

9.3: Elements of the Promotional Mix - The Advertiser's Trusty Tools

Learning Objectives

After studying this section, students should be able to do the following:

1. *List and describe* each of the elements of the promotional mix.
2. *Characterize* the various forms of sales promotion.
3. *Describe* the purpose of public relations.
4. *Characterize* the tools used to implement PR objectives.
5. *Discuss* how personal selling can be used effectively in the promotional mix.
6. *Discuss* the value of direct marketing in the promotional mix.
7. *Explain* the concept of database marketing and how it can benefit advertisers.
8. *Explain* the benefits of using customer relationship management (CRM) in the marketplace.

We've already learned about the Four Ps that go into the *marketing mix*; these are the tools marketers use to create a value proposition for their idea, product, or service in the marketplace. When we drill down to the crucial P of Promotion (the reason you're reading this book), you won't be surprised to learn of an equivalent set of tools that advertisers use (either singly or, more often, in concert) to communicate the important elements of that value proposition. We call these tools the **promotional mix**.

Sales Promotions

A sales promotion is activity intended to produce some short-term change in behavior. This can range from a cents-off coupon that motivates a customer to buy a box of cereal today to a sales contest that inspires an employee to sign up as many customers as he can by the end of the month.

When the Target Is Consumers

Sales promotions targeted to consumers encourage purchase or build interest in a product during a specified time period. The key element of sales promotions is its limited-time nature. Consumer sales promotion tools include the following:

Price or Value Discount Promotion Tools

Price or value discount promotion tools include **coupons** for packaged-goods products like deodorant. These offer cents off the price and have an expiration date of a few months out, encouraging immediate purchase. Similarly, pizza delivery companies located near colleges typically have special deals at the start of the semester to entice new customers.

In addition to coupons companies place in newspapers, send by mail (or by mobile phone), or offer on a Web site, a marketer may offer a temporary price reduction at the store or offer a rebate. Unlike a coupon, which gives the discount immediately upon purchase, a **rebate** refunds part of the purchase price to the consumer after the consumer fills out and returns a form along with a sales receipt to the company.

Bonus packs deliver more product without more cost, such as 20 percent more nuts in a canned nut mix, or 33 percent more liquid soap for the same price. Some companies offer bonus packs twice a year as a way to reward customers with special offers. Other companies time their bonus packs to economic cycles. "Whenever there is a downturn in the economy, we do very well with bonus packs and opening price shampoos like Suave, VO5 and Jheri Rhedding," said Larry Vick, divisional merchandise manager for ShopKo. During difficult economic times, people are careful with their money and like to buy products that offer more of the good for the same amount of money. Hint: With all of the economic woes surrounding us, the coupon business is a pretty nice place to be right now.

Visibility-Increasing Promotion Tools

A **premium** is a free item you receive if you purchase another item. Sexy Hair Concepts, for example, offered free styling gel with purchase of their shampoo or conditioner during the "Girls Night Out" days at Beauty Brands retail stores. In some cases, the premium may directly encourage future product sales, such as the Campbell's Soup Cookbook containing new recipes that just happen to call for additional soup flavors.

Contests and **sweepstakes** offer the opportunity to win an exciting prize like a vacation to Hawaii or a \$1,000 shopping spree. The difference between the two is that a contest is a test of skill, whereas a sweepstakes is simply based on luck. For example, a contest may ask consumers to bake a cake using the brand as an ingredient, whereas a sweepstakes simply requires filling out the entry form.

By law, sweepstakes cannot be tied to a purchase, which means that any consumer can be eligible to win the prize if they fill out the entry form. Therefore, it's best to use sweepstakes to build awareness of your brand, not to drive immediate sales. The sweepstakes should be cleverly tied to your brand. For example, if your product is canned pineapple, a sweepstakes with the grand prize of a trip to Hawaii makes sense. If your product is motor oil, a sweepstakes in which the grand prize is a chance to be on a NASCAR pit crew team is more relevant and effective than winning a lunch date with Hannah Montana (Danica Patrick is another story). Sweepstakes also offer an opportunity to generate publicity (discussed below) during a time when you are not introducing new products.

