Advertising, Publicity, and Sales Promotions

Key Terms: promotion (or marketing communications) mix, integrated marketing communications, public relations, publicity, sales promotions, rebates, advertising specialties, POP displays, slotting fees, trade promotions, institutional (corporate) advertising, advocacy advertising, affordable method, percentage-of-sales method, CPM, competitive-parity method, objective and task approach, USP, AIDA, advertising agency, selectivity, reach, frequency, and copy testing, cause-related marketing, product placement, digital advertising, email advertising, pay-per-click advertising, click fraud.

The **promotion mix** (also known as the marketing communication mix) includes publicity, sales promotion, advertising, direct marketing, and personal selling.

Integrated Marketing Communications – is a communication strategy under which an organization attempts to use all of the promotion tools it has available to present a unified, consistent, clear, and coherent image/message to customers.

Public Relations – Firms have to communicate with their various publics (customers, employees, stockholders, potential investors, channel members, and government, and the general public). It is important for a firm to have a solid reputation and a positive image if it desires to attract employees, investors, and customers. A company that is thought of as unethical (*e.g.*, one that pollutes and/or sells defective products) will not only have trouble finding employees, but might also attract unwelcome government interest. Sometimes firms use public relations to deal with false rumors about the company (Procter and Gamble once had to deal with a false rumor that the company was owned by Satanists). If a product manufactured by a firm turns out to be defective or dangerous, the public relations department often has to act and find a way to convince the public that this was a sincere mistake and not due to corporate greed or inefficiency.

Take a look at the PR Newswire website to acquire a deeper understanding about the importance of public relations: http://www.prnewswire.com/

Cause-Related Marketing (Also known as Cause Marketing) – Cause marketing was discussed in Chapter one.

One of the best definitions of cause marketing is by Marconi cited in Berglind and Nakata (*Business Horizons*, 48(5), pp. 443-453 "Cause-Related Marketing: More Buck than Bang?")

"The practice of marketing a product, service, brand, or company through a mutually beneficial relationship with a non-profit or social cause organization."

In 1983, American Express may have been the first company to use cause marketing. The Statue of Liberty needed a great deal of private funding for repairs. American

Express offered to give one dollar towards the rehabilitation of the Statue of Liberty for every new credit card issued and one cent for every use of its credit card. American Express promoted this "relationship" and eventually raised over $1 million for the Statue of Liberty. American Express also got something out of this: there was a 17% surge in new card applications and usage rate rose by 28%.

Another example of cause marketing is JetBlue's 'JetBlue for Good' which underscores the charitable work done by the airline to help the community.

> As part of its 2020 campaign, JetBlue announced that it would be donating three million TrueBlue points to a number of charities, enabling them to use the points for any travel necessary to advance their mission. Further to this, the airline asked its customers to donate their own loyalty points to help non profit organisations continue their work within their local communities.
>
> While 'JetBlue for Good' is one of the airline's most notable long-running campaigns, it's worth noting that the airline encourages and rewards employees for volunteer work all year round, resulting in crew members clocking in an impressive one million hours by November 2019. As Forbes explains, when crew members log 50 hours, JetBlue's "Flight for 50" program rewards them with round-trip tickets which they can donate to the charity of their choice (Source: https://econsultancy.com/cause-marketing-examples-from-uber-starbucks-jetblue/)

Do not confuse cause-related marketing with social marketing. Social marketing is usually done without the assistance of businesses. The purpose may be to help society or groups by using marketing tools. It may take the form of trying to get people to do something positive (getting an education) or avoiding something that is negative (taking illegal drugs). It is not meant to benefit any companies so you generally do not have the "mutually beneficial relationship." Moreover, social marketing is done by government or government agencies.

Publicity (a tool used in public relations**)** is nonpersonal communication, that is typically in the form of a news story that is transmitted through the mass media. The purpose of publicity is to draw favorable attention to a company and/or its products without having to pay the media for it. The way it often works is as follows: a company sends a press release (often with a video tape) to the media (*e.g.*, *New York Times*, *Wall Street Journal*, *Business Week*, *Newsweek*, ABC News, NBC News, CBS News, Fox News, *etc*.) with the hope that it is newsworthy enough to be mentioned in the mass media. The advantage of publicity, besides the fact that it is free, is that it tends to more

credible than advertising. On the other hand, there is no guarantee that the media will find the story newsworthy. Also, they might change the press release around so that it does not help the organization in any way. One product that received an incredible amount of publicity was Viagra. Sometimes, a film – especially one that is controversial – can generate a great deal of publicity. Several years ago, Brooklyn College received much publicity regarding its innovative core curriculum, one that is being copied by universities all over the world.

