
UNIT 16 MARKETING COMMUNICATION

Structure

- 16.0 Objectives
- 16.1 Introduction
- 16.2 Meaning and Importance of Marketing Communication
 - 16.2.1 Functions of Marketing Communication
- 16.3 The Communication Process
 - 16.3.1 Elements of Communication Process
 - 16.3.2 Developing Effective Marketing Communication
- 16.4 The Promotion Mix
 - 16.4.1 Components of Promotion Mix
 - 16.4.2 Factors Affecting the Promotion Mix
- 16.5 Promotion Budgeting Methods
 - 16.5.1 Top-down Approaches
 - 16.5.2 Build-up Approaches
- 16.6 Integrated Marketing Communication
 - 16.6.1 Reasons for Growing Importance of IMC
- 16.7 Let Us Sum Up
- 16.8 Key Words
- 16.9 Answers to Check Your Progress
- 16.10 Terminal Questions

16.0 OBJECTIVES

After studying this unit, you should be able to:

- understand the meaning and importance of marketing communication and its role in the overall marketing program;
- understand the marketing communication process and its various elements that are necessary in developing effective marketing communication;
- explain the procedure of developing effective marketing communication;
- explain the concept and components of promotion mix;
- understand various factors that influence the relative use of various components of promotion mix;
- describe the different methods used in setting promotion budget; and
- understand the concept of integrated marketing communication (IMC).

16.1 INTRODUCTION

In the present competitive marketing situation every company, in order to carry out effective marketing, not only has to develop good product, price it competitively, make

it easily available to the target market but it must also develop effective marketing communication for disseminating the relevant and pertinent marketing information about the product availability, features and terms and explain how these will provide the benefits to the target market. Therefore, every company in order to survive and grow has to play the role of an effective communicator in the present competitive environment.

The company's communication responsibility of disseminating marketing information goes beyond the target market. It has to communicate to its various marketing intermediaries in its microenvironment. In addition it has also to communicate to its different external publics such as its shareholders, the financial community, and independent media and to its internal publics. This means that a company should have the knowledge of how to market itself to various groups in order to obtain their confidence and goodwill. In this unit, an attempt is made to describe the meaning and importance of marketing communication, communication process and its components, the procedure of developing effective marketing communication, the concept and components of promotion mix, various factors that influence promotion mix, the methods of setting promotion budget, and the concept of integrated marketing communication.

16.2 MEANING AND IMPORTANCE OF MARKETING COMMUNICATION

Marketing communication plays an important role in a company's overall marketing program. Marketing communication can be defined as the *process of systematic and scientific way of disseminating the relevant marketing information by a company to its target market and other publics by using a mix of media*. A company through its marketing communication tries to persuade its target market to purchase its products and services vis-à-vis its competitors. Since marketing communication aims at influencing the consumer behaviour in favour of the company's offerings, this is persuasive in nature. Various persuasive marketing communication tools are more commonly called 'Promotion' and constitute one of the four Ps of the marketing mix which was popularized by Jerome McCarthy in 1964. Thus marketing communication refers to the various promotion tools used by marketers to exchange persuasive messages and information to its target market and other public.

The study of marketing communication, therefore, is the study of the promotion function of marketing. It is to be noted that effective marketing function depends to a great extent on how effectively the company is performing its promotion function. There are innumerable examples where companies through their effective communication are able to perform well in the market. For example, in the success of the following products and services the marketing communication function played a significant role: Nirma washing powder, Maggie noodles, Hero Honda motorcycles, to mention only a few. In the same way ineffective marketing communication was responsible for the below average performance of some products despite their good quality and competitive prices.

With the tremendous increase in the competition in the market place and the variety of products and brand choice available to the consumers it has become all the more necessary for the marketers to come out with persuasive marketing messages of the right kind to the right group of target market.

16.2.1 Functions of Marketing Communication

The following are the major functions of effective marketing communication.

1. Providing Information and Persuasion: Marketing is required to identify consumer wants and then satisfy these 'wants with the right kind of products at the right place and at the right price. The purpose of marketing communication is to convey to customers the relevant and pertinent information about the features of the product and persuade how it will satisfy consumer needs and wants. For instance, if a company which is in the marketing of air conditioners is planning to offer off-season discount, it is essential to communicate to potential customers about the extent of discount, period during which discount is available, names of the stores where it is available, etc. If all such information is not communicated to potential customers, then providing the discount will not be beneficial to either the consumer or to the company. Marketing communication, therefore, is an essential part of the marketing program of the company.

2. Providing Information About a New Brand or Brand Extension: Marketing communication is essential when firms introduce a new brand or extensions of existing brands. A brand extension is an adaptation of an existing brand to a new product area. For example, the Lux shampoo is a brand extension of the Lux soap. When new brands or extensions are brought to market, the marketing communication process is largely responsible for attracting attention to the new market offering. This is often accomplished by sales promotion, advertising, and point-of-purchase displays. These marketing communication tools provide the relevant marketing information about the new products and brand extensions' features, quality and availability to the target market.

3. Building and Maintaining Brand Loyalty Among Consumers: Loyalty to a brand is one of the most important assets a firm can have. Brand loyalty occurs when a consumer repeatedly purchases the same brand to the exclusion of the competitors' brands. While the product itself is the most important influence on building and maintaining brand loyalty, marketing communication plays a key role in the process as well. Advertising reminds consumers of the values-tangible and intangible-of the brand. Promotion often provides an extra incentive to consumers to remain brand loyal. When a company creates and maintains positive associations with the brand in the minds of the consumers, the company has developed brand loyalty. Consider a customer who regularly buys CloseUp toothpaste or Lux Soap. Do marketers of CloseUp toothpaste or Lux soap advertise to appeal to such customers? The answer is yes, because even the most loyal customers must be reminded that a product has served them well over the years and about the features that make the product attractive. This is more so in an environment where competitors consistently attempt to attract the customers of competing brands with their own informative and persuasive messages. Thus, in addition to informing and persuading, another important purpose of communication is building brand loyalty by reminding the customers. This is why even the manufacturers of well established brands like Colgate, Lux, Surf, Nescafe, Lifebuoy, Pepsi, Coca Cola etc., advertise quite extensively to sustain customers' preferences and loyalty for these brands.

Check Your Progress A

- 1) What is marketing communication in the context of overall marketing?

.....

.....

.....

.....

- 2) Differentiate between brand extension and brand loyalty.

.....

.....

.....

.....

.....

3) In what way marketing communication strengthens brand loyalty?

.....

.....

.....

.....

4) State whether the following statements are True or False:

- i) A company has to communicate only to its target market.
- ii) The 4 Ps of marketing mix has been popularized by Philip Kotler.
- iii) Promotion is necessary to build brand loyalty for existing brands.
- iv) Promotion provides information for new brands and brand extensions to the consumers.

16.3 THE COMMUNICATION PROCESS

Communication has been variously defined as the passing of information, the exchange of ideas, or the process of establishing a commonness or oneness of thought between a sender and a receiver. These definitions suggest that for communication to occur there must be some common thinking between two parties and information must be passed from one person to another.

The communication process is often very complex. Success depends on such factors as the nature of the message, the audience's interpretations of it, and the environment in which it is received. The receiver's perception of the source and the medium used to transmit the message may also affect the ability to communicate, as do many other factors. Words, pictures, sounds, and colours may have different meanings to different audiences. Therefore, marketers must understand the meanings that words and symbols take on and how they influence consumers' interpretations of products and messages. Let us now discuss the major elements of communication process pertain to marketing.

16.3.1 Elements of Communication Process

Over the years, a basic model of the various elements of the communication process has developed, which is shown in Figure 16.1. It is imperative on the part of the marketers to understand how communication works if they want to utilize it effectively. One may notice from this figure that the two elements represent the major participants or parties involved in the communication process, the *sender* and the *receiver*. Another two are the major communication tools that sender uses to reach intended receivers, *message* and *channels* or *media*. Thus, communication occurs when: 1) a sender transmits a message, 2) a receiver receives that message, and 3) the sender and the receiver have a shared meaning. The communication process itself involves the four communication functions and processes: *encoding*, *decoding*, *response* and *feedback*. The last element, *noise* refers to any extraneous factors in the system that can interfere with the process and works against effective communication.

