

28.24.2: Reading- The Promotion Mix- The Fourth P

Factors Influencing the Promotion Mix

Promotion is the art and science of communicating about and promoting a product. The “promotion mix” is the set of activities and media channels marketers use to communicate about and promote a product.

A marketing manager from one company might decide to focus on social media, whereas a marketing manager from another company might decide to focus her company’s efforts on television commercials. A third marketing manager might use both methods. Why do companies select different types of media for what may be perceived as similar messages? As Figure 1 shows, a number of factors affect the choice of promotion mix elements.

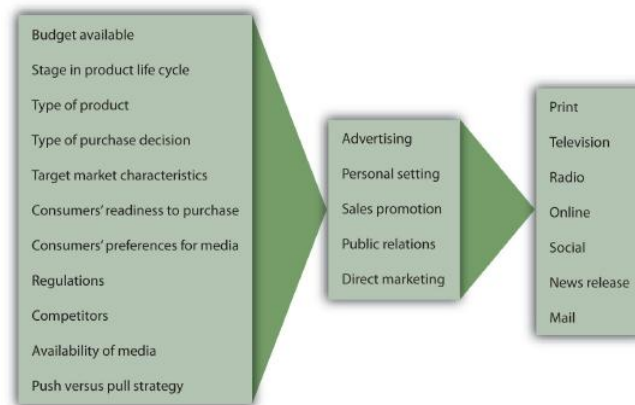


Figure 28.24.2.1: Factors That Influence Selection of Promotion Mix

For many companies, the budget available to market a product determines what elements of the promotion mix are utilized. The budget affects a promotion’s reach (number of people exposed to the message) and frequency (how often people are exposed). For example, many smaller companies may lack the money to create and run commercials on top-rated television shows or during the Super Bowl. As a result, they may not get the exposure they need to be successful. Other firms such as McDonald’s may come up with creative ways to reach different target markets. For example, McDonald’s targeted college students with a special promotion that it filmed live in a Boston University lecture.

Stage in the Product Life Cycle

The stage in the product life cycle also affects the type and amount of promotion used. Products in the introductory stages typically need a lot more promotional dollars to create awareness in the marketplace. Consumers and businesses won’t buy a product if they do not know about it. More communication is needed in the beginning of the product life cycle to build awareness and trial.

Type of Product and Type of Purchase Decision

Different products also require different types of promotion. Very technical products and very expensive products (high involvement) often need professional selling so the customer understands how the product operates and its different features. By contrast, advertising is often relied upon to sell convenience goods and products purchased routinely (low involvement) since customers are familiar with the products and they spend relatively little time making purchase decisions.

Target Market Characteristics and Consumers’ Readiness to Purchase

In order to select the best methods to reach different target markets, organizations need to know what types of media different targets use, how often they make purchases, where they make purchases, and what their readiness to purchase is as well as characteristics such as age, gender, and lifestyle. Some people are early adopters and want to try new things as soon as they are available, and other groups wait until products have been on the market for a while. Some consumers might not have the money to purchase different products, although they will need the product later. For example, are most college freshmen ready to purchase new cars?

Consumers' Preferences for Various Media

We've already explained that different types of consumers prefer different types of media. In terms of target markets, college-aged students may prefer online, cell phone, mobile marketing, and social media more than older consumers do. Media preferences have been researched extensively by academics, marketing research companies, and companies to find out how consumers want to be reached.

Regulations, Competitors, and Environmental Factors

Regulations can affect the type of promotion used. For example, laws in the United States prohibit tobacco products from being advertised on television. In some Asian countries, controversial products such as alcohol cannot be advertised during Golden (prime) time on television. The hope is that by advertising late at night, young children do not see the advertisements. The strength of the economy can have an impact as well. In a weak economy, some organizations use more sales promotions such as coupons to get consumers into their stores. The risk is that consumers may begin to expect coupons and not want to buy items without a special promotion.

Availability of Media

Organizations must also plan their promotions based on availability of media. The top-rated television shows and Super Bowl ad slots, for example, often sell out quickly. Magazines tend to have a longer lead time, so companies must plan far in advance for some magazines. By contrast, because of the number of radio stations and the nature of the medium, organizations can often place radio commercials the same day they want them to be aired. Social media and online media may be immediate, but users must be careful about what they post and their privacy. Uncontrollable events can affect a company's promotions, too. For example, when a disaster occurs, TV stations often cut advertisements to make way for continuous news coverage. If there is a crisis or disaster and your company is in the middle of a promotion being advertised on TV, you will likely have to scramble to reach consumers via another medium.