Sales Promotions are inducements or gimmicks whose purpose is to encourage the purchase of a product/service immediately. Unlike advertising, where the objective is usually to influence long-term buying behavior, sales promotions are concerned with the short-term. A problem with promotions is that they sometimes cause consumers to focus more on the promotion than the product. In fact, sometimes consumers are not at all loyal to the product but are attracted to the coupon, gift, or rebate.

Some examples of sales promotions aimed at consumers (**consumer promotions**): (a) coupons (b) free samples (c) refunds and rebates (d) demonstrations (e) premiums (gift for purchasing a product) (f) contests and sweepstakes (g) advertising specialties (some common ones are calendars, caps, refrigerator magnets, and pens with the name of the product or company) (h) point-of-purchase displays (displays in stores that are often used for impulse items such as magazines and candy) (i) shows or exhibits for consumers (J) special events (k) frequent-shopper gifts.

Rebates: There are a huge number of complaints about rebates; customers tend to lose them (or the required receipts) or are late in sending them back. Indeed, 40% of rebates never get redeemed. Companies are quite happy when they are not used. This is why manufacturers and retailers like them. It makes a product seem like it is cheaper, but many customers end up paying the full price.

Advertising specialties are a good way for a company to increase awareness of its name, phone number, and or brands. It can be a way to keep the company's name or logo in front of the customer for hours every day (e.g., on a mouse pad, mug, or pen). I know a very successful air conditioner/refrigerator/stove repairperson. He happens to be very good but I can never remember his name --I only need him once every several years. He knows about the problem and has a simple solution. He gives every customer a kitchen magnet with the name and phone number of his company. Now, when something breaks, I go to the refrigerator and see his name and phone number. If you want to learn more about advertising specialties, check out the advertising specialty institute website (https://www.asicentral.com/)

Point of purchase displays (POP displays) are important to marketers since the best time to influence customers is when they have the money and are ready to make a purchase, i.e., when they are in the store. A good POP display attracts attention. POP displays include signs, displays, cardboard cutouts, and posters. Today, digital signs are used in stores at the checkout counter to influence shoppers. Serving as the last few feet in the store where consumers make a decision as what to purchase, it makes

sense to invest in POP advertising.

Trade Promotions (aimed at wholesalers and retailers) include:
(a) advertising allowances (b) display allowances (c) slotting fees (payment for shelf space) (d) trade shows (e) sales contests (f) free merchandise (g) training (h) cooperative promotions (manufacturer pays part of the expense of advertising or giving away caps with names of manufacturer and retailer)

Advertising:

The advertising/sales ratio varies from industry to industry and averages about 2.5% .

One key distinction to make when studying advertising is between general advertising and direct response advertising (i.e., direct marketing). General advertising does not attempt to achieve an immediate measurable response. The ad might be for a soft drink, say, Coca Cola and show people enjoying a can of the soft drink while having fun on the beach. The person seeing the ad does not have to do anything. Of course, the ultimate goal of the ad is to get you to buy Coca Cola when you shop for a soft drink. However, an immediate response on the part of the person seeing the ad is not expected.

With a direct response advertisement, the goal of the ad is to elicit a direct response. This is the reason the ad must have a device (usually a phone number to call) so that the prospect can do something after viewing the ad. For example, a person seeing an ad for Bowflex exercise equipment is, hopefully, going to call the toll-free telephone number within 60 minutes after seeing the commercial. The advantage of direct marketing is that there is a way of knowing how effective the ad (and the advertising medium) was by simply counting how many people called after seeing it. This is what is referred to as a measurable response. We can use the measurable responses to compare different ads for the product or different advertising media (radio vs. television) or even different vehicles within the same medium (e.g., two different television programs or two radio shows). Also, once people call in, we can capture their names and addresses and use them to build a database of customers or prospective customers.