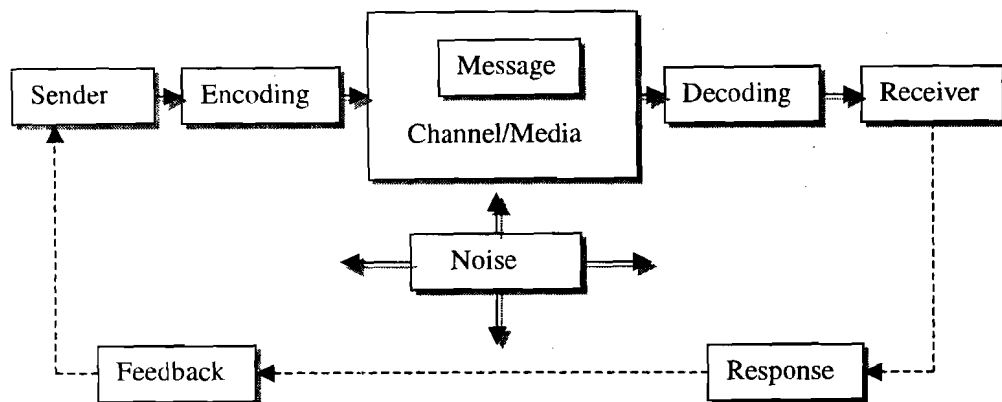


Figure 16.1: Major Elements in the Communication Process

Let us understand each of these elements in the communication process.

1. Sender: It is also called the source. Sender or source, of a communication is the person or organization that has the information to share with another person or group of persons. The source may be an individual (say, a salesperson or a celebrity, who appears in a company's advertisement) or a non-personal entity (such as the company or organization itself).

2. Encoding: The communication process begins when the source or sender selects words, symbols, pictures and the like, to represent the message that will be delivered to the receiver(s). This process, known as encoding, involves putting thoughts, ideas, or information into a symbolic form. The sender's goal is to encode the message in such a way that it will be easily understood by the receiver.

3. Message: The encoding process leads to the development of a message that contains the information or meaning the source hopes to convey. The message may be verbal or nonverbal, oral or written, or symbolic. Messages must be put into a transmittable form that is appropriate for the channel of communication being used.

4. Channel: This is also known as medium. It is the way by which the sender conveys the message to the receiver. At the broadest level, channels of communication are of two types, *personal* and *non-personal*. Personal channel of communication are direct interpersonal (face-to-face) contact with target individuals or groups. For example, in personal selling a salesperson contacts the customers and directly communicates about the sales message to the prospective customers. Here, communication flows in both directions and the salesperson receives immediate and direct feedback. This enables the salesperson to have greater control over the communication process. Non-personal channel of communication are those that carry a message without interpersonal contact between sender and receiver. Non-personal channels of communication are generally referred to as the *mass media* or *mass communication*, since the message is sent to many individuals at one time. Non-personal channel of communication consist of two major types, print and broadcast. Print media include newspapers, magazines, direct mail, and billboards; broadcast media include television, and radio.

5. Receiver: The party for whom the message is intended and is an active part of the communication process. Generally, receivers are the consumers in the target market or audience who read, hear, and/or see the marketer's message and decode it.

6. Decoding: Just as the sender encodes the message, the receiver must decode it. Decoding is the process by which the receiver attempts to convert symbols conveyed

by the sender into a message. Receivers may decode or interpret the message in different ways because of their individual characteristics, experiences and backgrounds. For effective communication to occur, the message decoding process of the receiver must match the encoding of the sender. Simply put, this means the receiver understands and correctly interprets what the sender is trying to communicate.

7. Response: The receiver's set of reactions after seeing, hearing or reading the message is known as a response. The receiver's response can range from nonobservable actions such as storing information in memory to immediate action such as visiting a dealer's shop or purchasing the product. Thus, response is a set of reactions a receiver has after being exposed to the message.

8. Feedback: It is the communication from a receiver to the sender about how he/she understood the message and reacted to it. In this reverse flow of communication, receivers encode their messages and send them to the sender. The sender must then decode the feedback message. The longer it takes the sender to receive and decode the feedback, the less valuable it becomes. Feedback is more direct, more frequent and more immediate when interpersonal communication (sales personnel) channels are used e.g. salesperson to prospect. Good salespeople receive feedback directly and immediately from their prospects and can modify their sales presentations to suit the prospect's requirements. It is usually indirect, slow and hard to obtain when the communication is through mass media. In fact it can be obtained only if the sender has made some arrangement to receive. Sender may have to carry out marketing research to determine whether the receivers have received the message, how many times, whether they can recall the message, or not, etc.

9. Noise: Throughout the communication process, the message is subject to extraneous factors that can distract or interfere with its reception. This unplanned distortion or interference is known as noise. Noise can affect any or all elements of the communication process. For example, if there are too many advertisements of the same product (different brands) in a single newspaper or magazine, it can create distraction. Noise may also occur because the field of experience of the sender and receiver do not match. Lack of common ground may result in improper encoding of the message-using a sign, symbol, or words that are unfamiliar or have different meaning to the receiver. The more common ground there is between the sender and the receiver, the less likely it is this type of noise will occur.

Successful marketing communication is accomplished when the marketer selects an appropriate source, develops an effective message or appeal that is encoded properly, and then selects the channel that will best reach the target audience so that the message can be effectively decoded and delivered.

16.3.2 Developing Effective Marketing Communication

The model of marketing communication process described above shows a number of key factors that are essential for an effective communication. Firstly, the sender must know the audience characteristics to which it wants to communicate. Secondly, what type of response is sought from the audience or what communication objective the company wants to pursue? Thirdly, the encoding process should take into account how the target audience decodes them. Fourthly, appropriate media have to be used for reaching the audience. Finally, the communicator should be able to measure the communication results to assess the effectiveness of communication process.

In this sub-section we will discuss various steps in developing effective marketing communication.

1. Identifying the Target Audience Characteristics: The term target audience refers to people for whom the marketing communication message is meant; and includes both present and potential customers. Therefore, to reach such people with a meaningful message, the sender must identify the target audience and their characteristics (like age, sex, income, education, occupation, life style, etc.), attitudes, values, past experience, buying habits and buying decision process. By understanding the profile of target customers, it becomes easier for the sender to match the message. The target audience may be individuals, groups, special publics or the general public. The target audience will heavily affect the communicator's decisions on *what* will be said, *how* it will be said, *when* it will be said, *where* it will be said, and *who* will say it.

In order to know the audience a company may use one important marketing tool, which is known as *image analysis*. Before sending the message a company should assess its current image, image of its products and the images of its major competitors. Image analysis will help the company in finding out its strengths and weakness vis-à-vis its competitors and thus help in developing relevant and appropriate marketing communication to the target customers.

2. Determining the Response Sought or the Communication Objective: After having identified the target audience, the sender decides on what response he is expecting from the receiver. The marketer may be seeking a cognitive, affective or behavioral response. Of course, in most cases, the final response is purchase. But purchase is the result of long process of consumer decision making. The marketing communicator needs to know where the target audience now stands and to what state it needs to be moved. The response sought depends on the consumer readiness states. There are six readiness states. These are *awareness, knowledge, liking, preference, conviction and purchase*. These six states are shown in Figure 16.2.

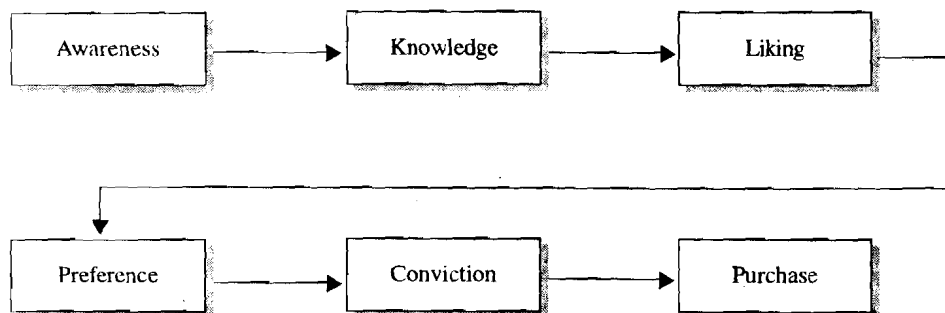


Figure 16.2: Consumer Readiness States

The message developed should be in tune with the consumer readiness state. For example, if the target audience is totally unaware of the product then the communicator should build awareness and knowledge. If the target audience knows the product then the communicator should try to build liking, preference and conviction. Finally, some section of the target audience might be convinced about the product, but they have not decided to purchase it. The communicator must lead them to take the final step i.e. purchase.

