanks:

6. If a company is directing sales promotions to you as a shop owner then the promotion is said to be based on …………………… strategy.

7. When you pay a sales boy at a store to take special care to push your products' sales, the incentive is called ………………………….

8. If a product carries a tag which says '25% extra free', such type of sales promotion offer is called …………………………....

9. ………………testing of promotion is done while the promotion is still on.

10. If the company wants to match the promotion budget of its competitive, it uses the………………………method of budget allocation.

9.8 Review Questions

1. "Sales Promotions are more effective when both 'push-pull' strategies are used at the same time". Discuss

2. Critically analyse the planning process of a sales promotion programme.

3. Explain how sales promotions can be useful to gain short term competitive advantage. Give Examples.

4. Suppose you are the marketing manager of a car manufacturing company. Determine the promotional plan directed at consumers and dealers.

5. If you were the marketing manager of a FMCG company, how would you allocate the promotional budget?

6. Analyse the benefits of using sales promotions. Can they be beneficial in the long run?

7. Do you think that price discounts can attract customers towards a brand for long term? Why or why not?

8. Is giving allowances to the traders a good promotional strategy? Justify your answer.

9. Explain different methods that are used for sales promotion budget allocation.

10. "Sales promotions should be developed as campaigns and not as single unrelated events".
    Elaborate

Answers: Self Assessment

1.	False	2.	False
3.	True	4.	True
5.	False	6.	Push
7.	Spiff/Push Money	8.	Extra Value
9.	Concurrent	10.	Competitive parity

9.9 Further Readings

Books

Ginger Conlon, *Cornering the Market, Sales and Marketing Management*, March 1997.

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SHH Kazmi and Satish K Batra, *Advertising and Sales Promotion*, Excel Books, New Delhi.

Online links

http://www.allaboutbranding.com/index.lasso?article=290

www.ezinearticles.com/? Successful-Sales-Promotions

www.workoninternet.com/article_27484.html

Unit 10: Managing other Promotional Tools

CONTENTS

Objectives

Introduction

Objectives

After studying this unit, you will be able to:

- Discuss the concept of:
  - ❖ Direct marketing
  - ❖ Public relations
  - ❖ Publicity
  - ❖ Corporate advertising

Introduction

Marketers always search for new and effective tools to reach customers with their messages. The interactive media such as the cellular phone and Internet are important additions. Most companies around the world rely more on traditional promotion mix elements such as advertising, personal selling, and sales promotion to reach customers and sell their products and services through some system of resellers. They believe these traditional promotion mix elements are effective in creating awareness and knowledge, and building brand image. Some marketers tried reaching

customers directly with these tools on a one-to-one basis to assess whether this can stimulate immediate behavioural response and now direct marketing is a rapidly growing discipline in marketing. Direct marketing may or may not involve middlemen to distribute products. Direct marketing is primarily concerned with the promotion area.

10.1 Direct Marketing

The Dictionary of Marketing Terms defines direct marketing as:

"The total of all activities by which the seller, in effecting the exchange of goods and services with the buyer, directs efforts to a target audience using one or more media (direct selling, direct mail, telemarketing, direct-action advertising, catalogue selling, cable TV selling, etc.) for the purpose of soliciting a response by phone, mail, or personal visit from a prospect or customer."

— Peter D. Bennett, ed., Dictionary of Marketing Terms (AMA, 1988)

According to Direct Marketing Association:

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

— Direct Marketing, October 1990

Direct marketing uses a set of all major direct-response media including print, TV, Internet and cellular phones as the tools to implement communications and accomplish its objectives.

Did u know? Direct Marketing Association Economic Impact, 2002 reported that purchases of products and services through direct-response advertising exceeded $2 trillion and projected to reach 2.8 trillion by 2006. All sorts of products and services marketers, including major retailers, business-to-business (B2B) and industrial marketers use direct marketing methods.

10.1.1 Direct Marketing Decisions

For successful implementation of direct-marketing, marketers must establish objectives, specify target market, choice of strategies, and set evaluation criteria.

10.1.2 Direct Marketing Objectives

Objectives of direct marketing usually focus on seeking direct response in terms of behaviour. Order response rate varies across product categories and prices but in most cases, usually a 2 per cent order placement is viewed as good. Some organisations use direct marketing to inform and educate customers about product/service in anticipation that it may precipitate future actions, reminding about offers, image building, maintain customer satisfaction, strengthen relationship, and reassure customers about purchases.

Direct marketers use a database. It is much more than just names and addresses and is used to identify and profile the company's best customers and effectively target the customer segments.

Ongoing database updating helps companies identify trends and buying patterns. This information, can be used by the companies to strengthen relationship with its customers by satisfying their needs and wants more effectively.

The database should provide the answers to the following questions:

1. Where do they live?

2. How did they make contact first time?

3. What have they purchased?

4. How often have they purchased?

5. What is the monetary value of their purchases?

6. How do they order or purchase, through the Internet, mail, phone, or in person?

7. What is known about them and their families, occupation, education, children, interests, attitudes, and payment histories etc.?

8. In case of B2B, who are the influencers, users, deciders, and purchasers?

9. Location of corporate office and branch offices.

Well-managed companies usually develop and maintain their own database. Many independent research suppliers sell this kind of information. Database helps in developing a mailing list that minimises waste coverage as much as possible. A good database is crucial to the effectiveness of direct marketing. If a direct marketing company buys database from outside sources, it is worthwhile to pay a little more for a good database that has been well researched and segregated than to pay for a list of names and addresses.

Many direct marketing outfits lack database of their customers or prospects. According to Sandeep Mittal of Direm Marketing Services, some databases in India have only 30 per cent validity and a company can obtain a database for as little as 50 paise to ₹ 5 per contact. He further says that Bharat Petroleum Corp. Ltd., has compiled data on more than 14 lakh customers within the last four years, and a direct marketer can identify between two to three lakh customers, who would be interested in the company's new high-grade fuel, Speed. Shoppers Stop has also been compiling data of its regular customers through loyalty programme, namely First Citizen.

10.1.3 Direct Marketing Offer and Media

According to Edward L. Nash, there are five important decision areas: Product, offer, medium, distribution method, and creative strategy. The marketer has to decide on each of these issues and develop the appropriate message to be conveyed. Direct marketers use all the available major media such as direct mail, telemarketing, direct-response broadcasting, print, the Internet, E-mail, and others.

1. *One-Step Approach:* The marketer uses the medium to obtain an order. For example, exercise equipment and household items are presented through TV commercials, or many magazines insert subscription forms in their issues. The viewer or the reader places the order by calling a toll-free number. Magazine subscription forms can be filled and posted in postage-paid envelops.

2. *Two-Step Approach:* This may involve the use of more than one medium. This may be done to first screen, or qualify prospects and then in the second step the marketer makes the effort to elicit a behavioural response. For example, many banks first use telemarketing to determine the potential based on interest, employment, and income and then follow-up by sending an agent with more information to close the sale.

Direct Mail: Direct mail is unsolicited mail, most of us are familiar with. For some of us it is fairly irritating and we call it "Junk mail" and throw it or ignore without reading. Companies of all sizes and shape use direct mail. This mail is generally based on mailing lists the companies

buy from independent sources, or in some cases is confined to customers who have made purchases earlier. Google, Yahoo, Hotmail, AOL, Amazon, Fabmart, Indiatimes, and many others have vast lists of home and e-mail addresses. Direct mails generally generate lower response rates from potential customers. The cost of direct mail as e-mail is practically nothing. John Goodman, CEO India and South Asia, Ogilvy & Mather believes the Internet is the perfect medium for direct marketing. HLL (Denim aftershave, Lux), Hyatt Regency, and several banks have effectively used direct mail for their credit cards.

Catalogues: Both, consumer and B2B companies may send catalogues of their entire product lines, mostly in print form, sometimes also online, as CDs, or even videos. Considering the global scenario, many companies use catalogue to sell variety of merchandise including clothing, and cosmetics. According to Direct Marketing Association forecast, catalogue sales has reached $16.3 billion in 2006. Internet has particularly boosted the catalogue business and companies present their catalogues and accept orders over the Internet. Catalogues of marketers such as Fabmart, Amazon, McGraw-Hill, Prentice-Hall, Dell and others are available at their websites and anyone can place the order then and there. Some companies started as catalogue companies and subsequently also branched into retail outlets, such as First and second bookseller initially had a website that presented its catalogue but now also has a retail outlet in New Delhi. Anjali Textiles, Otto-Burlingtons Mail Order (P) Ltd., Mothercare India, Charag Din and others use catalogues.

Some authors make a distinction between manufacturer-originated and trading house-originated direct mail marketing by using either direct mail or catalogue. If the marketer is a manufacturer, it is called Direct Mail Marketing, and when the source is a trading house, it is called Mail Order Marketing or Mail Order Business.

Broadcast Media: Direct marketer can use television and radio. Almost entire advertising with respect to direct marketing occurs on television. This type of advertising is either in the form of direct-response advertising, or support advertising. Direct-response advertising encourages customers to place orders by using a toll-free telephone number. Support advertising informs customers generally to take part in sweepstakes or expect something in mail.

Example: An interesting example of support advertising is on NDTV news channel. Airtel encourages customers to use its cellular service and make two calls then answer a simple question of the day. The winner gets ₹ 100,000 for correct answer. The message is broadcast by NDTV and also the winner of the day is announced by NDTV in its news.

Some companies use a new form of direct-response advertising on cable and satellite called infomercials. These are lengthy commercials ranging between 30 to 60 minutes and resemble documentaries. Indian TV viewers are quite familiar with lengthy commercials about losing weight, and portable exercise equipments and satisfied users testifying the great benefits they derived and ease of use. Of course a toll-free number is included to place the order immediately. Infomercials have been reported to be quite effective, audience watch them and place orders.

Widespread use of credit cards and availability of toll-free telephone numbers in more developed countries has promoted teleshopping. Some TV channels exclusively sell products and services 24 hours a day, such as Home Shopping Network. The programme host offers low prices on a variety of items including jewelry, kitchenware, fitness products, insurance, and CDs, etc. Customers sitting in their homes make their purchases by calling a toll-free number and the ordered item is delivered within 48 hours. QVC is a major shopping channel so far covering U.S., Germany, and Japan reaching 84 million households.

So far it seems there are no daylong teleshopping programmes in India. Some programmes being aired in India are actually infomercials.

Example: Important names connected with such programmes include Dees' Home Shopping (DD, and C&S channels) offers home appliances, car accessories, fashion wear, footwear, beauty care products, air tickets, and groceries etc. Teleshopping Network (ATN, DD, Sun, local C&S), and United Teleshopping (DD National) are the other two names. So far the maximum time allotted in India to such programmes is limited to about 5-hours/day.

Print Media: Newspapers and magazines are not considered to be 'sound choice' for direct marketing. There are too many ads competing for attention. Specific interest newspapers focused on financial matters, or sports and hobby magazines are sometimes used.

Telemarketing: Direct marketing through telephone is called telemarketing. It gives the marketer a better chance of influencing the prospect and win a customer. As mentioned earlier, it is most often used in the screening process. Companies hire several telephone-callers, mostly girls, or operate through hired agents. Call centres have become a real arena of telemarketing activity. Several teams of 5 to 6 members are formed and for each team there is a supervisor. Individual team members sit in front of a computer terminal wearing a headset. They call different telephone numbers from a list and present the sales talk based on pre-tested script and update information on the computer screen.

Electronic Shopping: Infomercials and home shopping use TV channels. Electronic shopping is an online information retrieval and shopping service through computers. Internet is the newest medium for direct marketing. It can be used to access information, communication, entertainment, and a means of transaction. Direct marketing through Internet involves business in "market space" as opposed to physical "market place."

Direct Selling: Some authors consider direct selling as the additional element of direct marketing, often called Multilevel Marketing (MLM).

Example: Some well-known players in this field include Amway, Oriflame, Avon, and Modicare.

The selling steps are the same as discussed earlier. In this situation the salesperson directly sells to customers only in their homes. Any additional distribution channels are not involved. In India, Eureka Forbes has been very successful and is the leader in this field. Their salespeople call on homes and make presentation and demonstrate water filters and vacuum cleaners, book orders and ensure installation etc.

10.1.4 Advantages of Direct Marketing

1. Direct marketing offers the advantage of reaching large number of well-defined target customers and almost eliminates waste coverage.

2. Good quality databases are available from independent suppliers and the marketer can segment customer groups with considerable precision.

3. Direct marketer can personalise the message.

4. Direct marketing can deliver almost perfect offers to customers.

5. Marketer can build desired frequency level based on media.

6. Direct marketing offers creative flexibility in different media.

7. Direct marketer can quickly develop a list of specific profiles for direct mail.

8. Direct marketing is more effective in building customer relationship.

9. It is very cost effective considering the sale generated per contact.

10. The results can be measured most accurately.

10.1.5 Measurement of Direct Marketing Effort

The objectives of direct marketing in many cases are related to purchase behaviour and the marketer knows in no uncertain terms, the number of orders received. For non-behavioural response objectives, traditional measurement methods are used.

Task Identify one infomercial. Analyse different aspects of message presentation and evaluate its effectiveness.

Case Study **From Direct Selling to Direct Marketing**

For years Avon lady was a fixture in American neighbourhoods. Selling door-to-door built Avon into the world's largest manufacturer of beauty products. Avon operates in 135 countries and besides the cosmetics it also sells jewelry, home furnishings, and baby-care products. Avon pioneered the idea of hiring housewives for direct selling cosmetics in the neighbourhood. But in 1980s, as millions of women began to work outside the home, the cosmetics maker's pool of customers and sales representatives dwindled, and its sales faltered. By 1985, its profits were half what they had been in 1979.

Consumer research showed that many women thought Avon's make-up was "stodgy," its gifts products overpriced, and its jewelry old-fashioned. So the company created a more contemporary line of jewelry, lowered the prices of its giftware to offer more items under $15, and expanded its lipstick and nail polish colours.

On the selling side, recruiting sales people had become problematic, much as it had for other direct sellers like Mary Kay Cosmetics and Premark International's Tupperware division. To attract sales representatives and boost productivity, Avon improved incentive-compensation plans and offered free training programmes for recruits. As a result, Avon's direct-sales business – which accounts for 70 per cent of sales and 85 per cent of operating profits – experienced a dramatic turnaround. Within a year sales rose 17 per cent, to $2.9 billion, and profits jumped as much as 25 per cent.

Today more than 450,000 sales representatives work for Avon and fill out some 50,000 orders daily. Sales exceed $3.5 billion a year. Nonetheless, Avon estimates that at least ten million women in the US who are interested in buying from Avon are unable because no sales representative is calling. To win back some of the customers and attract new ones, the company has begun mailing catalogues directly to potential customers nationwide. The move represents growing concern at Avon that its core market has matured. The growing number of women joining work force means that fewer of them have time to meet with Avon representatives. Although Avon remains the nation's largest direct seller of beauty products, supermarkets and discount stores are stealing market share. Avon hopes that mail-order catalogues will help to reach "stranded" customers.

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The plan is to send catalogues to people who have moved or who no longer are active buyers. They can then order directly through the company or through a salesperson. Initial expectations are modest. Avon hopes catalogue sales will reach $25 million the first year. In the long run, Avon hopes to penetrate major cities and suburbs, the places where much of the female work force is absent at prime selling times. Avon is also increasing the use of toll free numbers in conjunction with this strategy.

Questions

1. What are the significant issues in the case?

2. Do you think Avon's approach in response for changing conditions is right for products that need personal contact by saleswomen?

3. Suggest any other solution than what Avon is planning to do.

Source: Pat Solan, "Avon Looks Beyond Direct Sales," *Advertising Age*, February 22, 1993

10.2 Public Relations

Public relations' is defined in a variety of ways by different authors. Institute of Public Relations, UK defines it in the following words:

"Public relations practice is the deliberate, planned, and sustained effort to establish and maintain mutual understanding between an organisation and its public."

According to Raymond Simon, perhaps the most comprehensive definition has been offered by Public Relations, which is the weekly newsletter of the industry:

"The management function which evaluates public attitudes, identifies the policies and procedures of an organisation with the public interest, and executes a programme of action (and communication) to earn public understanding and acceptance."

The first step is to determine the target audience because the objectives could be totally different for each different public segment. The target audiences may be internal or external.

Internal audiences are employees of the company, company shareholders, and unions. All these groups have their stakes in the company and are also referred as internal stakeholders. Employees in different locations, unions, and shareholders should receive relevant information regularly about company activities.

External audiences include channel members, customers and other important groups. Customers may be strongly influenced positively or negatively by promotional campaigns or publicity. Channel members can directly affect a company's operations and mass media promotions, and company sales people maintain relevant information flow. Media may or may not report publicity, and great care should be taken to release interesting information to print and audiovisual media. Financial institutions lend money and are interested in financial well being of the company and also the goodwill company can generate. Lastly, government, special interest groups, and communities keep a watch that concerns environmental pollution, harassment of women employees, or any other unfair treatment of employees.

10.2.1 Setting Objectives

Marketing Public Relations (MPR) can serve to accomplish a variety of promotional objectives. Some of them are:

1. Build Excitement Prior to Product Introduction.

2. Build Strong Consumer Awareness and Launch Product.

3. Influence Opinion Leaders.

4. Build Company and Brand Image.

5. Counter Negative Publicity

10.2.2 Programme Implementation

After conducting research, identifying target audience, and setting objectives, programmes are developed and delivered to audiences to accomplish the objectives.

Press release and press conferences can be a very effective way of communicating with large numbers of target audiences. However, the appropriate topic should be carefully chosen to be of major interest to the target group to gain coverage. Business organisations call press conference when they have newsworthy new product introductions or some have planned some exciting event. Some sports wear or auto companies issue press release when they sign up some famous sports or movie personality. Individual educational institutions, or a group of them arrange conferences where both media and target audiences are invited. Besides furnishing all the relevant information, authorities also conduct interviews and grant on the spot admissions. The aim is to provide a number of stories addressing various audiences.

Personal interviews are also arranged to clarify company position. Steve Ballmer, President Microsoft, appeared in several personal interviews to present the company position when facing a legal case brought against the company by the U. S. government. Sometimes in large business houses, there are controversies regarding controlling rights among various family members, some of them appear for personal interview to explain their side.

Event sponsorship is both, part of sales promotion and also a tool of public relations. Event sponsorship blurs the difference. Corporate sponsorships of charities and worthwhile causes is popular form of public relations to build corporate image.

Example: As part of MPR, many sports events such as Olympics, World Cups, Cricket matches between countries and other important events have corporate sponsors. Sahara India is the sponsor of Indian cricket team.

Many companies marketing smoking products, liquors, autos, soft drinks, airlines, and high-tech products etc., sponsor events. Some of these, such as soft drink companies often create their own events. Such events get considerable visibility among target audiences and put company or brand's name in front of the consumers. Increasingly companies are finding event sponsorship as an effective public relations tool.

Community involvement may be in the form of participation in community events, such as participation in religious festivals. After Tsunami tragedy, many corporations and trade associations came forward to help victims with time, money, and other type of assistance. Media devoted free airtime to aid victims by coordinating activities, announcing programmes, and food drop activities to help victims.

10.3 Publicity

Publicity is an important tool of public relations effort and both terms are used as synonymous. Publicity is concerned with generation of news about a company, product, service, or person in print or broadcast media. 'Public relations' is a deliberately organised long-term programme to communicate positive information about the company and its activities. Publicity is generally

a short-term affair, and not always under the company's control because it is not paid for by the company and hence may not be favourable. Publicity of both types, favourable or unfavourable, often comes from outside sources, other than the company.

Publicity, as everyone believes, originates from independent sources that do not have any stake in the company and is considered highly credible. Consumers consider information through publicity as more objective. All other promotional elements are company controlled and viewed as less reliable. Publicity is a very powerful weapon and can make or break a product or even company. After news reports of harmful levels of pesticides in Coke and Pepsi, there was a substantial drop in the sales. Very large segments of consumers across all ages were highly concerned and upset. TV news channels invited audiences from various sections of society, particularly younger groups and parents, and arranged discussions and this negative publicity was not under the control of these soft drink producers.

Consumers perceive the medium in which publicity appears, endorses the information.

Example: Often we read news articles in auto magazines that a certain car has won the award of "Car of the Year" and readers believe, it reflects the perceptions of the quality of the selected car by that magazine.

Publicity can work for business organisations. A high level of favourable publicity has made iPod from Apple Computers a top seller. Marketers like to have as much control as they can over publicity time, place, and content. Some companies do this through video news release. This is a publicity story produced by publicity consultants so that news channels can air it as a news item.

Advantages of publicity include high credibility, news value, significant word-of-mouth messages from interpersonal sources, and perception of having media endorsement of media.

Disadvantages include lack of control by the concerned company most of the time, the timing of news release is almost entirely up to media, not always reported the way provider wants it, and there might be errors due to omissions, and inaccuracy.

Caselet

Empee Distilleries: Banking on Publicity

EMPEE Distilleries Ltd hopes to showcase its Old Secret brand through the entertainment industry by sponsoring movie publicity.

Empee Distilleries, which has launched rum and cola under the Old Secret brand, has budgeted over ₹ 5 crore to promote the brand in Tamil Nadu and Karnataka. With increased market acceptance it will widen its area of promotion to the North and the North-East.

For now, according to Empee's Vice-President and Company Secretary, Mr P.K. Das, the company will handle the publicity for Karkaa Kasadara, a Tamil feature film directed by R.V. Uthaya Kumar, scheduled to be released on Valentine's Day.

Empee Distilleries will pay the publicity bills for Karkaa Kasadara, including the cost of banners, hoardings and wall posters. Tied in with these will be publicity for the Old Secret brand. This could mean expenditure of about ₹ 50 - 60 lakh initially, and depending on the movie's run in the cinemas the expenditure on advertisements would be stepped up, he said.