Digital Advertising (also known as Online Advertising)—70% of all advertising in US

> Digital advertising has become the major way companies can communicate with consumers and accounts for about 70% of all advertising. There was a time when they used radio, television, newspapers, and magazines, but that has changed. Billions of people worldwide are active internet users which is the reason that digital advertising has become so important. When a company markets its product or service using the internet, it is engaged in digital advertising. Today, this includes using web browsers, social media (e.g., Facebook, YouTube, WhatsApp, Instagram, Twitter, WeChat, TikTok, etc.), smartphones, blogs, or apps. The goal is to communicate with your

customers/clients where they happen to be. Worldwide, people spend 147 minutes a day on social media (Source: https://www.statista.com/statistics/433871/daily-social-media-usage-worldwide/). They spend, on average, seven hours a day on the internet.

Digital advertising metrics

Digital ads can be measured in almost every aspect of performance. To measure your digital advertising campaign, you might use these engagement metrics:

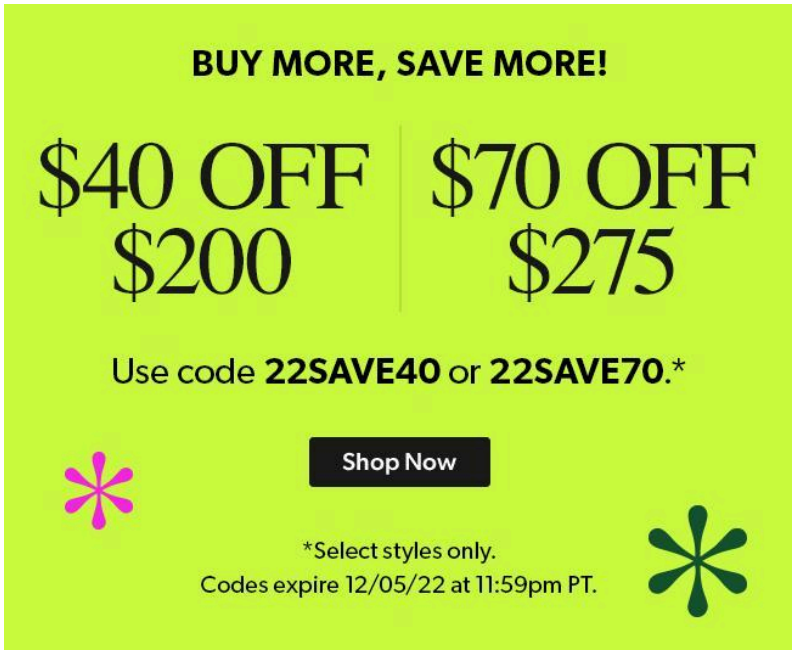
- **Clicks:** How many times your ad is clicked
- **Impressions:** How many times your ad appears
- **Click-through rate (CTR):** The percentage of impressions that result in a click
- **Reach:** How many viewers are shown your ad
- **Video completion rate:** How many times viewers who are shown your video ad watch the entire ad (Source: https://advertising.amazon.com/library/guides/what-is-digital-advertising)

Type “waterproof boots” in Google and see how many ads for boots come up. Google makes money on each “click” if that is the arrangement (pay per click).

Email Advertising

Some marketers use email to deliver an ad directly to prospective customers. If the right kind of list is purchased (or created using queries to a company), response rates can be reasonably high. One important advantage of email advertising is that the cost of emailing millions of prospects is quite low. The best lists consist of consumers who “opt-in” and have agreed to receive communications about products (and sales) from a company. An ethical firm will also allow prospects to unsubscribe and not receive emails.

See email below from Zappos to see how email advertising works. Email was sent to customers who had previously purchased from Zappos.



Some types of advertising:

Product advertising – Attempts to sell a product.

Institutional (corporate) advertising – Attempts to enhance an organization's image and reputation.

Advocacy advertising – Attempts to change public opinion in an area where there is controversy. For example, ads run by the teachers' union against vouchers or the coal industry ads encouraging the use of coal by power plants. Some claim that this may not be advertising.

Steps in developing an Advertising Campaign:

(1) Define the advertising objectives:

What do you want the advertising to accomplish?
Objectives can be informative (to help promote a new product to a certain target market), persuasive (encourage consumers to switch to your brand), or reminder (maintain brand awareness). Objectives might focus on sales or image. You may also want to decide whether you want to use general advertising or direct response advertising.