3. Designing the Effective Message: After deciding about the type of response sought from the receiver, the next step for the communicator is to develop an effective message. The message should be able to attract the receiver's attention, arouse interest, kindle desire for the product or service, and finally get a desired action i.e. the actual purchase.

There are four important decisions which marketing communicator has to keep in mind while designing an effective marketing communication message. The important decision areas relating to message design are: 1) *message content* (what to say?), 2) *message structure* (how to say it logically?), 3) *message format* (how to say it symbolically?), and 4) *message source* (who should say it?). Let us discuss these four dimensions of message design in somewhat detail.

Message Content: This dimension is related with the key or central idea or the appeal of a promotional message that will produce the desired response from the target audience. For instance, the central idea or appeal in the Pepsi TV advertisement is "Yeh Dil Mange More". When an appeal or central idea is used unchanged over a long period of time to lend consistency to the series of promotional message: it is called a Theme. The appeal or theme in most promotional messages relates to product features or claims about the product.

Marketers use three basic types of appeals in their marketing communication. They are: i) rational appeals, ii) emotional appeals, and iii) moral appeals.

- **Rational appeals** show that the product will deliver the claimed benefits. These appeals relate to a product's quality, economy (price), value or performance. In fact *most* consumer durable marketers such as refrigerators, automobiles, air conditioners, washing machines and other major appliances, and industrial products, use rational appeals in their promotional messages including advertising.
- **Emotional Appeals** attempt to stir up either negative or positive emotions that may motivate the target audience to purchase the product or brand of the company. Such appeals use either negative emotions (such as fear, guilt, shame) or positive emotions (such as love, joy, pride, humor) to stimulate action or purchase. For example, fear appeal is often used by Life Insurance Corporation (LIC) to encourage people to insure themselves. Emotional appeals are used for the fast moving consumer goods (FMCGs), services, and some consumer durable products. Examples include clothing, ready made garments, perfumes, cosmetics, etc. Horlicks, a health drink uses love appeal in its advertisements.
- **Moral Appeals** aim to give the audience a sense of what is right and good. They are often used to support various social causes such as planned family, clean environment, and equal rights for women, etc. Moral appeals are used seldom as far as commercial products are concerned.

Message Structure: Message effectiveness depends on structure as well as content. For example, a communicator may think that one sided arguments or presentations that praise a product would be more effective than two-sided arguments or presentations that also mention some of the shortcomings of the product. Yet two-sided messages may be more appropriate, especially when some negative association must be overcome. Two-sided messages are found to be more effective in case of educated audiences and those who initially had a negative feeling towards the product. The second issue in the context of message structure is the order of the presentation. The order in which arguments are presented is also an important part of message structure. It is observed that in case of one-sided message, presenting the strongest argument first has the advantage of attracting attention and interest. This is important in newspapers and other media where the audience often does not attend to the whole message. In case of a two-sided message, if the audience is initially opposed, the communicator might start with the other side's argument and conclude with the strongest argument.

Message Format: The communicator must develop a strong message format. For example, if the message has to be used in a printed advertisement in newspapers or

magazines, the sender has to decide on the type and length of headline, the illustration (or photograph), the copy (the written part of the advertisement, other than the headline), colour etc. For radio, the communicator has to choose words, voice qualities, and vocalization. If the message is to be carried in TV or in person, all of these elements plus body language (nonverbal actions such as gestures, hand movements etc) have to be planned. If the message is carried by the product or its packaging, the communicator has to pay attention to colour, texture, smell, size and shape.

Message Source: The fact of how the target audience perceives the sender (or source) can have a great impact on communication effectiveness. Messages delivered by attractive or popular sources achieve higher attention and recall, which is why advertisers often use celebrities as spokespersons. In particular, messages delivered by highly credible sources are more persuasive, so pharmaceutical companies use doctors to testify their products benefits because doctors command high credibility. Source credibility refers to the target receivers' perception of the sender's believability (i.e., how believable is the source or the sender?). Source credibility has an influence on how target receivers will evaluate and react to the message. There are three factors that underly source credibility: *expertise*, *trustworthiness*, and *likeability*.

- **Expertise** refers to the specialized knowledge which the sender is expected to have by virtue of his profession, occupation or experience. For example, doctors, scientists, engineers, professors and other technical experts are rated high on expertise in their respective areas.
- **Trustworthiness** is related to how objective and honest the source is perceived to be. Friends are trusted more than strangers or salespersons, and people who are not paid to endorse a product are seen as more trustworthy than people who are paid. In fact trustworthiness is related to expertise. If a well known expert promotes a product, his/her statements will be trusted more. If a company with an excellent track record of producing high quality products launches a new product, its product claims are more likely to be trusted than those of an unknown company making the same product.
- **Likeability** describes or reflects the source's general attractiveness to the audience (receivers). Qualities such as straight-forwardness, humor, naturalness, good looks (appearance), good voice, etc., make a source more likeable to the audience.

The source with the highest credibility would be one which has the best combination of all the three factors described above.

4. Selecting Communication Channels: Once the promotional message has been designed, the communicator must select efficient communication channels to carry it. There are two broad types of communication channels through which the message may reach to the audience. They are *personal communication channels* and *nonpersonal communication channels*.

Personal Communication Channels: Personal communication channels involve two or more persons communicating directly with each other face to face, person to audience, over the telephone, or through e-mail. These channels' effectiveness depends to a great extent on the opportunities of individualizing the presentation and feedback. For example, Redefusion.com invites on-line customers to sign up for e-mail services and recommendations from experts in their choice of various products available on-line. These channels are of three types: advocate, expert and social communication channels.

- **Advocate Channels** consist of company salespeople contacting buyers in the target market.

- **Expert Channels** consist of independent experts making statements to target buyers.
- **Social Channels** consists of neighbors, friends, family members, and associates talking to target buyers. The last channel is also popularly known as *word-of-mouth influence* and may wield considerable influence in many product categories.

Personal influence carries especially great weight in two situations. One is with products that are expensive, risky or purchased infrequently. The other situation is where the product suggests something about user's status or taste. In both cases, consumers will obtain information from others before making a purchase decision. Companies can take several steps to stimulate personal influence channels to work on their behalf:

- Identify influential individuals and companies and devote extra efforts to them.
- Create opinion leaders-people whose opinions are sought by others-by supplying certain people with the product on attractive terms.
- Work through community influentials such as local well known persons and head of the civic organizations.
- Use influential or believable people in testimonial advertising.
- Develop word-of-mouth referral channels to build business.

Nonpersonal Communication Channels: Nonpersonal communication channels are media that carry messages without personal contact or feedback. Nonpersonal communication channels include media, atmospheres, and events.

- **Media** consist of print media (newspapers, magazines, direct mail), broadcast media (radio, television), electronic media (audiotape, videotape, CD-ROM, DVD, Web page), and display media (billboards, signs, posters). Most nonpersonal messages come from these media which are normally paid by the marketers.
- **Atmospheres** are designed environments that create or reinforce the consumer's leanings towards product purchase. For example, many restaurants decorate their dinning halls to attract consumers, advocates or law offices are decorated with fine rugs, books and furniture to communicate confidence and success, pharmaceutical companies insist their salespeople to wear specific dress while making visits to the doctors for creating good impressions.
- **Events** are occurrences designed to communicate particular messages to target audiences. Companies through their public relation departments organize press conferences, grand openings, cultural events, arts exhibitions, and other events to communicate with specific audiences.