Volume-Increasing Promotion Tools

Sampling is a popular (though expensive) promotional tool. Food and beverage companies often provide free samples to consumers to give them a chance to try a new product for free. More than one college student has feasted for free by timing strategic visits to stores like Sam's Club that provide tastes of new food items. Sometimes the packets will be a smaller trial size, such as two packets of Celestial Seasonings tea rather than a box; other times the sample will be full size, like a cup of Silk yogurt. In the example we mentioned previously, Unilever handed out free samples of its new detergent. Sampling intends to increase future sales volume by acquiring new customers for the product.

Loyalty programs reward consumers for their frequent, continuing purchase of a product. Frequent flyer programs such as the United Airlines Mileage Plus program offer free miles to their customers with each flight they purchase. The more miles they fly per year, the bigger the bonus mileage. For example, customers who fly fifty thousand miles or more per year get double bonus miles (a hundred thousand miles or the equivalent of four free airline tickets in the United States) for the miles they've purchased. These loyalty programs offer additional perks, such as shorter lines, to their loyal customers. Restaurants or coffee shops often have punch cards that reward customers with a free coffee or sandwich after the purchase of nine coffees or sandwiches.

When the Target Is Trade Partners (Employees, Distributors, and Retailers)

As consumers we probably don't see many of the more aggressive promotions that companies sponsor. Trade promotions are for a company's employees or for channel partners such as retailers or wholesale distributors who help get the product in the hands of the ultimate customer.

Trade promotions fall into two main categories: discount promotions and industry visibility. **Discount promotions** offer the trade partner a reduced cost on the product or help to defray the partner's advertising expenses. The goal is to encourage the partner to stock the item and bring attention to it. Promotions that increase industry visibility, on the other hand, focus on creating enthusiasm and excitement among salespeople and customers.

Discount Promotions

Merchandising allowances are price breaks the manufacturer offers to its channel partners when it reimburses the retailer for in-store support of a product, such as a special off-shelf or end-of-aisle display of the product. For example, when Volvo wanted to double the sales of its certified used vehicles, it offered dealers a \$200-per-vehicle cooperative advertising allowance.

Case allowances are a discount the manufacturer offers to the channel partner based on the volume of products it buys during the deal period. The greater number of products the partner buys, the greater the discount.

Visibility-Increasing Promotions

Industry **trade shows** are events at which manufacturers showcase their products, often in elaborate, attention-getting booths or through giveaway samples and product information. Distributors and retailers learn more about a company's products and can ask questions or experience the product directly. The manufacturer, in turn, collects business cards and sales leads on potential partners. For example, to draw customers into its booth at fluid industry shows, ITT (a company that manufactures fluid technology systems) built a water fountain branded with ITT and placed a sixty-by-eighteen-foot, three-dimensional banner at the entrance to the convention hall.

Dig Deeper

The trade show industry generates billions of dollars a year and affects the economies of many other sectors such as travel and hospitality. Some major trade shows dwarf the size of small cities when they're running; shows like MAGIC (menswear apparel) and CES (computers and technology) easily attract over a hundred thousand attendees. In a typical (2009) show, CES features twenty-seven hundred exhibitors spanning thirty product categories. Approximately twenty thousand new products will launch at this event. Trade shows are a major expenditure for companies; the typical mid- to large-size firm spends well over half a million dollars each year to display at shows. That's a lot of free T-shirts, tote bags, and sore feet by the end of the day.

Despite the appeal of these shows where freebies, parties, and networking (and the occasional drunk conventioneer) abound, there are alternatives to these massive schmoozefests. As travel costs continue to escalate along with concerns about the sizeable carbon footprint that a hundred thousand people create when they converge on convention sites like Las Vegas, some industries are starting to experiment with virtual trade shows that you attend from your desktop. Both IBM and Cisco are proponents of this alternative.

Some of these virtual shows are accessible via Web sites that give you access to hundreds of exhibitors, job listings, and so on. Others are even more adventurous; they are held in virtual worlds where your avatar can wander among aisles of exhibitors, look at new products, dialogue in real time with company representatives, even taste the free hors d'oeuvres (well, maybe not quite yet). Startup companies like Unisfair are moving aggressively into this virtual space.