(2) Determine the advertising appropriation/budget

There are four popular methods for determining how much to spend on advertising:
(a) affordable method --what you think you can afford (b) percentage-of-sales method --

some percentage of sales, say, 5% of your expected sales for the following year (c) competitive-parity method -- matching your competition (d) **objective and task approach**—this is probably the best method. There probably is no one amount that should be spent on advertising by a firm. It really depends on what you want the advertising campaign to accomplish in terms of product awareness, company image, and/or market share. Generally, the more you try to accomplish, the more you have to spend.

One problem with the percentage-of-sales method is that if your sales are declining, this method will result in less money spent on advertising. Is this wise? It might make more sense to increase advertising when sales are in decline.

(3) Creating the advertising message

Decide what points you want to stress in the ads. One famous approach is **USP** = unique selling proposition. Find something that is unique, *i.e*., a benefit your product has that others do not, and stress this in your advertising.

Message execution: There are numerous ways the message can be presented ranging from an expert endorsement to a slice-of-life ad. **AIDA** (Attention, Interest, Desire, Action) is an approach used in advertising. According to this approach, the first job of advertising is to get people's attention, then their interest, …, and finally, get them to act.

Ads can be created in-house or by an **advertising agency**. Advertising agencies traditionally work for a 15% commission. This is changing and some firms are basing compensation on performance (performance-based compensation). An important advantage of advertising agencies is that they are outsiders and should therefore be more objective than in-house agencies. They can be easily fired and replaced with another agency.

(4) **Developing the media plan**

The primary goal of the media planner is to reach the largest number of individuals in the advertising target (*i.e*., the prospective customers) per dollar spent on media. Some media that might be considered include: television, newspapers, direct mail, radio, magazines, outdoor advertising, and Web advertising.

Some considerations in media selection:
Absolute cost, **CPM** (Cost per Thousand), reach, frequency, and selectivity.

CPM calculations:

CPM = (Cost x 1,000) / Size of the Audience

(a) Suppose a certain TV program is watched by 60,000,000 people and the cost of a 30-second commercial is $300,000. Calculate the CPM.

Answer: CPM = ($300,000 x 1,000) / 60,000,000 = $5 It costs you $5 to reach one thousand people.

(b) Suppose a certain magazine is read by 5,000,000 people and the cost of a full-page advertisement is $100,000. Calculate the CPM.
Answer: CPM = ($100,000 x 1,000) / 5,000,000 = $20

(c) Suppose a newspaper is read by 1,400,000 people and the cost of a full-page advertisement is $42,000. Calculate the CPM.
Answer: CPM = ($42,000 x 1,000) / 1,400,000 = $30

Note that CPM enables advertisers to compare different media. Of course, other factors should also be considered. Some ads may work better in a print medium than a broadcast medium and vice versa. For example, product demonstrations usually work best on television.

Selectivity = You want your ad to reach people in your target market. Suppose a product is used by women between the ages of 18 and 49. You want to know the cost of reaching one thousand 18 to 49-year old women. The CPM of females 18 to 49 is more useful to you than a CPM that includes men, children and the elderly. Some media are very selective and give you the ability to zero in on your target. Online advertising, Direct mail, and magazines are among the most selective media. Outdoor ads (usually placed on highways so motorists driving by can see them) are probably the least selective. Outdoor ads are also quite limited in terms of creativity. The message on a billboard has to be very simple since motorists driving by at 55 mph can read only a few words.

Question: You have a product that would appeal to stamp collectors. Which media would you consider? [Answer: Buy or rent a list of stamp collectors and use direct mail to reach them, find a magazine read by stamp collectors and advertise there, and/or advertise on a Website for stamp collectors.]

Reach refers to the percentage of a defined audience (prospects or advertising target) that is exposed to the ad within a given period (usually four weeks).

Frequency refers to the average number of times a defined audience (prospects or advertising target) is exposed to the ad within a given period (usually four weeks). For example, outdoor ads on highways have high frequencies since individuals driving to work are exposed to them every day when driving to and from work.