Although personal communication is often more effective, nonpersonal channels affect personal attitudes and behaviour through a two-step-flow of communication process. Ideas often flow from radio, print, television, and Internet sources to opinion leaders and from these to less media involved population groups. This two-step flow has several implications. First, the influence of nonpersonal channels on public opinion is mediated by opinion leaders, people whose opinions are sought or who carry their opinion to others. Second, the two-step flow shows that people interact primarily within their own social group and acquire ideas from opinion leaders in their group. Third, two-step communication suggests that marketers using nonpersonal channels should direct messages specifically to opinion leaders and let them carry the message to others.

5. Measuring the Communication Results. After implementing the promotional program, the marketing communicator must measure its impact on the target

audience. Those who were exposed to the promotional message may be asked whether they recognize or recall the message, how many times they saw it, what points they recall, how they felt about the message, and whether they have changed their attitudes towards the product and the company. The communicator should also collect behaviour measures of audience response such as how many people bought the product, liked it, and talked to others about it. This step is also known as feedback.

Check Your Progress B

- 1) List out the various elements of communication process.
.....
.....
.....
- 2) What is noise in a communication process?
.....
.....
.....
- 3) What factors should be considered in designing communication message?
.....
.....
.....
.....
.....
- 4) Differentiate between personal and nonpersonal communication channels in communication process.
.....
.....
.....
.....
.....
- 5) State whether the following statements are True or False:
 - i) The basic goal of communication is a common understanding of meaning between the sender and the receiver.
 - ii) The two major tools of communication are response and feedback.
 - iii) The two broad types of channels used in communication are encoding and decoding.
 - iv) Personal communication channels play more important role in case of costly, and less frequently purchased products.

16.4 THE PROMOTION MIX

One can take a broad or a narrow view of the tools in the marketing communication. Marketers use an array of tools for the purpose of communicating and promoting their products and services. These tools are used in different proportions by a company at a particular time period. Therefore, blending of these tools is known as promotion mix or marketing communication mix. We can define promotion mix as the

total array of tools available to the communicator whose major role is persuasive communication. These are the tools normally classified under promotion. In our daily life we all are exposed to various tools of promotion by the companies aiming at communicating one thing or the other to us. For example, at home we are exposed to various advertisements while reading a newspaper, watching a TV program, listening to radio or even examining the water, electricity or telephone bills. On our way to the office or home similar communications are present on bus panels, roadside hoardings, neon signs, posters and banners, etc. And, while at a retail shop these take the shape of traffic builders; product displays, etc., all sharing information relating to a specific product of a company.

16.4.1 Components of Promotion Mix

Each promotional tool has its own unique characteristics and costs. These promotional tools can be broadly classified as advertising, sales promotion, public relations and publicity, personal selling, and direct marketing. There is no way that an individual activity, say advertising, can be managed fully without considering its relationship with the other elements. Therefore companies normally adopt all these elements though the relative importance placed on each element of the promotion mix may differ from company to company. Historically, companies first made a separate function out of personal selling, followed by advertising, sales promotion, public relations and publicity, and finally with direct marketing. These major tools of promotion mix are defined and described briefly in the following.

1. Advertising: It is defined as *any paid form of non-personal communication through mass media about a product, a service or an idea by an identified sponsor.* Advertising can be used to build up a long term image of a brand (Colgate advertising) or trigger quick sales (a departmental store's advertisement for sale). Advertising can reach geographically dispersed buyers efficiently. Certain forms of advertising (TV advertising) typically require a large budget, whereas other forms (newspaper advertising) can be done on a small budget. The media used could include magazines, newspapers, radio, television, billboards (hoardings), direct mail, etc. Sponsors may be non-profit organization (colleges, universities, and institutes), companies or individuals. Advertising has four distinctive characteristics. These are:

- **Public Presentation**-unlike personal selling it is a highly public mode of communication. Its public nature confers a kind of legitimacy to the product. Because many persons receive the same message, buyers know that their motives for purchasing the product will be publicly understood.
- **Pervasiveness**-advertising is a pervasive way of communicating the marketing messages. It permits the seller to repeat a message many times. It also allows the buyer to receive and compare messages of other competitors.
- **Amplified Expressiveness**-it provides opportunities for dramatizing the company and its brands through the artful use of print, sound, and colour. Over dramatization sometimes dilutes or distracts from the message.
- **Impersonality**-advertising despite being public, pervasive, and expressive in nature can not be as compelling as personal selling and sales promotion. The audience does not feel obligated to pay attention or respond. Advertising is only able to carry on a monologue and not a dialogue with the audience.

2. Sales Promotion: It is defined as *a variety of short term incentives to encourage trial or purchase of a product or service.* Although sales promotion tools-coupons, contests, premiums, and the like-are highly diverse, they offer three distinctive benefits to the consumers. These are:

- **Communication**-attracts consumer attention and provides information that may lead the consumer to buy the product.

- **Incentive**-incorporates some concessions or inducement that gives value to the consumer.
- **Invitation**-includes a distinct invitation to engage in the transaction now.

Initially sales promotion was used as an adhoc collection of sales tools to stimulate short term demand. Now companies are using this promotion tool very often and its budget has increased over a period of time. Sales promotion plays a vital role in the introduction and in the maturity stage of a product life cycle. The effects of sales promotion are often more immediate and measurable than those of advertising. The purpose of sales promotion many times is to supplement the advertising and personal selling effort carried by the company.

3. Public Relations and Publicity: It is defined as *a variety of programs designed to promote or protect a company's image or its individual products.* The appeal of public relations and publicity is based on three distinctive qualities:

- **High Credibility**-news stories and features seems to most readers, to be authentic and credible than advertisements.
- **Ability to catch buyers off guard**-publicity can reach to many potential buyers who otherwise avoid salespersons and advertisements. This is because the message is packaged in a way that gets to the buyers as news rather than sales directed communication.
- **Dramatization**-like advertising, publicity has the potential of dramatizing a company or product.

Public relation and publicity is similar to advertising except that it involves an unpaid and unsigned message, even though it may use the same mass media as advertising. Publicity can either be positive (favorable) or negative (unfavorable) because the message is in the hands of media and not controlled by the company. Marketers spend a lot of time and effort in getting news items and articles placed in newspapers and broadcasts so that a favorable image of the company is created.

4. Personal Selling: It is defined as *oral presentation in a conversation with one or more prospective buyers for the purpose of making sales.* Personal selling is a person-to-person dialogue between buyer and seller, where the purpose of this face-to-face contact is to persuade the buyer to accept a point of view or to convince the buyer to take a specific course of action. In other words personal selling is a person-to-person process by which the seller learns about the prospective buyer's wants and seeks to satisfy them by making a sale. Personal selling has three distinctive qualities which make it different from other promotion tools. These are:

- **Personal Confrontation**-it involves an alive, immediate and interactive relationship between two or more persons. Each party is able to observe at close hand the characteristics and needs of other party and can make immediate adjustments. Each party has the potential to help or hurt the other party by his/her interest or lack of interest.
- **Cultivation**-it permits all kinds of relationships to spring up, ranging from a matter-of-fact selling relationship to a deep personal friendship. Salesmanship is an art and one should use this art to win the customers.
- **Response**-in contrast with the advertising, personal selling makes the prospective buyer feel more under obligation to listen to the sales presentation of the salesperson as he is using up the salesperson's time. The response here is instantaneous.

5. Direct Marketing: It is the latest addition in the promotion tools a company may use to communicate the message to the target audience. It can be defined as *the use of mail, telephone, fax, e-mail, or Internet to communicate directly with or solicit*

response or dialogue from specific customers or prospects. Direct marketing has four distinct characteristics. They are:

- **Nonpublic**-the message is normally addressed to a specific person.
- **Customized**-the message can be prepared to appeal to the addressed individual.
- **Up-to-date**-the message can be prepared quickly and can be changed according to the latest situation.
- **Interactive**-the message can be changed depending on the buyer's response.

16.4.2 Factors Affecting the Promotion Mix

Companies consider many factors when developing their promotion mix. All these factors that influence the promotion mix may be grouped in four categories. These are: 1) product specific factors 2) customer specific factors, 3) company specific factors, and 4), and situation specific factors.

