

Product management

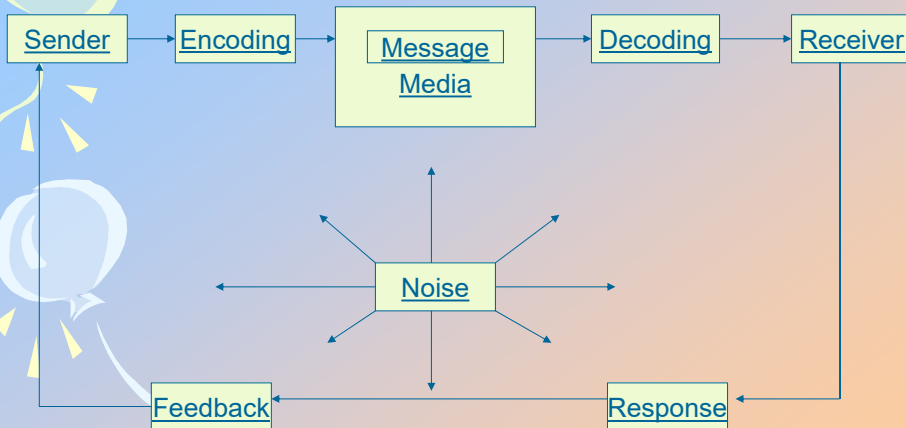
Product promotion instruments

Lecture 10

Promotions Decisions

- Elements in the communication process
- Promotions mix
- The promotions message
- Executions style
- Media choice?
- Promotional objectives

Elements in the Communication Process



Elements in the Communication Process

- Sender - party sending the message
- Encoding - message in symbolic form
- Message - word, pictures and symbols that the sender transmits
- Media - the communication channel e.g radio

Elements in the Communication Process

- Decoding - receiver assigns meaning to symbols encoded by the sender
- Response - reaction of the receiver after being exposed to the message
- Feedback - the part of the receiver's response after being communicated to the sender
- Noise - unplanned static or distortion during the communication process e.g. competitor action (Creature Comforts?)

Promotional objectives

- To support sales increases
- To encourage trial
- To create awareness
- To inform about a feature or benefit
- To remind
- To reassure
- To create an image
- To modify attitudes

Promotions Mix -traditional view

- Advertising
- Sales promotion
- Personal selling
- Public relations

Promotions Mix – tools and instruments

- **Personal selling**
- **Telemarketing**
- **Direct mail**
- **Trade fairs and exhibitions**
- **Commercial television**
- **Newspapers and magazines**
- **Radio**
- **Cinema**
- **Point of sale displays**
- **Packaging**

The Promotions Mix -

1. Sales promotion

- Sales promotion tend to be thought of as being all promotions apart from advertising, personal selling, and public relations.
- It covers wide range of methods and instruments.
- Some instruments are sometimes mentioned as independent promotion mix part (merchandising,
- Examples of Sales promotion instruments:
 - BOGOF promotion, or Buy One Get One Free, couponing, money-off promotions, competitions, free accessories (such as free blades with a new razor), introductory offers (such as buy digital TV and get free installation), and so on.
- Each sales promotion should be carefully costed and compared with the next best alternative.

Sales Promotion Opportunities and requirements

- Increase in sales by providing extra incentive to purchase. May focus on resellers (push), consumers (pull) or both.
- Objectives must be consistent with promotional objectives and overall company objectives.
- Balance between short term sales increase and long term need for desired reputation and brand image.
- Attract customer traffic and maintain brand/company loyalty.
- Reminder functions (calendars, T Shirts, match books etc.)
- Impulse purchases increased by displays contests generate excitement esp. with high payoffs.

Sales Promotion Limitations

- Consumers may just wait for the incentives
- May diminish image of the firm, represent decline in the product quality.
- Reduces profit margins, customers may stock up during the promotion.
- Shift focus away from the product itself to secondary factors, therefore no product differential advantage.

Sales Promotion Methods

- Consumer Sales Promotion Techniques - encourage/stimulate customers to patronize a specific retail store or to try a specific product.
- Coupons: Usually reduce the purchase price or offered as cash. Need to state the offer clearly and make it easy to recognize.
 - Stores/marketers are honoring competitors coupons etc.
 - Stores often don't have enough of the couponed item in stock.
- Demonstrations: Excellent attention getters. Labor costs are usually high.

Sales Promotion Methods

• Frequent User Incentives:

- Major airlines, helps foster customer loyalty to a specific company. Credit card companies. Trading stamps-Co-ops back in England, foster retail loyalty.

