



**GEICO** Have the hundreds of millions of dollars GEICO has spent on TV advertising been worth it? Warren Buffet, chairman and CEO of GEICO's parent company Berkshire Hathaway, sure thinks so. He told shareholders he would spend *millions* on GEICO advertising! GEICO has more than quadrupled its revenue over the last decade, from slightly under

\$3 billion in 1998 to more than \$13 billion in 2009—making it the fastest-growing auto insurance company in the United States. The company eschews agents to sell directly to consumers with a basic message, “15 Minutes Could Save You 15% or More on Your Car Insurance.” Partnering with The Martin Agency, GEICO has run different award-winning TV campaigns to emphasize different benefits of the brand. Popular TV spots advertising GEICO's claim that its Web site is “So Easy, a Caveman Can Use It” featured offended Neanderthals expressing indignation at the prejudice they face. TV ads featuring the Cockney-speaking Gecko lizard spokes-character reinforce GEICO's brand image as credible and accomplished. A third campaign, themed “Rhetorical Questions,” uses cultural icons and touch points to make it seem obvious that GEICO saves customers money by asking self-evident questions such as, “Does Elmer Fudd have trouble with the letter R?” and “Did the Waltons take way too long to say goodnight?” The multiple campaigns complement each other and build on each other's success; the company dominates the TV airwaves with so many varied car insurance messages that any competitors' ads are lost.<sup>27</sup>



One of the most active advertisers around, GEICO employs multiple ad campaigns, including a series featuring the gecko lizard.

## Choosing Among Major Media Types

The media planner must know the capacity of the major advertising media types to deliver reach, frequency, and impact. The major advertising media along with their costs, advantages, and limitations are profiled in Table 18.1. Media planners make their choices by considering factors such as target audience media habits, product characteristics, message requirements, and cost.

## Alternate Advertising Options

In recent years, reduced effectiveness of traditional mass media has led advertisers to increase their emphasis on alternate advertising media.

**PLACE ADVERTISING** **Place advertising**, or out-of-home advertising, is a broad category including many creative and unexpected forms to grab consumers' attention. The rationale is that marketers are better off reaching people where they work, play, and, of course, shop. Popular options include billboards, public spaces, product placement, and point of purchase.

**Billboards** Billboards have been transformed and now use colorful, digitally produced graphics, backlighting, sounds, movement, and unusual—even 3D—images.<sup>28</sup> In New York, manhole covers

**TABLE 18.1** Profiles of Major Media Types

Medium	Advantages	Limitations
Newspapers	Flexibility; timeliness; good local market coverage; broad acceptance; high believability	Short life; poor reproduction quality; small “pass-along” audience
Television	Combines sight, sound, and motion; appealing to the senses; high attention; high reach	High absolute cost; high clutter; fleeting exposure; less audience selectivity
Direct mail	Audience selectivity; flexibility; no ad competition within the same medium; personalization	Relatively high cost; “junk mail” image
Radio	Mass use; high geographic and demographic selectivity; low cost	Audio presentation only; lower attention than television; nonstandardized rate structures; fleeting exposure
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life; good pass-along readership	Long ad purchase lead time; some waste in circulation
Outdoor	Flexibility; high repeat exposure; low cost; low competition	Limited audience selectivity; creative limitations
Yellow Pages	Excellent local coverage; high believability; wide reach; low cost	High competition; long ad purchase lead time; creative limitations
Newsletters	Very high selectivity; full control; interactive opportunities; relative low costs	Costs could run away
Brochures	Flexibility; full control; can dramatize messages	Overproduction could lead to runaway costs
Telephone	Many users; opportunity to give a personal touch	Relative high cost; increasing consumer resistance
Internet	High selectivity; interactive possibilities; relatively low cost	Increasing clutter

have been reimagined as steaming cups of Folgers coffee; in Belgium, eBay posted “Moved to eBay” stickers on empty storefronts; and in Germany, imaginary workers toiling inside vending machines, ATMs, and photo booths were justification for a German job-hunting Web site to proclaim, “Life Is Too Short for the Wrong Job.”<sup>29</sup>

New “Eyes On” measurement techniques allow marketers to better understand who actually has seen their outdoor ads.<sup>30</sup> The right billboard can make all the difference. Chang Soda in Bangkok had enough money in its budget for only one digital billboard. To maximize impact, it built a giant bubbling bottle onto the billboard to illustrate the product’s carbonation. Subsequent word-of-mouth buzz quintupled bottle sales from 200,000 to 1 million.<sup>31</sup>

A strong creative message can also break through visual clutter. Snickers out-of-home program used billboards and taxi-top signs with puns combining the brand’s benefits and key locations, such as “Satisfying” at the airport, “Transfer to the Ate Train” in the subway, and “Snackonomics” on cabs in Wall Street.<sup>32</sup>

**Public Spaces** Advertisers have been increasingly placing ads in unconventional places such as on movie screens, on airplanes, and in fitness clubs, as well as in classrooms, sports arenas, office and hotel elevators, and other public places.<sup>33</sup> Billboard-type poster ads are showing up everywhere. Transit ads on buses, subways, and commuter trains—around for years—have become a valuable way to reach working women. “Street furniture”—bus shelters, kiosks, and public areas—is another fast-growing option.

Advertisers can buy space in stadiums and arenas and on garbage cans, bicycle racks, parking meters, airport luggage carousels, elevators, gasoline pumps, the bottom of golf cups and swimming pools, airline snack packages, and supermarket produce in the form of tiny labels on apples and bananas. They can even buy space in toilet stalls and above urinals which, according to one

Snickers uses clever taxi-top signs to increase its brand salience.



research study, office workers visit an average of three to four times a day for roughly four minutes per visit.<sup>34</sup>

**Product Placement** Marketers pay product placement fees of \$100,000 to as much as \$500,000 so their products will make cameo appearances in movies and on television.<sup>35</sup> Sometimes placements are the result of a larger network advertising deal, but other times they are the work of small product-placement shops that maintain ties with prop masters, set designers, and production executives. Some firms get product placement at no cost by supplying their product to the movie company (Nike does not pay to be in movies but often supplies shoes, jackets, bags, and so on). Increasingly, products and brands are being woven directly into the story.<sup>36</sup>

Staples and  
The Office

**Staples and *The Office*** When Staples introduced a new \$69.99 paper-shredding device called the MailMate in 2006, the company struck a two-episode deal with NBC's popular television program, *The Office*. In the first episode, the character Kevin Malone was given the responsibility of shredding paper with the MailMate; in the second, another character, Dwight Schrute, took a job at Staples. The writers and producers of the show tried to accommodate Staples' marketing objectives for the product as much as possible. To make sure the shredder looked small enough, it sat on Kevin's desk. To emphasize the shredder was sturdy, Kevin shredded not only paper but also his credit card. To emphasize that the shredder was available only at Staples, the episode closed with Kevin shredding lettuce and making it into a salad. When a colleague asked where he got the salad, he replied, "Staples." ■

Product placement is not immune to criticism as lawmakers increasingly criticize its stealth nature, threatening to force more explicit disclosure of participating advertisers.

**Point of Purchase** Chapter 16 discussed the importance of shopper marketing and in-store marketing efforts. The appeal of point-of-purchase advertising lies in the fact that in many product categories consumers make the bulk of their final brand decisions in the store, 74 percent according to one study.<sup>37</sup>

There are many ways to communicate with consumers at the **point of purchase (P-O-P)**. In-store advertising includes ads on shopping carts, cart straps, aisles, and shelves, as well as

promotion options such as in-store demonstrations, live sampling, and instant coupon machines.<sup>38</sup> Some supermarkets are selling floor space for company logos and experimenting with talking shelves. P-O-P radio provides FM-style programming and commercial messages to thousands of food stores and drugstores nationwide. Programming includes a store-selected music format, consumer tips, and commercials. Video screens in some stores allow for TV-type ads to be run.<sup>39</sup>

### Walmart SMART Network

**Walmart SMART Network** One of the in-store advertising pioneers, Walmart, replaced its original Walmart TV with its new SMART network in 2008. The new TV network allows Walmart to monitor and control more than 27,000 individual screens in some 2,700 stores nationwide, reaching 160 million viewers every four weeks. Its “triple play” feature permits ads to be shown on a large welcome screen at the entrance of the store, a category screen in departments, and endcap screens on each aisle. Those highly visible endcap viewings are not cheap. Advertisers pay \$325,000 for 30-second spots per two-week cycle in the grocery section and \$650,000 per four-week run in the health and beauty aid department. Five-second ads running every two minutes for two weeks on the welcome screens cost advertisers \$80,000, and 10-second spots running twice every six minutes on the full network cost \$50,000 per week. By linking the time when ads were shown and when product sales were made, Walmart can estimate how much ads increase sales by department (from 7 percent in Electronics to 28 percent in Health & Beauty) and by product type (mature items increase by 7 percent, seasonal items by 18 percent).

**EVALUATING ALTERNATE MEDIA** Ads now can appear virtually anywhere consumers have a few spare minutes or even seconds to notice them. The main advantage of nontraditional media is that they can often reach a very precise and captive audience in a cost-effective manner. The message must be simple and direct. Outdoor advertising, for example, is often called the “15-second sell.” It’s more effective at enhancing brand awareness or brand image than creating new brand associations.

Unique ad placements designed to break through clutter may also be perceived as invasive and obtrusive, however. Consumer backlash often results when people see ads in traditionally ad-free spaces, such as in schools, on police cruisers, and in doctors’ waiting rooms. Nevertheless, perhaps because of its sheer pervasiveness, some consumers seem to be less bothered by nontraditional media now than in the past.

The challenge for nontraditional media is demonstrating its reach and effectiveness through credible, independent research. Consumers must be favorably affected in some way to justify the marketing expenditures. But there will always be room for creative means of placing the brand in front of consumers, as occurred with McDonald’s’ alternate-reality game called “The Lost Ring.”<sup>40</sup> “Marketing Insight: Playing Games with Brands” describes the role of gaming in marketing in general.

### McDonald's and The Lost Ring

**McDonald's and The Lost Ring** As an official sponsor of the 2008 Beijing Olympics, McDonald’s created a multipronged marketing effort. Looking to engage young adults immune to traditional media ploys, McDonald’s, its marketing agency AKQA, and game developer Jane McGonigal created a global, multilingual alternate-reality game (ARG) called The Lost Ring. The Web-based game centered around Ariadne, a fictional amnesiac female Olympic athlete from a parallel universe, and united players around the world in an online quest to recover ancient Olympic secrets. Discreetly sponsored by McDonald’s, the game began with 50 gaming bloggers receiving enigmatic packages on February 29, 2008 (Leap Day). The packages included an Olympic-themed poster from 1920 and other teasers with a clue to TheLostRing.com. Almost 3 million people in more than 100 countries eventually played the game, which ended August 24, 2008, the last day of the Olympics. The game received the Grand Prize in *Adweek’s* 2008 Buzz Awards.





## Playing Games with Brands

More than half of U.S. adults age 18 and older play video games, and about one in five play every day or almost every day. Virtually all teens (97 percent) play video games. As many as 40 percent of gamers are women. Women seem to prefer puzzles and collaborative games, whereas men seem more attracted to competitive or simulation games. Given this explosive popularity, many advertisers have decided, "if you can't beat them, join them."