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According to Mr Uthaya Kumar, this is a welcome symbiosis — publicity for the products and cost cutting for the moviemakers. The savings on the cost of publicity is significant and in addition, they get market savvy companies handling the publicity. Marketing is crucial to pull in crowds to the cinemas, he feels.

The Old Secret range is available in Tamil Nadu, Kerala and Karnataka, and will soon be launched in Orissa, Andhra Pradesh and West Bengal. According to Mr Das, Old Secret rum has been a hit from day one, and is among the top brands in its segment. The company plans to aggressively market this brand, which is expected to emerge a major grosser for Empee.

Source: www.thehindubusinessline.com

10.4 Corporate Advertising

Corporate advertising is an extension of public relations and does not promote any specific product or service. Corporate advertising aims to build and maintain the image of a company or an institution. Organisations and brands are meant to strengthen mutual credibility. Brands by themselves often lose their significance unless their association with the marketer produces authenticity.

The corporate image is something that customers perceive when the name of the company is seen or heard. Corporate communications reach several audiences, such as company employees, current customers, potential customers, non-users of company products or services, channel members, shareholders, suppliers, financial institutions, and government agencies.

Major changes in the economic and political scenario, affecting business and industry may often warrant advocacy or issue based advertising. Advocacy advertising refers to company's views on issues that affect its business and to protect its position in the market place. In other cases the company presents its viewpoint about a national cause such as the literacy movement or the company may list its social contributions, or emphasise its socially oriented policies. Such advertising usually does not attempt to sell anything directly but gives a face to the company and attempts to develop a positive relationship by influencing public's reaction towards the company and its products, services, sales force, and job offers. Much of the contemporary, corporate advertising serves as the support function to promote a company's products or services.

Some of the important objectives of corporate advertising include:

1. To create and maintain corporate identity in public.

2. To counter negative attitudes towards the company.

3. To enhance company image.

4. To associate the company with some worthwhile national or social cause.

5. To overcome negative company image.

Task   You must be well aware of the controversy that Coca Cola and Pepsi faced a few years back. Make a pair of 2 persons. One of them assume to the spokesperson for Coca Cola and another for Pepsi. Prepare a short speech cum advertisement to convince people (others in class) that those allegations were false.

10.5 Summary

- Direct marketing uses a set of all major direct-response media including print, TV, Internet and cellular phones as the tools to implement communications and accomplish its objectives.

- Public relations practice is the deliberate, planned, and sustained effort to establish and maintain mutual understanding between an organisation and its public.

- Publicity is an important tool of public relations effort and both terms are used as synonymous. Publicity is concerned with generation of news about a company, product, service, or person in print or broadcast media.

- Corporate advertising aims to build and maintain the image of a company or an institution. Organisations and brands are meant to strengthen mutual credibility.

10.6 Keywords

Corporate Advertising: Aims to build company's image

Direct Marketing: Interactive marketing system using media

Infomercials: Direct response marketing on cable and satellite

Public Relations: Deliberate effort to maintain long-term relations with public

Publicity: Unpaid form of promotions mainly through other sources

10.7 Self Assessment

State whether the following statements are true or false:

1. Amway is a pioneer in direct marketing.

2. Cadbury's brought Amitabh Bachchan to clarify their position when they were in trouble. It was a part of their Public Relation activity.

3. Participating in trade shows is a means to garner publicity for the company.

4. Direct mailers are unsolicited mails sent to us by the marketers of the brands.

5. Companies hold seminars on various issues ranging from social to business related. This is a part of their direct marketing efforts.

Fill in the blanks:

6. Brands like Coke and Thumbs-up, which do not require big discounts to sell, often serve as ………………………….

7. Recent Tata Tea 'Jaago Re' campaign is an example of ……………….. advertising.

8. ……………………..is an extension of public relations and does not endorse any product or service in particular.

9. Companies often associate themselves with a popular sports event or charitable event. This is a part of their……………………efforts.

10. Printed paper/s that carry information about the products and services of the company are called……………………

10.8 Review Questions

1. "For successful implementation of direct-marketing, marketers must establish objectives, specify target market, choice of strategies, and set evaluation criteria". Discuss.

2. Take an example of any company that practices direct marketing and explain its approach.

3. "Public Relations activities evaluates public attitudes, identifies the policies and procedures of an organisation with the public interest". Do you agree? Substantiate your answer with recent examples.

4. "Publicity is a very powerful weapon and can make or break a product or even company". Substantiate with help of examples.

5. Give examples of some advocacy advertisements and discuss its impact on corporate image. What do you think about such advertising?

6. Examine the effectiveness of direct mailers as a tool of promotion.

7. Discuss the status of direct-response advertising in India. Use suitable examples to supplement your discussion.

8. The emergence of call centers changed the telemarketing scene in India. Comment

9. Analyse the purpose of targeting the internal audience with public relations activities.

10. "Publicity is a non-personal and unpaid form of communication". Do you agree? Give proper justifications for your answer

Answers: Self Assessment

1.	True	2.	True
3.	True	4.	True
5.	False	6.	Traffic Builders
7.	Advocacy	8.	Corporate advertising
9.	Public relations	10.	Catalogues

10.9 Further Readings

Books   Edward L. Nash, *Direct Marketing: Strategy, Planning, Execution*, Third Edition, McGraw-Hill, 1995.

Scott M. Cutlip, Allen H. Center, and Glenn M. Broom, *Effective Public Relations*, 8th Ed. Prentice-Hall, 2000

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Notes

Online links

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www.direct-marketing.net/

www.direct-marketing-association-india.org/-

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Unit 11: Unconventional Promotional Media

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Objectives

After studying this unit, you will be able to:

- Discuss the concept use and effectiveness of following unconventional promotional media:

  - ❖ Personal Selling

  - ❖ Outdoor Advertising

  - ❖ Transit Advertising

  - ❖ Cinema and Videos

  - ❖ Internet Advertising

  - ❖ Mobile Advertising

Introduction

Recent years have seen the emergence of many new media forms. Though, the traditional forms like advertising and sales promotions are still widely used, these unconventional media are gaining fast popularity. A few such media forms are outdoor advertising, transit advertising, internet marketing and mobile marketing. When choosing the promotional media that match target market needs, message, and budget, you need to know what media are available, their advantages and disadvantages, and how to use them. In coming few years the marketers are going to master the use of these mediums to reach wider and wider audiences.

11.1 Personal Selling

Personal selling has been around since ancient times. The objectives and the manner, it requires to be implemented have evolved over the years. In today's highly dynamic and competitive market conditions, the role of a salesperson is not just limited to persuading customers to buy products but also adopting ways to build long-term customer relationship.

Prospecting

The first requirement in personal selling is narrowing down the selling effort to the targeted customers. Prospecting involves developing and following all the leads to identify potential target customers and this requires hard work and proper time management.

Some companies provide prospect lists or customer relationship database to make it easier for sales- people. Customer enquiries from different territories through various sources, including company website can be passed along to salespersons. Companies can also acquire lists from commercial sources providing this service. Other sources to generate leads can be current customers, suppliers, resellers, trade association members, various directories, or cold calling (calling unannounced on offices and individual households) etc.

Pre-approach

Once the salesperson identifies a set of prospects and customers, the salesperson should try to learn as much as possible about the individual or company needs. In case of a company, the salesperson should collect as much information as possible about the company's products, competition, market, potential sales volume, the purchase procedure, who is involved in influencing purchase decision, who is the final authority for making purchase decision, and their personal traits.

The salesperson should consider the available facts and set specific call objectives that have measurable outcomes.

Approach

It is extremely important for the salesperson to determine how the customer should be greeted. The first impression is not just important but crucial to the success of a sales call. The salesperson must look and act like a professional.

A salesperson should select an approach that suits her/his personality and judgement about the specific sales situation. Homer B. Smith has recommended different approaches. Some proven techniques include:

1. *Ask Questions:* Questions should preferably be relevant to sales presentation.

2. *Use a Referral:* Preferably someone favourably known to the potential customer.

3. *Offer a Benefit or Service:* This can be quite effective if relevant to customer's need.

4. *Complement the Prospect:* It is a good way to establish rapport if there is anything the prospect has achieved.

Sales Presentation

Relevant to prospect needs, the salesperson presents the product/service story according to the AIDA model (capture attention, hold interest, stimulate desire, and get action). The salesperson

describes product/service features, their advantages, benefits (economic, technical, service, and social or psychological), and the total value prospect gains from making the purchase.

Salespersons can use different approaches to making sales presentation. The oldest method is the stimulus-response theory of learning (sometimes called canned presentation). This approach reflects the belief that a customer will buy a product or service if exposed to the right stimuli, such as words, terms, pictures, and actions etc. The salesperson memorises the sales presentation, including when to do what, and with customer after customer repeats it.

A variation of stimulus-response based approach is formulated presentation. The salesperson identifies the prospect's needs and then makes a formulated presentation. Not much attention is given to encouraging the prospect involvement in the sales presentation proper.

The need-satisfaction approach starts with first determining the prospect's specific product or service related needs and tailors the presentation addressing those needs, although encouraging the prospect to participate in the presentation and do most of the talking.

Sales presentations can be made more meaningful with use of visuals, samples, video cassettes, computer-based simulations, testimonials, examples, guarantees, and demonstrations. It is useful to leave brochures and booklets. For group presentation, now with technological advancements it is useful to make Powerpoint presentations prepared by professionals and offer the advantage of downloading them on the laptops of audience. Such professionally prepared presentations can use animation to clarify what cannot be explained by words.

Handling Objections

All salespersons, encounter sales resistance and this resistance often takes the form of objections. Some of these objections may be rational, or may be purely psychological. These may include product price and quality, company reputation, preference for competing brand, postponing purchase, and irritation towards salesperson etc. A salesperson should be prepared to face such objections. However, no matter how well-prepared a salesperson is, there is always a chance that a customer may raise some objection for which the salesperson has to come up with a solution immediately on his own. The salesperson must possess a good degree of presence of mind. In most situations a good product and competition knowledge, and an understanding of human behaviour is of considerable help to salespersons.

The salesperson should maintain a calm approach, be positive and make sure the true nature of prospect's concern is understood. This requires first listening carefully, asking questions to clarify the issue, and them understanding the true nature of objection. However, if the prospect doesn't really need the product, or has no resources to buy it, the salesperson must thank her/him for the time taken and leave business card with the assurance of great service any time in future.

Closing the Sale

Closing refers to asking for the order. After making an effective sales presentation, the salesperson is ready to ask for the order. Closing is the sum total of all the sales presentation steps. It is the very reason for which the prospect was contacted. Many salespeople, perhaps because they lack confidence, feel uneasy, fail to perceive the positive cues indicating the prospect's readiness, and fail to take the step of asking for order.

Salespersons should learn to interpret meanings of queries, comments, statements, or prospect's body language signals. As soon as possible, the salesperson must try to close the sales. During the presentation, at some point the salesperson may use a trial close. This involves assuming that the prospect is ready to buy and might ask which model, size, colour, financial terms,

quantity, and delivery etc., the prospect prefers. The prospect's response to such questions indicates how close the prospect really is for making the purchase. The salesperson might also indicate the advantage of buying now, or offer some incentive to act just then. The salesperson may also repeat strong points of agreement and take a decisive and confident approach and ask for an order.

In most business-to-business (B2B) buying situations, salespersons need to be skilled negotiators during the sales presentation. The negotiations may involve factors concerning price, quality, service, delivery, payment terms etc. The salesperson should be able to negotiate and work out a final settlement to which both buyer and seller are willing to agree to its terms and conditions. It is a win-win situation for both the parties when negotiations are concluded successfully.

Follow-Up

Post-purchase follow up is very important in building customer confidence and long-term relationship with the company. The salesperson contacts customer to learn if there are any problems and answers any questions that the customer does. He also contacts customers regularly to ascertain that they are happy with their purchase and offered services. Relationship selling not just focuses on selling the product but to understand changing customer needs, and solving their problems. All the company departments must understand the value of customer and provide appropriate backup to sales people to strengthen this relationship. As long as both the customer and the seller are successful in achieving their goals, the relationship continues to prosper.

11.2 Outdoor Advertising

Outdoor advertising represents the oldest medium. We have already seen in the historical background that outdoor advertising existed as early as 5,000 years ago in Babylon, Greece and Egypt. Painted advertising dates at least to Pompeii, where decorated walls promoted merchandise. Outdoor advertising is one of the more permeating communications and it is almost impossible for anyone living in a civilized society anywhere in this world not to have been exposed to it in one form or the other.

Outdoor advertising is usually used as a supportive medium by most national advertisers and includes billboards, hoarding, posters, wall paintings, and transit advertising, etc. Outdoor advertising can generate considerable reach and frequency levels at a fraction of the cost of mainstream media and is most successful when it is used to accomplish narrowly defined communication objectives, such as:

1. To generate immediate brand name recognition when introducing a new product and complement other forms of advertising.

2. To remind customers who are already in the market-place about established and recognised brands of the marketer.

Outdoor advertising has become a useful medium with the increase in the number of automobiles and improved road network. Roadside and market area billboards are increasingly in demand by advertisers, particularly on the prime locations. The original poster used to be a sheet of paper measuring 28 inches by 41 inches called "one sheet." A number of these could be combined to create larger ones to fit different frames. The most popular is the 24-sheet poster, which has a copy area of 104 inches by 234 inches. In recent years, posters of larger size are gaining increasing acceptance, having a copy area of 115 inches by 259 inches, or bleed posters measuring 125 inches by 272 inches. Poster panels can be illuminated or non-illuminated (also called regular posters). Illuminated posters are fairly common in metros and large cities with sufficient night traffic.

Printing technology has made rapid strides and posters of almost any size can be printed, but hand-painted boards are still high in demand as they can stand severe weather conditions in exposed areas longer than printed sheets of paper. Advertisers have the option of changing their copy more than once a year at their own expense.

There are only a few who sell outdoor location nationwide. Selvel and Advertiser are two well-known names of this industry. Other agencies in this field are Aren, Solus, MP Publicity, Sinefine, and Asian, etc. Selvel offers more than 20,000 hoardings nationwide and nearly 75% of these are permanent. In India, the outdoor advertising businesses are mainly local in nature. These individual firms operate in a limited area, each one of them owning a limited number of posters and painted display locations in different cities, towns, and the roadsides. The rates are based on contracted time, such as weeks, months, or year and vary between ₹ 5,000 to upwards of ₹ 200,000.

Example: The Aren bridge site at Chowpatty in Mumbai is probably the most expensive.

Outdoor advertising boards must be located in busy places where they are clearly visible to passers by. In America, Traffic Audit Bureau (TAB) developed useful techniques for measuring the space position value or the visibility value of individual locations. Several traffic counts at a location are made, and assuming that a portion of passing traffic is unlikely to see the specific posters, an allowance is made. For non-illuminated posters, the traffic count is multiplied by 0.45 and for illuminated posters by 0.65. The audience for an outdoor showing is referred as Daily Effective Circulation (DEC).

Example: If the traffic-count in 24 hours is 50,000, then the DEC can be determined by using the following formula:

For non-illuminated posters: DEC= 50,000 × .45 = 22,500

For illuminated posters: DEC= 50,000 × .65 = 32,500

Earlier, while discussing television we have mentioned that one GRP is equal to 1% of the population. Outdoor showings or GRPs are purchased in units, such as 50 or 100 and measure the duplicated audience reached by a poster allotment (the term allotment refers to the number of posters in a market). A 50 GRP (One GRP = 1% of population) in a market would mean that the daily exposure to an outdoor advertising message would be equal to 50% of the adult population in a market.

A 50 GRP showing in a city with 600,000 would mean 300,000 exposures daily. Depending on the daily effective circulation (DEC) and the population of a city, the number of poster allotment would vary. The same 50 GRP buy in a market of 4 million would mean a DEC of 2 million and may require 60 or 100 posters.

The overall visibility of a site is influenced by a number of factors, including weather conditions. The more important ones are:

1. *Duration of Visibility:* Most of us would have seen boards placed on a high-rise ground and the road is curving. The panel generally remains visible to passers by for a longer duration in fair clear weather conditions. Such locations are considered as more effective.

2. *Speed:* If the traffic passes the location at a slower speed, there is greater opportunity to see and read the ad message. The traffic speed is slower uphill and on the curves in the road.

3. *Panel Angle:* If the panel angle is such that it faces the oncoming traffic, it is a better site.

4. *Proximity:* If there are two or more panels, the one nearer the road has a better chance of being noticed. If there are many panels close to each other, viewers get confused.

5. *Airport Advertising:* Airport advertising offers an innovative and flexible range of media opportunities, ranging from long-term and short-term indoor and outdoor advertising panels. Advertising availabilities include dramatic backlit signage along each of the airport's concourses and exciting other products to choose from.

6. *Bus Advertising:* People notice moving objects when they are driving. Bus ads are eye catching, unique and therefore memorable. There is no clutter or other advertising distractions, especially at traffic lights where cars get stuck right behind or beside ads for several minutes. Full wrap and tail wrap buses are so distinctive that people often remember them after one time viewing.

7. *Mobil Billboards:* It's often difficult to reach an audience where there are no forms of outdoor such as billboards. Mobile trucks can reach just about anywhere. They are also excellent for targeting a specific place or event such a sporting event or a competitor's business for recruitment purposes. These illuminated ads are the size of a 30-sheet poster (22' x 10') and provide the coverage flexibility no other outdoor provides.

8. *Outdoor Billboards:* These large illuminated displays deliver impact in size, placement, color and lighting. Advertising on the Rotating (Rotary) type are physically moved every 60 days to new locations. Permanent Bulletin advertising remains at the same location throughout the contract.

9. *Bleeds and 30-Sheets:* These are the most common type of poster. Strategically placed 30-sheet Posters deliver advertising impressions throughout a market, not only to residents, but also to commuting traffic. The copy area of poster panels is always covered with printed paper. The most visible design for each utilizes the entire copy area of the panel, typically called a bleed poster. This is 14% larger than a 30-sheet (9'6" x 21'7") design for a standard poster, which requires white blanking paper around the design.

10. *Outdoor Signs:* It is very important for you to have outdoor signs placed outside your factory and office because they not only create brand equity, they also attract consumers to buy your goods and services. You can think of your outdoor signs to be your salesmen because they act as your salesmen 24/7. Most importantly, you do not have to spend much money to have these signs outside placed your office or factory.

11. *Subway Posters:* It reaches the largest mass transit audience in the western countries, around 3.5 million people each and every day. It captivates audience with massive daily reach and frequency. It delivers an average recall of 56%.

12. *Emerging New Media Types*

    (a) Street Furniture

    (b) ATM Advertising

    (c) Blimps

    (d) Elevator Advertising

    (e) Automobile Wraps

Example: Fevicol billboard and several others placed at the roadside
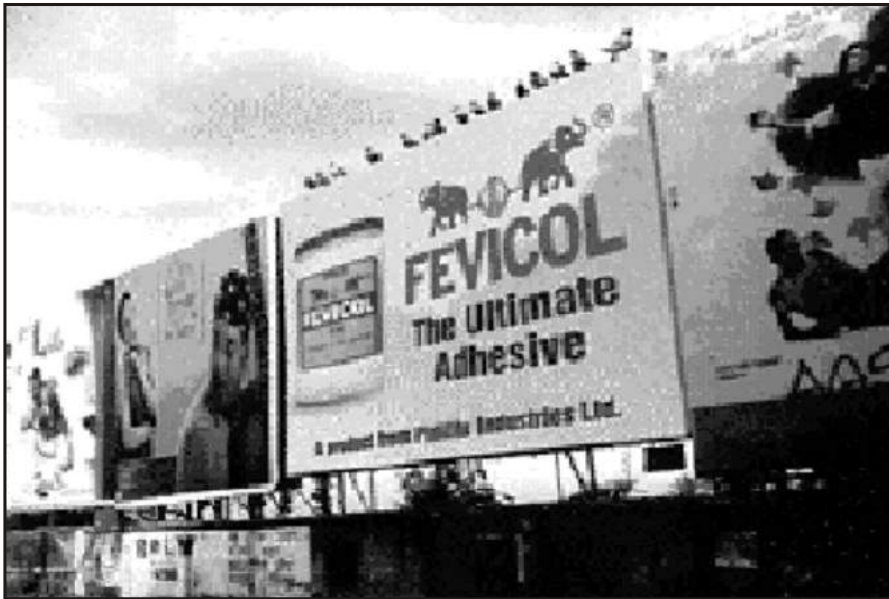
11.3 Transit Advertising

In some ways, transit advertising is similar to outdoor advertising as it also uses billboards neon-signs, and electronic messages. Transit advertising is targeted at millions of people who are exposed to various modes of transportation, such as buses, subways, trains, or air travel. The printed ads are paid for and provided by the advertiser to the firm managing transit advertising. It is the responsibility of this firm to place and maintain the ad posters on the vehicles.

The rate structure varies depending on the site, period, and the size of display. Important railway stations sites, where thousands of passengers pass everyday cost much more than others with lesser traffic. Advertisers are also offered bulk contract for placing their ads on more number of railway stations, bus stands and airports, etc.

Of the many variations of transit advertising, the airline ticket holder is a very effective form of advertising communication. It reaches a very captive audience and keeps the message in front of the air passenger for as long as the ticket is retained.

There is an extensive public transport system in India because most people cannot afford private transportation. A very large number of commuters travel everyday to their place of work and back home. Employees of Indian Railways alone number about more than one-and-a-half million. A large number of people, including those who come to see off the passengers, visit railway stations, bus terminals, and airports everyday and are exposed to a variety of ad messages on posters, neon-signs, and electronic boards etc. Posters also appear on the sides and backs of buses, commuter trains, trams, and delivery vans. Kiosk ads are affixed on streetlight and telephone poles. A very large part of ambulatory population is exposed to transit advertising.

