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<b>Submitter email</b>	mumtaz@code.dbuniversity.ac.in
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<b>Analysis address</b>	mumtaz.dbuni@analysis.arkund.com

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Sales and Promotions Management

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1 Chapter 1: Introduction to Integrated Marketing Communication Chapter 1: Introduction to Integrated Marketing Communication Objectives This chapter on Introduction to Integrated Marketing Communication covers 1. IMC as an integral part of marketing mix 2. Structure of advertising and promotion world 3. Challenges and opportunities of promotion career Introduction The marketplace is becoming an increasingly complex arena of competitors' activities within a rapidly changing international environment. Companies try to be heard in these sophisticated and cluttered market conditions. They make every effort to speak with clear voices about their activities, products, and services. It is critically important to ensure that whatever is communicated, reaches their intended audiences in a clear and consistent manner. Communication is a unique tool used by marketers in an attempt to persuade consumers to act in a desired manner. The purpose of communications is to directly or indirectly influence individuals, groups, and organisations to facilitate exchanges by informing and persuading one or more audiences to accept a company's products and/or services. Organisations' indirectly influence exchanges by communicating suitable information about their activities and products/services to interest groups such as current and potential investors, regulatory agencies, financial institutions, and society in general. Marketing communications help a company to justify its existence and maintain a positive and healthy relationship with different groups. The current view about marketing communications is an interactive dialogue between the organisation and its audiences, and that every type of brand contact with customers is important because it communicates something that can strengthen or weaken customers' view of the company. 1.1 IMC as an Integral Part of Marketing Mix Different marketing and communication functions are generally managed as totally separate entities and such companies do not realise that marketing communication tools should be coordinated for communication effectiveness and present a consistent image to target markets. Many companies recognise the need for increased strategic coordination of different promotional elements. Integrated Marketing Communication (IMC) is an attempt to coordinate various marketing and promotional activities to make marketing communication to target customers more effective and efficient. The first definition of IMC

by American Association of Advertising Agencies says: "... a concept of marketing communications planning that recognises the added value of

a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines -

for example, general advertising, direct response, sales promotion, and public relations -

and combines these disciplines to provide clarity, consistency, and maximum communications impact."

Don E. Schultz, "Integrated Marketing Communications:

Maybe Definition Is in the Point of View," Marketing News January 18, 1993. However, Don E. Schultz advocates for an even broader perspective that considers "all sources of brand and company contact that a customer or prospect has with a product or service. It requires firms to develop a total marketing communications strategy that recognises how all of a firm's marketing activities, not just promotion, communicate with its customers. To fully appreciate IMC perspective, one has to look through the consumer's eyes. Many consumers' views of advertising include not only the advertising in TV, print, and other media but they also consider door-to-door selling, shopping bags, and even community sponsored events as advertising. The perceptions of consumers about a company's image, its products, or services depend on a number of other elements than promotion alone. Besides advertising, personal selling, sales promotion, PR/publicity, direct marketing, and messages on the Internet etc., other elements such as, package design, price of the product

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or service, selected distribution outlets, displays, news reports, word-of-mouth, gossip, experts' opinions, and financial reports also communicate powerfully. All such communications, whether sponsored or not, create an integrated product in consumer's mind. This means that consumers, on their own, integrate all brand-related messages originating from the company or any other source and this determines their perception of the company. The objectives of integrated marketing communications are to coordinate all of a company's marketing and promotional efforts to project and reinforce a consistent, unified image of the company or its brands to the market-place. The IMC approach is an attempt to improve over the traditional method of treating promotion elements as totally separate activities. IMC is an increasingly helping company to develop most suitable and effective methods to contact customers and other interested groups. Thomas R. Duncan and Sandra E. Moriarty have called IMC as one of the "new generation" marketing approaches being used by companies to better focus their marketing efforts in acquiring, retaining, and developing relationships with customers and other stakeholders. A very important and fundamental reason, besides others, is the value of strategically integrating different elements of communications functions and take advantage of the resulting synergy among different tools in developing more effective and efficient marketing communication programmes. Experts say that IMC is one of the easiest ways to maximise return on investment in marketing and promotion. Tom Duncan and Steve Everett report that applying IMC in practice is tough as it leads to turf wars between departments and though companies want to adopt this, they do not know how to do it.

### 1.2 Structure of Promotion World

The major elements of promotion mix include advertising, sales promotion, personal selling, public relations and publicity, and direct marketing. Each element of promotion mix has its own unique attributes and associated costs. All these make up the structure of promotion.

#### Advertising

Advertising is any paid form of non-personal mass communication through various media to present and promote products, services, and ideas, etc. by an identified sponsor. Advertising can be extremely cost effective because it can reach a large population at a low cost per person and the message can be repeated several times. TV commercials combine movement, visuals, sound, and colour. A company can attempt to enhance its own image and that of its brand by including celebrity endorsers in its ads appearing in various media. TV advertising is expensive in terms of actual target audience reached. TV commercials are usually very brief to furnish meaningful information to audience. Advertising can rarely provide rapid feedback, measuring its effect on sales is difficult. Advertising clutter in almost all media is making advertising less capable of attracting consumer attention. Sales Promotion More recently, the Council of Sales Promotion Agencies has offered a more comprehensive definition, "Sales promotion is a marketing discipline that utilises a variety of incentive techniques to structure sales-related programmes targeted to customers, trade, and/or sales levels that generate a specific, measurable action or response for a product or service." Examples of sales promotions include free samples, discounts, rebates, coupons, contests and sweepstakes, premiums, scratch cards, exchange offers, early bird prizes, various trade deals, etc. All such offers generally include specified limits, such as offer expiry date or a limited quantity of merchandise. Sales promotions are aimed at either increasing immediate sales, to increase support among marketer's sales force, or gain the support of resellers of company product. Example: Recent scheme launched by ITC for its Aashirwad brand of wheat flour, wherein they are offering a small pack of Vivel shampoo free with 10 kg pack of Aashirwad aata is a sales promotion technique.

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Chapter 1: Introduction to Integrated Marketing Communication

**Personal Selling** Personal selling is a face-to-face paid personal communication and aims to inform and persuade prospects and customers to purchase products, services, or accept ideas of issues. It involves more specific communication aimed at one or several persons. Personal selling is most effective but also more expensive than other promotion mix elements. It provides immediate feedback, allowing sellers to adjust their sales messages to improve the impact on customers. Personal selling helps sales people to determine and respond to customers' information needs and also interpret body language.

**Public Relations and Publicity** Public relations is a broad set of communication activities employed to create and maintain favourable relationships with employees, shareholders, suppliers, media, educators, potential investors, financial institutions, government agencies and officials, and society in general, such as annual reports, brochures, events sponsorship, sponsorship of various programmes beneficial for society. Publicity is a tool of public relations. It is non-personal mass communication, but not paid for by the benefiting organisation for the media space or time. It appears in the form of news story about an organisation, its products, or activities. Some common tools of publicity include news releases, press conferences, and feature articles. Unpleasant situations arising as a result of negative events may precipitate unfavourable public reactions for an organisation. To minimise the negative effects of such situations leading to unfavourable coverage, companies have policies and procedures in place to manage help any such public relations problems.

**Direct Marketing** Direct marketing is vending products to customers without the use of channel members. It is a system by which firms communicate directly with target customers to generate the response or transaction. The response may be to generate an inquiry, a purchase, or even a vote. Direct marketing uses a set of direct-response media, such as direct mail, telephone, interactive TV, print, Internet, etc. Through these media, direct marketers implement the communication process. Most companies use primarily conventional promotion mix elements to move products through intermediaries, many companies are adopting direct marketing as well to reach customers directly to generate immediate behavioural response.

Task Find out all the sales promotional techniques that Coca Cola Company adopted in your city in last one year. 1.3

#### Structure of Advertising

Advertising is the structured and composed non-personal communication of information, usually paid for and usually persuasive in nature, about organisations, products, services, ideas by identified sponsors through various media.

First, advertising is a highly structured form of communication and employs both verbal and non-verbal elements. These elements are composed to fill predetermined space and time formats that are controlled by the sponsor. Second, the focus of advertising is directed to groups of people rather than to individuals and for this reason it is non-personal or mass communication. The groups might be personal consumers, organisations, resellers, etc. Third, most advertising is paid for by sponsors for the media time or space it uses to communicate its messages. However, sometimes public service messages are carried in media for which no payment is made. Fourth, although most advertising messages are intended to be persuasive to accomplish the desired selling function, some ads appear only to inform people, examples being legal announcements, change of address, obituaries, etc., without any persuasive intent. They are ads all the way because they satisfy other aspects of definition. Fifth, an ad identifies its sponsor. The identification of the advertiser does not remain unknown. The very purpose of advertising is to create awareness and distinction about a company or brand. The real-world sponsor is legally responsible for the created advertisement. Publicity may not be openly sponsored.

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One cannot think that advertising is neutral. All advertisements are controlled by the marketers and are intended to serve the advertiser's interest in some way. Advertising is an important element of promotion mix in most companies' marketing programmes. Almost all companies, whether large or small, domestic or multinational in the consumer goods, and services marketing and many industrial goods manufacturers use advertising. Most consumer goods companies depend heavily on advertising to sell their products.

#### 1.4 Challenges and Opportunities of a Promotion Career

Advertising, marketing, promotions and public relations manager coordinate their companies' market research, marketing strategy, sales, advertising, promotion, pricing, product development, and public relations activities. In small firms, the owner or chief executive officer might assume all advertising, promotions, marketing, sales, and public relations responsibilities. In large firms, which may offer numerous products and services nationally or even worldwide, an executive vice president directs overall advertising, marketing, promotion, sales, and public relations policies. Advertising managers: Advertising managers oversee advertising and promotion staffs, which usually are small, except in the largest firms. In a small firm, managers may serve as liaisons between the firm and the advertising or promotion agency to which many advertising or promotional functions are contracted out. In larger firms, advertising managers oversee in-house

account, creative, and media services departments. The account executive manages the account services department, assesses the need for advertising and, in advertising agencies, and maintains the accounts of clients. The creative services department develops the subject matter and presentation of advertising. The creative director oversees the copy chief, art director, and associated staff. The media director oversees planning groups that select the communication media – for example, radio, television, newspapers, magazines, the Internet, or outdoor signs – to disseminate the advertising. Marketing managers: Marketing managers develop the firm's marketing strategy in detail. With the help of subordinates, including product development managers and market research managers, they estimate the demand for products and services offered by the firm and its competitors. In addition, they identify potential markets – for example, business firms, wholesalers, retailers, government, or the general public. Marketing managers develop pricing strategy to help firms maximize profits and market share while ensuring that the firm's customers are satisfied. In collaboration with sales, product development, and other managers, they monitor trends that indicate the need for new products and services, and they oversee product development. Marketing managers work with advertising and promotion managers to promote the firm's products and services and to attract potential users. Promotions managers: Promotions managers supervise staffs of promotions specialists. These managers direct promotions programs that combine advertising with purchase incentives to increase sales. In an effort to establish closer contact with purchasers – dealers, distributors, or consumers – promotions programs may use direct mail, telemarketing, television or radio advertising, catalogs, exhibits, inserts in newspapers, Internet advertisements or Web sites,

in-store

displays or product endorsements, and special events. Purchasing incentives may include discounts, samples, gifts, rebates, coupons, sweepstakes, and contests. Public relations managers: Public relations managers supervise public relations specialists. These managers direct publicity programs to a targeted audience. They often specialize in a specific area, such as crisis management, or in a specific industry, such as health care. They use every available communication medium to maintain the support of the specific group upon whom their organization's success depends, such as consumers, stockholders, or the general public. For example, public relations managers may clarify or justify the firm's point of view on health or environmental issues to community or special-interest groups. Public relations managers also evaluate advertising and promotions programs for compatibility with public relations efforts and serve as the eyes and ears of top management. They observe social, economic, and political trends that might ultimately affect the firm, and they make recommendations to enhance the firm's image on the basis of those trends. Public relations managers may confer with labor relations managers to produce internal company communications – such as newsletters about employee – management relations-and with financial managers to produce company reports. They assist company executives in drafting speeches, arranging interviews, and maintaining other forms of public contact; oversee company archives; and respond to requests for information. In addition, some of these managers handle special events, such as the sponsorship of races, parties introducing new products, or other activities that the firm supports in order to gain public attention through the press without advertising directly.

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#### Chapter 1: Introduction to Integrated Marketing Communication

Work environment: Advertising, marketing, promotions, public relations, and sales managers work in offices close to those of top managers. Working under pressure is unavoidable when schedules change and problems arise, but deadlines and goals must still be met. Substantial travel may be involved. For example, attendance at meetings sponsored by associations or industries often is mandatory. Sales managers travel to national, regional, and local offices and to the offices of various dealers and distributors. Advertising and promotions managers may travel to meet with clients or representatives of communications media. At times, public relations managers travel to meet with special-interest groups or government officials. Job transfers between headquarters and regional offices are common, particularly among sales managers. Long hours, including evenings and weekends are common.

In 2006, about two-thirds of advertising, marketing, and public relations managers worked more than 40 hours a week. Case Study Promotions at Pizza Hut P izza Hut has a sense of occasion, of being there at the right time. Be it a heart-shaped pizza on Valentine's Day or a special promotion during the Cricket World Cup, Pizza Hut is on the ball - with eye catching promotions. In the summer of 2000 in New Delhi, Pizza Hut launched its innovative Pizza Pooch menu as well as a Birthday Party package exclusively for kids in the 6 - 10 years age group. Senior marketing manager, Tricon Restaurants International said, "There is a specific reason to cater to this segment. Though, at this age children are under their parents' guidance, they perceive themselves to be teenagers and have the ability to choose or demand a particular brand of their own choice." The \$ 20 billion Tricon Restaurants that owns Pizza Hut, Taco Bell and Kentucky Fried Chicken (KFC) has nearly 29,000 outlets globally. The largest number of Pizza Hut outlets is in Paris, followed by Moscow and Hong Kong. Pizza Hut started operations in India nearly seven years ago with just a single outlet. It has realised the cultural differences in India and importance of religion in the consumption pattern of certain sub-cultures. Today it has spread in several cities and it also has a 100 per cent vegetarian restaurant in Ahmedabad. Innovative promotional activities and a popular logo have helped Pizza Hut expanding. The senior marketing manager said, "Our focus is not just on offering a great pizza but also on providing excitement and good customer service." The manager further emphasised on the customer focused operations and intensive research done to find customer needs and satisfaction. Besides, Pizza Hut conducted in-house research on psychographics of Indian consumer that led to the use of cartoon characters in campaigns. The Indian Market Research Bureau (IMRB) also carries out regular surprise checks at different outlets to monitor the quality of service. Moreover, a regular test, CHAMPS (Cleanliness, Hospitality, Accuracy of order, Maintenance, Product quality and Speed of service) is conducted in-house.

The company says that its Pizza Pooch birthday package is full of fun and excitement. What is unique in the package is the nominal price of

Rs. 125

per child that offers much more than only goodies in the main menu. The birthday party includes a well-decorated area within the Pizza Hut outlet with several gifts for the children. Moreover, the party is conducted by a trained host with lots of games, prizes and a special gift for the birthday child. Pizza Hut, better known as a family restaurant, takes the onus of relieving parents of the cumbersome job of clearing up the mess after the kiddies have enjoyed themselves thoroughly. The Pizza Pooch menu, on the other hand, includes a wholesome delicious meal and a gift for the child. The menu has been intricately designed with pictorial games. A free set of crayons is provided to keep the children occupied while their parents dine. The campaigns created by HTA are eye-catching with cartoon characters on the mailers, hoardings and print advertisements where the cartoon characters are aimed at matching varying moods of kids. The birthday part concept is not entirely original - local fast food major Nirula's has been doing it for years as does KFC.

Contd...

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Questions 1. Do you think Pizza Hut promotion is successful? Give your reasons.

Ans. Yes, Pizza Hut promotion is successful. Pizza Hut always comes up with unique ideas to delight consumers. Their idea to attract kids to their outlets was indeed very creative. As more and more nuclear families are coming up, children are fast gaining the status of influencers in families. They can influence their parents to choose a particular brand. Also with more westernization, fast foods like Pizza, have become very popular among the youth including kids. So, Pizza Hut tried to attract this segment by coming out with special plans. Though the plan was not entirely original, it was creative and well conceived by the kids. 2.

Suggest one alternative promotion to attract girls to Pizza Hut. Why do you think this would be successful?

Ans. To attract girls, Pizza Hut can come up special packages for group of girls. They can provide free coupons or attractive discounts to college girls. Moreover, they can second this offer with discount coupons with which they can avail discounts on cosmetics. This promotion can work as college girls mostly like to hang out in groups and they can be attracted by group discount and free coupons. Since girls are deeply interested in cosmetics, they can be lured particularly by this offer as they can get quality Pizza at low cost and also cosmetics at discount.

Source: A&M, August 15, 2000 1.5 Summary ? The purpose of communications is to directly or indirectly influence individuals, groups, and organisations to facilitate exchanges by informing and persuading one or more audiences to accept a company's products and/or services. ? The current view about marketing communications is that it is an interactive dialogue between the organisation and its audiences and that every type of brand contact with customers is important because it communicates something that can strengthen or weaken customers' view of the company. ? Major promotion mix elements include advertising, sales promotion, personal selling, public relations publicity, and direct marketing. Each has its advantages and limitations. ? Advertising is any paid form of non-personal mass communication through various media to present and promote products, services, ideas, etc. by an identified sponsor. ? Sales promotion is a marketing discipline that utilises a variety of incentive techniques to structure sales-related programmes targeted to customers, trade, and/or sales levels that generate a specific, measurable action or response for a product or service. ? Personal selling is a face-to-face paid personal communication and aims to inform and persuade prospects and customers to purchase products, services, or accept ideas of issues. ? Public relations is a broad set of communication activities employed to create and maintain favourable relationships with employees, shareholders, suppliers, media, educators, potential investors, financial institutions, government agencies and officials, and society in general, such as annual reports, brochures, events sponsorship, sponsorship of various programmes beneficial for society. ? Publicity is a tool of public relations. It is non-personal mass communication, but not paid for by the benefiting organisation for the media space or time. It appears in the form of news story about an organisation, its products, activities, etc. ? Direct marketing is vending products to customers without the use of channel members. It is a system by which firms communicate directly with target customers to generate the response or transaction. ? Selection of promotion mix elements depends on the nature of product and target market characteristics. ? Advertising, marketing, promotions and public relations manager coordinate their companies' market research, marketing strategy, sales, advertising, promotion, pricing, product development, and public relations activities.

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#### Chapter 1: Introduction to Integrated Marketing Communication 1.6

Keywords Account Executive: Maintains the accounts of the clients Advertising: Paid form of non-personal communication Creative Director: Oversees copy chief, art director and associated staff Direct Marketing: Vending products to customers without use of channel members Integrated Marketing Communications: Attempt to coordinate marketing and promotional activities Market Research Managers: Estimates demand for products and services offered Media Director: Oversees planning group that selects communication media Personal Selling: Face to face personal communication Publicity: Non-personal communication, not paid for by the benefiting company Sales Promotion: Short term incentives to boost sales 1.7 Self Assessment 1. State whether the following statements are true or false: (

a)

Marketing communications is a continuing dialogue between buyers and sellers. (b) Promotional techniques are instrumental in building company image. (c) Publicity can be a paid form of promotion with personal touch. (d) Sweepstakes is a technique used in personal selling. (

e)

Promotion managers take care of media space buying. 2. Fill in the blanks: (

a)

Regular repetition of advertisements of the same brand ..... its image. (b) Buy one get one free scheme is a technique used for ..... (

c) Dell and Eureka Forbes use ..... for promotion. (d)

Vodafone advertisements featuring the pug that shows better network coverage and prompt customer care are ..... advertisements. (

e) .....

take media buying decisions. 1.8 Review Questions 1. A start up, low-budget company wants to market its detergent powder in a phased manner. Suggest what promotional method(s) should it adopt, and why? 2. Suppose you are the marketing manager of a company. Your company was recently in news due to fraudulent allegations. What can do to improve your company's image? 3. Bring out the differences in advertising and publicity. Which one, according to you is more effective? 4. Critically analyse sales promotion as a promotional tool. In what situations, sales promotions most appropriate? 5. "Every type of brand contact with customers is important because it communicates something that can strengthen or weaken customers' view of the company". Discuss.

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To fully appreciate IMC perspective, one has to look through the consumer's eyes". Do you agree? Give reasons 7. Critically analyse direct marketing and personal selling as promotional tools. 8. How can advertising add to the identity of the company? Do you think that advertising is better than other promotional tools? Why? 9. Explain what do you mean by new generation marketing approaches? How do they differ from earlier approaches? 10. If given a chance would you like to be an advertising manager of a company? Why or why not? Answers: Self Assessment 1. (

a) T (b) T (c) F (d) F (e) F 2. (a) Reinforce/Enhance (b) Sales Promotion (c) Direct Marketing (d) Persuasion (e) Media Directors 1.9 Further Readings Books

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Chapter 2: Managing Advertising Chapter 2: Managing Advertising Objectives This chapter on Managing Advertising covers 1. Elements of advertising strategy 2. Finding the big idea 3. Execution of print advertisements 4. Execution of television commercial 5. Execution of radio commercial 6. Execution of online advertisements

Introduction The history of advertising goes back to nearly 3000 BC. Communication has been a part of the selling process ever since the exchange of goods started between people. The basic reason for using advertising was the same as it is now. Modern advertising is largely a product of the twentieth century. The contribution of modern technology and research has led to high degree of sophistication in advertising. This chapter will deal with the basics of advertising.

Advertising strategy will include the determination of the advertising objectives that helps in understanding and evaluating the campaign in a better way, situational analysis that helps in knowing the current market conditions pertaining to advertisements, defining the target audience that helps channel all the efforts in the right direction and allocation of budget. This chapter also includes insights into the big idea and the creative execution by the advertisers. 2.1

The Advertising Strategy Advertising must fit nicely into the marketing plans and can occur at three levels. The company can have an annual advertising plan, or the company may have an annual plan and advertising campaign plan that is closely focused on solving a specific communications problem. The third choice is to develop a copy strategy for an individual ad that runs independent of any campaign. The advertising plan and ad campaign are similar in outline and structure. A campaign is an interrelated and coordinated set of promotional activities that focus on some single theme or idea and is built to accomplish some predetermined objective(s). An ad campaign includes a series of ads placed in different media based on an analysis of marketing and communication situations. An advertising plan aims at matching the right target audience to the right message and presents it in the right medium to reach that audience. Usually, a campaign theme is developed to last for a long time, but depending on an advertiser's short-term objectives it could be short as well. Many campaign themes last only for a very short time because either they prove ineffective, or lack respond to changes in competitive or other marketing conditions. Some advertisers change their campaign themes often while some successful campaigns may last for years. For example, Nike has been using "Just do it" for quite sometime, and DeBeers theme "Diamonds are forever," has been continuing for a very long time, and "Marlboro country" campaign has continued for more than 40 years. Advertising planning and managing steps include situation analysis, identifying target audience, determining objectives, setting budget, advertising strategy implementation, and evaluation. In most cases the ad agency's accounts executive develops the advertising plan or campaign. 2.1.1 Situation Analysis Marketing plan provides the details pertaining to brand share, anticipated market conditions, competitors' share and past moves, and any legal constraints concerning the product category. The first step is to research and review the current business

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situation that is relevant to advertising. The aim is to analyse important current trends affecting the market, competitors' share and past moves, consumer behaviour, the company itself and earlier advertising and its impact, and the important attributes of product or brand and making sense of all this information and analysis to determine what should be done for the future success of the product or brand. It is difficult to achieve perfection in analysis and there will always be some aspect that is overlooked or improperly analysed, but it is best to analyse the situation to identify communication problems that hinder successful marketing of the product or brand and what advertising can do to create or take advantage of the opportunities. Clearly identifying the communication problem that advertising can successfully address is at the heart of advertising planning. In case of new product situation, more in-depth analysis of various aspects of the market would be needed and involve research of some kind. Good advertising starts with a clear understanding of marketing goals based on thorough market analysis and the aim is to explore the answers to the two basic questions: Where are we today? And, how did we get here?

**2.1.2 Target Audience** A critical decision is to define the specific target audience for the product or service and involves finding and precisely defining those variables that indicate who and where are the best prospects in respect to demographic characteristics, geographic location, psycho-graphic variables, and behavioural patterns. Typically, this is larger than the target market. For example, the advertiser may target the heavy users but many light and non-users are also exposed to the message. Ned Anshuetz found that brand popularity cuts across all levels of purchasing frequency. It will also be necessary to find out the accessibility of the target audiences. Obviously, how the target audience is defined would influence the message and media strategies. Consumer research may be needed to find out: 1. Who buys the product? 2. What do they really buy? 3. When do they buy? 4. Who is the end-user? Knowing the target audiences' life-style, motivations, and behavioural patterns, etc. helps in deciding whom the advertiser wants to reach, and also helps creative people to write messages for real audiences and communicate more effectively.

**Bases for Market Segmentation**

**Geographic Segmentation:** Geographic units are the basis to divide the markets. These units may be nations, states, regions, areas of certain climatic conditions, or urban and rural divide. For example, Tata Safari considers the terrain as one of the segmentation variables. People in West Bengal have different food habits than people in South India. Exporters often divide the market as Western countries, African countries, etc.

**Demographic Segmentation:** Market segmentation can be based on demographic variables such as race, age, sex, family size, income, education, and social class. Example: Shaving products for women are based on demographic variable of gender. Toy manufacturers, such as Funschool, Fisher Price, and Mattel Toys segment the market on the basis of age of children. Pepsi and Coca-Cola segment on the basis of age. Automobile manufacturers segment the market on the basis of income as an important variable. Producers of refrigerators, washing machines, microwave ovens etc. take family size as one of the variables in segmenting the market. Some readymade garment producers segment the market on the basis of social class, such as Van Heusen, Louis Philippe, Chirag Din, Arrow, Zodiac and others. In general, the social class can represent lower, middle, or upper class depending on education, income, and status, etc. For example, an engineer and a clerk are considered as members of different social class.

**Psychographics Segmentation:** When segmentation is based on personality or life-style variables, it is called psychographics segmentation. Consumers have a certain image of themselves. This describes their personality. There are people who are ambitious, aggressive, confident, impulsive, modern, conservative, loners, gregarious, extrovert, and introvert, etc. Some

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motorcycle manufacturers segment the market on the basis of personality variables, such as macho image, independent, and impulsive. Some liquor, cigarette, apparel manufacturers, and others segment the market on the basis of personality and self-image. Marketers often are not concerned about measuring how many people have the characteristic because they assume that a substantial number of people in the market either have these characteristic or want to have them.

**Life-style:** This indicates how people live and spend their time and money. Life-style analysis provides a broad view of consumers because it segments markets on the basis of how they spend their time (activities), the importance of things in their surroundings (interests), and their beliefs on broad issues and themselves (opinions). This is popularly called AIO analysis. Demographic variables are also used in life-style segmentation. Table 2.1 presents some dimensions from major categories of life-style.

Table 2.1: Life-style Categories and Examples

Activities Interests Opinions Demographics Work Family Themselves Age Hobbies Home Social issues Education Social events Job Politics Income Vacation Community Business Occupation Entertainment Recreation Economics Family size Club membership Fashion Education Dwelling Community Food Products Geography Shopping Media Future City size Sports Achievements Culture Stage in life cycle Source: "The Concept and Application of Life Style Segmentation." By Joseph T. Plummer Journal of Marketing, p. 34, published by American Marketing Association. There are other approaches to using psychographics segmentation. Stanford Research Institute (SRI) developed a popular approach to psychographics segmentation, called VALS (values and life-styles), based on Abraham Maslow's theory of need hierarchy and the concept of personality characteristics developed an approach to segment consumers according to their values and life-styles in U.S.A. Advertisers faced some problems with this method and SRI refined the research as VALS 2, which puts less emphasis on values and more on psychological support of consumer behaviour. This approach predicts consumer behaviour by profiling their attitudes. According to the current classification scheme (Figure 2.1), VALS typology breaks consumers into eight groups based on their primary motivations and resources. Primary motivations represent the type of goals, pattern of attitudes and activities that help people reinforce, sustain, or modify their social self-image. This is a fundamental human need. This scheme shows consumers' primary motivations as: Ideals, Achievement, and Self-expression. Each of these three main motivations typifies distinct attitudes, life-styles, and decision-making approaches. The scheme shows a kind of continuum: high resources - high innovation to low resources - low innovation. Ideals, achievement, and self-expression are three specific patterns that relate to consumer behaviour. Consumers with the ideals (principles) motivation get involved in introspection to make choices and are less inclined to consider physical experiences or social pressure. Choices of consumers with achievement motivation are in relation to the anticipated reactions and concerns of others in the group to which they belong. Those with self-expression (action) motivation base their choices on consideration to related activity. They place value on feelings resulting from action. Innovators (formerly actualisers): This segment is small in size compared to other seven but may be the most attractive market because of their high incomes. They are among those who are at the leading edge of change. Innovators are established or getting established leaders in business or government, yet they seek challenges. Image is important to them as an expression of their taste, independence, and character. These people are successful, sophisticated, active, and with high self-esteem. They are interested in growth and development; they explore, and express themselves in many different ways. They have social and intellectual interests, and are open to social change. They are guided sometimes by ideals and at other times by desire and are fond of reading. They prefer premium products to display their success to others.

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Innovators Survivors Thinkers Believers Achievers Strivers Experiencers Makers Low Resources Low Innovation High Resources High Innovation Primary Motivations Ideals Achievement Self-Expression Source: www.future.sri.com Thinkers (formerly fulfilled): Thinkers distinctive feature is that they adopt a rational approach to decision-making. Thinkers are motivated by ideals and exhibit behaviour according to the views of how the world is or should be. They are mature in their outlook, satisfied, comfortable, are well-educated, reflective people who value order, knowledge, and responsibility. They like their home and family, are satisfied with their careers, and enjoy their leisure activities at home. They are open-minded about new ideas and accept social change. As consumers, they are conservative and practical. They purchase products for their durability, functionality, and value. Believers: Both, thinkers and believers are motivated by ideals. They are not well-educated and the moral code of conduct is deeply rooted in their psyche and is inflexible. Believers are conservative, conventional and have deep beliefs based on tradition, family, religion, and community. Their routines are established and largely influenced by home, family, religion, and social organisation. Their behaviour as consumers is predictable and conservative. Their income is modest but enough to meet their needs. Achievers: They are motivated by the desire for achievement and make choices based on a desire to enhance their position, or to facilitate their move to another group's membership for which they aspire. They have goal-oriented life-styles and a deep commitment to career and family. They are more resourceful and active. Achievers are inclined to seek recognition and self-identity through achievement at work and in their personal lives. They have high economic and social status and patronise prestige products and services and time-saving devices that exhibit success to their peers. They value consensus, predictability, and stability over risk, and intimacy. Strivers: They are trendy and fun-loving and are motivated by achievement. They are dependent on others to indicate what they should be and do. They believe money represents success and never seem to have enough of it. Their self-definition is based on approval and opinion of others around them. They are impulsive by nature, get easily bored, are unsure of themselves, and low on economic, social, and psychological resources. Strivers try to mask the lack of enough rewards from their work and

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family, and to conceal this they attempt to appear stylish. They try to emulate those with higher incomes and possessions, generally beyond their reach. Strivers are active consumers, shopping to them is both a social activity and an opportunity to show their peers their ability to buy. They read less but prefer to watch television. Survivors (formerly strugglers): They have narrow interests; their aspirations and actions are constrained by low level of resources. Strivers are comfortable with the familiar and are basically concerned with safety and security. They are ill- educated, with strong social bonds, low-skilled, and are poor. They feel powerless and unable to have any impact or influence on events and feel the world is changing too quickly. As consumers they show the strongest brand loyalties, especially if they can purchase them at a discount. They are cautious consumers and represent only a modest market. They watch a lot of television, read women's magazines, and tabloids. Experiencers: They are young, full of vitality, enthusiastic, impulsive and rebellious and motivated by self-expression. They are avid consumers and spend a high proportion of their income on fashion, entertainment, and socialising. Their desire is to feel good and having "cool" stuff. They are college educated and much of their income is disposable. They have an abstract disregard for conformity and authority. Experiencers seek excitement and variety in their lives and like to take risks. Their patterns of values and behaviour are in the process of being formulated. They are fond of outdoor recreation, sports, and social activities. They spend heavily on clothing, music, and fast food. Makers: Their motivation is self-expression. They like to be self-sufficient, have sufficient income and skills to accomplish their desired goals. Makers are energetic, like to experience the world, build a house, have families, raise children, and have sufficient skills backed with income to accomplish their projects. They are practical people and have constructive skills and energy to carry out their projects successfully. Their outlook is conservative, they are suspicious of new ideas, respect government and authority, but resent any intrusion on their rights. They are not impressed with others wealth and possessions. Life-style segmentation is particularly useful as a variable in case of product categories where the users' self-image is considered an important factor, for instance perfumes, beer, jewelry, autos, and other ego-intensive products. Psychographics segmentation variables are used on a limited scale for several reasons. To accurately measure psychographics variables is rather difficult, compared to other types of segmentation bases. The relationship between psychographics variables and the consumer needs is often difficult to document. Psychographics segments may not be reachable. For example, it may be difficult to reach introverted people at a reasonable cost. Caution There are two versions of the VALS analysis, VALS 1 and VALS 2. The one explained above is VALS 2.

### 2.1.3 Advertising Objectives

Objectives help communications between the ad agency accounts executive and the creative team members, and help coordinate the efforts of copywriters, media specialists, media buyers, and professionals involved in advertising research.

Objectives also provide a standard against which the results can be measured. Sales are a convenient and really attractive advertising objective for many managers but they are usually unsuitable for most advertising managers because advertising is just one factor among many others that influence sales. Other factors that may have a significant effect on sales are product features, price, distribution, personal selling, publicity, packaging, competitors' moves, and changing buyer needs, etc. Many experts recognise the fact that advertising creates delayed or carryover effect and no matter how much money is spent on advertising, it may not necessarily have an immediate impact on sales. The carryover effect creates additional difficulty in determining the precise relationship of advertising and sales. Darral G. Clarke found that for low-priced, mature, and frequently purchased products the carryover effect of advertising on sales lasts, up to nine months. Understanding specific consumer problems is often the key to developing appropriate advertising campaign. Advertising creates its most powerful impact when it is used to solve narrowly defined Short-term advertising objectives are realistic and long-term objectives are ambitious. Advertising communications objectives can be put in a pyramid form. First the lower- level objectives, such as awareness, knowledge or comprehension are accomplished. Subsequent objectives may focus on moving prospects to higher levels in the pyramid to elicit the desired behavioural responses such as, associating feelings with the brand, trial, or regular use etc. It is easier to accomplish ad objectives located at the base of the pyramid than the ones

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towards the top. The percentage of prospective customers will decline as they move up the pyramid towards more action- oriented objectives, such as regular brand use. Irrespective of the fact whether the brand is new or established, the pyramid can be used to determine appropriate advertising objectives. What is required is to determine, where the target audience lies with respect to the various levels in the pyramid. Some possible objectives can be: 1. Increasing the percentage of target consumers who associate specific features or benefits with company's brand. 2. Increasing number of target consumers who prefer company's brand rather than competing brands. 3. Increasing company's brand usage rate among existing consumers. 4. Encouraging company's brand trial among non-users.

Task Suppose you are the advertising manager for a detergent brand. Set the objectives for your advertising campaign. Russell H. Colley proposed DAGMAR (Defining Advertising Goals for Measured Advertising Results) approach. He also proposed 52 advertising objectives. Colley believed

communications effects are the logical basis for setting advertising objectives. "

Advertising's job, purely and simply, is to communicate to a defined audience, information and a frame of mind that stimulates action. Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time and at the right cost." DAGMAR approach

proposes

that communications objectives be based on a hierarchical model with four stages: 1. Awareness: Involves making target audience aware of the existence of the brand or company. 2. Comprehension: The purpose is to develop an understanding among audience of what the product is and what it would do for them. 3. Conviction: The objective is to create a mental disposition among target audience members to buy the product. 4. Action: To motivate target audience to purchase the product or service.

Advertising for Various Stages Behavioural Dimensions Steps Toward Purchase Conative POP advertising. Testimonials Price/quality appeals Purchase Conviction

The realm of motives. Ads stimulate or direct desires. Preference Affective The realm of emotions, attitudes, and feelings Comparative ads. Argumentative copy. The realm of thoughts. Beliefs. Cognitive " Image" copy. Status, glamour appeals. Liking Knowledge Descriptive copy. Slogans, jingles, etc. Awareness Ad repetition, teaser ads.

Source: Based on Lavidge and Steiner Model

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It is interesting to note that advertising communication objectives awareness, knowledge or comprehension, liking, preference, and conviction are all mental responses, not visible to an observer. One can easily appreciate that, advertising objectives in terms of audiences' purchase behaviour are fundamentally just two: Product trial and repeat purchase. Both of these are observable and measurable. 2.1.4

Product Positioning The product is a "bundle of values" offered to the consumer. Dabur Chyavanprash is meant for the entire family, while the Baidyanath Chyavanprash is positioned for growing children. While writing the advertising plan the concerned manager must develop a simple statement describing the product and its positioning - how the advertising will present the product to audiences. Foote, Cone, & Belding model, Rossiter and Percy grid and Kim and Lord grid have shown how different kinds of products (high and low-involvement) typically give rise to different levels and types of consumer involvement. These models help in determining which type of advertising would be most appropriate for different types of products or services, keeping in view the level of involvement and the type of consumer motivation. 2.1.5

The Communications Media Communications media involve all the media vehicles that might carry the marketer's advertising message and include TV, radio, newspapers, magazines, billboards, Internet and others. The selection of right media vehicle(s) is very important to reach the targeted audience. 2.1.6 The Advertising Message Advertising message involves everything that the marketer plans to say in its ads and how it plans to say both verbally and non-verbally are critical aspects. Both the advertising agency and the client team must understand and agree to these four elements of advertising strategy before beginning any creative work. In most advertising agencies, the account management is responsible for developing strategy. In some agencies, depending on the necessity, account planners first research the market. Then they prepare the advertising strategy in consultation with account management personnel and their final approval. After completing the task of strategy development, account department prepares a creative brief (often referred as copy platform, a work plan, copy or creative strategy document) to communicate the strategy to the creative team. It is a simple written statement of the most significant issues to consider and guide the team in the development of an advertisement or campaign. The statement addresses the following issues: 1. Who? Who is the potential customer in terms of geographic, demographic, behaviouristic and psychographics qualities? What is the personality profile of a typical prospect? 2. Why? Does the consumer have specific needs and wants the ad message should focus upon and appeal to? There are two broad categories of appeals. Rational appeals are directed at the consumer's practical, functional need for the product or service, whereas the emotional appeals aim at the consumer's psychological, social and symbolic needs. 3. What? Are there any special features of the product or service to satisfy the consumer's needs? What factors support the product claim? How is the product positioned? What image or personality of the brand can be created or has been created? What perceived strengths or weaknesses of the brand need to be addressed? 4. Where, when, and how? In which market area, what time of the year and through what medium will these messages be delivered? 5. What style, approach, or tone (emotional or factual) will the campaign use? Generally what will the copy say?

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Maslow's Need-hierarchy and Selected Advertising Appeals

Rational Approach Emotional Approach Self-actualisation Needs Opportunity for more leisure Ambition avoidance of physical labour Curiosity Entertainment Pleasure of reaction Simplicity Games and sports, physical activity Esteem Needs Dependable quality. Dependability in use Enhancement of earnings Variety of selection Pride of personal appearance Pride of possession Style/beauty Taste

Social Cleanliness Cooperation Romance Needs Economy in attraction Devotion to others Guilt, shame Humour Home comfort Sexual Social achievement Social approval Sympathy

Safety Needs Durability Safety Protection of others Fear, health Security Physiological Needs

Rest, sleep Appetite Personal comfort Creative brief only identifies the benefits to be presented to the consumers but how these benefits will be presented is the domain of creative specialists. A typical creative brief may include the following: 1. An Objective Statement: A specific, concise statement of what the advertising is expected to achieve or what problem is it supposed to solve. The statement also includes the name of the brand and a specific but brief description of the target audience. 2. A Support Statement: A brief statement of the evidence that backs up the product promise. 3. A Tone or Brand Character Statement: A brief description of the tone of advertising or the long-term brand character. Tone statements refer to short-term emotional description of the advertising strategy (tone may convey quality, beauty, sophistication, etc.) Brand character statements relate to long-term descriptions of brand's values (finest material, patented technology, hand-crafted, etc.) 2.1.7

Budget Allocation Advertising objective setting may be significantly influenced by the limitations of the budget. Budget decisions are critical as the money spent on advertising may mean, the difference between success and failure. The greatest power of advertising lies in its cumulative, long-term reinforcement effect. It builds consumer preferences and goodwill, which helps to enhance the reputation and value of the company's name and its brand. As an element of marketing communications mix, advertising is an investment in future sales. Unfortunately, budget allocated to advertising is considered as current business expense, cutting into profits, rather than an investment. For this reason when a firm faces tough times, the axe falls on advertising expenditures like other expense items. This is understandable but short-sighted,

as this may affect the brand's image and erode its equity. According to Robert D. Buzzell and Frederick D. Wiersema, market share is a prime indicator of profitability. 1. Additional advertising normally increases sales, but at some point, however, the rate of return declines. 2. Sales response for advertising may build over time, but it is not durable, and a consistent investment is important. 3. There are minimum levels of ad expenditure below which, advertising expenditures have no effect on sales. 4. There will be some sales even if the marketer does not advertise. 5. Culture and competition impose saturation limits and beyond this no amount of advertising can increase sales. Setting advertising budget is not an easy task. There is no way to be absolutely certain that a company is spending the right amount. Some critics say that large consumer packaged goods marketers tend to spend too much on image advertising without

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Advertising really knowing its effects. They overspend as a form of "insurance" against not spending enough. Industrial companies generally underspend on advertising, underestimating the power of company and product image in pre-selling and tend to rely too heavily on their sales forces to bring in sales. Marketers should consider some specific factors when

setting the advertising budget: 1. Product life cycle stage: New products typically need large advertising budget to create awareness,

develop preference, and induce product trial/purchase. Mature brands usually require lower budget

as a ratio to sales. 2. Market share: Brands enjoying high market share usually need more advertising push as a percentage of sales

compared to low-share brands. Taking share from competitors requires larger advertising expenditure than just maintaining the current status. 3. Intensity of competition and clutter: In a market with many competitors and high spending on advertising, there is bound to be advertising clutter. A brand must advertise more heavily to be seen and heard above the noise in the market. 4. Advertising frequency: When many advertising repetitions are needed to communicate the brand's message to the target consumers, the advertising budget must be large. 5. Product differentiation: When a brand cannot be differentiated significantly and resembles other brands in a product category, it requires heavy advertising to set it apart from its competitors. Ama Carmine found that high amount of advertising perceived by consumers is often interpreted as an indicator of product quality. Consumers reason being that because of high quality the advertiser is backing the product with high intensity of advertising.

### 2.1.8 Advertising Strategy Implementation

Advertising strategy has four important elements of creative mix: Identifying the target market and defining the audience, deciding the product's positioning, developing advertising message, and selecting the communication media. Advertising objectives determine what is desired in terms of consumer response, and advertising strategy describes how to accomplish the objectives.

### 2.2 The Big Idea

After developing the advertising strategy, the next step is the creative process. The creative team develops a message strategy and the search begins for the big idea. The message strategy may be developed before, during, or after the creative process of searching for the big idea. "The Great Idea in advertising is far more than the sum of the recognition scores, the ratings and all the other superficial indicators of its success; it is in the realm of myth, to which measurements cannot apply." –Leo Bogart

#### Notes Great Advertising Elements

The Creative Council of David Ogilvy & Mather Worldwide found that examples of great advertising have certain elements in common:

1. Potent strategy: The strategy is the heart of advertising. It is impossible to do great advertising if the strategy is weak or does not exist at all.
2. A strong selling idea: Great advertising promises a benefit to the consumer. The idea must be simple and it must be clear. The brand must be integrated into the selling idea.

Contd....