One of the biggest advantages of a virtual trade show is that the exhibitors can track the behavior of potential customers who visit the show. Since attendees are anonymous, they won't be intimidated by pushy salespeople, so they're free to stay or leave when they choose.

Incentive programs, also known as push money, give salespeople or channel partners free trips, cash bonuses, or other gifts as a reward when they sell the manufacturer's product. For example, Revlon may give incentives to manicurists to recommend Revlon products to their clients.

Promotional products are the "swag" that companies give out, stuff like free pens, polo shirts, coffee mugs, and key chains emblazoned with a company's logo. The purpose is to keep the brand top of mind by keeping it visible in the channel partner's daily life. The most effective promotional products are ones that are attractive and convey a positive message about your product or services. They often keep a brand or company top of mind because the logo is hard to miss when you use or wear the premium.

Public Relations

The purpose of **public relations (PR)** is to build good relationships with the advertiser's publics, namely consumers, stockholders, legislators, and employees. We define PR as "communication that attempts to earn public understanding and acceptance of the firm by stressing the practices, policies, and procedures of an individual or the organization. This can be accomplished by identifying donations to charitable organizations, sponsorship of esteemed causes or events, contributions to individual, community, or societal well-being, and so on."

Although it's difficult to agree on a definition (depending who in the industry you ask), public relations frequently focuses on identifying and making public noteworthy information about clients, or creating newsworthy events for the purposes of heightening their clients' public profiles. Traditionally, communications professionals have perceived public relations differently from advertising, which is persuasive, controlled content paid for by an identified sponsor. To the contrary, PR messages are not purchased and placed, or ultimately controlled, by clients. If news or information pieces originating with PR sources ultimately make it into the public discourse, it is presumably because the items warrant attention on their own merits and the original source of the information—the public relations professional—is obscured.

Today, distinctions between the disciplines are less clear-cut: frequently, advertising agencies are instrumental in trying to cultivate social networks and free, word-of-mouth exposure for their clients. **Guerrilla marketing**, like events staged by public relations professionals that "ambush" consumers with messages in places they're not expecting to encounter them, can be effective ways of attracting highly valued news coverage for clients. Advertising agencies initiate and exploit consumer-generated content that is used for commercial purposes, thereby relinquishing control of the creative product in the process, much as PR professionals do when they issue press releases for editors to reformulate for their audiences. Some agencies take advantage of the relative anonymity of the Internet to develop positive chat and "consumer" reviews about their clients' products—the source of content promoting products is not always clearly linked to an agency source, as public relations sources are seldom identified as the source of stories featuring their clients.

Press Release

One core tool of public relations is the **press release**, which can be anywhere from a paragraph to several pages long. The press release is a report of an event that the marketer (or the marketer's PR agency) writes and distributes to the media in hopes that they will write about or feature the event. Related to the press release is the **video news release (VNR)**, which describes the event via video rather than words. The topics covered by press releases are wide ranging, but the common thread is that they are topical and newsworthy, such as announcing a new product, new research, or timely helpful information to consumers, such as romantic getaway ideas a travel company publishes ahead of Valentine's Day.

Press releases always conclude with contact information for the marketer and sometimes the PR company. This key piece is so that reporters can call for more information or an interview. A popular disseminator of press releases is *PR Newswire*; go to <http://www.prnewswire.com> to see the latest news releases.

Media Event

A company will often preannounce a forthcoming **media event** to garner attention for a product introduction, new channel partner, or major change in strategy. The goal is to give the media time to create background stories and bring reporters and news crews to the event to ensure the broadest possible audience. For example, when Apple brought the iPhone to the United Kingdom, it told the press that Steve Jobs, the company's CEO, would be making an announcement at Apple's London store in the heart of the city's main shopping district.

Publicity

Public relations often aims to generate **publicity**, which is unpaid communication about an organization that appears in the media. The success of a PR campaign is measured in terms of **impressions**—the number of times a company is mentioned in the media. For example, Ben & Jerry's ice cream created the world's largest baked Alaska for Earth Day 2005. It placed a 1,140-pound, four-foot-tall dessert made from Ben & Jerry's Fossil Fuel flavor in front of the Capitol in Washington, D.C., to symbolize the environmental damage that drilling in the wildlife preserve would cause. The program cost only \$40,000 but generated more than thirty million media impressions. The publicity program reinforced Ben & Jerry's brand as a socially conscious, green company while bringing attention to its ice cream products.