11.4 Cinema and Videos

Cinema halls and videotapes are also used to communicate advertising messages. Commercials are shown before the film and previews, carrying ad messages from both local as well as national advertisers. Many local advertisers use video rentals to advertise their products.

Advertisers, mostly local businesses or retailers, use prepared slides for projection.

National advertisers generally use 35 mm ad films based on a script. These are produced by professionals or the advertising agency and are expensive.

Cinema is a popular source of entertainment in India. There are more than 12,000 cinema halls in the country and draw large numbers of audiences, both urban and rural. A large proportion of cinema audience is young and comes from almost all classes of society and socio-economic groups.

Like TV, cinema also combines sight, sound, colour, and movement. People come to see a movie of their choice and hence are more involved. The screen size is large, picture clarity is superb, and the sound quality is superior compared to television. The combined total effect of these features creates a powerful impact on the audience. The audience also knows that the movie will not be interrupted by the commercials and for this reason they are unlikely to be irritated when the commercials are shown in the beginning or during intermission.

The number of VCPs and VCRs in India is estimated to be more than two million sets. Video films are watched by a significant number of people every day. These video cassettes are used to communicate ad messages, mostly by local advertisers. Cable operators beam video film ads to all those households using their cable service. Local retailers find the medium quite attractive at a low CPM.

11.5 Internet Advertising

Internet advertising is seen in many forms and as the medium matures, the variety would increase. Present day advertising on the Internet can be classified as ad banners, websites, ad buttons, sponsorships, interstitials, and classified ads.

1. *Ad Banner:* Ad banner is the most basic type of Internet advertising. It is like a billboard that appears across the top or bottom of a web page and when clicked upon by the user, it sends him/her to the advertiser's site. The size of the banner is about four and-half inches wide by one and-half inch. Other names given to banners include side panels, skyscrapers and verticals.

2. *Website:* A website is in fact a location on the Internet rather than an ad where anyone can come to find out about the company, its products and/or services. It is used as a brochure to promote the company's products or services. There are some companies who use their websites as a source of information and entertainment and encourage Internet users to visit often. Some other companies use the Web as an online catalogue store, conducting business right on the Internet.

3. *Ad Button:* An ad button is a smaller version of banner that often looks like an icon and usually serves to provide a link to advertiser's home page. Software technologies such as Java, Acrobat, Enliven and Shockwave have greatly enhanced the effectiveness of banners and ad buttons with full motion and animation. Some search engines, like WebCrawler and Excite offer audio features to advertisers that accompany a click on the banner.

4. *Sponsorship:* Internet advertising of this form is becoming popular. Companies sponsor the total sections of a publisher's web page, or sponsor single events for a contracted period of time. Companies get considerable recognition on the website in the form of integrating sponsor's brand with the publisher's content as an advertorial, or with ad banners and buttons on the web page, in exchange for their sponsorship.

5. *Interstitial:* This is a relatively more recent form of Internet advertising and is also referred as the intermercial. This is an animated ad that pops up on the computer screen while

downloading a website by the user. Advertising Age has reported that this type of ad is twice as effective as ad banners at generating higher levels of brand awareness.

6. *Classified Ad:* This type of Internet advertising offers an excellent opportunity for local advertisers and is becoming popular among advertisers. Many of the classified websites offer free classified advertising opportunities as ad banners of other advertisers already support these sites. A classified ad is quite similar to the ones that are seen in the newspapers.

7. *E-mail:* Many Internet advertisers send e-mails that contain text and video, streaming video, newsletters, and news releases.

8. *Pop up Advertising:* They are ads that are displayed in a new browser window. Pop up windows come in many different shapes and sizes, typically in a scaled-down browser window with only the Close, Minimize and Maximize commands. There is a strong resentment by some Web surfers towards pop-up ads. Marketers often do not realize the ill-will generated by pop-ups because it is easier to click the "close" button than send an email to complain.

Two basic questions that concern advertisers are the same as ever: "Do people see our ads?" and, "Are they effective?" Internet Advertising Bureau (IAB) has recently provided some practical definitions.

A simple measurement is the ad request to answer the first question. IAB has defined it as "an opportunity to deliver an advertising element to a Web site visitor." When a visitor loads a web page with ads on it, the browser pulls the ad from a host server and shows them as banners, buttons, or interstitials. The number of such ad requests received can then be translated into the familiar CPM form.

Another unique measurement of the Internet is the click rate (also called click through rate). A click occurs when a user moves the pointer of the mouse to a web link and "clicks" the mouse button to reach another page. "The click rate is the number of clicks on an ad divided by the number of ad requests."

Revenue Models

The revenue types are as follows:

1. *Cost per Mille (CPM):* It is also called "Cost per Thousand (CPT). It is where advertisers pay for exposure of their message to a specific audience. "Per mille" means per thousand impressions, or loads of an advertisement. However, some impressions may not be counted, such as a reload or internal user action. The M in the acronym is the Roman numeral for one thousand.

2. *Cost per Visitor:* It is where advertisers pay for the delivery of a Targeted Visitor to the advertiser's website.

3. *Cost per View:* It is when an advertiser pays for each unique user view of an advertisement or website (usually used with pop-ups, pop-under and interstitial ads).

4. *Cost per Click (CPC):* It is also known as Pay Per Click (PPC). Advertisers pay each time a user clicks on their listing and is redirected to their website. They do not actually pay for the listing, but only when the listing is clicked on. This system allows advertising specialists to refine searches and gain information about their market. Under the Pay per click pricing system, advertisers pay for the right to be listed under a series of target rich words that direct relevant traffic to their website, and pay only when someone clicks on their listing which links directly to their website. CPC differs from CPV in that each click is paid for regardless of whether the user makes it to the target site.

5. *Cost per Action (CPA):* It is also known as Cost per Acquisition. In this payment scheme, the publisher takes all the risk of running the ad, and the advertiser pays only for the amount of users who complete a transaction, such as a purchase or sign-up. This is the best type of rate to pay for banner advertisements and the worst type of rate to charge.

6. *Cost per Lead:* This advertising is identical to CPA advertising and is based on the user completing a form, registering for a newsletter or some other action that the merchant feels will lead to a sale.

7. *Cost per Order (CPO):* In this, the revenue of advertising is based on each time an order is transacted.

8. *Cost per Engagement (CPE):* It is a form of Cost per Action pricing first introduced in March 2008. Differing from cost-per-impression or cost-per-click models, a CPE model means advertising impressions are free and advertisers pay only when a user engages with their specific ad unit. Engagement is defined as a user interacting with an ad in any number of ways.

9. *Cost per Conversion:* It describes the cost of acquiring a customer, typically calculated by dividing the total cost of an ad campaign by the number of conversions. The definition of "Conversion" varies depending on the situation: it is sometimes considered to be a lead, a sale, or a purchase.

Task
You must have noticed some of the billboards in your city. Which three can you recall? What did you find particularly noticeable?

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Case Study
Future Group Goes Digital in a Big Way

Kishore Biyani's Future Group will launch a slew of digital commerce initiatives in the next few weeks as India's largest retailer moves to sell a wide range of products from bedspreads to treadmills through the Internet, mobile phones, television and dedicated kiosks. "We were not satisfied with our digital presence, and now we have decided to enter that space in a big way," said Kishore Biyani, CEO of the ₹ 9,000 crore group.

While the group's online retail arm, Future E-commerce, already operates an e-commerce portal, it will launch new initiatives such as SMS short codes, tele-shopping, proximity marketing through mobile phones and virtual shopping through manned kiosks in the coming weeks. "Most people in urban areas spend 8 to 10 hours in a day on one of the four screens we are targeting. This translates into huge sales potential," said Mr Biyani.

The initiative will make Future Group one of the first modern retailers to move into digital commerce in a big way. It will compete with portals such as eBay.com, Indiatimes.com and Rediff.com, as well as with websites of Shoppers Stop and Landmark, on the Internet. E-retailing is yet to take off in a big way in India and it's not at all comparable with mature markets. The size of online retailing in India is estimated at about ₹ 500 crore a year and that of teleshopping is estimated at ₹ 900 crore. That makes a total of just over $300 million. In comparison, a recession-hit US recorded $131 billion retail e-commerce in 2009, according to Emarketer.com. Mr Biyani hopes to change that with his new initiative.

Contd...

"We will sell across four screens and we hope the scale of what we bring will completely transform that space," he said. He targets sales of ₹ 300 crore from digital commerce in the first year after the new initiatives are rolled out fully. The company is in talks to acquire a small IT company with about 150 personnel to develop and maintain content and websites, he said, but declined to identify the target. Mr Biyani himself is incubating the new business unit that will be part of Future E-commerce, where venture capital firms Kleiner Perkins Caufield & Byers and Ram Shriram's Sherpalo Ventures together hold 15% stake.
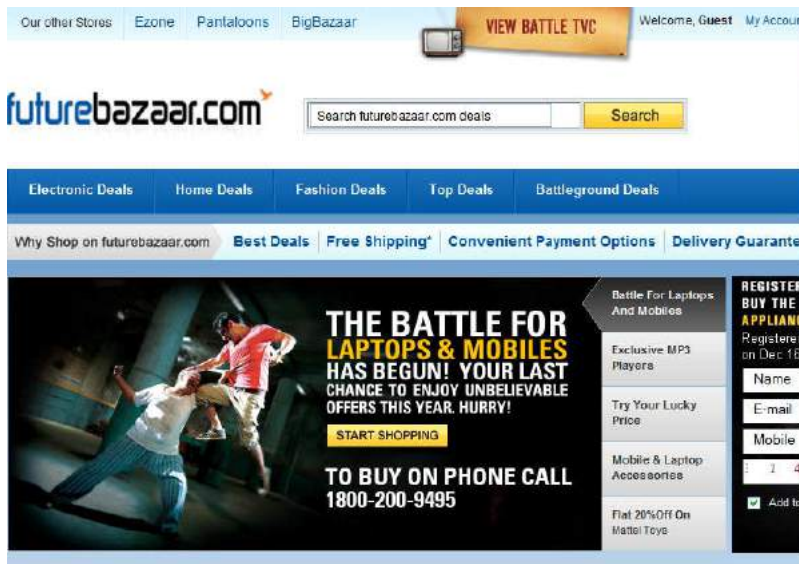
Source: www.futurebazaar.com

Its online store, FutureBazaar.com, will increase the number of products available online significantly. At present, about 4,000 SKUs, or stock keeping units, are available at FutureBazaar.com compared with 1.6 lakh SKUs that an average Big Bazaar store stocks. SKU is the most basic accounting unit of a product. Two sizes or two flavours of the same product will be accounted as different SKUs.

"Whatever we sell through the digital platforms will be cheaper by 5% to 20%, compared with the prices in the shop," Mr Biyani said. The cost of selling a product is much lower when it goes from a godown directly to a consumer's home without taking up shelf space in a retail store that is expensive to run. The website will also add more information about the products, including videos.

As for tele-shopping, Future Group plans to buy airtime in bulk on TV channels. But Mr. Biyani ruled out launching a dedicated channel for that. In what will be an entirely new initiative, Future Group also plans to erect manned kiosks where customers can browse through products and access information as well as videos on a screen and even place an order and pay cash. The company will extensively promote its SMS short codes and will also carry out proximity marketing using Bluetooth and cell tower-based technologies.

Every week, three or four products from a particular category will be heavily promoted across all the digital platforms, Mr Biyani said.

Question:

How will this digital marketing help Future Group?

Source: www.manzeal.com

11.6 Mobile Advertising

Some see mobile advertising as closely related to online or internet advertising, though its reach is far greater - currently, most mobile advertising is targeted at mobile phones, that came estimably to a global total of 3 billion as of 2007. Notably computers, including desktops and laptops, are currently estimated at 800 million globally.

It is probable that advertisers and media industry will increasingly take account of a bigger and fast-growing mobile market, though it remains at around 1% of global advertising spend. Mobile media is evolving rapidly and while mobile phones will continue to be the mainstay, it is not clear whether mobile phones based on cellular backhaul or smartphones based on WiFi hot spot or WiMAX hot zone will also strengthen. However, such is the emergence of this form of advertising, that there is now a dedicated global awards ceremony organised every year by Visiongain.

As mobile phones outnumber TV sets by over 2 to 1, and internet users by nearly 3 to 1, and the total laptop and desktop PC population by over 4 to 1, advertisers in many markets have recently rushed to this media.

Did u know? In Spain 75% of mobile phone owners receive ads, in France 62% and in Japan 54%. More remarkably as mobile advertising matures, like in the most advanced markets, the user involvement also matures. In Japan today, already 44% of mobile phone owners click on ads they receive on their phones.

This unobtrusive two-way communications caught the attention of media industry and advertisers as well as cellphone makers and telecom operators. Eventually, SMS became a new media - called the seventh mass media channel by several media and mobile experts - and even more, it is a two-way mobile media, as opposed to one-way immobile media like radios, newspapers and TV. Besides, the immediacy of responsiveness in this two-way media is a new territory found for media industry and advertisers, who are eager to measure up market response immediately. Additionally, the possibility of fast delivery of the messages and the ubiquity of the technology (it does not require any additional functionality from the mobile phone, all devices available today are capable of receiving SMS), make it ideal for time- and location-sensitive advertising, such as customer loyalty offers (ex. shopping centres, large brand stores), SMS promotions of events, etc. To leverage this strength of SMS advertising, timely and reliable delivery of messages is paramount, which is guaranteed by some SMS gateway providers.

Caselet

Challenges for Mobile Marketers in India

There is still a vast gap in the deployment of such mobile marketing services in the Indian telecom industry. Internationally the audience has undergone a major transition in terms of VAS (Value Added Services) consumption patterns. However, we are far from the stage where these new forms of marketing will have picked up in the Indian market. With tele-calling being restricted due to the norms of the 'Do Not Call' registry and the overuse of SMS and MMS for mobile marketing, going forward, more novel forms are expected to evolve. With the introduction of 3G, the mobile advertising industry is expected to boom with a superior mobile experience and more innovations in this sector.

Contd...

While many companies are betting big on 3G, managing the increased demand for high-speed data and video traffic along with existing voice traffic will be an enormous challenge for service providers. To conform to the growing consumer demand, they need to transform from traditional providers of access-based services into all-inclusive 'experience providers' offering voice, video, data, and mobility services anywhere, anytime. They need to scale-up their network capabilities tremendously and look at adopting a new approach to building mobile networks. The days of delivering voice, video, and data services as distinct offerings with each delivered over its own network, accessed using its own device, and billed as a separate subscription are over.

However, while upgrading the network infrastructure, it is imperative for service providers to keep their costs low in order to optimize profits. Adding separate networks for voice, video, data to handle the expanding data/video traffic, will complicate the infrastructure and maintaining quality will become a nightmare for operators. What is needed is a single network infrastructure which can be scaled up to meet the demands of the consumers and at the same time maintain cost efficiency. The key here is to move to an all IP-based network where voice, video and data are converged onto a single system, reducing the CAPEX for service providers.

There will be three primary challenges in the deployment of mobile Value Added Services. India is a price sensitive market hence determining the right pricing for the services will be extremely important. The other challenge for the operators will be to collaborate effectively with the ecosystem of content developers, content creators and IT vendors to deliver an immersive experience to consumers. This will be especially important for providing video services since video is complex, with many networks, formats, and standards, working together to produce high quality visual data. Further, networks need to be ready for distributing content efficiently. Since broadband in India is going to be mostly mobility driven, we feel that the networks have to be ready for IPv6.

Source: www.expresscomputeronline.com

11.7 Summary

- Unconventional mode of promotion includes personal selling, outdoor advertising, transit advertising, internet advertising, cinemas and videos and mobile advertising.

- In today's highly dynamic and competitive market conditions, the role of personal selling is not just limited to persuading customers to buy products but also adopting ways to build long-term customer relationship.

- Outdoor advertising represents the oldest medium. Outdoor advertising is usually used as a supportive medium by most national advertisers and includes billboards, hoarding, posters, wall paintings, and transit advertising, etc.

- Transit advertising is targeted at millions of people who are exposed to various modes of transportation, such as buses, subways, trains, or air travel. The printed ads are paid for and provided by the advertiser to the firm managing transit advertising.

- Cinema halls and videotapes are also used to communicate advertising messages. Commercials are shown before the film and previews, carrying ad messages from both local as well as national advertisers.

- Internet advertising is seen in many forms and as the medium matures, the variety would increase. Present day advertising on the Internet can be classified as ad banners, websites, ad buttons, sponsorships, interstitials, and classified ads.

● Mobile advertising is closely related to online or internet advertising, though its reach is far greater - currently, most mobile advertising is targeted at mobile phones.

11.8 Keywords

Bleed: When any image or element on a page (poster) touches the edge of the page, extending beyond the trim edge, leaving no margin

Blimp: An airship that maintains its form by pressure from contained gas

Personal Selling: Personal confrontation and immediate response involved

Sponsorship: Funding of event or occasion or cause etc. by companies

Transit Advertising: Ads printed on modes of transportation

Prospecting: Search for potential customers or buyers

11.9 Self Assessment

State whether the following statements are true or false:

1. In personal selling, salesmen collect all the required information in the prospecting stage.

2. Visiongain awards felicitate best mobile advertising every year.

3. 'SMS media' is also referred to as seventh mass media channel.

4. It is not advisable to use simulations while making a sales presentation.

5. In Cost per Order revenue model, revenue of advertising is based on each time an order is received.

Fill in the blanks:

6. Salesmen from banks often call us without our knowledge or prior permission, to make their sales pitch. Such type of calling is referred to as ………………

7. If the traffic count for non-illuminated posters in 24 hour is 10000, then the Daily Effective Circulation is …………..

8. Advertisements given by local advertisers on websites like Google, Yahoo and MSN are known as ……………………………

9. Selvel is a well known name in…………………..advertising.

10. …………………is an animated ad that pops up on screen while downloading a website.

11.10   Review Questions

1. What steps will you follow/are likely to follow while selling a health insurance policy to a customer?

2. Analyse the relevance of follow-up in personal selling.

3. Do you think it is logical to place billboards on the highway as people usually speed past them and there are lesser chances of them getting noticed? Give practical reasons.

4. Discuss the issues that an advertiser might face on putting up ads on websites.

5. Do you think SMS advertising should be banned as it causes inconvenience to the receivers? Discuss.

6. Personal Selling involves cultivation and direct response. Explain the statement.

7. "Outdoor advertising is one of the more permeating communications". Comment.

8. Do you like the idea of transit advertising? What are possible benefits they have? Are there any disadvantages of such advertising?

9. Compare and contrast mobile and internet advertising. Which one, according to you, is more effective?

10. Analyse the effectiveness of SMS as a means to promote brands.

Answers: Self Assessment

1.	False	2.	True
3.	True	4.	False
5.	False	6.	Cold-calling
7.	4500	8.	Classified Ads
9.	Outdoor	10.	Interstitial

11.11 Further Readings

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Unit 12: Media Planning and Strategy

CONTENTS

Objectives

Introduction

Objectives

After studying this unit, you will be able to:

- Get an understanding of print media

- Explain the use of out of home media

Introduction

In the last nearly 200 years, newspapers and magazines have remained a very important mass media for advertising. With the appearance of radio, and subsequently television, there has been some change in the reading habits of people. TV presented a combination of some very desirable characteristics, not offered by any other media, and became a primary source of entertainment, news, and other types of information for a very large number of people. Print media has successfully met the challenge posed by television because it has certain advantages not offered by broadcast media. In spite of tremendous popularity of TV as an advertising medium, newspapers and magazines command a position of significance among advertisers.

Newspapers and magazines are an important part of our everyday life and a major source of information for a large number of readers. Newspapers and magazines are available to masses at a fraction of their cost because advertising revenues from large to small advertisers support them. Without such tremendous advertising support from business firms and others, newspapers and magazines would not survive.

The role of newspapers and magazines is different in the media plan of the advertiser than television or radio. They allow the presentation of detailed messages that can be processed at the readers' own convenient pace. According to Herbert E. Krugman, newspapers and magazines are high-involvement media, because the reader is generally required to devote some effort in reading the advertising message to have some impact.

12.1 Print Media

12.1.1 Newspapers

Newspapers are the major form of print media, and the largest of all advertising media. Newspapers are quite important to national advertisers, and an especially important advertising medium to local advertisers.

Did u know? As of 31st December, 1997, the total number of newspapers and periodicals was a whopping 41,705 published in India as compared to 39,149 in 1996. The number of dailies in different languages was 4,719, weeklies 14,734, and monthlies 11,505. Newspapers are published from all states and union territories. The total circulation figure of the Indian press was 10,57,08,191 copies in 1997.

According to NRS 2005, print medium reaches over 200 million (dailies and magazines). Of these 200 million, 98 million are from rural India and 101 million are from urban India. This shows there are nearly as many rural readers as urban readers.

The primary role of newspapers is to promptly deliver detailed coverage of news and other information, and incorporate interesting features for readers. Newspapers can be classified in different ways. The following classification of newspapers is convenient.

1. *National Newspapers:* Newspapers with national circulation in India are either in English or Hindi.

    Example: The Times of India, The Hindu, The Hindustan Times and others are national English dailies. Dainik Jagran, Dainik Bhaskar, Amar Ujala, Hindustan, Nav Bharat Times and Rashtriya Sahara are Hindi national dailies.

    These newspapers have editorial content with a nationwide appeal. These newspapers mainly attract national and regional advertisers.