A top-notch "advergame" can cost between \$100,000 and \$500,000 to develop. The game can be played on the sponsor's corporate homepage, on gaming portals, or even on public locations such as at restaurants. 7-Up, McDonald's, and Porsche have all been featured in games. Honda developed a game that allowed players to choose a Honda and zoom around city streets plastered with Honda logos. In the

first three months, 78,000 people played for an average of eight minutes each. The game's cost per thousand (CPM) of \$7 compared favorably to a prime-time TV commercial's CPM of \$11.65. Marketers collect valuable customer data upon registration and often seek permission to send e-mail. Of game players sponsored by Ford Escape SUV, 54 percent signed up to receive e-mail.

Marketers are also playing starring roles in popular video games. In multiplayer Test Drive Unlimited, players can take a break from the races to go shopping, where they can encounter at least 10 real-world brands such as Lexus and Hawaiian Airlines. Tomb Raider's Lara Craft tools around in a Jeep Commander. Mainstream marketers such as Apple, Procter & Gamble, Toyota, and Visa are all jumping on board. Overall, research suggests that gamers are fine with ads and the way they affect the game experience. One study showed that 70 percent of gamers felt dynamic in-game ads "contributed to realism," "fit the games" in which they served, and looked "cool."

**Sources:** "In-Game Advertising Research Proves Effectiveness for Brands across Categories and Game Titles," [www.microsoft.com](http://www.microsoft.com), June 3, 2008; Amanda Lenhart, "Video Games: Adults Are Players Too," Pew Internet & American Life Project, [www.pewresearch.org](http://www.pewresearch.org), December 7, 2008; "Erika Brown, 'Game On!'" *Forbes*, July 24, 2006, pp. 84–86; David Radd, "Advergaming: You Got It," *BusinessWeek*, October 11, 2006; Stuart Elliott, "Madison Avenue's Full-Court Pitch to Video Gamers," *New York Times*, October 16, 2005.

## Selecting Specific Media Vehicles

The media planner must search for the most cost-effective vehicles within each chosen media type. The advertiser who decides to buy 30 seconds of advertising on network television can pay around \$100,000 for a new show, over \$300,000 for a popular prime-time show such as *Sunday Night Football*, *American Idol*, *Grey's Anatomy*, or *Desperate Housewives*, or over \$2.5 million for an event such as the Super Bowl.<sup>41</sup> These choices are critical: The average cost to produce a national 30-second television commercial in 2007 was about \$342,000.<sup>42</sup> It can cost as much to run an ad once on network TV as to create and produce the ad to start with!

In making choices, the planner must rely on measurement services that estimate audience size, composition, and media cost. Media planners then calculate the cost per thousand persons reached by a vehicle. A full-page, four-color ad in *Sports Illustrated* cost approximately \$350,000 in 2010. If *Sports Illustrated*'s estimated readership was 3.15 million people, the cost of exposing the ad to 1,000 persons is approximately \$11.20. The same ad in *Time* cost approximately \$500,000, but reached 4.25 million people—at a higher cost-per-thousand of \$11.90.

The media planner ranks each magazine by cost per thousand and favors magazines with the lowest cost per thousand for reaching target consumers. The magazines themselves often put together a "reader profile" for their advertisers, describing average readers with respect to age, income, residence, marital status, and leisure activities.

Marketers need to apply several adjustments to the cost-per-thousand measure. First, they should adjust for *audience quality*. For a baby lotion ad, a magazine read by 1 million young mothers has an exposure value of 1 million; if read by 1 million teenagers, it has an exposure value of almost zero. Second, adjust the exposure value for the *audience-attention probability*. Readers of *Vogue* may pay more attention to ads than do readers of *Newsweek*.<sup>43</sup> Third, adjust for the medium's *editorial quality* (prestige and believability). People are more likely to believe a TV or radio ad and to become more positively disposed toward the brand when the ad is placed within a program they like.<sup>44</sup> Fourth, consider *ad placement policies and extra services* (such as regional or occupational editions and lead-time requirements for magazines).

Media planners are using more sophisticated measures of effectiveness and employing them in mathematical models to arrive at the best media mix. Many advertising agencies use software programs to select the initial media and make improvements based on subjective factors.<sup>45</sup>

## Deciding on Media Timing and Allocation

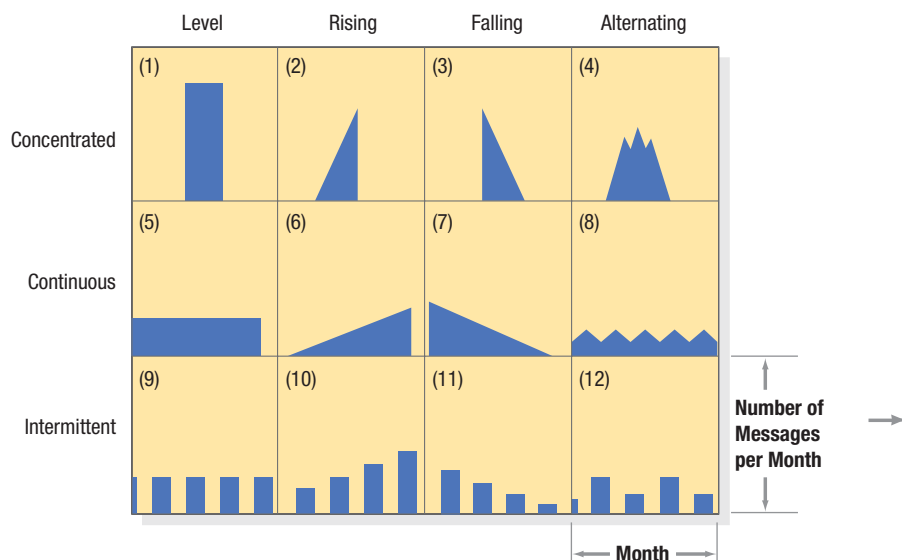
In choosing media, the advertiser has both a macroscheduling and a macroscheduling decision. The *macroscheduling decision* relates to seasons and the business cycle. Suppose 70 percent of a product's sales occur between June and September. The firm can vary its advertising expenditures to follow the seasonal pattern, to oppose the seasonal pattern, or to be constant throughout the year.

The *microscheduling decision* calls for allocating advertising expenditures within a short period to obtain maximum impact. Suppose the firm decides to buy 30 radio spots in the month of September. ▲ Figure 18.3 shows several possible patterns. The left side shows that advertising messages for the month can be concentrated ("burst" advertising), dispersed continuously throughout the month, or dispersed intermittently. The top side shows that the advertising messages can be beamed with a level, rising, falling, or alternating frequency.

The chosen pattern should meet the communications objectives set in relationship to the nature of the product, target customers, distribution channels, and other marketing factors. The timing pattern should consider three factors. *Buyer turnover* expresses the rate at which new buyers enter the market; the higher this rate, the more continuous the advertising should be. *Purchase frequency* is the number of times the average buyer buys the product during the period; the higher the purchase frequency, the more continuous the advertising should be. The *forgetting rate* is the rate at which the buyer forgets the brand; the higher the forgetting rate, the more continuous the advertising should be.

In launching a new product, the advertiser must choose among continuity, concentration, flighting, and pulsing.

- **Continuity** means exposures appear evenly throughout a given period. Generally, advertisers use continuous advertising in expanding market situations, with frequently purchased items, and in tightly defined buyer categories.
- **Concentration** calls for spending all the advertising dollars in a single period. This makes sense for products with one selling season or related holiday.
- **Flighting** calls for advertising during a period, followed by a period with no advertising, followed by a second period of advertising activity. It is useful when funding is limited, the purchase cycle is relatively infrequent, or items are seasonal.
- **Pulsing** is continuous advertising at low-weight levels, reinforced periodically by waves of heavier activity. It draws on the strength of continuous advertising and flights to create a compromise scheduling strategy.<sup>46</sup> Those who favor pulsing believe the audience will learn the message more thoroughly, and at a lower cost to the firm.



[Fig. 18.3] ▲

Classification of Advertising Timing Patterns

TABLE 18.2 Advertising Pretest Research Techniques

<b>For Print Ads</b> Starch and Gallup & Robinson Inc. are two widely used print pretesting services. Test ads are placed in magazines, which are then circulated to consumers. These consumers are contacted later and interviewed. Recall and recognition tests are used to determine advertising effectiveness.
<b>For Broadcast Ads</b> <b>In-home tests:</b> A video is taken or downloaded into the homes of target consumers, who then view the commercials. <b>Trailer tests:</b> In a trailer in a shopping center, shoppers are shown the products and given an opportunity to select a series of brands. They then view commercials and are given coupons to be used in the shopping center. Redemption rates indicate commercials' influence on purchase behavior. <b>Theater tests:</b> Consumers are invited to a theater to view a potential new television series along with some commercials. Before the show begins, consumers indicate preferred brands in different categories; after the viewing, consumers again choose preferred brands. Preference changes measure the commercials' persuasive power. <b>On-air tests:</b> Respondents are recruited to watch a program on a regular TV channel during the test commercial or are selected based on their having viewed the program. They are asked questions about commercial recall.

A company must decide how to allocate its advertising budget over space as well as over time. The company makes “national buys” when it places ads on national TV networks or in nationally circulated magazines. It makes “spot buys” when it buys TV time in just a few markets or in regional editions of magazines. These markets are called *areas of dominant influence* (ADIs) or *designated marketing areas* (DMAs). The company makes “local buys” when it advertises in local newspapers, radio, or outdoor sites.

Evaluating Advertising Effectiveness

Most advertisers try to measure the communication effect of an ad—that is, its potential impact on awareness, knowledge, or preference. They would also like to measure the ad’s sales effect.

**COMMUNICATION-EFFECT RESEARCH** Communication-effect research, called *copy testing*, seeks to determine whether an ad is communicating effectively. Marketers should perform this test both before an ad is put into media and after it is printed or broadcast. Table 18.2 describes some specific advertising pretest research techniques.

Pretest critics maintain that agencies can design ads that test well but may not necessarily perform well in the marketplace. Proponents maintain that useful diagnostic information can emerge and that pretests should not be used as the sole decision criterion anyway. Widely acknowledged as one of the best advertisers around, Nike is notorious for doing very little ad pretesting.

Many advertisers use posttests to assess the overall impact of a completed campaign. If a company hoped to increase brand awareness from 20 percent to 50 percent and succeeded in increasing it to only 30 percent, then the company is not spending enough, its ads are poor, or it has overlooked some other factor.

**SALES-EFFECT RESEARCH** What sales are generated by an ad that increases brand awareness by 20 percent and brand preference by 10 percent? The fewer or more controllable other factors such as features and price are, the easier it is to measure advertising’s effect on sales. The sales impact is easiest to measure in direct marketing situations and hardest in brand or corporate image-building advertising.

Companies are generally interested in finding out whether they are overspending or under-spending on advertising. One way to answer this question is to work with the formulation shown in Figure 18.4.

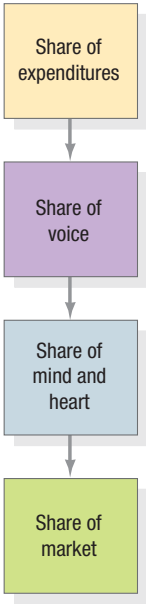


Fig. 18.4

Formula for Measuring Different Stages in the Sales Impact of Advertising

A company's *share of advertising expenditures* produces a *share of voice* (proportion of company advertising of that product to all advertising of that product) that earns a *share of consumers' minds and hearts* and, ultimately, a *share of market*.

Researchers try to measure the sales impact by analyzing historical or experimental data. The *historical approach* correlates past sales to past advertising expenditures using advanced statistical techniques.<sup>47</sup> Other researchers use an *experimental design* to measure advertising's sales impact.