Dig Deeper

A publicity campaign for a late-night cartoon show backfired when it aroused fears of a terrorist attack and temporarily shut down the city of Boston in 2007. To promote the Cartoon Network TV show *Aqua Teen Hunger Force* (a surreal series about a talking milkshake, a box of fries, and a meatball), an agency placed prominent blinking electronic signs with hanging wires and batteries on bridges and in other high-profile spots in several U.S. cities. Most depicted a boxy cartoon character giving passersby the finger. Bomb squads and other police personnel required to investigate the mysterious boxes cost the city of Boston more than \$500,000—and a lot of frayed nerves. Can you identify other publicity stunts that ended badly? Or (as the saying goes) is it true that “there's no such thing as bad publicity” if the stunt calls attention to the client?

Crisis Management

As the Cartoon Network found out, publicity can cut both ways. Sometimes negative events happen to the company and the media reports these in great and glaring detail. Product defects, a serious accident at a company facility, management malfeasance, or major layoffs can tarnish the reputation of the firm. A company must be prepared to deal with such negative publicity.

Once the negative story is out there, there's nothing you can do except minimize the damage. That calls for **crisis management**. During such a time it's important to present your side of the story as clearly as possible and to demonstrate integrity as you correct any mistakes. The best way to do this is to have a *single spokesperson* talk with the media. This may mean “locking the business down” by asking everyone on the staff not to comment on the news story but to refer the question to the spokesperson so that the message is consistent and accurate. The most trustworthy spokesperson for the company is usually its CEO, because such high-level attention will show that the CEO stands behind the company.

When U.S. toy brand Mattel was forced to recall eighteen million toys after Chinese-made products were shown to be potentially unsafe, Mattel's CEO, Bob Eckert, explained what went wrong, apologized, accepted responsibility, and took action. During the time of crisis, it's crucial for the CEO or spokesperson to be upfront, direct, and very proactive. In addition to holding a press conference, Eckert filmed a separate online video apology. In his statements, he sympathized with parents, saying, “I'm a parent of four kids as well.” Mattel also took out full-page ads in major newspapers: the *New York Times*, the *Wall Street Journal*, and *USA*

Today. Finally, Mattel's Web site posted comprehensive recall details and explained how to receive a free replacement toy of equal value. Posting a response on their Web site is a faster way for companies to get the message out than might be possible through traditional media.

Personal Selling

Personal selling involves direct interaction between a company representative and the customer. The main advantage of personal selling is the ability to tailor the message to the customer in real time, responding not only to their questions but also to their body language and tone. This type of direct contact lets the salesperson address customer concerns, sometimes even when the customer hasn't voiced them aloud. Salespeople in fashion retail stores are ready (or at least they should be) with advice on how to accessorize an outfit or to help in deciding among outfits. Personal selling is even more important in products that are complex and require significant customer education or custom configuration. A sales force is a key part of medical products sales, information technology and solutions sales, or other complex products and services selling.

Team Selling

Personal selling can also be done through an outside network of sales reps. For example, Barefoot Parties sells loungewear, accessories, and gifts for women through at-home parties held by its sales agents. Agents get bonuses based on the amount of income the party generates in addition to a minimum base commission of 20 percent from the party sales.

Some products and services are so complex and intertwined that a **team sales approach** is needed, in which the selling is handled by a team of salespeople, technical specialists, field engineers, and supply chain specialists who coordinate the timetable from order to production to delivery. Telecommunications equipment provider Lucent uses this kind of team approach, pairing supply chain executives with sales reps on the sales team. Technical specialists work with the customer to design a cell phone network, for example. In one case, Lucent created a CDMA (Code Division Multiple Access) cell phone network for a customer in India. The network included over fifty switching centers, twenty-five hundred base stations, and three hundred thousand circuit pack and cables. Such complexity demands a team sales approach.