2. *Daily Newspapers (regional/local):* These newspapers are published daily and in some cases the circulation figures of these regional newspapers are much higher than national newspapers. They provide only brief coverage of important national news and events. There is detailed coverage of news, events, and issues concerning regional/local geographic area. Besides this, they cover business, sports, and other relevant information and entertainment. These newspapers are more popular than national dailies among both urban and rural readers because of their nearer-to-home focus.

3. *Special Audience Newspapers:* Some papers cater to the needs of specific audience groups with specialized editorial content.

    Example: Economic Times and Financial Express cater to groups in the fields of economics, industry, and finance etc.

    The editorial content is focused on information and issues related to these aspects. Pharma Plus, a weekly, interests people involved in pharmaceutical trade and selling.

Different Types of Newspaper Advertising

1. *Classified Advertising:* Classified advertising refers to advertising arranged according to product or service advertised. The ads are arranged under different heads.

    Example: Job vacancies, real estate, automobiles for sale, to let services, tuition services, placement services, matrimonial columns divided under many different types of subheads, and many others.

    Classified ads appear every day and most such ads are just text set in small type. Classified ads provide substantial revenues to newspapers.

2. *Display Advertising:* This type of advertising is seen both in newspapers and magazines and uses illustrations, photos, white space, headlines, sub-headlines, and other visual elements besides copy text. Display advertisements are the major source of revenues and may account for approximately 70% of the total advertising revenues for an average newspaper. There are two types of display advertising, national or general advertising and local advertising.

    National or general advertising refers to display advertising by marketers of branded products or services, who sell on a national or regional level. The objective of such ads is to help create and stimulate customer demand for the product or service, augment resellers' promotional efforts and encourage them to stock marketer's products. Large and medium-sized companies dealing in consumer products and services make heavy use of national newspaper advertising.

    Local advertising is often referred as retail advertising and is used by local business establishments, individuals, and other organizations to reach the consumers in the local market area served by the newspaper. Supermarkets, departmental stores, retailers, banks, schools, computer education centres and others use local display advertising.

3. *Special Inserts:* A variety of special inserts and advertisements appear in newspapers, such as tender notices, public notices, financial reports, and shifting of office etc. Before elections, political parties release ads promising many things. Ads related to social causes or public interest issues are placed in newspapers.

Advantages

1. *Penetration:* Newspapers offer an advertiser a high degree of market coverage or penetration. A high percentage of literate people read newspapers daily, both in urban and rural areas. The level of readership is very high among households with higher income and education levels. They are also the ones who generally read a national and a local daily. Some newspapers have a national daily in English and also a regional/local daily in a different language (depending on the geographical area). By making one space buy, the advertiser is able to achieve more extensive coverage and reach different segments of population with advertising message. By using daily newspapers, national or local, media planners can achieve high level of frequency in media schedule.

2. *Flexibility:* Unlike television, newspapers offer considerable flexibility in terms of accepting and running the advertisements. Most newspapers accept ads allowing a closing time of 24 hours before publication. Of course, if the ad is coloured or meant for a Sunday supplement, it would require relatively longer closing time. Advertisers take advantage of this flexibility in responding to current market conditions and reaching customers with timely messages.

Use of newspapers allows advertisers to use creative options as the ads can be produced and run in very large to small sizes, shapes, and formats. To attract readers' attention, the ads can be produced in colour, placed in the Sunday magazine section, or the newspaper may carry the ads as special inserts.

3. *Geographic and Language Selectivity:* Advertisers can take advantage of newspapers to reach selected geographic markets. They can also select newspapers published in several Indian languages, besides English. This allows them greater flexibility in reaching specific market areas by using a single or a combination of newspapers. For example, many large consumer product marketers advertise in regional/local newspapers published in different languages, besides national dailies.

   Small budget local advertisers are particularly interested in geographic selectivity or flexibility. Their customers are located within specific market or trade area and the objective is to focus their advertising on areas with existing and potential customer concentration.

4. *Reader Involvement:* People devote some time every day to reading newspapers and while they are exposed to news, entertainment, and information, their consumption decisions are also influenced by what they read in advertisements. Many consumers read ads about products in which they are interested or plan to purchase. Some go through a newspaper because of advertising it contains.

Example: Job seekers particularly purchase The Hindustan Times or Times of India on Tuesday and Wednesday.

Consumers look for ads offering attractive deals, to compare retail prices, or to learn about the new introductions in certain product categories. Newspaper ads are rated more believable than ads appearing in any other media.

Limitations

1. *Reproduction Quality:* This happens to be a major limitation of newspapers as an advertising medium. The paper quality of newspapers is called coarse newsprint, not suited to proper colour reproduction. Newspapers also lack time available to bring about fine details required in high-quality reproduction of photographs and graphics of most advertisements since they use high-speed rotary printing process. Good colour reproduction is possible only in special newspaper supplements using better quality of printing paper, such as Sunday supplements. Reproduction of high-quality colour is important when the product appearance is critical in creating an impact. High-quality colour reproduction is quite expensive and for this reason, not suited to many advertisers. When a product's visual appearance is important in the ad, the advertiser will not use newspaper advertising.

2. *Short Life Span:* Another limitation of newspapers is their short life span. Newspapers are not a leisure and pleasure medium and hence customers do not devote much time to reading them. Most people generally read newspapers as soon as they are received and then dump or throw them away. So a newspaper ad is unlikely to have any impact beyond the day it is published and any chance of repeat exposure is rather remote. Many consumers just skim through the newspaper and this increases the possibility of missing the ad or not paying attention to most ads.

3. *Limited Selectivity:* As discussed earlier, newspapers can offer geographic selectivity but beyond this, they are not a selective medium in terms of demographics and life-style characteristics. Most newspapers have wide circulation and reach many different customer groups making it difficult for an advertiser to concentrate on any specifically defined target segment.

4. *Clutter:* Like most other media, newspapers also suffer from advertising clutter. An average newspaper contains many advertisements that compete for consumers' attention and interest. Because of colour reproduction limitations, almost all the advertisements are in black and white and it is often difficult for a newspaper advertiser to break through this clutter.

Purchasing Newspaper Space

Newspapers do an excellent job of reaching a very large number of households in a market area. The media planner must understand the size and nature of the audience reached by a newspaper in evaluating its suitability for a particular campaign. Circulation figures alone help assess the value of newspapers and their ability to cover various market areas. But the media planner is also interested in matching the characteristics of a particular newspaper's readers with the profile of the potential customers of the advertiser's product or service.

Depending on the newspaper's image and circulation figures, space rates vary. Generally, the rates of national dailies are higher than local newspapers. Newspaper advertisers have three basic ad space rate options:

1. Open rates

2. Contract rates, and

3. Flat rates

Among all the three rates, Open rates are the highest quoted for national advertisers and are applicable only for a single insertion. Contract rates are lower than open rates and are offered to advertisers who plan to run a series of advertisements in a particular newspaper over a period of time, which is usually one year. For some reason, if the advertiser or the advertising agency entering such a contract fails to meet the schedule of ads, the newspaper charges the higher open rates for the used ad space instead of the contracted rates. The Flat rates of newspaper space refer to a standard advertising rate, where no discounts are offered for large-quantity or repeated space buys.

The basic rates of newspaper space are quoted as run of paper (ROP) rates. ROP means the paper can place the advertisement on any page or in any position it likes. Newspaper space rates may vary with an advertiser's request for preferred position or colour. Most newspapers try to place an ad as requested by the advertiser, but to ensure that the ad is placed in a specific section and/or position on a page the advertiser has to pay a higher preferred position rate. Likewise, the rates for colour advertising are much higher which is available on a ROP basis with many national and regional/local newspapers.

Notes The code of standards prescribed by Indian Newspaper Society (INS) for all members is:

1. Society members shall not favour direct advertisers by giving them better facilities, such as lower rates, longer credit periods, preferential positions, commission, discounts, etc.

2. Agencies not accredited, or a canvasser, shall not be allowed a commission of more than 10%.

Contd...

3. Member-papers shall take all reasonable precautions to ensure that the advertising accepted by them is legal, clean, honest and truthful, and that such advertising is in respect of reputable goods and services.

4. The Society has a system of granting accreditation to advertising agencies, and only such agencies are entitled to certain privileges.

12.1.2 Magazines

The magazines published in the later half of the nineteenth century were targeted at special interest audiences and carried very little advertising. Most magazines of this time were either literary, or religious in content. Before the advent of radio, magazines were an important advertising medium for many businesses.

Magazines are considered as the most specialized of all the advertising media. The magazine industry has often been described as "survival of the discriminating." The number of magazines has increased steadily to serve the educational, informational, entertainment and other specialized needs of consumers, business, and industry.

Example: There are some general interest magazines with mass appeal, such as India Today, Reader's Digest, Outlook, The Week, and Frontline, but most magazines are targeted at specific interest audience in terms of demographics, interests, activities, life-style, or fascination.

Example: Femina, Society, Savvy, Grihshobha and Women's Era are women's magazines targeted at specific audience segments based on demographics and life-style. Business India, Business Today, Business World, and Intelligent Investor target audiences interested in business and investment.

As pointed out earlier, the role of magazines is different in the media plan of an advertiser. Magazines allow the presentation of detailed ad messages along with beautiful reproduction of photographs, graphics, and colours. Magazines are comparatively a more high-involvement form of print medium than newspapers, as they are read in a leisurely manner and are not dumped or thrown after reading as happens in case of newspapers.

Consumer Magazines

These magazines are bought and read by general public for entertainment or information. Consumer magazines represent the major part of the magazine industry and attract the largest share of total money spent in magazine advertising. This group of magazines is particularly suited to advertisers who want to reach general consumers of products and services and are also very suitable to reach specific target audiences. The most frequently advertised product categories include cosmetics and toiletries, laundry products, dress materials, fashion garments, consumer durable goods, and business and consumer services. Magazines of this class can also be put under categories, such as:

1. General interest magazines (*India Today, Reader's Digest, Front Line, Outlook*)

2. Women/life-style magazines (*Femina, Savvy, Women's Era, New Woman*)

3. Glamour magazines (*Gentleman, Debonair, Fantasy*)

4. Film magazines (*Filmfare, Stardust, Cine Blitz, Screen*)

5. Special interest magazines (*Auto India, Digit, Competition Success Review*)

Advertising scene in consumer magazines is dominated mostly by large national advertisers, but they are also important to smaller firms dealing in specialised products and services, such as mosquito repellents, hand-made paper, specialised protective lighting equipment for computer users, slimming and beauty care services etc. Special interest magazines target groups of audience with similar interest or life-style and attract advertisers who desire to reach them efficiently with little waste circulation. For example, developers of computer games would do well by advertising in Computer Gaming World. Marketers of herbal beauty care products would find women and glamour magazines more suited for advertising. The editorial content of such specialised magazines is very appropriate in creating a suitable advertising environment for related products and services.

Business Publications

Business magazines include publications such as trade journals meant for specific businesses, industries, or occupations. They are different from consumer publications and are distinguished by the editorial focus. The readership is mainly composed of business managers and executives, businessmen, and business schools, etc. Business publications can be grouped in the following categories:

1. General business publications

2. Professional publications

3. Trade publications

4. Industrial publications

5. Institutional publications.

Example: There are several business publications focused at different target groups such as Indian Trade Journal, Industrial Product Finder, Purchase, Chemical Product Finder, Fertilizer, Journal of the Institute of Engineers, British Medical Journal, Management, Harvard Business Review, Fortune, Data Quest, Business Today, Advertising Age, Popular Photography etc.

The issue frequency ranges from weekly to monthly, or even quarterly. These publications are focused on professional people within a particular field of interest and provide relevant information about occupation, careers, or industry. These business publications are important to advertisers in reaching a precisely defined target market, such as decision-makers in business and industry, or industrial buyers.

Advantages

Some characteristics are peculiar to magazines and make them very attractive to advertisers as a medium. The advantages include their selectivity, excellent reproduction quality, creative flexibility, permanence, prestige, high involvement of readers, and services they offer to advertisers.

Selectivity

A major advantage of magazines as a medium is the selectivity or their ability to reach specific target audience. Except for direct mail and the Internet, magazines are considered as the most selective of all media. Usually magazines are published for audiences with special interests. For example, within the last few years a number of new magazines have been introduced which are targeted at new interests and trends such as, Computer Gaming World, Digit, and Computers @ Home, etc. as a result of increasing usage of computers and popularity of electronic games played on computers.

Other than interest-based selectivity, magazines offer demographic selectivity and can reach specific target segments because of their editorial content and focus on well-defined demographic characteristics.

Example: Femina and Women's Era are the magazines that mainly women read. A significantly large number of readers in this category lie in the 25-34 age group. Men predominantly read Cricket Today and Sportstar. A very high percentage of students in the age group of 19-24 read Competition Success Review. Film magazines are read by a large number of teenagers in the age group of 15-19 years.

Magazines also offer geographic selectivity. More people in south India read India Today, Filmfare, Readers' Digest than in east Indian states. Saras Salil, Grihshobha and Manohar Kahaniyan draw a high percentage of readers from the Northern region. Geographic selectivity permits the advertisers to target ads in certain cities or regions.

Reproduction Quality

From advertisers' point of view, a highly desirable and valued attribute of magazines is the reproduction quality of advertisements. Magazines are generally printed on high-quality paper. The printing processes used are modern and provide equally superior reproduction both in colour and black and white. This is quite an important feature for a visual medium like magazines, because photographs and illustrations are often a dominating part in ads. The reproduction quality, in almost all the respectable magazines is far too superior compared to what is offered by newspapers, particularly in colour. Special newspaper supplements are an exception, which are produced on superior glossy paper. Use of colour in ads is particularly important for advertisers when a product's visual elements are important in creating an impact.

Creative Flexibility

Advertisers can take advantage of a great deal of flexibility in terms of the type, size, and placement of advertising material in magazines. There are options of special facilities that help advertisers in making the ad more noticeable and readable, such as gatefolds, bleed pages, and inserts. Multiple-page advertising in magazines takes many forms. The most common advertising of this form uses two-page or three-page spread and inserts. A spread increases the impact of the message and removes any competition of reader's attention.

Gatefolds' is a form of multiple-page insertion and uses a third page, which folds out and gives the ad extra-large spread. It is used by advertisers to make a striking presentation and are often found at the inside cover of magazines, or on inside pages. BPL has used gatefolds on the inside pages of some issues of Reader's Digest for ads of its televisions. Raymonds, Canon, and Wipro also have used gatefolds in Reader's Digest. India Today also now carries gatefolds. Gatefolds are expensive and must be booked well in advance. Only a limited number of magazines offer the facility of gatefolds as they can add to the bulk of magazine.

In case of bleed pages, the ad extends all the way to the edge of the page without leaving any margin of white space surrounding the ad. Bleed creates an impression about the ad that it is larger and produces a dramatic effect. Most magazines charge some extra percentage for bleeds,

Other than gatefolds and bleed, creative options through magazines include unusual page sizes and shapes. Occasionally one comes across unique ads that jump off the magazine pages. These are complex three-dimensional pop-up ads that attract the reader's immediate attention.

Inserts of different type include return cards, booklets, CDs and coupons, etc. Taking a cue from magazine advertisers of developed countries, probably the time is not far off when magazine

advertisements might occasionally include samples of certain products, such as fragrances, or deodorants whose scent is important. All these techniques in magazine advertising are attempts to breakthrough the advertising clutter and grab the attention of readers.

Permanence

As mentioned earlier, a limitation of newspapers is that they are generally dumped or thrown after being read. Similarly, TV and radio ads typically deliver fleeting messages that have a very short span of life; only magazines are an exception in this regard.

People generally read magazines over several days and retain them at home for reference longer than any other medium. Many readers refer to magazines on several occasions and can be exposed to ads on multiple occasions. Often more than one family member reads a magazine and these are also passed on to friends and acquaintances. Magazine reading is less hurried and offers an opportunity to examine any ad more thoroughly. For ads of expensive, complex, risky, or ego-intensive products or services, which are categorised as high-involvement informational or transformational, advertising can use long and detailed copy to communicate effectively with consumers.

Reader Involvement

Readers generally purchase magazines for their information value. The ads furnish additional information about products and services that may prove to be valuable in making purchase decision. The more highly educated a reader, the more thorough is the reading of magazine. Reader involvement is related to the credibility and content relationship readers develop with their preferred magazines. Unlike ads in broadcast media, magazine ads are non-intrusive and the reader can always ignore any of them without effort. Magazines are considered as a more reliable source of information and consumers read ads with interest.

Limitations

As an advertising medium, magazines offer many valuable advantages to advertisers, but despite many advantages there are problems that must be considered by media planners. These problems include high costs of advertising, their limited reach and frequency, long lead-time for placing the ads, and the problem of increasingly heavy advertising competition and clutter.

High Costs

Magazines are among the most expensive media on CPM basis and in a valued mass-circulation magazine, such as India Today or Reader's Digest, advertising can be quite expensive. Many advertisers use quality magazines as a niche supplement in their media schedule. The cost of ad space in magazines varies according to the size of audience they reach and the degree of selectivity. Advertisers with limited budgets may be interested in the absolute costs of ad space and costs of producing quality advertisements for such publications.

Limited Reach and Frequency

Quite a few magazines in India (both Hindi and English) have higher circulation figures than English dailies. Magazines published in English have their reach in all the regions. Hindi and some regional-language magazines have large circulation but their readership is confined to certain regions only. To reach a broad market area, media planners must make media buys in a number of magazines. If media strategy is based on broad reach, magazines are used in combination with other media. A large number of magazines are either monthly or fortnightly

publications; the scope of building ad frequency is limited. Magazine advertising is a good supplement to TV and newspaper advertising and is also good for reaching special interest target groups who cannot be reached efficiently with television.

Long Lead-time

Magazines do not offer the spontaneity of newspapers and radio. The lead-time between when advertising material must be submitted and when it will run is sufficiently long. A magazine advertisement may take four weeks or more to run after the advertiser submits it. Artwork and preparing colour plates is a time-consuming process and takes weeks. Any revisions or changes in colour ads of magazines are difficult and more time-consuming. Long lead-time means that magazine ads cannot be as timely as with other media and make it difficult for the advertiser to react to current conditions in the market.

Competition and Clutter

It is interesting to note that as the success and circulation of a magazine increases, it attracts more advertising. This creates much competition and causes clutter. Clutter makes it difficult for advertisers to gain readers' attention and involve them into the advertising message. Due to this reason, many magazine ads use unusual visual images, catchy headlines, and unique creative techniques to arrest the readers' attention and involvement in the ad.

Magazine Elements

The page size of a magazine is the type area, and not the actual page. The standard size of magazines means roughly about 10 by 8 inches, such as India Today, or Digit, and small size is about 6.50 by 4.75 inches, such as Reader's Digest.

Ad space in magazines is generally sold in terms of full pages, half-pages, quarter-pages, or smaller fractions, such as three columns or one column. Magazines are generally flexible and allow one page or double page ads to be divided into separate units.

Advertisers consider right-hand pages at the front of the magazine as the ideal for ad placement. Magazine covers draw the highest readership levels. The inside of front cover is called second cover, the inside of back cover is the third cover, and the back cover is referred as fourth cover. Magazine cover positions are sold at a premium to advertisers. Studies show that compared to an inside page ad in a magazine, second cover achieves about 30% more attention, and the third and fourth covers attract almost 22% more attention.

Colour is an important element in magazine advertising and significantly improves the readership of ads. Depending on the ad size and use of colour, both can add much value to advertising. Large ad space allows more creative flexibility and is especially suited to products or services requiring long copy. A four-colour ad attracts more attention than a two-colour ad and increases readership by almost 40%, while a two-colour ad has been reported to be of limited value by most studies.

Circulation and Readership

Circulation figures of magazines indicate the number of individuals who get the magazine either through subscription or purchase from stores. Primary circulation of a magazine refers to the total number of copies sold to subscribers and bought by others from magazine vendors. Primary circulation is the basis for rate structure of a magazine. Circulation figures fluctuate from issue to issue of all magazines. Rates are based on a set average figure below which, the circulation is unlikely to fall.

The credibility of circulation figures is important in selecting a magazine. NRS and IRS collect and report circulation data of all major publications. Audit Bureau of Circulation (ABC) also collects and evaluates information regarding subscriptions and sales of member magazines and newspapers and certifies the size of their print orders.

Verified circulation figures (by Audit Bureau of Circulation) provide media planners with reliable data to evaluate the worth of any publication as a media vehicle. Most advertisers believe that readers who are subscribers of a magazine are more likely to read it as well. Non-verified circulation figures of magazines are generally considered to be less reliable and media planners are inclined to be skeptical and avoid buying space in such publications.

Advertisers are often interested in pass-along readership figures of different magazines. These figures, if available, indicate how many people read a magazine without purchasing it. This occurs when the primary subscriber or purchaser passes-along a magazine to other person, or when a magazine is read in libraries. Pass-along phenomena can greatly expand the readership and should not be completely discounted. At an average if just two persons read one copy of a magazine, then the total readership figure of that magazine doubles. Primary circulation figures are more relevant and valuable because these indicate the primary in-home readers who most likely spend more time with the publication, and are exposed on more occasions to ads than others.

Both NRS and IRS provide data for urban and rural India. NRS data also includes lifestyle parameters, such as type of home, cooking habits, children's medium of education, transportation used for traveling to work, entertainment, and travel etc. Advertisers are greatly interested in the demographic data and lifestyle patterns of various population segments to make more focused selection of media vehicles.

Buying Magazine Space

The rates of magazine space depend primarily on circulation figures. Other elements that affect the cost are size of the ad, and its position. As mentioned earlier, gatefolds, bleeds, and cover positions cost much more than inside pages. Volume discounts are permissible to advertisers on the total space purchased within a contract year. The space rates can also vary depending on the number of times an advertiser runs the ad.

