



## Part Five

### Promotion Decisions

17

## Integrated Marketing Communications



# Chapter Learning Objectives

- To describe the nature of integrated marketing communications
- To understand the role of promotion in the marketing mix
- To examine the process of communication
- To explain the objectives of promotion
- To explore the elements of the promotion mix
- To look at the major methods of promotion



# Chapter Learning Objectives (cont'd)

- To describe factors that affect the choice of promotional methods
- To examine the criticisms and defenses of promotion



# Chapter Outline

- The Nature of Integrated Marketing Communications
- Promotion and the Communication Process
- Objectives of Promotion
- The Promotion Mix
- Selecting Promotion Mix Elements
- Criticisms and Defenses of Promotion



# The Nature of Integrated Marketing Communications

- **Integrated Marketing Communications**
  - Coordination of promotion and other marketing efforts for maximum informational and persuasive effect
  - Major goal is to send a consistent message to customers



# The Nature of Integrated Marketing Communications (cont'd)

- **Integrated Marketing Communications (cont'd)**
  - Reasons for acceptance of integrated communications
    - **Decreased use of mass media advertising**
    - **Database marketing provides more precise targeting of customers**
    - **More broadly diversified suppliers of advertising**
    - **Increased management demands for returns on investments in marketing efforts**



# The Role of Promotion

- Promotion

- Communication to build and maintain relationships by informing and persuading one or more audiences
- Overall role of promotion is to stimulate demand by
  - **building and enhancing customer relationships.**
  - **focusing customers on information about company activities and products.**
  - **promoting programs that help selected groups to build goodwill.**
  - **sponsoring special events that generate positive promotion of an organization and its brands.**



# Information Flows Are Important in Integrated Marketing Communications





# Promotion and the Communication Process: Key Terms

- **Communication**

- A sharing of meaning; the transmission of information
- Source is a person, group, or organization with a meaning it tries to share with an audience
- Receiver is an individual, group, or organization that decodes a coded message
- Coding process (encoding) is the converting meaning into a series of signs or symbols
- Medium of transmission is the the means of carrying the coded message from the source to the receiver



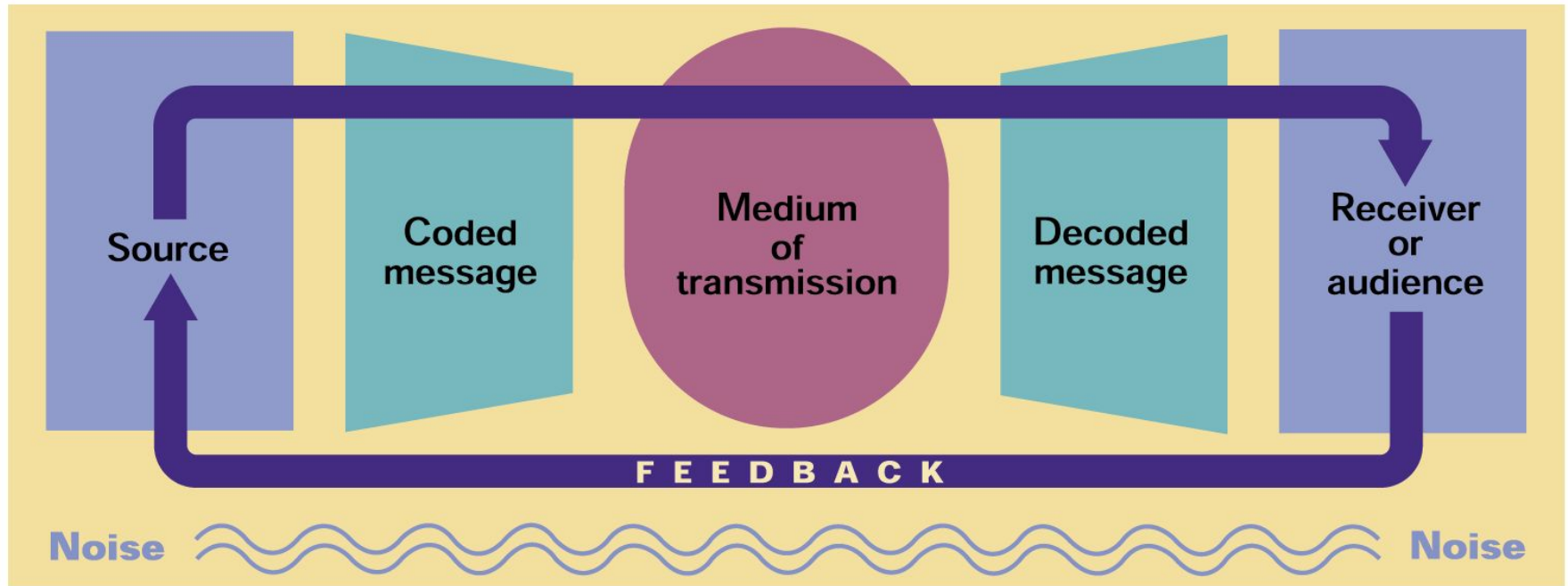
# Promotion and the Communication Process: Key Terms (cont'd)