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Stands out: A great ad is memorable, even when competing for attention with news and entertainment. 4. Always relevant: Prospects can always relate the advertising to their experience and to the role of the product in their lives. 5. Can be built into campaign: No matter how clever an idea may be, if you cannot make it into a campaign, it is not a great idea. Source: Luis Bassler, "Creative Paths to Great Advertising." Viewpoints, September/October 1991, pp. 23-24 In the ad biz, "The Big Idea" is the Holy Grail, the creative solution that in a few words or images sums up the compelling reason to plop down your hard-earned cash for something you may not have known you even needed. Big Ideas have something called "legs"; they can be called upon again and again in different ways. Some Big Ideas include: "The Pepsi Generation," "Just do it" and the Energizer Bunny. In the academy, theorists are also on the lookout for the Big Idea. There, the Big Idea is called a "paradigm shift." Among other things, it seeks something known as "parsimony," a simple concept or equation that explains a lot. Rational choice, that we naturally seek pleasure and avoid pain, is the Big Idea of classical economics. Who owns the means of production and the social relations that result is the Big Idea of Marxism. The relationship of matter to the speed of light is the Big Idea of Einstein's Theory of Relativity. The biggest of the Big Ideas of recent times is deconstruction, which underlies much of what we call theories of post-modernism. The Big Idea is the creative concept that becomes the foundation for all advertising platforms. It's the engagement vehicle that takes an offer, a concept, a product, and allows for the mobilization to the masses. And since this idea is all about connecting, it has become commonplace for people in the industry to associate idea creation with creative types and the agencies where they reside. If we go back to the quote from Ogilvy, he contends that it takes a big idea to attract the attention of consumers. Even the customers can own the big idea. For the past two years, Doritos has used the Super Bowl, the world's largest football and advertising event, as a stage to put The Big Idea in the hands of consumers. This year during the Oscars, Dove allowed the audience to vote and determine which commercial the company should run. While these are two very small examples, it is becoming more obvious that those who once owned The Big Idea are now turning it into a job for someone else to do for them. The Message Strategy is a brief description and explanation of overall creative approach of an ad campaign. It is composed of three elements: 1. Verbal Element: This furnishes guidelines for what the advertising message should say. It includes the considerations that affect the choice of words and the relationship of copy approach to the medium. 2. Non-verbal Element: This, points to the overall nature of graphics, any visuals that must be incorporated and their relationship to the media that will be used for the ad. 3. Technical Element: This refers to the preferred way of execution and mechanical outcome, budget and scheduling limitations as a result of chosen media and any specific requirements for each ad, such as logos, slogans, or the address. Though, in most advertising campaigns the starting point of message strategy are the verbal elements, yet the nature of these elements is such that they are all intertwined and evolve simultaneously. For example, the language and imagery can influence each other quite significantly. The message strategy must conform to the advertising strategy outlined in the creative brief. Creativity is probably one of the most frequently used terms in advertising circles. Perhaps so much attention to creativity is given because people consider the specific challenge of developing an advertising message as the domain of creative people. Individuals and advertising agencies often build up reputations for their creativity. Some people exhibit more creativity than others, but the creativity is present within all of us. It is the creativity that helped humans to discover and harness fire, domesticate animals and cultivate fields. Without creativity, the human race probably would not have survived.

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### Notes Get

that Big Idea: Twelve Tested Creative Hot Buttons To answer the question, what makes a creative message effective, here are twelve recurring qualities found in most sales-effective advertising as measured by research firm McCollum Spielman Worldwide. 1. Brand rewards/benefits are highly visible through demonstration, dramatisation, life-style, feelings, or analogy. 2. The brand is the major player in the experience (the brand makes the good times better). 3. The link between the brand and execution is clear (the scenario revolves around and highlights the brand). 4. The execution has a focus (there is a limit to how many images and vignettes the consumer can process). 5. Feelings (emotional connectives) are anchored to the needs and aspirations of the target consumer. 6. Striking, dynamic imagery is characteristic of many successful executions, enhancing their ability to break out of clutter. 7. An original, creative signature or mystique exists in many of the best commercials to bond the consumer to the brand and give it a unique personality. 8.

In food and beverage advertising, high taste appeal is almost always essential. 9. The best creative ideas for mature brands often use fresh new ways of revitalising the message. 10. Music (memorable, bonded tunes and lyrics) is often a key to successful executions for many brands. 11. When humour is used, it is relevant, with a clear product purpose. 12. When celebrities are used, they are well matched to brands and have credibility as users/endorsers and their delivery is believably enthusiastic. Advertising creativity is the ability to come up with fresh, perhaps unconventional, unique, appropriate and effective ideas that can be used as solutions to an advertiser's communications problems. A creative idea can be appropriate and effective only when it is relevant to the target audience's needs, wants, or aspirations. Probably this is the reason that some ads are successful in winning the awards for creativity but fail to help the client in accomplishing the desired goal, as they are not relevant to the target audience. The creative specialists must recognise that the purpose of advertising is to assist in selling the product or service and good advertising must communicate in a manner that helps the client achieve this goal. Example: Creative use of visuals helps capture attention Most ads are the result of much sweat, tears and persistence. Many advertising professionals are of the opinion that creativity in advertising can best be viewed as a process and the creative success is mostly achieved by following an organised approach. There is no infallible formula that guarantees the creation of effective advertising. As mentioned earlier, many advertising professionals reject attempts to standardise creativity or develop any rules.

20 Sales and Promotions Management Caselet What's a Big Idea? – by Shunu Sen F IRST, we must define the words 'a big idea' as used by marketing and advertising people. The important thing to remember is that the big idea in advertising is an association with the brand; but is not the brand benefit. I would define a big idea as being a distinctive expression or a creative device which is uniquely associated with the brand and the brand promise. The big idea is normally associated with a product or a range of products that are strong brands. A strong brand is a brand which delivers unique, relevant and motivating consumer benefits. The brand benefit is then supported by a big idea that satisfies (usually) an emotional benefit. This is important that the big idea should do so, almost by definition. Hence, to complete my earlier definition, I would say that a strong brand is a brand which delivers consistently and over a period of time unique, relevant and motivating functional benefits. Moreover, the brand is often supported by a strong emotional benefit, which is anchored to the brand by the big idea. Let me give some examples of successful brands, which have had big ideas. (As, almost by definition, unsuccessful brands cannot have a big idea). My first example would be a visual device supported by a unique music track. The brand is Liril and the big idea is 'the girl in the waterfall' and the unique sound track. The Liril big idea has been a part of the Liril advertising which for nearly 25 years catapulted the brand into a leadership position in the premium toilet soap market. Going further back in history, I believe the Maharaja in the Air India communication can be considered a big idea; as indeed, the memorable phrase 'Made for each other; tobacco and filter perfectly matched' which was the big idea behind the Wills filter cigarette brand. The big idea could be in the product itself; for example Polo, 'the mint with a hole' is a big idea, which differentiates the brand while supporting the key functional benefit of mouth freshness in the mint category. Brand ambassadors are usually spokespersons for the brand. But the association between Zakir Hussain and Taj Mahal tea supports the quality claim of the brand exceedingly well. In my book, this association between brand and a well-known personality is a big idea; not just by itself but in the manner in which the brand advertising has developed the association between the personality and the product. Another such example, which is, in my view, a big idea is the association between NIIT and Vishwanathan Anand. There are many more big ideas. Some of the recent examples are the slogans 'Hamara Bajaj' for Bajaj motorcycles and scooters and the words 'Chaar boondon wala' for Ujala wash additive. However, one of the key lessons from the examples given above is that a big idea grows with time. There are many examples where such big ideas have been cast away by brand managers and advertising agencies without realising that in many ways they are actually tearing out the heart of the advertising communication. Big ideas take time to be created and can only be created in the context of the brand promise. The big idea is never extraneous to the brand strategy. Indeed, it could be the biggest differentiator that the brand has in today's complex and complicated communication world and should be nurtured and supported so that today's creative device becomes the big idea for the future. Source: thehindubusinessline.com

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No one really knows why one person can consistently create successful ads and why the other person meets repeated failures. A creative individual is most likely to be one: 1. Who can produce a large number of ideas quickly (conceptual fluency) 2. Is original 3. Is capable of separating source from content in evaluating information 4. Suspends judgement and avoids early commitment 5. Is inclined to be less authoritative 6. Accepts personal impulses 7. Is capable of judging independently 8. Possesses a rich, bizarre fantasy life. Alex F. Osborn, former head of BBDO agency (Applied Imagination, Charles Scribner & Sons, 1953) established the Creative Education Foundation and suggested a more comprehensive creative process that involves the following seven steps: 1. Orientation: Pointing out the problem 2. Preparation: Gathering pertinent data 3. Analysis: Breaking down the relevant material 4. Ideation: Piling up alternative ideas 5. Incubation: Putting the problem aside to invite spontaneous ideas at some later, unguarded time. 6. Synthesis: Putting the pieces together, and 7. Evaluation: Judging the resulting ideas.

Table 2.2: Some Big Ideas

Company/Brand

Ad campaign theme Amul "Taste of India." De Beers "A diamond is forever." BMW "The ultimate driving machine." Nike "Just do it." Hallmark cards "When you care enough to send the very best," Timex watches "It takes a licking and keeps on ticking." Wills cigarettes "Made for each other." Videocon "

Bring home the leader." Philips "Let's make things better." BPL "Believe in the best."

Femina magazine "For the woman of substance." Woodland shoes "Leather that weathers." Citibank "Unfixed deposit."

Maggi "2-Minute noodles."

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Notes

President of the American Association of Advertising Agencies, John O'Toole describes the big idea as a: "Flash of insight that synthesizes the purpose of the strategy, joins the product benefit with desire in a fresh, involving way, brings the subject to life and makes the reader or the audience stop, look and listen." (The Trouble with Advertising, 2nd ed., New York: Random House, 1985) This description of 'big idea' presumably refers to the creative specialist's experience in generating the idea, which links the product or service-benefit to a relevant purchase situation and clearly refers to the processing step in the consumer response process. Jerome Jeweler writes in his book Creative Strategy in Advertising: "The major selling idea should emerge as the strongest singular thing you can say about your product or service. This should be the claim with the broadest and most meaningful appeal to your target audience. Once you determine the message, be certain you can live with it; be sure it stands strong enough to remain the central issue in every ad and commercial in the campaign." (Creative Strategy in Advertising, Belmont, CA: Wadsworth, 1981.) 2.3

Creative Execution 2.3.1

Print

Advertisement

The key format elements in print advertising are headline, subheads, body copy, slogans, seals, logos, signatures, visual elements, and layout. Headline The headline contains the words in the leading position in the advertisement. These are the words that will be read first or are positioned with the intent to draw the readers' most attention. The headlines are almost invariably set in larger, dark type and generally set apart from body copy to make them prominent. The headline is considered as the most important part of a print ad by most advertising professionals.

The fundamental function of the headline is to attract the readers' attention, get them interested, and lead them in the entire ad message. One popular technique to capture the attention is to occupy the entire top half of the ad with a headline written in large letters. The visual portion of the ad is obviously important, but research has shown the headline is generally the first thing persons read in a print advertisement, followed by the visual or illustration. It has also been reported that only 20% of those who read the headline read the body copy too. To attract the attention, the headline must put forth the main appeal, theme, or proposition, giving powerful reason to read the more detailed and persuasive information contained in the body copy about the product or service. In some print ads the body copy is totally absent, and headline along with illustration must communicate the total ad message. Advertisers select specific publications that interest certain target segments and engage the attention and interest of those most likely to buy a particular product or service. For example, the headline of 'media2india.net' advertisement in A&M magazine would interest only those who want to advertise on the Internet. There is no formula that can be recommended for writing a good headline.

Copywriters use many different variations and a number of factors need to be considered in evaluating an effective headline: 1. The headline should use short, simple words, usually not exceeding 10. 2. The headline should include an invitation to the prospect, primary product or service benefits, name of the brand, and an interest-provoking idea to induce readership of rest of the advertisement. 3. The words in the headline should be selective, appealing only to prime prospects. 4. The headline should include an action verb.

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## Chapter 2: Managing Advertising

### Example: Headline saying it all

Advertisers use benefit headlines to promise the prospects some rewarding experience with the product or service. Such headlines are just simple statements of the product's most important benefit.

The news/information headline announces news or promises information. The headline of Maruti Alto ad read, "Alto makes it debut outside of Japan for the first time - in India." Copywriters use curiosity-invoking and provocative headlines to stimulate question and thoughts. Samsung DVD headline read, "Don't Buy DVD." To learn more, the reader must continue reading the body copy. Sometimes the readers won't read any further than the headline. To avoid this, the creative specialist designs visuals to clarify the message or provide some story appeal. To encourage readers to find an answer in the body copy of the ad, copywriters often use a question headline. The headline of Kenstar microwave oven ad read, "Why Kenstar Microwave Oven?" A good headline of this type arouses reader's curiosity and imagination. If the reader can answer the question quickly, or negatively, the rest of the ad probably will not be read. If the headline reads, "Do you want to buy insurance?" the reader can answer "No" and turns the page without reading any further.

Readers often pay attention to command headlines that order to do something. The Matiz ad headline read, "GET YOUR MATIZ TODAY!" Sometimes a command headline is used as a request. Copywriters use selective headlines to attract particular group(s) of customers. For example, [ulearntoday.com](http://ulearntoday.com) is aimed at CBSE, ISC, IIT, and JEE students. Probably, others than such students won't pay attention to this ad.

**Subheads** Many ads have only one headline, but one or more secondary heads called subheads, are also common. A subhead is an additional smaller headline that may appear above or below the headline.

When the subhead is above the headline, it is referred as a kicker or overline, and is often underlined. Subheads sometimes also appear in body copy. Subheads are usually set smaller than the headline but larger than the body copy, and may appear in boldface or italic type. Subheads are often used to enhance the readability by highlighting key sales points and support the interest step best.

Subheads are longer than the headline, more like a sentence and serve as a stepping-stone from headline to body copy.

**Body Copy** The main text portion included in the advertisement is called the body copy. The body copy contains the complete sales story and is the logical continuation of the headline and subheads. It covers the attributes, benefits, and the utility of the product or service, but getting the audience to read the body copy is often difficult.

It is estimated that just about ten percent readers actually read the body copy. The body copy must be long enough to accommodate the complete message and short enough to retain the reader's interest.

The copywriter must speak to the prospect's self-interest, explaining how the product or service will satisfy the consumer's need.

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## Sales and Promotions Management

### Notes

**Types of Body Copy Approach**  
**Description** Straightforward It is factual copy, usually written in the words of an anonymous or unacknowledged source.

### Narrative

This type of copy tells the story in first person. **Dialogue** The copy lets the reader "listen in" on a conversation.

**Explanation** Copy explains how something works.

### Translation

Presents technical information, such as that written for high technology and medical industries, must be defined and translated into understandable language.

### Slogans or Theme Lines and

**Taglines** Many slogans are used as successful headlines (a series of ads

run under an umbrella theme). Slogan is a clever phrase that serves as a reminder of a brand, company image, or theme. It provides

continuity to a series of ads in a campaign and also helps creating a positioning statement. DeBeers use the slogan, "Diamonds are forever," Nike uses the slogan, "Just do it," and Philips slogan is, "Let's make things better."

Taglines are used at the end of an ad to summarise the point of an ad message to make it memorable (Let Us Make Things Better). A tagline used consistently on all marketing messages becomes a slogan.

**Seals, Logos, and Signatures** A seal is awarded when a product meets standards established by a particular agency or institute, such as ISI mark, ISO 9002, or Energy Star etc. These seals provide an independent, valued endorsement to the advertiser's product. Logo and signatures are special designs of the advertiser's company or the product name.

Logo is distinctive mark that identifies brand or company. Signature is the name of company or brand written in a distinctive type style.

They appear in all the company ads, are immediately recognised and give the product individuality at the point of sale, such as

Apple, Muscleman of MRF, Kellogg's, Intel Inside, and hp etc.

Visual Elements Visual elements are a major component in print advertising and are the responsibility of artists and/or photographers. The purpose of visual elements is to: 1. Capture the reader's attention. 2. Clarify claims made by the advertising copy. 3. Identify the subject of the advertisement. 4. Show the product in actual use situation. 5. Convince the readers about copy claims. 6. Arouse the reader's interest in the headline. 7. Emphasize the brand's unique features. 8. Create a positive impression of the brand or advertiser. 9. Qualify readers by stopping those who are legitimate prospects.

Layout A layout is an orderly physical arrangement of headline, subheads, body copy, slogan, seal, logo, signature, and the visual elements into a finished

advertisement. It shows where each component of the ad will be placed and gives guidelines to people

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## Chapter 2: Managing Advertising

working

on the ad creation. Copywriter learns how much space is available to work with and how much copy should be written. It helps art director in determining the size of the visuals. Layouts are usually done as rough and presented to the advertiser to get the preliminary approval.

Example: Layout of Gillette Advertisement

Design Principles Ads must be designed to attract consumer attention immediately as the advertiser has only a second or two to capture the reader's attention. Good design not only commands attention but also holds it and communicates as much information as possible in the shortest amount of time and makes the message easier to understand. The basic design rules include the following: 1.

Unity: Unity is considered as

the most important design principle. All creative advertising has a unified design. The complete layout (copy, visual, headline, logo etc.) should appear as a single unified composition.

If the ad does not have unity, it falls apart and becomes a visual confusion.

Unity contributes orderliness to elements. 2. Balance: There is a belief among many designers that balance is a fundamental law of nature. Balance means controlling the size, tone, weight, and position of the elements in the ad. It occurs when equal weights

or

forces are equidistant from a reference point, which is the imaginary vertical line drawn from the centre of the advertisement. 3.

Contrast: Contrast means variety. It imparts life to a layout and adds emphasis to selected elements. Variations in the size, shape, and colour of layout elements create contrast. Altering type to bold or italic brings attention to a word or phrase and creates contrast between type elements. 4.

Sequence

or

eye movement: The ad should be arranged in an orderly manner so that consumers can read it from left to right and top to bottom. Arrangement of elements in a sequence helps direct the reader's eye in a structural motion. The elements should be placed in a manner that the eye starts where the advertiser wants it to start and traverses its course throughout the ad. The more common arrangements are "Z" and "S." 5. Emphasis or proportion: Emphasis refers to division of space among layout elements. That is, accentuating or focusing on an element or group of elements so that they stand out among elements of layout for pleasing optical effect. The designer decides whether to put more stress on illustration, headline,

the logo, or the

copy. If all the elements get equal emphasis, the ad ends up with no emphasis at all.

Using

Colour Colour is another physical element of layout and can be used with impact only if its dimensions are understood.

Basic principles of layout design are the same for both colour and black-and-white. The decision to use colour, and how much of it, can influence the development of copy and art and the production of finished print advertisement.

The use of colour directly influences the cost of advertisement, but offers significant advantages.

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Sales and Promotions Management 1.

Colour

adds attention-capturing value to the advertisement. 2. Colour can help in imparting emphasis to important elements in an ad. 3.

Colour can add a sense of realism or atmosphere. 4. Colour can help easy identification of brand name, package, and trademark. 5.

Colour imparts a feeling of quality and prestige to the advertisement.

Print advertising has potential to contend with television. Print has the ability to generate astonishing, eye-catching colours in advertisements. Use of colour suits many product categories, such as food items, fabrics, and fashion items etc. Typography and Copy Testing Art directors' responsibility is to select the most appropriate type styles to enhance the desired product-personality and complement the tone of the ad. The appearance of ads is significantly affected by typefaces, design, and readability. Though, good type selection does not offset the effect of a weak headline, poor bodycopy, or an inappropriate illustration, but it can work to enhance the interest and attract readers' attention. It is essential that production managers and graphic artists understand the five major type groups, the artistic variations within a type family, and the structure of type. They should always consider the four important concepts when selecting type: readability, appropriateness, harmony or appearance, and emphasis. Task Collect a few print advertisements and find out which type of headline is used and are they well designed. 2.3.2

Television Commercial Television is a powerful advertising medium and has the unique ability of combining visuals, words, sounds, motion, and technology.

With high levels of advertising clutter in this medium, producing commercials that can communicate effectively is a complex and expensive process. TV can be used to produce a variety of appeals and executions, not possible with print. However, the viewer cannot control the pace of ad message, as is the case with print medium.

There are two basic components of a TV commercial: the video and the audio.

The video consists of the sight or visual part, and the audio part is made up of spoken words, music, or other sounds. These two components must work in a synergistic manner to produce the desired impact.

Video Elements The visual elements generally dominate the commercial and include all those elements that are seen on the TV screen. It is important that these visual elements are successful in attracting the viewer's attention and communicate the image, idea, or message. It may be required to carefully combine a number of visual elements to produce an effective commercial. For example, the decisions may concern the product, the presenter, action sequences, close-ups, customer interview, humour, comparison, graphics, characters, colour, symbols, lighting etc. Audio Elements This portion includes accompanying music, voices, and special sound effects. The voices could include two or more persons appearing in the commercial who are involved in a conversation, or it could be a single individual appearing as a spokesperson, or it could be voiceover (the message is delivered or the action sequence is described by an unseen presenter). In many commercials, background music helps create a pleasant mood among audiences. In many other commercials, music is used to

break through the advertising clutter and attract the audience attention, evoke feelings, and communicate the ad message. There is enough evidence to suggest that creation of positive mood proves favourable in making consumers more receptive toward the advertising message.

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Advertising Jingles, and catchy songs built around the product or service that communicate the advertising theme and messages are another important musical element of commercials. Nirma washing powder, Bajaj two-wheeler, Lifebuoy, Ujala, and many others have used catchy songs. Britannia biscuits use the jingle "Ting, Tring, Ting Ting" as a form of product identification at the end of the commercial. Jingles are often very memorable and serve as good reminder of the product. Planning and Production of TV Commercial In planning a TV commercial, the first major decisions focus on the type of appeal and the execution style that will be used.

Television is the most versatile medium and suits rational, emotional, moral or combination of these appeals.

To break through the advertising clutter, the advertisers must often combine rational and emotional buying motives to positively influence the audience.

Most TV audience watch TV programmes for their entertainment value and commercials that are capable of primarily entertaining and providing information are more successful. A written down version of TV commercial is called a script. It brings together various elements of a commercial and provides detailed description of its video and audio portions. The video portion covers the camera actions and angles, scenes, special techniques, and other important descriptions. After developing and finalising the basic elements of the script, art director and the writer together create the storyboard. It is a series of drawings to show the layout or visual plan of the proposed commercial. The storyboard presents the drawings of different video scenes and the detailed description of the audio part that is associated with each scene. Those involved in the production and approval of the commercial get a clear picture from the storyboard of what the finished commercial will look like. An animatic is the videotape of storyboard along with the soundtrack. This is sometimes used for client presentations or pre-testing the commercial. The production phase of the commercial starts after the client approves the storyboard or 'animatic'.

Task Make a group of 5 people.

You all are required to make a commercial for a newly launched fairness cream. After deciding the script, situation and characters, enact it before the class. Example: 1. A Storyboard with Cartoon Characters

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Storyboard for Maruti ad Source: TV Ad Indx/www.iBankLive.com

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Chapter 2: Managing Advertising 2.3.3

Radio Commercial Great radio advertising is very difficult. Print and television ads have the advantage of using visual images that become a powerful source of attracting the audience attention.

Radio advertising is difficult and different because it requires awakening images in the listener's mind by using sound, music, and voices. There is no visual or colour to attract the audience attention, except the sound. There is opportunity to play with the listeners' imagination, often referred as the theatre of the mind. The scriptwriter has to be sure that the listeners will believe the message. It must deliver the right words to the right audience and must ask herself/himself if the message strongly communicates the brand position.

The writer can create pictures in sound, such as the ice cubes falling in a glass, a telephone ringing, crowds roaring, water running, car stopping, child crying, someone sighing, paper being torn, thunder of lightning, rain falling, winds blowing etc.

Sound has an extraordinary ability to enter listeners' minds and create mental pictures. The copywriter uses words, sound, and music to create images, influence recall, and kindle emotions. The warmth of human voice is an important factor in communicating the ad message. Carefully selected words describe the product, arrest the attention, generate interest, and build desire among listeners that can lead to desired

behaviour. Sound has the ability to generate suspense, anger, excitement, joy, sorrow, or almost any kind of mood desired by the writer. Sound can be used to create effects of opening doors, footsteps, barking of dogs, telephone ringing, knocking on the door, gunfire, moaning, laughter and numerous others.

Music has been called as the universal language. Different type of music appeals to different emotions and is a powerful source of grabbing the listener's attention and generating feelings. Jingles are a popular means of helping listeners to remember a slogan.

There are no hard-and-fast

rules about the structure of a radio commercial. What is critically important is to grab the attention of the listener within the first five seconds of the radio spot. It could be a statement, a question, some benefit, a promise, sound effect, or music etc. that will stimulate the audience to listen for more. Some selected techniques based on recommendations from Guidelines for Radio Copywriting, (Reed Bunzel, National Association of Broadcasters, 1982) are mentioned here: Expand on the introduction and work it into part of the selling offer. A sound effect can be used to attract attention and then inserted throughout the spot to maintain the interest in the product. 1. Describe the fundamental aspect of the product. Why is it better than some other similar solutions? 2. Emphasize the benefits of owning the product. Rational and emotional benefits (do good, feel good, or look good) such as economy, reliability, quality, appreciation, approval, status, and achievement etc. 3. Explain the selling points that deliver the desired benefits and important extra benefits. 4. Communicate the enjoyment that comes from ownership. 5. Mention the disadvantages of not owning the product. 6. At the end of the spot, close it with product theme or punch line, and invite to act. 7. The close should be set up powerfully.

The basic ingredient in a radio commercial is the promise of an important and persuasive benefit from the listener's point of view. After determining the key promise to be communicated, the writer uses selected words and sounds to communicate the product message. Some ways to put the punch in the copy are as follows: 1. Keep it simple and short (KISS): Build the commercial around one central idea. Too many copy points can confuse the listener. Write for the ear and not for eyes. Use simple words and short sentences. The copy needs to be conversational. 2. Maintain clarity: At the end of the commercial, the listener should understand the message points. The message facts must communicate the big idea. Delete unnecessary words and any side issues. The message should flow in logical sequence. 3. Create rapport: The tone of voice should be warm and personal as if talking to a friend, or just one or two people. Frequently address the listeners as you. That is how they address their friends. 4. Make it believable: Each product has its good points, but avoid making overstatements and obvious exaggerations. Listeners are not fools. Tell the truth; be straightforward and convey the impression of being a trusted friend.

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Sales and Promotions Management 5.

Make it interesting: A boring commercial is the surest way to make listeners indifferent to it. It is the manner of presentation that makes the products or services interesting or fascinating. Reward the listeners with some useful information. 6. Create distinctiveness: Give the commercial a distinct character. The first few seconds are critical in capturing or losing the listener's attention. While concluding the message, repeat the product promise and register the brand name. Urge the listener to act now. The first step in preparing the radio commercial is to appoint a producer, who prepares the cost estimates, and selects a recording studio. Subsequently, the producer casts the commercial (with or without the help of a casting director). If music is to be included in the commercial, the producer selects a music director and chooses the music. At this stage, the producer may deem it necessary to conduct a rehearsal. In the next phase, the music and sounds are taped separately, and the studio mixes music, sounds with voices. The final step is to prepare the master tape for shipping to radio stations.

2.3.4 Online Advertisements The aim of marketers is to create ads that will ensure high involvement of consumers and interactive advertising on the Internet promotes more customer involvement because the site visitors initiate most of the action. The experience during this interaction can create favourable or unfavourable brand attitudes. Designing Web Site Web pages can combine elements and design styles from all different media (print, film, sound, and games). In addition to this, the need to search and navigate creates an entirely new design form whose major challenge is the ease of use. Web site pages should be designed like posters in which the graphics are eye-catching but not demanding too much downloading time. To keep them simple, the advertiser should use one or two typefaces and avoid the use of capitals and letter spacing that distorts the words. Black type on a high-contrast background usually is most suitable. Everything should be big enough to be seen on the smallest screen. Navigation is a critical factor to move through Web pages. It should be convenient for users to move through the site and find easily the information they look for. There should be navigation buttons to help users return to the home page. Web sites and banners should include instructions, such as "click here". It would be of added advantage if users can customise the site to fit their needs in case they wish to visit it regularly. Interactivity is another important issue. To take advantage of special strengths of this medium, there will be interactive elements that facilitate contacting the company with questions, complaints, suggestions, and comments etc. It is critical importance to have enough qualified manpower to handle customer queries speedily and satisfactorily. A major strength of Internet sites is feedback communication. An effective site collects information from visitors in a systematic manner that can be useful in strategic planning. Copy testing methods are being developed to evaluate a site's potential to motivate click-through behaviour. Michael Glaspie, capturing attention with banners in order of impact depends on copy, colour, and graphics. For copy he recommends free offers, fear, curiosity, humour, or the big promise. For colour he recommends using yellow, orange, blue, and green instead of the reds and blacks. Animated banners offer value because they increase ad space by rotating copy. The loading of banners should not take too long, otherwise customers are quite likely to lose interest in the ads. One source of inspiration of Website design comes from professor Jean Trumbo's Web page:

[www.wisc.edu/agjourn/trumbo/vcindex/](http://www.wisc.edu/agjourn/trumbo/vcindex/). Another useful site is [www.eMarketers.com](http://www.eMarketers.com),

an excellent resource for designing Websites. According to a study by Kim Doyle, Anastasia Minor, and Carolyn Weyrich, banners that sit in the lower corner of the screen next to the scroll bar generated a 228 percent higher click-through rate than ads at the top of the page. Banner ads that are one-third down the page generated 77 percent more click-through compared to those on the top. Another study by Hairong Li reported that, large, dynamic banners do not generate higher click-through rates than small, static banners. Incentive banners though, do increase click-through rates when compared to ads without incentives.

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Case Study Sofio Soap Mahajan smiled wanly and clasped the soap in his hands, as if protecting it from an unseen predator. He was wondering with quiet concern if the 30-year-old brand would last long. Zeni India, where Mahajan was marketing manager, was taking a long, hard look at the soap, as it was proving to be a strain on resources. There were varying stories about how Sofio was launched. Some said the brand was a 'gift' from the departing English parent company. Others claimed that it was created for the then chairman's British wife, as the Indian climate did not agree with her skin. They also claimed that the lady also coined the copy "The honest soap that loves your skin" was also coined by the lady. The line had stuck through three decades. Only the visuals had changed, with newer models replacing the older ones. Zeni was basically a specialty products company producing household hygiene, fabricare and dental care products. Sofio was the only soap in its product mix, produced and marketed by Zeni. Its reliable quality and value delivery had earned it a lot of respect in the market. Sofio's equity was such that Zeni was known as the Sofio Company. Indeed, the brand name Sofio denoted purity, reliability and gentle skincare. In 1994, Zeni UK increased its stake in the Indian subsidiary to 51%. Within months, all of Zeni's products were given a facelift, thanks to the inflow of foreign capital. New packaging, new fragrances, new formulations and more variants were introduced. Only Sofio was left untouched. For, although it had a growing skincare business following some strategic acquisitions in Europe in the early eighties, Zeni UK was not a soap company. The UK marketing team ran an audit of every brand and product in the company's portfolio. But when it came to Sofio, it faltered. "We don't know this one," officials at the parent company said. "We don't want this one to be touched," Mahajan had said protectively, a sentiment that was endorsed by the managing director, Rajan Sharma. "Sofio is too sacred, we will leave it as it is," he said. But the UK marketing team was confounded. What was a lone soap doing in the midst of toilet cleaners and fabric protectors, they wondered. However, they somehow agreed that their proposed revamp strategy would only look at up-gradation, not tinkering with what wasn't broken. Indeed, for 30 long years no one had tampered with the Sofio brand. And Mahajan felt there was no reason to start now. Sofio, in his view, was a self-sustaining brand. That was a bit of an understatement because advertising for the brand was moderate and Zeni India had never used any promotional gimmick for it. Now, after four years of nurturing the other categories, Zeni UK had decided to launch its Vio range of skincare products in India. But Sofio's presence and profile were a major roadblock to Vio's success. "It will create dissonance, confuse our skincare equity and deter the articulation of Vio's credo. It will stand out as a genetic flaw," argued the UK marketing head. "You need to do a rethink on Sofio. Ideally, we should just close it down." Mahajan protested. "Why? It has such a strong equity and loyal following. So much has been invested in it all these years. Why give up all that?" Rajan, however, had another idea. "Let us then extend the Sofio brand." He said. It was the simplest solution. Companies were now investing heavily in creating new equities for their brands. But in Sofio's case, Zeni was already sitting on a brand with a terrific equity. He felt that extending this equity to other categories, such as skincare products would be successful. But Sofio needed a new positioning before it could be extended. Till a few years ago, it had been in premium category, priced at

Rs. 15.

Then new brands with specific positioning and higher price tags entered the market. This created a level above Rs. 15 soaps and pushed Sofio down to the mid-priced range. So Sofio's price was not commensurate with its premium position and image.

Contd....

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Over the years, Sofio had become so sacred that Zeni India had been too scared to do anything to it. As a result, the soap was left with niche category of loyal users. This category neither shrank or increased, just kept getting older and older and with it the brand also kept growing older. For example, when Mahajan's wife had her first baby at 25, her mother had recommended Sofio for her dry skin and also for baby's tender skin because it contained sesame oil. That was in 1979. Today, Mahajan's daughter had turned 21 and was being wooed by Dove, Camay, even Santoor and Lifebuoy Gold, with their aggressive advertising. Sofio had begun to lose its image of being contemporary as newer brands came in with newer values. Today, at 46, Mahajan's wife still used Sofio, but when she recommended Sofio to her daughter, she said, "But Sofio is a soap for mothers, for older people." That was a major problem. The Sofio brand had aged and Zeni India hadn't even been aware of it. While its equity had grown with its users, its personality had aged considerably in the last 30 years. "I don't think you can keep the personality young, unless you keep renewing the brand. The objective now is to widen your equity so that your image becomes young," continued Rajan. "For instance, if today you were to personify a Sofio user now, it would be a woman of 45 years using the same brand for many years, who is averse to experimenting, very skincare conscious, very trusting and very one-dimensional. As you can see, this is not a very competitive personality. These are the strengths of our Sofio, but these are also its weaknesses," he analysed. The context had changed. Today, youth demanded brands that stood for freedom and fearlessness. They demanded bold brands that dared to cure, not just preserve. "Preservation is for old people. Those are the attributes being presented in evolved markets," said Rajan. To make Sofio contemporary, the attributes had to be re-framed, he felt. "You can't make a young brand trusting, caring, loving, without adding other attributes to it. Today, youth stands for freedom, for laughter, for frankness, for forthrightness. That's what Close Up, Lifebuoy Gold, Vatika and other brands propagate. So, either come clean and say it is for older skin which needs trust and kindness, or reposition the brand," said Rajan. Repositioning was also necessary to address another anomaly in Sofio's image: its perceived premium. Zeni India had been unable to do anything about Sofio slipping into the mid-price range following the entry of more expensive brands. Now, as Rajan mulled over the brand extension plan, Mahajan felt that Sofio's premium positioning was its core equity and that had to be maintained. "If you are premium priced in the consumer's mind, your extensions are automatically perceived as premium. So, if you don't present the other products as premium, the consumer will not see them as extensions of the brand," he said. "For example, if you are to launch a shampoo which is priced lower than Sunsilk, but higher than Nyle and Ayur, then whatever the rationale, the consumer will not accept your product. "It is not the Sofio I know," will be the feeling," he said. Mahajan felt that since premium positioning was one of Sofio's equity values, it would be very difficult to convince consumers that the brand was being extended without hanging on to this particular value. "Will they buy your rationale that the very same values and equity would now be available at a low price? To be in the premium segment now, you have to price it at Rs. 35 or 40, almost on a par with Dove," he said. "With Dove retailing at Rs 45,

Sofio will be perceived as a cheaper option." "We can't simply raise the price," said Rajan. "What are we offering for that increase? You can't add value because you don't want to tamper with the brand. The consumers will then ask, "Sofio used to be so cheap, what has happened now? The user will forget that 15 years ago, Rs. 10 was expensive, because all her comparisons would be in today's context," said Rajan. "So what's the option?" asked Mahajan. "You don't have to be expensive to be premium," said Rajan. Sofio already has the image of a premium brand, thanks to its time-tested core values of purity, credibility and reliability. What we can do is reinforce the premium through communication and positioning. In fact, we should have tinkered with Sofio long ago. That is what HLL did with Lux. It also launched a bridge brand, Lux International, in the premium category," said Rajan. "How could we have done anything to the brand?" asked Mahajan. "The product had such a strong following. It stood for gold, for sesame oil, for its subtle earthy perfume. We changed the packaging periodically, but that's all we could do. Remember the time we brought out a transparent green Sofio with the fragrance of lime? It bombed in the market."

Contd....

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Rajan was not in favour of the premium positioning. It appeared very short-sighted to him, given the bigger plan to extend the brand. "Where are the volumes in the premium segment? He asked. "For some reason, every manufacturer feels that skincare can be an indulgence of only the moneyed class. As a result, there is a crowd in the premium end of the market. Do we want to be yet another player in the segment?" Fifteen years ago, Sofio was perceived as a premium product. But today, global brands like Revlon, Coty and Oriflame were delivering specific premium platforms. Sofio did not have a global equity. "Let us revisit the brand and examine what it stood for 15 years ago and examine the relevance of those attributes in today's context," suggested Rajan. "Sofio stood for care, consciousness, love, quality and all that. But today, are these enough to justify a premium position?" he asked Mahajan. "These attributes are viable in the mid-priced



segment." He said. "The mid-priced brand is the proverbial washerman's dog," said Mahajan. "You don't know whether you are at the bottom end of the premium range or at the top-end of the low-priced range. You end up creating an image of being on the opportunity fence. It is a mere pricing ploy, with no strategic value." Rajan could understand Mahajan's fears. Some brands in a similar dilemma had managed to redefine their equity. For instance, HLL created a low-priced variant of Rin without incurring much dilution to the washing bar's equity. Rin was always perceived as a premium, high quality product that gave superior washing results. It was always several notches above Nirma. Rin was intended to be a stepping-stone for users to convert to Surf, a premium brand of HLL. Nirma users were people who upgraded from laundry soaps and were looking for a basic clean wash. Nirma stood for a different kind of personality - cheap, harsh, but effective. Rin, on the other hand, was sophisticated, gentle, effective and expensive. Mahajan and Rajan were faced with many critical decisions. It was, however, decided that as a first step, with appropriate changes in the formulations, an entry level Sofio Care, a medium-priced Sofio Glow and a high-end Sofio Plus would be launched. Questions 1. Analyse the case and develop the segment(s) profiles. 2. Suggest an appropriate positioning. 3. What media, and copy strategies would you recommend? 2.4

Summary ?

Advertising strategy will include the determination of the advertising objectives that helps in understanding and evaluating the campaign in a better way, situational analysis that helps in knowing the current market conditions pertaining to advertisements, defining the target audience that helps channel all the efforts in the right direction and allocation of budget. ? A campaign is an interrelated and coordinated set of promotional activities that focus on some single theme or idea and is built to accomplish some predetermined objective(s). ? An advertising plan aims at matching the right target audience to the right message and presents it in the right medium to reach that audience. ? Marketing plan provides the details pertaining to brand share, anticipated market conditions, competitors' share and past moves, and any legal constraints concerning the product category. ? A critical decision is to define the specific target audience for the product or service and involves finding and precisely defining those variables that indicate who and where are the best prospects in respect to demographic characteristics, geographic location, psycho-graphic variables, and behavioural patterns. ? Objectives help communications between the ad agency accounts executive and the creative team members, and help coordinate the efforts of copywriters, media specialists, media buyers, and professionals involved in advertising research. ? It is interesting to note that advertising communication objectives awareness, knowledge or comprehension, liking, preference, and conviction are all mental responses, not visible to an observer.

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Advertising message involves everything that the marketer plans to say in its ads and how it plans to say both verbally and non-verbally are critical aspects. ? Budget decisions are critical as the money spent on advertising may mean, the difference between success and failure. The greatest power of advertising lies in its cumulative, long-term

reinforcement effect. ? According to Leo Bogart, the Great Idea in advertising is far more than the sum of the recognition scores, the ratings and all the other superficial indicators of its success; it is in the realm of myth, to which measurements cannot apply. ?

Though, in most advertising campaigns the starting point of message strategy are the verbal elements, yet the nature of these elements is such that they are all intertwined and evolve simultaneously. ? Advertising creativity is the ability to come up with fresh, perhaps unconventional, unique, appropriate and effective ideas that can be used as solutions to an advertiser's communications problems. ?

The key format elements in print advertising are headline, subheads, body copy, slogans, seals, logos, signatures, visual elements, and layout. ? The headline contains the words in the leading position in the advertisement. These are the words that will be read first or are positioned with the intent to draw the readers' most attention. ?

A subhead is an additional smaller headline that may appear above or below the headline.

When the subhead is above the headline, it is referred as a kicker or overline, and is often underlined. ?

The body copy contains the complete sales story and is the logical continuation of the headline and subheads. It covers the attributes, benefits, and the utility of the product or service, but getting the audience to read the body copy is often difficult. ?

Slogan is a clever phrase that serves as a reminder of a brand, company image, or theme. It provides continuity to a series of ads in a campaign and also helps creating a positioning statement.

A tagline used consistently on all marketing messages becomes a slogan. ?

A layout is an orderly physical arrangement of headline, subheads, body copy, slogan, seal, logo, signature, and the visual elements into a finished advertisement. ?

Good design not only commands attention but also holds it and communicates as much information as possible in the shortest amount of time and makes the message easier to understand. The basic design rules include- unity, balance, contrast and sequencing. ?

Colour is another physical element of layout and can be used with impact only if its dimensions are understood.

Basic principles of layout design are the same for both colour and black-and-white. ?

Television is a powerful advertising medium and has the unique ability of combining visuals, words, sounds, motion, and technology.

With high levels of advertising clutter in this medium, producing commercials that can communicate effectively is a complex and expensive process. ?

The visual elements generally dominate the commercial and include all those elements that are seen on the TV screen. It is important that these visual elements are successful in attracting the viewer's attention and communicate the image, idea, or message. ?

Audio elements in TV ads can be music, conversation or special sound effects. ? In radio commercials, there is no visual or colour to attract the audience attention, except the sound. There is opportunity to play with the listeners' imagination, often referred as the theatre of the mind. ?

Interactive advertising on the Internet promotes more customer involvement because the site visitors initiate most of the action. The experience during this interaction can create favourable or unfavourable brand attitudes. ? Web pages can combine elements and design styles from all different media (print, film, sound, and games). In addition to this, the need to search and navigate creates an entirely new design form whose major challenge is the ease of use.

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## Chapter 2: Managing Advertising 2.5

Keywords Advertising creativity: ability to come up with unique and effective ideas Big idea: idea that is creative and that clicks with audiences

Body copy: main text included in the advertisement Brand comprehension: know facts and attributes of the brand

Headline: words in leading position in an advertisement Kicker: when the subheading is above the headline

Layout: orderly arrangement of all the elements of an ad Logo: distinctive mark that identifies a brand or a company

Psychographic segmentation: segments audience on the basis of life-styles, values and attitudes

Script: written down version of TV commercial Seal: awarded when a company meets standard of a particular agency or institute

Signature: name of a company written in distinctive typestyle Slogan: clever phrase that reminds of brand,

company image and theme Storyboard:

series of drawings to show the layout or visual plan of the commercial

Tagline: summarizes the point of the ad and makes it memorable

2.6 Self Assessment 1. State whether the following statements are true or false: (a) McDonald's 'I am loving it' is an example of an advertising campaign. (b) Choosing a target audience on the basis of social class is part of psychographic segmentation. (c) You buy a blue shirt because your friends say that you look smart in blue. Your primary motivation is achievement. (

d)

We can call Maggi's 'two minute noodles' a big idea. (

e)

A headline read 'buy one pay none'. It is a benefit headline. (

f)

Storyboard along with a soundtrack is called animatic. (g) Current tagline being used by Videocon is 'the Indian multinational'. 2.

Fill in the blanks: (a) Tagline used by Britannia is..... (b)

Brands like Wills life-style, Colourplus, Tommy Hilfiger segment the market on the basis of..... (c) The best way to target strivers is to advertise on..... (

d)

According to DAGMAR approach, consumers learn about the attributes of the brand in the .....stage. (e)

A.....idea is consistent with the needs and wants of the target audience. (

f) '

Go grab it' is a .....headline. (g) .....can be instrumental in helping the listeners remember a slogan.

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## Sales and Promotions Management 2.7

Review Questions 1. Discuss the importance of setting up objectives and defining a target market. 2. Critically analyse the VALS analysis used in life-style segmentation. 3. "Setting up advertising budget is not an easy task". Do you agree with the statement? Give reasons for your answer 4. What do you mean by 'big idea'? Give examples from real world scenario. 5. The headline is considered as the most important part of a print ad by most advertising professionals. Why? 6. Collect five print advertisements and mention what kind of headline they use. Do you think their headlines could have been better? Suggest few headlines for them. 7. "A good design of print ads not only commands attention but also holds it". Comment. 8. Take an example of any visual ad and critically analyse its video and audio elements. 9. "Radio commercials play with listeners' imaginations". Substantiate the statement and mention the prerequisites of a good radio commercial. 10. "While developing online ads, focus should be on interactive advertising". Comment.  
Answers: Self Assessment 1. (a) T (b) F (c) T (d) T (e) F (f) T (g) F 2. (a) Eat healthy, think better (b) Social class (c) TV (d) Comprehension (e) Creative (f) Command (g) Jingles 2.8 Further Readings Books  
S H H

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Kruti Shah and Alan D'Souza, Advertisement and Promotions-An IMC Perspective, Tata McGraw Hill.

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37 Chapter 3: Managing Other Promotional Tools Chapter 3: Managing Other Promotional Tools Objectives This chapter on Managing Other Promotional Tools covers 1. Sales promotions 2. Direct marketing 3. Public relations 4. Publicity 5.

Corporate Advertising 6. Unconventional promotional media

Introduction

Marketers always search for new and effective tools to reach customers with their messages. The interactive media such as the cellular phone and Internet are important additions. Most companies around the world rely more on traditional promotion mix elements such as advertising, personal selling, and sales promotion to reach customers and sell their products and services through some system of resellers. They believe these traditional promotion mix elements are effective in creating awareness and knowledge, and building brand image.

Sales

promotions are short term incentives provided by the company to boost sales. Some marketers tried reaching customers

directly with these tools on a one-to-one basis to assess whether this can stimulate immediate behavioural response and now direct marketing is a rapidly growing discipline in marketing. Direct marketing may or may not involve middlemen to distribute products. Direct marketing is primarily concerned with the promotion area.

