

Marketing communications

SECTION 17.1

The Promotional Mix

What You'll Learn

- = The role of promotion in marketing
- = The concept of promotional mix
- = The characteristics of personal selling and advertising
- = The nature and scope of publicity

SECTION 17.1 **The Promotional Mix**

Why It's Important

Since businesses must continually promote their organizations, products, and policies to gain customer acceptance, you will need to learn successful promotional strategies.

SECTION 17.1

The Promotional Mix

Key Terms

- = promotion
- = promotional mix
- = product promotion
- = institutional promotion
- = advertising
- = sales promotion
- = public relations
- = publicity
- = push policy
- = pull policy

The Concept of the Promotional Mix

Promotion is any form of communication a business or organization uses to inform, persuade, or remind people about its products.

Promotional mix is a combination of the different types of promotion. A business decides on the promotional mix that will be most effective in persuading potential customers to purchase its products.

The Concept of the Promotional Mix

A business uses **product promotion** to convince potential customers to buy its products instead of buying from a competitor.

Institutional promotion is used by businesses to create a favorable image for themselves, as opposed to promoting specific products or services.

Types of Promotion

There are four basic types of promotion:

- = personal selling
- = advertising
- = sales promotion
- = public relations

Types of Promotion

Personal Selling is one of the largest forms of promotion. It is designed to complete a sale once a customer is attracted to a business.

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. American businesses spend about \$200 billion each year on advertising.

Types of Promotion

Sales Promotion is everything besides personal selling, advertising, and public relations that is used to stimulate consumer purchasing and sales effectiveness.

Public Relations refers to any activity designed to create a favorable image of a business, its products, or its policies.

Types of Promotion

Publicity is a specific kind of public relations that involves placing positive newsworthy information about a business in the media. Publicity is much cheaper than advertising, and a mention on the news is more likely to be regarded as objective. On the other hand, companies cannot control negative publicity.

Coordination of the Promotional Mix

Most businesses use more than one type of promotion to achieve their promotional goals. Each type of promotion is designed to complement one another, and all must be coordinated.

Promotional Budget

In large companies, the marketing department establishes a promotion budget, allocates resources, coordinates the campaign, and determines the right promotional mix for the company.

In smaller businesses, these responsibilities often rest with the owner-operator, are divided among employees, or contracted to outside agencies.

The Push-Pull Concept

A **push policy** is used to convince a retailer to stock the products being promoted, pushing the product to the retailer. A push strategy relies heavily on personal selling and promotion at trade shows.

A **pull policy** is designed to create consumer interest, pulling consumers to the product.

Reviewing Key Terms and Concepts

- 1.** What is promotion?
- 2.** Describe the concept of promotional mix.
- 3.** What is the difference between product and institutional promotion?
- 4.** Why is personal selling the most expensive form of promotion?
- 5.** What is the difference between publicity and advertising?

Thinking Critically

Some people think that advertising is a waste of money that needlessly raises the prices of goods and services. What do you think? Is the money spent on advertising justified? Provide an argument to support your position.

SECTION 17.2 **Sales Promotion**

What You'll Learn

- = The characteristics of sales promotion
- = The concept of trade promotions
- = The different kinds of consumer sales promotions

SECTION 17.2 **Sales Promotion**

Why It's Important

To be successful, a business must continually promote its products. This section introduces you to the concept of sales promotion and the techniques used to increase sales and to inform customers about a company's products.

SECTION 17.2

Sales Promotion

Key Terms

- = slotting allowance
- = sales incentives
- = premiums
- = incentives
- = licensing
- = promotional tie-ins

Sales Promotion

Sales promotion is a short-term incentive offered to encourage buying a good or service. Sales promotions can be directed toward manufacturers, wholesalers, retailers, and consumers, as well as a company's employees. Sales promotions are usually supported by advertising activities.

Trade Promotions

Trade promotions are sales promotion activities designed to gain manufacturers', wholesalers', and retailers' support for a product. More money is actually spent on promoting to businesses than to consumers. Major trade promotions include:

- = slotting allowances
- = buying allowances
- = trade shows and conventions
- = sales incentives

Trade Promotions

Slotting allowances are cash premiums paid by the manufacturer to a retail chain for the costs involved in placing a new product on its shelves.

Buying allowances are price discounts given by manufacturers to wholesalers and retailers to encourage the purchase of a product.

Trade Promotions

Trade shows and conventions are events at which businesses can introduce new products, encourage increased sales of existing products, and gain continued company and product support.

Sales incentives are awards given to managers and employees who successfully meet or exceed sales quotas.

Consumer Sales Promotions

Sales promotion efforts designed to encourage customers to buy a product are called consumer promotions. They include:

- = premiums
- = incentives
- = product samples
- = loyalty marketing programs
- = promotional tie-ins
- = product placement
- = visual merchandising and displays

Premiums

Premiums are low-cost items given to consumers at a discount or for free.

Some popular premiums are:

- = coupons
- = factory packs
- = traffic builders
- = coupon plans

Premiums

Coupons are certificates that entitle customers to cash discounts on goods or services.

Factory packs are free gifts placed in product packages. These are common in cereal boxes.

Premiums

Traffic builders are low-cost premiums such as pens or key chains given away free to consumers for visiting a new store or attending an event.

Coupon plans are ongoing programs offering a variety of premiums in exchange for labels, coupons, or other tokens.

Incentives

Incentives generally are higher-priced products earned and given through contests (games of skill), sweepstakes (games of chance), and rebates (discounts from manufacturers). Businesses use incentives to promote many products because they create customer excitement and increase sales.

Product Samples

A **product sample** is a free trial size of a product sent through the mail, distributed door-to-door, or given away at retail stores and trade shows. Detergents, toothpastes, shampoos, deodorants, and colognes are frequently promoted this way.

Loyalty Marketing Programs

Loyalty marketing programs, also called frequent buyer programs, reward customers for making multiple purchases. Loyalty marketing was popularized in the 1980s by the airline industry, which instituted frequent flier programs.

Promotional Tie-Ins

Promotional tie-ins involve coordinated sales promotional arrangements between one or more retailers or manufacturers.

- = Example:** For the promotion of the *Goofy* movie, Disney Studios cooperated with McDonald's which made a special Happy Meal with a Fisher-Price Toddler Toy.

Product Placement

With **product placement**, an organization can develop product recognition by making sure that a product is featured in special events, on television, or in the movies.

= **Example:** Apple's iMac appeared in popular television shows when it was first introduced.

Visual Merchandising and Displays

Visual merchandising refers to the coordination of all physical elements in a place of business so that it projects the right image to its customers.

Displays refer to the visual and artistic aspects of presenting a product to a target group of customers.

Reviewing Key Terms and Concepts

1. Why do businesses use sales promotions?
2. What unique characteristics do sales promotions have?
3. What are trade promotions?
4. What are consumer promotions?
5. Explain the difference between a sweepstakes and a contest.

Thinking Critically

Why don't manufacturers who issue coupons simply lower the price of their products to attract customers?
What is the value of coupons to such businesses?

Questions?