Task Collect five magazine ads for different products. Analyse why the advertisers chose magazine and not newspapers.

Caselet **Print ads Score Over TV for Womenswear**

–by Ratna Bhusan

Television advertising may be the FMCG industry's hot favorite, but when it comes to the ready-to-wear industry, the scales are tipped in favour of print advertising. Top-line findings of a research study by Images magazine, covering a sample of 891 working women across 12 cities, reveal that when it comes to influencing ready-to-wear purchase decisions of working women, print rules and television comes a very distant second.

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According to the study, 62.6 per cent women profiled said that they were sometimes influenced by print media ads for their garment purchase decisions, 13.1 per cent were "often influenced" and only 22.2 per cent were never influenced by print ads. And here is a reality check for the electronic media. As many as 32.3 per cent respondents said that they were never influenced by TV ads. Also, over 60 per cent of the respondents profiled said that they never took notice of television soaps and celebrities. At par with the print media ads was the influence of point of purchase (PoP) ads, seasonal discount sales, and other below-the-line promotions by brands and retailers. Up to 8.1 per cent working women said that communication such as this always influenced their purchase decisions, while 26.3 per cent said were often influenced. The study added that salwar-kameez is the most preferred attire for the workplace, Allen Solly is the leader in formal shirts, Benetton leads among T-shirts, Scullers is the favourite brand in trousers, and Levi's the most popular jeans. The career profiles of the respondents, between 21 and 45, ranged from top-level professionals to entry-level executives. The monthly income of the respondents ranged from ₹ 10,000 to over ₹ 1 lakh.

According to the study, the country's apparel market is estimated to be worth ₹ 49,300 crore, growing at about 13 per cent annually. Womenswear constitutes roughly 37.5 per cent this market, which includes the ₹ 8,232-crore saris market, the ₹ 4,423-crore market for ethnic wear, and the ₹ 738-crore market for western wear. Besides, a sizeable market exists for jeans, lingerie and intimate apparel. A large part of this market remains unbranded.

Source: thehindubusinessline.com

12.2 Out of Home Media

Outdoor advertising is usually used as a supportive medium by most national advertisers and includes billboards, hoarding, posters, wall paintings, and transit advertising, etc. Outdoor advertising can generate considerable reach and frequency levels at a fraction of the cost of mainstream media.

Advantages and Limitations

Outdoor medium combines high levels of reach and frequency at low CPM costs, and a colorful presentation of products to audiences already in the marketplace. It offers the advertisers the last opportunity to remind and influence the consumer prior to purchase.

The audience of outdoor advertising doesn't have to spend either the money or the effort to see the ad. They are there, inviting anyone and everyone to come and see them, not just once but repeatedly as long as they are there.

1. *Audience Delivery:* Outdoor advertising maximises both reach and frequency. It is estimated that with proper placement, a moderate outdoor campaign reaches 75% adults in a market at a minimum of 15 times in a 30-day period. This level of exposure is beyond any other medium. The sheer size of outdoor ad makes it noticeable.

2. *Geographic Flexibility:* Outdoor advertising is highly flexible and can be placed almost anywhere the law permits. It can be placed near stores, on buildings, along city roads, on mobile billboards, and highways etc. Outdoor can conveniently cover local, regional, or national markets.

3. *Continuity:* Outdoor advertising provides 24-hour coverage and cannot be turned off or ignored like any other media. Exposure to outdoor media is not dependent on audience habits, there is no zapping or zipping; it cannot be put aside or left unopened. The outdoor ad message is always working for the advertiser.

4. *Efficiency:* From a cost point of view, outdoor advertising is the most efficient of all mass media on a CPM basis.

5. *Creativity:* By combining colour, art and short copy, outdoor advertising can quickly generate an association with a particular brand. If a billboard is placed at a busy point, audiences see the ad again and again. The more frequently the idea is repeated, the more likely it is to be retained.

Outdoor advertising has certain limitations. The major ones include:

1. *Limited Message Capabilities:* Outdoor copy must be brief since it is perceived while the audience is mobile and the exposure time is short. The messages are limited to just a few words. Lengthy appeals are unlikely to be registered to have any impact.

2. *Waste Coverage:* Generally the purchase of outdoor results in high levels of wasted coverage because not everyone driving or walking past a billboard is part of the intended target audience.

3. *Limited Effectiveness:* A number of uncontrollable factors may lessen the effectiveness of outdoor ads, such as trees, structures and traffic signals may distract the audience.

4. *Message Wear-out:* Because of high frequency of exposures, outdoor advertising can lead to quick wear-out effect.

5. *Public Criticism:* Various public interest and environmental groups criticise outdoor billboards and posters etc. claiming that they are an eyesore, nuisance, and often a cause of road accidents.

Case Study

'Electrifying' OOH innings for Mumbai Indians

Mumbai Indians, one the strongest team and the favourites of DLF IPL 2011 has launched an innovative outdoor campaign in Mumbai. The campaign has been rolled out to reach 'Mumbaikars', asking them to come together to cheer for their home team. For the execution of the campaign, the company vested its outdoor advertising duties with Alakh Advertising & Publicity which worked closely with in-house advertising agency of Mumbai Indians, Vibrant Advertising.

The campaign has been executed in two phases - first, it was a teaser campaign, followed by the main campaign. The teaser was done for a week with some of the individual players of the Mumbai Indians team diving, snatching and playing a shot etc. using cut-outs and 3D technology. This was executed just a day before the world cup final and was aimed to garner more eyeballs in the wake of India-Sri Lanka Final.

Following that, the main outdoor campaign has been executed where the whole team has been showcased in the creative using 3D technology. The campaign will continue for a month.

Commenting on the campaign, Nikhil Dave, director, Vibrant Advertising Pvt. Ltd, said, "Mumbai is the hub for outdoor advertising. When any brand plans to advertise in Mumbai, one cannot do without outdoor medium. It is the main and the best medium to communicate which offers sustainability. And outdoor made more sense as seven of the matches were scheduled to be played in Mumbai.

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He further stated, "The idea was to showcase the new team and new players of Mumbai Indians and to create buzz around it. We are the first IPL team to advertise through this medium."

The company briefed the agency to cover Mumbai, execute some innovations and introduce the new team of Mumbai Indians to the city.

Neeta Gulati, director, Alakh Advertising & Publicity, said, "The client wanted to get as much support for the local team as we could get. Maximum reach was planned and all types of media taken to get maximum support. The team spirit was aroused by painting trains getting shelters and hoardings as a mix.

To be present every in Mumbai and going in line with the stated objective of the client, the agency has used hoardings, bus-shelters, train painting and double decker bus wraps.

This campaign is another demonstration of the fact that outdoor advertising delivers extremely high value for localised campaigns that are targeted at an audience within a limited geographical spread.

Question

What can be possible benefits of such an initiative to the brand Mumbai Indians?

Source: www.network2media.com

12.3 Summary

- TV presented a combination of some very desirable characteristics, not offered by any other media, and became a primary source of entertainment, news, and other types of information for a very large number of people.

- Print media has successfully met the challenge posed by television because it has certain advantages not offered by broadcast media. In spite of tremendous popularity of TV as an advertising medium, newspapers and magazines command a position of significance among advertisers.

- Newspapers are the major form of print media, and the largest of all advertising media. Newspapers are quite important to national advertisers, and an especially important advertising medium to local advertisers.

- National, Daily/regional and special audience newspapers from the types of newspaper media. There are different types of newspaper advertising like classifieds, display ads and special inserts.

- Newspapers have a greater coverage, flexibility, penetration and reader involvement. However, it also suffers from few limitations like limited selectivity, limited life span and poor reproduction quality.

- The media planner must understand the size and nature of the audience reached by a newspaper in evaluating its suitability for a particular campaign.

- Magazines are considered as the most specialized of all the advertising media. The magazine industry has often been described as "survival of the discriminating." The number of magazines has increased steadily to serve the educational, informational, entertainment and other specialized needs of consumers, business, and industry.

- Consumer magazines represent the major part of the magazine industry and attract the largest share of total money spent in magazine advertising. This group of magazines is

particularly suited to advertisers who want to reach general consumers of products and services and are also very suitable to reach specific target audiences.

- Business magazines include publications such as trade journals meant for specific businesses, industries, or occupations. They are different from consumer publications and are distinguished by the editorial focus.

- Circulation figures of magazines indicate the number of individuals who get the magazine either through subscription or purchase from stores. Primary circulation of a magazine refers to the total number of copies sold to subscribers and bought by others from magazine vendors. Primary circulation is the basis for rate structure of a magazine.

- Outdoor medium combines high levels of reach and frequency at low CPM costs, and a colorful presentation of products to audiences already in the marketplace. It offers the advertisers the last opportunity to remind and influence the consumer prior to purchase.

12.4 Keywords

Bleed Pages: Ads that extend to the edge of the page without any margins

Classifieds: Advertisements arranged as per product or service class

Coarse Newsprint: Paper quality of newspapers, not suited for apt color reproduction

Gatefolds: Use of 3rd page in magazine ads which is folded and can spread out

Open rates: Highest quoted and rates for single insertion in newspapers

Primary Circulation: Total magazines copies sold, to subscribers and by vendors

Run of Paper Rates: Basic rates for newspaper space

Special Audience Newspapers: Caters to special editorial needs; economic times etc.

12.5 Self Assessment

State whether the following statements are true or false:

1. Magazines can be more effective than television while targeting premium class.

2. Hindustan Times City is a special audience newspaper.

3. Newspaper advertisements have a shorter lifespan than any other media.

4. ABC electronics want to print one advertisement daily in a local newspaper for one month. Rates most suited to them will be flat rates.

5. Out-of-home media can generate more reach and frequency than any other media form.

6. Everyone who is walking past a billboard is a part of target audience of the advertiser.

Fill in the blanks:

7. Economic Survey of India is a kind of ……………………………..

8. Products like perfumes, cars, insurance, watches are …………………………… products which can use a long copy ad to communicate with audiences.

9. Size of a Filmfare magazine page is roughly about…………………

10. Times Ascent comes under the category of…………………….newspapers.

11. ………………………publications are the best way to communicate the product to the industry men and executives.

12.6 Review Questions

1. "With the appearance of radio, and subsequently television, there has been some change in the reading habits of people". Comment. What changes have you seen in yourself and your family members?

2. "In spite of tremendous popularity of TV as an advertising medium, newspapers and magazines command a position of significance among advertisers". Do you agree? Give reasons for your answer.

3. Suppose you are the advertising manager of a pharmaceutical firm. How will you go about giving your ads in newspapers, if you want to cover the entire Northern India?

4. The magazine industry has often been described as survival of the discriminating. Why do you think it is so? What benefits can you see as an advertiser if you want to give your ad in magazines?

5. What do you think can be the reason behind the gatefold, bleed page and pop up ads in magazines? Are they more effective than simple ads?

6. Analyse the advantages of newspaper advertising vis-à-vis the limitations.

7. How is advertising in newspapers different from advertising in magazines? Which one is more effective?

8. Suppose you have to promote a rock concert which is going to take place in your city soon. You are required to place an ad in newspapers informing people about the event. Which type of newspaper would you choose to promote the event and why?

9. How can the use of colours affect an advertisement in a newspaper?

10. Examine the relevance of out-of-home media as a supportive medium.

Answers: Self Assessment

1.	True	2.	False
3.	True	4.	False
5.	False	6.	False
7.	Business Publication	8.	High Involvement/Ego-Intensive
9.	8 x 10	10.	Special audience
11.	Business		

12.7 Further Readings

Books Batra, Aaker and Myers, *Advertising Management*, Pearson Education.

Kruti Shah and Alan D'Souza, *Advertisement and Promotions – An IMC Perspective*, Tata McGraw Hill.

SHH Kazmi and Satish K Batra, *Advertising and Sales Promotion*, Excel Books, New Delhi.

Notes

Online links www.emarketer.com/Article.aspx?R=1007251

      www.financialexpress.com/...advertising-strategy/514151

      www.oapindia.com/

      www.printadvertising.com

Unit 13: Broadcast Media and Media Planning

Objectives

After studying this unit, you will be able to:

- Get an understanding of broadcast media

- Discuss how media plans are developed

Introduction

Television and radio are considered as intrusive because the ads appear and go and the audiences have no control over the pace.

Despite its late start, television has taken off and has emerged as the premier mass medium and is well placed to close the gap with the press with respect to advertising revenue and financial clout. Terrestrial television is exclusively Doordarshan; satellite television, on the other hand, is largely non-Doordarshan.

Apart from discussing about broadcast media. This unit also covers steps improved in media planning.

13.1 Television

Television is believed to be the most authoritative, influential and exciting medium, reaching very large audience. It is basically an entertainment/information medium and usually viewed by the entire family. It is often said that television is the ideal medium for advertising because of its ability to combine visual images, sound, motion, and colour, and achieve viewers' empathy. These characteristics present the advertiser with maximum opportunity to develop the most creative and imaginative ad messages than any other medium. However, in spite of several advantages over other media, television does have certain problems that limit or even prevent its use in specific situations.

Advantages

Creativity and Impact: The greatest advantage of TV is its ability to present the advertising message in the most unique way. The integration of sight, sound, motion, and colour offers extraordinary flexibility to make dramatic and lifelike portrayals of products and services. The commercials can effectively communicate an image, or mood associated with the brand. The commercial also can help build an emotional association, or creating entertaining messages that might make an otherwise unexciting and common product seem to be interesting. Television is quite adept at communicating humorous, serious, realistic, or tongue-in-cheek commercials.

If the nature of product is such that a demonstration would convey the ad message more effectively, TV is the most suitable ad medium. The print ads of products, such as autos, TVs, and microwave ovens, etc. can show the product and provide information about their features and benefits, but a TV commercial can put the audience in a position to virtually sense driving or operating the gadget. This can definitely lead to an impact not possible by any other advertising media. People generally rate television as the most credible source of information. Advertisers gain a qualitative edge because television enjoys the most positive image of all media.

Coverage and Cost Effectiveness: Advertising on television makes it possible to reach a large number of audiences. Television is a home and family entertainment medium. Regardless of location, income, age, sex, or educational level, most people watch at least some TV. A significant number of audiences watch TV programmes on a regular basis. Television is credited as being the single biggest factor in opening up the huge rural market for a variety of consumer products. The simple rural people of India realised that there is a world outside, very different in many ways. Television has been instrumental in raising the level of aspirations of the Indian middle class.

Advertisers selling products and services appealing to broad target audiences find that by using television they can reach mass markets in a cost-effective manner. This is a major reason that television has become a particularly popular medium among advertisers of mass consumption products.

Example: Companies having intensive distribution arrangements for their products, such as HLL, Procter & Gamble, Coca-Cola, Pepsi Co, Nirma, and OTC (Over-the-Counter) remedies etc., use TV advertising to reach large audiences at a relatively very low cost per thousand.

Attention: Television commercials are intrusive in nature as they are imposed on viewers while watching their favourite programmes, and except for those viewers who make deliberate effort to avoid them; they are exposed to thousands of commercials each year.

Those who don't avoid are exposed to many advertising messages and quite likely to pay some attention. Readers can recall the high frequency of some TV commercials, such as those of soft

drinks, deodorants, shampoos, face creams, toothpaste, soaps, OTC remedies, and many detergents, etc.

Selectivity and Flexibility: A frequent criticism of television as an advertising medium is that it lacks selectivity because it cannot reach a specific target audience. This criticism has only limited value. Television offers some selectivity through regional coverage, broadcast time and programme content. Doordarshan's satellite based regional services cater to eight states in the language of the state.

Example: Programmes such as Disney Hour, Sunday Disney (Zee TV), Top Gear, Wheels (BBC), Job Shop, Style Police (Channel V), etc., cater to different classes of audience. ESPN, Star Sports and DD Sports are particularly popular among the young male population and sports enthusiasts. Doordarshan and Bhaskar TV show educational programmes specially meant for students. IFB Star Sunday Lunch (Star Plus) appeals heavily to homemakers.

Advertisers are refining their audience coverage by appealing to groups with specific interests, such as news, sports, music, etc. Animal Planet (Discovery channel) focuses solely on animal and nature lovers. Commercials can be scheduled to take advantage of festive seasons and special occasions such as Diwali, Christmas, World Cups, Tennis Grand Slams and many other occasions. Men constitute the primary market for Gillette products and for this reason Gillette sponsors the World Series of baseball and advertises heavily. Likewise, marketers of famous brands of sports gear sponsor many sports events.

Limitations

Costs: Though television offers unsurpassed creativity and reaches large audiences, it is an expensive medium to advertise. Besides the high cost of media time, the costs of producing good quality commercials are quite high.

Did u know? The cost of 60-second Macintosh commercial during Super Bowl 1984 was $500, 000.

Besides the airtime costs, considerable costs were involved in producing the commercial. Even local ads can be expensive to produce and often are not of high quality. High costs associated with TV advertising discourage small-budget companies.

Lack of Selectivity: Advertisers, who are interested in delivering their message to a very specific, narrowly defined, often small, target audience, find that TV leads to overexposure, reducing its cost-effectiveness. For example, it would be difficult to reach only the vegetarian population. Any TV commercial is bound to extend far beyond the target audience. Though, advertisers are attempting to improve selectivity, yet TV still does not offer as much selectivity as radio, magazines, newspapers and direct mail. In terms of flexibility, lead-time for national and other major programmes can be a limitation as best time programmes are often sold nearly four to six months in advance.

Short-lived Message: Most TV commercials last for 30 seconds or less and just about a single sales appeal can be presented in this duration. Besides, nothing tangible is left for the audience to examine or consider. The commercial appears to be a fleeting moment in time. Commercials are becoming shorter and shorter because of the increasing demand for a limited amount of broadcast time. Increasing media costs are forcing advertisers to consider shorter commercials as the only way to keep their media costs in line. Advertisers think that by using shorter commercials they can manage additional spots to reinforce the message or reach a larger audience. Many of them even believe that shorter commercials can deliver an ad message just as effectively as the longer ones at a considerably reduced cost.

Notes

Clutter: A commercial may face trouble being noticed for a number of reasons, such as fleeting messages, shorter commercials, non-programme material presented during commercial break, and because the advertiser's message is only one of many other spots. For any TV programme, the number of viewers decreases during commercial breaks. If the number of commercials increases, the viewing audience decreases for the duration. Advertisers are more interested in placing their commercials during popular TV programmes leading to insertion of many short duration spots and causing more clutter. It is easy to understand why the viewer gets confused or often annoyed and unable to recall or clearly identify the advertised product or service.

Limited Attention by Viewers: Buying time on television does not guarantee exposure. It only offers the advertiser an opportunity to communicate the ad message to a large number of audiences. As already mentioned, the size of the programme viewing audience decreases during a commercial break. Viewers move away from the TV set for one or the other reason to avoid seeing commercials.

With the increase in the number of commercials, getting audience to pay attention is becoming an increasingly powerful challenge. Audience members find themselves comfortably armed with remote controls that make zapping and zipping convenient.

Notes Zapping refers to changing channels to avoid commercials. John J. Cronin's observational study found that in the US, as much as a third of programme's audiences may be lost to zapping when commercials appear. Probably, the incidence of zapping in India would not really be very different either.

Zipping refers to fast-forwarding through commercials as they appear when viewing a previously recorded movie or some other programme. Another study by John J. Cronin found that most viewers watching previously recorded programmes fully or partially zipped commercials.

13.1.1 Buying TV Time

Television is not a homogenous medium and reaches a variety of audiences. Television is a constant companion to some users; to others it is a source of news or occasional entertainment. It is complex medium that occupies so much of audiences' time and substantial amounts of advertising money.

There is no strictly uniform method of buying TV time across countries. Television networks mainly function as suppliers of programmes to local stations. They sell commercial time to offset their costs of buying shows and pay a fee to stations to carry their programming.

Buying Network Time

Network television advertising is concentrated among few large advertising agencies and advertisers who spend huge sums of money. There are three basic elements to buying TV network time:

1. *Negotiation:* There are no rate cards, unlike most other media, for network television advertising. Buying agencies and networks bargain to reach a cost figure for the upcoming schedule. Agency comes to the bargaining table with a fair idea of what level of cost per rating point they can pay, because the difference of just a few rupees per rating point is significant when the agency is buying hundreds of commercials. Networks too have some gross monetary figure in mind for their upcoming schedule. Each party knows that there

will be some give and take. These negotiators are quite experienced and know the parameters within which the final deal will be struck.

2. *Scatter Plans:* Networks offer agencies a list of programmes with predicted household and demographic ratings. Agencies are greatly interested in placing the commercials of their clients in the most popular shows that meet the predetermined demographic criteria. The negotiations for highly rated programmes are tough. Consequently, commercials during major sports events command a higher cost.

3. *Availability:* TV commercial time is limited, particularly on highly popular programmes. While negotiating with agencies or advertisers, a major issue for networks is to spread out the select spots in the scatter plans of their largest and most important clients. It is a major exercise because the number of potential advertisers is more than the number of premium spots. A situation may arise that the advertiser wants to buy a spot, but it may not be available. In such situations, the advertiser's total investment on a particular network and the price the advertiser is willing to pay are taken into consideration. Scatter plans allow the networks to reach an agreement with agencies to place commercials across their total schedule, whereby each advertiser has to accept some relatively low-rated but demographically acceptable spots in order to get the choice spots.

13.1.2 Spot Television

When national advertisers buy local station time, this is known as spot buys. It is also referred by other names, such as spot advertising or spot television. Network schedules offer blanket coverage; spot advertising is meant for certain market covered by the station. There are two types of spot advertisers; those that use spots adverting only, and others who use spots to augment their network buy. Some major reasons for using spot advertising are:

1. *Inadequate Budget for Network or Uneven Product Distribution:* Often some national companies lack the funds to purchase time on national TV basis, and by intelligent buying of spots in markets where they can get maximum returns; they can compete more successfully in selected areas. Often products have uneven distribution and national coverage creates unacceptable waste coverage.