• Point of Purchase Display:

- Outside signs, window displays, counter pieces, display racks. 90% of retailers believe that point of purchase materials sell products.
- Essential for product introductions. Also with 2/3 of purchasing decisions made in the store, they are important

Sales Promotion Methods

• Free Samples:

- Stimulate trial of product. Increase sales volume at the early stage of the product life cycle and obtain desirable distribution. Most expensive sales promotion technique. Not appropriate for mature products and slow turnover products.

• Money Refunds/Rebates:

- Submit proof of purchase and mail specific refund, usually need multiple purchase for refund. Helps promote trial use, due to the complexity of the refund, it has little impact. Customers have a poor perception of rebate offered products. Used extensively in the Auto and Computer industry.

Sales Promotion Methods

• Premium Items:

- Offered free or at minimum cost as a bonus. Used to attract competitors customers, different sizes of established products. Gas stations give free glasses--basics buy!! McDonalds premium items are considered collectors items by some! Flintstones program with McDonalds. Burger King with the Lion King movie Casper with Pepsi, Pizza Hut, Choice Hotels, Batman Forever with McDonalds, Kelloggs, Six Flags, pocahontas with Chrysler, Nestle, General Mills, Burger King,

• Cents-off Offer:

- Strong incentive for trying a product-very similar to coupons, but are a part of the package.

Sales Promotion Methods

• Consumer Contests and Sweepstakes:

- Consumers compete based on their analytical or creative skills. Must be accurate or you will anger customers/retailers. Sweepstakes are prohibited in some states.

Sales Promotion Methods

• Trade Sales Promotion Techniques.

- **Push Policy** emphasizes promotions focused on the next intermediary. Trade Sales Promotion Techniques-stimulate wholesalers and retailers to carry products and to market them aggressively. Producers use sales promotion techniques to encourage resellers to carry their products and to promote them more effectively.

Sales Promotion Methods

- Allowances and Discounts:
- Merchandise...reimburse for extra retail support, i.e. advertising, shelf space.
- Case...discount on cases ordered in specific period.
- Finance...Paying for financial costs/losses associated with consumer sales promotions.
- Cooperative Advertising:
 - Manufacturer agrees to pay a certain amount of retailers media.
 - Training of Sales Staff.

The Promotions Mix

- **6. Advertising**
- Advertising is a 'paid for' communication. It is used to develop attitudes, create awareness, and transmit information in order to gain a response from the target market. There are many advertising 'media' such as newspapers (local, national, free, trade), magazines and journals, television (local, national, terrestrial, satellite) cinema, outdoor advertising (such as posters, bus sides).

Advertising

- Definition:
Paid form of non personal communication about an organization or its products that is transmitted to a target audience through a mass/broadcast medium.

Advertising

• Pros

- Flexibility allows you to focus on a small, precisely defined segment (School newspapers) or a mass market (baseball show = Males, 35-50).
- Cost efficient-reach a large number at a low cost per person, allows the message to be repeated, and can improve public image.
- Allows for repeating the message-lets the buyer receive and compare the messages of various competitors.
- Very expressive, allows for dramatization.
- Also used to build a long term image of a product.
- Trigger quick sales, Sears advertising a weekend sale.

Advertising

• Cons

- Absolute \$ outlay very high,
- Rarely provides quick feedback, or necessarily any feedback
- Less persuasive than personal selling
- Audience does not have to pay attention
- Indirect feedback (without interactivity)

Advertisements are important for:

- standardized products
- products aimed at large markets
- products that have easily communicated features
- products low in price
- products sold through independent channel members and/or are new.

The Promotional Message

Grab
Excite
Create
Prompt

ATTENTION
INTEREST
DESIRE
ACTION
AIDA

Execution styles

- **Slice of life** e.g. Axe?
- **Lifestyle** e.g. After Eight mints
- **Fantasy** e.g. Margot
- **Mood or image** e.g. Timotei shampoo
- **Musical** e.g. ???
- **Personality symbol** e.g. Richard Branson
- **Technical expertise** e.g. Vorsprung durch Technik - Audi
- **Scientific evidence** e.g. Vichy
- **Testimonial evidence** e.g. Calgonit

Media choice?

- Marketing objectives
- Definition of problem e.g. falling awareness
- Evaluation of different tools
- choice of optimum mix of promotional methods
- Integration into overall marketing communication programme

The Promotions Mix

- **1. Personal Selling**
- Personal Selling is an effective way to manage personal customer relationships. The sales person acts on behalf of the organization. They tend to be well trained in the approaches and techniques of personal selling. However sales people are very expensive and should only be used where there is a genuine return on investment. For example salesmen are often used to sell cars or home improvements where the margin is high.