The Communication Process

The goal of the communication process is to effectively reach the consumers you are targeting and convey your desired message. Achieving this is easier said than done.

Do you use TiVo or a digital video recorder (DVR) to record movies or television shows so you can watch them when you want without television commercials? Do you ever use the remote to skip the commercials or zap (change channels) to look at different shows? Think about which television shows you choose to watch, which magazines you read, which radio stations you select. The perceptual process is how a person decides what to pay attention to and how to interpret and remember different things, including information in advertising. By selecting a magazine, a television show, or even an elective class in school, you're selecting what you're exposed to and deciding what gets your attention. However, your selection does not insure you'll either pay attention or remember or correctly interpret what you see or hear.

Think about what else you are doing when you watch television, when you are studying, or when you are listening to the radio. It's a hot day in July and you're enjoying a day at the beach. Your friends brought a radio and the volume is turned up so you can hear all the music. If you're listening to the music or talking to a friend at the beach while you're listening to the radio, do you hear or pay attention to the commercials? Do you remember which products were advertised? If you're with a friend and hear someone else say your name, do you pay more attention to the person talking about you than to your friend?

The same thing happens when you are watching a television show, reading a magazine, or studying for a test. The phone rings or your friends show up and your attention shifts to them. With so many different types of distractions and technology (such as recording devices), imagine how difficult it is for an advertiser to get you to pay attention much less remember the message. Do you remember the terms you memorized for a test a day later? Do you know your friends' phone numbers and e-mail addresses or do you just find their names on your contact list? To increase retention, advertisers may repeat the same message multiple times in different places, but they must be careful that consumers don't get so tired of the message that there is a negative effect.

The communication process illustrates how messages are sent and received, as shown in Figure 2 below. The source (or sender) encodes, or translates, a message so that it's appropriate for the message channel—say, for a print advertisement, TV commercial, or store display—and shows the benefits and value of the offering. The receiver (customer or consumer) then decodes, or interprets, the message. For effective communication to occur, the receiver must 1) hear the message, and 2) interpret the message as the sender intended.

Feedback is the additional step in effective communication. Purchasing a product provides the sender with feedback. It tells the seller that a consumer saw information and wanted to try the product. If the consumer used any coupons or promotions when buying a product, the advertiser knows which vehicle was used to get the information. Market research and warranty registration also provide feedback.

Message Problems

Communicating a clear message – and having it heard – are key to a successful promotional mix.

Suppose you're ready to go home on a Friday afternoon and you hear someone mention an upcoming event on Saturday. However, you did not listen to all the details and assume the event is the next day, not the following Saturday. Since you already made other plans for the next day, you don't even consider showing up the following Saturday. Has this ever happened to you? If you do not hear someone correctly, misread information, or if they fail to communicate clearly, you might think a product or service provides different benefits or is easier or harder to use than it really is.

Clear, relevant messaging is critical for effective communication. Marketing messages that try to pack in too much information or else don't say enough leave people wondering what is the point. We tend to purchase products and remember information that has some relevance to our personal situation or beliefs. If you have no need for a product or service, you might not pay attention to or remember the messages used to market it. Advertisers want you to remember their brands so that you'll think of their products and services when you need to make a purchase.

Interference, or noise, can distort marketing messages. Factors such as poor reception, poor print quality, problems with a server, or a low battery can interfere with your getting messages. Interference includes any distractions receivers and senders face during the transmission of a message. Think about what it's like to study for an exam while you're talking on the phone. The conversation interferes with remembering what you're reading. Likewise, if you miss class and borrow someone else's notes, do you understand what they mean? Not only must advertisers try to present consistent messages, they must also try to ensure that you interpret the message as they intended.