A growing number of researchers are striving to measure the sales effect of advertising expenditures instead of settling for communication-effect measures.<sup>48</sup> Millward Brown International has conducted tracking studies for years to help advertisers decide whether their advertising is benefiting their brand.<sup>49</sup>

## Sales Promotion

**Sales promotion**, a key ingredient in marketing campaigns, consists of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.<sup>50</sup>

Whereas advertising offers a *reason* to buy, sales promotion offers an *incentive*. Sales promotion includes tools for *consumer promotion* (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations), *trade promotion* (prices off, advertising and display allowances, and free goods), and *business and sales force promotion* (trade shows and conventions, contests for sales reps, and specialty advertising).

### Objectives

Sales promotion tools vary in their specific objectives. A free sample stimulates consumer trial, whereas a free management-advisory service aims at cementing a long-term relationship with a retailer.

Sellers use incentive-type promotions to attract new triers, to reward loyal customers, and to increase the repurchase rates of occasional users. Sales promotions often attract brand switchers, who are primarily looking for low price, good value, or premiums. If some of them would not have otherwise tried the brand, promotion can yield long-term increases in market share.<sup>51</sup>

Sales promotions in markets of high brand similarity can produce a high sales response in the short run but little permanent gain in brand preference over the longer term. In markets of high brand dissimilarity, they may be able to alter market shares permanently. In addition to brand switching, consumers may engage in stockpiling—purchasing earlier than usual (purchase acceleration) or purchasing extra quantities. But sales may then hit a postpromotion dip.<sup>52</sup>

### Advertising versus Promotion

Sales promotion expenditures increased as a percentage of budget expenditure for a number of years, although its growth has recently slowed. Several factors contributed to this growth, particularly in consumer markets. Promotion became more accepted by top management as an effective sales tool, the number of brands increased, competitors used promotions frequently, many brands were seen as similar, consumers became more price-oriented, the trade demanded more deals from manufacturers, and advertising efficiency declined.

But the rapid growth of sales promotion created clutter. Consumers began to tune out promotions: Coupon redemption peaked in 1992 at 7.9 billion coupons redeemed but dropped to 2.6 billion by 2008. Incessant price reductions, coupons, deals, and premiums can also devalue the product in buyers' minds. There is a risk in putting a well-known brand on promotion over 30 percent of the time. Having turned to 0 percent financing, hefty cash rebates, and special lease programs to ignite sales in the soft post-9/11 economy, auto manufacturers have found it difficult to wean consumers from discounts ever since.<sup>53</sup>

Loyal brand buyers tend not to change their buying patterns as a result of competitive promotions. Advertising appears to be more effective at deepening brand loyalty, although we can distinguish added-value promotions from price promotions.<sup>54</sup> Gain's "Love at First Sniff" campaign used direct mail and in-store scented tear-pads and ShelfVision TV to entice consumers to smell the product, resulting in an almost 500 percent increase in shipments over the goal.<sup>55</sup>




Price promotions may not build permanent total-category volume. One study of more than 1,000 promotions concluded that only 16 percent paid off.<sup>56</sup> Small-share competitors may find it advantageous to use sales promotion, because they cannot afford to match the market leaders' large advertising budgets, nor can they obtain shelf space without offering trade allowances or stimulate consumer trial without offering incentives. Dominant brands offer deals less frequently, because most deals subsidize only current users.

The upshot is that many consumer-packaged-goods companies feel forced to use more sales promotion than they wish. They blame heavy use of sales promotion for decreased brand loyalty, increased price sensitivity, brand-quality image dilution, and a focus on short-run marketing planning. One review of promotion effectiveness concluded, "When the strategic disadvantages of promotions are included, that is, losing control to the trade and training consumers to buy only on deal, the case is compelling for a reevaluation of current practices and the incentive systems responsible for this trend."<sup>57</sup>

## Major Decisions

In using sales promotion, a company must establish its objectives, select the tools, develop the program, pretest the program, implement and control it, and evaluate the results.


**ESTABLISHING OBJECTIVES** Sales promotion objectives derive from broader communication objectives, which derive from more basic marketing objectives for the product. For consumers, objectives include encouraging purchase of larger-sized units, building trial among nonusers, and attracting switchers away from competitors' brands. Ideally, promotions with consumers would have short-run sales impact as well as long-run brand equity effects.<sup>58</sup> For retailers, objectives include persuading retailers to carry new items and higher levels of inventory, encouraging off-season buying, encouraging stocking of related items, offsetting competitive promotions, building brand loyalty, and gaining entry into new retail outlets. For the sales force, objectives include encouraging support of a new product or model, encouraging more prospecting, and stimulating off-season sales.<sup>59</sup>

**SELECTING CONSUMER PROMOTION TOOLS** The promotion planner should take into account the type of market, sales promotion objectives, competitive conditions, and each tool's cost-effectiveness. The main consumer promotion tools are summarized in  Table 18.3. *Manufacturer promotions* are, for instance in the auto industry, rebates, gifts to motivate test-drives and purchases, and high-value trade-in credit. *Retailer promotions* include price cuts, feature advertising, retailer coupons, and retailer contests or premiums.<sup>60</sup>

We can also distinguish between sales promotion tools that are *consumer franchise building* and those that are not. The former impart a selling message along with the deal, such as free samples, frequency awards, coupons when they include a selling message, and premiums when they are related to the product. Sales promotion tools that typically are *not* brand building include price-off packs, consumer premiums not related to a product, contests and sweepstakes, consumer refund offers, and trade allowances.

Consumer franchise-building promotions offer the best of both worlds—they build brand equity while moving product. Sampling has gained popularity in recent years—companies such as McDonald's, Dunkin' Donuts, and Starbucks have given away millions of samples of their new products—because consumers like them and they often lead to higher long-term sales for quality products.<sup>61</sup>

Digital coupons eliminate printing costs, reduce paper waste, are easily updatable, and have higher redemption rates. Coupons.com receives almost 5 million unique visitors a month for money-saving deals. Almost 2 million consumers visit CoolSavings.com each month for money-saving coupons and offers from name brands, as well as helpful tips and articles, newsletters, free recipes, sweepstakes, free trials, free samples, and more. Electronic coupons can arrive by cell phone, Twitter, e-mail, or Facebook.<sup>62</sup>

**SELECTING TRADE PROMOTION TOOLS** Manufacturers use a number of trade promotion tools (see  Table 18.4).<sup>63</sup> Manufacturers award money to the trade (1) to persuade the retailer or wholesaler to carry the brand; (2) to persuade the retailer or wholesaler to carry more units than the normal amount; (3) to induce retailers to promote the brand by featuring, display, and price reductions; and (4) to stimulate retailers and their sales clerks to push the product.

The growing power of large retailers has increased their ability to demand trade promotion at the expense of consumer promotion and advertising.<sup>64</sup> The company's sales force and its brand

**TABLE 18.3** Major Consumer Promotion Tools

<b>Samples:</b> Offer of a free amount of a product or service delivered door-to-door, sent in the mail, picked up in a store, attached to another product, or featured in an advertising offer.
<b>Coupons:</b> Certificates entitling the bearer to a stated saving on the purchase of a specific product: mailed, enclosed in other products or attached to them, or inserted in magazine and newspaper ads.
<b>Cash Refund Offers (rebates):</b> Provide a price reduction after purchase rather than at the retail shop: Consumer sends a specified “proof of purchase” to the manufacturer who “refunds” part of the purchase price by mail.
<b>Price Packs (cents-off deals):</b> Offers to consumers of savings off the regular price of a product, flagged on the label or package. A <i>reduced-price pack</i> is a single package sold at a reduced price (such as two for the price of one). A <i>banded pack</i> is two related products banded together (such as a toothbrush and toothpaste).
<b>Premiums (gifts):</b> Merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. A <i>with-pack premium</i> accompanies the product inside or on the package. A <i>free in-the-mail premium</i> is mailed to consumers who send in a proof of purchase, such as a box top or UPC code. A <i>self-liquidating premium</i> is sold below its normal retail price to consumers who request it.
<b>Frequency Programs:</b> Programs providing rewards related to the consumer’s frequency and intensity in purchasing the company’s products or services.
<b>Prizes (contests, sweepstakes, games):</b> <i>Prizes</i> are offers of the chance to win cash, trips, or merchandise as a result of purchasing something. A <i>contest</i> calls for consumers to submit an entry to be examined by a panel of judges who will select the best entries. A <i>sweepstakes</i> asks consumers to submit their names in a drawing. A <i>game</i> presents consumers with something every time they buy—bingo numbers, missing letters—which might help them win a prize.
<b>Patronage Awards:</b> Values in cash or in other forms that are proportional to patronage of a certain vendor or group of vendors.
<b>Free Trials:</b> Inviting prospective purchasers to try the product without cost in the hope that they will buy.
<b>Product Warranties:</b> Explicit or implicit promises by sellers that the product will perform as specified or that the seller will fix it or refund the customer’s money during a specified period.
<b>Tie-in Promotions:</b> Two or more brands or companies team up on coupons, refunds, and contests to increase pulling power.
<b>Cross-Promotions:</b> Using one brand to advertise another noncompeting brand.
<b>Point-of-Purchase (P-O-P) Displays and Demonstrations:</b> P-O-P displays and demonstrations take place at the point of purchase or sale.

**TABLE 18.4** Major Trade Promotion Tools

<b>Price-Off (off-invoice or off-list):</b> A straight discount off the list price on each case purchased during a stated time period.
<b>Allowance:</b> An amount offered in return for the retailer’s agreeing to feature the manufacturer’s products in some way. An <i>advertising allowance</i> compensates retailers for advertising the manufacturer’s product. A <i>display allowance</i> compensates them for carrying a special product display.
<b>Free Goods:</b> Offers of extra cases of merchandise to intermediaries who buy a certain quantity or who feature a certain flavor or size.

Reflecting changes in consumer behavior, digital coupons such as these, available at Coupons.com, have grown in importance.



managers are often at odds over trade promotion. The sales force says local retailers will not keep the company's products on the shelf unless they receive more trade promotion money, whereas brand managers want to spend their limited funds on consumer promotion and advertising.

Manufacturers face several challenges in managing trade promotions. First, they often find it difficult to police retailers to make sure they are doing what they agreed to do. Manufacturers increasingly insist on proof of performance before paying any allowances. Second, some retailers are doing *forward buying*—that is, buying a greater quantity during the deal period than they can immediately sell. Retailers might respond to a 10 percent-off-case allowance by buying a 12-week or longer supply. The manufacturer must then schedule more production than planned and bear the costs of extra work shifts and overtime. Third, some retailers are *diverting*, buying more cases than needed in a region where the manufacturer offers a deal and shipping the surplus to their stores in nondeal regions. Manufacturers handle forward buying and diverting by limiting the amount they will sell at a discount, or by producing and delivering less than the full order in an effort to smooth production.<sup>65</sup>

Ultimately, many manufacturers feel trade promotion has become a nightmare. It contains layers of deals, is complex to administer, and often leads to lost revenues.

**SELECTING BUSINESS AND SALES FORCE PROMOTION TOOLS** Companies spend billions of dollars on business and sales force promotion tools (see Table 18.5) to gather leads, impress and reward customers, and motivate the sales force.<sup>66</sup> They typically develop budgets for tools that remain fairly constant from year to year. For many new businesses that want to make a splash to a targeted audience, especially in the B2B world, trade shows are an important tool, but the cost per contact is the highest of all communication options.