Meanwhile other means of communication, more unconventional ones are also gaining popularity like outdoor media, transit advertising, internet and mobile marketing, videos and cinemas, and personal selling. 3.1 Sales Promotion

Sales promotions are announced both, by manufacturers and retailers. Manufacturer announced promotions might be directed at consumers, resellers, or both. Manufacturers may also announce sales promotion for its sales force. Sales promotions may also originate from retailers aimed at consumers. The retailer-originated promotions' main objective is to increase store traffic rather than sell any specific brand. Manufacturer announced consumer promotions constitute "pull" strategy and retailer promotions are based on "push" strategy. Sales promotions are more effective when combined with advertising and "pull- push" strategies are used at the same time. 3.1.1 Types of Sales Promotions Consumer Promotions Sales promotions directed at end-users are called consumer sales promotions. Usually, consumer promotions are either "same for less" or "more for the same" type and may get translated into a straight price-cut or added value. 'Interest promotions' may or may not require the purchase of anything such as free samples, free premiums, contests, and sweepstakes. The objective of such promotions is to stimulate consumer interest in products, services, activities, and special events. "Consumer franchise-building" promotions are those which reinforce consumer brand preference and include a product- related selling message, such as in case of free premiums, free samples, coupons and patronage awards. "Non-franchise building" promotions include price discounts, price-packs, premiums not related to the purchased product, contests and sweepstakes, and ad refund offers. Some commonly used consumer promotions are briefly discussed:

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**Price Discount (also called cents-off):** The customers pay a certain amount less than the regular price of the product or service if purchased within a specified period. This can yield short-term sales increase, can serve as an incentive to try a new product, and can also help product sales during off-season. **Bonus-Pack:** An additional quantity of the purchased product is offered free with standard pack. The producer may develop special larger-sized pack containing more product quantity but the price is proportionately low. A variation of this offer is "buy two, take one free." These offers are generally limited to low-bulk items or ready-to-wear dresses, and sometimes footwear. There are stray cases when a buyer would get a 14-inch TV free with the purchase of a 21-inch TV. **Samples:** It is an offer of some amount of product or service free or at a very nominal price. One major concern of the marketer is to put the product in the consumer's hand, which often is the key to success in many product categories and some services. The main objective of sampling is to induce initial product trial and let the consumer have the first hand experience with the product or service. Sampling is probably the most successful approach when the product is new, is not a market leader to induce trial. **Premiums:** A premium (gift) is a reward given to the consumer for performing a particular act, generally purchasing a product or service. The premium may be free or available to the consumer by paying a price well below the regular market price. Getting a printer free with the purchase of a computer, or getting a Swiss knife well below the market price when the consumer purchases a microwave oven, are typical examples of premium. **Refund or Rebate (the terms are used interchangeably):** Rebate offer, refers to some amount of money repaid to customers sometime after the purchase when a customer submits the specified proof-of-purchase to manufacturer. The manufacturer "refunds" part of the price paid by the customer via mail. **Frequent-User Reward:** These are incentives to reward those, who frequently purchase the product or service, such as frequent- flier incentives to air passengers. The purpose is to encourage repeat purchases or repeated visits to a particular retail store. Locality grocery or general stores use this approach on an ongoing basis for their regular customers to encourage store loyalty. Usually such programmes cover a fairly long period to offer customers ample opportunity to respond favourably. **Coupons:** Coupons can be viewed as certificates offered by manufacturers or retailers that entitle the owner to some stated savings or claim on the specified thing. Coupons bear a date of expiry and cannot be redeemed after that date. Coupon is a versatile tool and can be used to accomplish many different sales promotion objectives. **Consumer Contests, Sweepstakes, and Games:** These promotions often generate considerable interest, excitement, and enthusiasm among consumers. Individuals compete based on their analytical or creative abilities. The participants can win cash, jewelry, trips, or some merchandise. A panel of judges examines the contest entries and the best one or more entries are declared as winners. In a sweepstakes, participating consumers' names are put in a draw. A game offers something to consumers such as missing numbers or letters to complete a certain numbered digit or product or brand name. A consumer, who does it within the promotion period, wins the prize. **Exchange or Buy-Back Offers:** Some consumer durables once bought are not replaced for a very long time in India. To encourage such consumers to replace their old products with a new one, companies or their authorized dealers offer buy-back or exchange offers. The manufacturer or the dealer pays some reasonable amount for the old product and sells a new one. Often this new product is offered on convenient interest-free installments. **Point-of-Purchase Displays:** In-store presentations and exhibitions of products along with relevant information fall under this category. The message is clearly "come and get it, we have it." There is a saying in Hindi "Jo Dikhta Hai Woh Bikta Hai," (whatever is displayed, gets sold). Producers often supply such displays to retailers. Retailers like to use POP materials if they are attractive, informative, and capable of having impact. Effective displays stimulate customer interest, increase store-traffic, and often encourage unplanned purchases. Example: ITC has launched a sales promotion to boost the sales of its Aashirwad brand of wheat flour. They are offering a Vivel shampoo worth Rs. 15 with every 10Kg pack of Aashirwad Aata. Coca Cola has recently cut the price of its Coke Can from Rs. 25 to

Rs. 20

Panasonic is offering an assured gift with every purchase of a Panasonic product during this diwali.

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Trade Promotions Trade promotions are directed at resellers (distributors, dealers, wholesalers, and retailers). Trade sales promotions are part of "push" strategy of producers. The objectives of trade sales promotions are different from consumer promotions. Producers realise the importance of retailer support. They are in the final contact in distribution chain and can influence customers in more ways. Consumers sometime seek retailer's suggestions before making a purchase and retailers in many cases can influence the product choice. The main objectives of trade promotions include:

1. Build strong relations with channel members.
2. To stimulate in-store merchandising support, such as arranging displays, shelf space, feature advertising etc.
3. Gain distribution of new products.
4. Gain support for existing brands.
5. Manipulate levels of inventory held by wholesalers and retailers.

Trade Allowances: The purpose of trade allowances is to offer financial incentives to resellers in order to motivate them to make a purchase. A trade allowance can be offered in a variety of ways:

Buying Allowances: A producer pays a reseller some fixed amount or money or discount for purchasing a certain minimum quantity of product within the specified period of time. The payment may be given in the form of a cheque from the producer or a discounted invoice.

Free Goods: Reseller is required to buy a certain number of product cases and for each case purchased, a certain amount of free quantity of the same product is offered. For example, the offer might be, "One pack containing one dozen of product free on purchase of 12 packs".

Slotting Allowances (also called stocking, or introductory allowance): This is the money paid to retailers to stock new products. William L. Wilkie, Debra M. Desrochers, and Gregory T. Gundlach found that retailers justify this by pointing out the costs they incur by stocking so many new products every year and to cover risks associated with new products. Many firms are uncomfortable with this type of allowance.

Buy-Back Allowance: Producers sometime offer retailers the opportunity to re-stock. This promotion immediately follows another type of deal and offers incentives for new purchases. After the first promotion if the inventory levels with retailers are very low or almost depleted, producers may offer this second incentive to build inventory level to normal with retailers.

Advertising Allowances: The manufacturer pays the dealer or retailer a certain amount of agreed upon money to advertise the producer's product. This amount can be a fixed rupee amount or a percentage of gross purchase during a specified time period.

Display Allowance: This is a direct payment of money or free goods to the retailer for each item purchased if the party agrees to set up a POP display, or running in-store promotional programme as specified by the marketer. The marketer requires the retailer to sign an agreement specifying the activity to be performed before the allowance is given.

Contests and Incentives: Manufacturers sometimes use trade contests and special incentives to stimulate greater support and selling effort from dealers and salespeople and achieve sales targets, and other objectives. The prizes might include items such as TV, stereo, and trip to exotic places etc. Sometimes these contests and incentives are offered to sales people of the distributors, dealers, wholesalers, or retailers. These rewards involve cash payment to sales people to specially sell the producer's product. This type of cash payment is called push money or SPIFF.

Cooperative Advertising: The manufacturer agrees to share a certain amount of media costs with the dealer for advertising his products. This deal is usually based on product quantity purchased. The dealer must show proof that the ads were released then only the payment is made. Most of these ads appear in newspapers.

Dealer Loader: A dealer loader is a premium that a marketer gives to retailers for buying a specified quantity of a product. A dealer loader may be a premium to retailers for just buying the specified product quantity or the condition may be to display it for the duration of promotion and afterwards the item is given to retailers as premium.

Training Programme: Manufacturers impart training about their own brands to the sales staff of wholesaler or retailer at their (wholesaler's or retailer's) location. Michele Marchetti and Andy Cohen reported that Microsoft launched a training programme "Helping Clients Succeed" aimed at value-added resellers. The three-day workshop was designed to help resellers, better understand Microsoft Software.

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### Sales and Promotions Management 3.1.2

Internet Promotions The number of companies using Internet promotions is increasing. Contests and sweepstakes are among the most commonly used to motivate people to visit marketers' Internet sites. America Online frequently conducts prize promotions to attract users to its advertisers' areas. The prizes may range between substantial sums of money to daily prizes including merchandise decorated with the online service's logo. Example: In India, some popular Internet promotion sites are Hungama.com and Contest2win where companies such as Pepsi, Cadbury, Sony, and Levis frequently run online contests and offer exciting prizes. This trend is gradually catching up in our country with increased availability of Broadband Internet and more and more households acquiring computers.

Sales Promotion Planning Guidelines Planning process starts with situation analysis. To start with, the promotion planners must first consider the corporate policy with regard to sales promotion. Joseph S. Mair has recorded one such policy statement in Handbook of Sales Promotion, ed. Stanley M. Ulanoff. The policy says: 1. "Sales promotion is an integral part of the marketing mix." 2. "Sales promotion should be used as an offensive weapon in the brand's marketing arsenal, not merely as a defensive reaction when a problem arises." 3. "Sales promotion should extend and reinforce the brand's advertising and positioning, whenever possible." 4. "Sales promotion should be developed as campaigns, not as single, unrelated events." 5. "Good sales promotions are built upon sound strategic planning." The first step in promotion planning is situation analysis. This would include product or brand performance analysis, competitive situation including the promotion activities of major competitors, distribution situation, and consumer behaviour with respect to sales promotions. Political/legal aspects concerning sales promotion are also considered. Based on marketing objectives and strategies, the promotion objectives would be developed. It is critically important to set unambiguous and measurable objectives and these should be developed in coordination with advertising and other promotion mix elements. The next step would be the allocation of budget to sales promotion out of the combined total budget for advertising and sales promotion. Considering the objectives and the budget allocation, each promotion event must be carefully created. There is vast choice of promotion tools, and the combination of these tools seems to be endless. Each sales promotion tool has its own advantages and disadvantages and these may change when different tools are combined. Sales Promotion Objectives Some of the important objectives of sales promotion include: 1. Increase sales volume 2. Attract new customers 3. Launch new product and increase trial 4. Encourage repeat purchase 5. Clearance of excessive inventories 6. Motivate dealers to stock and sell more 7. To gain advantageous shelf-space 8. To increase store traffic

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To block competitors' moves 10. Motivate sales force Type of Promotion to use

There are three types of promotions that can be used, singly, or in combination: 1. Consumer promotion 2. Trade promotion, and 3. Sales force promotion There are two major approaches for consumer and trade promotions: 1. Same for less, and 2. More for the same

Immediate Value Offer vs Delayed Value Offer: Sales promotions can offer immediate value to consumers or the re-sellers, such as a discount, extra goods, or a premium. The delayed value promotions reward the consumer or re-seller sometime after the purchase of the product or service, such as rebates, contests and sweepstakes, frequent flier offer, or after making multiple purchases. Immediate value offers produce a stronger impact, stimulate customers for unplanned purchases, and encourage brand switching at the point-of-purchase. Example: There is significant brand switching in toiletries, laundry products, soft drinks, and cooking oils, etc. Delayed value offers produce a weaker response because the reward for behaviour is

possible after some time lag. However, the effect of delayed value offers is longer lasting. When a customer is required to collect proof of multiple purchases, there is a reminder of the product and the customer is also exposed to longer duration of product usage. Price-Cut vs Extra Value Offer:

The manufacturer or the retailer may offer "same for less" in the form of a price discount on the promoted product. Or, there could be an offer of extra value, which would be "more for the same". For example, a special bonus-pack that contains more quantity of the same product without any increase in the price, or a premium offered free with the purchased product. This extra value offered is independent of the promoted product and has more value to the customer than the cost to the

marketer. Such premiums can be quite helpful in building the long-term brand strength of certain brands. Consumer promotions, which frequently offer price cut, or extra quantity of the same product, generally degrade the perceived value of the brand and may weaken its brand strength. Manufacturers of high-involvement products prefer not to offer straight price discounts because this approach may disrupt the price-quality perception of customers, who may develop some negative evaluation of the product. Straight price reductions may be used only in case this type of promotion is common to the category. In general, price cuts are limited to low-end products in a product-line and prove to be more effective. A variety of "more for the same" or extra-value promotions can be used for expensive high-involvement products. For example, some computer manufacturers are adding accessories in their offer.

In case of low-involvement products, major portion of sales promotion budget is allocated for

rewarding the consumers at the time of purchase by cutting the price or offering extra quantity of the product (immediate value offer).

This is especially true if the product category is susceptible to unplanned or impulse buying and variety seeking; offers that encourage consumers to buy multiple units; continuity promotions, such as in-pack or on-pack coupons; and interest promotions that excite consumers, such as contests and sweepstakes. Which Products to Promote Resellers perceive inventory risk associated with stocking or not stocking the product on promotion. The following conditions may be the cause of risk perception: 1. When the consumer demand for the product is unpredictable.

42 Sales and Promotions Management 2. When the inventory holding costs are high. 3. When the product is seasonal. 4. When the product is likely to go out of fashion quickly. Choice of Market Areas Strong brands are good traffic builders and when such brands are inexpensive and low bulk to transport and store, there is considerable forward buying and diversion in non-deal areas by the trade. Sales promotions of similar value should be announced at the same time everywhere. Higher inventory risk would require that promotions be developed for separate markets. Excess product stocks from one market can be shifted to another market with more sales potential. Promotion, Timing, Duration and Frequency When the

product or brand inventories are less than normal in trade channels, the objective of the promotion would be to build inventories. When the inventories with the traders are high, then the objective would be to clear the inventories.

It is inadvisable for the producer to announce a promotion, when the retailer shelves are full with the competitive brand, because the promotion is quite likely to prove unprofitable. If the product use were linked to weather conditions, then this factor would affect the consumer demand and the timing of promotion.

The duration of consumer promotion should be such that a larger percentage of customers get exposed to the promotion

offer. In case of some product categories, interval between two successive purchases may give an idea about the duration.

Low- involvement products are usually purchased more frequently and hence the duration of the deal for this category can be shorter. In case of high-involvement category products, to induce a sense of urgency, the duration of the offer can be short. To attract the second wave of customers, it may prove to be advantageous to announce the extension of the deal period. Frequency of promotion depends on competitive situation, deal sensitivity of customers, the interest of the trade, and the complexity of the promotion offer.

Very frequent promotions of high-involvement category products may create negative impressions about the quality and price relationship of the product. Trade deals often become necessary to motivate dealers to arrange displays and participate in contests. Rate of Discount, Terms and Conditions What should be the minimum level of benefit in terms of price-cut or value addition that would attract the attention of the target customers to induce the desired change in purchase behaviour? Planners have to ascertain the j.n.d (Weber's Law) and answer this question.

A smaller discount figure on high priced products would translate in

high monetary figure and would appear significant enough to attract customer attention and is likely to influence purchase behaviour. In case of low priced products, a higher percentage figure can be associated with the purchase of multiple units of the product.

Generally, the price elasticity of low priced products is high because consumers do not perceive much difference between brands, and

do not mind switching to another brand. Customers can also stock more units of low priced and low bulk products in response to promotion offer.

Higher discounts should be considered to achieve large short-term sales of low priced products.

Strong brands in general do not involve any inventory risk, serve as traffic builders, and would not

require higher discounts. In case of trade promotion, the producer may specify the minimum purchase value or the quantity of product to avail the benefit of promotion. Payment terms may be specified, or the terms may be related to display arrangement and its timing. Consumer promotion may require coupon expiry date, or rebate claim date. Contests and sweepstakes would require spelling out the conditions of participation, etc. Depending on the specific type and technique of promotion, market conditions, and consumer response pattern, there would be different terms and conditions associated with sales promotion.

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Notes

Protection from Competition Sales promotions in general are easily imitated by competitors and legally there is nothing that any manufacturer can do about such moves. The very purpose of gaining short-term competitive advantage is lost to the manufacturer. For example, if a marketer announces "one cake of soap free with three cakes purchased" and other competitors announce the same or some similar deals on their brands then the advantage is likely to be lost. One way to gain some protection is to develop a promotion, which would be complex to copy and allow reasonably lengthy start to the innovator.

Another way is to join hands with other well-known non-competing firms and develop an exclusive joint promotion (tie-in promotion) that cannot be imitated in a hurry. For example, Ariel and Vimal Suiting developed a joint promotion. Promotion Evaluation Sales effect before, during, and after the sales promotion can be measured by studying the sales figures. In case of objectives related to trial purchase, or change in consumer awareness and attitude as a result of increase in perceived value of the product, measurement may be difficult. Pre-testing can be conducted by using focus groups and consumer panels. Portfolio test is relatively expensive but a more effective method. A portfolio of sales promotions is prepared and shown to consumers in person and their responses are noted. It is often quite helpful to evaluate the response of resellers before implementing the promotion programme. The simplest way is to seek resellers' opinion and suggestions. Concurrent testing is done when the sales promotion is in progress. Concurrent testing may permit the promotion manager to modify the sales promotion if needed. In case of consumer contest the response to promotion can be adjudged by the number of entries received at some interval and if need be the contest period can be extended. Post-testing assesses the change in consumer awareness and attitude. To assess this, telephone calls, questionnaire mailed to consumers, and personal interviews can be used. To measure the sales effect, sales figures before the promotion period can be compared with figures at the end of promotion, and one month after the promotion ends. It is very likely that the sales in the month following promotion will come down. If the sales return to pre-promotion levels then perhaps, the sales jump was because of brand switchers and deal prone consumers. However, if the regular sales settle at higher than normal period levels then definitely the promotion proved successful in increasing the long-run sales by attracting new customers and perhaps also attracted customers away from other competing brands. Task Develop a complete sales promotion programme for a new brand of cellular phone. Case Study Cosmofem Magazine R ahul Jain, the Vice President circulation of Cosmofem, was talking with some of his juniors about magazines and related problems in India. "You very well know that magazines are a different product altogether. They don't buy magazines the way they shop for TVs or buy cold drinks. The best selling magazines bring back the customers into the bookstores. People specifically ask for their preferred magazines because they know what they want. The readers cannot be fooled into buying just any magazine that they have no inclination to read, and if they don't want to read a magazine they will not buy it regardless of the price. If they don't want a magazine for one hundred rupees, probably they will not take it for seventy rupees also."

Contd...

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Marketing magazines is a very different ball game. Ask any publisher and you will learn there are at least four different prices; subscription, news stand, subscription renewal and test prices. There might even be a variation in these prices in different markets. Cosmofem is a women fashion magazine launched in India about five years ago. Alpha Media Line, an American publisher, promotes the magazine and its American version is one of the most popular magazines around. The foreign version, by the same name, is also available in India and is priced at Rs 350. The Indian version of Cosmofem is priced at

Rs 80

and that makes it one of the most expensive magazines in the market. During the last five years of its presence, the magazine has been through several phases of market fluctuations and competition. Cosmofem's strongest competitor is a well-established magazine promoted by one of the largest media house in India. The magazine, named Femifeel, is in the market for the last nearly 20 years and was market leader in women fashion magazine segment till the last two years. The reasons for losing market leadership, as pointed out by analysts, were the absence of any serious competition and the magazine's quality left much to be desired. Interestingly, even the editors of Femifeel believe this to some extent. The editor of Femifeel said in a recent discussion about the market and competition. "We pioneered the concept of a fashion magazine related to fashion and personality and relatively new concepts of fitness and accessories, etc., for women of upper and upper-middle class. The magazine stayed clear of other cookery and story magazines and we positioned Femifeel as the magazine for modern woman. There was no other magazine positioned this way and we could retain all of this market. The entry of Cosmofem and other magazines during the last five years has changed the market equation completely. We had to seriously rethink about all the aspects such as content, look, price and circulation in the wake of new competition. Though our Femifeel and Cosmofem are very different on one crucial aspect, the price. Femifeel is priced at Rs 30 and Cosmofem was initially priced at

Rs 55,



which was considered quite a high price for a magazine four years ago." All India circulation figures of two magazines  
Year Femifeel Cosmofem 1992 80,000 8,000 1993 72,000 14,000 1994 63,000 20,000 1995 55,000 32,000 1996 48,000  
44,000 Rahul Jain is pondering over the major issues bothering him about the market. He has realised that after 1996,  
the circulation of Cosmofem has not grown as per expectations and the advertisers may shy away if this trend continues  
for long. Another issue bothering him is that so far the magazine has not been able to create the desired brand image  
that they aimed for. Rahul discussed this issue with the marketing head and concluded that the following points needed  
urgent attention 1. The need to develop a strong image that appeals to women in the age group 21 to 35 years. 2.  
Increase the subscription figures. 3. Increase news stand sales. 4. Enhance magazine visibility in fashion and beauty  
related associations. Questions 1. Develop a questionnaire to understand the reading habits and target market  
preferences for a women's fashion magazine. 2. Develop a sales promotion plan to increase the number of subscribers  
by 10 per cent in one year's time. 3. Suggest sales promotion to increase the sales from news stands.

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### Chapter 3: Managing Other Promotional Tools 3.2

Direct Marketing The Dictionary of Marketing Terms defines direct marketing as: "The total of all activities by which the  
seller, in effecting the exchange of goods and services with the buyer, directs efforts to a target audience using one or  
more media (direct selling, direct mail, telemarketing, direct-action advertising, catalogue selling, cable TV selling, etc.)  
for the purpose of soliciting a response by phone, mail, or personal visit from a prospect or customer." — Peter D.  
Bennett, ed., Dictionary of Marketing Terms (AMA, 1988)

According to Direct Marketing Association: "Direct marketing is an interactive system of marketing which uses one or  
more advertising media to affect a measurable response and/or transaction at any location." — Direct Marketing, October  
1990 Direct marketing uses a set of all major direct-response media including print, TV, Internet and cellular phones as  
the tools to implement communications and accomplish its objectives. Direct Marketing Association Economic Impact,  
2002 reported that purchases of products and services through direct-response advertising exceeded \$2 trillion and  
projected to reach 2.8 trillion by 2006. All sorts of products and services marketers, including major retailers, business-  
to-business (B2B) and industrial marketers use direct marketing methods. 3.2.1 Direct Marketing Decisions For successful  
implementation of direct-marketing, marketers must establish objectives, specify target market, choice of strategies, and  
set evaluation criteria. 3.2.2 Direct Marketing Objectives Objectives of direct marketing usually focus on seeking direct  
response in terms of behaviour. Order response rate varies across product categories and prices but in most cases,  
usually a 2 per cent order placement is viewed as good. Some organisations use direct marketing to inform and educate  
customers about product/service in anticipation that it may precipitate future actions, reminding about offers, image  
building, maintain customer satisfaction, strengthen relationship, and reassure customers about purchases. Direct  
marketers use a database. It is much more than just names and addresses and is used to identify and profile the  
company's best customers and effectively target the customer segments. Ongoing database updating helps companies  
identify trends and buying patterns. This information, can be used by the companies to strengthen relationship with its  
customers by satisfying their needs and wants more effectively. The database should provide the answers to the  
following questions: 1. Where do they live? 2. How did they make contact first time? 3. What have they purchased? 4.  
How often have they purchased? 5. What is the monetary value of their purchases? 6. How do they order or purchase,  
through the Internet, mail, phone, or in person?

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What is known about them and their families, occupation, education, children, interests, attitudes, and payment histories  
etc.? 8. In case of B2B, who are the influencers, users, deciders, and purchasers? 9. Location of corporate office and  
branch offices. Well-managed companies usually develop and maintain their own database. Many independent research  
suppliers sell this kind of information. Database helps in developing a mailing list that minimises waste coverage as much  
as possible. A good database is crucial to the effectiveness of direct marketing. If a direct marketing company buys  
database from outside sources, it is worthwhile to pay a little more for a good database that has been well researched  
and segregated than to pay for a list of names and addresses. Many direct marketing outfits lack database of their  
customers or prospects. According to Sandeep Mittal of Direm Marketing Services, some databases in India have only 30  
per cent validity and a company can obtain a database for as little as 50 paise to  
Rs. 5

per contact. He further says that Bharat Petroleum Corp. Ltd., has compiled data on more than 14 lakh customers within the last four years, and a direct marketer can identify between two to three lakh customers, who would be interested in the company's new high-grade fuel, Speed. Shoppers Stop has also been compiling data of its regular customers through loyalty programme, namely First Citizen. 3.2.3 Direct Marketing Offer and Media According to Edward L. Nash, there are five important decision areas: Product, offer, medium, distribution method, and creative strategy. The marketer has to decide on each of these issues and develop the appropriate message to be conveyed. Direct marketers use all the available major media such as direct mail, telemarketing, direct-response broadcasting, print, the Internet, E-mail,

and others. 1. One-Step Approach: The marketer uses the medium to obtain an order. For example, exercise equipment and household items are presented through TV commercials, or many magazines insert subscription forms in their issues. The viewer or the reader places the order by calling a toll-free number. Magazine subscription forms can be filled and posted in postage-paid envelopes. 2. Two-Step Approach: This may involve the use of more than one medium. This may be done to first screen, or qualify prospects and then in the second step the marketer makes the effort to elicit a behavioural response. For example, many banks first use telemarketing to determine the potential based on interest, employment, and income and then follow-up by sending an agent with more information to close the sale. Direct Mail: Direct mail is unsolicited mail, most of us are familiar with. For some of us it is fairly irritating and we call it "Junk mail" and throw it or ignore without reading. Companies of all sizes and shape use direct mail. This mail is generally based on mailing lists the companies buy from independent sources, or in some cases is confined to customers who have made purchases earlier. Google, Yahoo, Hotmail, AOL, Amazon, Fabmart, Indiatimes, and many others have vast lists of home and

e-mail

addresses. Direct mails generally generate lower response rates from potential customers. The cost of direct mail as e-

mail is practically nothing. John Goodman, CEO India and South Asia, Ogilvy & Mather believes the Internet is the perfect medium for direct marketing. HLL (Denim aftershave, Lux), Hyatt Regency, and several banks have effectively used direct mail for their credit cards. Catalogues: Both, consumer and B2B companies may send catalogues of their entire product lines, mostly in print form, sometimes also online, as CDs, or even videos. Considering the global scenario, many companies use catalogue to sell variety of merchandise including clothing, and cosmetics. According to Direct Marketing Association forecast, catalogue sales has reached \$16.3 billion in 2006. Internet has particularly boosted the catalogue business and companies present their catalogues and accept orders over the Internet. Catalogues of marketers such as Fabmart, Amazon, McGraw-Hill, Prentice-Hall, Dell and others are available at their websites and anyone can place the order then and there. Some companies started as catalogue companies and subsequently also branched into retail outlets, such as First and second bookseller initially had a website that presented its catalogue but now also has a retail outlet in New Delhi. Anjali Textiles, Otto-Burlingtons Mail Order (P) Ltd., Mothercare India, Charag Din and others use catalogues.

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Some authors make a distinction between manufacturer-originated and trading house-originated direct mail marketing by using either direct mail or catalogue. If the marketer is a manufacturer, it is called Direct Mail Marketing, and when the source is a trading house, it is called Mail Order Marketing or Mail Order Business. Broadcast Media: Direct marketer can use television and radio. Almost entire advertising with respect to direct marketing occurs on television. This type of advertising is either in the form of direct-response advertising, or support advertising. Direct-response advertising encourages customers to place orders by using a toll-free telephone number. Support advertising informs customers generally to take part in sweepstakes or expect something in mail. Example: An interesting example of support advertising is on NDTV news channel. Airtel encourages customers to use its cellular service and make two calls then answer a simple question of the day. The winner gets Rs 100,000 for correct answer. The message is broadcast by NDTV and also the winner of the day is announced by NDTV in its news. Some companies use a new form of direct-response advertising on cable and satellite called infomercials. These are lengthy commercials ranging between 30 to 60 minutes and resemble documentaries. Indian TV viewers are quite familiar with lengthy commercials about losing weight, and portable exercise equipments and satisfied users testifying the great benefits they derived and ease of use. Of course a toll-free number is included to place the order immediately. Infomercials have been reported to be quite effective, audience watch them and place orders. Widespread use of credit cards and availability of toll-free telephone numbers in more developed countries has promoted teleshopping. Some TV channels exclusively sell products and services 24 hours a day, such as Home Shopping Network. The programme host offers low prices on a variety of items including jewelry, kitchenware, fitness products, insurance, and CDs, etc. Customers sitting in their homes make their purchases by calling a toll-free number and the ordered item is delivered within 48 hours. QVC is a major shopping channel so far covering U.S., Germany, and Japan reaching 84 million households. So far it seems there are no daylong teleshopping programmes in India. Some programmes being aired in India are actually infomercials. Example: Important names connected with such programmes include Dees' Home Shopping (DD, and C&S channels) offers home appliances, car accessories, fashion wear, footwear, beauty care products, air tickets, and groceries etc. Teleshopping Network (ATN, DD, Sun, local C&S), and United Teleshopping (DD National) are the other two names. So far the maximum time allotted in India to such programmes is limited to about 5-hours/day. Print Media: Newspapers and magazines are not considered to be 'sound choice' for direct marketing. There are too many ads competing for attention. Specific interest newspapers focused on financial matters, or sports and hobby magazines are sometimes used. Telemarketing: Direct marketing through telephone is called telemarketing. It gives the marketer a better chance of influencing the prospect and win a customer. As mentioned earlier, it is most often used in the screening process. Companies hire several telephone-callers, mostly girls, or operate through hired agents. Call centres have become a real arena of telemarketing activity. Several teams of 5 to 6 members are formed and for each team there is a supervisor. Individual team members sit in front of a computer terminal wearing a headset. They call different telephone numbers from a list and present the sales talk based on pre-tested script and update information on the computer screen. Electronic Shopping: Infomercials and home shopping use TV channels. Electronic shopping is an online information retrieval and shopping service through computers. Internet is the newest medium for direct marketing. It can be used to access information, communication, entertainment, and a means of transaction. Direct marketing through Internet involves business in "market space" as opposed to physical "market place." Direct Selling: Some authors consider direct selling as the additional element of direct marketing, often called Multilevel Marketing (MLM). Example: Some well-known players in this field include Amway, Oriflame, Avon, and Modicare.

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The selling steps are the same as discussed earlier. In this situation the salesperson directly sells to customers only in their homes. Any additional distribution channels are not involved. In India, Eureka Forbes has been very successful and is the leader in this field. Their salespeople call on homes and make presentation and demonstrate water filters and vacuum cleaners, book orders and ensure installation etc.

3.2.4 Advantages of Direct Marketing

1. Direct marketing offers the advantage of reaching large number of well-defined target customers and almost eliminates waste coverage.
2. Good quality databases are available from independent suppliers and the marketer can segment customer groups with considerable precision.
3. Direct marketer can personalise the message.
4. Direct marketing can deliver almost perfect offers to customers.
5. Marketer can build desired frequency level based on media.
6. Direct marketing offers creative flexibility in different media.
7. Direct marketer can quickly develop a list of specific profiles for direct mail.
8. Direct marketing is more effective in building customer relationship.
9. It is very cost effective considering the sale generated per contact.
10. The results can be measured most accurately.

3.2.5 Measurement of Direct Marketing Effort

The objectives of direct marketing in many cases are related to purchase behaviour and the marketer knows in no uncertain terms, the number of orders received. For non-behavioural response objectives, traditional measurement methods are used. Task Identify one infomercial. Analyse different aspects of message presentation and evaluate its effectiveness.

Public Relations Public relations' is defined in a variety of ways by different authors. Institute of Public Relations, UK defines it in the following words: "Public relations practice is the deliberate, planned, and sustained effort to establish and maintain mutual understanding between an organisation and its public." According to

Raymond Simon, perhaps the most comprehensive definition has been offered by Public Relations, which is the weekly newsletter of the industry: "

The management function which evaluates public attitudes, identifies the policies and procedures of an organisation with the public interest, and executes a programme of action ( and communication) to earn public understanding and acceptance." The first step is to determine the target audience because the objectives could be totally different for each different public segment. The target audiences may be internal or external. Internal audiences are employees of the company, company shareholders, and unions. All these groups have their stakes in the company and are also referred as internal stakeholders. Employees in different locations, unions, and shareholders should receive relevant information regularly about company activities.

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External audiences include channel members, customers and other important groups. Customers may be strongly influenced positively or negatively by promotional campaigns or publicity. Channel members can directly affect a company's operations and mass media promotions, and company sales people maintain relevant information flow. Media may or may not report publicity, and great care should be taken to release interesting information to print and audiovisual media. Financial institutions lend money and are interested in financial well being of the company and also the goodwill company can generate. Lastly, government, special interest groups, and communities keep a watch that concerns environmental pollution, harassment of women employees, or any other unfair treatment of employees. 3.3.1 Setting Objectives Marketing Public Relations (MPR) can serve to accomplish a variety of promotional objectives. Some of them are: 1. Build Excitement Prior to Product Introduction. 2. Build Strong Consumer Awareness and Launch Product. 3. Influence Opinion Leaders. 4. Build Company and Brand Image. 5. Counter Negative Publicity 3.3.2 Programme Implementation After conducting research, identifying target audience, and setting objectives, programmes are developed and delivered to audiences to accomplish the objectives. Press release and press conferences can be a very effective way of communicating with large numbers of target audiences. However, the appropriate topic should be carefully chosen to be of major interest to the target group to gain coverage. Business organisations call press conference when they have newsworthy new product introductions or some have planned some exciting event. Some sports wear or auto companies issue press release when they sign up some famous sports or movie personality. Individual educational institutions, or a group of them arrange conferences where both media and target audiences are invited. Besides furnishing all the relevant information, authorities also conduct interviews and grant on the spot admissions. The aim is to provide a number of stories addressing various audiences. Personal interviews are also arranged to clarify company position. Steve Ballmer, President Microsoft, appeared in several personal interviews to present the company position when facing a legal case brought against the company by the U. S. government. Sometimes in large business houses, there are controversies regarding controlling rights among various family members, some of them appear for personal interview to explain their side. Event sponsorship is both, part of sales promotion and also a tool of public relations. Event sponsorship blurs the difference. Corporate sponsorships of charities and worthwhile causes is popular form of public relations to build corporate image. Example: As part of MPR, many sports events such as Olympics, World Cups, Cricket matches between countries and other important events have corporate sponsors. Sahara India is the sponsor of Indian cricket team. Many companies marketing smoking products, liquors, autos, soft drinks, airlines, and high-tech products etc., sponsor events. Some of these, such as soft drink companies often create their own events. Such events get considerable visibility among target audiences and put company or brand's name in front of the consumers. Increasingly companies are finding event sponsorship as an effective public relations tool. Community involvement may be in the form of participation in community events, such as participation in religious festivals. After Tsunami tragedy, many corporations and trade associations came forward to help victims with time, money, and other type of assistance. Media devoted free airtime to aid victims by coordinating activities, announcing programmes, and food drop activities to help victims.

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Publicity Publicity is an important tool of public relations effort and both terms are used as synonymous. Publicity is concerned with generation of news about a company, product, service, or person in print or broadcast media. 'Public relations' is a deliberately organised long-term programme to communicate positive information about the company and its activities. Publicity is generally a short-term affair, and not always under the company's control because it is not paid for by the company and hence may not be favourable. Publicity of both types, favourable or unfavourable, often comes from outside sources, other than the company. Publicity, as everyone believes, originates from independent sources that do not have any stake in the company and is considered highly credible. Consumers consider information through publicity as more objective. All other promotional elements are company controlled and viewed as less reliable. Publicity is a very powerful weapon and can make or break a product or even company. After news reports of harmful levels of pesticides in Coke and Pepsi, there was a substantial drop in the sales. Very large segments of consumers across all ages were highly concerned and upset. TV news channels invited audiences from various sections of society, particularly younger groups and parents, and arranged discussions and this negative publicity was not under the control of these soft drink producers. Consumers perceive the medium in which publicity appears, endorses the information. Example: Often we read news articles in auto magazines that a certain car has won the award of "Car of the Year" and readers believe, it reflects the perceptions of the quality of the selected car by that magazine. Publicity can work for business organisations. A high level of favourable publicity has made iPod from Apple Computers a top seller. Marketers like to have as much control as they can over publicity time, place, and content. Some companies do this through video news release. This is a publicity story produced by publicity consultants so that news channels can air it as a news item. Advantages of publicity include high credibility, news value, significant word-of-mouth messages from interpersonal sources, and perception of having media endorsement of media. Disadvantages include lack of control by the concerned company most of the time, the timing of news release is almost entirely up to media, not always reported the way provider wants it, and there might be errors due to omissions, and inaccuracy. 3.5

Corporate Advertising Corporate advertising is an extension of public relations and does not promote any specific product or service. Corporate advertising aims to build and maintain the image of a company or an institution. Organisations and brands are meant to strengthen mutual credibility. Brands by themselves often lose their significance unless their association with the marketer produces authenticity. The corporate image is something that customers perceive when the name of the company is seen or heard. Corporate communications reach several audiences, such as company employees, current customers, potential customers, non-users of company products or services, channel members, shareholders, suppliers, financial institutions, and government agencies. Major changes in the economic and political scenario, affecting business and industry may often warrant advocacy or issue based advertising. Advocacy advertising refers to company's views on issues that affect its business and to protect its position in the market place. In other cases the company presents its viewpoint about a national cause such as the literacy movement or the company may list its social contributions, or emphasise its socially oriented policies. Such advertising usually does not attempt to sell anything directly but gives a face to the company and attempts to develop a positive relationship by influencing public's reaction towards the company and its products, services, sales force, and job offers. Much of the contemporary, corporate advertising serves as the support function to promote a company's products or services. Some of the important objectives of corporate advertising include: 1. To create and maintain corporate identity in public. 2. To counter negative attitudes towards the company.

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To enhance company image. 4. To associate the company with some worthwhile national or social cause. 5. To overcome negative company image. Task You must be well aware of the controversy that Coca Cola and Pepsi faced a few years back. Make a pair of 2 persons. One of them assume to be the spokesperson for Coca Cola and another for Pepsi. Prepare a short speech cum advertisement to convince people (others in class) that those allegations were false. 3.6 Unconventional Promotional Media 3.6.1

Personal Selling Personal selling has been around since ancient times. The objectives and the manner, it requires to be implemented have evolved over the years. In today's highly dynamic and competitive market conditions, the role of a salesperson is not just limited to persuading customers to buy products but also adopting ways to build long-term customer relationship. Prospecting The first requirement in personal selling is narrowing down the selling effort to the targeted customers. Prospecting involves developing and following all the leads to identify potential target customers and this requires hard work and proper time management. Some companies provide prospect lists or customer relationship database to make it easier for sales- people. Customer enquiries from different territories through various sources, including company website can be passed along to salespersons. Companies can also acquire lists from commercial sources providing this service. Other sources to generate leads can be current customers, suppliers, resellers, trade association members, various directories, or cold calling (calling unannounced on offices and individual households) etc. Pre-approach Once the salesperson identifies a set of prospects and customers, the salesperson should try to learn as much as possible about the individual or company needs. In case of a company, the salesperson should collect as much information as possible about the company's products, competition, market, potential sales volume, the purchase procedure, who is involved in influencing purchase decision, who is the final authority for making purchase decision, and their personal traits. The salesperson should consider the available facts and set specific call objectives that have measurable outcomes. Approach It is extremely important for the salesperson to determine how the customer should be greeted. The first impression is not just important but crucial to the success of a sales call. The salesperson must look and act like a professional. A salesperson should select an approach that suits her/his personality and judgement about the specific sales situation. Homer B. Smith has recommended different approaches. Some proven techniques include: 1. Ask Questions: Questions should preferably be relevant to sales presentation. 2. Use a Referral: Preferably someone favourably known to the potential customer. 3. Offer a Benefit or Service: This can be quite effective if relevant to customer's need. 4. Complement the Prospect: It is a good way to establish rapport if there is anything the prospect has achieved.

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Sales Presentation Relevant to prospect needs, the salesperson presents the product/service story according to the AIDA model (capture attention, hold interest, stimulate desire, and get action). The salesperson describes product/service features, their advantages, benefits (economic, technical, service, and social or psychological), and the total value prospect gains from making the purchase. Salespersons can use different approaches to making sales presentation. The oldest method is the stimulus-response theory of learning (sometimes called canned presentation). This approach reflects the belief that a customer will buy a product or service if exposed to the right stimuli, such as words, terms, pictures, and actions etc. The salesperson memorises the sales presentation, including when to do what, and with customer after customer repeats it. A variation of stimulus-response based approach is formulated presentation. The salesperson identifies the prospect's needs and then makes a formulated presentation. Not much attention is given to encouraging the prospect involvement in the sales presentation proper. The need-satisfaction approach starts with first determining the prospect's specific product or service related needs and tailors the presentation addressing those needs, although encouraging the prospect to participate in the presentation and do most of the talking. Sales presentations can be made more meaningful with use of visuals, samples, video cassettes, computer-based simulations, testimonials, examples, guarantees, and demonstrations. It is useful to leave brochures and booklets. For group presentation, now with technological advancements it is useful to make Powerpoint presentations prepared by professionals and offer the advantage of downloading them on the laptops of audience. Such professionally prepared presentations can use animation to clarify what cannot be explained by words. Handling Objections All salespersons, encounter sales resistance and this resistance often takes the form of objections. Some of these objections may be rational, or may be purely psychological. These may include product price and quality, company reputation, preference for competing brand, postponing purchase, and irritation towards salesperson etc. A salesperson should be prepared to face such objections. However, no matter how well-prepared a salesperson is, there is always a chance that a customer may raise some objection for which the salesperson has to come up with a solution immediately on his own. The salesperson must possess a good degree of presence of mind. In most situations a good product and competition knowledge, and an understanding of human behaviour is of considerable help to salespersons. The salesperson should maintain a calm approach, be positive and make sure the true nature of prospect's concern is understood. This requires first listening carefully, asking questions to clarify the issue, and then understanding the true nature of objection. However, if the prospect doesn't really need the product, or has no resources to buy it, the salesperson must thank her/him for the time taken and leave business card with the assurance of great service any time in future. Closing the Sale Closing refers to asking for the order. After making an effective sales presentation, the salesperson is ready to ask for the order. Closing is the sum total of all the sales presentation steps. It is the very reason for which the prospect was contacted. Many salespeople, perhaps because they lack confidence, feel uneasy, fail to perceive the positive cues indicating the prospect's readiness, and fail to take the step of asking for order. Salespersons should learn to interpret meanings of queries, comments, statements, or prospect's body language signals. As soon as possible, the salesperson must try to close the sales. During the presentation, at some point the salesperson may use a trial close. This involves assuming that the prospect is ready to buy and might ask which model, size, colour, financial terms, quantity, and delivery etc., the prospect prefers. The prospect's response to such questions indicates how close the prospect really is for making the purchase. The salesperson might also indicate the advantage of buying now, or offer some incentive to act just then. The salesperson may also repeat strong points of agreement and take a decisive and confident approach and ask for an order.

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In most business-to-business (B2B) buying situations, salespersons need to be skilled negotiators during the sales presentation. The negotiations may involve factors concerning price, quality, service, delivery, payment terms etc. The salesperson should be able to negotiate and work out a final settlement to which both buyer and seller are willing to agree to its terms and conditions. It is a win-win situation for both the parties when negotiations are concluded successfully. Follow-Up Post-purchase follow up is very important in building customer confidence and long-term relationship with the company. The salesperson contacts customer to learn if there are any problems and answers any questions that the customer does. He also contacts customers regularly to ascertain that they are happy with their purchase and offered services. Relationship selling not just focuses on selling the product but to understand changing customer needs, and solving their problems. All the company departments must understand the value of customer and provide appropriate backup to sales people to strengthen this relationship. As long as both the customer and the seller are successful in achieving their goals, the relationship continues to prosper.

### 3.6.2 Outdoor Advertising

Outdoor advertising represents the oldest medium. We have already seen in the historical background that outdoor advertising existed as early as 5,000 years ago in Babylon, Greece and Egypt. Painted advertising dates at least to Pompeii, where decorated walls promoted merchandise. Outdoor advertising is one of the more permeating communications and it is almost impossible for anyone living in a civilized society anywhere in this world not to have been exposed to it in one form or the other.