2. *Targeting Geographic Markets:* Brands often do not have a consistent sales pattern in every market. Spot advertising offers the advantage of building local TV weight in markets with most potential and complementing the national advertising effort.

3. *Local Identity:* Audiences in different markets have unique viewing habits and tastes and networks cannot deal with these aspects easily. Some programmes of local nature are often more popular in terms of demographic fit. National advertisers through spot advertising can more closely identify with the local market preferences.

4. *Flexibility:* In case of network advertising, commitments are made far in advance. Spot buys allow advertisers to react at short notice to changing market conditions.

Spot TV can also be used in test marketing, and to introduce a product by markets.

13.1.3 Time Period and Programmes Selection

An important consideration in buying TV time is selecting the right time period and appropriate programme to carry the ad message of the client. Advertisers are more concerned about Cost-Per-Rating Point (CPRP), and not just in terms of the number of spots. A large number of spots over programmes that do no actually translate into target audience do not serve the advertiser's purpose.

The cost of television advertising time varies depending on the time of day and the particular programme. These are the two important factors on which the size of the audience depends. TV time is divided into dayparts, which constitute specific periods of a broadcast day and vary for different stations and channels. The nature and size of audience attracted varies according to dayparts and for this reason the advertising time rates are also different. Certain time segments are classified as the "prime-time," and draw the largest audiences. The rates for primetime TV are very high compared to other time segments, and large advertisers dominate this 'daypart'.

Audience size and their demographic composition also vary depending on the programme.

Example: Baywatch is popular among younger male audience; IFB Star Sunday Lunch attracts women of educated, urban middle class. Daytime programmes attract more women, and BBC News reach has increased among business decision-makers and affluent adults.

13.2 Cable Television

In India, cable television is a fairly organised activity but largely confined to urban areas so far. Cable television has become quite a popular medium for advertisers as it has an impressive reach of 61 million homes and more than 206 million viewers. Cable delivers TV signals through wire instead of airways. Availability of DTH (direct-to-home) has been quite helpful in reaching rural population in India, but so far the number of channels is limited.

Subscribers of cable TV pay a monthly fee to the cable operator and receive roughly 70 channels or more, including the local network programmes. Cable TV offers more programme options to the advertiser as well as the viewers, such as all-news, music, sports, movies, science fiction, comedy, cartoons, health and nutrition, world travel, and youth interest, etc. Many cable systems also carry independent local stations that use satellite to send signals nationally to cable operators who make them available to subscribers. Such superstations also carry national advertising.

The most basic advantage of cable TV is its ability to reach more precisely defined specific geographic markets, and target audiences. It is also less expensive and offers more flexibility than networks. It costs much less to produce a programme for cable TV. Audiences of cable TV in the US tend to be younger, more affluent, better educated, and with more purchasing power.

Example: ESPN is highly popular among advertisers who are interested in male sports enthusiasts; MTV reaches teenagers and young adults.

Infomercials are somewhat lengthy commercials, ranging between 3 to 30 minutes, and are commonly used by direct-response advertisers on cable TV. Advertisers describe their products or services and encourage consumers to place their orders on telephone during the commercial. Because of its low costs, the medium is quite popular among local advertisers and there is an increasing trend of shifting ad spending from radio, newspapers, and magazines to cable TV.

Audience Measures

Some media measurement techniques have been mentioned earlier in this part. The techniques used to gather audience measurement information include diaries, personal interviews, and electronic meters or recorders (in India the use of people meters is limited to less than a dozen cities, including metros). These measures are important to media planners in deciding to buy commercial time on a programme.

Television Households

This is a measure of the number of households in a market that own a television set. In India, the total households are in excess of 200 million. Out of these, nearly 80 % homes own a TV set (Approximately over 160 million households own a TV set).

Programme Rating

This is probably the best known of all audience measurement figures. Programme rating is an indicator of the percentage of households in an area that are tuned to a specific TV programme during a specific time period. Programme rating is calculated by dividing the number of households tuned to a specific programme, by the total number of households owning a TV set in that area.

$$\text{Rating} = \frac{\text{Households turned to a programme}}{\text{Total households owning a TV set}} = \frac{500,000}{2000,000} = .25 \text{ or } 25 \text{ per cent}$$

A rating point denotes one per cent of the total TV owning households in a specific market area, tuned to a specific programme.

Households using Television

This represents the percentage of TV owning households where TV is being watched during a specific time period. The figure of Households Using Television (HUT) is often referred to as 'sets in use,' and is always expressed as a percentage. For example, if 2 million households in Delhi own TV sets and, at 9 PM on a specific day, 1.5 million sets were turned on, then

$$\text{HUT} = \frac{1500,000}{2000,000} \times 100 = 75 \text{ per cent}$$

TV usage varies widely depending on the time of day and the season of the year.

Share of Audience

Audience share is another important measurement figure and refers to the percentage of households using TV in a specified time period and watching a specific programme. Share of audience is calculated by dividing the number of households watching a show by the number of households using television (HUT). Thus, if the total TV sets turned on in Delhi were 1.5 million, but only 500,000 of these households were tuned to Star News, the share of audience for Star News would be

$$\text{Share of audience} = \frac{\text{Households turned to programme}}{\text{Delhi households using TV}} = \frac{500,000}{1500,000} = 3.3 \text{ or } 33 \text{ per cent}$$

Share of audience figures are quite important as they reveal how popular a programme is with the available audience.

13.3 Radio

Radio has undergone considerable changes in the past nearly twenty-five years. It used to be premier mass medium for audiences and advertisers. Families gathered around the radio and tuned to Cibaca Geetmala, Eveready Ke Humsafar, or Vividh Bharati. The voice of Ameen Sayani, I. S Johar, Faroukh Sheikh and many others thrilled radio listeners. These and other audience entertainment programmes were supported by major advertisers of the day.

The audience scenario has undergone a change. In the evenings, most urban households are tuned to television. In the rural areas, nearly 37% population still gets information through listening to radio. The well-known radio personality, Ameen Sayani has commented that TV has not killed radio anywhere in the world. Both TV and radio have advantages and neither can replace the other.

Radio can deliver ad messages to a very large number of audiences across the length and breadth of our country. Akashvani (All India Radio) reaches 97.3% population and coverage by area is 90%. FM broadcast in India started in 1980 and was opened to private producers in mid-1993. It is primarily a music channel (mainly Western) and attracts youngsters from upwardly mobile families. FM broadcast is available in a limited area. FM stereo service is available in Delhi, Mumbai, Chennai, Kolkota, and Panjim. FM channels broadcast several different music and other programmes. Radio Mirchi is quite popular among younger population.

Did u know? According to NRS 2005, radio reaches only 23.10% of the adult population (the proportion is the same for rural and urban India) compared with much better population coverage in the 1980s. The good news is that the following for FM radio seems impressively on the rise with the 96.8 million FM listeners representing a 100% increase over 2002.

Radio time in India is sold in spots of 7, 10, 15, 20, and 30 seconds. The ads are interspersed amongst the programmes, and a spot capsule contains a maximum of 4 spots not exceeding a total of 75 seconds.

Advantages

Radio offers a variety of features to advertisers and many of the medium's characteristics seem to be important to advertisers.

Of all the mass media, radio is believed to be one of the most personal medium and offers advantages over other media, including selectivity, cost efficiency, flexibility and mental imagery.

1. *Selectivity:* Radio offers a high degree of selectivity through geographic coverage by a large number of stations and various programme formats. More than 70% of the Indian population lives in villages and the literacy rates are low. Advertisers can focus their ad messages on specific audiences who speak different languages in different areas, which otherwise may not be accessible by means of other media.

2. *Cost Efficiency:* Cost advantages are quite significant with radio as an advertising medium. Radio time costs far less than TV and the commercials are quite inexpensive to produce. They require only a script of the commercial to be read by the announcer, or a pre-recorded message that the station can broadcast. Advertisers can use different stations to broaden the reach and frequency within a limited media budget.

3. *Flexibility:* Among all the media, radio is probably the most flexible as it has a short closing period. Radio commercials can usually be produced in a relatively short time and if required, the ad message can be changed almost just before the broadcast time. The same ad message can be adjusted in different languages to suit the market conditions.

4. *Mental Imagery:* Radio advertising uses sound, and a major advantage of this situation is that it encourages audiences to use their imagination in creating images while processing the ad messages. According to Verne Gay, radio can reinforce images created by television commercial through image transfer. In this technique, the same spoken words or jingles are used in radio commercial as on television.

Example: The jingle of "Videocon Washing Machine", or "Washing Powder Nirma" broadcast on radio can create image transfer of ads shown on TV.

Image transfer means that when consumers hear the same ad message or jingle on radio, they connect it to the TV commercial and visualise images. Thus, radio and TV ads reinforce each other.

Limitations

Like any other medium, radio too has certain limitations. These include lack of a visual element, audience fragmentation, limited research data, limited listener attention, and clutter. These are important factors and media planner must consider them because radio is not an ideal medium for every type of advertising objective.

1. *Lack of Visual Element:* The most fundamental problem associated with radio is lack of a visual element. The radio advertiser cannot show or demonstrate the product, or make use of any other visual appeal. As discussed earlier, in creating brand awareness, package identification often is critical for many advertisers considering the increasing number of large retail stores in cities with self-service. In rural markets, where the literacy rates are quite low, package identification plays a major role in brand selection.

2. *Audience Fragmentation:* Large number of radio stations creates audience fragmentation. The number of audience tuned to any particular station is usually quite small. Advertisers who want to reach broad market areas through radio, with language differences, have to buy time on a number of stations reaching specific geographic areas.

3. *Limited Research Data:* All India Radio has an Audience Research Unit (ARU) to gather data on prime time listening, programme preferences and radio audiences' qualitative assessment of programmes. NRS also collects data on radio audience. However, the research data on radio is limited compared to television, newspapers, and magazines.

4. *Limited Listener Attention:* It is difficult to attract and retain radio listeners' attention to commercials. Programme switching is frequent among listeners and they often miss all or some of the commercials. Possibilities of distortion in radio broadcast are high, and this irritates the listeners and commercials are missed.

5. *Clutter:* With the increasing intensity of advertising, clutter has become a problem in advertising media, and radio is no exception. Commercial channels carry many advertising messages every hour and it is becoming increasingly difficult for ad messages to attract and retain audiences' attention. Much depends on the precision of script writing, accompanying sounds, and level of distortion.

Task   Make a note of five ads from five different general channels and five ads from different time slots from a particular channel. Are they of similar product type and class?

Caselet   **The Good Old Vividh Bharati**

The popular Vividh Bharati Service of All India Radio was conceptualized to combat 'Radio Ceylon' in 1957. Within no time it proved to be a popular channel of every household. The service provides entertainment for nearly 15 to 17 hours a day. It presents a mix of film music, skits, short plays and interactive programmes. Some of the old popular programmes of Vividh Bharati are 'SANGEET SARITA', 'BHULE BISRE GEET', 'HAWA MAHAL', 'JAIMALA', 'INSE MILIYE', 'CHHAYA GEET' ETC., are still distinctly recongnised by the listeners. From time to time new programmes were introduced like 'BISCOPE KE BATEIN', 'SARGAM KE SITARE', 'CELLULOID KE SITARE', 'SEHATNAMA', &' HELLO FARMAISH'.

All these programmes are produced centrally at Vividh Bharati Service,Borivili, Mumbai and up-linked to the satellite. 40 Vividh Bharati stations across the country down-linked these programmes through captive earth stations provided at each of these AIR stations. Some local programme windows are also provided at these stations to give regional flavour to the listeners. These 40 Vividh Bharati stations are known as Commercial Broadcasting Service Stations and are located at all major and commercially vibrant cities covering 97% of the Indian population. In 1999 Vividh Bharati Service proved its success connecting Indian Soldiers posted on remote border areas to their family members through a special programme entitled "Hello Kargil", through which not only the family members of the soldiers , but even a layman including young and old conveyed their best wishes to the soldiers to keep up their morale. Eminent actors, play back singers, renowned writers, lyricists, directors and music directors have found way to express their experience and opinion through the Vividh Bharati Platform. A special programme entitled "Ujaale Unki Yaadon Ke" takes the listeners into the world of nostalgia dipping into the memories of the artists of the yester years. With the advent of new technology the transmission of programmes gradually migrated from earlier medium wave transmission to high quality digital stereo FM. Commercials were introduced initially in the Vividh Bharati Service in the year 1967 on an experimental basis. Realising the role of advertising in accelerating the social and material progress of the country, commercials were extended to Primary channels including FM & Local Radio Stations in a phased manner. Advertsing on Radio is not only cost effective to the advertisers but also has the potential to reach far flung areas where no other mass media has succeeded in making any tangible dent.

Some of the popular programmes of Vividh Bharat can also be heard on our National Channel from 2300 hrs. to 0600 hrs. This service now enjoys global listenership through Direct to Home Service (DTH) besides other 11 channels of All India Radio.

AIR had been receiving advertisements through its registered agencies only. With the changing demand of the environment, direct clients are also entertained by all AIR stations. In remote and far flung areas, canvassers are appointed for bringing in local business. There are 15 main CBS Stations, located in each state capital responsible for booking for their entire state. Besides there is a Central Sales Unit called as CSU at Mumbai meant for booking for more than one state. A single window booking facility is available in CSU to facilitate bulk booking with a single contract.

Source: www.allindiaradio.org

13.4 Steps involved in Media Planning

The media class refers to the general category of message delivery systems available to carry advertising messages to a targeted audience. For example, print media, broadcast media, and outdoor media etc. are media class. Within these categories are media subclasses (medium) such as newspapers, magazines, TV, Radio and so on. The media vehicle is the specific message carrier within a medium, such as Hindustan Times, Business Today, and Star Sports are examples of media vehicles in print and broadcast media. Media schedule specifies media scheduling and the timing decisions.

Media owners and managers try hard to fulfill consumers' needs for entertainment and information. Once a medium or vehicle gets established and builds a significant audience, it is viewed as important and is in a position to attract advertisers who are willing to pay for the advantage of reaching that audience with their ad messages.

Broadcast, press, outdoor, posters, and cinema are often referred as above-the-line-media. Direct mail, sales promotion, exhibitions, merchandising, and sales literature etc. are referred as below-the-line-media. This distinction in media type is based on whether the agency gets a commission or not. In case of the former category (above-the-line), the agency gets a commission, while in the later (below-the-line) there is no commission.

Some basic terms associated with media planning need to be defined. Media planning refers to a series of decisions required in an effort to delivering the ad message to the largest number of the target audience in the most effective manner at the lowest cost. The media plan specifies media objectives and media strategies to accomplish the pre-determined objectives.

Coverage means the potential audience that might get exposed to the message through a media vehicle. Reach is a measure of the number of target audience members exposed at least once to a media vehicle in a given period of time. 'Coverage' refers to potential and 'Reach' refers to actual target audience exposed to the message vehicle and expressed in percentage terms (though % sign is not used). Frequency refers to the average number of times the audience is exposed to a media vehicle in a given period of time (usually determined on a weekly basis for ease in advertising schedule planning).

The basic goal of media plan is to formulate a particular combination of media (media mix) that would enable the advertiser to communicate the message successfully and effectively to the maximum number of potential and existing customers in the target market at the lowest cost. Any mistakes in this function may result in wastage of substantial amounts of money.

13.4.1 Market Analysis and Identifying the Target Market

While undertaking the overall promotion planning analysis, a complete review of internal and external factors is done.

During developing a media strategy, the focus of analysis is on the media and delivering the message. The key questions at this stage are:

1.   Who is the target audience for advertising?

2.   What internal and external factors may influence the media plan?

3.   Where (geographic areas) and when (timing) to focus the advertising efforts?

The market analysis may reveal more than a few target markets. To decide which specific groups should be addressed the media planner works with the client, account executives, marketing department, and the creative directors. At this stage, the media planner may need some secondary or primary data regarding the audience size, composition, and exposure figures,

Notes

such as product users among adults (males and females), teenagers, heavy users, or light users etc. Media planners are usually more concerned with the percentage figures and index numbers rather than with raw numbers. The index number is considered a fairly good indicator of the market potential.

$$\text{Index} = \frac{\text{Percentage of users in a demographic segment}}{\text{Percentage of population in the same segment}} \times 100$$

An index number of more than 100 would indicate that the product use is proportionately more in that segment compared to the one where the number is 100 (average) or less than 100. The planners, depending on their overall strategy, may decide to focus on groups where the usage index is less than average, average, or more than average.
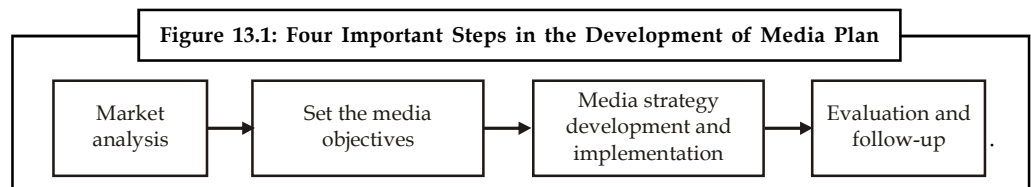
Use of index number is helpful but it should be combined with percentages and product usage figures to get a clearer and more accurate picture of the market. Index alone may in some instances be deceptive as the figure may be the outcome of a very small population in the segment.

Internal and external factors influence the media strategies. Important internal factors that may influence the decisions are media budget, managerial and administrative capabilities of the agency personnel, and the pattern of agency organisation.

Example: An agency may organise its media buying department on the basis of product expertise, market expertise, or media expertise.

Other factors, external in nature, include rising costs of media, changes in technology, and the competitive environment, etc.

Figure 13.1: Four Important Steps in the Development of Media Plan

Market analysis → Set the media objectives → Media strategy development and implementation → Evaluation and follow-up

The next issue concerns where and when to advertise. Generally, the sales are not uniform in all markets, and market potential also varies across markets. The big question is where would it be wise to spend the advertising money. Obviously, those markets should be the priority areas that are most likely to meet the desired objectives.

13.4.2 Establishing Media Objectives

Media objectives are formulated to help accomplish the advertising communications task and marketing objectives. Media objectives are translated into specific goals for the media programme and are limited to those that can be achieved through media strategies.

Example: The media objectives can be stated as:

1. Use print media to provide coverage of 80% of the target market over a six-month period, starting July.

2. Reach 60% of the target audience at least three times (frequency) over the same six-month period.

3. Concentrate heaviest advertising between October and December, with lighter emphasis in earlier months.

13.4.3 Develop and Implementing Media Strategies

Scheduling

It is neither necessary nor possible for the companies to keep their advertising always in front of the consumers to serve as a constant reminder of their products or services. Media schedule is the calendar of advertising plan. Scheduling is concerned with timing the insertion of advertisements in the selected media. Decisions in this area are essentially based on certain assumptions regarding how the target audience will respond to the presence or absence of the advertising messages with respect to the set advertising objectives, such as product recall or attitudes. There are three approaches to scheduling: (1) continuity, (2) flighting, and (3) pulsing.

Continuity refers to a continuous pattern of advertising, which can mean every day, every week, or every month. The distinction is that a regular (continuous) pattern is developed without any gaps or periods when there is no advertising. If the planners believed that product recall responded easily to the exposure of advertising messages and also decayed easily if there was no advertising, then probably recall-increasing ad messages are needed continuously, at a low frequency level. What is required is to develop a continuous pattern of reminder advertising without any time gaps in which there is no advertising. This strategy is suitable for those product categories that are regularly consumed on an ongoing basis without any seasonal fluctuations, such as washing powders, soaps, toothpaste, and soft drinks, etc.

Flighting refers to a less regular schedule of advertising messages and is quite popular. There are intermittent periods of advertising and no advertising. Because of the possible S-shaped response function, initial advertising may require heavy expenditures on media to bring about desired change in attitudes, and once formed, such attitudes are resistant to rapid decay. This suggests the need for flighting if the advertising objective was to achieve change of attitudes.

Example: This pattern is often used for desert coolers, refrigerators, woolen jackets, sweaters, beauty care products etc.

Pulsing is a combination of continuity and flighting. The continuity is maintained as a base throughout, but during certain periods the level of advertising is stepped up. For example, during the period just before the last date of tax return submission, advertising for cars increases to motivate customers to buy and avail of depreciation benefit.

Decisions about scheduling strategy are based on the advertising objectives (brand awareness, or brand attitudes), buying cycles, competitive spending, advertising decay, and available budget, etc.

Media Reach and Frequency

The media planners face the essential tasks that concern the optimal use of media budget while deciding about the reach, frequency, and the number of advertising cycles affordable for the year. We have seen in the hierarchy models that the first stage requires awareness of the product or brand. Obviously, if more people are aware, there is more likelihood that more of them will move to each subsequent stage and finally to purchase action. Creating awareness among audience requires reach. It is exposing potential customers to the advertising message. In case of new product or brand, quite a high level of reach is needed to make almost all the potential customers aware of new introduction.

So far, there is no known way to determine how much reach is required to achieve desired levels of awareness, attitude change, or purchase intentions. Also, there is no certainty that an ad placed in a particular media vehicle will actually reach the target audience.

Example: If an advertiser buys 30 or 60 seconds of TV time during a certain programme, everyone who is tuned to this programme will not necessarily see the commercial for a number of reasons.