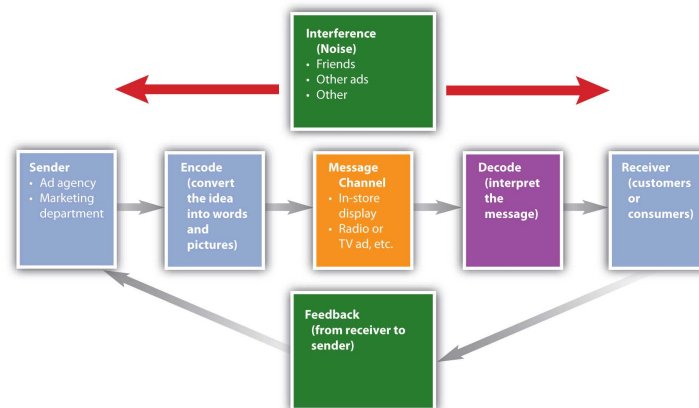


Figure 28.24.2.2: The Communication Process

The Promotion Mix

Although the money organizations spend promoting their offerings may go to different media channels, a company still wants to send its customers and potential consumers a consistent message. The different types of marketing communications an organization uses compose its promotion or communication mix, which consists of advertising, sales promotions, direct marketing, public relations and publicity, sponsorships (events and experiences), social media and interactive marketing, and professional selling. The importance of integrated marketing communications (IMC) will be demonstrated throughout the discussion of traditional media as well as newer, more targeted, and often interactive online media.

Advertising involves paying to disseminate a message that identifies a brand (product or service) or an organization being promoted to many people at one time. The typical media that organizations utilize for advertising of course include television, magazines, newspapers, the Internet, direct mail, and radio. Businesses also advertise on mobile devices and social media such as Facebook, blogs, and Twitter.

Consumer sales promotions consist of short-term incentives such as coupons, contests, games, rebates, and mail-in offers that supplement the advertising and sales efforts. Sales promotions include promotions that are not part of another component of the communication mix and are often developed to get customers and potential customers to take action quickly, make larger purchases, and/or make repeat purchases.

In business-to-business marketing, sales promotions are typically called trade promotions because they are targeted to channel members who conduct business or trade with consumers. Trade promotions include trade shows and special incentives given to retailers to market particular products and services, such as extra money, in-store displays, and prizes.

Direct marketing involves the delivery of personalized and often interactive promotional materials to individual consumers via channels such as mail, catalogs, Internet, e-mail, telephone, and direct-response advertising. By targeting consumers individually, organizations hope to get consumers to take action.

Professional selling is an interactive, paid approach to marketing that involves a buyer and a seller. The interaction between the two parties can occur in person, by telephone, or via another technology. Whatever medium is used, developing a relationship with the buyer is usually something the seller desires.

When you interview for internships or full-time positions and try to convince potential employers to hire you, you are engaging in professional selling. The interview is very similar to a buyer-seller situation. Both the buyer and seller have objectives they hope to achieve. Business-to-business marketers generally utilize professional selling more often than most business-to-consumer marketers. If you have ever attended a Pampered Chef party or purchased something from an Amway or Mary Kay representative, you've been exposed to professional selling.

Public relations (PR) involves communication designed to help improve and promote an organization's image and products. PR is often perceived as more neutral and objective than other forms of promotion because much of the information is tailored to sound as if it has been created by an organization independent of the seller. Public relations materials include press releases, publicity, and news conferences. While other techniques such as product placement and sponsorships, especially of events and experiences, tend to generate a lot of PR, the growth of expenditures and importance of sponsorships are so critical for so many companies that it is often considered a separate component in the communication mix. Many companies have internal PR departments or hire PR firms to find and create public relations opportunities for them. As such, PR is part of a company's promotion budget and their integrated marketing communications.

Sponsorships typically refer to financial support for events, venues, or experiences and provide the opportunity to target specific groups. Sponsorships enhance a company's image and usually generate public relations. With an increasing amount of money being spent on sponsorships, they have become an important component of the promotion mix.

Sales promotions are activities that supplement a company's advertising, public relations, and professional selling efforts. They create incentives for customers to buy products more quickly and make larger purchases. Sales promotions are often temporary, but when the economy is weak, sales promotions become even more popular for consumers and are used more frequently by organizations.

Consumer Sales Promotions

Samples, coupons, premiums, contests, and rebates are examples of consumer sales promotions. Do you like free samples? Most people do. A free sample allows consumers to try a small amount of a product so that hopefully they will purchase it. The strategy encourages trial and builds awareness. You have probably purchased a product that included a small free sample with it—for example, a small amount of conditioner packaged with your shampoo. Have you ever gone to a store that provided free samples of different food items? Although sampling is an expensive strategy, it is usually very effective for food products. People try the product, and the person providing the sample tells them about the product and mentions any special prices for it.

In many retail grocery stores, coupons are given to consumers with the samples. Coupons provide an immediate price reduction off an item. The amount of the coupon is later reimbursed to the retailer by the manufacturer. The retailer gets a handling fee for accepting coupons. When the economy is weak, more consumers cut out coupons and look for special bargains such as double coupons and buy-one-get-one-free (BOGO) coupons. They may also buy more store brands.