Outdoor advertising is usually used as a supportive medium by most national advertisers and includes billboards, hoarding, posters, wall paintings, and transit advertising, etc. Outdoor advertising can generate considerable reach and frequency levels at a fraction of the cost of mainstream media

and is most successful when it is used to accomplish narrowly defined communication objectives, such as: 1. To generate immediate brand name recognition when introducing a new product and complement other forms of advertising. 2. To remind customers who are already in the market-place about established and recognised brands of the marketer. Outdoor advertising has become a useful medium with the increase in the number of automobiles and improved road network. Roadside and market area billboards are increasingly in demand by advertisers, particularly on the prime locations. The original poster used to be a sheet of paper measuring 28 inches by 41 inches called "one sheet." A number of these

could be combined to create larger ones to fit different frames. The most popular is the 24-sheet poster, which has a copy area of 104 inches by 234 inches. In recent years, posters of larger size are gaining increasing acceptance, having a copy area of 115 inches by 259 inches, or bleed posters measuring 125 inches by 272 inches. Poster panels can be illuminated or non-illuminated (also called regular posters). Illuminated posters are fairly common in metros and large cities with sufficient night traffic. Printing technology has made rapid strides and posters of almost any size can be printed, but hand-painted boards are still high in demand as they can stand severe weather conditions in exposed areas longer than printed sheets of paper. Advertisers have the option of changing their copy more than once a year at their own expense. There are only a few who sell outdoor location nationwide. Selvel and Advertiser are two well-known names of this industry. Other agencies in this field are Aren, Solus, MP Publicity, Sinefine, and Asian, etc. Selvel offers more than 20,000 hoardings nationwide and nearly 75% of these are permanent. In India, the outdoor advertising businesses are mainly local in nature. These individual firms operate in a limited area, each one of them owning a limited number of posters and painted display locations in different cities, towns, and the roadsides. The rates are based on contracted time, such as weeks, months, or year and vary between Rs. 5,000 to upwards of Rs. 200,000.

Example: The Aren bridge site at Chowpatty in Mumbai is probably the most expensive. Outdoor advertising boards must be located in busy places where they are clearly visible to passers by. In America, Traffic Audit Bureau (TAB) developed useful techniques for measuring the space position value or the visibility value of individual locations. Several traffic counts at a location are made, and assuming that a portion of passing traffic is unlikely to see the

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specific posters, an allowance is made. For non-illuminated posters, the traffic count is multiplied by 0.45 and for illuminated posters by 0.65. The audience for an outdoor showing is referred as Daily Effective Circulation (DEC).

For



example, if the traffic-count in 24 hours is 50,000, then the DEC can be determined by using the following formula: For non-illuminated posters:  $DEC = 50,000 \times .45 = 22,500$  For illuminated posters:  $DEC = 50,000 \times .65 = 32,500$  Earlier, while discussing television we have mentioned that one GRP is equal to 1% of the population. Outdoor showings or GRPs are purchased in units, such as 50 or 100 and measure the duplicated audience reached by a poster allotment (the term allotment refers to the number of posters in a market). A 50 GRP (One GRP = 1% of population) in a market would mean that the daily exposure to an outdoor advertising message would be equal to 50% of the adult population in a market. A 50 GRP showing in a city with 600,000 would mean 300,000 exposures daily. Depending on the daily effective circulation (DEC) and the population of a city, the number of poster allotment would vary. The same 50 GRP buy in a market of 4 million would mean a DEC of 2 million and may require 60 or 100 posters. The overall visibility of a site is influenced by a number of factors, including weather conditions. The more important ones are: 1. Duration of Visibility: Most of us would have seen boards placed on a high-rise ground and the road is curving. The panel generally remains visible to passers by for a longer duration in fair clear weather conditions. Such locations are considered as more effective. 2. Speed: If the traffic passes the location at a slower speed, there is greater opportunity to see and read the ad message. The traffic speed is slower uphill and on the curves in the road. 3. Panel Angle: If the panel angle is such that it faces the oncoming traffic, it is a better site. 4. Proximity: If there are two or more panels, the one nearer the road has a better chance of being noticed. If there are many panels close to each other, viewers get confused. 5. Airport Advertising: Airport advertising offers an innovative and flexible range of media opportunities, ranging from long-term and short-term indoor and outdoor advertising panels. Advertising availabilities include dramatic backlit signage along each of the airport's concourses and exciting other products to choose from. 6. Bus Advertising: People notice moving objects when they are driving. Bus ads are eye catching, unique and therefore memorable. There is no clutter or other advertising distractions, especially at traffic lights where cars get stuck right behind or beside ads for several minutes. Full wrap and tail wrap buses are so distinctive that people often remember them after one time viewing. 7. Mobil Billboards: It's often difficult to reach an audience where there are no forms of outdoor such as billboards. Mobile trucks can reach just about anywhere. They are also excellent for targeting a specific place or event such a sporting event or a competitor's business for recruitment purposes. These illuminated ads are the size of a 30-sheet poster (22' x 10') and provide the coverage flexibility no other outdoor provides. 8. Outdoor Billboards: These large illuminated displays deliver impact in size, placement, color and lighting. Advertising on the Rotating (Rotary) type are physically moved every 60 days to new locations. Permanent Bulletin advertising remains at the same location throughout the contract. 9. Bleeds and 30-Sheets: These are the most common type of poster. Strategically placed 30-sheet Posters deliver advertising impressions throughout a market, not only to residents, but also to commuting traffic. The copy area of poster panels is always covered with printed paper. The most visible design for each utilizes the entire copy area of the panel, typically called a bleed poster. This is 14% larger than a 30-sheet (9'6" x 21'7") design for a standard poster, which requires white blanking paper around the design. 10. Outdoor Signs: It is very important for you to have outdoor signs placed outside your factory and office because they not only create brand equity, they also attract consumers to buy your goods and services. You can think of your outdoor signs to be your salesmen because they act as your salesmen 24/7. Most importantly, you do not have to spend much money to have these signs outside placed your office or factory.

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#### Chapter 3: Managing Other Promotional Tools 11.

Subway Posters: It reaches the largest mass transit audience in the western countries, around 3.5 million people each and every day. It captivates audience with massive daily reach and frequency. It delivers an average recall of 56%. 12.

Emerging New Media Types (a) Street Furniture (b) ATM Advertising (

c) Blimps (d) Elevator Advertising (e) Automobile Wraps Example:

Fevicol billboard and several others placed at the roadside 3.6.3 Transit Advertising In some ways, transit advertising is similar to outdoor advertising as it also uses billboards neon-signs, and electronic messages.

Transit advertising is targeted at millions of people who are exposed to

various modes of transportation, such as buses, subways, trains, or air travel. The printed ads are paid for and provided by the advertiser to the firm managing transit advertising. It is the responsibility of this firm to place and maintain the ad posters on the vehicles. The rate structure varies depending on the site, period, and the size of display. Important railway stations sites, where thousands of passengers pass everyday cost much more than others with lesser traffic. Advertisers are also offered bulk contract for placing their ads on more number of railway stations, bus stands and airports, etc. Of the many variations of transit advertising, the airline ticket holder is a very effective form of advertising communication. It reaches a very captive audience and keeps the message in front of the air passenger for as long as the ticket is retained. There is an extensive public transport system in India because most people cannot afford private transportation. A very large number of commuters travel everyday to their place of work and back home. Employees of Indian Railways alone number about more than one-and-a-half million. A large number of people, including those who come to see off the passengers, visit railway stations, bus terminals, and airports everyday and are exposed to a variety of ad messages on posters, neon-signs, and electronic boards etc. Posters also appear on the sides and backs of buses, commuter trains, trams, and delivery vans. Kiosk ads are affixed on streetlight and telephone poles. A very large part of ambulatory population is exposed to transit advertising.

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Promotions Management 3.6.4

Cinema and Videos Cinema halls and videotapes are also used to communicate advertising messages. Commercials are shown before the film and previews, carrying ad messages from both local as well as national advertisers. Many local advertisers use video rentals to advertise their products. Advertisers, mostly local businesses or retailers, use prepared slides for projection. National advertisers generally use 35 mm ad films based on a script. These are produced by professionals or the advertising agency and are expensive. Cinema is a popular source of entertainment in India. There are more than 12,000 cinema halls in the country and draw large numbers of audiences, both urban and rural. A large proportion of cinema audience is young and comes from almost all classes of society and socio-economic groups. Like TV, cinema also combines sight, sound, colour, and movement. People come to see a movie of their choice and hence are more involved. The screen size is large, picture clarity is superb, and the sound quality is superior compared to television. The combined total effect of these features creates a powerful impact on the audience. The audience also knows that the movie will not be interrupted by the commercials and for this reason they are unlikely to be irritated when the commercials are shown in the beginning or during intermission. The number of VCPs and VCRs in India is estimated to be more than two million sets. Video films are watched by a significant number of people every day. These video cassettes are used to communicate ad messages, mostly by local advertisers. Cable operators beam video film ads to all those households using their cable service. Local retailers find the medium quite attractive at a low CPM. 3.6.5 Internet Advertising Internet advertising is seen in many forms and as the medium matures, the variety would increase. Present day advertising on the Internet can be classified as ad banners, websites, ad buttons, sponsorships, interstitials, and classified ads. 1. Ad Banner: Ad banner is the most basic type of Internet advertising. It is like a billboard that appears across the top or bottom of a web page and when clicked upon by the user, it sends him/her to the advertiser's site. The size of the banner is about four and-half inches wide by one and-half inch. Other names given to banners include side panels, skyscrapers and verticals. 2. Website: A website is in fact a location on the Internet rather than an ad where anyone can come to find out about the company, its products and/or services. It is used as a brochure to promote the company's products or services. There are some companies who use their websites as a source of information and entertainment and encourage Internet users to visit often. Some other companies use the Web as an online catalogue store, conducting business right on the Internet. 3. Ad Button: An ad button is a smaller version of banner that often looks like an icon and usually serves to provide a link to advertiser's home page. Software technologies such as Java, Acrobat, Enliven and Shockwave have greatly enhanced the effectiveness of banners and ad buttons with full motion and animation. Some search engines, like WebCrawler and Excite offer audio features to advertisers that accompany a click on the banner. 4. Sponsorship: Internet advertising of this form is becoming popular. Companies sponsor the total sections of a publisher's web page, or sponsor single events for a contracted period of time.

Companies get considerable recognition on the website in the form of

integrating sponsor's brand with the publisher's content as an advertorial, or with ad banners and buttons on the web page, in exchange for their sponsorship. 5. Interstitial: This is a relatively more recent form of Internet advertising and is also referred as the intermercial. This is an animated ad

that pops up on the computer screen while downloading a website by the user.

Advertising Age has reported that this type of ad is twice as effective as ad banners at generating higher levels of brand awareness. 6. Classified Ad: This type of Internet advertising offers an excellent opportunity for local advertisers and is becoming popular among advertisers. Many of the classified websites offer free classified advertising opportunities as ad banners of other advertisers already support these sites. A classified ad is quite similar to the ones that are seen in the newspapers.

E-mail:

Many Internet advertisers send e-mails that contain text and video, streaming video, newsletters, and news releases. 8. Pop up Advertising: They are ads that are displayed in a new browser window. Pop up windows come in many different shapes and sizes, typically in a scaled-down browser window with only the Close, Minimize and Maximize commands. There is a strong resentment by some Web surfers towards pop-up ads. Marketers often do not realize the ill-will generated by pop-ups because it is easier to click the "close" button than send an email

to complain. Two basic questions that concern advertisers are the same as ever: "Do people see our ads?" and, "Are they effective?" Internet Advertising Bureau (IAB) has recently provided some practical definitions. A simple measurement is the ad request to answer the first question. IAB has defined it as "an opportunity to deliver an advertising element to a Web site visitor." When a visitor loads a web page with ads on it, the browser pulls the ad from a host server and shows them as banners, buttons, or interstitials. The number of such ad requests received can then be translated into the familiar CPM form. Another unique measurement of the Internet is the click rate (also called click through rate). A click occurs when a user moves the pointer of the mouse to a web link and "clicks" the mouse button to reach another page. "The click rate is the number of clicks on an ad divided by the number of ad requests." Revenue Models The revenue types are as follows: 1. Cost per Mille (CPM): It is also called "Cost per Thousand (CPT). It is where advertisers pay for exposure of their message to a specific audience. "Per mille" means per thousand impressions, or loads of an advertisement. However, some impressions may not be counted, such as a reload or internal user action. The M in the acronym is the Roman numeral for one thousand. 2. Cost per Visitor: It is where advertisers pay for the delivery of a Targeted Visitor to the advertiser's website. 3. Cost per View: It is when an advertiser pays for each unique user view of an advertisement or website (usually used with pop-ups, pop-under and interstitial ads). 4. Cost per Click (CPC): It is also known as Pay Per Click (PPC). Advertisers pay each time a user clicks on their listing and is redirected to their website. They do not actually pay for the listing, but only when the listing is clicked on. This system allows advertising specialists to refine searches and gain information about their market. Under the Pay per click pricing system, advertisers pay for the right to be listed under a series of target rich words that direct relevant traffic to their website, and pay only when someone clicks on their listing which links directly to their website. CPC differs from CPV in that each click is paid for regardless of whether the user makes it to the target site. 5. Cost per Action (CPA): It is also known as Cost per Acquisition. In this payment scheme, the publisher takes all the risk of running the ad, and the advertiser pays only for the amount of users who complete a transaction, such as a purchase or sign-up. This is the best type of rate to pay for banner advertisements and the worst type of rate to charge. 6. Cost per Lead: This advertising is identical to CPA advertising and is based on the user completing a form, registering for a newsletter or some other action that the merchant feels will lead to a sale. 7. Cost per Order (CPO): In this, the revenue of advertising is based on each time an order is transacted. 8. Cost per Engagement (CPE): It is a form of Cost per Action pricing first introduced in March 2008. Differing from cost-per- impression or cost-per-click models, a CPE model means advertising impressions are free and advertisers pay only when a user engages with their specific ad unit. Engagement is defined as a user interacting with an ad in any number of ways. 9. Cost per Conversion: It describes the cost of acquiring a customer, typically calculated by dividing the total cost of an ad campaign by the number of conversions. The definition of "Conversion" varies depending on the situation: it is sometimes considered to be a lead, a sale, or a purchase.

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Task You must have noticed some of the billboards in your city. Which three can you recall? What did you find particularly noticeable? 3.6.6

Mobile Advertising Some see mobile advertising as closely related to online or internet advertising, though its reach is far greater - currently, most mobile advertising is targeted at mobile phones, that came estimably to a global total of 3 billion as of 2007. Notably computers, including desktops and laptops, are currently estimated at 800 million globally. It is probable that advertisers and media industry will increasingly take account of a bigger and fast-growing mobile market, though it remains at around 1% of global advertising spend. Mobile media is evolving rapidly and while mobile phones will continue to be the mainstay, it is not clear whether mobile phones based on cellular backhaul or smartphones based on WiFi hot spot or WiMAX hot zone will also strengthen. However, such is the emergence of this form of advertising, that there is now a dedicated global awards ceremony organised every year by Visiongain. As mobile phones outnumber TV sets by over 2 to 1, and internet users by nearly 3 to 1, and the total laptop and desktop PC population by over 4 to 1, advertisers in many markets have recently rushed to this media. In Spain 75% of mobile phone owners receive ads, in France 62% and in Japan 54%. More remarkably as mobile advertising matures, like in the most advanced markets, the user involvement also matures. In Japan today, already 44% of mobile phone owners click on ads they receive on their phones. This unobtrusive two-way communications caught the attention of media industry and advertisers as well as cellphone makers and telecom operators. Eventually, SMS became a new media - called the seventh mass media channel by several media and mobile experts - and even more, it is a two-way mobile media, as opposed to one-way immobile media like radios, newspapers and TV. Besides, the immediacy of responsiveness in this two-way media is a new territory found for media industry and advertisers, who are eager to measure up market response immediately. Additionally, the possibility of fast delivery of the messages and the ubiquity of the technology (it does not require any additional functionality from the mobile phone, all devices available today are capable of receiving SMS), make it ideal for time- and location-sensitive advertising, such as customer loyalty offers (ex. shopping centres, large brand stores), SMS promotions of events, etc. To leverage this strength of SMS advertising, timely and reliable delivery of messages is paramount, which is guaranteed by some SMS gateway providers.

Case Study From Direct Selling to Direct Marketing For

years Avon lady was a fixture in American neighbourhoods. Selling door-to-

door built Avon into the world's largest manufacturer of beauty products. Avon operates in 135 countries and besides the cosmetics it also sells jewelry, home furnishings, and baby-care products. Avon pioneered the idea of hiring housewives for direct selling cosmetics in the neighbourhood. But in 1980s, as millions of women began to work outside the home, the cosmetics maker's pool of customers and sales representatives dwindled, and its sales faltered. By 1985, its profits were half what they had been in 1979. Consumer research showed that many women thought Avon's make-up was "stodgy," its gifts products overpriced, and its jewelry old-fashioned. So the company created a more contemporary line of jewelry, lowered the prices of its giftware to offer more items under \$15, and expanded its lipstick and nail polish colours. On the selling side, recruiting sales people had become problematic, much as it had for other direct sellers like Mary Kay Cosmetics and Premark International's Tupperware division. To attract sales representatives and boost productivity, Avon improved incentive-compensation

plans and offered free training programmes for recruits. As a result, Avon's

Contd....

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direct-sales business - which accounts for 70 per cent of sales and 85 per cent of operating profits - experienced a dramatic turnaround. Within a year sales rose 17 per cent, to \$2.9 billion, and profits jumped as much as 25 per cent. Today more than 450,000 sales representatives work for Avon and fill out some 50,000 orders daily. Sales exceed \$3.5 billion a year. Nonetheless, Avon estimates that at least ten million women in the US who are interested in buying from Avon are unable because no sales representative is calling. To win back some of the customers and attract new ones, the company has begun mailing catalogues directly to potential customers nationwide. The move represents growing concern at Avon that its core market has matured. The growing number of women joining work force means that fewer of them have time to meet with Avon representatives. Although Avon remains the nation's largest direct seller of beauty products, supermarkets and discount stores are stealing market share. Avon hopes that mail-order catalogues will help to reach "stranded" customers. The plan is to send catalogues to people who have moved or who no longer are active buyers. They can then order directly through the company or through a salesperson. Initial expectations are modest. Avon hopes catalogue sales will reach \$25 million the first year. In the long run, Avon hopes to penetrate major cities and suburbs, the places where much of the female work force is absent at prime selling times. Avon is also increasing the use of toll free numbers in conjunction with this strategy. Questions 1. What are the significant issues in the case? 2. Do you think Avon's approach in response for changing conditions is right for products that need personal contact by saleswomen? 3. Suggest any other solution than what Avon is planning to do. Source: Pat Solan, "Avon Looks Beyond Direct Sales," Advertising Age, February 22, 1993 3.7

## Summary ?

Marketers always search for new and effective tools to reach customers with their messages. ?

Sales promotions are short term incentives provided by the company to boost sales. Some marketers tried reaching customers directly with these tools on a one-to-one basis to assess whether this can stimulate immediate behavioural response and now direct marketing is a rapidly growing discipline in marketing. ? Sales promotions directed at end-users are called consumer sales promotions. Usually, consumer promotions are either "same for less" or "more for the same" type and may get translated into a straight price-cut or added value. ? Some of the sales promotional techniques include premiums, rebates, discounts, contests, schemes, sweepstakes, samples, coupons, free gifts, trade allowances, buy back allowances etc. ? The first step in sales promotion planning is situation analysis. The next step would be the allocation of budget to sales promotion out of the combined total budget for advertising and sales promotion. ? Sales effect before, during, and after the sales promotion can be measured by studying the sales figures. In case of objectives related to trial purchase, or change in consumer awareness and attitude as a result of increase in perceived value of the product, measurement may be difficult. ?

Direct marketing uses a set of all major direct-response media including print, TV, Internet and cellular phones as the tools to implement communications and accomplish its objectives. ?

Direct marketers use a database. It is much more than just names and addresses and is used to identify and profile the company's best customers and effectively target the customer segments. ?

Some of the direct marketing approaches include direct mailing, catalogues, broadcast media, telemarketing, electronic shopping, direct selling etc.

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The objectives of direct marketing in many cases are related to purchase behaviour and the marketer knows in no uncertain terms, the number of orders received. For non-behavioural response objectives, traditional measurement methods are used. ?

Public relations practice is the

deliberate, planned, and sustained effort to establish and maintain mutual understanding between an organisation and its public. ?

The first step in public relations

is to determine the target audience because the objectives could be totally different for each different public segment.

The target audiences may be internal or external. ?

Press release and press conferences can be a very effective way of communicating with large numbers of target audiences,

Personal interviews are also arranged to clarify company position. ?

Event sponsorship is both, part of sales promotion and also a tool of public relations. Event sponsorship blurs the difference. Corporate sponsorships of charities and worthwhile causes is popular form of public relations to build corporate image. ?

Publicity is an important tool of public relations effort and both terms are used as synonymous. Publicity is concerned with generation of news about a company, product, service, or person in print or broadcast media. ? Corporate advertising aims to build and maintain the image of a company or an institution. Organisations and brands are meant to strengthen mutual credibility. ?

Unconventional mode of promotion includes personal selling, outdoor advertising, transit advertising, internet advertising, cinemas and videos and mobile advertising. ? In today's highly dynamic and competitive market conditions, the role of personal selling is not just limited to persuading customers to buy products but also adopting ways to build long-term customer relationship. ? Outdoor advertising represents the oldest medium.

Outdoor advertising is usually used as a supportive medium by most national advertisers and includes billboards, hoarding, posters, wall paintings, and transit advertising, etc. ?

Transit advertising

is targeted at millions of people who are exposed to

various modes of transportation, such as buses, subways, trains, or air travel. The printed ads are paid for and provided by the advertiser to the firm managing transit advertising. ? Cinema halls and videotapes are also used to communicate advertising messages. Commercials are shown before the film and previews, carrying ad messages from both local as well as national advertisers. ? Internet advertising is seen in many forms and as the medium matures, the variety would increase. Present day advertising on the Internet can be classified as ad banners, websites, ad buttons, sponsorships, interstitials, and classified ads. ? Mobile advertising is closely related to online or internet advertising, though its reach is far greater - currently, most mobile advertising is targeted at mobile phones. 3.8 Keywords

Consumer Sales Promotions: sales promotions directed at consumers

Corporate Advertising: aims to build company's image Direct Marketing: interactive marketing system using media

Infomercials: direct response marketing on cable and satellite

Personal Selling: personal confrontation and immediate response involved Premiums: rewards for an act usually purchase

Public Relations: deliberate effort to maintain long term relations with public Publicity: unpaid form of promotions mainly through other sources

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Chapter 3: Managing Other Promotional Tools Sales Promotions: short term incentives to boost sales Spiff: cash payment to the salesperson by company to push sales of its products

Sponsorship: funding of event or occasion or cause etc. by companies

Stocking Allowance: money paid to the retailers to stock new products Trade Promotions: sales promotions directed at resellers

Transit Advertising: ads printed on modes of transportation 3.9 Self Assessment 1. State whether the following statements are true or false: (

a)

Schemes like 'buy two and pay for one' are known as premiums. (b) Giving 10 candies free in a jar of 200 candies is a promotion offer directed usually at consumers. (

c) Immediate price discounts are more beneficial if the objective is if you want consumers to switch brands. (d) Amway is a pioneer in direct marketing. (e)

Cadbury's brought Amitabh Bachchan to clarify their position when they were in trouble. It was a part of their Public Relation activity. (f)

In

personal selling, salesmen collect all the required information in the prospecting stage. (g) Visiongain awards felicitate best mobile advertising every year. 2.

Fill in the blanks: (a)

If a company is directing sales promotions to you as a shop owner then the promotion is said to be based on ..... strategy. (b) When you pay a sales boy at a store to take special care to push your products' sales, the incentive is called ..... (

c)

If a product carries a tag which says '25% extra free', such type of sales promotion offer is called ..... (

d)

Brands like Coke and Thumbs-up, which do not require big discounts to sell, often serve as ..... (

e)

Recent Tata Tea 'Jaago Re' campaign is an example of ..... advertising. (

f)

Salesmen from banks often call us without our knowledge or prior permission, to make their sales pitch. Such type of calling is referred to as ..... (

g)

If the traffic count for non-illuminated posters in 24 hour is 10000, then the Daily Effective Circulation is ..... (

h)

Advertisements given by local advertisers on websites like Google, Yahoo and MSN are known as ..... 3.10

Review Questions 1. "Sales Promotions are more effective when both 'push-pull' strategies are used at the same time".

Discuss 2. Critically analyse the planning process of a sales promotion programme. 3. Explain how sales promotions can be useful to gain short term competitive advantage. Give Examples. 4. "

For successful implementation of direct-marketing, marketers must establish objectives, specify target market, choice of strategies, and set evaluation criteria". Discuss.

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Sales and Promotions Management 5.

Take an example of any company that practices direct marketing and explain its approach. 6. "Public Relations activities evaluates public attitudes, identifies the policies and procedures of an organisation with the public interest".

Do you agree? Substantiate your answer with recent examples. 7. "Publicity is a very powerful weapon and can make or break a product or even company". Substantiate with help of examples. 8. Give examples of some advocacy advertisements and discuss its impact on corporate image. What do you think about such advertising? 9.

Personal Selling involves cultivation and direct response. Explain the statement. 10. "Outdoor advertising is one of the more permeating communications". Comment. 11. Do you like the idea of transit advertising? What are possible benefits they have? Are there any disadvantages of such advertising? 12. Compare and contrast mobile and internet advertising. Which one, according to you, is more effective?

Answers: Self Assessment 1. (a) F (b) F (c) T (d) T (e) T (f) F (g) T 2. (a) Push (b) Spiff/Push Money (c) Extra Value (d) Traffic Builders (e) Advocacy (f) Cold-calling (g) 4500 (h) Classified Ads 3.11 Further Readings Books  
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63 Chapter 3: Managing Other Promotional Tools Online links

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64 Sales and Promotions Management Chapter 4: Media Planning and Strategy Objectives

This chapter on Media Planning and Strategy covers 1. Understanding of print media 2. Understanding of broadcast media 3. Out of home media 4. Developing media plans Introduction This chapter deals with understanding the print, broadcast and

out-of-home media. In the last nearly 200 years, newspapers and magazines have remained a very important mass media for advertising. With the appearance of radio, and subsequently television, there has been some change in the reading habits of people. TV presented a combination of some very desirable characteristics, not offered by any other media, and became a primary source of entertainment, news, and other types of information for a very large number of people. Print media has successfully met the challenge posed by television because it has

certain advantages not offered by broadcast media. In spite of tremendous popularity of TV as an advertising medium, newspapers and magazines command a position of significance among advertisers. Newspapers and magazines are an important part of our everyday life and

a major source of information for a large number of

readers. Newspapers and magazines are available to masses at a fraction of their cost because advertising revenues from large to small advertisers support them. Without such tremendous advertising support from business firms and others, newspapers and magazines would not survive.

The role of newspapers and magazines is different in the media plan of the advertiser than television or radio. They allow the presentation of detailed messages that can be processed at the readers' own convenient pace.

According to Herbert E. Krugman, newspapers and magazines are high-involvement media, because the reader is generally required to devote some effort in reading the advertising message to have some impact.

Television and radio are considered as intrusive because the ads appear and go and the audiences have no control over the pace. Despite its late start, television has taken off and has emerged as the premier mass medium and is well placed to close the gap with the press with respect to advertising revenue and financial clout. Terrestrial television is exclusively Doordarshan; satellite television, on the other hand, is largely non-Doordarshan. 4.1

Print Media 4.1.1 Newspapers Newspapers are the major form of print media, and the largest of all advertising media.

Newspapers are quite important to national advertisers, and an especially important advertising medium to local advertisers.

As of 31st December, 1997, the total number of newspapers and periodicals was a whopping 41,705 published in India as compared to 39,149 in 1996. The number of dailies in different languages was 4,719, weeklies 14,734, and monthlies 11,505. Newspapers are published from all states and union territories. The total circulation figure of the Indian press was 10,57,08,191 copies in 1997. According to NRS 2005, print medium reaches over 200 million (dailies and magazines). Of these 200 million, 98 million are from rural India and 101 million are from urban India. This shows there are nearly as many rural readers as urban readers.

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#### Chapter 4: Media Planning and Strategy

The primary role of newspapers is to promptly deliver detailed coverage of news and other information, and incorporate interesting features for readers. Newspapers can be classified in different ways. The following classification of newspapers is convenient. 1. National Newspapers: Newspapers with national circulation in India are either in English or Hindi.

Example: The Times of India, The Hindu, The Hindustan Times and others are national English dailies. Dainik Jagran, Dainik Bhaskar, Amar Ujala, Hindustan, Nav Bharat Times and Rashtriya Sahara are Hindi national dailies. These newspapers have editorial content with a nationwide appeal. These newspapers mainly attract national and regional advertisers. 2.

Daily Newspapers (regional/local): These newspapers are published daily and in some cases the circulation figures of these regional newspapers are much higher than national newspapers. They provide only brief coverage of important national news and events. There is detailed coverage of news, events, and issues concerning regional/local geographic area. Besides this, they cover business, sports, and other relevant information and entertainment. These newspapers are more popular than national dailies among both urban and rural readers because of their nearer-to-home focus. 3.

Special Audience Newspapers: Some papers cater to the needs of specific audience groups with specialized editorial content.

Example: Economic Times and Financial Express cater to groups in the fields of economics, industry, and finance etc. The editorial content is focused on information and issues related to these aspects. Pharma Plus, a weekly, interests people involved in pharmaceutical trade and selling.

Different Types of Newspaper Advertising 1. Classified Advertising: Classified advertising refers to advertising arranged according to product or service advertised. The ads are arranged under different heads.

Example: Job vacancies, real estate, automobiles for sale, to let services, tuition services, placement services, matrimonial columns divided under many different types of subheads, and many others. Classified ads appear every day and most such ads are just text set in small type. Classified ads provide substantial revenues to newspapers. 2.

Display Advertising: This type of advertising is seen both in newspapers and magazines and uses illustrations, photos, white space, headlines, sub-headlines, and other visual elements besides copy text. Display advertisements are the major source of revenues and may account for approximately 70% of the total advertising revenues for an average newspaper.

There are two types of display advertising, national or general advertising and local advertising. National or general advertising refers to display advertising by marketers of branded products or services, who sell on a national or regional level. The objective of such ads is to help create and stimulate customer demand for the product or service, augment resellers' promotional efforts and encourage them to stock marketer's products. Large and medium-sized companies dealing in consumer products and services make heavy use of national newspaper advertising. Local advertising is often referred as retail advertising and is used by local business establishments, individuals, and other organizations to reach the consumers in the local market area served by the newspaper. Supermarkets, departmental stores, retailers, banks, schools, computer education centres and others use local display advertising. 3. Special Inserts: A variety of special inserts and advertisements appear in newspapers, such as tender notices, public notices, financial reports, and shifting of office etc. Before elections, political parties release ads promising many things. Ads related to social causes or public interest issues are placed in newspapers.

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Advantages

- 1. Penetration:** Newspapers offer an advertiser a high degree of market coverage or penetration. A high percentage of literate people read newspapers daily, both in urban and rural areas. The level of readership is very high among households with higher income and education levels. They are also the ones who generally read a national and a local daily. Some newspapers have a national daily in English and also a regional/local daily in a different language (depending on the geographical area). By making one space buy, the advertiser is able to achieve more extensive coverage and reach different segments of population with advertising message. By using daily newspapers, national or local, media planners can achieve high level of frequency in media schedule.
- 2. Flexibility:** Unlike television, newspapers offer considerable flexibility in terms of accepting and running the advertisements. Most newspapers accept ads allowing a closing time of 24 hours before publication. Of course, if the ad is coloured or meant for a Sunday supplement, it would require relatively longer closing time. Advertisers take advantage of this flexibility in responding to current market conditions and reaching customers with timely messages. Use of newspapers allows advertisers to use creative options as the ads can be produced and run in very large to small sizes, shapes, and formats. To attract readers' attention, the ads can be produced in colour, placed in the Sunday magazine section, or the newspaper may carry the ads as special inserts.
- 3. Geographic and Language Selectivity:** Advertisers can take advantage of newspapers to reach selected geographic markets. They can also select newspapers published in several Indian languages, besides English. This allows them greater flexibility in reaching specific market areas by using a single or a combination of newspapers. For example, many large consumer product marketers advertise in regional/local newspapers published in different languages, besides national dailies. Small budget local advertisers are particularly interested in geographic selectivity or flexibility. Their customers are located within specific market or trade area and the objective is to focus their advertising on areas with existing and potential customer concentration.
- 4. Reader Involvement:** People devote some time every day to reading newspapers and while they are exposed to news, entertainment, and information, their consumption decisions are also influenced by what they read in advertisements. Many consumers read ads about products in which they are interested or plan to purchase. Some go through a newspaper because of advertising it contains. Example: Job seekers particularly purchase The Hindustan Times or Times of India on Tuesday and Wednesday. Consumers look for ads offering attractive deals, to compare retail prices, or to learn about the new introductions in certain product categories. Newspaper ads are rated more believable than ads appearing in any other media.

Limitations

- 1. Reproduction Quality:** This happens to be a major limitation of newspapers as an advertising medium. The paper quality of newspapers is called coarse newsprint, not suited to proper colour reproduction. Newspapers also lack time available to bring about fine details required in high-quality reproduction of photographs and graphics of most advertisements since they use high-speed rotary printing process. Good colour reproduction is possible only in special newspaper supplements using better quality of printing paper, such as Sunday supplements. Reproduction of high-quality colour is important when the product appearance is critical in creating an impact. High-quality colour reproduction is quite expensive and for this reason, not suited to many advertisers. When a product's visual appearance is important in the ad, the advertiser will not use newspaper advertising.
- 2. Short Life Span:** Another limitation of newspapers is their short life span. Newspapers are not a leisure and pleasure medium and hence customers do not devote much time to reading them. Most people generally read newspapers as soon as they are received and then dump or throw them away. So a newspaper ad is unlikely to have any impact beyond the day it is published and any chance of repeat exposure is rather remote. Many consumers just skim through the newspaper and this increases the possibility of missing the ad or not paying attention to most ads.

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Chapter 4: Media Planning and Strategy 3.

Limited Selectivity: As discussed earlier, newspapers can offer geographic selectivity but beyond this, they are not a selective medium in terms of demographics and life-style characteristics. Most newspapers have wide circulation and reach many different customer groups making it difficult for an advertiser to concentrate on any specifically defined target segment.

4. Clutter: Like most other media, newspapers also suffer from advertising clutter. An average newspaper contains many advertisements that compete for consumers' attention and interest. Because of colour reproduction limitations, almost all the advertisements are in black and white and it is often difficult for a newspaper advertiser to break through this clutter.

Purchasing Newspaper Space Newspapers do an excellent job of reaching a very large number of households in a market area. The media planner must understand the size and nature of the audience reached by a newspaper in evaluating its suitability for a particular campaign. Circulation figures alone help assess the value of newspapers and their ability to cover various market areas. But the media planner is also interested in matching the characteristics of a particular newspaper's readers with the profile of the potential customers of the advertiser's product or service. Depending on the newspaper's image and circulation figures, space rates vary. Generally, the rates of national dailies are higher than local newspapers. Newspaper advertisers have three basic ad space rate options: 1. Open rates 2. Contract rates, and 3. Flat rates Among all the three rates, Open rates are the highest quoted for national advertisers and are applicable only for a single insertion. Contract rates are lower than open rates and are offered to advertisers who plan to run a series of advertisements in a particular newspaper over a period of time, which is usually one year. For some reason, if the advertiser or the advertising agency entering such a contract fails to meet the schedule of ads, the newspaper charges the higher open rates for the used ad space instead of the contracted rates. The Flat rates of newspaper space refer to a standard advertising rate, where no discounts are offered for large-quantity or repeated space buys. The basic rates of newspaper space are quoted as run of paper (ROP) rates. ROP means the paper can place the advertisement on any page or in any position it likes. Newspaper space rates may vary with an advertiser's request for preferred position or colour. Most newspapers try to place an ad as requested by the advertiser, but to ensure that the ad is placed in a specific section and/or position on a page the advertiser has to pay a higher preferred position rate. Likewise, the rates for colour advertising are much higher which is available on a ROP basis with many national and regional/local newspapers.

#### Notes

The code of standards prescribed by Indian Newspaper Society (INS) for all members is: 1. Society members shall not favour direct advertisers by giving them better facilities, such as lower rates, longer credit periods, preferential positions, commission, discounts, etc. 2. Agencies not accredited, or a canvasser, shall not be allowed a commission of more than 10%. 3. Member-papers shall take all reasonable precautions to ensure that the advertising accepted by them is legal, clean, honest and truthful, and that such advertising is in respect of reputable goods and services. 4. The Society has a system of granting accreditation to advertising agencies, and only such agencies are entitled to certain privileges. 4.1.2 Magazines The magazines published in the later half of the nineteenth century were targeted at special interest audiences and carried very little advertising. Most magazines of this time were either literary, or religious in content. Before the advent of radio, magazines were an important advertising medium for many businesses.

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Magazines are considered as the most specialized of all the advertising media. The magazine industry has often been described as "survival of the discriminating." The number of magazines has increased steadily to serve the educational, informational, entertainment and other specialized needs of consumers, business, and industry.

Example: There are some general interest magazines with mass appeal, such as India Today, Reader's Digest, Outlook, The Week, and Frontline, but most magazines are targeted at specific interest audience in terms of demographics, interests, activities, life-style, or fascination.

For

example, Femina, Society, Savvy, Grihshobha and Women's Era are women's magazines targeted at specific audience segments based on demographics and life-style. Business India, Business Today, Business World, and Intelligent Investor target audiences interested in business and investment.

As pointed out earlier, the role of magazines is different in the media plan of an advertiser. Magazines allow the presentation of detailed ad messages along with beautiful reproduction of photographs, graphics, and colours. Magazines are comparatively a more high-involvement form of print medium than newspapers, as they are read in a leisurely manner and are not dumped or thrown after reading as happens in case of newspapers. Consumer Magazines These magazines are bought and read by general public for entertainment or information. Consumer magazines represent the major part of the magazine industry and attract the largest share of total money spent in magazine advertising. This group of magazines is particularly suited to advertisers who want to reach general consumers of products and services and are also very suitable to reach specific target audiences. The most frequently advertised product categories include cosmetics and toiletries, laundry products, dress materials, fashion garments, consumer durable goods, and business and consumer services. Magazines of this class can also be put under categories, such as: 1. General interest magazines (India Today, Reader's Digest, Front Line, Outlook) 2. Women/life-style magazines (Femina, Savvy, Women's Era, New Woman) 3. Glamour magazines (Gentleman, Debonair, Fantasy) 4. Film magazines (Filmfare, Stardust, Cine Blitz, Screen) 5. Special interest magazines (Auto India, Digit, Competition Success Review) Advertising scene in consumer magazines is dominated mostly by large national advertisers, but they are also important to smaller firms dealing in specialised products and services, such as mosquito repellents, hand-made paper, specialised protective lighting equipment for computer users, slimming and beauty care services etc. Special interest magazines target groups of audience with similar interest or life-style and attract advertisers who desire to reach them efficiently with little waste circulation. For example, developers of computer games would do well by advertising in Computer Gaming World. Marketers of herbal beauty care products would find women and glamour magazines more suited for advertising. The editorial content of such specialised magazines is very appropriate in creating a suitable advertising environment for related products and services. Business Publications Business magazines include publications such as trade journals meant for specific businesses, industries, or occupations. They are different from consumer publications and are distinguished by the editorial focus. The readership is mainly composed of business managers and executives, businessmen, and business schools, etc. Business publications can be grouped in the following categories: 1. General business publications 2. Professional publications 3. Trade publications 4. Industrial publications 5. Institutional publications.

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Example: There are several business publications focused at different target groups such as Indian Trade Journal, Industrial Product Finder, Purchase, Chemical Product Finder, Fertilizer, Journal of the Institute of Engineers, British Medical Journal, Management, Harvard Business Review, Fortune, Data Quest, Business Today, Advertising Age, Popular Photography etc.

The issue frequency ranges from weekly to monthly, or even quarterly. These publications are focused on professional people within a particular field of interest and provide relevant information about occupation, careers, or industry. These business publications are important to advertisers in reaching a precisely defined target market, such as decision-makers in business and industry, or industrial buyers.

Advantages Some characteristics are peculiar to magazines and make them very attractive to advertisers as a medium.

The advantages

include their selectivity, excellent reproduction quality, creative flexibility, permanence, prestige, high involvement of readers, and services they offer to advertisers. Selectivity A major advantage of magazines as a medium is the selectivity or their ability to reach specific target audience. Except for direct mail and the Internet, magazines are considered as the most selective of all media. Usually magazines are published for audiences with special interests. For example, within the last few years a number of new magazines have been introduced which are targeted at new interests and trends such as, Computer Gaming World, Digit, and Computers @

Home, etc. as a result of increasing usage of computers and popularity of electronic games played on computers. Other than interest-based selectivity, magazines offer demographic selectivity and can reach specific target segments because of their editorial content and focus on well-defined demographic characteristics. Example: Femina and Women's Era are the magazines that mainly women read. A significantly large number of readers in this category lie in the 25-34 age group. Men predominantly read Cricket Today and Sportstar. A very high percentage of students in the age group of 19-24 read Competition Success Review. Film magazines are read by a large number of teenagers in the age group of 15-19 years. Magazines also offer geographic selectivity. More people in south India read India Today, Filmfare, Readers' Digest than in east Indian states. Saras Salil, Grihshobha and Manohar Kahaniyan draw a high percentage of readers from the Northern region. Geographic selectivity permits the advertisers to target ads in certain cities or regions. Reproduction Quality From advertisers' point of view, a highly desirable and valued attribute of magazines is the reproduction quality of advertisements. Magazines are generally printed on high-quality paper.

The printing processes used are modern and provide equally superior reproduction both in colour and black and white. This is quite an important feature for a visual medium like magazines, because photographs and illustrations are often a dominating part in ads. The reproduction quality, in almost all the respectable magazines is far too superior compared to what is offered by newspapers, particularly in colour. Special newspaper supplements are an exception, which are produced on superior glossy paper. Use of colour in ads is particularly important for advertisers when a product's visual elements are important in creating an impact. Creative Flexibility Advertisers can take advantage of a great deal of flexibility in terms of the type, size, and placement of advertising material in magazines.

There are options of special facilities that help advertisers in making the ad more noticeable and readable, such as gatefolds, bleed pages, and inserts. Multiple-page advertising in magazines takes many forms. The most common advertising of this form uses two-page or three-page spread and inserts. A spread increases the impact of the message and removes any competition of reader's attention.

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Gatefolds' is a form of multiple-page insertion and uses a third page, which folds out and gives the ad extra-large spread. It is used by advertisers to make a striking presentation and are often found at the inside cover of magazines, or on inside pages. BPL has used gatefolds on the inside pages of some issues of Reader's Digest for ads of its televisions. Raymonds, Canon, and Wipro also have used gatefolds in Reader's Digest. India Today also now carries gatefolds. Gatefolds are expensive and must be booked well in advance. Only a limited number of magazines offer the facility of gatefolds as they can add to the bulk of magazine. In case of bleed pages, the ad extends all the way to the edge of the page without leaving any margin of white space surrounding the ad. Bleed creates an impression about the ad that it is larger and produces a dramatic effect. Most magazines charge some extra percentage for bleeds. Other than gatefolds and bleed, creative options through magazines include unusual page sizes and shapes. Occasionally one comes across unique ads that jump off the magazine pages. These are complex three-dimensional pop-up ads that attract the reader's immediate attention. Inserts of different type include return cards, booklets, CDs and coupons, etc. Taking a cue from magazine advertisers of developed countries, probably the time is not far off when magazine advertisements might occasionally include samples of certain products, such as fragrances, or deodorants whose scent is important. All these techniques in magazine advertising are attempts to breakthrough the advertising clutter and grab the attention of readers. Permanence As mentioned earlier, a limitation of newspapers is that they are generally dumped or thrown after being read. Similarly, TV and radio ads typically deliver fleeting messages that have a very short span of life; only magazines are an exception in this regard. People generally read magazines over several days and retain them at home for reference longer than any other medium. Many readers refer to magazines on several occasions and can be exposed to ads on multiple occasions. Often more than one family member reads a magazine and these are also passed on to friends and acquaintances. Magazine reading is less hurried and offers an opportunity to examine any ad more thoroughly. For ads of expensive, complex, risky, or ego-intensive products or services, which are categorised as high-involvement informational or transformational, advertising can use long and detailed copy to communicate effectively with consumers. Reader Involvement Readers generally purchase magazines for their information value. The ads furnish additional information about products and services that may prove to be valuable in making purchase decision. The more highly educated a reader, the more thorough is the reading of magazine.

Reader involvement is related to the credibility and content relationship readers develop with their preferred magazines. Unlike ads in broadcast media, magazine ads are non-intrusive and the reader can always ignore any of them without effort. Magazines are considered as a more reliable source of information and consumers read ads with interest.

Limitations As an advertising medium, magazines offer many valuable advantages to advertisers, but despite many advantages there are problems that must be considered by media planners. These problems include high costs of advertising, their limited reach and frequency, long lead-time

for placing the ads, and the problem of increasingly heavy advertising competition and clutter. High Costs Magazines are among the most expensive media on CPM basis and in a valued mass-circulation magazine, such as India Today or Reader's Digest, advertising can be quite expensive. Many advertisers use quality magazines as a niche supplement in their media schedule.

The cost of ad space in magazines varies according to the size of audience they reach and the degree of selectivity. Advertisers with limited budgets may be interested in the absolute costs of ad space and costs of producing quality advertisements for such publications.