The Promotions Mix

- **3. Public Relations (PR)**
- Public Relations is defined as 'the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics' (Institute of Public Relations).
- It is relatively cheap, but certainly not cheap. Successful strategies tend to be long-term and plan for all eventualities. All airlines exploit PR; just watch what happens when there is a disaster. The pre-planned PR machine clicks in very quickly with a very effective rehearsed plan.



The Promotions Mix

- **4. Direct Mail**

- Direct mail is very highly focussed upon targeting consumers based upon a database. As with all marketing, the potential consumer is 'defined' based upon a series of attributes and similarities. Creative agencies work with marketers to design a highly focussed communication in the form of a mailing. The mail is sent out to the potential consumers and responses are carefully monitored. For example, if you are marketing medical text books, you would use a database of doctors' surgeries as the basis of your mail shot.



The Promotions Mix

- **5. Trade Fairs and Exhibitions**

- Such approaches are very good for making new contacts and renewing old ones. Companies will seldom sell much at such events. The purpose is to increase awareness and to encourage trial. They offer the opportunity for companies to meet with both the trade and the consumer. Expo has recently finish in Germany with the next one planned for Japan in 2005, despite a recent decline in interest in such events.



The Promotions Mix

- **7. Sponsorship**

- Sponsorship is where an organization pays to be associated with a particular event, cause or image. Companies will sponsor sports events such as the Olympics or Formula One. The attributes of the event are then associated with the sponsoring organization.
- The elements of the promotional mix are then integrated to form a unique, but coherent campaign.



Definition of Product Placement

- Inclusion of branded products, logos, or insignia in a movie, TV show, or other media (including music videos, novels, and videogames).
- Plug versus Placement:
 - a "plug" is an on-camera mention of a brand, usually delivered by a celebrity.
 - Placement usually integrates a brand into a scene or story line.



Pervasiveness of placements

- Product placements amounted to \$2.21 billion in 2005 (Lazar, 2006).
- In 2005, there were 108,000 instances of product placement in TV Shows; a 30% increase from 2004
- La Ferle & Edwards (2006) found 1 placement per 3 minutes of prime-time TV programming
- As much as 75 percent of all prime time scripted shows on U.S. television include some element of brand placement (Consoli, 2004).
- Example: Mac/Apple: During the first 4 months of 2006, TV shows mentioned or showed Apple products at least 250 times.



Catalysts for product placement

- Channel surfing, flipping
- Advent of TIVO and DVRs
- Fragmented Media: Cable & satellite channels, Internet, etc.
- Economical: production costs for commercials far exceed placements
- Permanence: A placement is forever, including the DVD release



Types of placements

- **Visual:** a branded product serves as a prop in the scenery or background
- **Audible:** A character refers to a brand by name
- **Use:** A character uses a product
- **Integrated:** the brand is integrated into the story line.
 - Integrated placements are the most effective
- **Virtual placements:** (digitally added after the fact)



Theoretical frameworks

- **Mere exposure:** repeated exposure to a brand increases liking for the brand
- **Associative networks:** the images and associations with the characters or story “rubs off” on the brand
- **Psychological reactance:** movie-goers might rebel if they think their freedom to avoid advertising is being restricted

Studies on placements

- Brand placement had a significant effect on brand image (Reijmeersdal, Neijens, & Smit, 2007)
- Placements can be effective even if they are not consciously recalled (Reijmeersdal, Neijens, & Smit, 2007)
- Example: Pontiac sold 1,000 Solstices within an hour after the car was featured on an episode of *The Apprentice* in April 2005.

Placements may be overrated

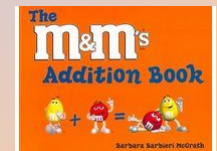
- "a lot of the placements are just going to pass people by" Romaniuk, 2008)
- About 70% of visual exposures were less than five seconds
- 41% of brand placements in reality shows were ``slightly obscured''

Reactions to placements

- Sheth & Sisodia (2005) 60% of consumers believe that marketing and advertising is "out of control."
- However, consumers (69%) report they don't particularly mind product placements, unless they are disruptive
- Placements may add to realism, verisimilitude

Newer forms of placement

- Madison Avenue is scrambling to place brands anywhere and everywhere
 - **Board games:** Monopoly now features playing pieces molded in the image of McDonald's french fries, a Toyota Prius, a Motorola cell phone, and a Starbucks mug.
 - **Children's books:** M&M's sells book to help teach counting skills to preschoolers
 - **Music:** In the top 20 songs of 2005, Mercedes-Benz was mentioned 100 times, Nike 63, Cadillac 62, Bentley 51, and Rolls-Royce 46.
 - **Prescription drugs:** According to Neilson, there were 337 visual or audio mentions of Prescription drugs in 2006
 - **Eggs:** CBS hired EggFusion, an "on-egg messaging" company, to print its logo on 35 million eggs.