- Communication (cont'd)

- Decoding process is the conversion of signs or symbols into concepts and ideas
- Noise is anything which reduces a communication's clarity and accuracy
- Feedback is the receiver's response to a message
- Channel capacity is the limit on the volume of information a communication channel can handle effectively



# The Communication Process





**Table 17.1****Possible Objectives of Promotion**

- Create awareness
- Stimulate demand
- Encourage product trial
- Identify prospects
- Retain loyal customers
- Facilitate reseller support
- Combat competitive promotional efforts
- Reduce sales fluctuations



# Objectives of Promotion

- **Create Awareness**

- Is crucial to initiating the product adoption process
- Helps generate revenues to recoup R&D costs
- Refresh interest in existing brands and products

- **Stimulate Demand**

- Primary demand is demand for a product category rather than for a specific brand
- Pioneer promotion is promotion that informs consumers about a new product
- Selective demand is demand for a specific brand



# Objectives of Promotion (cont'd)

- **Encourage Product Trial**
  - Distributing product samples fosters consumer evaluation of a product.
- **Identify Prospects**
  - Customer-response promotions generate sales leads.
- **Retain Loyal Customers**
  - Frequent-user programs reward loyal customers.
- **Facilitate Reseller Support**
  - Advertising by producers promotes sales for resellers.



# Objectives of Promotion (cont'd)

- **Combat Competitive Promotional Efforts**
  - Promotions countering competitors' own promotions
- **Reduce Sales Fluctuations**
  - Promotion raises sales in off-peak sales periods.