**DEVELOPING THE PROGRAM** In planning sales promotion programs, marketers are increasingly blending several media into a total campaign concept, such as the following award-winning promotion.<sup>67</sup>

Oreo Double Stuf Promotion

**Oreo Double Stuf Promotion** Winner of the Promotional Marketing Association's Super Reggie award for best integrated marketing program of 2008, Kraft's Oreo Double Stuf Racing League promotion cleverly capitalized on the images of professional athlete siblings. In its teaser launch ad, NFL star quarterback brothers Peyton and Eli

**TABLE 18.5** Major Business and Sales Force Promotion Tools

**Trade Shows and Conventions:** Industry associations organize annual trade shows and conventions. Trade shows are an \$11.5 billion business, and business marketers may spend as much as 35 percent of their annual promotion budget on trade shows. Trade show attendance can range from a few thousand people to over 70,000 for large shows held by the restaurant or hotel-motel industries. The International Consumer Electronics Show is one of the largest trade shows in the world with more than 200,000 attendees in 2009. Participating vendors expect several benefits, including generating new sales leads, maintaining customer contacts, introducing new products, meeting new customers, selling more to present customers, and educating customers with publications, videos, and other audiovisual materials.

**Sales Contests:** A sales contest aims at inducing the sales force or dealers to increase their sales results over a stated period, with prizes (money, trips, gifts, or points) going to those who succeed.

**Specialty Advertising:** Specialty advertising consists of useful, low-cost items bearing the company's name and address, and sometimes an advertising message that salespeople give to prospects and customers. Common items are ballpoint pens, calendars, key chains, flashlights, tote bags, and memo pads.

Manning announced they were officially becoming two-sport competitors. A follow-up ad with the brothers revealed that the classic “split and lick” ritual with Oreo cookies was becoming a professional sport. The Mannings encouraged the public to join the league and to enter a sweepstakes that would award 10 winners a three-day trip to New Orleans to take part in a Double Stuf Lick Race (DSLRL) competition and compete for a \$10,000 prize. Kraft promoted the DSLRL sweepstakes by placing the image of the Mannings on 15 million Oreo packages and setting up in-store and point-of-purchase displays. An instant-win game on the Web site gave visitors a chance to earn one of 2,000 DSLRL “training kits,” including a cooler, two glasses, and a branded jersey. Professional tennis star sisters Serena and Venus Williams later appeared in a second round of ads, challenging the Mannings to cookie-licking supremacy in what was billed as the “ultimate sibling rivalry.”

In deciding to use a particular incentive, marketers must first determine its *size*. A certain minimum is necessary if the promotion is to succeed. Second, the marketing manager must establish *conditions* for participation. Incentives might be offered to everyone or to select groups. Third, the marketer must decide on the *duration* of the promotion. Fourth, the marketer must choose a *distribution vehicle*. A 15-cents-off coupon can be distributed in the product package, in stores, by mail, online, or in advertising. Fifth, the marketing manager must establish the *timing* of promotion, and finally, the *total sales promotion budget*. The cost of a particular promotion consists of the administrative cost (printing, mailing, and promoting the deal) and the incentive cost (cost of premium or cents-off, including redemption costs), multiplied by the expected number of units sold. The cost of a coupon deal would recognize that only a fraction of consumers will redeem the coupons.

**IMPLEMENTING AND EVALUATING THE PROGRAM** Marketing managers must prepare implementation and control plans that cover lead time and sell-in time for each individual promotion. *Lead time* is the time necessary to prepare the program prior to launching it.<sup>68</sup> *Sell-in time* begins with the promotional launch and ends when approximately 95 percent of the deal merchandise is in the hands of consumers.

Manufacturers can evaluate the program using sales data, consumer surveys, and experiments. Sales (scanner) data helps analyze the types of people who took advantage of the promotion, what they bought before the promotion, and how they behaved later toward the brand and other brands. Sales promotions work best when they attract competitors' customers who then switch. *Consumer surveys* can uncover how many consumers recall the promotion, what they thought of it, how many took advantage of it, and how the promotion affected subsequent brand-choice behavior.<sup>69</sup> *Experiments* vary such attributes as incentive value, duration, and distribution media. For example, coupons can be sent to half the households in a consumer panel. Scanner data can track whether the coupons led more people to buy the product and when.



Additional costs beyond the cost of specific promotions include the risk that promotions might decrease long-run brand loyalty. Second, promotions can be more expensive than they appear. Some are inevitably distributed to the wrong consumers. Third are the costs of special production runs, extra sales force effort, and handling requirements. Finally, certain promotions irritate retailers, who may demand extra trade allowances or refuse to cooperate.

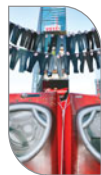
## Events and Experiences

The IEG Sponsorship Report projected that \$17.1 billion would be spent on sponsorships in North America during 2010, with 68 percent going to sports; another 10 percent to entertainment tours and attractions; 5 percent to festivals, fairs, and annual events; 5 percent to the arts; 3 percent to associations and membership organizations; and 9 percent to cause marketing.<sup>70</sup> Becoming part of a personally relevant moment in consumers' lives through events and experiences can broaden and deepen a company or brand's relationship with the target market.

Daily encounters with brands may also affect consumers' brand attitudes and beliefs. *Atmospheres* are "packaged environments" that create or reinforce leanings toward product purchase. Law offices decorated with Oriental rugs and oak furniture communicate "stability" and "success."<sup>71</sup> A five-star hotel will use elegant chandeliers, marble columns, and other tangible signs of luxury. Many firms are creating on-site and off-site product and brand experiences. There is Everything Coca-Cola in Las Vegas and M&M World in Times Square in New York.<sup>72</sup>

Many firms are creating their own events and experiences to create consumer and media interest and involvement. To showcase its international reach and upgrades in seating, food, and beverage, Delta Airlines created a temporary SKY360 pop-up retail lounge on West 57th Street in Manhattan. The lounge featured samples of wine and food items from chef Todd English to eat and drink, comfortable leather seats found in coach to sit in, and the seat-back entertainment system to listen to.<sup>73</sup> Given its central business location for the media industry, Manhattan is the site of many events and experiences.<sup>74</sup>

A major Times Square event to support the launch of a new line of GE Profile washers and dryers was part of an extensive integrated marketing communications program.



**GE Profile** To promote its new GE Profile Frontload Washer and Dryer with SmartDispense Technology—designed to optimize the amount of detergent used in any one wash—GE used traditional online and mass media. To create even more buzz, the firm hung 800 feet of jeans and shirts on a massive clothesline in Times Square to represent the six months' worth of washing the new machines could typically handle before needing more detergent. On one of the traffic islands were 20-foot-high inflatable versions of the new washer/dryer. A live celebrity auction to benefit the nonprofit Clothes Off Our Back Foundation was hosted by television mom Alison Sweeney. A small army of 20 representatives handing out product-related goodies (such as bottles of water and coloring books shaped like the appliance's door) added to the spectacle. GE also ran an online promotion. All these efforts combined to attract 150,000 entrants to a washer/dryer giveaway contest.



## Events Objectives

Marketers report a number of reasons to sponsor events:

1. **To identify with a particular target market or lifestyle**—Customers can be targeted geographically, demographically, psychographically, or behaviorally according to events. Old Spice sponsors college sports and motor sports—including a 10-year deal with driver Tony Stewart's entries in the Nextel Cup and Busch Series—to highlight product relevance and sample among its target audience of 16- to 24-year-old males.<sup>75</sup>
2. **To increase salience of company or product name**—Sponsorship often offers sustained exposure to a brand, a necessary condition to reinforce brand salience. Top-of-mind awareness for World Cup soccer sponsors such as Emirates, Hyundai, Kia, and Sony benefited from the repeated brand and ad exposure over the one month-long tournament.



3. **To create or reinforce perceptions of key brand image associations**—Events themselves have associations that help to create or reinforce brand associations.<sup>76</sup> To toughen its image and appeal to America's heartland, Toyota Tundra elected to sponsor B.A.S.S. fishing tournaments and a Brooks & Dunn country music tour.
4. **To enhance corporate image**—Sponsorship can improve perceptions that the company is likable and prestigious. Although Visa views its long-standing Olympic sponsorship as a means of enhancing international brand awareness and increasing usage and volume, it also engenders patriotic goodwill and taps into the emotional Olympic spirit.<sup>77</sup>
5. **To create experiences and evoke feelings**—The feelings engendered by an exciting or rewarding event may indirectly link to the brand. Audi models featured prominently in the 2010 blockbuster *Iron Man 2*, including main character Tony Stark's personal R8 Spyder, the A8, Q5 and Q7 SUVs, and A3 hatchback. Backed by a month-long marketing blitz, surveys revealed that positive word of mouth doubled for the brand.<sup>78</sup>
6. **To express commitment to the community or on social issues**—Cause-related marketing sponsors nonprofit organizations and charities. Firms such as Timberland, Stonyfield Farms, Home Depot, Starbucks, American Express, and Tom's of Maine have made cause-related marketing an important cornerstone of their marketing programs.
7. **To entertain key clients or reward key employees**—Many events include lavish hospitality tents and other special services or activities only for sponsors and their guests. These perks engender goodwill and establish valuable business contacts. From an employee perspective, events can also build participation and morale or serve as an incentive. BB&T Corp., a major banking and financial services player in the South and Southeast United States, used its NASCAR Busch Series sponsorship to entertain business customers and its minor league baseball sponsorship to generate excitement among employees.<sup>79</sup>
8. **To permit merchandising or promotional opportunities**—Many marketers tie contests or sweepstakes, in-store merchandising, direct response, or other marketing activities with an event. Ford, Coca-Cola, and AT&T Mobility have all used their sponsorship of the hit TV show *American Idol* in this way.

Despite these potential advantages, the result of an event can still be unpredictable and beyond the sponsor's control. Although many consumers will credit sponsors for providing the financial assistance to make an event possible, some may resent the commercialization of events.

## Major Sponsorship Decisions

Making sponsorships successful requires choosing the appropriate events, designing the optimal sponsorship program, and measuring the effects of sponsorship.<sup>80</sup>

**CHOOSING EVENTS** Because of the number of opportunities and their huge cost, many marketers are becoming more selective about choosing sponsorship events.

The event must meet the marketing objectives and communication strategy defined for the brand. The audience must match the target market. The event must have sufficient awareness, possess the desired image, and be capable of creating the desired effects. Consumers must make favorable attributions for the sponsor's engagement. An ideal event is also unique but not encumbered with many sponsors, lends itself to ancillary marketing activities, and reflects or enhances the sponsor's brand or corporate image.<sup>81</sup>

**DESIGNING SPONSORSHIP PROGRAMS** Many marketers believe the marketing program accompanying an event sponsorship ultimately determines its success. At least two to three times the amount of the sponsorship expenditure should be spent on related marketing activities.

*Event creation* is a particularly important skill in publicizing fund-raising drives for nonprofit organizations. Fund-raisers have developed a large repertoire of special events, including anniversary celebrations, art exhibits, auctions, benefit evenings, book sales, cake sales, contests, dances, dinners, fairs, fashion shows, phonathons, rummage sales, tours, and walkathons.

More firms are now using their names to sponsor arenas, stadiums, and other venues that hold events. Billions of dollars have been spent over the past decade for naming rights to major North American sports facilities. But as with any sponsorship, the most important consideration is the additional marketing activities.<sup>82</sup>

**MEASURING SPONSORSHIP ACTIVITIES** It's a challenge to measure the success of events. The *supply-side* measurement method focuses on potential exposure to the brand by assessing the extent of media coverage, and the *demand-side* method focuses on exposure reported by consumers. "Marketing Memo: Measuring High Performance Sponsorship Programs" offers some guidelines critical to issues of sponsorship measurement from industry experts IEG.