1. Product Specific Factors: Product specific factors include: 1) the amount and complexity of product information to be communicated, 2) the stage of the product in the product life cycle, and 3) product type and unit price.

- **Amount and Complexity of Product Information:** Usually emphasis is placed on advertising to convey simple ideas or to make consumers aware of a product whose features are easily observed. Advertising is also used for products that are familiar to consumers. The messages which are simple and easily understandable are generally conveyed through advertising. Personal selling and sales promotion are considered more useful to demonstrate complex ideas. For example, in the case of consumer durables, such as mixers, television sets, music systems, computers, etc., personal contact enables consumers to try the product and ask questions.
- **Stage of the Product in the Product Life Cycle (PLC):** During the introduction stage of a product, the basic promotion objective is to create awareness and interest in the product. Extensive advertising, sales promotions and publicity help in reaching potential customers and induce trial purchases. Personal selling is useful in reaching marketing intermediaries such as wholesalers and retailers. As competition starts building up during the growth stage, focus of promotion is on differentiating the product (brand) by showing its advantages over rival brands. Promotion in this stage becomes more persuasive in order to build up and maintain brand loyalty and ensure repeat purchase. Since a larger number of people are trying and using the product, advertising is more economical way of reaching target customers. As competition becomes more intense in the maturity stage of the PLC, promotion efforts are at the highest levels at that stage. Promotion messages become more persuasive and advertising and sales promotion gain relative importance over the other elements of the promotion mix. Promotion is generally reduced to a minimum in the decline stage. Whatever little promotion is carried out at this stage, it is normally done by marketing intermediaries.
- **Type of Product and Unit Price:** There seems to be a relationship between the promotion and the type of product and the unit price. There is greater emphasis on advertising for inexpensive, frequently bought consumer products which are also known as Fast Moving Consumer Goods (FMCGs) such as soaps, toothpastes, potato wafers, razor blades, etc., whereas more complex products (industrial products like machines, large generators, etc.) with a higher unit price require greater personal selling effort.

2. Customer Specific Factors: There are two types of customer specific factors that affect the use of various elements of promotion mix: These are: 1) Target market Characteristics, and 2) Type of buying decision.

- **Target Market Characteristics:** Generally, non-personal promotion tools, (advertising and public relation and publicity) are more suitable for personal consumers, and personal selling is relatively more important for business buyers. As the size of the target market increases, non-personal forms of promotion become more relevant. However, as the size of the target market increases, the market becomes more heterogeneous (i.e., it becomes more mixed in terms of sex, age, income, occupation, life styles, etc.). Thus the marketer needs to segment his markets and design different promotional messages to appeal to different market segments.
- **Type of Buying Decision:** Buying decisions are of two types: routine decisions and complex buying decisions. Generally, consumers making routine decisions do not pay much attention to marketing information. If they make routine purchases of a given brand, promotion focuses on reminding customers that the brand is better than the other brands. When the decisions are complex, as in the case of major consumer durables and appliances such as automobiles, TVs, refrigerators, washing machines, etc., the promotion must contain messages which are full of relevant information and adapted to the customer's primary needs and wants. The effect of competitor's promotion might also be considered. After the purchase the customers should be given assurance that they have bought the right product, through letters and, therefore, personal visits by salespeople become very important.

3. Company Specific Factors: There are three types of factors under this category. They are: 1) marketing channel and promotion strategies, 2) brand naming strategy, and 3) budget considerations.

- **Marketing Channel and Promotion Strategy:** There are two types of strategies in terms of the role of the marketing channels and the promotion. Some marketers place more emphasis on the marketing channels in building the sales whereas others place more emphasis on the promotion tools for this purpose. Therefore, they may use predominantly either a push strategy or a pull strategy. We will discuss these two strategies below.
- **Push Versus Pull Strategy:** Here the marketer tries to "push" the product through distribution channels to final consumers. The marketer actively promotes his product to distribution channels, who in turn actively promote it to final buyers. In other words, each channel member (including the marketer) directs his promotional effort to the next channel member in the distribution link. Push strategy requires a great deal of emphasis on personal selling at the marketer's level and various types of sales promotion methods directed to company salespeople and intermediaries. In pull strategy marketer focuses promotional efforts directly on the final consumers rather than on intermediaries. For instance, in the case of a consumer product, the objective is to induce customers to ask retailers for the product, in turn retailers ask wholesalers and wholesalers ask the company for the product. Consumers thus, "pull" the product through the marketing channel. A pull strategy involves a high degree of advertising and various types of sales promotion directed to final buyers. Pull strategy is suitable when the producer wants to create a strong company image. This requires complete knowledge about target markets in order to design and develop the right kind of appeals for such markets. Few companies use either of the strategies. Big companies use a combination of these two with more emphasis on any one. The two strategies are compared in the figure 16.3.

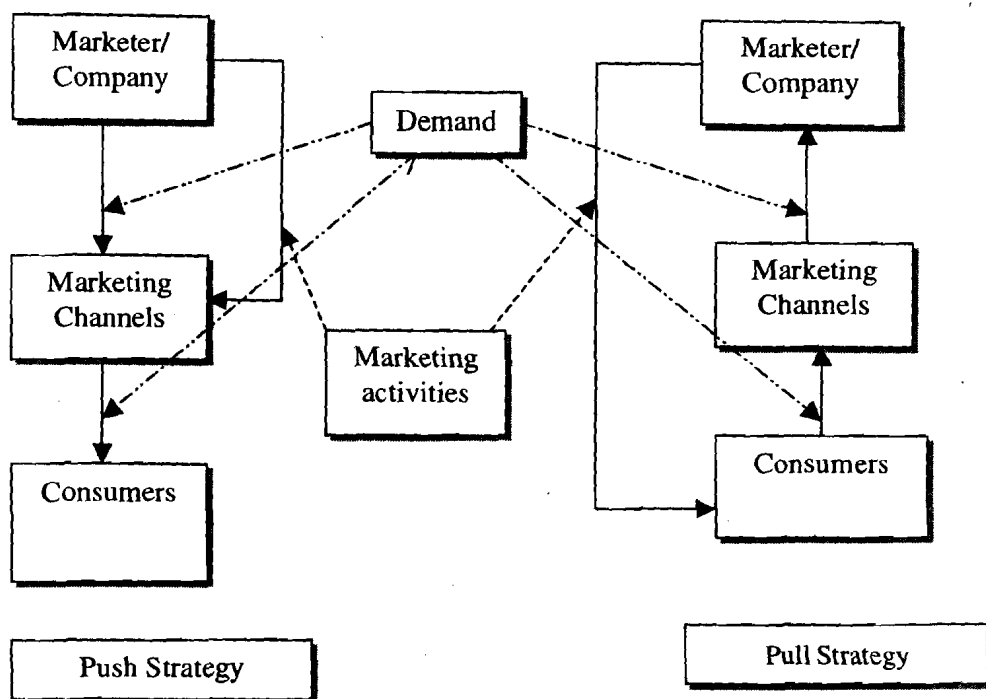


Figure 16.3: Comparisons between Push and Pull Strategies

- Brand Naming Strategy:** A firm which adopts an individual branding name strategy relies heavily on promotion to introduce a new product or brand. An image has to be created for acceptance by both customers and intermediaries. A combination of personal selling, advertising and sales promotion will be needed to create the image and establish the brand. Family branding strategy on the other hand requires relatively lesser effort to introduce a new brand. Possibly with a little advertising, new brands introduced by Tata, Godrej, Bajaj, Sony, Samsung or Philips will find ready acceptance, because of the family brand's image. Consumers may try it because of their satisfaction with other products under the family brand name.
 - Budget Considerations:** The relative use of various promotion tools also depends on the availability of funds for promotion. Hence the choice of a promotional element or elements would depend upon the relative costs of reaching the target customers with each promotional tool. Personal selling, for example, is more expensive per contact than advertising. Sales promotion can be expensive or inexpensive depending on the type of sales promotion tool being used. Marketers try to optimize the per rupee contribution of promotion through the use of marginal analysis principle. Therefore, the promotion mix chosen will depend upon the relative cost and efficiency of each element of the promotion mix and the amount available with the company for promotions.
- 4. Situation Specific Factors:** There are two situation specific factors which affect the promotion mix: 1) Company's goodwill and public visibility, and 2) extent of competition.
- Company's Public Visibility:** Some companies are better known to the public because of their products, their relative position in the industry (i.e., large or small) and their impact on physical, economic or social life of people. HLL, Tatas, ITC, Reliance and many others companies not only have household familiarity but they are also involved in various social and environmental activities. Such firms generally like to project themselves as being sensitive to the environment. To achieve this objective, these companies sponsor various event related with environment, sports, cultural and social activities in the

interest of the general public. For example, Tatas have sponsored Cancer Research, ITC and MRF sponsor sports events each year. Since a large number of people are concerned with the actions of such highly visible firms, these firms spend more money on public relations and publicity, in addition to the money and effort spent on promoting their products and services.