Sales Force Automation (SFA)

Marketing information systems and CRM systems often include tools to help the sales force. **Sales force automation (SFA)** includes a myriad of functions such as contact management, sales quote automation, sales order information, and reporting functions. The tools use CRM and other data to maximize the productivity and effectiveness of the sales force. For example, salespeople who use a service like Salesforce (<http://www.salesforce.com>) can keep track of their sales leads and construct their call schedules to be most efficient, while their managers can track their performance and identify bad and good performers easily.

Downsides of Personal Selling

The disadvantages of personal selling are its high labor costs and the corollary: it's difficult to reach large numbers of people when you try to speak them to one-to-one. Also, the information communicated may vary from the intended message. Sometimes salespeople, in an effort to "get the sale" or "go the extra mile" for their potential customer, may bend the rules in a way that's detrimental for the company, such as by promising a delivery date that forces the company to pay extra in expediting costs or overtime in an effort to meet the promised date. Worse, a company might suffer bad publicity as a result of a salesperson's unethical actions.

Direct Marketing

Direct marketing refers to sales communications delivered directly to individual customers through e-mail, direct mail, and telemarketing. The goal is to use information about individuals in order to present them with messages relevant to their needs and interests. The growth of consumer databases and improvement of technology and methods (such as advanced modeling and segmentation strategies) has led to increased use—and increased success—of direct marketing. For example, in the United States in 2006 direct marketing generated incremental sales of \$1.93 trillion, which was 10 percent of the GDP. Each dollar spent on direct marketing yields, on average, an ROI (return on investment) of \$11.65, compared to an ROI of \$5.29 for traditional advertising.

How does direct marketing fit into an integrated campaign? One application is to send a direct mail piece (usually a letter or package) to a targeted list of customers inviting them to visit a Web site where they can receive further information. For example, Pitney Bowes Mapinfo (a company that provides software and services to help business executives make location-based decisions, such as site selection) mailed executives one-half of a CD to drive the message that without the dimension of location, their

analysis is not complete. The mail piece gave executives a Web address from which they could download a free white paper to learn more about location intelligence. Mapinfo combined the direct mail piece with banner ads on business-publication Web sites (such as BusinessWeek [<http://www.businessweek.com>], Forbes [<http://www.forbes.com>], CNNMoney [<http://money.cnn.com>], and MSNMoney [<http://moneycentral.msn.com>]) to drive executives to the white paper. The result? Mapinfo received more than three thousand white paper downloads, of which more than 70 percent were senior management executives; more than thirteen hundred opt-ins to receive e-mail communications from MapInfo; and more than two hundred registrations for Mapinfo's webinar.

In another example, Babcock & Jenkins, a direct-marketing agency, developed an integrated campaign for Sun Microsystems. The campaign included direct mail, e-mail, telemarketing, and online marketing to drive potential new Sun customers to a Web site where they could register to win prizes in a sweepstakes. The campaign was a B2B (business-to-business) campaign in which Babcock & Jenkins helped Sun deliver leads to its channel partners (namely the resellers who sell Sun systems). The campaign generated 120 percent more registrations than expected. The success was due in part to demographic profiling that identified potential customers and why they buy, and then used an integrated campaign to reinforce the messages and reach customers in different ways. "We use an approach we call connected strategy," said Denise Barnes, president of Babcock & Jenkins, "integrating direct mail, e-mail, telemarketing, banners, newsletters, print, microsites, events, podcasts, webcasts and social media into one-to-one communications for our clients."

Dig Deeper

One of the issues direct marketing raises is that of violating people's privacy and of controlling a flood of offers that can be sent *en masse* to consumers, defeating the purpose of targeted, individual communications. The Direct Marketing Association (DMA) helps stem the tide of unwanted phone calls and e-mail (spam) through initiatives like e-mail authentication and by giving consumers the option to remove themselves from mailing lists or from prescreened credit card offers. What rights to privacy (and to not being disturbed at dinnertime) do consumers have? What happens to direct marketers who violate those rights?