In advertising terminology, frequency refers to the average number of times audience individuals or households are exposed to a medium in an advertising cycle, not necessarily to the advertisement itself. Most advertisers agree that 1:1 advertising ratio does not exist. An ad may be placed in a media vehicle, and the fact that an individual has been exposed to it does not mean that the ad has been seen. For this reason media buyers refer to the reach of media vehicle as opportunity to see (OTS) an ad rather than actual exposure to it.

$$\text{Frequency} = \frac{\text{Total exposures}}{\text{Reach}}$$

An example will illustrate the concepts of reach and frequency:

Survey sample size   = 10 households with a TV

Survey period   = 4 weeks

TV programme   = S

Weeks	A	B	C	D	E	F	G	H	I	J	Total exposures
1	S	S	-	-	S	-	S	S	-	S	6
2	-	S	S	-	S	-	S	S	-	-	5
3	-	-	S	-	-	S	-	-	-	S	3
4	S	S	-	-	S	-	S	S	-	S	6
Total	2	3	2	0	3	1	3	3	0	3	20

Total exposures = 20

Households that watched TV programme S (Reach) = 8

$$\text{Frequency} = \frac{\text{Total exposures}}{\text{Reach (OTS)}} = \frac{20}{8} = 2.5$$

Media planners make compromises and strike a balance between reach, frequency, and the number of advertising cycles in the planning period. In most cases the media budget is fixed, and the planner cannot spend more on, say increasing frequency, without decreasing the expenditures on reach or the number of advertising cycles. If the budgeting approach used is objective and task method, then all three can be increased up to a more optimistic level. In reality, there would always be a ceiling either because of one of the budgeting method used or by some higher-level corporate decision. The tradeoffs are governed by the principle that it is better to sell some people completely than many people not at all.

The trade-off between reach and frequency is most common. If it is advantageous to maintain advertising continuity, or plan more advertising cycles, as with frequently purchased product and service, then reach should be sacrificed. For infrequently purchased products, such as consumer durable goods, it is advisable to increase reach and advertise only occasionally in cyclic pattern. This may suffice to maintain audience interest without having to reach them more frequently.

Determining the Relative Cost of Media

In evaluating media alternatives, media planners must compare the costs of media and the media vehicles within these media.

1. *Cost Per-thousand (CPM):* Magazine space is sold primarily on the basis of pages or some increment of a page. CPM has been used by magazine industry as a standard method to provide cost breakdowns on the basis of cost per page per-thousand circulation, and is used to compare the media costs of different vehicles.

$$\text{CPM} = \frac{\text{Cost of ad space}}{\text{Circulation}} \times 1000$$

Example: The circulation of Reader's Digest is 3,725,000 (National Readership Survey 1999), and suppose the cost per page is ₹ 8, 000, the CPM calculation would be:

$$\text{CPM} = \frac{8000}{3,725,000} \times 1000 = 2.14$$

Circulation of Competition Success Review is 3,536,000, and if we suppose the cost per page is ₹ 6000, the calculation would be:

$$\text{CPM} = \frac{6000}{3,536,000} \times 1000 = 1.7$$

We see that (all other things being equal) Competition Success Review is a more cost-effective media vehicle alternative than Reader's Digest.

2. *Cost Per Rating Point (CPRP):* This is used to compare cost figures of same-medium broadcast vehicles and is also referred as cost per point (CPP). One rating point means 1% of a broadcast station's coverage area. The calculation is based on the following formula:

$$\text{CPRP} = \frac{\text{Cost of commercial time}}{\text{Programmer rating}}$$

Example: If the cost per spot of 10-second of Star Sports is ₹ 120, 000, and the programme rating is 30, the calculation would be:

$$\text{CPRP} = \frac{120,000}{30} \times 1000 = 4000$$

3. *Milline Rate (MR):* Media buyers use the milline rate to compare the costs of space in newspapers. A milline rate is the cost in rupees per line of standard dimensions to reach a newspaper circulation of one million. Alternatively, to calculate the cost of space, rupees per square inch or square centimeter is used for media buying. Newspapers with higher circulation figures charge more per line or per unit space. The formula used to calculate the costs is:

$$\text{MR} = \frac{1000,000 \times \text{Rate per agate line}}{\text{Circulation}}$$

It is difficult to compare costs across various media. There is no common standard between CPM and CPRP to make direct comparison possible. In an attempt to develop standard relative costing procedures, newspaper and broadcast media have started using the following approaches:

Television: $\quad$ Cost per thousand $= \dfrac{\text{Cost of 1 unit of time} \times 1000}{\text{Programme rating}}$

Newspaper: $\quad$ Cost per thousand $= \dfrac{\text{Cost of 1 ad space} \times 1000}{\text{Circulation}}$

Such a cost comparison of media is important. However, inter-media comparisons can be quite misleading. For example, television can combine sight and sound with motion, and magazines provide longevity. Attributes of different media make direct comparisons difficult. Other than cost comparisons, the advertiser must also take into account the specific characteristics of each medium and the vehicles within the medium.

Comparison based on cost per thousand alone has the potential of leading to over or under estimation of media cost effectiveness. In the example of two magazines already mentioned, Competition Success Review has a circulation of 35,36,000, and the circulation of Reader's Digest is 372,5000. Let us assume that the target market reached by the first is 20% of its circulation, and the other reaches 50% of the target market. The cost per page of the first is ₹ 6000, and for the second it is ₹ 8000.

In spite of cost difference, and no significant difference in total circulation, if we consider the reach to actual target audience, CPM for RD will be 4.29 and for CSR 8.48. Only the consideration of cost per thousand and the total circulation figures in this situation would lead to wrong vehicle choice.

	Comp. Succ. Review	Reader's Digest
Circulation:	3536,000	3725,000
Cost per page:	₹ 6000	₹ 8000
Target market covered: (25 – 45 years of age):	20%	50%
Actual reach to households with this age group:	707, 200	1862, 500

Calculation of CPM:

$$\text{CPM} = \frac{6000 \times 1000}{353,6000} \times \frac{8000 \times 1000}{372,5000}$$

$$\text{CPM} = \quad 16.96 \quad\quad 21.47$$

Calculation based on actual: $\quad$ CPM = $\quad$ 8.48 $\quad\quad$ 4.29
reach to target audience

Magazine publishers often argue, and it is a fact, that more than one person reads an issue and the actual reach of magazines is much higher. But to estimate the number of people who read a particular magazine without buying, has the potential to be highly inaccurate and somewhat difficult to determine. Over the years, managers develop a good idea about how great the reach of a magazine is likely to be than provided by circulation figures.

Another important aspect of different media is the qualitative value, which CPM figures do not reveal. CPM may be good in comparing very similar media vehicles, but they are of lesser value in making inter-media comparisons. Media planners require going beyond figures only because media planning is not only a science but also an art.

13.4.4 Evaluation and Follow up

Evaluation is essential to assess the performance of any activity. Two factors are important in evaluating the media plan.

1. How successful were the strategies in achieving media objectives?

2. Was the media plan successful in accomplishing advertising objectives?

Successful strategies help build confidence and serve as reference in developing media strategies in future, and failure is thoroughly analysed to learn about flaws. It has been pointed out that there are certain problems with measurements that limit the degree to which one can assess the relative effectiveness of different strategies.

Case Study **Escape Store**

The boardroom was filled with the voice of Marketing Manager, Ashutosh Kant. He was addressing the meeting of senior managers of Escape, "The last three months were spent by our market research team in finding out the reasons and patterns of sales at stores. Let me emphasize that retail sale is showing growth all over the country and in the process, competition is intensifying. We can no longer afford to sit and relax. Instead, we need to put ourselves fully to retain our market leadership." Three facts revealed by the survey were particularly disturbing:

1. People found Escape service staff bordering on aggressiveness and not really helpful, as they were never left to browse.

2. Children got bored and hence parents often left the store within minutes after finishing essential shopping. They never browsed or spent leisure time at Escape stores, which could otherwise help promote sales.

3. With many choices available in the market, consumers stopped treating Escape stores as unique and exclusive anymore.

Rehman, an entrepreneur, had set up a garment shop in one of Delhi's busy market area about 10 years ago. He realized that to attract customers, he must do something new. With this in mind, he chalked out a massive plan to open a chain of stores called Escape. Some major features of his store were:

1. Complete dress range for kids, parents and teenagers.

2. Full accessories for women and men in footwear, purses, jewellery and cosmetics.

3. A play centre, where kids could spend time when the parents shopped.

The stores were opened at two locations in Delhi on an area of 7,000 sq. feet each. Within six months, the shops became popular and the business grew rapidly, and in three years the turnover crossed ₹ 6 crore. The promotion plans included advertising in newspapers and through cable operators. The store also conducted festivals, such as children's carnival and valentine special etc., to attract crowds.

Stress on store ambience was high, as Rehman wanted to create an image of a complete shopping experience for the entire family. The sales staff was carefully selected and trained to promote, not push any product and to encourage customers to browse through.

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The women's section was given a feminine touch and men's section has polished wood and leather all over. The garments, the accessories and gifts were displayed in large racks and full-length mirrors were placed in multiple places. Sales staff present on all the three floors often advised the customers but never showed around everything. The kids' section included garments, toys, books, and was manned by more staff. Play centre for the kids was a major attraction. The parents could safely leave their children in the place, situated on the ground floor itself. The place had separate sections of toys and books and was supervised by trained staff. The parents, therefore, could leave the children and shop in a relaxed manner. This concept was appreciated by customers and became one of the major attractions for the customers.

The stores were one of a kind in early 1990s and grew rapidly. New sections on books, gifts and handicrafts were launched gradually and at any time the stores had more than 200 categories of products. During this time, the competition started intensifying as three similar ventures were launched in the city. This didn't bother Rehman much, because he felt he had built an image of Escape being the ultimate store. By 1996, Multi-Story, one-stop stores became the trend in Delhi and many such stores came up.

Rehman had expanded his stores in three other cities as well and the turnover had grown to more than ₹ 40 crore. The total manpower of the company rose to 500 and several new management and non-management cadres were introduced in the company.

Last year during the Diwali festival season, the store attracted nearly 40,000 customers in the entire month. This worried Rehman as it was almost 20% less than their estimates. His marketing manager, after long discussions, hired a market research firm to study the buying patterns and preferences of people walking into the store.

Questions

1. What are the major problems and issues in this case?

2. Determine the advertising objectives for Escape stores. What message strategy and media would you recommend? What kind of reach and frequency would you suggest?

Source: S H H Kazmi and Satish K Batra, *Advertising and Sales Promotion*, Third Edition, Excel Books, New Delhi, 2008

13.5 Summary

- Television is believed to be the most authoritative, influential and exciting medium, reaching very large audience. It is basically an entertainment/information medium and usually viewed by the entire family.

- Television has higher coverage, attention, flexibility, cost effectiveness and selectivity. On the other hand it suffers from the shortcomings like cluttering and zipping and zapping.

- When national advertisers buy local station time, this is known as spot buys. It is also referred by other names, such as spot advertising or spot television. Network schedules offer blanket coverage; spot advertising is meant for certain market covered by the station.

- Advertisers are more concerned about Cost-Per-Rating Point (CPRP), and not just in terms of the number of spots. A large number of spots over programmes that do no actually translate into target audience do not serve the advertiser's purpose.

- Programme rating is an indicator of the percentage of households in an area that are tuned to a specific TV programme during a specific time period. Programme rating is calculated

by dividing the number of households tuned to a specific programme, by the total number of households owning a TV set in that area.

- Radio has undergone considerable changes in the past nearly twenty-five years. It used to be premier mass medium for audiences and advertisers.

- Radio advertising is cost effective and creates a mental imagery while there is a limited attention and lack of visual imagery.

- The basic goal of media plan is to formulate a particular combination of media (media mix) that would enable the advertiser to communicate the message successfully and effectively to the maximum number of potential and existing customers in the target market at the lowest cost.

- Developing a media plan involves four crucial steps namely: identification of target audience and market analysis, setting media objectives, developing and implementing media strategy and finally, evaluation and follow up of the plan.

13.6 Keywords

Coverage: Refers to media potential

Frequency: Average no. of times audience is exposed to the media vehicle

Infomercials: Somewhat lengthy commercials shown on cable TV

Media Class: Media vehicles available to carry message to the audiences

Reach: Actual target audience exposed to the media vehicle

Retail Advertising: Used by local businesses to reach consumers

Spot Buys: Buying of local station time by national advertisers

Zapping: Changing of channels to avoid advertisements

Zipping: Forwarding ads in a recorded programme or movie

13.7 Self Assessment

State whether the following statements are true or false:

1. Television ads are cost effective because they have a mass appeal.

2. You can buy a radio slot for 12 seconds to advertise your product.

3. Index no. for a market is 105. We can say that market has good potential.

4. A major advantage of placing ads on cable television is that it reaches the near specific target audience.

5. Radio can help reinforce images created by the television ads.

Fill in the blanks:

6. The…………………………,television time slot is said to be most sought after by the advertisers.

7. Asian Sky Shop and Teleshopping Network programmes are examples of …………………

8. HUT is the ratio between total number of households who own a TV and ………………………………, in a given time.

9. For most of the electronics and household products, heavy advertising should be done during .... months.

10. HUL should schedule its FMCG products on .... pattern.

13.8 Review Questions

1. Television's audio-visual appeal makes it the most authoritative of all mediums. Discuss.

2. Explain the concept of selectivity and flexibility of TV ads. Give examples.

3. As an advertising manager of your company, what things will you keep in mind while buying network time?

4. With the help of following data, calculate programme rating, household using television and share of audience.

   (a) No. of households that own a TV: 40,00,000

   (b) No. of households watching a program: 2,00,000

   (c) No. of households watching TV: 15,00,000

5. Has popularity of TV, lowered the popularity of radio as a media? Substantiate your answer.

6. You are the advertising manager for a newly launched deodorant brand. How can you ensure that you choose a media with appropriate reach, coverage and frequency? Give a brief plan.

7. As a promotional manager, what scheduling options you have? If you are looking to promote an AC brand, what type is most appropriate for you?

8. Media planners must compare the costs of media and the media vehicle while evaluating alternatives. Why is this important? What are the ways for comparison?

9. Calculate CPM and Milline Rate

   Circulation of a magazine is 4,80,000, the cost per page is ₹ 6200 and cost per line is ₹ 640.

10. Complete the table and calculate the frequency. (S = TV program seen)

Households Owning A TV

Weeks	A	B	C	D	E	F	G	H	Total Exposure
1	S	-	-	S	-	S	-	-	
2	-	-	-	S	S	S	-	-	
3	S	S	-	S	-	-	-	-	
4	-	S	-	S	-	S	-	S	
Total									

Answers: Self Assessment

1. True
2. False
3. True
4. True
5. True
6. Prime Time

7. Infomercials

8. Number of sets in use

9. Festive (oct-dec)

10. Continuity

13.9 Further Readings

Books   Batra, Aaker and Myers, *Advertising Management*, Pearson Education.

Kruti Shah and Alan D'Souza, *Advertisement and Promotions – An IMC Perspective*, Tata McGraw Hill.

SHH Kazmi and Satish K Batra, *Advertising and Sales Promotion*, Excel Books, New Delhi.

Online links   themediamix.com

www.123eng.com/forum/viewtopic

www.admedia.org

www.businesstown.com/advertising/basic-media.asp

Unit 14: Measurement of Advertising Effectiveness

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Objectives

After studying this unit, you will be able to:

- Discuss the DAGMAR Model

- Assess the advertising campaigns

Introduction

Post-testing is done to evaluate the final results of the advertising campaign. These results are concerned with measuring the effectiveness. Pre-testing is evaluative research conducted before the campaign is launched. Ongoing testing evaluates the campaign while it is running in the market place. It allows the advertiser to assess to what extent the message is reaching the target audience and interpreted as intended. This may allow the advertiser to make any timely adjustments. Post-testing is done at the end of the campaign to determine to what extent the advertising campaign objectives have been accomplished. It provides feedback to promotion managers and helps future planning.

14.1 Concept of DAGMAR

Russell H. Colley (1961) prepared a report for the Association of National Advertisers titled Defining Advertising Goals for Measured Advertising Results (DAGMAR). He developed a

model for setting advertising objectives and measuring the results of an ad campaign. According to this model, communications effects are the logical basis for setting advertising objectives and goals against which results should be measured. In Colley's words:

"Advertising's job, purely and simply, is to communicate to a defined audience information and a frame of mind that stimulates action. Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time and at the right cost."

According to DAGMAR approach, advertising objectives involve a communications task that is specific and measurable. Colley proposed that communications objectives be based on a hierarchical model with 4 stages:

1. *Awareness:* Involves making target audience aware of the existence of the brand or company.

2. *Comprehension:* The purpose is to develop an understanding among audience of what the product is and what it would do for them.

3. *Conviction:* The objective is to create a mental disposition among target audience members to buy the product.

4. *Action:* To motivate target audience to purchase the product or service.

Behavioural dimensions	Steps towards purchase	Advertising for various stages
Conative The realm of motives Ads stimulate or direct desires	**Purchase** ↑ **Conviction** ↑	POP advertising Testimonials Price/quality appeals
Affective The realm of emotions, attitudes, and feelings	**Preference** ↑ **Liking** ↑	Comparative ads Argumentative copy "Image" copy. Status, glamour appeals
Cognitive The realm of thoughts	**Knowledge** ↑ **Awareness**	Descriptive copy Slogans, jingles, etc. Ad repetition, teaser ads

Did u know? There are no significant differences between Colley's proposed model and other important hierarchy-of-effects models. According to Don E. Schultz, Dennis Martin, and William Brown, the Lavidge and Steiner hierarchy of effects model is preferable as it is more specific and offers a better way to establish and measure results. Colley also developed a checklist of 52 specific advertising tasks to establish objectives.

Another important contribution of DAGMAR was its ability to clarify what constitutes a good objective. According to Colley, the objectives should have the following features:

● Stated in terms of concrete and measurable communications tasks

● Specify a target audience

- Indicate a benchmark or standard starting point and the degree of change sought, and

- Specify a time period for accomplishing the objective or objectives

14.1.1 Concrete, Measurable Tasks

The communications task in objective should be spelled out and written in a precise statement of what appeal or message the advertiser wants to communicate to the target audience. It should be specific and clear enough to guide the creative specialists in developing the ad message.

The DAGMAR approach requires that the measurement procedure should also be specified. There must be a way to determine whether the intended ad message has been communicated properly to the target audience. If the ad message communicates that brand X is the best on Q attribute, then a questionnaire may include the request, "Rank the following brands on best Q attribute." The responses could be quantified to mean the percentage of audience who rated brand X as the best on Q attribute.

14.1.2 Target Audience

Another important feature of good objectives is the specification of a well-defined target audience. Though the primary target audience for a company's product or service is described in situation analysis, yet it may need some refining. For example, users of a product may be further categorized as heavy, medium, or light users.

14.1.3 Benchmark and Degree of Change Sought

It is important to know the target audience's present status with respect to response variables (awareness, knowledge, image, attitudes, or intentions), and then determine the degree of change desired by the advertising campaign.

Example: The objective statement may include, "increase awareness level about brand X from the present 10% to 40% in the target audience."

Determining the target market's present position regarding various response stages may require marketing research. If a company is introducing a new product or service, no initial research may be required assuming the starting conditions are generally very low for all the variables. Quantitative benchmarks are important in establishing advertising goals and in determining the degree of campaign success or otherwise. In the example cited above, the pre-campaign awareness level is specified as 10%. A pre-campaign awareness level of 30% would lead to different interpretation of campaign results than would a 10% level.

14.1.4 Specified Time Period

The final consideration in setting ad objectives is to specify the time period to accomplish the objective(s). The period may be short, just a month, or it could be a year or more. All the people involved in the campaign will understand that the results will be available for evaluation and could lead to modification or change in the current effort. Increasing brand awareness can be accomplished fairly quickly compared to changing consumer perceptions about a brand. Much depends on the situation advertiser is facing and the nature of response being sought. For example, repositioning a brand needs change in consumers' perceptions and takes longer to manifest results than informing the audience about the price change.

14.1.5 Assessment and Criticism of DAGMAR Approach

The DAGMAR approach has had enormous influence on advertising planning process and objective setting. It focused advertiser's attention on the importance and value of using communications-based objectives as against sales-based objectives to measure the impact and success of an ad campaign.

The approach has not been totally accepted by everyone in the advertising field. A number of questions have been raised concerning its value as an advertising planning tool:

Problems with Response Hierarchy: DAGMAR approach is based on hierarchy of effects model and the fact cannot be ignored that consumers do not always follow the sequence of communications effects leading to purchase. There are alternative response models depending on the purchase situation. For example, action can precede attitude formation, and comprehension may result with an impulse purchase of a low-involvement product.

Sales as the Advertising Goal: Many believe that sales is the only relevant measure of advertising objectives and show little respect and tolerance for ad campaigns that otherwise may achieve communications objectives but fail to increase sales. For example, they argue, if brand awareness does not affect sales positively, what is the point in measuring it, and if it does have a close relationship, then sales should be measured directly. With advances in modern technology it has become possible to measure sales of packaged products in the short-run through controlled experiments. But even such tests using scanner data panel cannot reflect the long-term advertising effects.

Practicality and Costs: Implementation of the DAGMAR approach is difficult. Expensive research is required to establish quantitative standards and measure changes in the response hierarchy. It is time consuming and can lead to disagreement over method, criteria, and measures, etc. Some critics point out that DAGMAR is practical only for large firms with substantial research and advertising budgets and beyond the means of small and medium sized firms.

Inhibiting Creativity: Using DAGMAR model is basically a planned and rational way of setting advertising objectives. It imposes too much structure and may restrict creativity. Many advertisers dream or hope for the "great creative idea" and the DAGMAR approach is too concerned with quantitative assessment of ad message impact on awareness, brand name recall, or specific persuasion measures. This inhibits the developing of a truly creative message that would contribute to brand equity. An agency research director, Anthony L. Morgan argues that the hierarchy model restricts great advertising by stressing recall test, communications, and persuasion. In his opinion, conceptual and research flexibility should be employed in developing advertising goals to check the possibility of fixing wrong evaluative criteria.