- **Extent of Competition:** In a highly competitive situation companies very often have to match or counter the promotional activities of their competitors to maintain or increase their market shares. Hence the promotional effort of such firms is affected and influenced by the activities of their rivals. For example Bajaj Automobiles used to advertise its brands very seldom in the 1970s and early 1980s but its advertising increased tremendously with the entry of Japanese motorcycles in the Indian market. In recent times we have seen the advertising war between soft drink giants Coca Cola and PepsiCo.

Check Your Progress C

- 1) What is promotion mix?

.....

.....

.....

- 2) Distinguish between personal selling and direct marketing.

.....

.....

.....

.....

- 3) Distinguish between pull and push strategies in the context of promotion.

.....

.....

.....

- 4) State whether the following statements are True, or False:

- i) Advertising is a two way communication.
- ii) One of the characteristics of publicity is dramatization.
- iii) Sales promotion is used for short term duration.
- iv) Personal selling may lead to long term relationship between a buyer and a seller.

16.5 PROMOTION BUDGETING METHODS

One of the most difficult marketing decisions is determining how much to spend on promotion. This question of how much to spend on promotion is a major recurrent decision faced by the marketers. If too much is spent, resources are wasted; if too little is spent, opportunities may be lost. In spite of this and despite the large amount of money being involved, relatively few companies use a logically sound approach to this problem i.e. how much to spend on promotion.

Industries and companies vary considerably in how much they spend on promotion. Within a given industry, there are low- and high-spending companies. In addition to this there are number of factors which influence the promotion budgeting decision. The most important of this is the economic and competitive environment in which the company is operating as this acts to determine the opportunities for promotion and the role within the marketing program that promotion might reasonably be expected to play. In addition, the value of the budget is affected by factors internal to the company such as the age of the product and the stage reached in the life cycle.

Over a period of time companies have developed a number of methods through practice and experience. This section reviews some of the more traditional methods of setting budgets and the relative advantages and disadvantages of each. First, you must understand two things: (1) many firms employ more than one method, and (2) budgeting approaches vary according to the size and sophistication of the company. These methods of budgeting can be broadly divided into top-down and bottom-up approaches. We will now discuss some of the common methods under these two approaches.

16.5.1 Top-down Approaches

Here a budgetary amount is established or set by the top management and then the funds are passed down to the various departments. Top-down methods include: (1) affordable method, (2) percentage of sales, (3) unit of sales, and (4) competitive parity method.

1. Affordable Method: This method is also known as all-you-can-afford or funds available method. Under this method the company determines the amount to be spent in various areas such as production and operations. Then it allocates what is left to advertising and promotion, considering this to be amount it can afford. The task to be performed by the advertising/promotion function is not considered, and the likelihood of under-or overspending is high, as no guidelines for measuring the effectiveness of various budgets are established. There are three fundamental weaknesses of this method. Firstly, it does not encourage the development of long term planning of promotion expenditure (the amount the company can afford to spend may vary greatly from year to year and these variations can not easily be predicted). Secondly, short term promotion opportunities are likely to be overlooked. Thirdly, this method completely ignores the role of promotion as an investment. Despite these weaknesses, many companies use the affordable method-both small and big.

2. Percentage-of-sales Method: Of the numerous approaches to determining the promotion budget, the concept of percentage-of-sales is the most popular. In its simplest form percentage-of-sales involves applying a predetermined percentage figure to the value of sales achieved in the previous financial year. This percentage figure remains constant for a number of years. Thus if the company had sales in the previous year of Rs.10 crore and the percentage figure company has used in the past is 5%, the budget for the current year is Rs. 5,000,000. A slight variation which has gained acceptance in recent years involves the percentage being applied not to the previous year's sales, but to a forecast of sales for the period covered by the budget.

The obvious attraction of the percentage-of-sales is its simplicity. In addition, the amount of money allocated to promotion will tend to vary with what the company can afford, and, assuming that competitors tacitly agree to let promotion expenditures follow a percentage-of-sales, some degree of competitive stability may result. However, despite these advantages, this method represents a very mechanical approach to decision making, and is hard to support analytically. The disadvantages of this method are; First, that circular reasoning is employed as sales act to determine promotion, rather than the other way round. Second, because the funds made

available will vary as sales fluctuate, there is likely to be only limited scope for engaging in long term planning of promotion programs. Third, there is no apparent logical figure which should be employed for setting promotion budget. In addition, implicit in this method is the fact that once the percentage figure has been decided it is adhered to rigidly. This inflexibility is obviously undesirable in the face of changing goals and market conditions and is likely to lead to short term opportunities being overlooked. Fourth, having used percentage of sales to determine the budget, there is tendency to allocate the budget in the same way rather than in a more innovative fashion such as on the basis of opportunities. Finally, this method does not encourage building the promotion budget by determining what each product and territory deserves. Thus, despite its popularity, the percentage-of-sales method has no apparent logical foundation and, like the affordable method, is unlikely to lead the company to the profit maximizing outlay.

3. Unit of Sales Method: A variation on the percentage-of-sales method that a company may use is the unit-of-sales method, which simply allocates a specified rupee amount of promotion to each unit of a brand sold (or expected to be sold). This is merely a translation of the percentage-of-sales method into rupees spent per unit. The budget is then determined by multiplying the individual unit figure by the forecast of the sales for the forthcoming period. Thus, if the unit promotion expenditure on a refrigerator is Rs.200 and sales of 80,000 units are forecast, the promotion budget is Rs. 16,000,000. The unit-of-sales method has the same advantages and disadvantages as that of percentage-of-sales method.

4. Competitive Parity Method: This is also referred to as *share of market/share of voice* method. Some companies set their promotion budget to achieve share-of-voice parity with competitors. In this method, a company monitors the amount spent by various significant competitors on promotion and allocates an equal amount or an amount proportional to (or slightly greater than) the firm's market share relative to the competition. To use this method it is necessary to collect data on total sales and total promotion expenditure by all firms in the market. If, having collected this information, a correlation appears to exist between promotion expenditure and subsequent sales performance it is possible to compute approximately how much funds need to be spent on promotion to achieve any given market share. An illustration of this method is shown in the Table 16.1 below.

Table 16.1: Illustration of Competitive Parity Method

<i>Brands</i>	<i>Market Share in the Industry</i>	<i>Promotion Share in the Industry</i>
Brand A	30	60
Brand B	15	30
Brand C	3	6
Others (including local brands)	52	Not Known
Total	100	100

On the basis of the figures given in the Table 16.1 the company can conclude that for every 1% share of the market gained by a specific brand, an expenditure of 2% of total industry promotion was required. Therefore, if the company which is manufacturing Brand B wishes to maintain its 15% market share it must ensure that its promotion budget is at least 30% of the industry's promotion expenditure. Knowledge of the existence of any such relationship is obviously of value although in practice it is likely to occur only in a very stable market in which there is no aggressive action on the part of any one company.

Two arguments are made in support of the competitive parity method. One is that competitor's expenditures represent the collective wisdom of the industry. The other is that maintaining competitive parity prevents promotion wars. Neither argument is valid. There is no ground for believing that competitors are utilizing their financial resources in a better way. Company reputation, resources, opportunities, and objectives differ so much that promotion budgets are hardly a guide. Further more, there is no evidence that budgets based on competitive parity discourage promotional wars.