While many consumers cut coupons from the inserts in Sunday newspapers, other consumers find coupons online or on their cell phones. Point-of-purchase displays, including coupon machines placed next to products in stores, encourage consumers to buy a brand or product immediately. When a consumer sees a special display or can get a coupon instantly, manufacturers hope the sales

promotion increases sales. Stores may also provide coupons for customers with loyalty cards to encourage them to select particular brands and products.

Mobile marketing and the Internet provide consumers in international markets access to coupons and other promotions. In India, the majority of coupons used are digital, while paper coupons have the largest share in the United States. Over 80 percent of diapers are purchased with coupons; imagine how much easier and less wasteful digital coupons scanned from a mobile phone are for both organizations and consumers.

Other sales promotions may be conducted online and include incentives such as free items, free shipping, coupons, and sweepstakes. For example, many online merchants such as Shoe Station and Zappos offer free shipping and free return shipping to encourage consumers to shop online. Some firms have found that the response they get to their online sales promotions is better than response they get to traditional sales promotions.

Another very popular sales promotion for consumers is a premium. A premium is something you get either for free or for a small shipping and handling charge with your proof of purchase (sales receipt or part of package). Remember wanting your favorite cereal because there was a toy in the box? The toy is an example of a premium. Sometimes you might have to mail in a certain number of proofs of purchase to get a premium. The purpose of a premium is to motivate you to buy a product multiple times. What many people don't realize is that when they pay the shipping and handling charges, they may also be paying for the premium.

Contests or sweepstakes also attract a lot of people. Contests are sales promotions people enter or participate in to have a chance to win a prize. The Publisher's Clearing House Sweepstakes and the Monopoly Game at McDonald's are both examples. The organization that conducts the sweepstakes or contest hopes you will not only enter its contest but buy some magazines (or more food) when you do.

Loyalty programs are sales promotions designed to get repeat business. Loyalty programs include things such as frequent flier programs, hotel programs, and shopping cards for grocery stores, drugstores, and restaurants. Sometimes point systems are used in conjunction with loyalty programs. After you accumulate so many miles or points, an organization might provide you with a special incentive such as a free flight, free hotel room, or free sandwich. Many loyalty programs, especially hotels and airlines, have partners to give consumers more ways to accumulate and use miles and points.

Rebates are popular with both consumers and the manufacturers that provide them. When you get a rebate, you are refunded part (or all) of the purchase price of a product back after completing a form and sending it to the manufacturer with your proof of purchase. The trick is completing the paperwork on time. Although different types of sales promotions work best for different organizations, rebates are very profitable for companies because many consumers forget or wait too long to send in their rebate forms. Consequently, they do not get any money back. Rebates sound great to consumers until they forget to send it back.

Trade Promotions

In business-to-business (B2B) marketing, sales promotions are typically called trade promotions because they are targeted to channel members who conduct business or "trade" with consumers. Trade promotions include trade shows, conventions, event marketing, trade allowances, training, and special incentives given to retailers to market particular products and services, such as extra money, in-store displays, and prizes.

Trade shows are one of the most common types of sales promotions in B2B markets. A trade show is an event in which firms in a particular industry display and demonstrate their offerings to other organizations they hope will buy them. There are typically many different trade shows in which one organization can participate. Using displays, brochures, and other materials, representatives at trade shows can identify potential customers (prospects), inform customers about new and existing products, and show them products and materials. Representatives can also get feedback from prospects about their company's products and materials and perhaps about competitors.

Companies also gather competitive information at trade shows because they can see the products other firms are exhibiting and how they are selling them. While approximately 75 percent of representatives attending trade shows actually buy the product(s) they see, 93 percent of attendees are influenced by what they see at the trade shows. However, only 20 percent of organizations follow up on leads obtained at trade shows and only 17 percent of buyers are called upon after they express interest in a particular company's products. (John F. Tanner, Jr., and Dennis Pitta, "Identifying and Creating Customer Value." Special session presentation, Summer Educators' Conference, Chicago, 2009). Trade shows can be very successful, although the companies that participate in them need to follow-up on the leads generated at the shows. With changing technology, webinars are being used to reach businesses that may not be able to attend trade shows. Follow-up after a Webinar is also essential.

Conventions, or meetings, with groups of professionals also provide a way for sellers to show potential customers different products. For example, a medical convention might be a good opportunity to display a new type of medical device. Sales representatives and managers often attend conventions to market their products.