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Limited Reach and Frequency Quite a few magazines in India (both Hindi and English) have higher circulation figures than English dailies. Magazines published in English have their reach in all the regions. Hindi and some regional-language magazines have large circulation but their readership is confined to certain regions only. To reach a broad market area, media planners must make media buys in a number of magazines. If media strategy is based on broad reach, magazines are used in combination with other media. A large number of magazines are either monthly or fortnightly publications; the scope of building ad frequency is limited. Magazine advertising is a good supplement to TV and newspaper advertising and is also good for reaching special interest target groups who cannot be reached efficiently with television. Long Lead-time Magazines do not offer the spontaneity of newspapers and radio. The lead-time between when advertising material must be submitted and when it will run

is sufficiently long. A magazine advertisement may take four weeks or more to run after the advertiser submits it. Artwork and preparing colour plates is a time-consuming process and takes weeks. Any revisions or changes in colour ads of magazines are difficult and more time-consuming. Long lead-time means that magazine ads cannot be as timely as with other media and make it difficult for the advertiser to react to current conditions in the market. Competition and Clutter

It is interesting to note that as the success and circulation of a magazine increases, it attracts more advertising. This creates much competition and causes clutter. Clutter makes it difficult for advertisers to gain readers' attention and involve them into the advertising message. Due to this reason, many magazine ads use unusual visual images, catchy headlines, and unique creative techniques to arrest the readers' attention and involvement in the ad. Magazine Elements The page size of a magazine is the type area, and not the actual page. The standard size of magazines means roughly about 10 by 8 inches, such as India Today, or Digit, and small size is about 6.50 by 4.75 inches, such as Reader's Digest. Ad space in magazines is generally sold in terms of full pages, half-pages, quarter-pages, or smaller fractions, such as three columns or one column. Magazines are generally flexible and allow one page or double page ads to be divided into separate units. Advertisers consider right-hand pages at the front of the magazine as the ideal for ad placement.

Magazine covers draw the highest readership levels. The inside of front cover is called second cover, the inside of back cover is the third cover, and the back cover is referred as fourth cover. Magazine cover positions are sold at a premium to advertisers. Studies show that compared to an inside page ad in a magazine, second cover achieves about 30% more attention, and the third and fourth covers attract almost 22% more attention. Colour is an important element in magazine advertising and significantly improves the readership of ads. Depending on the ad size and use of colour, both can add much value to advertising. Large ad space allows more creative flexibility and is especially suited to products or services requiring long copy. A four-colour ad attracts more attention than a two-colour ad and increases readership by almost 40%, while a two-colour ad has been reported to be of limited value by most studies. Circulation and Readership Circulation figures of magazines indicate the number of individuals who get the magazine either through subscription or purchase from stores. Primary circulation of a magazine refers to the total number of copies sold to subscribers and bought by others from magazine vendors. Primary circulation is the basis for rate structure of a magazine. Circulation figures fluctuate from issue to issue of all magazines. Rates are based on a set average figure below which, the circulation is unlikely to fall. The credibility of circulation figures is important in selecting a magazine. NRS and IRS collect and report circulation data of all major publications. Audit Bureau of Circulation (ABC) also collects and evaluates information regarding subscriptions and sales of member magazines and newspapers and certifies the size of their print orders.

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Verified circulation figures (by Audit Bureau of Circulation) provide media planners with reliable data to evaluate the worth of any publication as a media vehicle. Most advertisers believe that readers who are subscribers of a magazine are more likely to read it as well. Non-verified circulation figures of magazines are generally considered to be less reliable and media planners are inclined to be skeptical and avoid buying space in such publications. Advertisers are often interested in pass-along readership figures of different magazines. These figures, if available, indicate how many people read a magazine without purchasing it. This occurs when the primary subscriber or purchaser passes-along a magazine to other person, or when a magazine is read in libraries. Pass-along phenomena can greatly expand the readership and should not be completely discounted. At an average if just two persons read one copy of a magazine, then the total readership figure of that magazine doubles. Primary circulation figures are more relevant and valuable because these indicate the primary in-home readers who most likely spend more time with the publication, and are exposed on more occasions to ads than others. Both NRS and IRS provide data for urban and rural India. NRS data also includes lifestyle parameters, such as type of home, cooking habits, children's medium of education, transportation used for traveling to work, entertainment, and travel etc. Advertisers are greatly interested in the demographic data and lifestyle patterns of various population segments to make more focused selection of media vehicles. Buying Magazine Space The rates of magazine space depend primarily on circulation figures. Other elements that affect the cost are size of the ad, and its position. As mentioned earlier, gatefolds, bleeds, and cover positions cost much more than inside pages. Volume discounts are permissible to advertisers on the total space purchased within a contract year. The space rates can also vary depending on the number of times an advertiser runs the ad. Task Collect five magazine ads for different products. Analyse why the advertisers chose magazine and not newspapers. 4.2

#### Broadcast Media 4.2.1

Television Television is believed to be the most authoritative, influential and exciting medium, reaching very large audience. It is basically an entertainment/information medium and usually viewed by the entire family. It is often said that television is the ideal medium for advertising because of its ability to combine visual images, sound, motion, and colour, and achieve viewers' empathy. These characteristics present the advertiser with maximum opportunity to develop the most creative and imaginative ad messages than any other medium. However, in spite of several advantages over other media, television does have certain problems that limit or even prevent its use in specific situations. Advantages Creativity and Impact: The greatest advantage of TV is its ability to present the advertising message in the most unique way. The integration of sight, sound, motion, and colour offers extraordinary flexibility to make dramatic and lifelike portrayals of products and services. The commercials can effectively communicate an image, or mood associated with the brand. The commercial also can help build an emotional association, or creating entertaining messages that might make an otherwise unexciting and common product seem to be interesting. Television is quite adept at communicating humorous, serious, realistic, or tongue-in-cheek commercials.

If the nature of product is such that a demonstration would convey the ad message more effectively, TV is the most suitable ad medium. The print ads of products, such as autos, TVs, and microwave ovens, etc. can show the product and provide information about their features and benefits, but a TV commercial can put the audience in a position to virtually sense driving or operating

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the gadget. This can definitely lead to an impact not possible by any other advertising media. People generally rate television as the most credible source of information. Advertisers gain a qualitative edge because television enjoys the most positive image of all media. Coverage and Cost Effectiveness: Advertising on television makes it possible to reach a large number of audiences. Television is a home and family entertainment medium. Regardless of location, income, age, sex, or educational level, most people watch at least some TV. A significant number of audiences watch TV programmes on a regular basis. Television is credited as being the single biggest factor in opening up the huge rural market for a variety of consumer products. The simple rural people of India realised that there is a world outside, very different in many ways. Television has been instrumental in raising the level of aspirations of the Indian middle class. Advertisers selling products and services appealing to broad target audiences find that by using television they can reach mass markets in a cost-effective manner. This is a major reason that television has become a particularly popular medium among advertisers of mass consumption products. Example: Companies having intensive distribution arrangements for their products, such as HLL, Procter & Gamble, Coca-Cola, Pepsi Co, Nirma, and OTC (Over-the-Counter) remedies etc., use TV advertising to reach large audiences at a relatively very low cost per thousand. Attention: Television commercials are intrusive in nature as they are imposed on viewers while watching their favourite programmes, and except for those viewers who make deliberate effort to avoid them; they are exposed to thousands of commercials each year. Those who don't avoid are exposed to many advertising messages and quite likely to pay some attention. Readers can recall the high frequency of some TV commercials, such as those of soft drinks, deodorants, shampoos, face creams, toothpaste, soaps, OTC remedies, and many detergents, etc. Selectivity and Flexibility: A frequent criticism of television as an advertising medium is that it lacks selectivity because it cannot reach a specific target audience. This criticism has only limited value. Television offers some selectivity through regional coverage, broadcast time and programme content. Doordarshan's satellite based regional services cater to eight states in the language of the state. Example: Programmes such as Disney Hour, Sunday Disney (Zee TV), Top Gear, Wheels (BBC), Job Shop, Style Police (Channel V), etc., cater to different classes of audience. ESPN, Star Sports and DD Sports are particularly popular among the young male population and sports enthusiasts. Doordarshan and Bhaskar TV show educational programmes specially meant for students. IFB Star Sunday Lunch (Star Plus) appeals heavily to homemakers. Advertisers are refining their audience coverage by appealing to groups with specific interests, such as news, sports, music, etc. Animal Planet (Discovery channel) focuses solely on animal and nature lovers. Commercials can be scheduled to take advantage of festive seasons and special occasions such as Diwali, Christmas, World Cups, Tennis Grand Slams and many other occasions. Men constitute the primary market for Gillette products and for this reason Gillette sponsors the World Series of baseball and advertises heavily. Likewise, marketers of famous brands of sports gear sponsor many sports events. Limitations Costs: Though television offers unsurpassed creativity and reaches large audiences, it is an expensive medium to advertise. Besides the high cost of media time, the costs of producing good quality commercials are quite high. The cost of 60-second Macintosh commercial during Super Bowl 1984 was \$500, 000. Besides the airtime costs, considerable costs were involved in producing the commercial. Even local ads can be expensive to produce and often are not of high quality. High costs associated with TV advertising discourage small-budget companies.

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Lack of Selectivity: Advertisers, who are interested in delivering their message to a very specific, narrowly defined, often small, target audience, find that TV leads to overexposure, reducing its cost-effectiveness. For example, it would be difficult to reach only the vegetarian population. Any TV commercial is bound to extend far beyond the target audience. Though, advertisers are attempting to improve selectivity, yet TV still does not offer as much selectivity as radio, magazines, newspapers

and direct mail. In terms of flexibility, lead-time for national and other major programmes can be a limitation as best time programmes are often sold nearly four to six months in advance. Short-lived Message: Most TV commercials last for 30 seconds or less and just about a single sales appeal can be presented in this duration. Besides, nothing tangible is left for the audience to examine or consider. The commercial appears to be a fleeting moment in time. Commercials are becoming shorter and shorter because of the increasing demand for a limited amount of broadcast time. Increasing media costs are forcing advertisers to consider shorter commercials as the only way to keep their media costs in line. Advertisers think that by using shorter commercials they can manage additional spots to reinforce the message or reach a larger audience. Many of them even believe that shorter commercials can deliver an ad message just as effectively as the longer ones at a considerably reduced cost. Clutter: A commercial may face trouble being noticed for a number of reasons, such as fleeting messages, shorter commercials, non-programme material presented during commercial break, and because the advertiser's message is only one of many other spots. For any TV programme, the number of viewers decreases during commercial breaks. If the number of commercials increases, the viewing audience decreases for the duration. Advertisers are more interested in placing their commercials during popular TV programmes leading to insertion of many short duration spots and causing more clutter. It is easy to understand why the viewer gets confused or often annoyed and unable to recall or clearly identify the advertised product or service. Limited Attention by Viewers: Buying time on television does not guarantee exposure. It only offers the advertiser an opportunity to communicate the ad message to a large number of audiences. As already mentioned, the size of the programme viewing audience decreases during a commercial break. Viewers move away from the TV set for one or the other reason to avoid seeing commercials. With the increase in the number of commercials, getting audience to pay attention is becoming an increasingly powerful challenge. Audience members find themselves comfortably armed with remote controls that make zapping and zipping convenient. Notes Zapping refers to changing channels to avoid commercials. John J. Cronin's observational study found that in the US, as much as a third of programme's audiences may be lost to zapping when commercials appear. Probably, the incidence of zapping in India would not really be very different either. Zipping refers to fast-forwarding through commercials as they appear when viewing a previously recorded movie or some other programme. Another study by John J. Cronin found that most viewers watching previously recorded programmes fully or partially zipped commercials. Buying TV Time Television is not a homogenous medium and reaches a variety of audiences. Television is a constant companion to some users; to others it is a source of news or occasional entertainment. It is complex medium that occupies so much of audiences' time and substantial amounts of advertising money. There is no strictly uniform method of buying TV time across countries. Television networks mainly function as suppliers of programmes to local stations. They sell commercial time to offset their costs of buying shows and pay a fee to stations to carry their programming.

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Buying Network Time Network television advertising is concentrated among few large advertising agencies and advertisers who spend huge sums of money. There are three basic elements to buying TV network time: 1. Negotiation: There are no rate cards, unlike most other media, for network television advertising. Buying agencies and networks bargain to reach a cost figure for the upcoming schedule. Agency comes to the bargaining table with a fair idea of what level of cost per rating point they can pay, because the difference of just a few rupees per rating point is significant when the agency is buying hundreds of commercials. Networks too have some gross monetary figure in mind for their upcoming schedule. Each party knows that there will be some give and take. These negotiators are quite experienced and know the parameters within which the final deal will be struck. 2. Scatter Plans: Networks offer agencies a list of programmes with predicted household and demographic ratings. Agencies are greatly interested in placing the commercials of their clients in the most popular shows that meet the predetermined demographic criteria. The negotiations for highly rated programmes are tough. Consequently, commercials during major sports events command a higher cost. 3. Availability: TV commercial time is limited, particularly on highly popular programmes. While negotiating with agencies or advertisers, a major issue for networks is to spread out the select spots in the scatter plans of their largest and most important clients. It is a major exercise because the number of potential advertisers is more than the number of premium spots. A situation may arise that the advertiser wants to buy a spot, but it may not be available. In such situations, the advertiser's total investment on a particular network and the price the advertiser is willing to pay are taken into consideration. Scatter plans allow the networks to reach an agreement with agencies to place commercials across their total schedule, whereby each advertiser has to accept some relatively low-rated but demographically acceptable spots in order to get the choice spots.

Spot Television When national advertisers buy local station time, this is known as spot buys. It is also referred by other names, such as spot advertising or spot television. Network schedules offer blanket coverage; spot advertising is meant for certain market covered by the station. There are two types of spot advertisers; those that use spots advertising only, and others who use spots to augment their network buy. Some major reasons for using spot advertising are: 1. Inadequate Budget for Network or Uneven Product Distribution: Often some national companies lack the funds to purchase time on national TV basis, and by intelligent buying of spots in markets where they can get maximum returns; they can compete more successfully in selected areas. Often products have uneven distribution and national coverage creates unacceptable waste coverage. 2. Targeting Geographic Markets: Brands often do not have a consistent sales pattern in every market. Spot advertising offers the advantage of building local TV weight in markets with most potential and complementing the national advertising effort. 3. Local Identity: Audiences in different markets have unique viewing habits and tastes and networks cannot deal with these aspects easily. Some programmes of local nature are often more popular in terms of demographic fit. National advertisers through spot advertising can more closely identify with the local market preferences. 4. Flexibility: In case of network advertising, commitments are made far in advance. Spot buys allow advertisers to react at short notice to changing market conditions. Spot TV can also be used in test marketing, and to introduce a product by markets.

Time Period and Programmes Selection An important consideration in buying TV time is selecting the right time period and appropriate programme to carry the ad message of the client. Advertisers are more concerned about Cost-Per-Rating Point (CPRP), and not just in terms of the number

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of spots. A large number of spots over programmes that do not actually translate into target audience do not serve the advertiser's purpose. The cost of television advertising time varies depending on the time of day and the particular programme. These are the two important factors on which the size of the audience depends. TV time is divided into dayparts, which constitute specific periods of a broadcast day and vary for different stations and channels. The nature and size of audience attracted varies according to dayparts and for this reason the advertising time rates are also different. Certain time segments are classified as the "prime-time," and draw the largest audiences. The rates for primetime TV are very high compared to other time segments, and large advertisers dominate this 'daypart'. Audience size and their demographic composition also vary depending on the programme. Example: Baywatch is popular among younger male audience; IFB Star Sunday Lunch attracts women of educated, urban middle class. Daytime programmes attract more women, and BBC News reach has increased among business decision-makers and affluent adults.

4.2.2 Cable Television In India, cable television is a fairly organised activity but largely confined to urban areas so far. Cable television has become quite a popular medium for advertisers as it has an impressive reach of 61 million homes and more than 206 million viewers. Cable delivers TV signals through wire instead of airways. Availability of DTH (direct-to-home) has been quite helpful in reaching rural population in India, but so far the number of channels is limited. Subscribers of cable TV pay a monthly fee to the cable operator and receive roughly 70 channels or more, including the local network programmes. Cable TV offers more programme options to the advertiser as well as the viewers, such as all-news, music, sports, movies, science fiction, comedy, cartoons, health and nutrition, world travel, and youth interest, etc. Many cable systems also carry independent local stations that use satellite to send signals nationally to cable operators who make them available to subscribers. Such superstations also carry national advertising. The most basic advantage of cable TV is its ability to reach more precisely defined specific geographic markets, and target audiences. It is also less expensive and offers more flexibility than networks. It costs much less to produce a programme for cable TV. Audiences of cable TV in the US tend to be younger, more affluent, better educated, and with more purchasing power. Example: ESPN is highly popular among advertisers who are interested in male sports enthusiasts; MTV reaches teenagers and young adults. Infomercials are somewhat lengthy commercials, ranging between 3 to 30 minutes, and are commonly used by direct-response advertisers on cable TV. Advertisers describe their products or services and encourage consumers to place their orders on telephone during the commercial. Because of its low costs, the medium is quite popular among local advertisers and there is an increasing trend of shifting ad spending from radio, newspapers, and magazines to cable TV. Audience Measures Some media measurement techniques have been mentioned earlier in this part. The techniques used to gather audience measurement information include diaries, personal interviews, and electronic meters or recorders (in India the use of people meters is limited to less than a dozen cities, including metros). These measures are important to media planners in deciding to buy commercial time on a programme.

Television Households This is a measure of the number of households in a market that own a television set. In India, the total households are in excess of 200 million. Out of these, nearly 80 % homes own a TV set (Approximately over 160 million households own a TV set).

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Programme Rating This is probably the best known of all audience measurement figures. Programme rating is an indicator of the percentage of households in an area that are tuned to a specific TV programme during a specific time period. Programme rating is calculated by dividing the number of households tuned to a specific programme, by the total number of households owning a TV set in that area.  $\text{Households turned to a programme Rating} = \frac{\text{Total households owning a TV set}}{\text{Households tuned to a programme}}$  =  $\frac{500,000}{2,000,000}$  = 0.25 or 25 per cent. A rating point denotes one per cent of the total TV owning households in a specific market area, tuned to a specific programme.

Households using Television This represents the percentage of TV owning households where TV is being watched during a specific time period. The figure of Households Using Television (HUT) is often referred to as 'sets in use,' and is always expressed as a percentage. For example, if 2 million households in Delhi own TV sets and, at 9 PM on a specific day, 1.5 million sets were turned on, then  $\frac{1,500,000}{2,000,000}$  = 75 per cent. TV usage varies widely depending on the time of day and the season of the year.

Share of Audience Audience share is another important measurement figure and refers to the percentage of households using TV in a specified time period and watching a specific programme. Share of audience is calculated by dividing the number of households watching a show by the number of households using television (HUT). Thus, if the total TV sets turned on in Delhi were 1.5 million, but only 500,000 of these households were tuned to Star News, the share of audience for Star News would be  $\frac{500,000}{1,500,000}$  = 33 per cent. Share of audience figures are quite important as they reveal how popular a programme is with the available audience.

Caselet Print ads Score Over TV for Womenswear –by Ratna Bhusan Television advertising may be the FMCG industry's hot favorite, but when it comes to the ready-to-wear industry, the scales are tipped in favour of print advertising. Top-line findings of a research study by Images magazine, covering a sample of 891 working women across 12 cities, reveal that when it comes to influencing ready-

to-wear purchase decisions of working women, print rules and television comes a very distant second. According to the study, 62.6 per cent women profiled said that they were sometimes influenced by print media ads for their garment purchase decisions, 13.1 per cent were "often influenced" and only 22.2 per cent were never influenced by print ads. And here is a reality check for the electronic media. As many as 32.3 per cent respondents said that they were never influenced by TV ads. Also, over 60 per cent of the respondents profiled said that they never took notice of television soaps and celebrities. At par with the print media ads was the influence of point of purchase (PoP) ads, seasonal discount sales, and other below-the-line promotions by brands and retailers. Up to 8.1 per cent working women said that communication such as this always influenced their purchase decisions, while 26.3 per cent said were often influenced. The study added that salwar-kameez is the most preferred attire for the workplace, Allen Solly is the leader in formal shirts, Benetton leads among T-shirts, Scullers is the favourite brand in trousers, and Levi's the most popular jeans. The

Contd....

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career profiles of the respondents, between 21 and 45, ranged from top-level professionals to entry-level executives. The monthly income of the respondents ranged from Rs 10,000 to over

Rs 1

lakh. According to the study, the country's apparel market is estimated to be worth Rs 49,300 crore, growing at about 13 per cent annually. Womenswear constitutes roughly 37.5 per cent of this market, which includes the Rs 8,232-crore saris market, the Rs 4,423-crore market for ethnic wear,

and the Rs 738-

crore market for western wear. Besides, a sizeable market exists for jeans, lingerie and intimate apparel. A large part of this market remains unbranded. Source: thehindubusinessline.com 4.2.3

Radio Radio has undergone considerable changes in the past nearly twenty-five years. It used to be premier mass medium for audiences and advertisers. Families gathered around the radio and tuned to Cibaca Geetmala, Eveready Ke Humsafar, or Vividh Bharati. The voice of Ameen Sayani, I. S Johar, Faroukh Sheikh and many others thrilled radio listeners. These and other audience entertainment programmes were supported by major advertisers of the day. The audience scenario has undergone a change. In the evenings, most urban households are tuned to television. In the rural areas, nearly 37% population still gets information through listening to radio. The well-known radio personality, Ameen Sayani has commented that TV has not killed radio anywhere in the world. Both TV and radio have advantages and neither can replace the other. Radio can deliver ad messages to a very large number of audiences across the length and breadth of our country. Akashvani (All India Radio) reaches 97.3% population and coverage by area is 90%. FM broadcast in India started in 1980 and was opened to private producers in mid-1993. It is primarily a music channel (mainly Western) and attracts youngsters from upwardly mobile families. FM broadcast is available in a limited area. FM stereo service is available in Delhi, Mumbai, Chennai, Kolkota, and Panjim. FM channels broadcast several different music and other programmes. Radio Mirchi is quite popular among younger population. According to NRS 2005, radio reaches only 23.10% of the adult population (the proportion is the same for rural and urban India) compared with much better population coverage in the 1980s. The good news is that the following for FM radio seems impressively on the rise with the 96.8 million FM listeners representing a 100% increase over 2002. Radio time in India is sold in spots of 7, 10, 15, 20, and 30 seconds. The ads are interspersed amongst the programmes, and a spot capsule contains a maximum of 4 spots not exceeding a total of 75 seconds. Advantages Radio offers a variety of features to advertisers and many of the medium's characteristics seem to be important to advertisers. Of all the mass media, radio is believed to be one of the most personal medium and offers advantages over other media, including selectivity, cost efficiency, flexibility and mental imagery. 1. Selectivity: Radio offers a high degree of selectivity through geographic coverage by a large number of stations and various programme formats. More than 70% of the Indian population lives in villages and the literacy rates are low. Advertisers can focus their ad messages on specific audiences who speak different languages in different areas, which otherwise may not be accessible by means of other media. 2. Cost Efficiency: Cost advantages are quite significant with radio as an advertising medium. Radio time costs far less than TV and the commercials are quite inexpensive to produce. They require only a script of the commercial to be read by the announcer, or a pre-recorded message that

the station can broadcast. Advertisers can use different stations to broaden the reach and frequency within a limited media budget. 3. Flexibility: Among all the media, radio is probably the most flexible as it has a short closing period. Radio commercials can usually be produced in a relatively short time and if required, the ad message can be changed almost just before the broadcast time. The same ad message can be adjusted in different languages to suit the market conditions.

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**Mental Imagery:** Radio advertising uses sound, and a major advantage of this situation is that it encourages audiences to use their imagination in creating images while processing the ad messages. According to Verne Gay, radio can reinforce images created by television commercial through image transfer. In this technique, the same spoken words or jingles are used in radio commercial as on television. Example: The jingle of "Videocon Washing Machine", or "Washing Powder Nirma" broadcast on radio can create image transfer of ads shown on TV. Image transfer means that when consumers hear the same ad message or jingle on radio, they connect it to the TV commercial and visualise images. Thus, radio and TV ads reinforce each other. **Limitations** Like any other medium, radio too has certain limitations. These include lack of a visual element, audience fragmentation, limited research data, limited listener attention, and clutter. These are important factors and media planner must consider them because radio is not an ideal medium for every type of advertising objective. 1. Lack of Visual Element: The most fundamental problem associated with radio is lack of a visual element. The radio advertiser cannot show or demonstrate the product, or make use of any other visual appeal. As discussed earlier, in creating brand awareness, package identification often is critical for many advertisers considering the increasing number of large retail stores in cities with self-service. In rural markets, where the literacy rates are quite low, package identification plays a major role in brand selection. 2. Audience Fragmentation: Large number of radio stations creates audience fragmentation. The number of audience tuned to any particular station is usually quite small. Advertisers who want to reach broad market areas through radio, with language differences, have to buy time on a number of stations reaching specific geographic areas. 3. Limited Research Data: All India Radio has an Audience Research Unit (ARU) to gather data on prime time listening, programme preferences and radio audiences' qualitative assessment of programmes. NRS also collects data on radio audience. However, the research data on radio is limited compared to television, newspapers, and magazines. 4. Limited Listener Attention: It is difficult to attract and retain radio listeners' attention to commercials. Programme switching is frequent among listeners and they often miss all or some of the commercials. Possibilities of distortion in radio broadcast are high, and this irritates the listeners and commercials are missed. 5. Clutter: With the increasing intensity of advertising, clutter has become a problem in advertising media, and radio is no exception. Commercial channels carry many advertising messages every hour and it is becoming increasingly difficult for ad messages to attract and retain audiences' attention. Much depends on the precision of script writing, accompanying sounds, and level of distortion. **Task** Make a note of five ads from five different general channels and five ads from different time slots from a particular channel. Are they of similar product type and class? 4.3

**Out of Home Media** Outdoor advertising is usually used as a supportive medium by most national advertisers and includes billboards, hoarding, posters, wall paintings, and transit advertising, etc. Outdoor advertising can generate considerable reach and frequency levels at a fraction of the cost of mainstream media.

#### Advantages and Limitations

Outdoor medium combines high levels of reach and frequency at low CPM costs, and a colorful presentation of products to audiences already in the marketplace. It offers the advertisers the last opportunity to remind and influence the consumer prior to purchase.

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The audience of outdoor advertising doesn't have to spend either the money or the effort to see the ad. They are there, inviting anyone and everyone to come and see them, not just once but repeatedly as long as they are there. 1. Audience Delivery: Outdoor advertising maximises both reach and frequency. It is estimated that with proper placement, a moderate outdoor campaign reaches 75% adults in a market at a minimum of 15 times in a 30-day period. This level of exposure is beyond any other medium. The sheer size of outdoor ad makes it noticeable. 2. Geographic Flexibility: Outdoor advertising is highly flexible and can be placed almost anywhere the law permits. It can be placed near stores, on buildings, along city roads, on mobile billboards, and highways etc. Outdoor can conveniently cover local, regional, or national markets. 3. Continuity: Outdoor advertising provides 24-hour coverage and cannot be turned off or ignored like any other media. Exposure to outdoor media is not dependent on audience habits, there is no zapping or zipping; it cannot be put aside or left unopened. The outdoor ad message is always working for the advertiser. 4.

Efficiency: From a cost point of view, outdoor advertising is the most efficient of all mass media on a CPM basis. 5. Creativity: By combining colour, art and short copy, outdoor advertising can quickly generate an association with a particular brand. If a billboard is placed at a busy point, audiences see the ad again and again. The more frequently the idea is repeated, the more likely it is to be retained. Outdoor advertising has certain limitations. The major ones include: 1. Limited Message Capabilities: Outdoor copy must be brief since it is perceived while the audience is mobile and the exposure time is short. The messages are limited to just a few words. Lengthy appeals are unlikely to be registered to have any impact. 2. Waste Coverage: Generally the purchase of outdoor results in high levels of wasted coverage because not everyone driving or walking past a billboard is part of the intended target audience. 3. Limited Effectiveness: A number of uncontrollable factors may lessen the effectiveness of outdoor ads, such as trees, structures and traffic signals may distract the audience. 4. Message Wear-out: Because of high frequency of exposures, outdoor advertising can lead to quick wear-out effect. 5. Public Criticism: Various public interest and environmental groups criticise outdoor billboards and posters etc. claiming that they are an eyesore, nuisance, and often a cause of road accidents. 4.4

#### Developing Media Plan

The media class refers to the general category of message delivery systems available to carry advertising messages to a targeted audience. For example, print media, broadcast media, and outdoor media etc. are media class. Within these categories are media subclasses (medium) such as newspapers, magazines, TV, Radio and so on. The media vehicle is the specific message carrier within a medium, such as Hindustan Times, Business Today, and Star Sports are examples of media vehicles in print and broadcast media. Media schedule specifies media scheduling and the timing decisions. Media owners and managers try hard to fulfill consumers' needs for entertainment and information. Once a medium or vehicle gets established and builds a significant audience, it is viewed as important and is in a position to attract advertisers who are willing to pay for the advantage of reaching that audience with their ad messages. Broadcast, press, outdoor, posters, and cinema are often referred as above-the-line-media. Direct mail, sales promotion, exhibitions, merchandising, and sales literature etc. are referred as below-the-line-media. This distinction in media type is based on whether the agency gets a commission or not. In case of the former category (above-the-line), the agency gets a commission, while in the later (below-the-line) there is no commission. Some basic terms associated with media planning need to be defined. Media planning refers to a series of decisions required in an effort to delivering the ad message to the largest number of the target audience in the most effective manner at the lowest cost. The media plan specifies media objectives and media strategies to accomplish the pre-determined objectives.

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Coverage means

the potential audience that might get exposed to the message through a media vehicle.

Reach

is a measure of

the number of target

audience members exposed at least once to a media vehicle in a given period of time. '

Coverage' refers to potential

and 'Reach' refers to actual target audience exposed to the message vehicle and expressed in percentage terms (though % sign is not used). Frequency refers to the average

number of times the audience is exposed

to a media vehicle in a given period of time (

usually determined on a weekly basis for ease in

advertising schedule planning). The basic goal of media plan is to formulate a particular combination of media (media mix) that would enable the advertiser to communicate the message successfully and effectively to the maximum number of potential and existing customers in the target market at the lowest cost. Any mistakes in this function may result in wastage of substantial amounts of money.

4.4.1 Market Analysis and Identifying the Target Market While undertaking the overall promotion planning analysis, a complete review of internal and external factors is done. During developing a media strategy, the focus of analysis

is on the media and delivering the message. The key questions at this stage are: 1.

Who is the target audience for advertising? 2. What internal and external factors may influence the media plan? 3. Where (geographic areas) and when (timing) to focus the advertising efforts? The market analysis may reveal more than a few target markets. To decide which specific groups

should

be addressed the media planner works with the client, account executives, marketing department, and the creative directors.

At this stage, the media planner may need some secondary or primary data regarding the audience size, composition, and exposure figures, such as product users among adults (males and females), teenagers, heavy users, or light users etc.

Media planners are usually more concerned with the percentage figures and index numbers rather than with raw numbers. The index number is considered a fairly good indicator of the market potential. ? ?

Percentage of users in a demographic segment Index 100 Percentage of population in the same segment

An index number of more than 100 would indicate that the product use is proportionately more in that segment compared to the one where the number is 100 (average) or less than 100.

The planners, depending on their overall strategy, may decide to focus on groups where the usage index is less than average, average, or more than average. Use of index number is helpful but it should be combined with percentages and product usage figures to get a clearer and more accurate picture of the market. Index alone may in some instances be deceptive as the figure may be the outcome of a very small population in the segment. Internal and external factors influence the

media strategies. Important internal factors that may influence the decisions are media budget, managerial and administrative capabilities of the agency personnel, and the pattern of agency organisation. Example: An agency may organise its media buying department on the basis of product expertise, market expertise, or media expertise. Other factors, external in nature, include rising costs of media, changes in technology, and the competitive environment, etc.

Market analysis Set the

media objectives Media strategy development and implementation Evaluation and follow-up

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The next issue concerns where and when to advertise. Generally, the sales are not uniform in all markets, and market potential also varies across markets. The big question is where would it be wise to spend the advertising money.

Obviously, those markets should be the priority areas that are most likely to meet the desired objectives. 4.4.2

Establishing Media Objectives Media objectives

are formulated to help accomplish the advertising communications task and marketing objectives. Media objectives are translated into specific goals for the media programme and are limited to those that can be achieved through media strategies. Example:

The media objectives can be stated as: 1.

Use print media to provide coverage of 80% of the target market over a six-month period, starting July. 2. Reach 60% of the target audience at least three times (

frequency) over the same six-month period. 3. Concentrate heaviest advertising between October and December, with lighter emphasis in earlier months. 4.4.3

Develop and Implementing Media Strategies

Scheduling It is neither necessary nor possible for the companies to keep their advertising always in front of the consumers to serve

as a constant reminder of their products or services.

Media schedule is the calendar of advertising plan. Scheduling is concerned with timing the

insertion of advertisements in the selected media. Decisions in this area are essentially based on certain assumptions regarding how the target audience will respond to the presence or absence of the advertising messages with respect to the set advertising objectives, such as product recall or attitudes. There are three approaches to scheduling: (1)

continuity, (2)

flighting, and (3) pulsing.

Continuity refers to

a continuous pattern of advertising, which can mean every day, every week, or every month.

The distinction is that a regular (continuous) pattern is developed without any gaps or periods when there is no advertising. If the planners believed that product recall responded easily to the exposure of advertising messages and also decayed easily if there was no advertising, then probably recall-increasing ad messages are needed continuously, at a low frequency level. What is required is to develop a continuous pattern of reminder advertising without any time gaps in which there is no advertising.

This strategy is suitable for those product categories that are regularly consumed on an ongoing basis without any seasonal fluctuations, such as washing powders, soaps, toothpaste, and

soft drinks, etc. Flighting refers to a less regular schedule of advertising messages and is quite popular.

There are intermittent periods

of advertising and no advertising. Because of the possible S-shaped response function, initial advertising may require heavy expenditures on media to bring about desired change in attitudes, and once formed, such attitudes are resistant to rapid decay.

This suggests the need for flighting if the advertising objective was to achieve change of attitudes. Example: This pattern is often used for desert coolers, refrigerators, woolen jackets, sweaters, beauty care products etc.

Pulsing is a combination of continuity and flighting. The continuity is maintained as a base throughout, but during certain periods the level of advertising is stepped up. For example, during the period just before the last date of tax return submission, advertising for cars increases to motivate customers to buy and avail of depreciation benefit.

Decisions about scheduling strategy are based on the advertising objectives (brand awareness, or brand attitudes), buying cycles, competitive spending, advertising decay, and available budget, etc. Media Reach and Frequency The media planners face the essential tasks that concern the

optimal use of media budget while deciding about the reach, frequency, and the number of advertising cycles affordable for the year. We have seen in the hierarchy models that the first

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stage requires awareness of the product or brand. Obviously, if more people are aware, there is more likelihood that more of them will move to each subsequent stage and finally to purchase action. Creating awareness among audience requires reach.

It

is exposing potential customers to the advertising message. In case of new product or brand, quite a high level of reach is needed to make almost all the potential customers aware of new introduction.

So far, there is no known way to determine how much reach is required to achieve desired levels of awareness, attitude change, or purchase intentions. Also, there is no certainty that an ad placed in a particular media vehicle will actually reach the target audience. For example, if an advertiser buys 30 or 60 seconds of TV time during a certain programme, everyone who is tuned to this programme will not necessarily see the commercial for a number of reasons.

In advertising terminology, frequency refers to the average number of times audience individuals or households are exposed to a medium in an advertising cycle, not necessarily to the advertisement itself. Most advertisers agree that 1:1 advertising ratio does not exist. An ad may be placed in a media vehicle, and the fact that an individual has been exposed to it does not mean that the ad has been seen. For this reason media buyers refer to the reach of media vehicle as opportunity to see (OTS) an ad rather than actual exposure to it.

Total exposures Frequency= Reach

An example will illustrate the concepts of reach and frequency: Survey sample size = 10 households with a TV

Survey period = 4 weeks TV programme = S

Households Owning TV

Weeks A B C D E F G H I J Total exposures 1 S S - - S - S S - S 6 2 - S S - S - S S - - 5 3 - - S - - S - - S 3 4 S S - - S - S S - S 6 Total 2 3 2 0 3 1 3 3 0 3 20 Total exposures = 20 Households that watched TV programme S (Reach) = 8 Frequency ?

Total exposures 20 = Reach (OTS) 8 = 2.5 Media planners make compromises and strike a balance between reach, frequency, and the number of advertising cycles in the planning period. In most cases the media budget is fixed, and the planner cannot spend more on, say increasing frequency, without decreasing the expenditures on reach or the number of advertising cycles. If the budgeting approach used is objective and task method, then all three can be increased up to a more optimistic level. In reality, there would always be a ceiling either because of one of the budgeting method used or by some higher-level corporate decision. The tradeoffs are governed by the principle that it is better to sell some people completely than many people not at all. The trade-off between reach and frequency is most common. If it is advantageous to maintain advertising continuity, or plan more advertising cycles, as with frequently purchased product and service, then reach should be sacrificed. For infrequently purchased products, such as consumer durable goods, it is advisable to increase reach and advertise only occasionally in cyclic pattern. This may suffice to maintain audience interest without having to reach them more frequently.

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Determining the Relative Cost of Media In evaluating media alternatives, media planners must compare the costs of media and the

media vehicles within these media. 1. Cost Per-thousand (CPM): Magazine space is sold primarily on the basis of pages or some increment of a page. CPM has been used by magazine industry as a standard method to provide cost breakdowns on the basis of cost per page per- thousand circulation, and is used to compare the media costs of different vehicles.

Cost of ad space CPM =  $\frac{\text{Cost}}{\text{Circulation}} \times 1000$

Example: The circulation of Reader's Digest is 3,725,000 (National Readership Survey 1999), and suppose the cost per page is

Rs. 8, 000,

the CPM calculation would be:  $\frac{8000}{1000} \times \frac{1000}{3,725,000} = 2.14$  Circulation of Competition Success Review is 3,536,000, and if we suppose the cost per page is

Rs. 6000,

the calculation would be:  $\frac{6000}{1000} \times \frac{1000}{3,536,000} = 1.7$  We see that (all other things being equal) Competition Success Review is a more cost-effective media vehicle alternative than Reader's Digest. 2. Cost Per Rating Point (CPRP):

This is used to compare cost figures of same-medium broadcast vehicles and is also referred as cost per point (CPP).

One rating point means 1% of a broadcast station's coverage area. The calculation is based on the following formula:

Cost of commercial time CPRP =  $\frac{\text{Programmer rating}}{\text{Circulation}} \times 1000$

For

example, if the

cost per spot of 10-second of Star Sports is

Rs. 120, 000,

and the programme rating is 30, the calculation would be:  $\frac{120,000}{1000} \times \frac{1000}{4000 \times 30} = 1$  3. Milline Rate (MR): Media buyers use the milline rate to compare the costs of space in newspapers. A milline rate is the cost in rupees per line of standard dimensions to reach a newspaper circulation of one million. Alternatively, to calculate the cost of space, rupees per square inch or square centimeter is used for media buying. Newspapers with higher circulation figures charge more per line or per unit space. The formula used to calculate the costs is:  $\frac{1000,000 \times \text{Rate per agate line}}{\text{Circulation}}$

Rate per agate line MR =  $\frac{\text{Circulation}}{\text{Rate per agate line}}$

It is difficult to compare costs across various media. There is no common standard between CPM and CPRP to make direct comparison possible. In an attempt to develop standard relative costing procedures, newspaper and broadcast media have started using the following approaches: Television: Cost of 1 unit of time 1000 Cost per thousand

Programme rating ? ? Newspaper: Cost of 1ad space 1000

Cost per thousand Circulation ? ?

Cost per thousand Circulation ? ?

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Such a cost comparison of media is important. However, inter-media comparisons can be quite misleading. For example, television can combine sight and sound with motion, and magazines provide longevity. Attributes of different media make direct comparisons difficult. Other than cost comparisons, the advertiser must also take into account the specific characteristics of each medium

and the vehicles within the



medium. Comparison based on cost per thousand alone has the potential of leading to over or under estimation of media cost effectiveness. In the example of two magazines already mentioned, Competition Success Review has a circulation of 35,36,000, and the circulation of Reader's Digest is 372,5000. Let us assume that the target market reached by the first is 20% of its circulation, and the other reaches 50% of the target market. The cost per page of the first is Rs. 6000, and for the second it is Rs. 8000. In spite of cost difference, and no significant difference in total circulation, if we consider the reach to actual target audience, CPM for RD will be 4.29 and for CSR 8.48. Only the consideration of cost per thousand and the

total

circulation figures in this situation would lead to wrong vehicle choice. Comp. Succ. Review Reader's Digest Circulation: 3536,000 3725,000 Cost per page:

Rs 6000 Rs 8000

Target market covered: (25 – 45 years of age): 20% 50% Actual reach to households with this age group: 707, 200 1862, 500 Calculation of CPM:  $CPM = \frac{6000}{1000} = 6$   $CPM = \frac{8000}{1000} = 8$   $CPM = \frac{6000}{353,6000} = 16.96$   $CPM = \frac{8000}{372,5000} = 21.47$  Calculation based on actual:  $CPM = \frac{6000}{707,200} = 8.48$   $CPM = \frac{8000}{1862,500} = 4.29$  reach to target audience Magazine publishers often argue, and it is a fact, that more than one person reads an issue and the actual reach of magazines is much higher. But to estimate the number of people who read a particular magazine without buying,

has the potential to be highly inaccurate and somewhat difficult to determine. Over the years, managers develop a good idea about how great the reach of a magazine is likely to be than provided by circulation figures. Another important aspect of different media is the qualitative value, which CPM figures do not reveal. CPM may be good

in comparing very similar media vehicles, but they are of lesser value in making inter-media comparisons. Media planners require going beyond figures only because media planning is not only a science but also an art. 4.4.4

Evaluation and Follow up Evaluation is essential to assess the performance of any activity. Two factors are important in evaluating the

media plan. 1. How successful were the strategies in achieving media objectives? 2. Was the media plan successful in accomplishing advertising objectives? Successful strategies help build confidence and serve as reference in developing media strategies in future, and failure is thoroughly analysed to learn about flaws. It has been pointed out that there are certain problems with measurements that limit the degree to which one can assess the relative effectiveness of different strategies.

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Sales and Promotions Management  
Case Study Escape Store T he

boardroom was filled with the voice of Marketing Manager, Ashutosh Kant. He was addressing the meeting of senior managers of Escape, "The last three months were spent by our market research team in finding out the reasons and patterns of sales at stores. Let me emphasize that retail sale is showing growth all over the country and in the process, competition is intensifying. We can no longer afford to sit and relax. Instead, we need to put ourselves fully to retain our market leadership." Three facts revealed by the survey were particularly disturbing: 1. People found Escape service staff bordering on aggressiveness and not really helpful, as they were never left to browse. 2. Children got bored and hence parents often left the store within minutes after finishing essential shopping. They never browsed or spent leisure time at Escape stores, which could otherwise help promote sales. 3. With many choices available in the market, consumers stopped treating Escape stores as unique and exclusive anymore. Rehman, an entrepreneur, had set up a garment shop in one of Delhi's busy market area about 10 years ago. He realized that to attract customers, he must do something new. With this in mind, he chalked out a massive plan to open a chain of stores called Escape. Some major features of his store were: 1. Complete dress range for kids, parents and teenagers. 2. Full accessories for women and men in footwear, purses, jewellery and cosmetics. 3. A play centre, where kids could spend time when the parents shopped. The stores were opened at two locations in Delhi on an area of 7,000 sq. feet each. Within six months, the shops became popular and the business grew rapidly, and in three years the turnover crossed Rs. 6 crore. The promotion plans included advertising in newspapers and through cable operators. The store also conducted festivals, such as children's carnival and valentine special etc., to attract crowds. Stress on store ambience was high, as Rehman wanted to create an image of a complete shopping experience for the entire family. The sales staff was carefully selected and trained to promote, not push any product and to encourage customers to browse through. The women's section was given a feminine touch and men's section has polished wood and leather all over. The garments, the accessories and gifts were displayed in large racks and full-length mirrors were placed in multiple places. Sales staff present on all the three floors often advised the customers but never showed around everything. The kids' section included garments, toys, books, and was manned by more staff. Play centre for the kids was a major attraction. The parents could safely leave their children in the place, situated on the ground floor itself. The place had separate sections of toys and books and was supervised by trained staff. The parents, therefore, could leave the children and shop in a relaxed manner. This concept was appreciated by customers and became one of the major attractions for the customers. The stores were one of a kind in early 1990s and grew rapidly. New sections on books, gifts and handicrafts were launched gradually and at any time the stores had more than 200 categories of products. During this time, the competition started intensifying as three similar ventures were launched in the city. This didn't bother Rehman much, because he felt he had built an image of Escape being the ultimate store. By 1996, Multi-Story, one-stop stores became the trend in Delhi and many such stores came up. Rehman had expanded his stores in three other cities as well and the turnover had grown to more than Rs. 40

crore. The total manpower of the company rose to 500 and several new management and non-management cadres were introduced in the company.

Contd.....

#### 87 Chapter 4: Media Planning and Strategy

Last year during the Diwali festival season, the store attracted nearly 40,000 customers in the entire month. This worried Rehman as it was almost 20% less than their estimates. His marketing manager, after long discussions, hired a market research firm to study the buying patterns and preferences of people walking into the store. Questions 1. What are the major problems and issues in this case? 2. Determine the advertising objectives for Escape stores. What message strategy and media would you recommend? What kind of reach and frequency would you suggest? 3.