**Supply-side methods** approximate the amount of time or space devoted to media coverage of an event, for example, the number of seconds the brand is clearly visible on a television screen or the column inches of press clippings that mention it. These potential "impressions" translate into a value equivalent to the dollar cost of actually advertising in the particular media vehicle. Some industry consultants have estimated that 30 seconds of TV logo exposure during a televised event can be worth 6 percent, 10 percent, or as much as 25 percent of a 30-second TV ad spot.

Although supply-side exposure methods provide quantifiable measures, equating media coverage with advertising exposure ignores the content of the respective communications. The advertiser uses media space and time to communicate a strategically designed message. Media coverage and telecasts only expose the brand and don't necessarily embellish its meaning in any direct way. Although some public relations professionals maintain that positive editorial coverage can be worth 5 to 10 times the equivalent advertising value, sponsorship rarely provides such favorable treatment.<sup>83</sup>

The **demand-side method** identifies the effect sponsorship has on consumers' brand knowledge. Marketers can survey event spectators to measure recall of the event as well as resulting attitudes and intentions toward the sponsor.

## Creating Experiences

A large part of local, grassroots marketing is experiential marketing, which not only communicates features and benefits but also connects a product or service with unique and interesting experiences. "The idea is not to sell something, but to demonstrate how a brand can enrich a customer's life."<sup>84</sup>

## marketing Memo

### Measuring High Performance Sponsorship Programs

1. *Measure outcomes, not outputs.* Focus on what a sponsorship actually produced rather than what a sponsor got or did—rather than focus on 5,000 people sampled at an event, how many of those people would be classified as members of the target market and what is the likely conversion rate between their trial and future behaviors?
2. *Define and benchmark objectives on the front end.* Specific objectives help to identify what measures should be tracked. An objective of motivating the sales force and distributors suggests different measures than one of building brand image and key brand benefits. Contrast measures in terms of sponsorship effects and what might have happened if the sponsorship had not occurred.
3. *Measure return for each objective against prorated share of rights and activation fees.* Rank and rate objectives by importance and allocate the total sponsorship budget against each of those objectives.
4. *Measure behavior.* Conduct a thorough sales analysis to identify shifts in marketplace behavior as a result of the sponsorship.
5. *Apply the assumptions and ratios used by other departments within the company.* Applying statistical methods used by other departments makes it easier to gain acceptance for any sponsorship analysis.
6. *Research the emotional identities of customers and measure the results of emotional connections.* In what ways does a sponsorship psychologically affect consumers and facilitate and deepen long-term loyalty relationships?
7. *Identify group norms.* How strong of a community exists around the sponsored event or participants? Are their formal groups that share interests that will be impacted by the sponsorship?
8. *Include cost savings in ROI calculations.* Contrast expenses that a firm has typically incurred in the past achieving a particular objective from those expenses allocated to achieve the objective as part of the sponsorship.
9. *Slice the data.* Sponsorship affects market segments differently. Breaking down a target market into smaller segments can better identify sponsorship effects.
10. *Capture normative data.* Develop a core set of evaluation criteria that can be applied across all different sponsorship programs.

**Source:** "Measuring High Performance Sponsorship Programs," IEG Executive Brief, IEG Sponsorship Consulting, [www.sponsorship.com](http://www.sponsorship.com), 2009.

Consumers seem to appreciate that. In one survey, four of five respondents found participating in a live event was more engaging than all other forms of communication. The vast majority also felt experiential marketing gave them more information than other forms of communication and would make them more likely to tell others about participating in the event and to be receptive to other marketing for the brand.<sup>85</sup>

Companies can even create a strong image by inviting prospects and customers to visit their headquarters and factories. Ben & Jerry's, Boeing, Crayola, and Hershey's all sponsor excellent company tours that draw millions of visitors a year. Companies such as Hallmark, Kohler, and Beiersdorf (makers of NIVEA) have built corporate museums at or near their headquarters that display their history and the drama of producing and marketing their products.

## Public Relations

Not only must the company relate constructively to customers, suppliers, and dealers, it must also relate to a large number of interested publics. A **public** is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. **Public relations (PR)** includes a variety of programs to promote or protect a company's image or individual products.

The wise company takes concrete steps to manage successful relationships with its key publics. Most companies have a public relations department that monitors the attitudes of the organization's publics and distributes information and communications to build goodwill. The best PR departments counsel top management to adopt positive programs and eliminate questionable practices so negative publicity doesn't arise in the first place. They perform the following five functions:

1. **Press relations**—Presenting news and information about the organization in the most positive light
2. **Product publicity**—Sponsoring efforts to publicize specific products
3. **Corporate communications**—Promoting understanding of the organization through internal and external communications
4. **Lobbying**—Dealing with legislators and government officials to promote or defeat legislation and regulation
5. **Counseling**—Advising management about public issues, and company positions and image during good times and bad

## Marketing Public Relations

Many companies are turning to **marketing public relations (MPR)** to support corporate or product promotion and image making. MPR, like financial PR and community PR, serves a special constituency, the marketing department.

The old name for MPR was **publicity**, the task of securing editorial space—as opposed to paid space—in print and broadcast media to promote or “hype” a product, service, idea, place, person, or organization. MPR goes beyond simple publicity and plays an important role in the following tasks:

- **Launching new products.** The amazing commercial success of toys such as LeapFrog, Beanie Babies, and even the latest kids' craze, Silly Bandz, owes a great deal to strong publicity.
- **Repositioning a mature product.** In a classic PR case study, New York City had extremely bad press in the 1970s until the “I Love New York” campaign.
- **Building interest in a product category.** Companies and trade associations have used MPR to rebuild interest in declining commodities such as eggs, milk, beef, and potatoes and to expand consumption of such products as tea, pork, and orange juice.
- **Influencing specific target groups.** McDonald's sponsors special neighborhood events in Latino and African American communities to build goodwill.



Crayola brings colorful fun to its company tours and visits.



- **Defending products that have encountered public problems.** PR professionals must be adept at managing crises, such as those weathered by such well-established brands as Tylenol, Toyota, and BP in 2010.
- **Building the corporate image in a way that reflects favorably on its products.** Steve Jobs's heavily anticipated Macworld keynote speeches have helped to create an innovative, iconoclastic image for Apple Corporation.

As the power of mass advertising weakens, marketing managers are turning to MPR to build awareness and brand knowledge for both new and established products. MPR is also effective in blanketing local communities and reaching specific groups and can be more cost-effective than advertising. Nevertheless, it must be planned jointly with advertising.<sup>86</sup>

Clearly, creative public relations can affect public awareness at a fraction of the cost of advertising. The company doesn't pay for media space or time but only for a staff to develop and circulate the stories and manage certain events. An interesting story picked up by the media can be worth millions of dollars in equivalent advertising. Some experts say consumers are five times more likely to be influenced by editorial copy than by advertising. The following is an example of an award-winning PR campaign.<sup>87</sup>



**Man Lives in IKEA** IKEA showed that a highly successful marketing campaign does not have to cost a lot of money if PR is properly employed. With its PR firm Ketchum, the company created the clever "Man Lives in IKEA" PR campaign. Using a budget of only \$13,500, IKEA allowed comedian Mark Malkoff to live in an apartment in the Paramus, New Jersey, store from January 7 to 12, 2007, during which time he was allowed 24-hour access to film anything and everything. The campaign's goals included increasing sales, boosting traffic to IKEA-USA.com, and promoting two key brand messages: "IKEA has everything you need to live and make a home" and "Home is the most

important place in the world." Ketchum and IKEA secured interviews with store executives and planned the week's schedule, which included a good-bye party featuring singer Lisa Loeb. Malkoff's team documented his interactions, including with security guards and customers relaxing in his "home," and posted 25 videos during the week. MarkLivesInIKEA.com received more than 15 million hits, and home-related IKEA blog coverage rose 356 percent from January 2007 to January 2008. IKEA calculated that the effort generated more than 382 million positive media impressions. Coverage highlights included the AP, *Today*, *Good Morning America*, and CNN. Sales at the Paramus store were up 5.5 percent compared to January 2007, while traffic to the IKEA Web site was up 6.8 percent. ■



In a clever PR campaign to reinforce its "everything for the home" brand message, a man lived in an IKEA store for almost a week, which many people heard about through the film crew following him for a short documentary on his Web site: <http://www.marklivesinikea.com>.

## Major Decisions in Marketing PR

In considering when and how to use MPR, management must establish the marketing objectives, choose the PR messages and vehicles, implement the plan carefully, and evaluate the results. The main tools of MPR are described in ■ Table 18.6.

**ESTABLISHING OBJECTIVES** MPR can build *awareness* by placing stories in the media to bring attention to a product, service, person, organization, or idea. It can build *credibility* by communicating the message in an editorial context. It can help boost sales force and dealer *enthusiasm* with stories about a new product before it is launched. It can hold down *promotion cost* because MPR costs less than direct-mail and media advertising.

Whereas PR practitioners reach their target publics through the mass media, MPR is increasingly borrowing the techniques and technology of direct-response marketing to reach target audience members one-on-one.

**CHOOSING MESSAGES AND VEHICLES** Suppose a relatively unknown college wants more visibility. The MPR practitioner will search for stories. Are any faculty members working on unusual projects? Are any new and unusual courses being taught? Are any interesting events taking place on campus? If there are no interesting stories, the MPR practitioner should propose newsworthy events the college could sponsor. Here the challenge is to create meaningful news.

**TABLE 18.6** Major Tools in Marketing PR

<b>Publications:</b> Companies rely extensively on published materials to reach and influence their target markets. These include annual reports, brochures, articles, company newsletters and magazines, and audiovisual materials.
<b>Events:</b> Companies can draw attention to new products or other company activities by arranging and publicizing special events such as news conferences, seminars, outings, trade shows, exhibits, contests and competitions, and anniversaries that will reach the target publics.
<b>Sponsorships:</b> Companies can promote their brands and corporate name by sponsoring and publicizing sports and cultural events and highly regarded causes.
<b>News:</b> One of the major tasks of PR professionals is to find or create favorable news about the company, its products, and its people and to get the media to accept press releases and attend press conferences.
<b>Speeches:</b> Increasingly, company executives must field questions from the media or give talks at trade associations or sales meetings, and these appearances can build the company's image.
<b>Public Service Activities:</b> Companies can build goodwill by contributing money and time to good causes.
<b>Identity Media:</b> Companies need a visual identity that the public immediately recognizes. The visual identity is carried by company logos, stationery, brochures, signs, business forms, business cards, buildings, uniforms, and dress codes.

PR ideas include hosting major academic conventions, inviting expert or celebrity speakers, and developing news conferences.

Each event and activity is an opportunity to develop a multitude of stories directed at different audiences. A good PR campaign will engage the public from a variety of angles, as did this award-winning Dreyer's Ice Cream campaign.<sup>88</sup>



**Dreyer's Ice Cream** In *PRWeek's* Campaign of the Year in 2010, Dreyer's Ice Cream teamed up with PR firm Ketchum to launch a campaign to turn the tough economic environment into a positive. Taking advantage of the 80th anniversary of its introduction of the Rocky Road flavor—designed to cheer people up during the Great Depression—Dreyer's launched a celebratory limited edition “Red, White & No More Blues!” flavor. The ice cream combined rich, creamy vanilla ice cream with swirls of real strawberry and blueberry. The ensuing “A Taste of Recovery” campaign was designed to reinforce the feel-good aspects of the brand. A Monster.com-posted contest asked contestants to submit videos explaining a personal dream they would fulfill if they earned \$100,000 for scooping ice cream. The contest drew over 85,000 online visits and more than 14,000 entries. A media blitz greeting the winner helped to contribute to the 46 million media impressions the campaign enjoyed. Despite tough economic times, sales of Dreyer's Slow Churned Limited Editions ice cream increased over 25 percent from the previous year.