Word-of-mouth (WOM)

- Person-to-person communication between a receiver and a source whom the receiver perceives as **non-commercial**, regarding a product, service or brand
- Highly effective method of communicating information
- Particularly effective in communicating **negative** information
 - Dissatisfied customer will tell 9 others
 - 13% of unhappy customers will tell >20 others

- WOM can be
 - In person
 - Phone
 - Mail
 - **Internet**
- WOM can be
 - Verbal
 - Visual



Opinion leadership

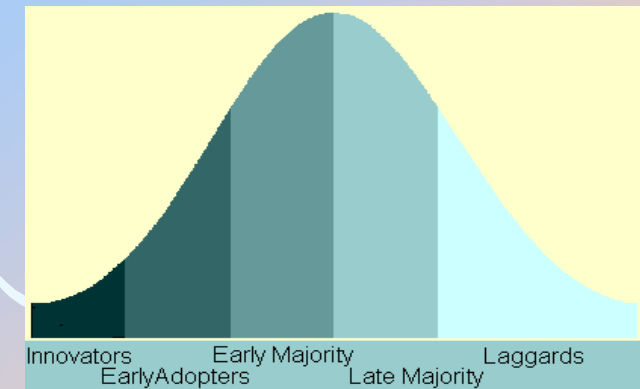
- The process by which one person--the opinion leader--**informally influences** the actions or attitudes of others who may be opinion seekers or opinion recipients
- Who are opinion leaders?
- Can they be recognized by any distinctive characteristics?
- Can they be reached through specific media

- Opinion leadership tends to be **category specific**
- Individual who is an opinion **leader** in one product category may be an opinion **receiver** in another product category
- Profile of opinion leaders is likely to be influenced by the specific product category

Generalized attributes of opinion leaders

- Tend to be consumer innovators
- Willing to talk about products and services
- Self-confident
- Outgoing and gregarious
- Same age as opinion seeker
- Same social status as opinion seeker

Diffusion of Innovations



Opinion leadership process

- Opinion leadership is a very powerful force
- Credibility
- Particularly credible in **negative** comments

Overlap of opinion leadership

- Opinion leadership tends to **overlap** across certain combinations of interest areas
- Overlap is likely to be highest among product categories that involve **similar** interests



The motivation of opinion leaders

1. Self-involvement
2. Product involvement
3. Social or "other" involvement
4. Message involvement



1. Self-involvement

- Satisfies some basic need of their own
- Attention
- Status
- Awareness of expertise
- Confirm own good judgment and eradicate post-purchase doubts



2. Product involvement

- The greater a person's **involvement** with a particular product, the greater their interest in **sharing** information



3. Social or "other" involvement

- Opinion leaders motivated by 'other involvement' share information as an expression of friendship, neighborliness and love



4. Message involvement

- Pervasiveness of advertising in our society encourages message involvement
- Individuals who are bombarded by commercial messages and slogans tend to discuss them and the products they are designed to sell



Marketing implications of W.O.M.

- Marketers look for opportunities to encourage word of mouth
- Product designers sometimes develop their products to maximize word of mouth potential
- Strong, favorable word of mouth minimizes the company's advertising budget



Stimulating opinion leadership

- **Teaser** campaigns
 - Ads that disclose just enough information to pique consumers' interests
 - the ad itself becomes the basis for discussion, leading to interest in the product
- Buzz marketing
- Product placement



Simulating opinion leadership

- **Slice of life** commercials where actors portray consumers or professionals discussing a product
- **Testimonials** from celebrities are influential, especially where the celebrity is connected in some way to the product

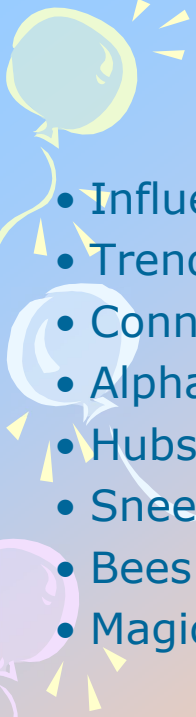


What is Buzz Marketing?