Would you consider placing ads in newspapers, magazines and using billboards? Why/or why not?

Source: S H H

80%

**MATCHING BLOCK 1/24**

**SA**

MKG302 Advertising \_ Sales Promotion.pdf (D164737055)

Kazmi and Satish K Batra, Advertising and Sales Promotion, Third Edition, Excel Books, New Delhi, 2008 4.5

Summary ?

TV presented a combination of some very desirable characteristics, not offered by any other media, and became a primary source of entertainment, news, and other types of information for a very large number of people. ? Print media has successfully met the challenge posed by television because it has certain advantages not offered by broadcast media. In spite of tremendous popularity of TV as an advertising medium, newspapers and magazines command a position of significance among advertisers. ? Newspapers are the major form of print media, and the largest of all advertising media. Newspapers are quite important to national advertisers, and an especially important advertising medium to local advertisers. ? National, Daily/regional and special audience newspapers from the types of newspaper media. There are different types of newspaper advertising like classifieds, display ads and special inserts. ? Newspapers have a greater coverage, flexibility, penetration and reader involvement. However, it also suffers from few limitations like limited selectivity, limited life span and poor reproduction quality. ? The media planner must understand the size and nature of the audience reached by a newspaper in evaluating its suitability for a particular campaign. ? Magazines are considered as the most specialized of all the advertising media. The magazine industry has often been described as "survival of the discriminating." The number of magazines has increased steadily to serve the educational, informational, entertainment and other specialized needs of consumers, business, and industry. ? Consumer magazines represent the major part of the magazine industry and attract the largest share of total money spent in magazine advertising. This group of magazines is particularly suited to advertisers who want to reach general consumers of products and services and are also very suitable to reach specific target audiences. ? Business magazines include publications such as trade journals meant for specific businesses, industries, or occupations.

They are different from consumer publications and are distinguished by the editorial focus. ?

Circulation figures of magazines indicate the number of individuals who get the magazine either through subscription or purchase from stores. Primary circulation of a magazine refers to the total number of copies sold to subscribers and bought by others from magazine vendors. Primary circulation is the basis for rate structure of a magazine. ?

Television is believed to be the most authoritative, influential and exciting medium, reaching very large audience. It is basically an entertainment/information medium and usually viewed by the entire family. ? Television has higher coverage, attention, flexibility, cost effectiveness and selectivity. On the other hand it suffers from the shortcomings like cluttering and zipping and zapping.

88 Sales and Promotions Management ? When national advertisers buy local station time, this is known as spot buys. It is also referred by other names, such as spot advertising or spot television. Network schedules offer blanket coverage; spot advertising is meant for certain market covered by the station. ? Advertisers are more concerned about Cost-Per-Rating Point (CPRP), and not just in terms of the number of spots. A large number of spots over programmes that do not actually translate into target audience do not serve the advertiser's purpose. ? Programme rating is an indicator of the percentage of households in an area that are tuned to a specific TV programme during a specific time period. Programme rating is calculated by dividing the number of households tuned to a specific programme, by the total number of households owning a TV set in that area. ? Radio has undergone considerable changes in the past nearly twenty-five years. It used to be premier mass medium for audiences and advertisers. ? Radio advertising is cost effective and creates a mental imagery while there is a limited attention and lack of visual imagery. ?

Outdoor medium combines high levels of reach and frequency at low CPM costs, and a colorful presentation of products to audiences already in the marketplace. It offers the advertisers the last opportunity to remind and influence the consumer prior to purchase. ?

The

basic goal of media plan is to formulate a particular combination of media (media mix) that would enable the advertiser to communicate the message successfully and effectively to the maximum number of potential and existing customers in the target market at the lowest cost. ? Developing a media plan involves four crucial steps namely: identification of target audience and market analysis, setting media objectives, developing and implementing media strategy and finally, evaluation and follow up of the plan. 4.6

Keywords

Bleed Pages: ads that extend to the edge of the page without any margins Classifieds: Advertisements arranged as per product or service class Coarse Newsprint: paper quality of newspapers, not suited for apt color reproduction

Coverage: refers to media potential

Gatefolds: use of 3rd page in magazine ads which is folded and can spread out

Frequency: average no. of times audience is exposed to the media vehicle Infomercials: somewhat lengthy commercials shown on cable TV Media Class: media vehicles available to carry message to the audiences

Open rates: highest quoted and rates for single insertion in newspapers Primary Circulation: total magazines copies sold, to subscribers and by vendors

Reach: actual target audience exposed to the media vehicle Retail Advertising: used by local businesses to reach consumers

Run of Paper Rates: basic rates for newspaper space Special Audience Newspapers: caters to special editorial needs; economic times etc.

Spot Buys: buying of local station time by national advertisers Zapping: changing of channels to avoid advertisements

Zippering: forwarding ads in a recorded programme or movie

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#### Chapter 4: Media Planning and Strategy 4.7

Self Assessment 1. State whether the following statements are true or false: (a)

Magazines can be more effective than television while targeting premium class. (b) Hindustan Times City is a special audience newspaper. (c) Newspaper advertisements have a shorter lifespan than any other media. (

d)

ABC electronics want to print one advertisement daily in a local newspaper for one month. Rates most suited to them will be flat rates. (

e)

Television ads are cost effective because they have a mass appeal. (f) You can buy a radio slot for 12 seconds to advertise your product. (g) Index no. for a market is 105. We can say that market has good potential. 2.

Fill in the blanks: (a) Economic Survey of India is a kind of ..... (b)

Products like perfumes, cars, insurance, watches are .....products which can use a long copy ad to communicate with audiences. (c) Size of a Filmfare magazine page is roughly about..... (

d)

The.....,television time slot is said to be most sought after by the advertisers. (

e)

Asian Sky Shop and Teleshopping Network programmes are examples of ..... (

f)

HUT is the ratio between total number of households who own a TV and ....., in a given time. (g) For most of the electronics and household products, heavy advertising should be done during.....months. (

h) HUL should schedule its FMCG products on .....pattern. 4.8

Review Questions 1. "

With the appearance of radio, and subsequently television, there has been some change in the reading habits of people".

Comment. What changes have you seen in yourself and your family members? 2. "In spite of tremendous popularity of

TV as an advertising medium, newspapers and magazines command a position of significance among advertisers". Do you agree? Give reasons for your answer. 3. Suppose you are the advertising manager of a pharmaceutical firm. How will you go about giving your ads in newspapers, if you want to cover the entire Northern India? 4. The magazine industry has often been described as survival of the discriminating. Why do you think it is so? What benefits can you see as an advertiser if you want to give your ad in magazines? 5. What do you think can be the reason behind the gatefold, bleed page and pop up ads in magazines? Are they more effective than simple ads? 6.

Television's audio-visual appeal makes it the most authoritative of all mediums. Discuss. 7. Explain the concept of selectivity and flexibility of TV ads. Give examples. 8. As an advertising manager of your company, what things will you keep in mind while buying network time?

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#### Sales and Promotions Management 9.

With the help of following data, calculate programme rating, household using television and share of audience. (a) No. of households that own a TV: 40,00,000 (b) No. of households watching a program: 2,00,000 (c) No. of households watching TV: 15,00,000 10. Has popularity of TV, lowered the popularity of radio as a media? Substantiate your answer.

11. You are the advertising manager for a newly launched deodorant brand. How can you ensure that you choose a media with appropriate reach, coverage and frequency? Give a brief plan. 12. As a promotional manager, what scheduling options you have? If you are looking to promote an AC brand, what type is most appropriate for you? 13. Media planners must compare the costs of media and the media vehicle while evaluating alternatives. Why is this important? What are the ways for comparison? 14. Calculate CPM and Milline Rate Circulation of a magazine is 4,80,000, the cost per page is Rs. 6200

and cost per line is Rs. 640. 15. Complete the table and calculate the frequency. (S = TV program seen) Households Owning A

TV Weeks	A	B	C	D	E	F	G	H	Total Exposure
1	S	-	-	S	-	-	2	-	S S S - - 3 S S - S - - - 4 - S - S - S - S

Total Answers: Self Assessment 1. (

a) T (b) F (c) T (d) F (e) T (f) F (g) T 2. (a) Business Publication (b) High Involvement/Ego-Intensive (c) 8 x 10 (d) Prime Time (e) Infomercials (f) Number of sets in use (g) Festive (oct-dec) (h) Continuity 4.9 Further Readings Books

SHH Kazmi and Satish K Batra, Advertising and Sales Promotion, Excel Books, New Delhi.

57%

**MATCHING BLOCK 2/24**

**SA** MKG302 Advertising \_ Sales Promotion.pdf (D164737055)

Kruti Shah and Alan D'Souza, Advertisement and Promotions – An IMC Perspective, Tata McGraw Hill. Batra, Aaker and Myers, Advertising Management, Pearson Education. 91 Chapter 4: Media Planning and Strategy

Online links [www.admedia.org](http://www.admedia.org) [www.financialexpress.com/...advertising-strategy/514151](http://www.financialexpress.com/...advertising-strategy/514151) [www.printadvertising.com](http://www.printadvertising.com) [www.123eng.com/forum/viewtopic](http://www.123eng.com/forum/viewtopic) [themediamix.com](http://themediamix.com) [www.businessstown.com/advertising/basic-media.asp](http://www.businessstown.com/advertising/basic-media.asp) [www.oapindia.com/](http://www.oapindia.com/) [www.emarketer.com/Article.aspx?R=1007251](http://www.emarketer.com/Article.aspx?R=1007251)

92 Sales and Promotions Management Chapter 5: Budget, Objectives and Evaluation Objectives This chapter on Budget, Objectives and Evaluation covers 1. Determination of promotional objectives 2. Determination of promotional budget 3. Factors affecting promotional budgets 4. Evaluation of promotions 5. Legal and ethical issues in promotion Introduction In this chapter, we are going to study how the promotion objectives are decided, how the promotional budget is set and how they are evaluated. This chapter also brings the legal and ethical issues related to advertising and promotions in picture. Although brand or

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**MATCHING BLOCK 3/24**

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promotion managers are well aware about the importance of setting objectives in the process of planning an ad campaign, there is often confusion about what objectives are appropriate for advertising. Advertising objectives are needed for a number of reasons that include communications function focusing on what the company wants its target customers to think, feel, and do; planning and decision making, and measurement and evaluation.

In developing an advertising plan, objective setting is important and may be significantly influenced by the limitations of budget. Irrespective of the fact whether a company is multinational, or national, a huge company, or a medium sized company, budget decisions are critical as the money spent on advertising may mean the difference between success and failure. Budget allocated to advertising is considered as current business expense, cutting into profits, rather than an investment. For this reason when a firm faces tough times, the axe falls on advertising expenditures like other expense items. This is understandable but short-sighted as this may affect the brand's image and erode its equity. 5.1 Promotion Objectives

72%

**MATCHING BLOCK 4/24**

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The company's overall marketing plan determines promotional objectives. Promotion objectives specify what is to be accomplished, and where the

various types of promotions

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**SA** MKG302 Advertising \_ Sales Promotion.pdf (D164737055)

fits in. The situation analysis should provide relevant information about: 1. The target market segments and the target audience profile. 2. The brand's main attributes and benefits. 3. Market share of the company's and competing brands. Their positioning, strategies, and other relevant information. 4. Some ideas on how the company's brand should be positioned and what specific behavioural response is desired, such as brand trial, repeat purchase, increased usage rate etc. A review of information by the promotion manager would determine where the promotions fits in the company's total promotion plan. The next step is to set specific promotions objectives

and goals. There is much controversy among managers concerning promotions objectives. Many managers favour sales or the market share as the most desirable and rational promotions objective. There are others who are equally convinced that promotion is best suited to achieve narrowly defined promotions communications objectives.

93 Chapter 5: Budget, Objectives and Evaluation 5.1.1 Sales as an Advertising Objective

In an advertiser's dream world, every ad would trigger immediate sales response.

Sales are a convenient and really attractive advertising objective for many managers, but

except in the case of direct-action advertising, they are usually unsuitable for most advertising. In case of sales as the advertising objective, it would be quite simple to evaluate the results of the ad campaign. Sales objectives, however, may not be operational in certain cases because promotion is just one factor among many others that influence sales and to identify the contribution of promotion alone may really be very difficult. The lag time between audience exposure to an ad and when that ad may lead to an actual sale could be quite long because the majority of ads usually produce sales effect after a sufficiently long period of time.

Other factors that may have a significant effect on sales are product features, price, distribution, packaging, competitors' moves, and changing buyer needs, etc.

Example: When Apple computers advertised their iMac in some selected print media vehicles in India, the ads were very successful and did in fact draw many potential buyers to dealerships. Sales, as promotion objective, offer little guidance to creative and media people working on the account. They need some direction regarding what kind of ad message the company hopes to communicate, who is the target audience, and what specific response from the audience is desired.

In spite of problems that sales objectives pose, there are certain situations when sales objectives can be appropriate. Some direct-action advertising attempts to induce quick response from the members of target audience, such as ads offering some kind of incentive, or ads announcing contests, or encouraging prospects to place orders by phone or through the Internet. In most such cases the evaluation is based on sales results. In case of companies where advertising plays a dominant role in marketing programme and where other elements are relatively stable, sales-oriented objectives are used. For instance, there are companies dealing in packaged-goods brands of almost equal quality competing in mature markets, with established distribution channels, competitive prices and promotional budgets. For some of these firms, advertising and sales promotion are used as important factors influencing sales or market share and it may not be very difficult to isolate the effects on sales. With accumulated experience over the years, they consider it reasonable to set advertising objectives in terms of sales performance. For example, an established brand, Milkmaid was repositioned with the goal of improving brand sales.

#### 5.1.2 Communication Objectives of Advertising

Understanding specific consumer problems is often the key to developing an appropriate advertising campaign.

A mediocre advertising message properly directed stands more chance of success than the most professionally developed ad campaign directed at the wrong audience or using unsuitable message appeals.

Advertising creates its most powerful impact when it is used to solve narrowly defined communications objectives. 80% Awareness 5% Repurchase/ regular use 10% Trial 20% Preference 40% Liking 60%

Knowledge/comprehension

#### 94 Sales and Promotions Management

Advertising communications objectives can be put in a pyramid form. First the lower-level objectives, such as awareness, knowledge or comprehension are accomplished. Subsequent objectives may focus on moving prospects to higher levels in the pyramid to elicit the desired behavioural responses such as, associating feelings with the brand, trial, or regular use etc. It is easier to accomplish ad objectives located at the base of the pyramid than the ones toward the top. The percentage of prospective customers will decline as they move up the pyramid toward more action-oriented objectives, such as regular brand use. Irrespective of the fact whether the brand is new or established, the pyramid can be used to determine appropriate advertising objectives. What is required is to determine where the target audience lies with respect to the various levels in the pyramid.

If the level of brand awareness or the knowledge about its features or benefits is low, the advertising communications objective should be to increase them. In case the brand liking and preference is low, then the appropriate goal can be to change the target audience's image of the brand. Some brand and promotion managers raise objections to communications objectives. In their opinion, it is too difficult to translate a sales goal into a communications objective. However, if the brand objective is to raise sales by 12%, the promotion manager will ultimately have to decide in terms of some message that will be used to address the target audience to achieve this level of sales increase.

Some possible objectives can be: 1. Increasing the percentage of target consumers who associate specific features or benefits with company's brand. 2. Increasing number of target consumers who prefer company's brand rather than competing brands. 3. Increasing company's brand usage rate among existing consumers. 4. Encouraging company's brand trial among non-users.

Even when promotion managers attempt to translate sales objectives into communications objectives, they are not sure what really constitutes adequate levels of awareness, knowledge, liking, preference, or conviction to accomplish the objectives. There are no formulas except the judgment and experience of concerned managers. 5.1.3

#### DAGMAR Approach

Russell H. Colley (1961) prepared a report for the Association of National Advertisers titled Defining Advertising Goals for Measured Advertising Results (DAGMAR). He developed a model for setting advertising

objectives and measuring the results

of an ad campaign. According to this model, communications effects are the logical basis for setting advertising objectives and goals against which results should be measured. In Colley's words: "Advertising's job, purely and simply, is to communicate to a defined audience information and a frame of mind that stimulates action. Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time and at the right cost."

A part of DAGMAR Approach has already been dealt with in the 2nd chapter.

There are no significant differences between Colley's proposed model and other important hierarchy-of-effects models. According to Don E. Schultz, Dennis Martin, and William Brown, the Lavidge and Steiner hierarchy of effects model is preferable as it is more specific and offers a better way to establish and measure results. Colley also developed a checklist of 52 specific advertising tasks to establish objectives.

Another important contribution of DAGMAR was its ability to clarify what constitutes a good objective. According to Colley, the objectives should have the following features: 1. Stated in terms of concrete and measurable communications tasks 2. Specify a

target audience 3. Indicate a benchmark or standard starting point and the degree of change sought, and 4. Specify a time period for accomplishing the objective or objectives

Concrete, Measurable Tasks The communications task in objective should be spelled out and written in a precise statement of what appeal or message the advertiser wants to communicate to the target audience.

It should be specific and clear enough to guide the creative specialists in developing the ad message.

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#### Chapter 5: Budget, Objectives and Evaluation

The DAGMAR approach requires that the measurement procedure should also be specified. There must be a way to determine whether the intended ad message has been communicated properly to the target audience. If the ad message communicates that brand X is the best on Q attribute, then a questionnaire may include the request, "Rank the following brands on best Q attribute." The responses could be quantified to mean the percentage of audience who rated brand X as the best on Q attribute. Target Audience Another important feature of good objectives is the specification of a well-defined target audience. Though the primary target audience for a company's product or service is described in situation analysis, yet it may need some refining. For example, users of a product may be further categorized as heavy, medium, or light users. Benchmark and Degree of Change Sought It is important to know the target audience's present status with respect to response variables (awareness, knowledge, image, attitudes, or intentions), and then determine the degree of change desired by the advertising campaign. Example: The objective statement may include, "increase awareness level about brand X from the present 10% to 40% in the target audience." Determining the target market's present position regarding various response stages may require marketing research. If a company is introducing a new product or service, no initial research may be required assuming the starting conditions are generally very low for all the variables.

Quantitative benchmarks are important in establishing advertising goals and in determining the degree of campaign success or otherwise. In the example cited above, the pre-campaign awareness level is specified as 10%. A pre-campaign awareness level of 30% would lead to different interpretation of campaign results than would a 10% level. Specified Time Period The final consideration in setting ad objectives is to specify the time period to accomplish the objective(s). The period may be short, just a month, or it could be a year or more. All the people involved in the campaign will understand that the results will be available for evaluation and could lead to modification or change in the current effort. Increasing brand awareness can be accomplished fairly quickly compared to changing consumer perceptions about a brand. Much depends on the situation advertiser is facing and the nature of response being sought. For example, repositioning a brand needs change in consumers' perceptions and takes longer to manifest results than informing the audience about the price change. 5.1.4

Nature of Sales Promotion Objectives Sales promotion objectives could be either proactive or reactive. The most common objectives under proactive category are 1. To gain additional market share or additional revenue. 2. To expand the target market. 3. To develop favourable consumer experience with the product. 4. To add extra value to the product and develop brand franchise. Reactive sales promotion objectives are developed in response to some unfavourable market situation, or where the objectives are essentially short-term, such as the following 1. In response to competitive moves. 2. When excessive inventory piles up. 3. To generate short-term cash. 4. When the decision is to discontinue a product, or close down the business.

96 Sales and Promotions Management In a dynamic and rapidly changing marketing environment, unfavourable conditions may appear with little or no warning. It is difficult for the management to anticipate and plan for such exigencies, however, hasty decisions regarding sales promotion objectives may sometimes produce adverse effects for the firm in the long run. An important area that concerns sales promotion objectives is directly related to the specific promotional techniques to be used. The techniques could be those where the measurement of results is straightforward, or difficult to measure. For example, it is easy to measure the impact of discount offer on sales, but it is very difficult to measure the impact of premium on the perceived value of the promoted brand.

Notes Three options of marketing and promotion objectives and strategies

Option 1	Option 2	Option 3
Marketing	Increase market share from 4% to 6% by the end of the current year	Increase sales by 15% in the current year
Promotion	Increase profit by 10% over last year's	Use "pull-push" sales promotions
Marketing	Use "pull-push" sales promotions	Stop consumer promotions specially in low consumption and to encourage faster usage rate, which are unprofitable.
Promotion	Increase purchase rate of consumers	Decrease inter-purchase duration
Marketing	Decrease marketing strategy combination, while only "pull" product by trade and consumer costs while holding advertising will be used	Maintain distribution objectives and gain 85% distribution for the from 8 weeks to 6 weeks at 85% brand Sales
Promotion	Use trade and consumer deals, Use "pull-push" sales promotions	Trade promotions only if necessary to maintain distribution.

5.2 Budget Determination Setting promotions budget is no easy task. There is no way to be absolutely certain that a company is spending the right amount. Some critics say that large consumer packaged goods marketers tend to spend too much on image advertising without really knowing its effects. They overspend as a form of "insurance" against not spending enough. Industrial companies generally underspend on advertising, underestimating the power of company and product image in pre-selling and tend to rely too heavily on their sales forces to bring in sales. Marketers should consider some specific factors when setting the advertising budget:

1. Product life Cycle Stage: New products, typically, need a large advertising budget to create awareness, develop preference and induce product trial/purchase. Mature brands usually require lower budget as a ratio to sales.
2. Market Share: Brands which enjoy a high market share usually need more advertising push as a percentage of sales as compared to low-share brands. Taking share away from competitors requires larger advertising expenditure than just maintaining the current status.
3. Intensity of Competition and Clutter: In a market with many competitors and high spending on advertising, there is bound to be advertising clutter. A brand must advertise more heavily to be heard above the noise in the market.
4. Advertising Frequency: When many advertising repetitions are needed to communicate the brand's message to the target consumers, the advertising budget must be large.
5. Product Differentiation: When a brand cannot be differentiated significantly and resembles other brands in a product category, it requires heavy advertising to set it apart from competitors.



Chapter 5: Budget, Objectives and Evaluation 5.2.1 Approaches to Budgeting Rarely, if ever, theoretical approaches to budgeting are used. In practice, firms use one or more methods developed through practice and experience that have been somewhat resistant to change for more than a decade. Some firms use more than one method and approaches to budgeting vary among companies depending on size and sophistication of the company. In practice, companies use two totally different approaches to budget setting, top-down approach and build-up approach (also called bottom-up approach). In case of top-down approach the budgetary amount is established by higher management and passed down to various departments. There is no real theoretical base for this approach. Top-down methods of budgeting include the affordable method, arbitrary allocation, percentage of sales, competitive parity, and return on investment. Top-down methods are judgmental in approach and the budget is apparently not linked to the objectives and the strategies decided to attain them. The build-up approach takes into account the company's advertising objectives and budget is allocated on the basis of what is considered essential to accomplish the goals. This approach includes objective and task method, payout planning method, and quantitative models. Top-down Method The Affordable Method (also called all-you-can-afford Method) This is quite a simple method. After all other allocations have been made to cover other relevant company expenditures, whatever is left is allocated to promotions considering that this is what the firm can afford to spend on promotions. No consideration is given to what is expected of promotions. One may reasonably think that the chances of under or overspending are high with this method. This approach is fairly common among small firms. Particularly, high-tech firms focus on new product development and engineering and believe that if the product were good it would sell on its own. Surprisingly, this method often produces good results. If a company is doing proper allocation to other elements of business, then probably the amount left over for promotions is adequate to meet the company's communications needs. The thinking seems to be "we can't be hurt with this method as we are allocating what we can afford and not get into any financial problems." This method is not based on sound decision-making principles. According to S-shaped function curve model, the firm operates in the range (A) that may have little or no influence on sales or the firm may be over-spending, operating in range (C). It is only a matter of chance that the firm might operate in range (B). When the market conditions are tough, adversely affecting sales or profits, there may be budget cuts at the wrong time. Arbitrary Allocation Method This method of budget allocation seems to have no theoretical basis. The management determines the budget on the basis of what is felt to be necessary, however, there are no criteria to defining what is really meant by "necessary" in the context of advertising budget allocation. This method does not offer any advantages but is used by many firms. It lacks any systematic thinking that may reflect some relationship with promotion objectives. Apparently, there is no basis to explain this approach. It has been mentioned to show that such an approach is used, but it is not recommended. When Glaxo introduced Zantac (Zinetac in India), the medication for gastric ulcer, it was forecasted to gain no more than 10% share against the well-entrenched Tagamet. Glaxo's investment-driven campaign helped Zantac achieve more than 50% share and became the leading brand. Percentage of Sales Method Of all the methods developed and used to determine the advertising budget, probably the percentage of sales is the most commonly used method, especially by large and medium sized companies. The basis is the total sales of the brand or product.

98 Sales and Promotions Management In its simplest application, a fixed percentage of last year's sales figure is allocated as the budget. A variation of this method is to use a percentage of the projected sales figures of the next year as the base. Yet another variation is to calculate the average sales of the last several years to decide budget allocation. In another slightly different approach, a fixed amount of the unit product cost is taken as the promotion expense and multiplied by the number of projected sales units. Example: If the total sales in 2001-2002 were Rs. 1000,000. The promotions budget may be decided as 10% of this figure for 2002-2003, which would be Rs. 100,000 (The calculation is straight forward, 10% of 1000,000 = 100,000). In case the ad budget is to be decided on the basis of sales units, let us assume the manufacturing cost per pair of jeans is Rs. 200 and the promotion money allocated per unit is Rs. 20. The projected sales figure is 50,000 jeans for the coming year, then the total promotions budget can be easily calculated and would be Rs. 1000,000 (50,000 × 20 = 1000,000). The percentage figure selected is often the industry standard. This figure varies from one industry to the next, and also among different firms in the same industry. Some companies allocate a small percentage of sales as the advertising budget, while some others decide for a higher percentage. Actual rupee amounts spent vary considerably depending on the individual company's total sales figure. If the company's sales are substantially high, even a small percentage figure would mean significantly more spending on advertising compared to another company with lower sales figures in the same industry. Those who favour percentage of sales method point out that it is simple, straightforward, and easy to implement and the expenditures are directly related to the funds available. If a company's sales were more in the last year, presumably more funds are available to be spent on advertising this year. It is safe and ad spending remains within reasonable limits; sales increases will lead to budget increase and sales decreases will result in reduced advertising budget. Regardless whether past sales or the projected sales are taken as the basis for calculation, it is easy to arrive at the budget figure. Unless there are unprecedented changes in sales, managers will have a fair idea of the budget parameters. There are some serious disadvantages as well with percentage of sales method. The basic premise of this method is that sales are the cause of promotions, rather than it is promotions that help create sales. It ignores

the possibility that sales may decline because of too little promotions, or that promotions may take advantage of rising sales potential. What if an aggressive firm wishes to allocate more promotions funds? Percentage of sales method ignores this possibility, which often may be the need in marketing warfare. This is possible only if the manager is willing to deviate from the industry standards in allocating more funds to promotions.

Task Contact an account executive of an ad agency in your city. Find out for what type of products/situations he/she recommends sales or communications as promotion objectives.

Competitive Parity Method Many advertisers base their promotions budget allocation on competitor's expenditures. Such information is easily available in trade journals and business magazines. Adopting this approach, managers decide budget amounts by matching competitor's percentage-of-sales allocations. The logic behind this approach is that the collective wisdom of the firms probably generates advertising budgets that are quite close to optimal. Not everyone would be too far from what is adequate in a given industry. This method also takes into consideration the competition leading to stability in the market place and minimising the chances of promotional wars. There are disadvantages in using competitive parity method. First, it ignores the fact that each firm allocates budget to accomplish specific promotions objectives to solve certain problems or to take advantage of the present or emerging opportunities. The inherent assumption seems to be that all the firms have similar promotions objectives, and their allocations are correct, which may be far from reality. Second, the method assumes that all firms will have equally effective promotions programmes because the expenditures are similar and ignores the contributions of media and creative executions.

99 Chapter 5: Budget, Objectives and Evaluation Bottom-up/Build-up Method Objective and Task Method Setting objectives and budget decision are linked together and should be considered simultaneously. For example, it does not make sense to have an objective of creating awareness among 200 million audiences in the target market unless the firm is prepared to allocate minimal budget amount required to achieve this goal. The objective and task method is based on build-up approach. Three steps need to be taken: 1. Defining the advertising communications objectives to be accomplished. 2. Deciding specific strategies and tasks necessary to achieve them, and 3. Estimating the costs involved in putting these strategies and tasks in operation. The total of all the associated costs is the base to determine the advertising budget. Implementation of objective and task method in determining the advertising budget requires a higher degree of managerial involvement. The whole process must be monitored throughout keeping in view how well the objectives are attained and suitable changes in strategies made, if deemed necessary. This approach represents an attempt to introduce intervening variables such as awareness, knowledge, or attitude formation etc., which are presumed to be indicators of immediate and future sales. The major difficulty that confronts planners is to determine which are those specific tasks required and the costs associated with each. Payout Planning Payout planning is a useful technique to develop budget when a new product is introduced. It is used in conjunction with other budgeting methods to estimate the investment value of advertising. The commitment is to invest heavily in promotions to achieve increased awareness and product acceptance. The basic idea is to develop a projection of revenues the product will generate, and the costs it will incur over a period of two or three years. The approach acknowledges the possibility that company profits will decrease in the first year or two.

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The expected rate of return assists in determining how much expenditure will be needed before the return might be expected.

Managers have a keen interest in knowing how much money is to be invested in advertising and for how long, before the brand gets established and expected profits flow from the brand's sales. Preparing payout plan depends on the accuracy of sales forecasts over time, factors that affect market, and estimated costs. Promotions expenditures during the year of brand introduction will be high to move the target audience through various stages leading to purchase, growth in sales is expected to be slow, and the company would lose money. The brand almost reaches break-even in the second year, and in the third year starts showing substantial profits. This typically depicts the early stages of product life cycle. Assuming that everything is working according to plan, the promotions expenditures are shown to be gradually declining and sales are increasing. Compared to top-down methods, it is a useful and logical planning tool when used in conjunction with objective-and-task method to set the promotions budget, but has certain limitations. Example: Payout Plan (three-year period) A new brand 'B' (Figures: rupees in millions) First year Second year Third year Sales 15.00 million 35.50 million 60.75 million Profit contribution (@ 50%) 7.50 ,, 17.75 ,, 30.38 ,, Advertising 15.00 ,, 10.50 ,, 8.50 ,, Profit (loss) (7.50) ,, 7.25 ,, 21.88 ,, Cumulative profit (loss) (7.50) ,, (0.25) ,, 21.63 ,,

100 Sales and Promotions Management Experimental Approach Experimental approach is used as an alternative to using statistical approaches and mathematical models. The promotion or brand manager uses tests and experiments in one or more selected market areas. The purpose is to determine the impact of input variations that might be used. The feedback data from these experiments and tests is used in determining the advertising budget. A brand may be simultaneously tested in several market areas with similar population, level of brand usage and brand share. Different promotions expenditure levels are kept for each market. Brand awareness and sales levels etc. are measured before, during, and after the test in each market. Results are compared and estimates can be developed on how the budget variations might influence the advertising results nationwide. The managers may decide any level of budget depending on the firm's advertising objectives. Apparently, the experimental approach removes the difficulties faced by other budgeting methods. The major drawbacks of this approach are the expenses and time involved. The advertiser also cannot control the environmental variables that may influence the outcome of such tests. There is no universally accepted method; companies differ in their approaches to determining the advertising budgets. All methods suffer from one or the other drawback. However, the use of objective-and-task method seems to be on the increase. Another method that is relatively popular is the percentage-of-sales method. Most companies in practice generally use some combination of approaches to arrive at a more useful and relatively accurate budget Figure. Quantitative Models During the last nearly thirty years there has been much progress in the development and use of quantitative techniques, which are often used in deciding promotions and other budget allocations but have met with limited success. Some of these techniques were developed for use in other fields, such as physics or psychology, and involve the use of mathematical models and statistical techniques such as multiple regression analysis to determine the relative contribution of the promotions expenditure to sales. Some models reflect original thought about how promotions might interact in different ways with other marketing variables and the consumer. All these methods require the use of computers. Mathematical models have not been able to get wide acceptance in the industry. Using these models requires experimentation and formal analysis. Many firms lack such capabilities and also the process is expensive and time consuming. The future holds possibilities that theorists will propose more refined models. However, their widespread acceptance and use would probably be slow.

### 5.2.2 Factors Affecting Allocation of Promotions Budget

Companies are concerned about rapidly rising media costs. There is increasing emphasis on accountability in promotions, sales promotions seem to be more successful in inducing trial, and a good number of product markets have matured. These factors and intensifying competition have led to shifts in strategy. Market Size and Potential The size of the market influences the budget allocation decision. Comparatively, it is often easier and less expensive to reach the target audiences in smaller markets. Too much of promotions expenditure in such markets may be unnecessary and wasteful. Target audience may be dispersed in larger market areas and it would be more expensive to reach them. Example: It would be more expensive to buy media to reach 20% of the Indian population than the cost of reaching 40% of the Rajasthan population. For a variety of reasons, markets differ in their potential. Example: North Indian states hold more potential for winter-wear than South Indian states. India has more potential for compact low-priced cars than for luxury cars. Market size and market potential may affect the promotions budget allocation.

101 Chapter 5: Budget, Objectives and Evaluation Market Share Goals Two recent studies reported in Harvard Business Review by John P. Jones and James C. Schroer discussed promotions spending related to maintaining and increasing brand's market. Jones compared brand's market share with its Share of Voice (SOV) (the brand's promotions expenditure as a percentage or "share" of the total product category promotions expenditure). He classified the brands as "profit making brands, or underspenders" and "investment brands, those whose share of voice is clearly above their share of market". This study indicates that very few small share brands are profit-taking brands, but as the brands increase their market share, more of them have a proportionately smaller share of voice (their promotions expenditure as a percentage of the total product category promotions expenditure decreases).

Caselet Sony's Ad Budget –by Robin Harding, Nov, 2009 Sony is looking to concentrate its nearly \$5bn annual advertising firepower on a smaller number of products to "reinvent its marketing", senior executives at the company said. Sony and Panasonic boost forecasts - Oct-30 Sony launches new PSP to reclaim lost ground - Oct-01. The company fears it is being outgunned by competitors that spend heavily to promote specific products or categories, such as Apple with the iPod or iPhone, Samsung in televisions, or Canon in digital cameras. As a result, Sony believes, even when its device is superior it might not sell as well. The new model would see more of Sony's marketing budget spent on specific products with the potential to succeed, such as a new television due for sale next year. "We cannot just rely on the brand to sell products," one executive said. Sony's rethink reflects its need to tackle niche competitors that have been able to enter consumer electronics because of digital technology. Sony's main rival in e-book readers, for example, is the internet site Amazon and its Kindle device. According to company filings, Sony spent ¥436.4bn (\$4.9bn) on advertising last year, but it was spread across the world on products as diverse as televisions, laptops, Blu-Ray players, hi-fi equipment, PlayStation games, films from Sony Pictures and new albums from Sony Music. Apple spent \$501m on advertising with a large share devoted to the iPhone. In video games, Nintendo spent ¥117.3bn purely to push its Wii and DS consoles and games. The advertising revamp comes at a crucial time for Sony, which has stemmed its operating losses this year through a restructuring but must now find ways to develop and sustain a reasonable profit margin. Sir Howard Stringer, chairman and chief executive, will brief investors and the media on Thursday on the strategy of his new management team, which took over in April. Prior to the economic downturn, which drove Sony to a ¥127bn operating loss last year before restructuring costs, Sir Howard promised to achieve operating margins of 5 per cent. The challenge for Sony is that while increased outsourcing and factory closures can cut costs, they cannot create a competitive advantage over Korean rivals, such as Samsung, that have the benefit of a cheap won. Part of Sony's strategy will be to concentrate on areas where its size and scope is a strength rather than a weakness, executives say. It has high hopes for 3D television because it can -supply screens and 3D Blu-Ray players, film cameras, Play-Station games and movies. It will also push to distribute content to Sony devices such as TVs in order to generate a second revenue stream. Sony hopes that having its own film studio will help it to secure rights and move faster than rivals. Source: ft.com

102 Sales and Promotions Management 5.3 Measuring IMC Performance Feedback helps marketers to evaluate the effectiveness of marketing communication. It is difficult in most cases to determine the effect of advertising alone on consumer purchase behaviour and due to this reason marketers determine whether the ad results in exposure, attention, comprehension, message acceptance and retention.

1. Measurement of Audience-exposure: Exposure to a message can be measured by taking into account the circulation figures of print media and programme rating for broadcast media. These figures are conveniently available for newspapers, magazines and for different broadcast media programmes.
2. Measurement of Audience-attention: These figures are measured by recognition of a message by the audience. Consumers are asked whether they have seen a particular message and can they associate it with a brand or manufacturer. Research agencies conduct recall and recognition tests in case of broadcast media to ascertain whether consumers recalled relevant message regarding the brand or company.
3. Measurement of Audience-comprehension: This is measured with the help of aided or unaided recall tests for specific message points in the communication. Researchers probe consumers to determine the level of comprehension of a message.
4. Measurement of Audience's Message Acceptance: Consumers' attitudes towards the brand are good indicators of message impact. This can be done by measuring their attitudes towards the brand before and after the exposure to ad message. Researchers compare matched groups of consumers exposed to the message and those not exposed to the message to determine the impact of advertisement on audience attitudes.
5. Measurement of Audience's Message-retention: Average consumers are likely to retain a message in their memory if it was successful in making an impact. They do not pay attention to messages that are not relevant to them. They are also likely to forget messages over time unless they are repeated.

William J. McGuire has presented an advertising processing model that depicts the types of feedback that each step can possibly provide. These steps typically assume that as consumers move from exposure to other intervening steps, the probability that they will buy the promoted product increases with each succeeding step (Figure 5.2).

Exposure Circulation, Reach Figures Attention Recognition, Readership Tests Comprehension Recall, Checklist Test Message Acceptance Brand attitudes, Purchase Intent Responses Retention Recall Over Time Tests Purchase Behaviour Persuasion process and effectiveness tests Technological developments have created opportunities to help in establishing a link between consumers' exposure to company or brand related messages and their subsequent attitudes and purchase behaviour. In case of company products, electronic scanners record sales at checkout counters and furnish useful data. Despite several developments, it is still difficult to precisely record the impact of advertising and other promotions on consumer purchase behaviour. A major reason is that besides marketing communications, there are several other variables that influence consumers' purchase behaviour.

103 Chapter 5: Budget, Objectives and Evaluation Evaluation of Advertising Pre-testing Methods Print Advertising Direct Questioning: The researcher using this method asks respondents specific questions about the ads. Focus Group: A group of 8 to 10 people participate in a moderated but freewheeling discussion and interview. Portfolio Test: One group of respondents is exposed to a portfolio of test ads interspersed among other ads and editorial matter. Another group sees the portfolio without the test ads. Order-of-Merit Test: Respondents see two or more alternative ads and arrange them in rank order. Television and Radio Advertising Central Location Test: Respondents see test commercial film in a central location, such as a shopping centre. Clutter Test: Test commercials along with non-competing control commercials are shown to respondents to determine their effectiveness, measure comprehension and attitude shifts, and detect any weak points. Trailer Test: Respondents see or listen to commercials in trailers at shopping centres and receive coupons for the advertised products. Post-testing Methods

Recall refers to a measure of the proportion of a sample audience that can recall an ad as having seen. In aided recall, respondents are shown certain ads with the name of the sponsor or brand concealed and then asked whether their previous exposure was through reading, viewing, or listening. In unaided recall, respondents are asked, without prompt, whether they read, saw, or heard advertising messages.

Day-after-recall (DAR) is the most popular method of post-testing used in broadcast industry.

Since these are field tests, the natural setting is believed to elicit more realistic responses.

Recognition refers to whether a respondent can recognise an advertisement as having seen before. Such tests are conducted by mail survey in which questionnaires are mailed to 1000 households picked from a mailing list or telephone book.

Inquiry refers for

checking the effectiveness of ads appearing in various print media on the basis of which consumers respond by requesting for more information.

The

researchers can test an advertisement's attention-getting value, readability, and comprehension.

The results also indicate that the person not only saw or read the ad but also took some action, which is relatively stronger indicator than recall or awareness

Evaluation of Sales Promotions

Sales effect before, during, and after the sales promotion can be measured by studying the sales figures. In case of objectives related to trial purchase, or change in consumer awareness and attitude as a result of increase in perceived value of the product, measurement may be difficult. Pre-testing can be conducted by using focus groups and consumer panels. Portfolio test is relatively expensive but a more effective method. A portfolio of sales promotions is prepared and shown to consumers in person and their responses are noted. It is often quite helpful to evaluate the response of resellers before implementing the promotion programme. The simplest way is to seek resellers' opinion and suggestions. Concurrent testing is done when the sales promotion is in progress. Concurrent testing may permit the promotion manager to modify the sales promotion if needed. In case of consumer contest the response to promotion can be adjudged by the number of entries received at some interval and if need be the contest period can be extended. Post-testing assesses the change in consumer awareness and attitude. To assess this, telephone calls, questionnaire mailed to consumers, and personal interviews can be used. To measure the sales effect, sales figures before the promotion period can be

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Sales and Promotions Management

compared with figures at the end of promotion, and one month after the promotion ends. It is very likely that the sales in the month following promotion will come down. If the sales return to pre-promotion levels then perhaps, the sales jump was because of brand switchers and deal prone consumers. However, if the regular sales settle at higher than normal period levels then definitely the promotion proved successful in increasing the long-run sales by attracting new customers and perhaps also attracted customers away from other competing brands. Task Make a print ad of any product on your own and carryout the pre-testing and post-testing. Assume that your colleagues and family members are your target audience. 5.4

Legal and Ethical Issues in Promotion One of the most important things (from a legal perspective)

that a promotion sponsor can do in launching a promotion is to have participants agree to its rules of the road.

This should be done by having each participant agree to the sponsor's "official rules" or "term of use" prior to participating in the promotion. There is not real any one form of official rules that a promotion sponsor can use, but there are certain items that should be included in most official rules, such as: eligibility requirements (i.e., age and no employees), start and end dates and times of the promotion, approximate retail value of prize (be careful not to exaggerate), chances of winning (for sweepstakes that have no set number of entries say "odds of winning depend on the number of eligible entries received," how winners will be notified, and if a sweepstakes – alternate method of entry and stating "no purchase necessary." All legal terms (official rules and privacy policy) should be conspicuously placed so that participants can review and agree to them prior to participating. Promotion sponsors also should keep in mind certain issues in dealing with promotion winners. The awarding of prizes often raises tax issues and sponsors may find that they will have to issue winners a valid form. In many cases, promotion sponsors also will want winners to sign a waiver of liability and permit using the name and likeness of the winner for promotional purposes. If the promotion is being conducted online and will be open to children under the age of 13 (or if it will be attractive to such children), promotion sponsors will also need to consider how to comply with the Children's Online Privacy Protection Act (COPPA). Any legal terms in effect between the sponsor and participants cannot be unilaterally changed by the sponsor. Promotion sponsors also should post a carefully considered privacy policy, which explains how the personal information collected from participants will be used. The above obviously should be considered only as a general overview – each promotion is likely to contain various elements which may raise specific legal issues that not covered above. While this sounds like a cliché pitch for my firm, it is not intended as such; rather, I feel that it is very important for your readers to understand that unfortunately there is no one-size all approach to running promotions. Jumping into sponsoring a promotion without first thinking through the potential legal issues involved (including an unsophisticated start-up classic: "borrowing" a form of official rules from a reputable company as a quick fix) is fraught with potential problems that can result in significant liability for the promotion sponsor. Marketers are often faced with decisions regarding appropriateness of their actions, which are based on ethical considerations rather than what is within the law or industry guidelines. There is considerable overlap between what many consider to be ethical issues in advertising and the issues of manipulation, taste, and the effects of advertising on values and life-styles. Certain actions may be within the law but still unethical. Cigarette smoking, for example, has been shown to be associated with high levels of lung cancer and other respiratory tract diseases, and many people would consider cigarette advertising as unethical.