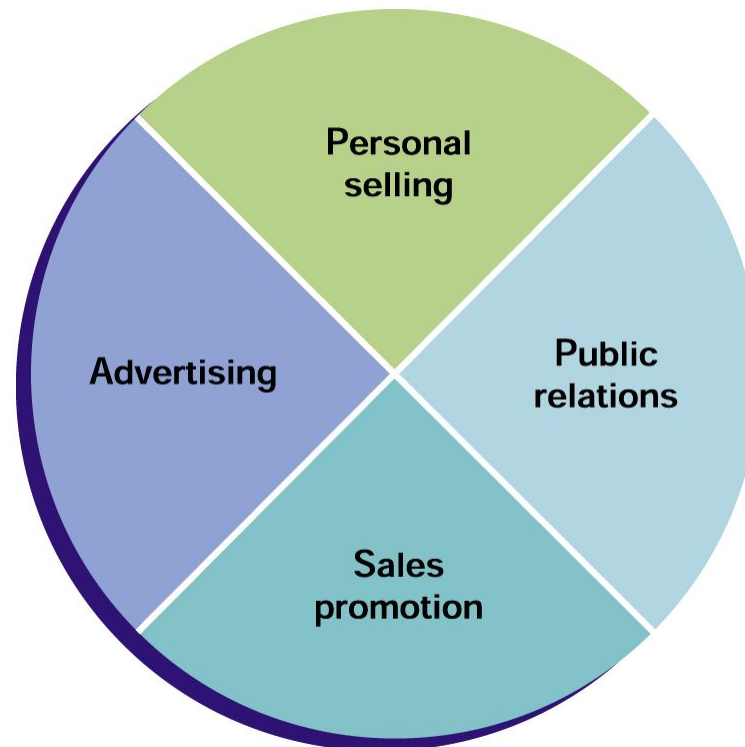




# The Four Possible Elements of a Promotion Mix

- **Promotion Mix**

- A combination of promotional methods used to promote a specific product





# The Promotion Mix

- Advertising

- A paid nonpersonal communication about an organization and its products transmitted to a target audience through mass media

- Benefits

- **Extremely cost efficient (cost per person) in reaching a large audience**
    - **Repeatable several times and in several media markets**
    - **Adds value to a product and enhances a firm's image**



# The Promotion Mix (cont'd)

- **Personal Selling**

- A paid personal communication that seeks to inform customers and persuade them to purchase products in an exchange situation

- Advantages

- **Is a more specific form of advertising**
    - **Has greater impact on consumers**
    - **Provides immediate feedback (kinesic, proxemic, and tactile communications)**

- Limitations

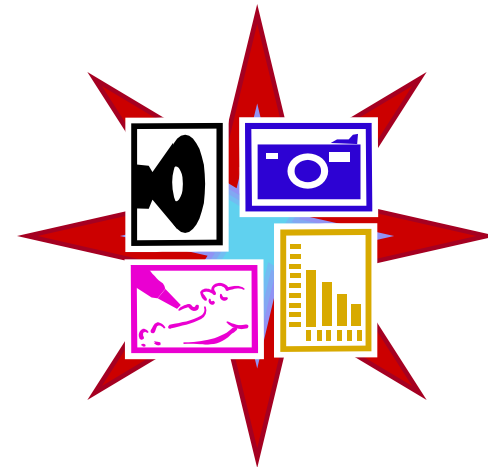
- **Is an expensive form of advertising**
    - **Is labor intensive and time consuming**



# The Promotion Mix (cont'd)

- **Public Relations**

- A broad set of communication efforts used to create and maintain favorable relationships between the organization and its stakeholders
- Publicity is a nonpersonal communication in a news story form about an organization or its products, or both, transmitted through a mass medium for free





# The Promotion Mix (cont'd)

- Sales Promotion

- An activity or material that acts as a direct inducement, offering added value or incentive for the product, to resellers, salespeople, or consumers





**Table 17.2****Characteristics of Coupons and Coupon Redemption**

Total number of coupons distributed	248 billion
Total number of coupons redeemed	4.5 billion
Average value of coupon redeemed	79¢
Average duration of coupon from distribution to expiration	14 weeks
Coupons requiring the purchase of more than one product	24 percent
Coupons distributed electronically (online or in supermarkets)	< 0.5 percent
Leading product category for coupons	Disposable diapers
Other popular coupon categories	Paper products, pet treats, cheese, snacks, household cleansers, gravies and sauces, vitamins, toothpaste, canned vegetables

Source: Kate Fitzgerald, "Coupons 2000: Volume Down, Value Up," *Advertising Age*, Mar. 12, 2001, [www.adage.com](http://www.adage.com).



# Selecting Promotion Mix Elements

- Word-of-mouth communication has a strong impact on consumers' buying proclivities.
  - Buzz marketing and viral advertising are marketers' attempts to take advantage of word-of-mouth communications
  - Buzz marketing is an attempt to create a trend or acceptance of a product through word-of-mouth
  - Viral marketing is a strategy to get users of the Internet to pass on ads and promotions to others.





# Selecting Promotion Mix Elements (cont'd)

- **Promotion Resources, Objectives, and Policies**
  - A limited promotional budget affects the number and types of promotion mix components affordable to a firm.
  - Objectives and policies influence the types of promotion selected.
- **Characteristics of the Target Market**
  - Market size, geographic distribution, and demographics help dictate the choice of promotion mix elements.