- A form of marketing where the consumer doesn't know he or she is being marketed to
- Generally, a marketing company pays an actor or socially adept person (**opinion leader**) to use a product visibly and convincingly in locations where target consumers congregate
- The actor talks up the product to people they befriend, handing out samples if it is economically feasible

Also known as:

- Undercover marketing
- Stealth marketing
- Under the radar marketing
- Diffusion marketing
- Ambient marketing
- Viral marketing (on the web)
- Product seeding
- Roach baiting (to its critics)

- 
- Influentials
 - Trend-translators
 - Connectors
 - Alphas
 - Hubs
 - Sneezer
 - Bees
 - Magic people



Why is it growing so rapidly?

1. Buzz is cheap
2. The rise of the internet makes contact with millions of consumers possible
3. Appeals to younger consumers skeptical of mass media advertising
4. Presents opportunities for products like cigarettes and alcohol



What are the down sides?

1. Difficult to measure reach and success
2. Backlash when people realize they've been deceived
3. May eventually be overdone and become ineffective
4. Less effective for "low-involvement" products



Ethically, what's wrong with buzz marketing?

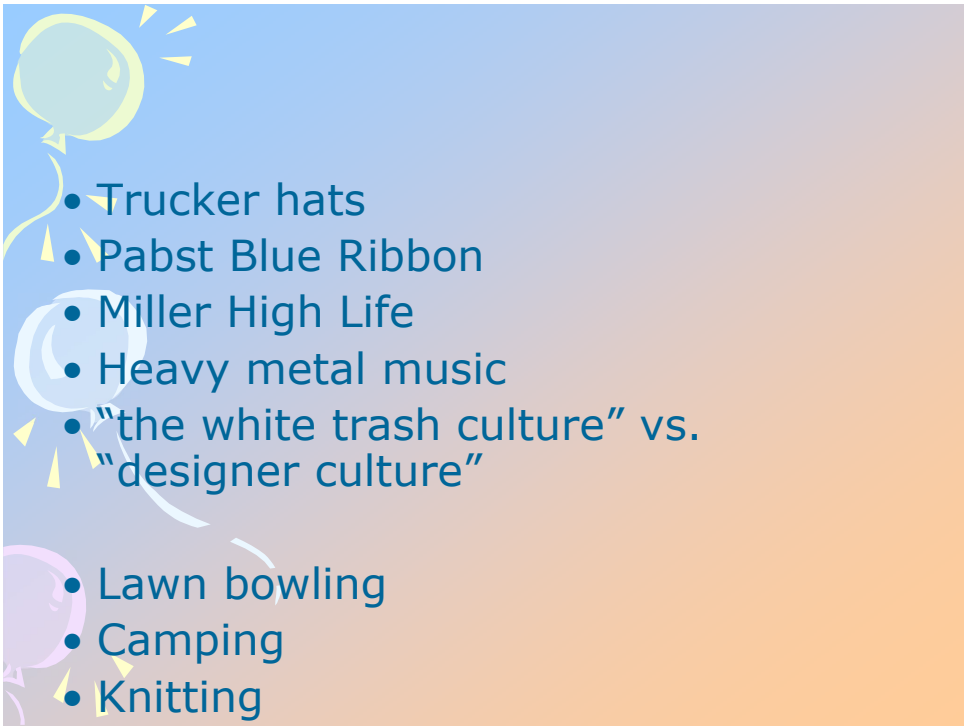
- Consumers don't know they're being subjected to a commercial message
- Thus don't view the message with the suspicion they would ordinarily apply to a commercial message
- Marketers often engage children/teens to influence purchase behavior of other children/teens
- Practice is totally unregulated
- Word of Mouth Marketing Association has drafted ethics code
- Code is voluntary
- Criticized for being vague



What is "cool hunting"?

- "Reverse marketing"
- "Sell-back"
- Focuses on teen market
 - 32 million teens in the US
 - Largest demographic group ever (outnumber baby boomers)
 - Spend \$100 billion per year
 - Influence \$150 billion in spending per year

- Cool hunters are looking for the 20% of the population who influence the remaining 80%
- "Culture spies" visit malls and other places where kids hang out
- Attempt to identify trends (e.g., clothing) **before** they develop
- Sell the information to marketers
- Marketers use the information to design products that appeal to youth market

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- Trucker hats
 - Pabst Blue Ribbon
 - Miller High Life
 - Heavy metal music
 - “the white trash culture” vs. “designer culture”
 - Lawn bowling
 - Camping
 - Knitting