Database Marketing

Many sophisticated advertisers understand that it makes sense to keep track of their customers—and perhaps even those who aren't their customers (at least yet!). **Database marketing** is a system of marketing that collects information from consumers and then uses it to build a long-term relationship with a customer. Today this strategy underpins many promotional tools, especially those that have an element of direct communications with the customer, such as personal sales and direct marketing. Databases contain customer names, addresses, purchase profiles, psychographic and demographic details, purchase patterns, media preferences, credit ratings, and other information that helps a company target and create the right message and offer for each customer. This data can come from sources such as internal sales data, online opt-in registrations, loyalty program data, contest forms, third-party database sellers, and public government records (e.g., home sales).

Customer Relationship Management (CRM)

For this reason, database marketing has evolved to be called **customer relationship management (CRM)**. CRM uses the specific information about individual customers to create more effective marketing communications specific to them. For example, if you know that an individual customer has a ten-year-old child, you can target her with offers relevant to children in that age group. Or, if you know that the customer has bought Lunchables, you can send her a coupon to stimulate a repeat purchase or to cross-sell a related product.

Loyalty Programs

Loyalty programs that reward customers for continuing to purchase from the company make extensive use of CRM. For example, the retailer Brookstone uses its loyalty program to recognize customers who have purchased from its store, catalog, or Web site before (using an e-mail address, phone number, or membership number to recognize the customer). Brookstone records every sales transaction across every channel (whether at the store, online, or through a catalog) and rewards the customer with credits based on how much they have purchased from the company. Customers can apply these credits toward future purchases; this cements their relationship with the company.

Behavioral Targeting

For better or worse, technological advances make it easier and easier for marketers to track us and our preferences very precisely. As we saw when we discussed target marketing, one hot trend is *behavioral targeting*, which refers to presenting people with advertisements based on their Internet use. For example, Microsoft combines personal data from the 263 million users of its free

Hotmail e-mail service—the biggest in the world—with information it gains from monitoring their searches. When you sign up for Hotmail, the service asks you for personal information including your age, occupation, and address (though you’re not required to answer). If you use Microsoft’s search engine it calls Live Search, the company keeps a record of the words you search for and the results you clicked on. Microsoft’s behavioral targeting system will allow its advertising clients to send different ads to each person surfing the Web. For instance, if a twenty-five-year-old financial analyst living in a big city is comparing prices of cars online, BMW could send her an ad for a Mini Cooper. But it could send a forty-five-year-old suburban businessman with children who is doing the same search an ad for the X5 SUV.

Going a step further, CBS recently announced that it is testing a system that customizes the ads you’ll see on your cell phone based on your location. Its CBS Mobile unit is teaming up with the social networking service Loopt, which allows its subscribers to track participating friends and family on their mobile phones. In the (near?) future, you might well find ads popping up on your cell phone from stores you are literally walking past on the street. Yes, they *are* watching you...

Dig Deeper

A 2006 survey found that 57 percent of the consumers it polled say they are willing to provide demographic information in exchange for a personalized online experience. And three-quarters of those involved in an online social network felt that this process would improve their experience because it would serve to introduce them to others who share their tastes and interests. However, a majority still express concern about the security of their personal data online.

How big a problem is this—and are consumers getting more or less concerned about potential invasions of privacy as behavioral targeting strategies proliferate? How do you feel about sharing your online behavior with advertisers?

Key Takaway

Advertisers have many tools to include in the promotional mix they design for a client; these include sales promotions, public relations, personal selling, and direct marketing. No one tool is perfect; each has strengths and weaknesses, and often the tools are most effective when they’re combined. For example, an ad campaign for a new movie can be paired with a sales promotion in partnership with a retailer—like when Burger King featured its “Which Spidey Suits You?” scratch-and-win game pieces on specially marked menu items.

EXERCISES

1. List and describe each of the elements of the promotional mix.
2. Identify which of the sales promotion tools can be personalized and customized, which reward customers for frequent patronage, and which reward distributors for sales performance.
3. Define public relations and demonstrate how marketers can use PR to meet communication objectives.
4. Explain the importance of “impressions” in gaining publicity.
5. Explain the role played by personal selling in the promotional mix.
6. Describe the role of direct marketing in increasing an organization’s promotion return on investment (ROI).
7. Discuss how database marketing can be used to further promotional mix objectives.

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