# Selecting Promotion Mix Elements (cont'd)

## • Characteristics of the Product

Method	Product
<b>Personal Selling</b>	Business products Consumer durables Exclusive distribution, high-priced products Late life-cycle business products
<b>Advertising</b>	Consumer goods Seasonal products Highly personal products Intensively distributed, low-priced convenience items Early life-cycle products Mature life-cycle consumer nondurables



# Push and Pull Channel Policies

- **Push Policy**

- Promoting a product only to the next institution down the marketing channel

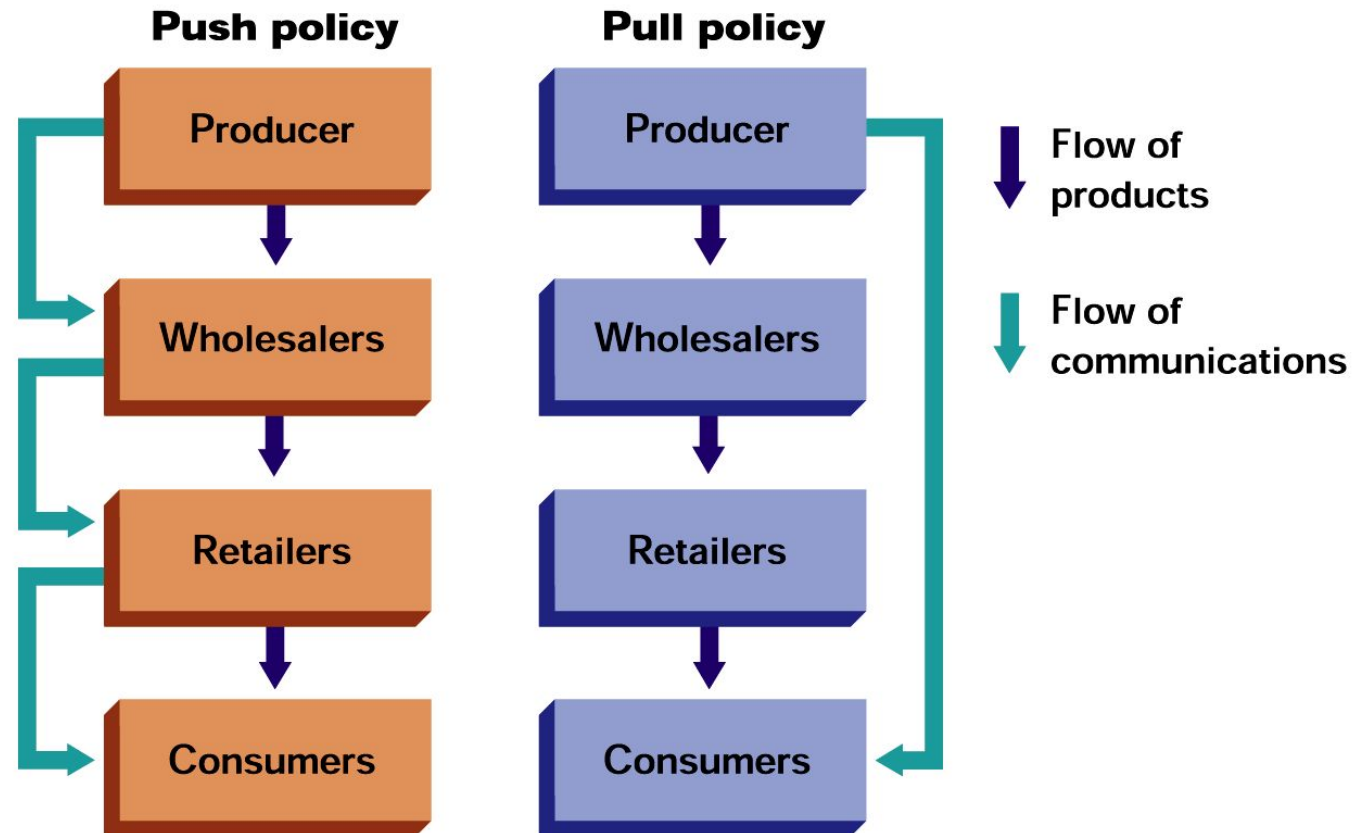
- **Pull Policy**

- Promoting a product directly to consumers to develop stronger consumer demand that pulls products through the marketing channel