The following Web site from the Online Women's Business Center is a good place to learn more about choosing the right media for your advertising. It lists the advantages and disadvantages of various advertising media.
http://www.onlinewbc.org/docs/market/mk_adv_medium.html

(5) Evaluating the effectiveness of the advertisement

Copy testing can be done as a before test (before the ad is run) or after test (after the ad is run). A before test is a pretest and three things are tested: persuasiveness of the ad, communication (*i.e.*, is the ad understandable), and recall. Please note that it is much easier to measure how well an ad communicates than its effect on sales.

New Trends in Advertising: There has been a huge growth in internet advertising. Advertisers are very excited about an advertising medium that has a built-in tool to measure the effectiveness of the ad. Television ratings, on the other hand, measure how many individuals watch a particular program but many of the viewers do not actually see the commercial.

The Internet is used by consumers to search for information--according to one study, car shoppers spent an average of 5 hours researching cars on the Internet before visiting a showroom. This makes it very important to use online advertising.

Another interesting trend is the fact that Google is becoming an important advertising vehicle. When you do a search, say, for "arthritis" you will get many hits. On the right-side of the page you will see ads for various kind of products and directing you to websites. For example,

Rheumatoid **Arthritis** Info
Learn about an advanced treatment
that may stop joint damage from RA.
Rheumatoid Arthritis Information

Amazing **Arthritis** Relief
Quickly And Easily End **Arthritis**
All-Natural. Safe. Very Effective.
www.AmazingArthritisRelief.com

Note that the ads usually come with 12 words of text. This has become a huge business for Google. Google's advertising revenue which derives mainly from searches was about $209.49 billion in 2021 (see Statista.com).

Why is Google so successful? Companies like the fact that the people who see the ad are searching for information (in this case, arthritis) related to the ad. Also, companies only pay when users click on the ads. This means the company has a "measurable response." Google uses sophisticated mathematical tools to match the user and ad to encourage the clicking. These mathematical tools work since Google knows a great deal about the user. The model considers such factors as time of day, gender, location of user, and much more. The key is to connect the user with the ad that is most relevant to him/her. Google collects and keeps a huge amount of data about what Web pages and advertisements each of its users click on. This way Google knows exactly which ads to show each individual user.

Google and Yahoo are the two major pay-per-click advertisers. However, since the advertiser pays every time a Web surfer clicks on his link, this can lead to fraud. Click fraud has become a serious problem. According to Click Forensics, a company that is paid by advertisers to reduce click fraud, 17% of all online advertising clicks are fraudulent. There are websites that pay people (they often live in poor countries and need the money) to click on ads and in this way increase revenues. There are ways to detect click fraud. Suppose a company does not do any business in say, Albania, notices that there were 100,000 clicks from that part of the world, they would assume it was click fraud. Every computer has an IP address that identifies where it is located. Also, people engaged in click fraud spend very little time on each page of the ad

Why are advertisers shifting to pay-per-click advertising? Advertisers feel that it is more cost effective; this can easily be determined since it is a measurable response. You can see how many clicks per dollar you are getting and you can also see how many of the clicks became actual customers.

Facebook is another company that makes a huge amount of money from advertising.

Product Placements and Television Programming --

Product placements, where a television character is openly using a sponsor's product (and sometimes even praises it), is becoming more common on television. For example, Subway sponsors a television show on NBC. In a recent episode, one of the characters, Big Mike, who is quite overweight, asked a subordinate to get him a juicy foot-long sandwich. He is praising the sandwich in the show. This product placement has the advantage of positioning the Subway sandwich as delicious fast food for those concerned about being overweight. Also, you can't zap this "commercial" since it is part of the program. More and more television programs are doing product placements within television shows (Snapple, Coke, Vitamin Water, etc.). In one show, judges for American Idol are openly drinking from Coca Cola cups. Product placements have been around a long time in films. One of the more famous product placements was for Reese's Pieces in the movie E.T. Steven Spielberg originally approached Mars and asked the company if they would pay for a product placement for M&Ms candy. Mars declined because they purportedly did not think anyone would want to see the film.

Trends: Newspapers, Television, Online:

There is no question that newspapers are in trouble: the number of subscribers continues to decline. The same is true of books--the number of people reading books continues to go down. Digital advertising will account for more than 70% of US media advertising spending in 2022. Today, companies are moving away from the old-fashioned way of marketing films – newspaper ads, trailers in movie theaters, and

television. Movies are marketed using digital advertising which includes social media such as Facebook, YouTube, Twitter, and fan blogs.

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