Task   Contact an account executive of an ad agency in your city. Find out for what type of products/situations he/she recommends sales or communications as promotion objectives.

Caselet   ## Building Brands with Social Media Advertising

Social Media Advertising (SMM) is a type of web advertising, which seeks to realize branding and marketing communication goals by means of the participation in varied social media networks like You Tube, My Space, and Face ebook, social web

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software like dig, delicious, reddit, Wiki. The objective of every SMM program varies from business to business, but primarily includes building of name consciousness, increasing visibility and through this, sells a product or service.

Social Media Marketing is turning into a vital advertising and marketing instrument for connecting with customers and optimizing on-line presence. Social Media describes the tools and platforms, folks use to publish, converse and share content online. Video, blogs, dialogue boards and social networking sites are all tools, online businessmen can use to construct relationship with their prospects and hold them on web sites longer. Social media gives more opportunities for organizations to present optimized content that may be indexed by serps and in the end improves web site rating.

To implement a number of the social media elements, it's first important to judge your prospects to create an efficient strategy. In case your customers are professionals who commute, then pod forged will be downloaded and can be very effective.

Posting video content material on You Tube is a novel alternative to improve your place in Google's universal search results. With You Tube, clients can go to the location, view your video and simply submit to their own blogs, social networking profiles or websites. You Tube is an effective way to achieve a broader viewer and generate buzz round new merchandise, particularly in case your product has a visual appeal.

Constructing healthy relationship with the client, that last is an on-going process for a businessperson. Social media takes this a step additional by making that relationship private via blogs. It tells about you, not only about your product or service.

Blogs, which incorporate video, footage and text, can build curiosity and loyalty among clients and a new method to search engine optimization. Create a web page devoted to community with web site visitors and this can be interactive.

Social media encourages social visits to your site. Hold including content to encourage clients to return regularly. With the arrival of social media, customers have change into contributors, contributing to brand messaging. SMM is expounded to other on-line techniques similar to website positioning, SMO. It has a more energetic planned position in directing, influencing and suggesting the neighborhood members.

Source: http://shared4all.org/business-and-industry/social-media-advertising-objectives-and-effectiveness/#ixzz1GGv08a2W

14.2 Measuring Advertising Effectiveness

Once the business owner has successfully designed and placed an ad (or had that ad successfully designed and placed by an agency), he or she will be eagerly awaiting the increased sales that advertising promises. While advertising can be an effective means of increasing profitability, measurable increases in sales may not be immediately forthcoming. But if the advertising was well-planned, well-placed, and well-executed, it will likely produce positive results eventually.

It is widely accepted among advertising experts that one major benefit of advertising any business is the cumulative effect of the message on consumers. This effect occurs as consumers are repeatedly exposed to advertising which may not have an immediate impact, but becomes familiar and remains in the memory. This message will be recalled when the need arises for the service which was advertised. The consumer, because of the cumulative effects of advertising, will already be familiar with the business's name, as well as the image that it has cultivated through its advertising campaigns.

Example: A consumer has heard a carpet cleaning company's ads for months, but until the need arises to have his or her carpets cleaned, there is no reason to contact the company. When that need does arise, however, he or she will already know the name of the company and feel familiar enough with it to engage its services.

One trap that advertisers sometimes fall into is that of restlessness or boredom with a long-running campaign. The ownership of a business may feel a need to change a long-running advertisement simply because of a desire to try a new, more exciting avenue. There are certainly valid reasons for doing so (stagnant sales, changing competitive dynamics, etc.) at times, but advertising experts discourage businesses from yanking advertisements that continue to be effective just for the sake of change. "If it ain't broke, don't fix it," is the guiding principle behind this caution. They note that consumers learn to associate businesses with certain advertisements, design elements, or themes, but that these associations sometimes take time to sink in. Similarly, industry observers counsel business owners to maintain a level of consistency with the advertising media they utilize (provided those media are effective, of course).

By choosing an appropriate style and theme, and carefully placing ads in effective media, the business owner begins to create a lasting foundation for his or her company. Maintaining an advertising campaign in itself advertises the stability, dependability, and tone of a business. If customers are finding the ads useful, then the advertising is working; changing the ads could diminish their effectiveness.

14.2.1 Need for Post Evaluation of Campaigns

All advertisements have the potential to trigger some form of purchasing behaviour.

Effectiveness may have more to do with the readiness of the viewer to consider the benefits the advertisement promotes, than the advertisement itself. It may be more cost effective to invest in finding creative ways to measure the effectiveness of an advertising campaign that is part of an advertising campaign in itself, but at the end of the day your goals are the key. It may come down to estimating how happy you are with what you are doing. Marketers should check for effectiveness of advertising campaigns to:

Avoiding Costly Mistakes: Companies are spending millions of rupees each year on advertising, but that is not to say that it is being spent wisely. The only way to ensure that this money is not being wasted on ineffective advertising programs is to continuously evaluate the effectiveness of the chosen programs and to ensure that these programs are achieving their intended purpose. Evaluating the effectiveness of the chosen programs is not all about money, it also gives the marketer the opportunity to analyze the non-tangible effects of the chosen program.

Example: If a company chooses to go with a pop-up advertising program, they can evaluate it's ROI by comparing its click-throughs to the amount of money invested in building it. However that is not the extend of it; a good evaluation program will be able to analyze the consumer's reaction to that program, its effects on the company's image or its effectiveness in comparison to a banner ad program.

Evaluating Alternative Strategies: Not only is it important to evaluate the effectiveness of the chosen method, but also the opportunity costs of choosing that method. Often after companies have chosen a method, they focus their attention exclusively on that method ignoring the potential profits that would have come about if they went with an ulterior method. A good evaluation program will be able to analyze the effectiveness and the opportunity costs of the chosen method.

Increasing the Efficiency of Advertising: Many a times, after companies choose a particular method of advertising, they become so attached to that method that they lose sight of the initial goal of advertising. Because the marketers know what the intended message of that chosen program is, they expect their customers to know that message as well. A continuous evaluation of the chosen program will ensure that the message the consumers are receiving from this program is aligned with the message the marketer intended to send.

14.2.2 Process of Post Evaluation of Campaigns

Post-testing occurs after the advertising has run and is commonly undertaken both by advertisers and advertising agencies. It is generally more expensive and time-consuming than pre-testing. Advertisers and agencies use both quantitative and quantitative research methods in post-testing. Most post-testing methods can be put into five broad categories: aided recall (recognition-readership), unaided recall, attitude tests, inquiry tests and sales tests.

Recall refers to a measure of the proportion of a sample audience that can recall an ad as having seen. In aided recall, respondents are shown certain ads with the name of the sponsor or brand concealed and then asked whether their previous exposure was through reading, viewing, or listening. In unaided recall, respondents are asked, without prompt, whether they read, saw, or heard advertising messages.

There are several tests to measure recall of print ads, including recall tests, recognition tests and inquiry tests. Perhaps the best know of recall test are the ASI Print Plus and the Gallup & Robinson Impact Test.

Recognition refers to whether a respondent can recognize an advertisement as having seen before. Such tests are conducted by mail survey in which questionnaires are mailed to 1000 households picked from a mailing list or telephone book. Recognition/readership tests provide a mechanism for breaking a print ad into its more important elements, such as headline, visuals, body copy and logo and how these are remembered by a sample of respondents. The purpose of the test is to show advertisers that the mere presence of an ad does not ensure that readers notice or pay attention to it.

Notes   **Gallup and Robinson Impact Test**

Objective: Tracking recall of advertising appearing in magazines to assess performance and effectiveness.

Method: Test magazines are placed in participants' homes and respondents are asked to read the magazine that day. A telephone interview is conducted the second day to assess recall of ads, recall of copy points and consumers impressions of the ads. Sample size is 150 people.

Output: Three measurement scores are provided:

1.   Proven name registration: the percentage of respondents who can accurately recall the ad.

2.   Idea communication: the number of sales points the respondents can recall.

3.   Favourable buying attitude: the extent of favourable purchase reaction to the brand or corporation.

Daniel Starch is credited with being the primary developer of recognition (readership) tests. The Starch Readership Report lets the advertiser assess the impact of an ad in a single issue of a magazine.

Inquiry refers to checking the effectiveness of ads appearing in various print media on the basis of which consumers respond by requesting for more information. The inquiry may depend on the phone calls received from interested persons, coupons returned, or requests for free samples. Inquiry testing may be used to check media, individual ads, or campaign. The researchers can test an advertisement's attention-getting value, readability and comprehension. These tests permit fairly reasonable control of the variables that motivate consumers to respond. The results also indicate that the person not only saw or read the ad but also took some action, which is relatively stronger indicator than recall or awareness.

Inquiry tests are inexpensive to implement and may furnish useful information but these tests may not reflect a sincere interest in the product or service and the responses may take months to receive.

Notes　　　　**The Starch Readership Report**

Objective: Determining recognition of print ads and comparing them to other ads of the same variety or in the same magazine.

Method: Samples are drawn from 20 to 30 urban areas reflecting the geographic circulation of the magazine. Personal interviewers screen readers for qualifications and determine exposure and readership. Samples include a minimum of 200 males and females, as well as specific audiences where required. Participants are asked to go through the magazines, looking at the ads, and provide specific responses.

Output: Starch Readership Reports generate three recognition scores:

1. Noted score – the percentage of readers who remember seeing the ad.

2. Seen-associated score – the percentage of readers who recall seeing or reading any part of the ad identifying the product or brand.

3. Read-most score – the percentage of readers who report reading at least half of the copy portion of the ad.

Day-After-Recall (DAR) is the most popular method of post-testing used in broadcast industry. Different methodologies are used by different organisations. However the measure of effectiveness is always the number of people who can recall the ad. As has been mentioned earlier, the recall is either unaided or aided.

Example: Respondents may be asked a simple question such as, "While watching (name of the programme) last night, did you see a commercial (name of the product category)? Or, "While watching (name of the programme) last night, did you see a commercial for (brand name)?

The popularity of DAR tests is based on the fact that they provide norms giving advertisers a standard for comparing how well their ads are performing. Since these are field tests, the natural setting is believed to elicit more realistic responses.

On the negative side, DAR tests may favour unemotional appeals as the respondents are asked to verbally express the message. It may be easier to recall informational/rational messages than emotional messages. DAR test scores are highly affected by the liking and nature of the programme. There is also the problem that some respondents possess much better memories than others and the recall tests cannot account for this difference.

Some advertisers use attitude tests to measure the effectiveness of an ad campaign in creating a favourable image for a brand or company. Favourable changes in attitudes toward a company or its products are presumed to predispose consumers to buy the company's products or services. Recall and attitude tests are often combined in an attempt to determine if there are significant differences between consumers who remember the ad messages and those who do not. Five techniques are used to measure attitudes in this context: direct questioning, rating scales, checklists, semantic differential and partially structured interviews.

When advertising is the major promotional component in a company's marketing plan, sales tests are a useful measure of advertising effectiveness. Comparing past sales with current sales is a common approach particularly with big direct marketing companies. If sales increase from year to year, the credit goes to advertising effectiveness. Field tests are also used to determine the impact on sales.

Notes   **Day-After-Recall Test (ASI Market Research)**

Objective: Determining the ability of the commercial to gain viewer attention, communicate an intended message, associate the brand name with the message, and affect purchase behaviour.

Method: Interviews are conducted the day after the commercial airs in numerous cities throughout the (country name). The sample is 200 people who confirm that they watched the programme in which the ad was placed. All individuals are asked if they remember a commercial, then what they can remember about it.

Output: Scores reflecting unaided and aided recall, indicating that viewers remember the commercial and can relate details about it.

Tracking studies are conducted to measure the effects of advertising at regular intervals and may be applied to both print and broadcast advertisements. These are used to assess the effects of advertising on awareness, recall, interest and attitude toward the advertisement and/or brand and the purchase intentions. Telephone survey, personal interview, mall intercepts, or even mail surveys are used either quarterly or semi-annually. The size of the sample usually varies between 250 and 500 cases per period. This helps advertisers assess current advertising programmes and planning for the future.

The first question determines whether the respondent remembers hearing or seeing the ad. If yes, a series of follow-up questions is asked. At a predetermined interval (two or more months later), another series of random calls is made and the same questions are asked. Subsequently the results of two or more waves are compared until the advertiser is satisfied with the market penetration.

Advertisers sometime persuade a group of target consumers to keep a diary while an ad campaign is in progress. The respondents are asked to maintain records of brands purchased, brand switches, brands used for various purposes, media usage, exposure to competitors' ads and use of coupons. These diaries are reviewed to determine whether the ad message is reaching the right target audience and if they are responding to ad messages as intended.

To set up a single-source tracking system, advertisers recruit consumers, who have cable TV and living in a particular designated area to form a consumer panel. Panel members receive a card that identifies their household and gives the researchers their demographics. Each time they make a purchase, they present the card at the checkout counter in the supermarket. Scanners identify the consumer and record the purchases so researchers know who they are and what they buy. The panel members are split into matched groups, with each group receiving a different version of an advertisement.

The attached electronic meters record the television viewing by panel members to ascertain whether they saw the commercial, when they saw it and how often they saw it.

There seems to be a growing belief among many advertisers that single-source measures will change the way research is conducted. This technique offers the advantages of controlling copy; determining the impact of promotions, try different media schedules or frequency of advertising and the ability of measuring the effects of advertising on sales.

Example: Some major corporations and ad agencies are now employing this method, such as Pepsi-Cola, P & G, Nestle, Colgate-Palmolive, Leo Burnett and J. Walter Thompson.

Task   Make a print ad of any product on your own and carryout the pre-testing and post-testing. Assume that your colleagues and family members are your target audience.

Case Study   ## Panorid Pain Balm

Panorid was more than eighty-year old pain balm, and a market leader. It was meant for external application to relieve headache, muscular pain, and colds. The product primarily catered to the needs of people having faith in traditional remedies. There were several competing products available in the market, both in the traditional and modern categories of pain remedies. The manufacturer asked the ad agency to come up with new campaign that should sustain the interest of existing users, and arouse the interest of potential users. After the campaign was pre-tested, the findings were presented to the client for campaign approval.

The head office of the company manufacturing Panorid was at Hyderabad. The main business of the company was in traditional Ayurvedic medicines, and Panorid was the leading product in its portfolio. More than half of the company's total turnover was accounted by this single product. Of the major three indications, headaches, muscular pains, and colds, a very large proportion of usage was for headaches. A number of other well-known remedies, including allopathic formulation, such as analgesics, as well as pain balms were available. Vicks was a brand leader amongst cold remedies and Relieve was dominating the muscular pain remedies category.

Market segment for Panorid was well defined. It appealed to all individuals and families who had a faith in traditional values. As much as 80 per cent of Panorid usage could be attributed to people with the above background seeking relief from headaches, and these people had no preference for analgesics. Though Panorid was undoubtedly the leader, no specific data was available regarding the market share.

The major advertising objective was to ensure that the existing users of Panorid would go in for repeat purchases. Advertising should also be able to arouse the interest of those in this segment (people with faith in traditional values), who may not have used Panorid earlier, or might not be regular users.

The agency people deliberated at length on the matter and came up with a number of creative ideas. The roughs were accordingly prepared, and those considered with the

Contd...

strongest appeals as well as attention getting value were put forward to the client. The visuals showed a rope twisted tight around the forehead, or the back depicting severity of pain. Problem and suffering from colds was depicted by a clip or heavy lock hanging on the nose. The major selling appeal that Panorid has no side effects was mentioned in the baseline. The visual was highlighted by the following headlines:

Panorid knows how a headache feels.
Panorid knows how a backache feels.
Panorid knows how a cold feels.

The client approved all aspects of the creative approach of using the visuals and the copy format, the headline and the baseline. It was suggested by the ad agency that it would be advisable to pre-test the creative approach, particularly the comprehension of the visual, through a limited research study. Since the maximum usage of Panorid was for relief from headaches, it was considered appropriate to test the ad only for headaches.

With this objective in view, the agency prepared one more ad and instead of showing a rope tied around forehead, a thick cloth was shown tied around forehead. The model used was the same.

The pre-test study was used in the city of Hyderabad in May 1989. A team of researchers from an established marketing research firm was employed for fieldwork. The questionnaire was designed to elicit the meaning of the advertisement as a whole, including headline, visual and baseline. Respondents' opinions concerning the message in baseline, their likes and dislikes about the product were sought. Data collection was completed in week. The sample consisted of 64 respondents, divided equally among men and women. They respondents were from middle and upper-middle income groups. All questions except the last one related to one of the two alternative ads. Only in the last question were respondents asked to make a comparison between the two advertisements.

The advertising agency's interpretation of the findings was that both ads successfully put forth the intended message to the prospective customers. The ad with rope tied around the forehead was considered more effective and was likely to leave a better impact. Several respondents felt with respect to ad with the thick cloth tied around the forehead that cloth by itself meant seeking relief from headache. Therefore, the ad agency recommended the first ad with rope for the campaign.

In the initial brainstorming done by the agency people, several creative approaches regarding visuals were suggested. One approach suggested the impact of broken glass to show the severity of headache. While finally selecting the ad, findings of the pre-test as well as some of the earlier artwork roughs were also considered. At this stage it was felt that the impact of broken glass, as showing all types of indications for Panorid was likely to be more effective than that of rope. Therefore, the headline and the baseline were retained as in the ads, which were pre-tested, but the visuals were totally changed and the press ads were released.

Questions

1. Do you think advertising will play any significant role for promoting a traditional remedy like Panorid?

2. How would you have conducted a pre-test? Give your reasons.

3. Was it advisable to use a visual in the campaign, which was not pre-tested instead of the tested one? Why?

14.3 Summary

- Russell H. Colley (1961) prepared a report for the Association of National Advertisers titled Defining Advertising Goals for Measured Advertising Results (DAGMAR). He developed a model for setting advertising objectives and measuring the results of an ad campaign.

- Colley proposed that communications objectives be based on a hierarchical model with four stages: awareness, comprehension, conviction and action.

- The DAGMAR approach requires that the measurement procedure should also be specified. There must be a way to determine whether the intended ad message has been communicated properly to the target audience.

- Post-testing is undertaken after the advertising has been run in the media. Most post-testing methods focus on aided recognition/recall, unaided recognition/recall, attitude tests, inquiry test and sales tests.

14.4 Keywords

Comprehension: Know facts about the brands like attributes

DAGMAR: Defining Advertising Goals for Measured Advertising Results

Recall: It refers to a measure of the proportion of a sample audience that can recall an ad as having seen.

Recognition: It refers to whether a respondent can recognize an advertisement as having seen before.

Inquiry: It refers to checking the effectiveness of ads appearing in various print media on the basis of which consumers respond by requesting for more information.

Tracking Studies: They are conducted to measure the effects of advertising at regular intervals and may be applied to both print and broadcast advertisements.

14.5 Self Assessment

State whether the following statements are true or false:

1. The most important objective of any advertising campaign should be to increase sales.

2. Wrong or vague promotional objectives can harm the company in the long run.

3. TRP gives a fair amount of idea about audience exposure to a particular campaign.

4. Pre-testing of advertising campaigns assesses the change in consumer attitude and awareness.

5. Field tests are often conducted to determine the impact of advertisement on sales.

Fill in the blanks:

6. As per DAGMAR approach, advertising objectives involve a communications task that is specific and ....

7. Four stages in a hierarchical model are: awareness, comprehension, conviction and ....

8. Recall test in which the respondents are shown certain ads with the name of the sponsor are called…………….recall test.

9. Test in which readers are asked to break up a print ad into its more important elements, such as headline, visuals, body copy and logo is called…………..test.

10. Recall and ………….tests are often combined in order to determine if there are significant differences between consumers who remember the ad messages and those who do not.

14.6 Review Questions

1. Critically analyse the DAGMAR approach.

2. Do you think DAGMAR model inhibits creativity of the advertisers? Justify your answer.

3. Firms need to evaluate the effectiveness of their advertising campaigns. Why?

4. Explain the concept of recall tests and inquiry tests. How are they useful to advertisers?

5. "In an advertiser's dream world, every ad would trigger immediate sales response". Is this thinking justified? Discuss

6. Suppose you are the promotion manager of a cosmetics company. Your company has recently launched ABC Men's fairness cream. How will you go about deciding the promotion objectives and what factors will you keep in mind while deciding them?

7. Airtel has recently changed its entire look and doing heavy promotions to communicate it. Critically analyse its promotional strategy, specially advertising.

8. Suppose you are the advertising manager of a Telecom network brand. Your company recently rolled out a series of ads targeting youth and women. How will you ascertain whether you succeeded in your advertising attempt or not?

9. One of the most important things that a promotion sponsor can do in launching a promotion is to have participants agree to its rules of the road." What do you mean by this statement?

10. Discuss the effectiveness of the ads that use sex appeal and puffery to highlight the brand. Include some examples in your discussion.

Answers: Self Assessment

1.	False	2.	True
3.	True	4.	False
5.	True	6.	Measurable
7.	Action	8.	Aided
9.	Recognition	10.	Attitude

14.7 Further Readings

Books   Batra, Aaker and Myers, *Advertising Management*, Pearson Education

Kruti shah and Alan D'Souza, Advertisement and Promotions-An IMC Perspective, Tata McGraw Hill

SHH Kazmi and Satish K Batra, *Advertising and Sales Promotion*, Excel Books, New Delhi

Online links

www.apmf.org.sg/Lt2-ObjectiveSetting

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