105 Chapter 5: Budget, Objectives and Evaluation Advertising is a highly visible business activity and any lapse in ethical standards can often be risky for the company. Consumer protection groups question the sponsorship or support of sports events by companies selling alcoholic beverages or tobacco products. Example: Advertisers, such as Kelvin Klein, and L'Oreal etc., have been criticized for using overt sex appeals showing women as sex object in their ads. A few years ago, Calvin Klein was even boycotted for featuring objectionable snapshots of teenagers in states of undress. Sex appeals and/or nudity used simply to gain consumers' attention and not even appropriate to the product or service being advertised is in poor taste. Even when such appeal is used in case of related products, such as condoms, people may be offended by it. Many people consider nudity or suggestive sex in advertising as objectionable. With the increasing levels of clutter in advertising environment, advertisers will probably continue using appeals that attract the attention of consumers, but offend many people. The primary criticism of advertising is that it is misleading, and deceives consumers. It is an extremely difficult issue. There are people who are inclined to believe everything they see or hear. Deception can also occur as a result of how consumers perceive the ad and its impact on their opinions and beliefs. Puffery is advertising that praises the product or service to be sold with subjective opinions, exaggerations, or superlatives without stating any facts and for this, advertisers have a right. This further complicates the issue of deception. What really bothers critics is the extent to which advertisers are knowingly and deliberately misleading or untruthful. Sometimes advertisers have knowingly made false or misleading claims, supplied defective pieces to winners of contests or sweepstakes. Cases like this usually involve smaller companies who definitely succeed in damaging any reputation they have, besides the possibility of prosecution by government agencies. Most advertisers who spend huge sums of money on advertising do not design their message to deceive or mislead consumers. The most fundamental objective of all advertising is to cut through the clutter, capture attention and create an impression that lingers on in the memory of the target audience. While doing so, advertisers create desires, shape attitudes, alter social values and raise many an ethical question. The truth is that advertising is considered successful to the extent that it increases the demand of the advertised product or service. Competition or declining profits can blow the good intentions out of the boardroom. Faced with such circumstances, the perspective shifts from what is best for the society in the long run to what is best for the firm in the short-run. Advertisers say, "ethics is fine for the secure, but what is really needed is the greater market share for a slipping company." Advertising Standards Council of India (ASCI) works to maintain the ethical code. The council is a non-profit organisation set up by 43 founder members and has developed a regulating code. It proposes to adjudicate on whether an advertisement is offensive. The interests of the consumer. It does not have any enforcement powers but acts as a moral pressure group and gives consumer a chance to register her/his complaint, if the consumer considers the ad misleading. Council's decisions are binding on its members, and in case of any disputes it proposes to deal with the government. The Code of Advertising Practice of ASCI is similar to the Advertising Standards Authority (ASA) Code of U.K., and seeks

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to achieve the acceptance of fair advertising practices in the best interests of the consumer.

It does not have any enforcement powers but acts as a moral pressure group and gives consumer a chance to register her/his complaint, if the consumer considers the ad misleading.

106 Sales and Promotions Management Notes Processing of Complaints

1. Complaint is received by ASCI alongwith specimen or description of the offending ad ?
2. Advertiser and/or agency asked to comment on complaint and submit substantiation where necessary ? ?
3. Substantiation received
4. Substantiation not received, found unsatisfactory advertiser disputes allegation ?
5. Consumer Complaints Council considers complaint and reply ? ?
6. Consumer Complaints Council orders
7. Consumer Complaints Council considers no further further investigation investigation is required
8. Consumer Complaints Council considers investigation report ? ?
9. Complaint held by CCC
10. Complaint not upheld ?
11. Assurance sought by ASCI from advertiser to withdraw advertisement ? ?
12. Assurance received
13. Assurance not received ?
14. Agency/media asked not to carry advertisement ?
15. CCC's decision and follow-up by ASCI conveyed to complainant

In case of a complaint from a consumer, a 14-member sub-committee (Consumer Complaint Council) consisting of people from various walks of life, such as medicine, media, law etc., hears the complaint. Eight of these members must be from professions and activities not related to advertising. The Council meets twice a month and a minimum of 5 members have to be present for any decision to be taken. In the light of the Code, the Council asks the agency or the advertiser to comment and submit the substantiation. If the complaint is upheld by ASCI, it asks the advertiser to withdraw the concerned advertisement. This procedure is completed in two months. ASCI guidelines are as follows: 1.



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**MATCHING BLOCK 8/24**

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plg check May 22 BASICS OF ADVERTISING- Final ...  
(D138332082)

To ensure the truthfulness and honesty of representations and claims made by

the advertisements and to safeguard against misleading advertising. 2.

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**MATCHING BLOCK 9/24**

SA

plg check May 22 BASICS OF ADVERTISING- Final ...  
(D138332082)

To ensure that advertisements are not offensive to generally accepted standards of public decency. 3.

81%

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To safeguard against indiscriminate use of advertising for promotion of products, which are regarded as hazardous to society or to individuals to a degree or of a type, which is unacceptable to society at large. 4. To ensure that advertisements observe fairness in competition so that both the consumers' need to be informed about choices in the market place and the cannons of generally accepted competitive behaviour in business,

are served.

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Chapter 5: Budget, Objectives and Evaluation Code for Commercial Advertising on Doordarshan suggests 33 Do's and Don'ts for advertisers, and

93%

**MATCHING BLOCK 11/24**

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was presented to Parliament in 1987. It incorporates the Indecent Representation of Women Act and the Consumer Act, which were passed by the Parliament

in 1986. Case Study Real Juice Company The company is in the business of producing and marketing fruit juices. Ritu Joshi and Rohit Jain were looking at the ad copy and turning it over and over again in their mind. The copy read, "The best fitness plan for you - real fruit, honest juice and no sugar." This was the main copy line. The more Ritu Joshi repeated this line in her mind the uneasier she became. "Something is wrong in this copy," she said to Rohit Jain, the marketing head. "We cannot say 'best for health' when we know for sure that the juice contains preservatives and food colour." Rohit Jain said, "I don't see if anything is wrong in this." "With food colour and preservatives added we couldn't say it is best. This is what is wrong," replied Ritu. Rohit said, "But this is hyperbole and permitted by law. There is nothing wrong in saying this. Haven't you noticed almost all detergent brands say 'for best wash', or 'whitest wash'? This is simply a way of putting your claim of brand's superiority." "We are not talking about detergents, washes and fabrics. It is a health and fitness fruit juice. We could say something like 'a great way to plan your fitness programme' or something like that. We are saying real fruit, honest juice, and no sugar' ... not a word about food colour and preservatives'. Any consumer can contest our claim." Rohit Jain thought for a moment then said, "Let us get the legal pinion from our lawyer, Amit Soni, to be on the safe ground." Amit listened to what Ritu had to say then said, "Companies use advertising to provide information to consumers and offer alternatives in a competitive market situation. Advertising is false when it says A = B and that isn't true. But if the ad is misleading, it falls under the category of unfair trade practice." Loudly reading the ad copy, Amit said, "Hyperbole such as best, newest, most effective way, are permissible and consumers are unlikely to take such claims with any seriousness. When a brand says its air-conditioner is best or most efficient, consumers know that this is just a manner of speech and do not truly believe and put their money on such claims. In case a company tries to accord credibility to its claims, it goes beyond mere hyperbole. For instance, when the toothpaste says I am the best because I score 96% whereas others score 80%, then it is a claim that goes beyond hyperbole. The marketer is then trying to give it a scientific basis on a particular attribute. This enters the realm of false advertising and is misrepresentation under MRTP Act." "Yes, Real Juice may pass the legal test fine, but ethically it won't be correct," said Ritu Joshi. "Please understand. Here you are not making a claim," said Amit Soni. "You think so? Then look at this," said Ritu Joshi, showing another campaign ad for Real Juice that showed a fitness instructor of some repute, holding a Real Juice orange can and his words were, 'I trust Real Juice for my fitness and good health...' "Now isn't that a solid claim on behalf of Real Juice," asked Ritu. "It depends on whether the endorser is an expert," said Amit Soni. "If he were a doctor, a nutritionist, or a dietician then those words could connote a claim made by an expert and could be contested. For instance, if a doctor says that Real Juice is best for health then the question arises if the doctor has really conducted a test? Has he conducted the test in an independent manner? Did he conduct the test to deliver a certain result? Did somebody finance the test? That would amount to an unfair trade practice. If a complaint is lodged by a consumer that the ad is misleading, the MRTP Commission could grant an injunction that the ad be withdrawn." Rohit Jain was thinking loudly about another campaign praising canned drinks, claiming that drinks in bottles faced a higher risk of contamination. The campaign was part of Real Juice's fitness and health positioning. Now he wondered if the manufacturers of bottled drinks could contest that claim. Contd...

108 Sales and Promotions Management Amit Soni said, "Comparative advertising is healthy but the advertiser must be clear about the claims to be made. In this case, you are saying that Real Juice is good because it comes in cans and bottled drinks are not as good. This is a direct attack on bottled drinks. Advertisers do not disclose all the parameters they have considered in their conclusion of 'best'. They may select some major ones or may choose to highlight the trivial ones and ignore the major ones. These things happen everyday and are not strictly provided under the law. There must be prima facie evidence of damage or misrepresentation to establish a case of unfair trade practice." "So, we are legally safe," said Rohit Jain. "We will reword this campaign, but our other campaigns have passed the muster." Ritu Joshi felt differently. She said, "Legally we may be safe, but we have to also take an ethical view." The Real Juice commercial showed an ailing old man. The wife proceeds to extract juice from some oranges, but the daughter-in-law sweeps everything aside and pours out Real Juice from a can. Ritu Joshi said, "You know, this ad says to me 'Real Juice is convenient, Real juice is as good as fresh oranges, Real juice is good for the ailing.' That misleads." "Don't be absurd," said Rohit Jain, "The proposition here is convenience." "I am not being absurd," said Ritu Joshi, "We must not forget that our primary platform is health and fitness. This convenience angle is also creating an impression of 'also good for health'. I believe that as responsible advertisers, we have to be more concerned about the ethical aspects than merely the legal angle. This is where we come to the line between what is legal and what is ethical. We may be legally right but our act could be unethical if the words or pictures in the ad could lead the consumer to believe something that is not true. The aura of the fitness instructor used as the endorser creates an impression that the information is coming to consumers from an environment where there are people whose opinion consumers view as being correct. Otherwise why use the instructor as the endorser." Questions 1. Analyse the issues in the case. 2. What are your views about the ethical dilemma? 3. Why should advertisers bother about ethics if the ads measure up to legal parameters? 4. How would you reword the copy of Real Juice so that it is ethical in your view, without weakening its appeal? 5.5 Summary ?

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**MATCHING BLOCK 12/24**

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The company's overall marketing plan determines promotional objectives. Promotion objectives specify what is to be accomplished, and where the

various types of promotions fits in. ? To know major objectives, the study includes analysis of

100%

**MATCHING BLOCK 13/24**

**SA** MKG302 Advertising \_ Sales Promotion.pdf (D164737055)

the target market segments and the target audience profile, the brand's main attributes and benefits, Market share of the company's and competing brands. Their positioning, strategies, and other relevant information. ?

Sales are a convenient and really attractive advertising objective for many managers, but except in the case of direct- action advertising, they are usually unsuitable for most advertising. ?

Understanding specific consumer problems is often the key to developing an appropriate advertising campaign.

A mediocre advertising message properly directed stands more chance of success than the most professionally developed ad campaign directed at the wrong audience or using unsuitable message appeals. ? Some brand and promotion managers raise objections to communications objectives. In their opinion, it is too difficult to translate a sales goal into a communications objective. ?

Russell H. Colley (1961) prepared a report for the Association of National Advertisers titled Defining Advertising Goals for Measured Advertising Results (DAGMAR). He

developed a model for setting advertising objectives and measuring the results

of an ad campaign.

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Chapter 5: Budget, Objectives and Evaluation ?

Colley proposed that communications objectives be based on a hierarchical model with four stages: awareness, comprehension, conviction and action. ? The DAGMAR approach requires that the measurement procedure should also be specified. There must be a way to determine whether the intended ad message has been communicated properly to the target audience. ?

It is important to know the target audience'

s present status with respect to response variables (awareness, knowledge, image, attitudes, or intentions), and then determine the degree of change desired by the advertising campaign. ?

In a dynamic and rapidly changing marketing environment, unfavourable conditions may appear with little or no warning.

It is difficult for the management to anticipate and plan for such exigencies, however, hasty decisions regarding sales promotion objectives may sometimes produce adverse effects for the firm in the long run. ? Firms use one or more

methods developed through practice and experience that have been somewhat resistant to change for more than a decade. Some firms use more than one method and approaches to budgeting vary among companies depending on size

and sophistication of the company. ? In Affordable method, after all other allocations have been made to cover other relevant company expenditures, whatever is left is allocated to promotions considering that this is what the firm can

afford to spend on promotions. ? Other methods for allocating budgets include: arbitrary method, percentage of sales method, competitive parity method, Objective and task method and pay out planning. ? Mathematical models have not

been able to get wide acceptance in the industry. Using these models requires experimentation and formal analysis.

Many firms lack such capabilities and also the process is expensive and time consuming. ? Experimental approach is used as an alternative to using statistical approaches and mathematical models. The promotion or brand manager uses tests

and experiments in one or more selected market areas. ? Feedback helps marketers to evaluate the effectiveness of marketing communication. It is difficult in most cases to determine the effect of advertising alone on consumer purchase

behaviour and due to this reason marketers determine whether the ad results in exposure, attention, comprehension, message acceptance and retention. ? One of the most important things (from a legal perspective)

that a promotion sponsor can do in launching a promotion is to have participants agree to its rules of the road. ?

Promotion sponsors also should keep in mind certain issues in dealing with promotion winners. The awarding of prizes often raises tax issues and sponsors may find that they will have to issue winners a valid form. ? There is considerable overlap between what many consider to be ethical issues in advertising and the issues of manipulation, taste, and the effects of advertising on values and life-styles. ? Advertising Standards Council of India (ASCI) works to maintain the ethical code. The council is a non-profit organisation set up by 43 founder members and has developed a regulating code. It proposes to adjudicate on whether an advertisement is offensive. The interests of the consumer.

5.6 Keywords

Affordable Method: budget is set as per company's affordance  
 Arbitrary Allocation: management determines the budget on the basis of what it feels necessary  
 ASCI: Advertising Standards Council of India  
 Benchmark: minimum or maximum standard set  
 Central Location Test: ad is shown at a central location such as shopping centers  
 Competitive Parity Method: budget is set as per competitor's allocation  
 Comprehension: know facts about the brands like attributes

110 Sales and Promotions Management  
 Concurrent Testing: testing while promotion is in progress  
 DAGMAR: Defining Advertising Goals for Measured Advertising Results  
 Direct-Action Advertising: aims to get quick response from target audiences  
 Payout Planning: used when new products are introduced  
 Percentage of Sales Method: a percentage of last year's sale figure is kept as budget  
 Puffery: exaggerated advertising  
 Top Down Approach: budget is set by higher management

5.7 Self Assessment 1. State whether the following statements are true or false: (a) To gain brand comprehension is to know the attributes of the brand. (b) Advertisements or promotions alone can lead to significant change in sales. (c) Godrej was repositioned so as to change its brand image in public. (d) Mature brands such as Maruti Alto, Hyundai Accent and Bajaj Caliber command high advertising budget. (e) You make your promotion budget only after allocating for the other Ps. You are following arbitrary method. (f) Comparative ads that ridicule the opponent directly can come under the purview of ASCI. 2. Fill in the blanks: (a) Rationally, sales can be kept as an advertising objective only when the advertising is.....advertising. (b) According to Colley, consumers usually get a strong feeling to buy in the .....stage. (c) Target market for Toyota LandCruiser is most likely to be..... (d) FMCG and consumer durables require.....advertising. (e) You plan to target 1 million people in a particular city and you allocate your budget accordingly. You are following.....method of budget allocation. (f) When you are shown ads of a particular brand and its competitors brand at the same time for testing, you are going through a.....test. (g) Ad of Tuff shoes featuring Milind Soman and Madhu Sapre was banned for it used.....to gain people's attention.

5.8 Review Questions 1. "In an advertiser's dream world, every ad would trigger immediate sales response". Is this thinking justified? Discuss 2. Critically analyse the DAGMAR approach. 3. Discuss the proactive and reactive promotional objectives. Are these objectives justified? Do they require any alterations? 4.

Suppose you are the promotion manager of a cosmetics company. Your company has recently launched ABC Men's fairness cream. How will you go about deciding the promotion objectives and what factors will you keep in mind while deciding them? 5.

Suppose you are the advertising manager of Hyundai Motors. What factors will you keep in mind while deciding the promotional budget for Santro and i 20? 6. Critically analyse the Affordable method and Arbitrary method of budget allocation.

111 Chapter 5: Budget, Objectives and Evaluation 7. Discuss the percent of sales method. Give an example to show how promotion budget is set as per this method. 8. "Collective wisdom of the firms probably generates advertising budgets that are quite close to optimal". Do you agree? Give reasons. 9. Videocon has recently changed its entire look and doing heavy promotions to communicate it. Critically analyse its promotional strategy, specially advertising. 10. Suppose you are the advertising manager of a Telecom network brand. Your company recently rolled out a series of ads targeting youth and women. How will you ascertain whether you succeeded in your advertising attempt or not? 11. One of the most important things that a promotion sponsor can do in launching a promotion is to have participants agree to its rules of the road." What do you mean by this statement? 12. Discuss your views about use of

sex appeal and puffery in advertising. Include some examples in your discussion. Answers: Self Assessment 1. (a) T (b) T (c) T (d) F (e) F (f) T 2. (a) Direct Action (b) Conviction (c) Premium Class (d) Heavy (e) Objective and Task (f) Clutter (g) Sex Appeal

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112 Sales and Promotions Management Chapter 6: Introduction to Sales Management Objectives This chapter on Introduction to Sales Management covers 1. Overview of sales management 2. Opportunities and challenges associated with a sales career 3. Sales and Marketing: Compare and Contrast

Introduction Before the industrial revolution the marketing task was relatively simple because the economic scene was dominated by small scale enterprises. The only problem was to produce goods for consumers which were sold out without any difficulty. Selling the goods was no problem. In fact all phases of the business operations, including manufacturing and selling, were generally supervised by one individual and more attention was paid to manufacturing problems rather than the marketing problems. The importance of marketing problems was realised only after the industrial revolution which started in England in 1760 and immediately thereafter in United States. The American Revolution necessitated the need for finding out untapped markets because the nearby markets were unable to absorb the increased quantities of manufactured goods. This gave a lot of importance to marketing activities. With the increase in production more land, labour and capital was required which gave rise to corporate form of organisations. There were bigger organisations which required more delegation of powers in manufacturing and administration. Thus the sales department was given importance and it became a separate functional department. As the business activity became more complex and dynamic, the term "sales management" changed due to the changes in business operations. Earlier the sales management was solely concerned with the direction of the sales force personnel. However, at present the term "sales management" has a broader significance and includes all such marketing activities as advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising.

Sales is the "cutting edge" of any business operations. It is that part of a company, however big or small, that meets the firm's customers, from whom the business is derived. The people, who are engaged in this activity, meet customers and get information about the products or services which are being sold and provide feedback to the firm. This information is then understood and interpreted by the firm and the firm reacts accordingly. It then translates the marketing plan into marketing performance and action. American Marketing Association has defined sales management

as "the planning, direction and control of selling personnel including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to

personnel salesforce". 6.1 Overview of Sales

Management Managing the

sales function is a critical skill for the success of distributors and manufacturers in the power transmission/ motion control industry. Sales management entails: 1. Defining desired corporate results. 2. Working with business partners to ensure goals of both organizations complement one another. 3. Determining the specific activities required to achieve company and partner objectives. 4. Implementing a compensation plan that motivates salespeople to achieve corporate objectives. 5. Providing needed training and coaching to enable salespeople to meet their goals. 6. Establishing appropriate monitoring systems to ensure activities are taking place. 7. Measuring results.

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Chapter 6: Introduction to Sales Management

Sales management is attainment of an organization's sales goals in an effective & efficient manner with the help of other management functions of planning, staffing, training, leading & controlling organizational resources. Revenue, sales, and sources of funds fuel organizations and the management of that process is the most important function. Sales Management, however, is concerned with the process of encouraging customers to exchange their funds for your services or goods. An essential sales leadership role is to establish a sense of purpose or vision and clear direction to get there. A key element of a business' strategic 12-month plan is to answer the question: "Where will all the sales come from?" The sales plan isn't a guesstimate. It takes its direction from the marketing strategy and is based on thorough research and a considered positioning of the company within the market place. Sales planning involves predicting demand for the product and demand on the sales assets (machines, people, or a combination of both). Failure to plan always means lost sales. Planning insures that when a consumer wishes to purchase the product, the product is available, but it also means opportunities for additional sales are presented and the sales assets are available to exploit these opportunities. Planning should allow for meeting increasing customer demand for more products, services and/ or customization as the business is growing, but also react quickly when demand decreases. Sales planning improves efficiency and decreases unfocused and uncoordinated activity within the sales process. Sales goals are an essential tool. The goals can be very simple (sell so many orders of product A) or more involved, depending upon how involved the sales process is. Ideally, the sales goals should involve encouraging the sales process to be performed and not focus simply on the end result. Example: If the sales process involves a walk-in customer, the sale is important, but the up-sell may be as important. Consequently, the sales goal would involve both metrics. Sales tracking is an integral part of ongoing planning and development in sales management. Ideally, sales information should be gathered on the sales process and not on the end result. The fact that you sold ten widgets is valuable for accounting purposes, but the fact that so many were walk-ins, so many were out-bound phone sales, and so many were up-sells, and which sales person or asset did what, would be better information. The most difficult part of tracking selling activities is ascertaining whether or not the activities can be tracked effectively and economically. In the end, management must have measurable methods of knowing if sales representatives are correctly engaging in the activities that produce revenue. This leads to three key metrics: the right activities, the right way, the right amount. An individual sale is a stepwise process and key activities, or "Transitional Milestones", must be achieved along the way. Sales Management must collect data on how the sales function as a whole, as well as individual sales personnel, are progressing through these "Transitional Milestones" to determine the likelihood of future revenue. Software used for sales tracking should allow sales team leaders to control sales tasks completion by using reminders and notifications, highlighting overdue tasks, analyzing task history, as well as keep detailed information on customers and, as important, the people who didn't buy. If your sales task management system is really great and duly implemented, the sales manager is informed about all details of your company's sales process in real time and know who does what, when, and how. The sales reporting includes the key performance indicators of the sales force. The Key Performance Indicators indicate whether or not the sales process is being operated effectively and achieves the results as set forth in sales planning. It should enable the sales managers to take timely corrective action deviate from projected values. It also allows senior management to evaluate the sales manager More "results related" than "process related" are information regarding the sales funnel and the hit rate. Sales reporting can provide metrics for sales management compensation. Rewarding the best managers without accurate and reliable sales reports is not objective. Also, sales reports are made for internal use for top management. If other divisions' compensation plan depends on final results, it's needed to present results of sales department's work to other departments. Finally, sales reports are required for investors, partners and government, so the sales management system should have advanced reporting capabilities to satisfy the needs of different stakeholders.

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Promotions Management 6.2 Challenges and Opportunities of a Sales Career Some choose the sales profession for the impact they have on their community, their clients or their families. Others choose it for the independence and, yet for others, it is the income potential (getting paid what you're worth). Whether it is one of these reasons or another reason, sales professionals ultimately have great more control of their lives, personally, professionally and financially."

Every company has a salesperson, even if it is the company owner. As a salesperson, you are in the enviable position to make something happen. Sales people want to become entrepreneurs and key lies in understanding how to sell yourself, your ideas and ultimately your product/service is crucial to your success. If you follow the corporate path, Sales prepares you for a large portion of executive positions. Understanding the basics of selling provides you with a skill set that you need for interviewing and every aspect of your career that follows." The best part of a career in Sales is that it is undefined. It is hard to describe your typical day as a salesperson because every day is different. One day you are on the Internet researching prospective clients and, along the way, learning a great deal about a company and, perhaps, a new industry. The next few days may be spent calling these prospective clients and then an entire week may be in face-to-face sales calls. On other days, you are writing up sales-call reports and preparing proposals for clients. Some sales positions allow you to work out of your home office, others require traveling, and still others will allow you to do both. Sales is actually the process of problem solving for a potential buyer or enhancing his/her business. Salespeople develop the skills to discover needs and solve problems. Contrary to the viewpoint often held by people who don't understand selling, the most successful salespeople sell by asking questions, not delivering a "spiel" or "talking someone into something they don't need."

The old cliché is that a good salesperson can sell sand in the desert.

However, the successful salesperson doesn't follow this mentality, but will walk away from a potential order because her product/service doesn't help the potential buyer. Good salespeople sell what customers really need. The best companies will train new salespeople. When interviewing for a sales position, always ask about the training program. A good training program will include one-on-one coaching from a professional, as well as resources for the trainee. The payoffs in a career in Sales are staggering. We have seen first-year sales people make six figures and work a 40-hour workweek. Sales is one of those careers that depend on how smart you work, not on how many hours you work. Of course, that is not to say that the career is not challenging. Sales requires a lot of listening to the client, paying attention to details, and following up. This means doing what you say you are going to do. If you don't follow up, you will never make the sale.

But, a personal sense of accomplishment along with the satisfaction of knowing that you solved an individual's problem makes the hard work worthwhile. The sales job market is one of the fastest growing and dynamic sectors within the world. The main reason for this is because new businesses are constantly being set-up and of course, these establishments will invariably require the expertise of sales professionals in order to develop their market share. The main problem within the sales job market is that there is a large amount of job candidates who are looking for a proportionally smaller number of suitable roles. The fact that there are many sales opportunities within the market does not automatically mean that all these opportunities are lucrative or offer any scope for career development. Another major problem which exists within the sales job market is that there are very few companies or recruitment agencies who are willing to employ inexperienced sales candidates such as graduates and graduate caliber people. This is primarily because many firms and sales consultancies would rather consider seasoned sales professionals over new job market entrants. All these challenges mean that graduates and graduate caliber people are more likely to get hired for sub-standard and sometimes exploitative sales roles. Such roles provide these candidates with very little chance of having a fulfilling and successful sales career in the long-term. The only way for candidates to overcome these challenges is to secure the services of an experienced and reputable sales recruitment consultancy. These agencies are able to build an extensive clientele base which includes some of the world's best known brand names because of their comprehensive services and work ethic. Their success can be largely attributable to their unique style and delivery of specialist sales training. Leaders in the sales recruiting field believe that with the right attitude, there is nothing which sales candidates cannot achieve, regardless of the extent of their commercial sales experience. It is on this premise that these companies have transformed a countless number of inexperienced sales individuals into best performing sales professionals. Many of the sales trainees at these agencies have gone to add value

115 Chapter 6: Introduction to Sales Management the sales operations of both medium-size and large companies. There is no doubt that with the help of a recruiting agency, candidates have an increased chance of securing the most desirable sale roles. With this in mind, it is little wonder why an increasing number of people are choosing recruiting firms over job hunting on their own.

Task Meet two salespersons from different fields and ask them what challenges they face in their career. Do they face similar challenges? Do they face any field specific

challenge? 6.3 Sales and Marketing: Compare and Contrast Marketing, sales management and marketing management are closely related to each other. Generally marketing denotes the process through which the goods/services are transferred to customers for monetary consideration. It

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**MATCHING BLOCK 14/24**

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is the performance of business activities that directs the flow of goods

from the producer to the consumer and so it is viewed from the customer point of view. Every attempt is made under marketing to provide maximum satisfaction to customers. It starts with the needs of the consumers and ends with their satisfaction. On the other hand, the term "sales management" is used by businessman to refer to the direction or supervision of salesmen. But in the present business scenario, it has included other aspects of management also, such

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as planning, direction, control of personnel selling, including recruiting, selecting, equipping, supervising, paying and motivating,

etc., for they directly apply to salesforce. Marketing management is a broader concept and sales management is a part of marketing management. Whereas marketing is concerned with the product, price, promotion, distribution, target market, planning and implementation and control of these activities, the sales management is only a sub-function of marketing management and is mainly concerned with the planning, direction and control of the sales force. Salesforce is found in both profit and non-profit making organisations. Everyone lives by selling something. Selling is one of the oldest professions. Today's selling executives are professionals. They plan, build and maintain effective organisations and design and utilise efficient control procedures. This requires a thorough analysis of quantitative and qualitative personal selling objectives, formulation of sales policies and selling strategy. Top management holds them responsible for: 1. Achieving an adequate volume of sales. 2. Providing maximum contribution to profit. 3. Experiencing continuing growth. Although these objectives are included under sales management, sales managers cannot be held solely responsible for accomplishing or achieving them. Although they make major contributions, the top management bears the final responsibility because it is accountable for the success or failure of the entire enterprise. In fact it is the responsibility of top management to ensure the supply of goods/services to the final buyers at satisfactory prices. The above mentioned objectives are accomplished after following a predecided sales strategy. The top management delegates the required authority to marketing management to execute these strategies, which in turn delegates it to sales management. During this process the objectives are broken down in goals which are more specific in nature. These goals are finalised while planning and then sales manager is given sufficient power and autonomy in guiding and leading the sales personnel and middlemen who play a vital role in implementing the sales plans. In achieving satisfactory sales volume the sales management plays a dominant role. The relevant market information is collected and analysed by them based on which realistic and achievable goals are set. As far as the contribution to profits is concerned, generally these two basic formulas are followed:  $\text{Sales} - \text{Cost of Sales} = \text{Gross margin}$   $\text{Gross Margin} - \text{Expense} = \text{Net Profit}$

116 Sales and Promotions Management Contd... Sales management ensures the success of this formula. Reduction in cost or expense and increase in sales or gross margin, both depend upon how efficient the sales department is. Unless its performance is satisfactory on grounds of efficiency and skills, the company cannot maximise its profits. The third objective is experiencing continuing growth. This is very important from the viewpoint of top management because it formulates plans and strategies. As the sales management remains directly connected with consumers and markets, it keeps a hand on the market pulse. It can experience the pace of growth and informs the top management, so that top management can take corrective actions if necessary. Table 6.1: Difference between Marketing and Sales S. No. Marketing Sales 1. Marketing is discovering the needs of the consumers, producing products as per customer requirements, pricing the product aptly, promoting the products and finally delivering it to the customers. Selling is one activity of the entire marketing process. 2. Marketing activities support sales efforts. Actually, they are usually the most significant force in stimulating sales. Selling is the act of persuading or influencing a customer to buy (actually exchange something of value for) a product or service 3. In a marketing approach, more listening to and eventual accommodation of the target market occurs. Not much time is spent learning what the customer's ideal product would be because the salesperson has little say in seeing that their company's product is modified. 4. It believes that businesses must first and foremost fulfill consumers' wants and needs. The belief is that when those wants and needs are fulfilled, a profit will be made. There is a strong desire to sell a product so that the business is made as quickly as possible to fulfill sales volume objectives. 5. Marketing encompasses many research and promotional activities to discover what products are wanted and to make potential customers aware of them. The selling concept, instead of focusing on meeting consumer demand, tries to make consumer demand match the products it has produced.



Case Study P&G's New Sales and Distribution System in India It is a subject that is being discussed in hushed tones inside every fast moving consumer goods (FMCG) company today. Project Golden Eye – the code name for Procter & Gamble's (P&G) latest initiative in rationalising its sales and distribution system – isn't exactly an eyewash. On the contrary, it raises some fundamental questions about channel design and network strategy – issues which are agitating the minds of a great many FMCG companies. For long, Hindustan Lever's famed distribution system was the only benchmark available. In other words, increased reach meant increased volumes. So the more the number of outlets you could bring under your distribution coverage, the better were your chances of hitting critical mass. So, almost every year, every FMCG company prided itself on setting ambitious targets to expand its distribution cover, appoint new distributors and plumb for volume growth. For almost a decade, P&G too strained every sinew to match the Lever juggernaut. It pushed for growth not just in urban markets but also tried very hard to establish direct coverage of rural markets. But in its quest for reach, P&G, like many other FMCG companies, overlooked one critical factor: the cost of extending distribution cover. After failing to aggressively challenge Lever in soaps and detergents, P&G has rewritten its focus areas: laundry (Ariel), sanitary napkin (Whisper) and Vicks. What's more, it has junked its original strategy of promoting top-end products. While the process of redrawing the organisational boundaries was on, two things became apparent. One, 85 per cent of its sales came from the top 30 towns. Two, its current volumes did not justify a large distributor network. Even in a market like Mumbai, there were close to six distributors.

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#### Chapter 6: Introduction to Sales Management

A large distributor network meant that no single distributor had large enough volumes to achieve an attractive return on investment. This resulted in each distributor trying to extend its reach to push up volumes. But with P&G's portfolio of high margin low volume products, merely extending reach only increased the cost of servicing, not the offtake per outlet. Today, P&G is busy slashing its number of distributors down to one-tenth of its size and reworking the margin structure. This has sparked off a debate among marketers whether it makes business sense. In many ways, P&G's initiative raise two clear issues. One, is a large direct distribution cover necessarily a strength for every market? Can an alternate model emerge in India which results in large cost savings and, yet, is also effective in meeting marketing objectives? More, not Less At the heart of P&G's new system is the implicit assumption that lower reach does not lead to significantly lower offtake. 'My marketing objectives tell me that our brands are over-distributed',

explains a P&G manager. If sales analysis shows that 95 per cent of Ariel or Whisper sales comes from 70 per cent of the outlets, then it counts for very little if distribution cover is actually reduced. Given that the two prongs of FMCG distribution are cost and availability, P&G is likely to get a significant cost advantage, without losing out on availability, by cutting down on reach. Apart from reducing costs by knocking down direct coverage, how does P&G hope to achieve significant cost saving in its supply chain? That's where P&G has started rationalising its distributors network. The intent: cut down the number of its distributors to about one-tenth of the current size. In Madhya Pradesh, for instance, P&G will now have just one distributor, who will operate like a super-stockist. "So if 5 distributors were handling Rs 6 crore of business, now that entire business will be consolidated under one distributor," says a sales manager with Marico, who has been closely monitoring the new P&G system. Earlier, since each distributor was working with small volumes, it wasn't economical for P&G to replenish them frequently. As a result, the average inventories lying with the distributor would be significantly high, forcing them to tread on the company's margins. That is a dangerous loop for any distribution system; typically, channel design in any FMCG system is driven by distributor's economics. The key issue is: How effectively can you leverage your distribution? "For most companies, managing distributor inventory is not seen as critical to channel design. Primary sales is where companies hand off", explains a senior consultant. "So as long as the company has sold enough to the distributor, it is not interested", said he. Now, a distributor evaluates a company on how it is faring largely on return of investment (ROI). Simply put, ROI, in a working capital intensive business, is the number of rotations (or the number of times that the distributor can turnover his investment in stocks) multiplied by the margin per rotation. The consequences of ignoring distributor ROI can be disastrous. Take the recent example of a leading FMCG company which attempted to benchmark its distributor economics with Hindustan Lever. The findings were startling. The distributor margin for the company was 6 per cent while it was 5 per cent for Levers. Distributor stock levels for this company was an average of 4 weeks, while for Lever it is 2 weeks. Assuming that the distributors gave no credit to the market, the company's distributor ended up rotating his stock 13 times (52 weeks over 4 weeks) as against a Lever distributor who rotated his stock 26 times. Now, given that the distributor aimed to hit a return of 30 per cent (the risk-free rate of return was 30 per cent if the distributor invested in the money market), the margin that had to be kept aside to achieve the above ROI was 2.5 per cent. The corresponding figure for a Lever distributor was 1.2 per cent. This effectively meant that the amount of money that the company distributor could spend on distribution (buying vans, investing in sales people, etc.) was 3.5 per cent, while for the Lever distributor it was 1.2 per cent. The writing on the wall was clear: despite its lower distributor margins, Lever was successful in getting higher distribution. So, even though the FMCG company in question spent Rs 14 crore more by way of higher margins, it ended up with poorer distribution. The reason: it fundamentally did not manage distributor ROI.

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The result can be disastrous. Even in healthy FMCG distribution systems, poor ROI usually results in distributor dropouts of around 10 per cent. The result? It leaves a vacuum in distribution, leading to obvious share losses. Recently, a leading FMCG company in the household insecticides business could not find any distributors to service its key wholesale market in Begum Bazar for nearly three months, leading to a significant sharp drop. The company simply couldn't get any distributors to buy the economics of the business. The other fall-out is that the distributor will stop extending credit in the market, resulting in retailers not picking up stocks. Gaps in distribution are then inevitable. Competing on Size Now, for P&G, by moving to a super-stockist set-up, it could now replenish its distributors more frequently and hence reduce their average stock-level. Not only is its system complexity lower, it can also look at building stronger relationships with its superstockists. By ensuring a better return on investment, P&G will now be in a position to make the distributors invest more in their distribution infrastructure. Sources in P&G say that they will now be able to replenish stocks every three days. Moreover, P&G hopes to make significant cost savings through the increased throughput available to be a superstockist. By offering him more volumes and reducing the distribution reach (hence his cost of operations), P&G is now trying to shave off distributor margins by a full 2 per cent. This shaving will then be channelled into building advertising. A larger advertising kitty will undoubtedly help it to fight competitors, particularly Levers, on mass media without being beaten on share of voice in media. Additionally, with a limited number of distributors, P&G will also not need to invest in C&F agents. The superstockist will be expected to invest in storage and warehousing space, so that the stock transfer from the company can take place as soon as the stocks are shipped into the warehouse. In the final scheme of things, P&G has another reason for reducing the distributor's margins. That's because of the peculiar distributor psychology at work. As in the earlier example, as soon as the company is able to reduce distributor stocks from 4 weeks to around 2 weeks, at 6 per cent margin, the distributor begins to earn almost 60 per cent of return. "That can be the starting point of trouble", says a senior manager. The key is to keep the distributor's ROI in a band between 30 per cent to 40 per cent. The moment it falls below 30 per cent, the distributor is inclined to undercut in a bid to recover his money. On the other hand, if ROI is as high as 60 per cent, the distributor is tempted to aim for a higher turnover by undercutting the distributor in the next territory. Of course, the only brand that will continue to need wide distribution cover is Vicks cough drops. The reason is simple. Vicks competitive set is impulse-driven confectionery. But for P&G to extend direct distribution cover for a single brand like Vicks is simply far too costly. So it has chosen to adopt wholesale distribution for the Vicks line. "If you don't have a portfolio to support a massive distribution thrust in the hinterland, there is very little point in aiming for direction distribution", avers a senior manager with an FMCG company. However, for its future product launches, it is apparent that P&G has chosen to focus on key urban markets. "Reducing cover is in line with future plans" affirms a sales manager at P&G. The era of jostling with Lever across the length and breadth of the country is over. Focus is P&G's new name of the game. Question Analyse the changes in the sales structure of P&G. Are they better than previous system? Source: Business Standard, Tuesday, 1st Dec. 1998 6.4

Summary ?

As the business activity became more complex and dynamic, the term "sales management" changed due to the changes in business operations. ? Earlier the sales management was solely concerned with the direction of the sales force personnel.

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However, at present the term "sales management" has a broader significance and includes all such marketing activities as advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising. ?

American Marketing Association has defined sales management

as "the planning, direction and control of

selling personnel including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to

personnel salesforce". ? Sales

management is attainment of an organization's sales goals in an effective & efficient manner with the help of other management functions of planning, staffing, training, leading & controlling organizational resources. ?

Sales planning involves predicting demand for the product and demand on the sales assets (machines, people, or a combination of both). Failure to plan always means lost sales. ?

Sales tracking is an integral part of ongoing planning and development in sales management. Ideally, sales information should be gathered on the sales process and not on the end result. ?

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Key Performance Indicators indicate whether or not the sales process is being operated effectively and achieves the results as set forth in sales planning. It should enable the sales managers to take timely corrective action deviate from projected values. ?

Every company has a salesperson, even if it is the company owner. As a salesperson, you are in the enviable position to make something happen. The best part of a career in Sales is that it is undefined. It is hard to describe your typical day as a salesperson because every day is different. ? The sales job market is one of the fastest growing and dynamic sectors within the world. The main reason for this is because new businesses are constantly being set-up and of course, these establishments will invariably require the expertise of sales professionals in order to develop their market share. ? Marketing management is a broader concept and sales management is a part of marketing management. Whereas marketing is concerned with the product, price, promotion, distribution, target market, planning and implementation and control of these activities, the sales management is only a sub-function of marketing management and is mainly concerned with the planning, direction and control of the sales force. 6.5 Keywords Cost of Sales: costs incurred to make a sale Gross Margin: difference between sales and cost of sales Net Profit: profits after deducting all the expenses Sales: exchange of goods, services, or other property for money.

Sales Management: managing sales personnel Sales Planning: predicting demand for products and sales assets Sales Reporting: provides metrics for salesforce compensation Sales Reports: lists details of all the sales within a time period Sales Tracking: keeping regular checks on

sales 6.6 Self Assessment 1. State whether the following statements are true or false: (

a) Sales is an integral part of marketing. (b) Sales is more relationship oriented.

120 Sales and Promotions Management (c) Sales goals should only narrowly define a sale. (d) More you say and less you listen is the key to a successful sales career. (e) Sales force is more prevalent in profit organizations. 2.

Fill in the blanks: (a) If you are concerned with directing sales personnel and drafting out targets fro them, you are carrying out.....activity. (b) A

well drafted document containing all the details of what salesforce and its proposed activities is a ..... (c) .....can be used for stakeholder presentation and motivation of personnel. (d) The main work of a sales personnel actually involves.....for prospects. (e)

A process that starts with recognition of consumers needs and ends in purchase of product by consumer is..... 6.7

Review Questions 1. In old times, the only problem was to produce goods for consumers which were sold out without any difficulty. Why do you think this happened? 2. "Sales is the "cutting edge" of any business operations". Comment. 3. " Failure to plan always means lost sales." Discuss. 4. Discuss the importance of sales tracking in sales management. What does sales management mean to you? 5. Discuss the importance of sales reporting in a sales organization. Is it a part of public relations? 6. "

Sales professionals ultimately have great more control of their lives, personally, professionally and financially." Do you agree? Give reasons. 7. "The

best part of a career in Sales is that it is undefined". What do you mean by this statement? 8. "

The old cliché is that a good salesperson can sell sand in the desert". Do you believe in the statement? Is the role of salespersons overstated? 9.

If given an opportunity, would you like be a sales professional? Why or why not? 10. "

Marketing starts with the needs of the consumers and ends with their satisfaction." Keeping the statement in mind, discuss the relationship between sales and marketing. Answers: Self Assessment 1. (a) T (b) F (c) F (d) F (e) F 2. (a) Sales Management (b) Sales Plan (c) Sales Reports (d) Problem solving (e) Selling

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122 Sales and Promotions Management Chapter 7: Formulation of Sales Program Objectives This chapter on Formulation of Sales Program covers 1. Personal selling 2. The selling process 3. The buying process 4. Organising sales efforts 5. Role of information Introduction This chapter deals with the formulation of the selling program. A sales program is build up by fixing the selling process, organising the salesforce to achieve sales goals and making use of various kinds of information to decide on sales goals. Personal selling is a part of communication mix (other elements of which are advertising, sales promotion, public relations, direct mail and exhibitions). It is concerned with persuasive communication. A sales person in personal selling tries to persuade the prospect so that he can take a decision to acquire the product/service which the sales person is talking about. It is a major factor in creating sales volume. It brings human element into marketing transactions and increases the customer's confidence in the supplier. Once a plan has been formulated, the next logical step is to organise a sales force to achieve the objectives of the enterprise. Decisions must be made as to the type of sales tasks required to be performed and how the sales people are to be grouped together to exercise efficiency and effectiveness. The scope of their sales responsibility, line authority and accountability also should be defined so that their activities can be well coordinated. Then various information sources are studied and decisions regarding the targets are achieved. The initial individual based salesman of the early 1800's was developed into well-oiled machinery in the 1900's by the development of a canned sales presentation, by John H Patterson of National Cash Register (NCR). 7.1 Personal Selling "

The oral presentation of a company's products, or services to one or more prospective purchasers for the purpose of making a sale". It is the art of successfully persuading prospects or customers to buy products or services from which they can derive suitable benefit thereby increasing their total satisfaction, i.e., delight. The terms personal selling and salesmanship have different meanings. Salesmanship is a seller initiated effort that provides prospective buyers with information and motivates them to make favourable decisions concerning the seller's product or services. Personal selling on the other hand is a two-way communication involving individual and social behaviour. It aims at bringing the right product to the right customer. It is used for creating product awareness, stimulating interest, developing brand preference, negotiating price, etc. Example: Personal selling is used extensively in complex and highly technical products like computers, electronic typewriters, digital phones, microwaves, Aquaguard, remote controlled appliances, etc. It is used for selling to industrial consumers who may be having technical queries and want to purchase in bulk. The increase in competition from foreign and domestic sources has increased the importance of personal selling. The salesman acts as a catalyst and consultant to the customer by providing information and benefits of the products. He also works out the details, manner and timing of giving physical possession to the customer. Personal selling is basically used

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during the product launching stage when a firm cannot afford a large expenditure for advertising. Thus, personal selling is an integral part of communication mix. It becomes important because it educates the consumer and makes him understand the special functions and attributes of the product. Personal selling is a tool for building up buyer's preference, conviction and action. The reason is that personal selling when compared with advertising, has three distinct benefits. Personal Confrontation Personal selling involves an alive, immediate and interactive relationship building between two or more persons. Each party is able to observe the other's needs and characteristics at close hand and make immediate adjustment. Cultivation Personal selling permits plenty of relationships to spring up, ranging from a matter-of-fact selling relationship to deep personal friendship. Effective sales representatives will normally keep their customers best interest at heart if they want to maintain long term relationship. Response Personal selling puts the buyer under some obligation for having listened to the sales talk. The buyer has the greater need to attend and respond, even if the response is a polite "thank you". These distinctive qualities come at a cost. A sales force represents a greater long term cost commitment than advertising. Advertising can be turned on and off, but the size of sales force is much difficult to alter. 7.1.1 Advantages of Personal Selling Following are the advantages of personal selling because of which it is the most commonly used promotion tool: 1. Ability to close sales. 2. Ability to hold customer attention. 3. Immediate feedback and two-way communication. 4. Presentation is tailored to individual needs. 5. Ability to target customer precisely. 6. Ability to cultivate relationship. 7. Ability to get immediate action. 7.1.2 Disadvantages of Personal Selling Despite all these advantages of personal selling, it is not without disadvantages because of which sometimes companies may hesitate to adopt personal selling as a promotion tool. 1. High cost per contact. 2. Inability to reach some customers effectively. 7.1.3 New Approaches in Selling Changes are taking place rapidly in selling and sales management. In order to bring down the cost of personal selling, companies are tying to tele marketing and other direct selling methods.