16.5.2 Build up Approaches

The major flaw associated with the top-down methods is that these judgmental approaches lead to predetermined budget appropriations often not linked to objectives and the strategies designed to accomplish them. A more effective budgeting strategy would be to consider the company's communication objectives and budget what is deemed necessary to attain these objectives. The idea is to build up budget so that promotional strategies can be implemented to achieve the stated objectives. The most popular build-up budgeting method is objective and task method, which will be discussed below.

Objective and Task Method: This method reverses the approach used in the top-down methods discussed above. Instead of determining the size of the budget and then allocating it by product and sales area, objective and task method requires the company to set the budget on the basis of the cost of achieving the promotional objectives. The objective and task method of budgeting uses a build-up approach and consists of the following steps.

- **Establishing Communication Objectives to be Accomplished:** These objectives must be specific, attainable, and measurable, as well as time limited. For example, a company may wish to create awareness among X percentage of its target market.
- **Determining the Specific Strategies and Tasks Needed to Attain Them:** These tasks may include advertising in various media, sales promotions, and/ or other elements of the promotion mix, each with its own role to perform.
- **Estimate the Costs Associated with Performance of these Strategies and Tasks:** This requires determining the estimated costs associated with the tasks developed in the previous step. For example, it involves costs for developing awareness through advertising, trial through sampling, and so forth. The total budget is based on the accumulation of these costs.
- **Reevaluate objectives:** If necessary, revise the goals and methods to level the company can afford in case the costs are too high. The budget setting process of objective and tasks method is shown in the Figure 16.4.

The major advantage of the objective and task method is that the budget is driven by the objectives to be attained. The managers closest to the marketing effort will have specific strategies and input into the budget setting process. The objective and task method is the most logical and defensible method for calculating and then allocating a budget. It is the only budgeting method that specifically relates promotional spending to the promotional objectives being pursued. It is widely used by major companies. The major disadvantage of this method is the difficulty of determining which tasks will be required and the costs associated with each. This process is easier if there is past experience to use as a guide, with either the existing product or a similar one in the same product category. But it is especially difficult for new product introductions. However, the objective and task method offers advantages over methods discussed earlier but is more difficult to implement when there is no track record for the product.

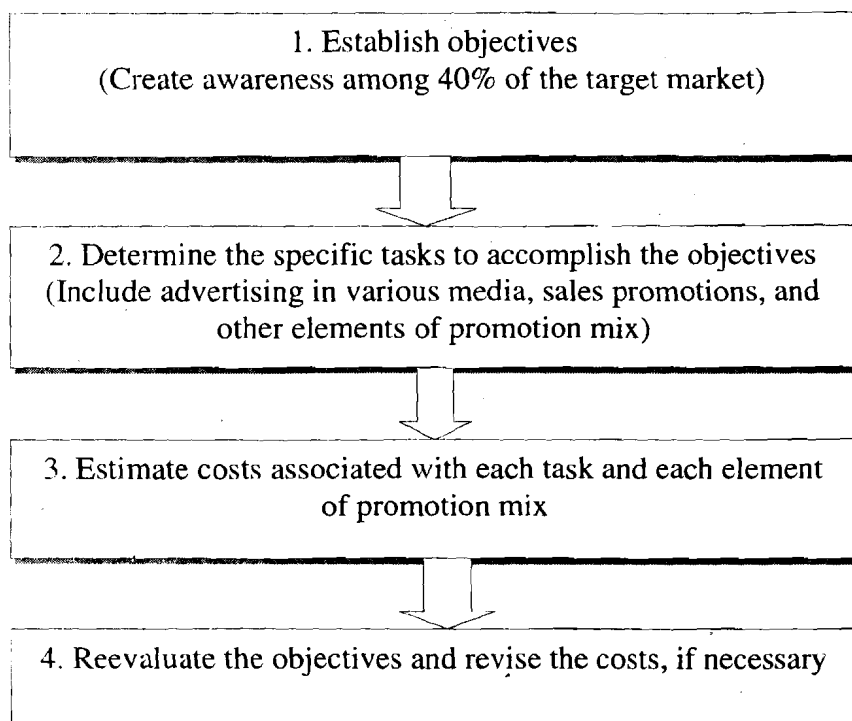


Figure 16.4: Steps in Objective and Task Method

16.6 INTEGRATED MARKETING COMMUNICATION

Today many companies are taking a new approach to marketing and promotion. They integrate their advertising efforts with a variety of other communication techniques such as sales promotion, direct marketing, publicity and public relations (PR), and event sponsorships. They are also recognizing that advertising and other forms of promotion are most effective when coordinated with other elements of the marketing program. Companies are using various marketing communication tools to promote their products by adopting what is known as *Integrated Marketing Communications Approach* to gain a competitive advantage.

Advertising and promotion are an integral part of our social and economic systems. In our complex society, advertising has evolved into a vital communications system for both consumers and businesses. Today, consumers have learned to rely on advertising and other forms of promotion for information they can use in making purchase decisions. Many companies also recognize the need to integrate their various marketing communication efforts, such as advertising, direct marketing, sales promotion, and public relations, to achieve more effective marketing communications.

Historically speaking for many years, the promotional function in most companies was dominated by mass media advertising. Companies relied primarily on their advertising agencies for guidance in nearly all areas of marketing communication. Most marketers did use additional promotional and marketing communication tools, but sales promotion and direct marketing agencies were generally viewed as auxiliary services and often used on a per project basis. Public relations agencies were used to manage the organization's publicity, image, and affairs with relevant publics on an ongoing basis but were not viewed as integral participants in the marketing communications process. These companies failed to recognize that the wide range of marketing and promotional tools must be coordinated to communicate effectively and present a consistent image to the target markets.

During the 1980s, many companies came to see the need for the integration of their promotional tools. These firms began moving toward the process of integrated marketing communication (IMC), which involves *coordinating the various promotional elements and other marketing activities that communicate with a firm's customers*. As marketers embraced the concept of integrated marketing communications, they began asking their ad agencies to coordinate the use of a variety of promotional tools rather than relying primarily on advertising alone. Many agencies responded to the call for synergy among the various promotional tools by acquiring PR, sales promotion, and direct marketing companies and touting themselves as IMC agencies that offer one-stop shopping for all of their client's promotional needs.

A task force from the American Association of Advertising Agencies (the 4As) developed the first definition of integrated marketing communication (IMC). A *concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines - for example, general advertising, direct response, sales promotion and public relations - and combines these disciplines to provide clarity, consistency and maximum communications impact through the seamless integration of discrete messages*.

The 4As definition focuses on the process of using all forms of promotion to achieve maximum communications impact. Many companies have adopted this perspective of IMC. They see it as a way to coordinate and manage their marketing communication programs to ensure that they give customers a consistent message about the company and /or its brands.

The IMC approach helps companies identify the most appropriate and effective methods to contact customers as well as other stakeholders such as employees, suppliers, investors, media, and the general public.

16.6.1 Reasons for Growing Importance of IMC

The move toward integrated marketing communications has been called one of the most significant marketing developments of the 1990s. There are a number of reasons why marketers are adopting this concept. A fundamental reason is that they understand the value of integrating the various communication functions rather than having them autonomously. By coordinating their marketing communication efforts, companies can avoid duplication, take advantage of synergy among various communication tools and develop more efficient and effective marketing communication programs. Advocates of IMC argue that it is one of the easiest ways a company can maximize the return on its investment in marketing and promotion.

The move to integrated marketing communications also reflects an adaptation by marketers to a changing environment, particularly with respect to customers, technology, and media. Major changes have occurred among consumers with respect to demographics, lifestyles, media use, and buying and shopping patterns. For example, cable TV has vastly expanded the number of channels available to households. Some of these channels offer 24-hour shopping network; other contain 30-or 60 minute direct response appeals known as infomercials, which look more like TV shows rather than advertisements. Every day more consumers are surfing the Internet's World Wide Web. Marketers are responding by developing home page where they can advertise their products and services interactively as well as transact sales. Television, radio, magazines and newspapers are becoming more fragmented and reaching smaller and more selective audiences. These factors are prompting many marketers to look for alternative ways to communicate with their customers.