A brand anniversary is a great opportunity to celebrate what is good about a brand, as Dreyer's did via its special-edition ice cream.

**IMPLEMENTING THE PLAN AND EVALUATING RESULTS** MPR's contribution to the bottom line is difficult to measure, because it is used along with other promotional tools.

The easiest measure of MPR effectiveness is the number of *exposures* carried by the media. Publicists supply the client with a clippings book showing all the media that carried news about the product and a summary statement such as the following:

*Media coverage included 3,500 column inches of news and photographs in 350 publications with a combined circulation of 79.4 million; 2,500 minutes of air time on*





*290 radio stations and an estimated audience of 65 million; and 660 minutes of air time on 160 television stations with an estimated audience of 91 million. If this time and space had been purchased at advertising rates, it would have amounted to \$1,047,000.<sup>89</sup>*

This measure is not very satisfying because it contains no indication of how many people actually read, heard, or recalled the message and what they thought afterward; nor does it contain information about the net audience reached, because publications overlap in readership. It also ignores the effects of electronic media. Publicity's goal is reach, not frequency, so it would be more useful to know the number of unduplicated exposures across all media types.

A better measure is the *change in product awareness, comprehension, or attitude* resulting from the MPR campaign (after allowing for the effect of other promotional tools). For example, how many people recall hearing the news item? How many told others about it (a measure of word of mouth)? How many changed their minds after hearing it?

## Summary

1. Advertising is any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor. Advertisers include not only business firms but also charitable, nonprofit, and government agencies.
2. Developing an advertising program is a five-step process: (1) Set advertising objectives, (2) establish a budget, (3) choose the advertising message and creative strategy, (4) decide on the media, and (5) evaluate communication and sales effects.
3. Sales promotion consists of mostly short-term incentive tools, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.
4. In using sales promotion, a company must establish its objectives, select the tools, develop the program, pretest the program, implement and control it, and evaluate the results.
5. Events and experiences are a means to become part of special and more personally relevant moments in consumers' lives. Events can broaden and deepen the sponsor's relationship with its target market, but only if managed properly.
6. Public relations (PR) includes a variety of programs designed to promote or protect a company's image or its individual products. Marketing public relations (MPR), to support the marketing department in corporate or product promotion and image making, can affect public awareness at a fraction of the cost of advertising and is often much more credible. The main tools of PR are publications, events, news, community affairs, identification media, lobbying, and social responsibility.

## Applications

### Marketing Debate

#### Should Marketers Test Advertising?

Advertising creatives have long lamented ad pretesting. They believe it inhibits their creative process and results in too much sameness in commercials. Marketers, on the other hand, believe pretesting provides necessary checks and balances to ensure the ad campaign will connect with consumers and be well received in the marketplace.

**Take a position:** Ad pretesting is often an unnecessary waste of marketing dollars *versus* Ad pretesting provides an important diagnostic for marketers as to the likely success of an ad campaign.

### Marketing Discussion

#### Television Advertising

What are some of your favorite TV ads? Why? How effective are the message and creative strategies? How are they creating consumer preference and loyalty and building brand equity?

## Marketing Excellence

### >>Coca-Cola



When it comes to mass marketing, perhaps no one does it better than Coca-Cola. Coke is the most popular and best-selling soft drink in history. With an annual marketing budget of nearly \$3 billion and annual sales exceeding \$30 billion, the brand tops the Interbrand ranking year after year. Today, Coca-Cola holds a current brand value of \$68 billion and reaches consumers in over 200 countries, making it the best-known product in the world. In fact, Coca-Cola is such a global phenomenon that its name is the second-most understood word in the world (after *okay*).

The history of Coke's success is astonishing. The drink was invented in 1886 by Dr. John S. Pemberton, who mixed a syrup of his own invention with carbonated water to cure headaches. The company's first president later turned the product into a pop culture phenomenon by introducing it to pharmacists and consumers around the world and handing out clocks, posters, and other paraphernalia with the Coca-Cola logo.

Coca-Cola believed early on that to gain worldwide acceptance, the brand needed to connect emotionally and socially with the masses, and the product needed to be "within arm's-length of desire." So the company focused on gaining extensive distribution and worked hard at making the product loved by all. In World War II, it declared that "every man in uniform gets a bottle of Coca-Cola for 5 cents, wherever he is, and whatever it costs the company." This strategy helped introduce the soft drink to people around the world as well as connect with them positively in a time of turmoil.

Why is Coca-Cola so much bigger than any other competitor? What Coke does better than everyone else is create highly current, uplifting global campaigns that translate well into different countries, languages, and cultures. Coke's advertising over the years has primarily focused on the product's ability to quench thirst and the brand's

magical ability to connect people no matter who they are or how they live. Andy Warhol said it best, "A Coke is a Coke and no amount of money can get you a better Coke than the one the bum on the corner is drinking."

One of Coca-Cola's most memorable and successful commercials was called "Hilltop" and featured the song, "I'd like to buy the world a Coke." Launched in 1971, the ad featured young adults from all over the world sharing a happy, harmonious moment and common bond (drinking a Coke) on a hillside in Italy. The commercial touched so many consumers emotionally and so effectively showed the worldwide appeal of Coke that the song became a top ten hit single later that year.

Coca-Cola's television commercials still touch upon the message of universal connection over a Coke, often in a lighthearted tone to appeal to a young audience. In one spot, a group of young adults sit around a campfire, playing the guitar, laughing, smiling, and passing around a bottle of Coke. The bottle reaches a slimy, one-eyed alien who joins in on the fun, takes a sip from the bottle, and passes it along. When the next drinker wipes off the slime in disgust, the music stops suddenly and the group stares at him in disappointment. The man hesitantly hands the bottle back to the alien to get re-slimed and then drinks from it, and the music and the party continue in perfect harmony.

Coca-Cola's mass communications strategy has evolved over the years and today mixes a wide range of media including television, radio, print, online, in-store, digital, billboard, public relations, events, paraphernalia, and even its own museum. The company's target audience and reach are so massive that choosing the right media and marketing message is critical. Coca-Cola uses big events to hit huge audiences; it has sponsored the Olympics since 1928 and advertises during the Super Bowl. Red Coke cups are placed front and center during top-rated television shows like *American Idol*, and the company spends over \$1 billion a year on sports sponsorships such as NASCAR and the World Cup. Coca-Cola's global campaigns must also be relevant on a local scale. In China, for example, Coca-Cola has given its regional managers control over its advertising so they can include appropriate cultural messages.

The delicate balance between Coca-Cola's local and global marketing is crucial because, as one Coca-Cola executive explained, "Creating effective marketing at a local level in the absence of global scale can lead to huge inefficiencies." In 2006, for example, Coca-Cola ran two campaigns during the FIFA World Cup as well as several local campaigns. In 2010, the company ran a single campaign during the same event in over 100 markets. Executives at Coca-Cola estimated that the latter, more global strategy saved the company over \$45 million in efficiencies.

Despite its unprecedented success over the years, Coke is not perfect. In 1985, in perhaps the worst product launch ever, Coca-Cola introduced New Coke—a sweeter concoction of the original secret formula. Consumers instantly rejected it and sales plummeted. Three months later, Coca-Cola retracted New Coke and relaunched the original formula under the name Coca-Cola Classic, to the delight of customers everywhere. Then-CEO Roberto Goizueta stated, “The simple fact is that all the time and money and skill poured into consumer research on the new Coca-Cola could not measure or reveal the deep and abiding emotional attachment to original Coca-Cola felt by so many people.”

Coca-Cola's success at marketing a product on such a global, massive scale is unique. No other product is so universally available, universally accepted, and universally loved. As the company continues to grow, it seeks out new ways to better connect with even more individuals.

Referring to itself as a “Happiness Factory,” it is optimistic that it will succeed.

### Questions

1. What does Coca-Cola stand for? Is it the same for everyone? Explain.
2. Coca-Cola has successfully marketed to billions of people around the world. Why is it so successful?
3. Can Pepsi or any other company ever surpass Coca-Cola? Why or why not? What are Coca-Cola's greatest risks?

**Sources:** Natalie Zmuda, “Coca-Cola Lays Out Its Vision for the Future at 2010 Meeting,” *Advertising Age*, November 22, 2009; Natalie Zmuda, “Coke's ‘Open Happiness’ Keeps It Simple for Global Audience,” *Advertising Age*, January 21, 2009; John Greenwald, “Will Teens Buy It?” *Time*, June 24, 2001; “Coca-Cola Still Viewed as Most Valuable Brand,” *USA Today*, September 18, 2009; Edward Rothstein, “Ingredients: Carbonated Water, High-Fructose Corniness . . .” *New York Times*, July 30, 2007; Brad Cook, “Coca-Cola: A Classic,” *Brandchannel*, December 2, 2002; Coca-Cola, *Annual Report*.

## Marketing Excellence

>>Gillette



Gillette knows men. Not only does the company understand what products men desire for their grooming needs, it also knows how to market to men all around the world. Since the invention of the safety razor by King C. Gillette in 1901, Gillette has had a number of breakthrough product innovations. These include the first twin-blade shaving system in 1971 named the Trac II, a razor with a pivoting head in 1977 called the Atra, and the first razor with spring-mounted twin blades in 1989 dubbed the Sensor. In 1998, Gillette introduced the first triple-blade system, Mach3, which became a billion-dollar brand surpassed only by the 2006 launch of the “best

shave on the planet”—the six-bladed Fusion, with five blades in the front for regular shaving and one in the back for trimming.

Today, Gillette holds a commanding lead in the shaving and razor business with a 70 percent global market share and \$7.5 billion in annual sales. Six hundred million men use a Gillette product every day, and the Fusion razor accounts for 45 percent of the men's razors sold in the United States. Gillette's mass appeal is a result of several factors, including extensive consumer research, quality product innovations, and successful mass communications.

While Gillette's product launches have improved male grooming, it's the company's impressive marketing knowledge and campaigns that have helped it reach this international level of success. Traditionally, Gillette uses one global marketing message rather than individual targeted messages for each country or region. This message is backed by a wide spectrum of advertising support, including athletic sponsorships, television campaigns, in-store promotions, print ads, online advertising, and direct marketing.

Gillette's most recent global marketing effort, “The Moment,” launched in 2009, is an extension of its well-recognized campaign, “The Best a Man Can Get.” The campaign features everyday men as well as the Gillette Champions—baseball star Derek Jeter, tennis champion Roger Federer, and soccer great Thierry Henry—experiencing moments of doubt and Gillette's grooming products helping them gain confidence. The campaign was designed to help Gillette expand beyond razors and shaving and increase sales of its entire line of

grooming products. The massive marketing effort launched around the globe and included television, print, online, and point-of-sale advertising.

Another crucial element in Gillette's marketing strategy is sports marketing. Gillette's natural fit with baseball and tradition has helped the company connect emotionally with its core audience, and its sponsorship with Major League Baseball dates to 1939. Tim Brosnan, EVP for Major League Baseball, explained, "Gillette is a sports marketing pioneer that paved the way for modern day sports sponsorship and endorsements." Gillette ads have featured baseball heroes such as Hank Aaron, Mickey Mantle, and Honus Wagner from as early as 1910.