# Comparison of Push and Pull Promotional Strategies





# Criticisms and Defenses of Promotion

- Is Promotion Deceptive?
- Does Promotion Increase Prices?
- Does Promotion Create Needs?
- Does Promotion Help Customers Without Costing Too Much?
- Should Potentially Harmful Products Be Promoted?



## After reviewing this chapter you should:

- Be aware of the nature of integrated marketing communications
- Understand the role of promotion in the marketing mix
- Know the process of communications
- Understand the objectives of promotion
- Know the elements of the promotion mix
- Have an overview of the major methods of promotion



## After reviewing this chapter you should (cont'd):

- Know factors that affect the choice of promotional methods
- Have examined the criticisms and defenses of promotion





## Chapter 17

### Supplemental Slides



# Key Terms and Concepts

- The following slides (a listing of terms and concepts) are intended for use at the instructor's discretion.
- To rearrange the slide order or alter the content of the presentation
  - select “Slide Sorter” under View on the main menu.
  - left click on an individual slide to select it; hold and drag the slide to a new position in the slide show.
  - To delete an individual slide, click on the slide to select, and press the Delete key.
  - Select “Normal” under View on the main menu to return to normal view.



# Important Terms

- **Integrated Marketing Communications**

- Coordination of promotion and other marketing efforts for maximum informational and persuasive effect

- **Promotion**

- Communication to build and maintain relationships by informing and persuading one or more audiences

- **Communication**

- A sharing of meaning; the transmission of information

- **Source**

- A person, group, or organization with a meaning it tries to share with an audience



# Important Terms

- Receiver

- An individual, group, or organization that decodes a coded message

- Coding Process (Encoding)

- The converting meaning into a series of signs or symbols

- Medium of Transmission

- The means of carrying the coded message from the source to the receiver

- Decoding Process

- The conversion of signs or symbols into concepts and



# Important Terms

- **Noise**

- Anything which reduces a communication's clarity and accuracy

- **Feedback**

- The receiver's response to a message

- **Channel Capacity**

- The limit on the volume of information a communication channel can handle effectively

- **Promotion Mix**

- A combination of promotional methods used to promote a specific product



# Important Terms

- **Advertising**

- A paid nonpersonal communication about an organization and its products transmitted to a target audience through mass media

- **Personal Selling**

- A paid personal communication that seeks to inform customers and persuade them to purchase products in an exchange situation

- **Public Relations**

- A broad set of communication efforts used to create and maintain favorable relationships between the organization and its stakeholders



# Important Terms

- **Publicity**

- A nonpersonal communication in a news story form about an organization or its products, or both, transmitted through a mass medium for free

- **Sales Promotion**

- An activity or material that acts as a direct inducement, offering added value or incentive for the product, to resellers, salespeople, or consumers

- **Buzz Marketing**

- An attempt to create a trend or acceptance of a product through word-of-mouth



# Important Terms

- **Viral Marketing**

- A strategy to get users of the Internet to pass on ads and promotions to others.