The integrated marketing communications movement is also being driven by changes in the ways companies market their products and services. A major reason for the growing importance of the IMC approach is the on going revolution that is changing the rules of marketing and role of the traditional advertising agency. Major characteristics of this marketing revolution include:

- A shifting of marketing rupee from media advertising to other forms of promotion, particularly consumer and trade - oriented sales promotions. .
- The fragmentation of media markets, which has resulted in less emphasis on mass media like network TV and more attention to smaller, targeted media alternatives like direct mail and event sponsorships.
- A shift in market place power from manufacturers to retailers. The large retailers are demanding that companies should spend more on sales promotion.

This marketing revolution is affecting everyone involved in the marketing and promotional process. Companies are recognizing that they must change the ways they market and promote their products and services. They can no longer be tied to a specific communications tool (such as media advertising). A successful IMC program requires that a firm find the right combination of promotional tools and techniques, defines their role and the extent to which they can or should be used, and coordinate their activities.

Check Your Progress D

- 1) What do you mean by top-down and bottom-up approaches in advertising budgeting?

.....

.....

.....

.....

.....

- 2) List out different promotion budgeting methods under top-down approach.

.....

.....

.....

.....

- 3) State the steps involved in setting the objective and task promotion budget.

.....

.....

.....

.....

- 4) Indicate whether the following statements are True or False:

- i) Top-down approaches of promotion budgeting are more popular.
- ii) In competitive parity method the collective wisdom of the industry is taken into consideration.
- iii) The objective and task method is the logical method of promotion budgeting.
- iv) Through the integrated marketing communication the company can achieve synergy in communication effort.

16.7 LET US SUM UP

Promotion is one of the four major components of marketing mix. A company has to play the role of a good communicator. Promotion may be defined as applied communication used by marketers to exchange persuasive messages and information between the organization and its various publics.

It includes all the activities designed to stimulate demand. Effective communication performs three important functions. They are: providing information and persuasion for the existing and new products, building brand loyalty, and helping consumers in taking purchase decisions. Thus, promotional strategy is designed to inform, persuade and remind about the existence and benefits of a product, a service or an idea.

Communication occurs when a sender transmits a message, a receiver receives that message and the sender and the receiver have a shared meaning. The communication process consists of nine components: sender, receiver, encoding, decoding, message, media, response, feedback, and noise. Marketers must understand the process, of communicating effectively with their target markets and the factors that are important in developing effective communication are: 1) identifying the target audience characteristics, 2) determining the response sought or communication objectives, 3) designing effective message in terms of content, structure, format, and source 4) selecting the most efficient communication channels, and 5) measuring the communication results.

The promotion mix is the careful blending of the five components of promotion i.e., advertising, personal selling, sales promotion, public relations and publicity, and direct marketing for the purpose of achieving communication objectives. Advertising is defined as any paid form of nonpersonal communication through mass media about a product by an identified sponsor. Personal selling is a face-to-face direct interaction between the buyer and the seller, Sales promotion is short term promotional activity that offers an incentive for a limited time period to increase sales and enhance dealer effectiveness. Public relations and publicity is a non-personal, non-paid form of mass communication not identified by a sponsor where the company strives to obtain favourable media coverage. Direct marketing refers to the use of mail, telephone, fax, e-mail or Internet to communicate directly with or solicit response or dialogue from specific customers or prospects.

There are four factors that influence the use and relative emphasis of various promotional tools. These are: 1) product-specific factors, 2) customer-specific factors, 3) company-specific factors, and 4) situation-specific factors.

Deciding on the promotion budget is one of the most difficult recurrent marketing decisions. Over the years various companies have developed a number of promotion budgeting methods through practice and experience. These methods of budgeting can be broadly divided into top-down and bottom-up approaches. Top-down methods include: (1) affordable method, (2) percentage of sales, (3) unit of sales, and (4) competitive parity method. The most popular build-up budgeting method is objective and task method.

During the 1980s, many companies came to see the need for the integration of their promotional tools. These firms began moving toward the process of integrated marketing communication (IMC), which involves coordinating the various promotional elements and other marketing activities that communicate with a firm's customers to take advantage of synergy among various communication tools. The IMC approach helps companies identify the most appropriate and effective methods to contact customers as well as other stakeholders such as employees, suppliers, investors, media, and the general public.

16.8 KEY WORDS

Advertising: It is defined as any paid form of non-personal communication through mass media about a product, a service or an idea by an identified sponsor.

Atmospheres: These are designed environments that create or reinforce the consumer's leanings towards product purchase.

Audience: This refers to people for whom the marketing communication message is meant; and includes both present and potential customers.

Brand Extension: Brand extension is an adaptation of an existing brand to a new product area.

Brand Loyalty: Brand loyalty occurs when a consumer repeatedly purchases the same brand to the exclusion of the competitors' brands

Build up Approaches: Promotion budgeting methods where first the objectives are decided and then the amount of budget is built on the basis of objectives.

Channel or Media: The way by which the sender conveys the message to the receiver.

Decoding: It is the process by which the receiver attempts to convert symbols conveyed by the sender into a message.

Direct Marketing: It can be defined as direct communication with carefully targeted individual consumers to obtain an immediate response.

Emotional Appeals: Appeals that attempt to stir up either negative or positive emotions that may motivate the target audience to purchase the product or brand of the company.

Encoding: The process of translating ideas, thoughts, or information into a symbolic form.

Events: These are occurrences designed to communicate particular messages to target audiences.

Feedback: It is the communication from a receiver to the sender about how he/she understood the message and reacted to it.

Integrated Marketing Communication (IMC): The process of using promotional tools in a unified way so that a synergistic communication effect is created.

Marketing Communication: The process of systematic and scientific way of disseminating the relevant marketing information by a company to its target market and other publics by using a mix of media.

Message Content: This is related with the key or central idea or the appeal of a promotional message that will produce the desired response from the target audience.

Noise: The unplanned distortion or interference during the communication process.

Nonpersonal Channel of Communication: These are the mass media or mass communication through which the message is sent to many individuals at one time.

Personal Channel of Communication: These are direct interpersonal (face-to-face) contact with target individuals or groups.

Personal Selling: It is defined as oral presentation in a conversation with one or more prospective buyers for the purpose of making sales.

Promotion Mix or Marketing Communication Mix: The careful blending of total array of promotion tools available to the communicator whose major role is persuasive communication.

Public Relations and Publicity: It is defined as a variety of programs designed to promote or protect a company's image or its individual products.

Pull Strategy: A promotion strategy that calls for spending a lot on advertising and consumer promotion to build up consumer demand.

Push Strategy: A promotion strategy that calls for using sales force and trade promotion to push the product through channels.

Rational Appeals: Appeals that show that the product will deliver the claimed benefits.

Receiver: The party for whom the message is intended.

Response: The receiver's set of reactions after seeing, hearing or reading the message.

Sales Promotion: It is defined as a variety of short term incentives to encourage trial or purchase of a product or service.

Sender: The person or organization that has the information to share with another person or group of persons.

Top-down Approaches: Promotion budgeting methods where a budgetary amount is established or set by the top management and then the funds are passed down to the various departments.

16.9 ANSWERS TO CHECK YOUR PROGRESS

- | | | | | | |
|---|----|----------|-----------|------------|----------|
| A | 4. | i) False | ii) False | iii) True | iv) True |
| B | 5. | i) True | ii) False | iii) False | iv) True |
| C | 4. | i) False | ii) True | iii) True | iv) True |
| D | 4. | i) True | ii) True | iii) True | iv) True |

16.10 TERMINAL QUESTIONS

- 1) Describe the importance and the main functions of Marketing Communication.
- 2) Explain the various elements of communication process giving suitable examples.
- 3) What are the various steps that you should undertake for developing an effective marketing communication?
- 4) Discuss the factors that affect the promotion mix of a company.
- 5) Explain the different budgeting methods under top-down approach.
- 6) Describe the concept of integrated marketing communication and discuss the reasons of its growing importance.