Gillette also has ties to football. The company sponsors Gillette Stadium, home of the New England Patriots, and is a corporate sponsor of the NFL, making four of its products, Gillette, Old Spice, Head & Shoulders, and Febreze, "Official Locker Room Products of the NFL." Gillette's partnership includes sweepstakes to win NFL game tickets, Web site promotions, and ties to the NFL, such as the presence of some NFL players in its commercials. Gillette also sponsors several NASCAR races and drivers and the UK Tri-Nations rugby tournament. It even created a Zamboni at the Boston Bruins game that looked like a huge Fusion razor shaving the ice.

While sports marketing is a critical element of Gillette's marketing strategy, the brand aims to reach all men and therefore aligns itself with musicians, video

games, and movies—in one James Bond film, *Goldfinger*, a Gillette razor contained a homing device.

When Procter & Gamble acquired Gillette in 2005 for \$57 billion (a record five times sales), it aimed for more than sales and profit. P&G, an expert on marketing to women, wanted to learn about marketing to men on a global scale, and no one tops Gillette.

### Questions

1. Gillette has successfully convinced the world that "more is better" in terms of number of blades and other razor features. Why has that worked in the past? What's next?
2. Some of Gillette's spokespeople such as Tiger Woods have run into controversy after becoming endorsers for the brand. Does this hurt Gillette's brand equity or marketing message? Explain.
3. Can Gillette ever become as successful at marketing to women? Why or why not?

**Sources:** Gillette press release, "Gillette Launches New Global Brand Marketing Campaign," July 1, 2009; Major League Baseball press release, "Major League Baseball Announces Extension of Historic Sponsorship with Gillette Dating Back to 1939," April 16, 2009; Gillette, *2009 Annual Report*; Jeremy Mullman and Rich Thomaselli, "Why Tiger Is Still the Best Gillette Can Get," *Advertising Age*, December 7, 2009; Louise Story, "Procter and Gillette Learn from Each Other's Marketing Ways," *New York Times*, April 12, 2007; Dan Beucke, "A Blade Too Far," *BusinessWeek*, August 14, 2006; Jenn Abelson, "And Then There Were Five," *Boston Globe*, September 15, 2005; Jack Neff, "Six-Blade Blitz," *Advertising Age*, September 19, 2005, pp. 3, 53; Editorial, "Gillette Spends Smart on Fusion," *Advertising Age*, September 26, 2005, p. 24.



## In This Chapter, We Will Address the Following Questions

1. How can companies conduct direct marketing for competitive advantage?
2. How can companies carry out effective interactive marketing?
3. How does word of mouth affect marketing success?
4. What decisions do companies face in designing and managing a sales force?
5. How can salespeople improve their selling, negotiating, and relationship marketing skills?

Reflecting new consumer sensibilities that focus on the good that companies do, Pepsi used the Super Bowl to launch a major new cause marketing initiative instead of its typical splashy ad campaigns.

## Chapter 19

# WHAT DO YOU CARE ABOUT?



health



arts & culture



food & shelter



the planet



neighborhoods



education

This year, the Pepsi Refresh Project™ is giving millions of dollars to fund ideas, across six different categories, that will refresh the world. Maybe it's green spaces. Or educational comic books. Maybe it's teaching kids to rock out. So submit your idea and vote for what you care about most at [refresheverything.com](http://refresheverything.com)

### The Pepsi Refresh Project

Thousands of ideas. Millions in grants.\*



every pepsi refreshes the world™

PEPSI, DIET PEPSI, PEPSI MAX, the Pepsi Globe, PEPSI REFRESH PROJECT, THOUSANDS OF IDEAS, MILLIONS IN GRANTS, and EVERY PEPSI REFRESHES THE WORLD are trademarks of PepsiCo, Inc. © 2010 PepsiCo, Inc.



# Managing Personal Communications: Direct and Interactive Marketing, Word of Mouth, and Personal Selling

**In the face of the Internet revolution, marketing communications today increasingly occur as a kind of personal dialogue between the company and its customers. Companies must ask not only “How should we reach our customers?” but also “How should our customers reach us?” and “How can our customers reach each other?” New technologies have encouraged companies to move from mass communication to more targeted, two-way communications. Consumers now play a much more participatory role in the marketing process. Consider how Pepsi has engaged the consumer in its marketing communications.<sup>1</sup>**



*For the first time in 23 years, PepsiCo chose not to advertise any of its soft drink brands during the biggest U.S. media event, the Super Bowl. Instead, it launched its ambitious Pepsi Refresh Project. With a tagline “Every Pepsi Refreshes the World,” Pepsi earmarked \$20 million for the program to fund ideas from anyone, anywhere, anytime to make a difference in six areas: health, arts and culture, food and shelter, the planet,*

*neighborhoods, and education. Ideas are submitted at [refresheverything.com](http://refresheverything.com) and voted online by the general public. A significant presence on Facebook, Twitter, and other social networks is a key aspect to the program. The first grant recipients received funding for a variety of different projects, including building a community playground, providing care packages and comfort items for troops in the field or recovering from wounds at home, and conducting financial literacy sessions for teens. Pepsi also allocated an additional \$1.3 million in the summer of 2010 to support communities in the Gulf of Mexico region affected by the catastrophic oil spill.*

**Marketers are trying to figure out the right way to be part of the consumer conversation. Personalizing communications and creating dialogues by saying and doing the right thing to the right person at the right time is critical for marketing effectiveness. In this chapter, we consider how companies personalize their marketing communications to have more impact. We begin by evaluating direct and interactive marketing, then move to word-of-mouth marketing, and finish by considering personal selling and the sales force.**

## Direct Marketing

Today, many marketers build long-term relationships with customers.<sup>2</sup> They send birthday cards, information materials, or small premiums. Airlines, hotels, and other businesses adopt frequency reward programs and club programs.<sup>3</sup> **Direct marketing** is the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen.

Direct marketers can use a number of channels to reach individual prospects and customers: direct mail, catalog marketing, telemarketing, interactive TV, kiosks, Web sites, and mobile devices. They often seek a measurable response, typically a customer order, through **direct-order marketing**. Direct marketing has been a fast-growing avenue for serving customers, partly in response to the high and increasing costs of reaching business markets through a sales force. Sales produced through traditional direct marketing channels (catalogs, direct mail, and telemarketing) have been growing rapidly, along with direct-mail sales, which include sales to the consumer market, B2B, and fund-raising by charitable institutions.

Direct marketing has been outpacing U.S. retail sales. It accounted for almost 53 percent of total advertising spending in 2009, and companies spent more than \$149 billion on direct marketing per year, accounting for 8.3 percent of GDP.<sup>4</sup>

## The Benefits of Direct Marketing

*Market demassification* has resulted in an ever-increasing number of market niches. Consumers short of time and tired of traffic and parking headaches appreciate toll-free phone numbers, always-open Web sites, next-day delivery, and direct marketers' commitment to customer service. In addition, many chain stores have dropped slower-moving specialty items, creating an opportunity for direct marketers to promote these to interested buyers instead.

Sellers benefit from demassification as well. Direct marketers can buy a mailing list containing the names of almost any group: left-handed people, overweight people, millionaires. They can customize and personalize messages and build a continuous relationship with each customer. New parents will receive periodic mailings describing new clothes, toys, and other goods as their child grows.

Direct marketing can reach prospects at the moment they want a solicitation and therefore be noticed by more highly interested prospects. It lets marketers test alternative media and messages to find the most cost-effective approach. Direct marketing also makes the direct marketer's offer and strategy less visible to competitors. Finally, direct marketers can measure responses to their campaigns to decide which have been the most profitable. One successful direct marketer is L.L.Bean.<sup>5</sup>



**L.L.Bean** L.L.Bean's founder Leon Leonwood (L.L.) Bean returned from a Maine hunting trip in 1911 with cold, damp feet and a revolutionary idea. His Maine Hunting Shoe stitched leather uppers to workmen's rubber boots to create a comfortable, functional boot. To a mailing list of hunters, Bean sent a three-page flyer describing the benefits of the new product and backing it with a complete guarantee. The shoe, however, did not meet with initial success. Of his first 100 orders, 90 were returned when the tops and bottoms separated. True to his word, Bean refunded the purchase price and the problem was fixed. L.L.Bean quickly became known as a trusted source for reliable outdoor equipment and expert advice. The L.L.Bean guarantee of 100 percent satisfaction is still at the core of the company's business, as is the original L.L. Bean's Golden Rule, "Sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more." Today, L.L.Bean is a \$1.4 billion company. In 2009, it produced 49 different catalogs and received 11 million customer contacts. The company's Web site is among the top-rated e-commerce sites, and its growing number of retail stores and outlets retain the company's legendary customer service. ■

Direct marketing must be integrated with other communications and channel activities.<sup>6</sup> Direct marketing companies such as Eddie Bauer, Lands' End, and the Franklin Mint made fortunes building their brands in the direct marketing mail-order and phone-order business and then opened retail stores. They cross-promote their stores, catalogs, and Web sites, for example, by putting their Web addresses on their shopping bags.

Successful direct marketers view a customer interaction as an opportunity to up-sell, cross-sell, or just deepen a relationship. These marketers make sure they know enough about each customer to customize and personalize offers and messages and develop a plan for lifetime marketing to each valuable customer, based on their knowledge of life events and transitions. They also carefully

L.L.Bean

SINCE 1912 | FALL 2009

from the first falling leaves  
of autumn, our soft, warm  
fitness fleece is an ideal layer  
to chase away the chill

LLBEAN.COM | FAST, RELIABLE DELIVERY

L.L.Bean has a decades-long legacy of fully satisfying customer needs—guaranteed!

orchestrate each element of their campaigns. Here is an example of an award-winning campaign that did just that.<sup>7</sup>

New Zealand  
Yellow Pages

**New Zealand Yellow Pages** One of the Direct Marketing Association's top ECHO award winners in 2009 was New Zealand's Yellow Pages Group. With a theme of "Job Done," the group recruited a young woman to be the focus of the campaign and gave her the task of building a restaurant 40 feet above the ground in a redwood tree, using only help found via the Yellow Pages. A TV ad, billboard, and online media launched the campaign, and a Web site provided updates. Access to the striking pod-shaped structure Treehouse was provided by an elevated treetop walkway. The restaurant actually operated from December 2008 to February 2009 as part of the campaign. Highly popular, the campaign was credited with increasing the use of Yellow Pages by 11 percent to record levels. ■

We next consider some of the key issues that characterize different direct marketing channels.



To dramatically demonstrate the utility of its product, the New Zealand Yellow Pages engaged a designer to build a tree-top restaurant using only help hired through the Yellow Pages.

## Direct Mail

Direct-mail marketing means sending an offer, announcement, reminder, or other item to an individual consumer. Using highly selective mailing lists, direct marketers send out millions of mail pieces each year—letters, flyers, foldouts, and other “salespeople with wings.” Some direct marketers mail multimedia DVDs to prospects and customers.

Direct mail is a popular medium because it permits target market selectivity, can be personalized, is flexible, and allows early testing and response measurement. Although the cost per thousand is higher than for mass media, the people reached are much better prospects. The success of direct mail, however, has also become its liability—so many marketers are sending out direct-mail pieces that mailboxes are becoming stuffed, leading some consumers to disregard the blizzard of solicitations they receive.

In constructing an effective direct-mail campaign, direct marketers must choose their objectives, target markets and prospects, offer elements, means of testing the campaign, and measures of campaign success.

**OBJECTIVES** Most direct marketers aim to receive an order from prospects and judge a campaign’s success by the response rate. An order-response rate of 2 percent to 4 percent is normally considered good, although this number varies with product category, price, and the nature of the offering.<sup>8</sup> Direct mail can also produce prospect

leads, strengthen customer relationships, inform and educate customers, remind customers of offers, and reinforce recent customer purchase decisions.