Sales contests, which are often held by manufacturers or vendors, provide incentives for salespeople to increase their sales. Often, the contests focus on selling higher-profit or slow-moving products. The sales representative with the most sales of the product wins a prize such as a free vacation, company recognition, or cash.

Trade allowances give channel partners—for example, a manufacturer’s wholesalers, distributors, retailers, and so forth—different incentives to push a product. One type of trade allowance is an advertising allowance (money) to advertise a seller’s products in local newspapers. An advertising allowance benefits both the manufacturer and the retailer. Typically, the retailer can get a lower rate than manufacturers on advertising in local outlets, saving the manufacturer money. The retailer benefits by getting an allowance from the manufacturer.

Another sales promotion that manufacturers, such as those in the tool or high tech industries, offer businesses is training to help their salespeople understand how the manufacturers’ products work and how consumers can be enticed to buy them. Many manufacturers also provide in-store product demonstrations to show a channel partner’s customers how products work and answer any questions they might have. Demonstrations of new video game systems and computers are extremely popular and successful in generating sales.

Free merchandise, such as a tool, television, or other product produced by the manufacturer, can also be used to get retailers to sell products to consumers. In other words, a manufacturer of televisions might offer the manager of a retail electronics store a television to push its products. If a certain number of televisions are sold, the manager gets the television. Have you ever been to an electronics store or a furniture store and felt like the salesperson was pushing one particular television or one particular mattress? Perhaps the salesperson was getting push money, or a cash incentive from the manufacturer to push a particular item. The push to sell the item might be because there is a large amount of inventory of it, it is being replaced by a new model, or the product is not selling well. Figure 28.24.2.3 “Examples of Sales Promotions,” below recaps the different types of sales promotions designed for both consumers and businesses.

| Consumer Sales Promotions | Business-to-Business Sales Promotions |
|----------------------------|---------------------------------------|
| Coupons | Trade shows and conventions |
| Sweepstakes or contests | Sales contests |
| Premiums | Trade and advertising allowances |
| Rebates | Product demonstrations |
| Samples | Training |
| Loyalty programs | Free merchandise |
| Point-of-purchase displays | Push money |

Figure 28.24.2.3: Examples of Sales Promotions

Push vs. Pull Strategy

Businesses must also decide whether to use a push strategy, a pull strategy, or both push and pull strategies. A push strategy involves promoting a product to businesses (middlemen), such as wholesalers and retailers, who then push the product through the channel promoting it to final consumers. Manufacturers may set up displays in retail outlets for new products or provide incentives such as price discounts to the retailer so the retailer can promote or push the product to consumers.

Companies use a pull strategy when they target final consumers with promotions. In other words, a company promotes its products and services to final consumers to pull consumers into the stores or get the consumers asking for the product. If a company sends coupons to the consumers, hopefully the consumers will take the coupons (sales promotion) to the store and buy the product. A

manufacturer promotes its new product on television to consumers and places coupons in the newspaper inserts, hoping consumers will demand the product. Their pull causes wholesalers and retailers to buy the product to try to meet the demand.

Many manufacturers use both a push strategy and a pull strategy, promoting their products and services to both final consumers and their trade partners (e.g., retailers and wholesalers). Figure 28.24.2.4 below shows how a push strategy differs from a pull strategy.

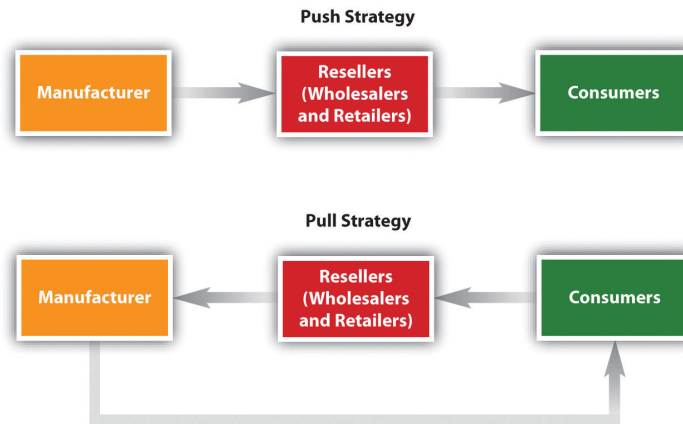


Figure 28.24.2.4: A Push vs. a Pull Strategy

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in this section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

<https://assessments.lumenlearning.com/assessments/231>

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