- **Push Policy**

- Promoting a product only to the next institution down the marketing channel

- **Pull Policy**

- Promoting a product directly to consumers to develop stronger consumer demand that pulls products through the marketing channel



# U.S. Ad Expenditures by Type of Media

U.S. Ad Expenditures* by Type of Media, 1997–2001				
	1997	1999	2001**	% change 1997–2001
Newspapers	41,670	46,648	51,430	23.4
Magazines	9,821	11,433	12,965	32.0
Broadcast TV	36,893	40,011	45,070	22.2
Cable TV	7,237	10,429	13,758	90.1
Radio	13,491	17,215	20,810	54.3
Yellow Pages	11,423	12,652	14,090	23.3
Direct Mail	36,890	41,403	49,950	35.4
Business papers	4,109	4,274	5,310	24.8
Billboards	1,455	1,725	NA	NA
Internet	600	1,940	5,120	753.3
Miscellaneous	23,940	27,571	34,667	45.0
<b>Total</b>	<b>187,529</b>	<b>215,301</b>	<b>252,990</b>	<b>NA</b>

\* In millions; expenditures include all commissions as well as art, mechanical, and production expenses  
 \*\* Projections

Copyright © Houghton Mifflin

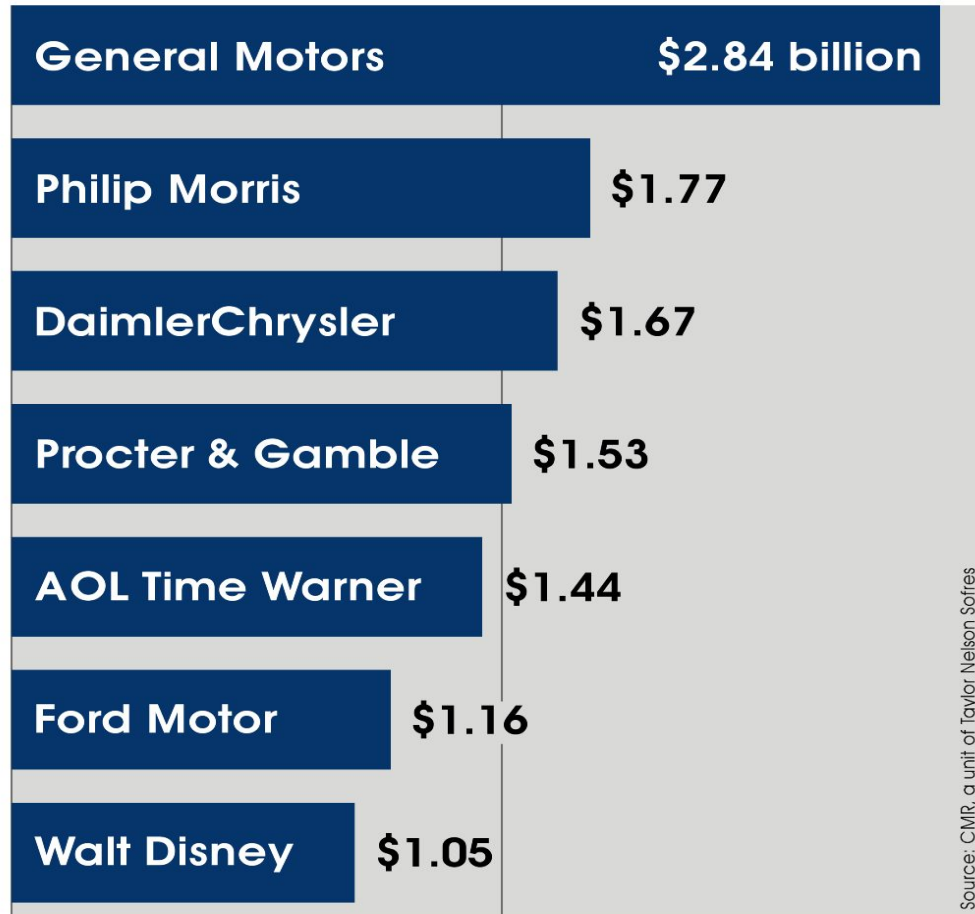
Source: Universal McCann, New York, from "Media," *Marketing News*, July 2, 2001, p. 11. Used with permission.

Company. All rights reserved.



# Companies With the Most Ad Spending in U.S.

Total 2000 advertising expenditures



Copyright © 2001 Houghton Mifflin Company.

Source: Vanessa O'Connell, "Advertising," *The Wall Street Journal*, May 31, 2001, p. B14. Used with permission.

Company. All rights reserved.