**TARGET MARKETS AND PROSPECTS** Most direct marketers apply the RFM (*recency, frequency, monetary amount*) formula to select customers according to how much time has passed since their last purchase, how many times they have purchased, and how much they have spent since becoming a customer. Suppose the company is offering a leather jacket. It might make this offer to the most attractive customers—those who made their last purchase between 30 and 60 days ago, who make three to six purchases a year, and who have spent at least \$100 since becoming customers. Points are established for varying RFM levels; the more points, the more attractive the customer.<sup>9</sup>

Marketers also identify prospects on the basis of age, sex, income, education, previous mail-order purchases, and occasion. College freshmen will buy laptop computers, backpacks, and compact refrigerators; newlyweds look for housing, furniture, appliances, and bank loans. Another useful variable is consumer lifestyle or “passions” such as electronics, cooking, and the outdoors.

Dun & Bradstreet provides a wealth of data for B2B direct marketing. Here the prospect is often not an individual but a group or committee of both decision makers and decision influencers. Each member needs to be treated differently, and the timing, frequency, nature, and format of contact must reflect the member’s status and role.

The company’s best prospects are customers who have bought its products in the past. The direct marketer can also buy lists of names from list brokers, but these lists often have problems, including name duplication, incomplete data, and obsolete addresses. Better lists include overlays of demographic and psychographic information. Direct marketers typically buy and test a sample before buying more names from the same list. They can build their own lists by advertising a promotional offer and collecting responses.

**OFFER ELEMENTS** The offer strategy has five elements—the *product*, the *offer*, the *medium*, the *distribution method*, and the *creative strategy*.<sup>10</sup> Fortunately, all can be tested. The direct-mail marketer also must choose five components of the mailing itself: the outside envelope, sales letter, circular, reply form, and reply envelope. A common direct marketing strategy is to follow up direct mail with an e-mail.



**TESTING ELEMENTS** One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, different elements of an offer strategy, such as products, product features, copy platform, mailer type, envelope, prices, or mailing lists.

Response rates typically understate a campaign's long-term impact. Suppose only 2 percent of the recipients who receive a direct-mail piece advertising Samsonite luggage place an order. A much larger percentage became aware of the product (direct mail has high readership), and some percentage may have formed an intention to buy at a later date (either by mail or at a retail outlet). Some may mention Samsonite luggage to others as a result of the direct-mail piece. To better estimate a promotion's impact, some companies measure the impact of direct marketing on awareness, intention to buy, and word of mouth.

**MEASURING CAMPAIGN SUCCESS: LIFETIME VALUE** By adding up the planned campaign costs, the direct marketer can determine the needed break-even response rate. This rate must be net of returned merchandise and bad debts. A specific campaign may fail to break even in the short run but can still be profitable in the long run if customer lifetime value is factored in (see Chapter 5) by calculating the average customer longevity, average customer annual expenditure, and average gross margin, minus the average cost of customer acquisition and maintenance (discounted for the opportunity cost of money).<sup>11</sup>

## Catalog Marketing

In catalog marketing, companies may send full-line merchandise catalogs, specialty consumer catalogs, and business catalogs, usually in print form but also as DVDs or online. In 2009, three of the top B-to-C catalog sellers were Dell (\$51 billion), Staples (\$8.9 billion), and CDW (\$8.1 billion). Three top B-to-B catalog sellers were Thermo Scientific lab and research supplies (\$10.5 billion), Henry Schien dental, medical, and vet supplies (\$6.4 billion), and WESCO International electrical and industry maintenance supplies (\$6.1 billion). Thousands of small businesses also issue specialty catalogs.<sup>12</sup> Many direct marketers find combining catalogs and Web sites an effective way to sell.

Catalogs are a huge business—the Internet and catalog retailing industry includes 16,000 companies with combined annual revenue of \$235 billion.<sup>13</sup> The success of a catalog business depends on managing customer lists carefully to avoid duplication or bad debts, controlling inventory, offering good-quality merchandise so returns are low, and projecting a distinctive image. Some companies add literary or information features, send swatches of materials, operate a special online or telephone hotline to answer questions, send gifts to their best customers, and donate a percentage of profits to good causes. Putting their entire catalog online also provides business marketers with better access to global consumers than ever before, saving printing and mailing costs.

## Telemarketing

**Telemarketing** is the use of the telephone and call centers to attract prospects, sell to existing customers, and provide service by taking orders and answering questions. It helps companies increase revenue, reduce selling costs, and improve customer satisfaction. Companies use call centers for *inbound telemarketing*—receiving calls from customers—and *outbound telemarketing*—initiating calls to prospects and customers.

Although outbound telemarketing historically has been a major direct marketing tool, its potentially intrusive nature led the Federal Trade Commission to establish a National Do Not Call Registry in 2003. About 191 million consumers who did not want telemarketing calls at home were registered by 2009. Because only political organizations, charities, telephone surveyors, or companies with existing relationships with consumers are exempt, consumer telemarketing has lost much of its effectiveness.<sup>14</sup>

Business-to-business telemarketing is increasing, however. Raleigh Bicycles used telemarketing to reduce the personal selling costs of contacting its dealers. In the first year, sales force travel costs dropped 50 percent and sales in a single quarter went up 34 percent. As it improves with the use of videophones, telemarketing will increasingly replace, though never eliminate, more expensive field sales calls.

## Other Media for Direct-Response Marketing

Direct marketers use all the major media. Newspapers and magazines carry ads offering books, clothing, appliances, vacations, and other goods and services that individuals can order via toll-free numbers. Radio ads present offers 24 hours a day. Some companies prepare 30- and 60-minute



*infomercials* to combine the sell of television commercials with the draw of information and entertainment. Infomercials promote products that are complicated or technologically advanced, or that require a great deal of explanation (Carnival Cruises, Mercedes, Universal Studios, and even Monster.com). At-home shopping channels are dedicated to selling goods and services on a toll-free number or via the Web for delivery within 48 hours.

## Public and Ethical Issues in Direct Marketing

Direct marketers and their customers usually enjoy mutually rewarding relationships. Occasionally, however, a darker side emerges:

- **Irritation.** Many people don't like hard-sell, direct marketing solicitations.
- **Unfairness.** Some direct marketers take advantage of impulsive or less sophisticated buyers or prey on the vulnerable, especially the elderly.<sup>15</sup>
- **Deception and fraud.** Some direct marketers design mailers and write copy intended to mislead or exaggerate product size, performance claims, or the "retail price." The Federal Trade Commission receives thousands of complaints each year about fraudulent investment scams and phony charities.
- **Invasion of privacy.** It seems that almost every time consumers order products by mail or telephone, apply for a credit card, or take out a magazine subscription, their names, addresses, and purchasing behavior may be added to several company databases. Critics worry that marketers may know too much about consumers' lives, and that they may use this knowledge to take unfair advantage.

People in the direct marketing industry know that, left unattended, such problems will lead to increasingly negative consumer attitudes, lower response rates, and calls for greater state and federal regulation. Most direct marketers want the same thing consumers want: honest and well-designed marketing offers targeted only to those who appreciate hearing about them.

## Interactive Marketing

The newest and fastest-growing channels for communicating and selling directly to customers are electronic.<sup>16</sup> The Internet provides marketers and consumers with opportunities for much greater *interaction* and *individualization*. Soon few marketing programs will be considered complete without a meaningful online component.

### Advantages and Disadvantages of Interactive Marketing

The variety of online communication options means companies can send tailored messages that engage consumers by reflecting their special interests and behavior. The Internet is also highly accountable and its effects can be easily traced by noting how many unique visitors or "UVs" click on a page or ad, how long they spend with it, and where they go afterward.<sup>17</sup>

Marketers can build or tap into online communities, inviting participation from consumers and creating a long-term marketing asset in the process. The Web offers the advantage of *contextual placement*, buying ads on sites related to the marketer's offerings. Marketers can also place advertising based on keywords from search engines, to reach people when they've actually started the buying process.

Using the Web also has disadvantages. Consumers can effectively screen out most messages. Marketers may think their ads are more effective than they are if bogus clicks are generated by software-powered Web sites.<sup>18</sup> Advertisers also lose some control over their online messages, which can be hacked or vandalized.

But many feel the pros outweigh the cons, and the Web is attracting marketers of all kinds. Beauty pioneer Estée Lauder, who said she relied on three means of communication to build her multimillion-dollar cosmetics business—"telephone, telegraph, and tell a woman"—would now have to add the Web, where the company's official site describes new and old products, announces special offers and promotions, and helps customers locate stores where they can buy Estée Lauder products.<sup>19</sup>

Marketers must go where the customers are, and increasingly that's online. U.S. consumers go to the Web over 25 percent of the time they spend with all media (see ▲ Figure 19.1). Customers

Online	4:13
TV and video	3:17
Music and radio	1:26
Mobile phone	1:18
Landline phone	0:36
Gaming	0:36
Reading	0:24

[Fig. 19.1] ▲  
Average Time Spent  
per Day with Select  
Media According to  
US Consumers, 2009  
(hrs:mins)

Source: Yankee Group, "2009 Advertising Forecast Update: Less TV, More Internet," April 6, 2010. Copyright 1997-2010. Yankee Group. All rights reserved.

define the rules of engagement, however, and insulate themselves with the help of agents and intermediaries if they so choose. Customers define what information they need, what offerings they're interested in, and what they're willing to pay.<sup>20</sup>

Online advertising continues to gain on traditional media. Total Internet ad spending is estimated to have grown to \$26 billion in 2009 from \$24 billion in 2008; TV advertising was estimated to have dropped to \$41 billion in 2009 from \$52 billion in 2008. Helping fuel online growth is the emergence of rich media ads that combine animation, video, and sound with interactive features.<sup>21</sup> Consider what Burger King has done online.

Burger King

**Burger King** “If you have a global brand promise, ‘Have It Your Way,’” said Russ Klein, Burger King’s former president for global marketing, strategy, and innovation, “it’s about putting the customer in charge,” even if they say “bad things” about the brand. In competing against McDonald’s, with its family-friendly image, “it’s more important for us to be provocative than pleasant,” added Klein, especially when appealing to a market of mainly teenage boys.

Burger King’s brash ad campaigns—featuring its creepy bobble-head king and talking chicken—have appeared on YouTube and MySpace, so the company can take advantage of “social connectivity” as consumers react to the ads. Burger King encourages customers to build online communities around their favorite company icons and products. To celebrate the 50th anniversary of its popular Whopper hamburger, the company took over a Burger King restaurant in Las Vegas for a day and told people the Whopper had been permanently removed from the menu. Customers’ outraged reactions were filmed as part of an award-winning campaign dubbed “Whopper Freakout,” which served as the basis of TV ads and online videos. Over 5 million consumers watched an 8-minute streaming video, another 14 million watched it or the TV spots on YouTube, and millions more heard or read about it via PR or word of mouth.<sup>22</sup>

## Interactive Marketing Communication Options

A company chooses which forms of interactive marketing will be most cost-effective in achieving communication and sales objectives.<sup>23</sup> Some of the main categories, discussed next, are: (1) Web sites, (2) search ads, (3) display ads, and (4) e-mails. After summarizing some developments in mobile marketing, we’ll describe social media and word-of-mouth effects.

**WEB SITES** Companies must design Web sites that embody or express their purpose, history, products, and vision and that are attractive on first viewing and interesting enough to encourage repeat visits.<sup>24</sup> Jeffrey Rayport and Bernard Jaworski propose that effective sites feature seven design



Vividly demonstrating its customers’ loyalty, Burger King’s online “Whopper Freakout” videos became a viral hit.