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Buyers are becoming more sophisticated, knowledgeable and demanding. They want to deal with those people who have product knowledge and experience. The intermediaries want help in determining inventory levels' preparing trade advertising and planning, displays and layouts. Customers want presentations based on facts, products and services that help them to solve their problem. The Sales person just doing the talking and smiling is out of date. Therefore, the emphasis is on developmental roles, team selling, selling through computer and Market Information System (MIS) as well as on tele marketing. Today the demand is for those sales persons who are qualified, trained, capable to sell and can make long term problem solving relationship with the prospects. It requires the recognition of their service and rewarding them adequately for their efforts.

**Market Information System** The field sales force is a valuable source of information. Sales people acquire data regarding the likes and dislikes of customers and their inventory levels. They also give advice on promotional activities, future purchasing plans of customers and company's image. The information is also sought regarding the competitors and their plans. This is also done by maintaining good relations with competitors' sales force. And in this context the sales manager becomes an essential link in a chain of communication that passes to and from the top management.

**Direct Marketing** Direct marketing is an emerging form of distribution and promotion that combines elements of personal selling and advertising. It is an interactive communication. It is done by mail, telephone or by electronic media to establish direct relationship with customers. It can be done for specific and immediate action when desired. Currently communication and computer technology have come together to give birth to tele-marketing – a very powerful cost effective tool for business to reach target customers and business markets. The rapid growth of tele-marketing is the result of its cost advantage. It delivers individual selling message to specific prospects at an affordable cost. Direct marketing is targeted marketing. There is a measurable response and a feedback is built into every direct marketing activity.

**Direct Mail** The oldest form of direct marketing known as "mail order". It came into existence when rail, road and postal system developed. Of late, mail order has considerably improved and is appealing to more shoppers who are dissatisfied with traffic congestion, long lines and impersonal service. The direct mail is used extensively through catalogues, magazines and newspapers. The organisations using this method are insurance companies, credit cards, charitable agencies, book publishers, etc. Recently traditional department store chains have turned to direct mail to stimulate sales.

**Telemarketing** It emerged during the 1980's as the second major direct marketing technique. Marketers encouraged consumers to use toll free telephone numbers to purchase products in the comfort of their homes. Catalogue marketers, departmental and specialist stores, airlines, hotels, rental car companies and other travel agencies urged the consumers to call toll free numbers. These applications are known as inbound telemarketing. Out-bound tele marketing is the second approach in telemarketing. This involves contacting buyers directly on phone for selling merchandise. Many banks use this approach to sell retirement accounts and financial products. Other major users of out-bound tele marketing are colleges, medical research organisations and other non-profit groups for soliciting contributions.

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Caselet Nature's Essence Banks on Personal Selling When

everybody is jumping onto the retail bandwagon, Delhi-based Nature's Essence, makers of personal care products, hopes to take on the biggies through what it believes is its strength – direct selling and personal reach. It looks to cash in on the "beauty wave" that is spreading across the country, thanks to the mushrooming of salons in every nook and corner. The 10-year-old company sells its range of value-for-money aromatherapy and herbal products, and other cosmetics for skin, hair and body care through 600 distributors, across 10,000 salons and an equal number of retail outlets (both kirana and organised stores). Around 60 per cent of Nature Essence's revenue (Rs 30 crore) comes from salons, the company's biggest catchments area. Says Mr Saurabh Nanda, Executive Director: "We have always believed in direct interface with salons to educate and create awareness about our products and concepts. Our strength is technical education and personal reach. We hope to take the salon count to 30,000 by the end of the financial year, especially in the B and C cities, and rural areas, which offer huge potential. "The margins in the salon are higher than that in retail. Of course, retail too is catching up. We have been in retail only for the last two years and we hope to take the retail store count to 20,000 by the year-end." Nature's Essence Range of Products Nature's Essence is available in Big Bazaar, Apollo and Guardian Life Care pharmacies and Reliance Retail outlets. It is in talks with Subhiksha, Vishal Mega Mart, and Marks and Spencer too. Global Presence Nature's Essence is also present globally in markets such as South Africa, Mauritius, Reunion Island and the Caribbean, where its products are primarily sold through direct selling in trade fairs, seminars and workshops, apart from a significant retail presence in the GCC countries. It is also sold under a private label in the US and Australia. In India too, the products are sold through television for a private label. The company plans to raise Rs 100 crore in two years through an IPO to fund its retail expansion plan, said Mr Nanda. Nature's Essence is looking to set up its own exclusive boutiques that will not only sell products but also educate and train beauticians. It is also looking to enter the organic foods market soon. Immediate plans include introducing a premium product in the colour cosmetics category. Nature's Essence has a production unit in Haridwar and is setting up another unit in Uttaranchal. It is eyeing revenues of

Rs 100 crore in two years. Source: thehindubusinessline.com 7.1.4 AIDAS Theory of

Selling The initials of the five words used to express AIDAS – attention, interest, desire, action and satisfaction – are the skeleton around which many sales functions are organised. According to this theory, the prospect goes through four mental stages before taking the decision to purchase or not to purchase.

The sellers' job is to lead the customer in such a way that the sale can be made. Seeking Attention The sales person needs an ample supply of "conversation openers" to conduct an interview with the customers and securing their attention towards the main theme (the product). A good conversationalist causes the prospect to relax and sets the stage for the total presentation. This is the fundamental step on which the rest of the selling process depends. The sales person must

126 Sales and Promotions Management have a sense of direction, knowledge, listening ability and sense of humour to carry out the task successfully. Once the prospect starts paying attention, the rest of the task requires less effort. Gaining Interest The second phase is to convert the prospects attention into interest. It can be done with the help of catalogues, sales portfolios, flipcharts or other visual aids. It depends on the smartness of the sales person, how he is using the prospect's hint regarding the product for developing the selling appeal that is most likely to be effective. The sales person must take into account the basic motivation, mood and time of prospect while selecting the appeal to emphasise.

Kindling Desire The third goal is to kindle the prospects desire to the ready-to-buy point. The most important issue in this regard is that the sales person must keep the conversation running. The prospects may have certain objections which must be anticipated and answered to their satisfaction. The chance of making a sale improves if all the objections are treated beforehand. The problem can be either logical or psychological and objections are often unspoken. Inducing

Action If everything has been perfect, the prospect is ready to buy. But it is said that "a prospect will not buy anything if left alone". So, the sales person tries to induce the buying action. Sales person should know how to recognise closing signals from the buyer, including physical actions, comments and questions. Sales people can ask for the order, review points of agreement, offer to help write up the order, ask whether the buyer wants this model or that one and note that the buyer will loose out if the order is not placed now. Customer Satisfaction The last step in this selling theory -

satisfaction-is necessary to reassure the customer that the decision was correct. The salesperson then should schedule a follow up call when the initial order is received to make sure of proper service. The order is the climax of the selling

situation, so the possibility of an anticlimax should be avoided because customers sometimes unsell themselves. 7.2 The Selling Process There are many different ways to go about making a sale, since every sales person has his unique manner of attaining the objectives. Yet after years of experience with sales force management the following steps are found to be an integral part of the effective sales process. These steps are shown below: Prospecting Identifying and Qualifying Pre Approach and Call Planning Presentation Approach and Demonstration Follow Up The Close Handling of Objections Prospecting, Identifying and Qualifying The planning work which is essential in eliminating non-buyers is called prospecting. The most important part of the entire selling process lies in locating the most promising prospects. The first step is to identify the prospects, while the second is to

127 Chapter 7: Formulation of Sales Program find the qualified potential customers and establish their validity. The removing of suspects from the list of prospects is also an important part of the job. Identification of Prospects Identification of prospects is a taxing job and every sales person should try to collect information about the potential customers from all available sources. Some of the sources and techniques employed for finding prospects are as follows: Current Customers The current satisfied customers act as one of the best source of prospective customers. Besides they are also easier to attract while selling additional goods and services. Referrals of Satisfied Customers or Endless Chain The satisfied customers act as a good source of referrals; sales persons ask the existing satisfied customers for names of relatives, friends or business associates who might need similar product or service. When the sales person contacts these prospects for sale they provide further information or referrals regarding more potential customers. Thus, the process continues and hence is called the 'Endless Chain'. Such a source has been employed for selling Reader's Digest. Centre of Influence This technique is based on referrals by a person, who has information about other people or an influence over them. Such a person can help a sales person to identify good prospects. Some of the categories of people to whom such persons belong are housewives, bankers, local politicians, etc. Spotters/Sales Trainees Sometimes a company employs sales trainees specifically for helping the sales persons identify the prospects. The sales trainees are referred to as 'spotters'. This greatly helps in reducing the time and effort required for qualifying a prospect by the sales person alone. Cold Canvassing This technique basically involves calling on a potential customer without any prior appointment. Here, the sales person just goes in and introduces himself to the prospect and inquires about the need of the product or service by the prospect. But this technique involves a lot of time and effort as a large number of calls do not materialise. Directories Directories are an abundant source of finding potential customers. Besides the regular telephone directories, membership directories of trade associations and professional societies or civic and social organisations are a good source for prospects.

Qualifying the Prospects An excellent sales presentation will fail when it is delivered to a person or a company that has no real need for the product or the service, cannot afford to buy it, or is very satisfied with its present long term supplier. Thus, for a successful sales presentation the following things regarding the prospect should be kept in mind: 1. He has clear and well defined need for the product or service 2. He has adequate financial resources to pay for it 128 Sales and Promotions Management 3. He is in a position to buy large enough a quantity to result in a profitable sale 4. He has the authority to make a decision. These factors which one has to consider in order qualifying a prospect is often summarised in the acronym MAN, i.e., Money : The ability to pay for a product or service Authority : The authority to make a commitment on his own Need : The need for the product or service exists. Pre Approach Pre approach is based on the principle of the marketing concept that stresses customer orientation. The more the sales person knows about the prospect, the better the chances of making a sale. The sales person should try and gather information like: 1. What is the financial position of the prospect? 2. What are his special needs or problems? 3. How might the company's products or services satisfy these special needs? 4. Who will get involved in making the buying decision? 5. What type of motivation or appeal is most likely to be effective? 6. What are the buyers personal characteristics and outside interests? The information gathered should help the sales person: 1. To ascertain the prospects needs and ability to buy the product or service. 2. To give a 'tailor-made' presentation. 3. To keep from making serious tactical errors. 4. To increase the sales person's confidence in handling the sales pitch. Call Planning Call planning is basically a specific planning sequence. The sales person has to first of all define the objective of the call, secondly, devise a selling strategy to achieve this objective and lastly make the appointment. Besides the ultimate objective of getting the order there might be certain intermediate objectives, some of which may be: 1. To gain more information about the prospect. 2. To relate the prospect's needs and concerns to the attributes and benefits of the product or service. 3. To obtain permission for the demonstration of the product. 4. To introduce a new distributor. 5. To settle past collect disputes. While forming a strategy to achieve his objectives the sales person should try to understand the prospects' real needs. For this he should also carefully examine the prospect's background. Also the best timing for the call should also be considered because many prospects are busy at a certain time. 'Cold calls' are mostly not welcome and should be avoided as far as possible.



129 Chapter 7: Formulation of Sales Program Presentation Sales presentation is done mainly to show that the sales person has a good understanding of the prospect's needs and the presentation is all about explaining to the consumer how the products meet their requirements. The sales person should inform the prospect about the characteristics, capabilities and availability of goods and services. When the sales person arrives to deliver the pitch he should be well dressed and should have an understanding and helpful attitude towards the prospective consumer. He should also possess excellent communication skills. Categories of Presentations Sales presentations can be classified into five different categories. They are: 1. Fully Automated: This is based on a highly structured approach and is usually done with the help of films or slide projections. It is mostly used to sell intangible services, like life insurance to rural or semi-urban prospects. 2. Semi Automated: In this approach the sales person takes help of brochures or literature and keeps on adding his comments where necessary. It is useful in selling pharmaceutical products. 3. Memorised: In this type of presentation, the company message is presented by the sales person with a few changes. 4. Organised: This is the most popular and effective sales presentation. Here, the sales person is given a complete flexibility of words but has to follow the company prepared outline or checklist. The prospect is taken through the four stages: 'attention', 'interest', 'desire' and 'action' (AIDA) to a purchase decision. 5. Unstructured: This is the problem solving approach of presentation. Here the prospects and the sales person get together to explore the problems and find solutions. Such presentations are not too well focused and much time is wasted. Therefore, there is a need for experienced sales persons who can quickly clear the doubts and complaints of the customers. Approach It is the approach that makes or breaks a presentation. If the approach fails, the sales person cannot proceed to give a presentation or demonstration. The sales person should try and dress similar to what the buyers wear and should be courteous and polite in manners. A good approach should: 1. Attract the prospects attention 2. Arouse his interest in the conversation 3. Make it easy to have a transition into the demonstration phase. There are four basic approaches: 1. Introductory Approach: Here the sales person introduces himself and his company to the prospect. 2. Product Approach: Here the sales person hands over the product to the prospect for examination after briefly explaining it to him. 3. Consumer Benefit Approach: In this approach the sales person starts the sale by informing the prospect about the benefits that can be derived from the product. 4. Referral Approach: The sales person can give the name of a present satisfied customer (with his prior permission) to the prospect as a reference during the meeting.

130 Sales and Promotions Management Demonstration Demonstration forms the core of the selling process. There are two stages of demonstration, first involves a description of the features and benefits of the product and an explanation of how it works. The second stage is the actual demonstration itself. This process is mainly directed at converting the prospect into a customer. An effective product demonstration should be: 1. Well prepared and referred. 2. Should be designed to give a 'hands on' experience with the product. Handling of

Objections Prospects usually show resistance against buying products by pointing out real or imaginary hurdles and by voicing objections. Objections, even if insincere, should be met with utmost courtesy.

The sales person should try and make the customer feel that he is sensitive and available whenever the customer needs. Problems may arise if the customer's needs are hidden. Thus, the sales person should try to understand what the customer's explicit needs are. There are two major techniques of discovering hidden objectives. They are: 1. Keep the prospect talking. 2. Use the insight gained by experience, i.e., the sales person should have extensive knowledge of their own products as well as those of competitors.

The sales person should always adopt a low pressure approach or the customer may feel that he is pressurised into taking a decision. Prospects can raise many kinds of objection related to price, quality, service, quantity, expectations, colour or a mix of all these related to the product. These can be handled deftly by comparing with other products or restructuring the advantages of the product to be sold. Sometimes the product to be sold has weaknesses which can be compensated with other desirable features and attributes of the product. 1. Objection price: To tackle these kind of objections,

cheaper variations of the same products can be shown. Cash memos of bills of previous customers can be shown or some discount can be offered as a last resort. 2.

Objection on quality:

To tackle such objections

reference of prominent customers may be given and the product be supplied in the right size, colour etc. If the product has a good brand name then such objections can easily be tackled and

prominent features of the product may be compared and elaborated with other brands. 3.

Objection on after sales service:

The customer should be assured that the service staff of the company are paying regular visits to the customers and free service coupons given by the company along with the product should be presented as a proof of the same. 4. Objection

on payment: If the cash payment is not available at the moment then after verifying the identity of the customer the product can be offered on credit or on installments.

This may result in the sales of the product. 5. Objections on timings: Some customers want to postpone purchases to some future date. The salesman should with his intelligence and tact should be able to convince the customer and persuade him to take a decision on the spot. However the handling of objections is a very difficult job. If the customer is bent on postponing his decision it is very difficult for a salesman to make effective sales. A customer can walk out of the shop any time with many excuses. He may want to visit other stores or see many models before he is ready for a decision. Closing the Sales After having dealt with the customers' objections comes the stage when the sales person asks for the order. Unless the sale takes place the entire process is a wasted effort. Hence, it is important for the sale to materialise. A few of the effective closing techniques are being described hereunder.

131 Chapter 7: Formulation of Sales Program 1.

Action Close: Here the sales person takes an action that will complete the sale like negotiating for supplying financial assistance to the prospects. 2. Gift Close: The sales person provides an added incentive on immediately buying the product. 3.

Benefit

Close: Here the sales person restates the benefits of the product in order to elicit a positive response from the prospect. 4.

Direct Close:

It is a simple technique and is most appropriate if the buyer is showing strong positive buying motives. The sales person gives a summary of the major points of the presentation and directly asks for the order. 5. Alternative Close: This technique provides the customer with alternatives with regard to the product like a black or red colored one or payment on cash or credit basis. 6.

Objection Close:

If an objection is the major hurdle in the way of making sales, the sales person should try to gain a commitment from the buyer that if the objection is removed he will buy the product. Thus the

close is the most important part of the selling process since all the efforts and presentation comes down to this moment. Follow Up After a successful close there is still a great deal of work to be done. In order to make the customer satisfied the sales person has to ensure that the product is delivered at the desired location and at an appropriate time. Sometimes the customer may desire some minor modifications in the product or service to suit their particular need. The customer should also be trained how to operate the product properly and safely. Even after all the formalities have been completed the delivery of effective after sale services are equally important. Such activities are important to convert the buyer into a loyal customer. Customer complaints should be taken seriously and handled with concern for as this shows that the sales person cares about maintaining good customer relations. Sending letters, notes, phone calls, greetings, etc., are good ways of keeping in touch with customers. Some companies also send customers company newsletters, etc., to keep them well informed. The sales person should keep in touch with customers and keep them informed about the latest products or services.

Task Assume any of the following roles: salespersons from insurance sector or personal care sector or IT sector or healthcare industry. Prepare your standard sales pitch and deliver it before the class. Any one or two students can assume to be the customers. See how you would have to make prompt changes in your pitch according to customers. 7.3

Buying Process 7.3.1 Problem Recognition Purchase decision-making process begins when a buyer becomes aware of an unsatisfied need or a problem. Problem recognition is a critical stage in consumer decision-making process because without it, there is no deliberate search for information. Rarely is there a day when we do not face multiple problems which individuals resolve by consuming products or services. We commonly face problems such as the need to replenish items of everyday consumption. Example: The consumer who runs out of milk, or cooking oil has a clear definition of the problem. He instantly recognizes the problem. Such problems are quickly recognised, defined and resolved. As another example of a routine problem, we can think of an individual who notices that the fuel meter of her/his auto is indicating very low level of fuel and goes to the first petrol pump

132 Sales and Promotions Management on her/his way and gets the tank filled with petrol. Unplanned problem occurs when, for example, the refrigerator or some other major appliance breaks down. Recognition of a problem such as the need for a notebook computer may take much longer as it may evolve slowly over time.

### 7.3.2 Information Search

After problem or need recognition, consumers generally take steps to gather adequate information to select the appropriate solution. Information search refers to what consumer surveys in her/his environment for suitable information to make a satisfying purchase decision. Problem recognition is an ongoing process for consumers and they use internal and external searches to solve these problems. Consumers may also be involved in ongoing search activities to acquire information for possible future use. No sooner does a consumer recognize a problem, than she/he in a reflexive manner first thinks or tries to remember how she/he usually solves this kind of problem. The recall may be immediate or occur slowly as a result of conscious effort. This recall from long-term memory might produce a satisfactory solution in case of many problems, and no further information search is likely to occur. Example: To get relief from headache, the consumer recalls a brand of headache-remedy based on earlier experience and buys the brand. This is termed as nominal decision-making. Another possibility is that consumer recalls Dispirin and Novalgin but is not sure and picks up a book on home remedies and reads about different solutions. Or, the consumer perhaps asks a friend, or goes to the nearest medicine shop and seeks advice from the pharmacist as to which remedy would be effective and safe and buys the brand. The decision here would be based on internal and external information. This type of decision approach is called limited decision-making. The information collection yields an awareness set of brands/products. Awareness or consideration set is composed of recalled and learned about solutions. Awareness set contains evoked set, inept set, and inert set. Evoked set is composed of those brands the consumer will evaluate to choose the solution of a particular problem or need. Inept set includes those brands that the consumer finds unworthy of consideration. Inert set is composed of alternatives that the consumer is aware of but would not consider buying and would treat with indifference.

### 7.3.3 Alternatives' Evaluation

Consumers' evaluative criteria refer to various dimensions; features, characteristics and benefits that a consumer desires to solve a certain problem. For example, a consumer's evaluative criteria for a laptop computer may include processor speed, operating system, memory, graphics, sound, display, software included, cost and warranty, etc. However, for another consumer the set of evaluative criteria may be entirely different from the same product. To evaluate different alternatives in the evoked set, the consumer examines products or brands against the desired set of criteria, and also those that are not desired. Consumers use either attitude-based choice that involves the use of general attitudes, impressions, beliefs, intuition, or heuristics and form overall preferences about brands, or attribute-based choice that requires the knowledge of specific attributes at the time of choosing a brand by comparing each brand alternative on specific attributes. This attribute-based choice process is cumbersome and time consuming. Generally, the importance of an optimal decision is related to the value of the product under consideration and the consequence associated with a non-optimal decision.

### 7.3.4 Purchase Decision Making

Making a purchase is often a simple, routine matter of going to a retail outlet where the consumer looks around and quickly picks out something needed. All consumers like to view themselves as intelligent shoppers and make decisions regarding the retail outlet choice in which they will shop. Generally, consumers decide about the make of the computer first then choose the dealer to buy it from. Frequently, it happens that consumers choose the retail outlet first and this influences their choice of the brand. For example, when consumers shop for clothes, they generally decide about a retail outlet first, or go to a market area where several such stores exist. Similarly, they often make a brand decision in the retail store when they shop for appliances.

133 Chapter 7: Formulation of Sales Program 7.3.5 Post Purchase Action Consumers' favourable post-purchase evaluation leads to satisfaction. Consumers choose a particular brand or retail outlet because they perceive it as a better overall choice than other alternatives that were evaluated while making the purchase decision. They expect a level of performance from their selected item that can range from quite low to quite high. Expectations and perceived performance are not independent and consumers tend to perceive performance in line with their expectations. After using the product, service, or retail outlet, the consumer will perceive some level of performance that could be noticeably more than the expected level, noticeably below expectations, or match the expected level of performance. Thus, satisfaction with a purchase is basically a function of the initial performance level expectations, and perceived performance relative to those expectations. Notes Organisation buying behaviour refers to decision-making processes by which organisations establish the need for products and services, and identify, evaluate, and choose among alternative products and suppliers. Buying behaviour of organisations differs in important respects from personal consumers. Their purchases are made to accomplish certain organisational goals and effectively perform the activities such as producing goods or services, or reselling an item. Organisational purchases are described as 'rational' or 'economic', and generally relate to considerably larger purchases and often more than one person is involved in decision-making. 7.4 Organising the Sales Effort: Sales Organisation Sales organisation is a group of people working together to achieve the objective of sales-which is to capture a certain share of market while satisfying the customers. It undertakes the effective marketing of products produced by the undertaking or even products purchased for resale. It ensures timely distribution of products to the customers in an economical and efficient manner. It establishes restructuring between the customers and the organisation on terms that are both acceptable to the buyer and the seller. A

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sales organisation is both an orienting point for cooperative endeavour and a structure of human relationships. It is a group of individuals striving jointly to reach qualitative and quantitative objectives and bearing formal and informal relations to one another.

Implicit in the concept of a sales organisation is the notion that individual members cooperate to attain ends. The sales organisation is not an end in itself but rather the vehicle by which individuals achieve given ends. Existence of a sales organisation implies the existence of patterns of relationships among subgroups and individuals established for purposes of facilitating accomplishment of the group's aim. 7.4.1 Purpose of Organising Defines Lines of Authority A sound sales organisation defines people in the organisation in terms of authority, responsibility and accountability and identifies flow of authority. It enables the sales person to identify whether their authority is line, staff, or functional. Line authority carries the power to require execution of orders by those lower in the organisational hierarchy and make decisions on the need, place and time of action over a wide range of matters. Staff authority is the power to suggest to those holding line authority the method for implementation of an order. They advise line executives about methods but have no formal power to require or enforce the execution of their recommendations. Functional authority enables specialists in particular areas such as in technical product service to enforce their directives within a specific and limited field. They assist executives holding general line authority. All executives

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should understand the nature of their authority with respect to each aspect of the operation,

otherwise, friction develops. When, for instance, staff executives attempt to exercise line authority, they are heading for trouble with the line executives whose authority is usurped.

134 Sales and Promotions Management Ensures that all Necessary Activities are Assigned and Performed The process of organising presupposes the identification of all necessary activities which have to be performed for the achievement of objectives. As organisation grows, tasks also multiply. It must be ensured that all necessary activities are specifically assigned. The sales executives are in close contact with the users in small companies but as the company grows, the top executives get farther and farther removed from the customers. At this point of time an individual should be assigned responsibility for maintaining such relationships. Establishes Basis of Communication Earlier because of simplicity of organisations, lines of communication were synonymous with lines of authority. Today, business has become a very complex phenomenon due to information overload. The flow of information is both horizontal and vertical. The organisation structure identifies the sources of information, recipient of data and may also tell us who is responsible for generation of information. Provides for Coordination and Balance Good organisation achieves coordination and balance. Individuals vary in competence, potential and effectiveness. By coordination we achieve Synergistic effect (when the sum of a combination effort exceeds the efforts of the same individuals working alone). Motivation also plays an important part and is achieved by training programmes, indoctrination (teaching), group meetings and two-way communications. Provides Insight into Avenues of Advancement The personnel looks upon sales organisation as something that will advance and improve their future career. Possible avenues of advancement may be evident from the organisational chart which depicts the normal promotion route of the personnel. Economises on Executive Time As an organisation grows, the sales department increases in number and complexity. Delegation of authority becomes imperative. This allows the executives to spend more time on planning and less in operation. For effective coordination, the span has to be limited but this depends on various factors like superior's ability of coordination, qualities of the subordinate, etc. One of the main purpose of coordination is to achieve economies on executive time. 7.4.2 Developing Sales Organisation Sales organisation develops in response to the market and company requirements. The setting up of an organisation or the sales organisation development takes place in a series of steps. These steps are as follows: 1. Defining the sales organisation's objectives. 2. Defining the various activities that need to

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be performed to achieve these objectives and estimating the cost

and volume of each of these. 3. Grouping of the activities and positions. 4. Assignment of personnel to positions. 5. Control and coordination by formal and informal means.

135 Chapter 7: Formulation of Sales Program Step I Defining the sales objective includes the setting of qualitative objectives. This can be done by asking what the company wants to achieve in terms of: 1. Growth/survival 2. Market share 3. Market leadership 4. Customer relations. The objectives of the sales organisation need to be defined in the light of corporate objectives both in the long-term (qualitative) and short-term (quantitative). Sales management determines the qualitative and quantitative personal selling objectives. Quantitative personal selling objectives are set with an eye on qualitative flow of sales revenue which helps in setting the quantitative objectives. Survival also requires profit, hence another quantitative objective is earning profits by making miracle sales and also by reducing the costs and the expenses of various departments. Another important qualitative objective is to realise long term growth in sales and profits. This means that sales, profit and growth are the three general objectives. Qualitative personal selling objectives are translated with quantitative objectives, e.g., increasing the market share by 20%. If the goals are clear and defined then time and effort are better utilised and progress is smoother. Step II The analysis of the type and volume of activities needed to be performed will lead to assessment of how many executive and operating positions are required and how these positions would relate to each other. This also helps in assessing the duties and responsibilities of the concerned persons who are employed on these positions. The activities involved in modern sales organisation are similar. Differences among the departments are those of details, of relative emphasis placed upon individual activity and performance. These differences are more apparent than real. Step III This consists of the following tasks; 1. Identifying

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positions to whom these activities may be assigned. 2. Classify and group closely related activities and assign them to same

positions. 3. Decide on hierarchy of activities by defining the level at which each activity will be performed. This will depend upon the importance of the activity, e.g., in an organisation trying to sell a new product through middlemen, dealer relations become a crucial activity and has to be assigned a higher position in the sales organisation. Step IV Assignment of personnel to positions consists of deciding on two things. First of all, to hire, select or recruit specialists to take up the positions so that the organisation gets the best personnel in its armour who will perform the jobs in a resplendent manner and, secondly, modifying the positions so as to take the services of existing personnel after training and developing them so that they fit in the requisite positions. An organisation may take either of the two ways. When there is no talent in the organisation commensurate with the requirements of the jobs then the organisation may hire or recruit personnel from outside. This may also be done if the management requires young blood in the organisational lines. Further, if the individual possesses the skills and capabilities then the job may also be modified or changed to fit these individuals. Generally,

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planners prefer, whenever the situation permits, to have individuals grow into particular jobs rather than to have jobs grow up around individuals. 136

Sales and Promotions Management Assignment of personnel to positions involves the following activities: 1. Defining relation between positions – how many individuals report to a particular superior – and the span of control. 2. Defining the nature of authority in respect of each position (delegation of authority, lines of authority, lines and staff). 3. Assigning personnel to positions. Step V Control and coordination in a sales organisation can be done both formally and informally. Formally, it can be done by written job description, rules, regulations and procedures. Written job description is an important formal instrument for coordination and control. It gives details about the various attributes of each job like reporting relationships, job objectives, performance measurements and duties and responsibilities. Informally, it can be done by sheer force of personality coupled with ability to attract and hold the loyalty of followers. One of the methods of coordination is the chain of command. We also try to have provision for growth, flexibility and control. Another instrument of control is an organisational chart because many things are specifically stated in it. An organisational chart shows the formal relationships between different positions. It helps in understanding the nature of authority and responsibility of each personnel with respect to each aspect of operation. This helps in avoiding friction which would exist if it had not been there. A supplement to organisational chart is an organisational manual which incorporates the company as well as departmental chart. The organisational manual is an extension of the organisational chart. The organisational manual typically contains write-ups of job descriptions and specifications and summaries of major company and departmental objectives and policies. The organisational manual also contains a lot of information which helps the users to learn and understand the nature of their responsibilities, authorities and relations with others. 7.4.3 Centralisation vs Decentralisation In centralised system, recruitment, training, compensation and evaluation are all managed from the central head quarter while in decentralised system the field sales managers take up most of these functions. It also depends on size of operation, cost effectiveness and competitive necessities. When firms are small and have only a few sales people, corporate office may be more efficient and effective. When size of operation increases, branch offices gradually emerge. Decentralisation in this case provides more freedom to sales manager to allow him to display greater initiative and managerial skills. Most medium and large size firms combine the advantages of both centralised and decentralised operations. Decentralised sales offices are utilised to ensure better customer service while training and recruitment may be centralised. With growth, advantages of decentralised sales force management increasingly outweigh the higher costs. Among these advantages are: 1. The sales volume increases to cover the fixed costs. 2. There is intensive cultivation of the market. 3. Due to effective control of sales personnel there is a comparatively better provision for improvement of customer services. 4. Traveling expenses and allowances given get reduced considerably. 5. A well managed channel structure offers a good training ground as the shortcomings are well known to the executives. 6. The motivation and morale of the sales force increases. 7. It provides effective control, improves supervision and increases sales productivity. Managerial philosophy towards delegation and control also affects the extent of centralisation and decentralisation. Increased use of computers has also influenced this philosophy. It has led to more centralised decision making as data can be processed much faster.

137 Chapter 7: Formulation of Sales Program 7.4.4 Organisational Structures Line Sale Organisation It is the most basic form of the sales organisation characterised by a chain of command, running from top sales executive down to salesman level. Since line of authority has vertical structure, executives at each level are generally independent of all others at the same level. Responsibilities are usually delineated through assignment of quotas or sales targets. Example: Liquor division of Jagatjit Industries has lines sales organisation. Each level is connected to the subordinate level by scalar lines of command. Lines organisation is extensively used in smaller firms or those dealing in a narrow product line, or selling in a limited geographical area. It places great demand on time and abilities of the top sales executives as all field reportings finally come to him. Operational details of managing the sales department takes up a large part of line executives time. He is at times forced to take decisions without benefit of adequate planning. Line organisation becomes inappropriate in case of a rapidly growing organisation or those with large sales staff as growing department necessitates additional layers of executives to be added. General Manager Sales Manager Assistant Sales Manager Division 1 Assistant Sales Manager Division 2 Assistant Sales Manager Division 3 Assistant Sales Manager Division 4 Sales People Sales People Sales People Office Staff Line and Staff Sales Organisation Line and staff sales organisational structure results as the size of the operation grows. It is characteristically found in medium and large firms with sizeable sales staff selling diversified product lines. Staffs are specialists in their own field which can be sales training, service, sales analysis, planning dealer relations, sales promotion, sales personnel development, etc. A pool of experts becomes available for providing assistance in specialised fields. Organisation is headed by Managing Director who has line managers called Regional Managers and Staff Managers, who look after the staff functions Manager reporting to him. Customer Service Manager is incharge of feeding in information and facilitation of customer services sales promotion. Sales Promotion Manager performs the advisory function with respect to sales promotion activities of the organisation and correlates with the Regional Sales Manager as to promotional needs.

138 Sales and Promotions Management President Vice-president In Charge of Marketing Advertising Manager General Sales Manager Manager of Marketing Research Director of Sales Training Sales Personnel Director Assistant General Sales Manager Sales Promotion Manager Director of Dealer and Distributor Relations District Sales Manager Branch Sales Manager Sales Personnel Assistant to General Sales Manager Regional Managers are the line managers responsible for operating results in their own territories and control their own field staff. Problems with line and staff is basically one of coordination reports. Moreover recommendations take time to compile and there is time lag which hinders active coordination. Various problems of interpersonal relationships also arise. Staff sometimes assumes the authority to issue orders and direction. This leads to dual subordination and can be overcome if authority and responsibility are specifically written down. Functional Sales Organisation Functional sales organisation was designed by F W Taylor and takes into account, that, all the executives and employees should have different types of activities, as far as possible. Functional sales organisation is aimed at utilising the benefits of specialisation to the fullest extent. All sales personnel receive direction and are accountable to different executives on different aspects of their work in contravention to the principle of unity of command. Most of the firms use this type of organisational structure as it not only provides a platform for improved performance through specialisation, but also, improves coordination among the functional executives. Functional organisation is not feasible in all types of organisations. It is cumbersome and ineffective in its present form. Small and medium sized firms find it neither practical to implement nor are financially strong enough to employ high degree of specialisation. Large organisations, however, find it suitable for stable operations as there are no constraints with regard to finance, labour and specialised executives. Large companies with stable selling operations are exceptions rather than the rule.

139 Chapter 7: Formulation of Sales Program Director of Sales Administration Installation & Service Manager Manager of Sales Training Manager of Sales Supervision Manager of Sales Promotion Manager of Dealer and Distributor Relations Manager of Sales Personnel Sales person Sales person Sales person Sales person Sales person Sales person

Figure 7.4: Functional Type of Sales Organisation Source: cundiff Task Consider any ten company and find out which kind of structures they follow? Is their structure the same since inception? Is their working centralized or decentralized? 7.5

Role of Information 7.5.1 Databases A database refers to the collection of comprehensive information about customers and prospects such as demographic and psychographic profiles, products and services they buy, and purchase volumes, etc., arranged in a manner that is available for easy access and retrieval. Databases allow marketers access to an abundance of information, – often through a computer system – such as sales reports, news articles, company news releases, and economic reports from government and private agencies, etc., that can be useful in making various sales decisions. 7.5.2 Internal Records Modern technology is making information required for sales decisions ever more accessible. It is possible to track customer buying behaviour and better analyse and understand what customers want. The integration of various modern technologies is

140 Sales and Promotions Management allowing companies to access valuable information. Ever increasing numbers of market researchers and managers are having access to e-mail, voice mail, teleconferencing, videoconferences, and faxes. Internal database is the most basic starting point in developing a strong MIS. Sales Personnel, not just the growing numbers of large retailers in our country, need information about what is demanded more by customers and what is not. Internal record systems help in tracking what is selling, how fast, in which locations, to which customers, etc. Availability of all such information relies on reports available on orders received from sales people, resellers, and customers, copies of sales invoices, prices, costs, inventories, receivables, payables, etc. Getting inputs and designing systems to provide right data to the right people at the right time is critical for sales decisions. Accumulated data about customers in various internal records is an important source to build database such as customer inquiries, existing customers and past purchasing histories of these customers. The key information in this regard consists of RFM (Recency, Frequency, and Money) variables. Recency refers to the time of purchase, frequency reflects the number of times the customer made a product purchase from the firm, and money denotes the quantity and monetary value of the purchase. RFM helps analyse and develop a customer index that reflects which customers are more profitable for the business. Example: USP Age, in its September 2004 issue has reported that BPCL has been compiling its database for the past four years and has a formidable collection of more than 1.4 million customers. Shopper's Stop has been compiling data of its regular customers through its loyalty programme, First Citizen. Further, a company in India

can obtain a database for as little as 50 paise to

Rs. 5 per contact. Companies involved in Direct Marketing such as Catalogue Selling and Mail Order Marketing are heavy users of databases. 7.5.3 External Records Census Bureau is one key source of information regarding various demographic variables. Besides Census Bureau of India, other sources include Newspapers, Trade Publications, Technical Journals, Magazines, Directories, Balance Sheets of companies, Syndicated and published research reports. Various third party information suppliers offer a variety of information about customers as per marketer's requirements, for a price. Example: Reader's Digest markets a database covering 100 million households. It is one of the best databases to assess potential markets for consumer products. It lets Reader's Digest management know the likes and dislikes of many of its readers. Behaviour Scan is a single source information service that monitors consumer household televisions and records the programmes and commercials watched. This source is an example that screens about 60,000 households in 26 US markets. Many companies develop their own databases. According to Laurence N. Goal, a single source providing information about household demographics, purchases, television viewership behaviour, and responses to promotions is called a single-source data. When consumers from these households go shopping in stores equipped with scanner-installed computers, they present their credit cards to billing clerks for payment. This permits each customer's identification to be electronically coded so that the marketer can track his or her purchases. 7.5.4 Sales Reports A salesperson's detailed record of sales calls and results for a given period; typically, a sales report will include information such as the sales volume per product or product line, the number of existing and new accounts called upon, and the expenses incurred in making the calls. 7.5.5 Sales Forecasting Sales forecasting is a very difficult area of sales management. Sales forecasting is a key to the decisions like employment levels required, promotional mix and investment in production capacity. A sales target (or goal) is set for the sales force as a way of defining and encouraging sales effort. Sales targets are often set some way higher than estimated sales to "stretch" the efforts of the sales force.



141 Chapter 7: Formulation of Sales Program A sales budget is a more conservative estimate of the expected volume of sales. It is primarily used for making current purchasing, production and cash-flow decisions. Sales budgets need to take into account the risks involved in sales forecasting. They are, therefore, generally set lower than the sales forecast. A variety of sales forecasting methods are available for the company. Few of them are: Delphi Method A forecasting procedure in which a series of questions is asked to 6-7 people sitting at distant places and the resulting feedback are used to reach a group consensus. For example, each person in a group is asked to submit an estimate of the next year's sales growth rate. The results are tallied and conveyed to participants who are then asked to submit another estimate. The process continues until a general consensus results. Sales Force Composite Method In this technique sales forecast is done by the sales force. All the salesmen develop forecasts for their own territory and then all the forecasts are consolidated at higher levels. Since, salesmen are closest to the actual market place, their opinion can form the basis of the forecast. Simple Projection Method In this method, current year's forecast is done by adding 5% to last year's sale. It provides a rough estimate. Time Series Analysis This method is basically suited for long term forecasts. All factors such as long term growth trend, cyclical changes, seasonal variations and irregular and random changes are analysed. Regression Analysis In this method, a functional relationship is established between variables using historical data, and then it is used to forecast the dependent variable values. In Complex econometric model, researchers build sets of equations that describe the underlying economic system. The coefficients in the equations are filled statistically.

7.5.6 Sales Quotas Sales Quota is the minimum sales volume goal established by the seller. It may be expressed in terms of monetary value or units sold. Quotas may also be set for sales activity (number of calls per day), sales costs and profitability in addition to sales volume. A sales quota may be required of a salaried or commissioned salesperson or may be a goal set for a brand, a product line, or a company division. Sales quotas are used to ensure that company sales goals are met even though they may exceed an individual salesperson's personal goals or abilities. Sales quotas also ensure that the volume sold will cover the fixed costs of producing the product or service. Sales quotas should be high enough to encourage excellence but not so high as to be unachievable, thereby discouraging the sales force. Failure to meet sales quotas is an immediate call for action on the part of the seller. If a salesperson fails to meet quota, the salesperson may be given a smaller or less desirable prospect territory or may be terminated. A salesperson may receive a bonus for exceeding the sales quota. It provides a source of motivation and increasing standards of performance by salesmen. It uncovers the strengths and weaknesses of the sales team.

142 Sales and Promotions Management Case Study Sales Organisation in Thomas Cook (India) Limited Foreign Exchange Division The Company in India Thomas Cook first began operating in India in 1881 in Calcutta. Being a company which was incorporated abroad, it came within the ambit of Foreign Exchange Regulations Act, 1973, which imposed restrictions on the company's expansion. The Thomas Cook Group thought that for the Indian operations to grow, it would first have to get out of the restraints imposed by FERA and become an "Indian" company. Thus, Thomas Cook (India) Limited was born and this company took the assets and liabilities of the branches of Thomas Cook Overseas in India w.e.f. 1st November, 1978. For reasons beyond its control, the Indian company could make a public issue of shares only in February 1983. The present pattern of equity holdings of the company is as follows Thomas Cook Overseas Ltd. - 40.0% State Bank of India - 15.0% Public/Staff - 45.0% 100% The company is managed by a board of directors with the chairman nominated by the Thomas Cook Group. The company is involved in the following businesses 1. Travel 2. Retail foreign exchange 3. Wholesale foreign exchange 4. Tours—inbound and Indian horizon 5. Conferences 6. Leisure travel 7. Cargo. Sales Organisation: [Foreign Exchange Division] Thomas Cook Head of Foreign Exchange Dealer in Mumbai Regional Manager (S) City Manager (S) Branch Manager (S) Sales Executive (S) Contd....

143 Chapter 7: Formulation of Sales Program Staff Functions 1. Internal Audit 2. Finance and Accounts 3. Human Resources 4. Information Technology The Thomas Cook foreign exchange division broadly operates under two major activities 1. Retail foreign exchange operation: includes walk-in-customers and corporate houses. 2. Wholesale foreign exchange operations: includes banks and stockists. Under retail foreign exchange operations, the sales executive has to achieve his target by making clients from persons travelling abroad for business and/or personal purposes, that is under LERMS (Liberated Exchange Rate Management System) or BTQ (Basic Travel Quota). The line manager often coordinates in close proximity with the sales executive for getting sales proposals from corporate houses by giving proposals. The branch manager suggests the commission to be charged and incentives to be given to the corporate clients by the sales executive. The city manager meets individual sales executives, on a monthly basis, of all the branches under him to review their performance. The head of foreign exchange and regional manager communicates to the supervisors down the line through MIS. The MIS is prepared on a fortnightly and a monthly basis, which explains in detail all market-related activities, like total sales done by the branch, city or region, major clients made or lost and comparison of actual sales with the targets. Under the wholesale foreign exchange operations, the wholesale executives have to make their sales strategy on a daily basis, according to the fluctuations in the foreign exchange market. On receiving the rate list from the head office, the branch manager fixes the premium on the current rate, which is to be given to the banks for purchase of foreign currency. The branch manager and city manager also decide upon the premium, if some bulk sale or bulk purchase of foreign currency is there. In case the market is highly volatile or a large transaction is offered to the sales executives, they communicate directly or through the line manager with the dealer, who is operating from Mumbai, to decide on the premium to be offered. The staff functions, though not directly involved in the operation, help in the smooth operations of the line function in sales organisation. Questions 1. How has Thomas Cook (India) Ltd. improved its sales performance? 2. How do the staff functions help in the operations of the line functions in sales organisation? Source: Dr. S L Gupta, Sales and Distribution Management: Text and Cases – An Indian Perspective, First Edition, Excel Books, New Delhi 7.6 Summary ? A sales program is build up by fixing the selling process, organising the salesforce to achieve sales goals and making use of various kinds of information to decide on sales goals. ? Personal Selling is the art of successfully persuading prospects or customers to buy products or services from which they can derive suitable benefit thereby increasing their total satisfaction, i.e., delight.

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The salesman acts as a catalyst and consultant to the customer by providing information and benefits of the products. He also works out the details, manner and timing of giving physical possession to the customer. ? A sales force represents a greater long term cost commitment than advertising. Advertising can be turned on and off, but the size of sales force is much difficult to alter. ?

The sales person just doing the talking and smiling is out of date. Therefore, the emphasis is on developmental roles, team selling, selling through computer and Market Information System (MIS) as well as on tele marketing. ?

The

initials of the five words used to express AIDAS – attention, interest, desire, action and satisfaction – are the skeleton around which many sales functions are organised. According to this theory, the prospect goes through four mental stages before taking the decision to purchase or not to purchase. ?

The first step in selling process is to identify the prospects, while the second is to find the qualified potential customers and establish their validity. ?

Identification of prospects is a taxing job and every sales person should try to collect information about the potential customers from all available sources. ?

An excellent sales presentation will fail when it is delivered to a person or a company that has no real need for the product or the service, cannot afford to buy it, or is very satisfied with its present long term supplier. ? Call planning is basically a specific planning sequence. The sales person has to first of all define the objective of the call, secondly, devise a selling strategy to achieve this objective and lastly make the appointment. ? Sales presentation is done mainly to show that the sales person has a good understanding of the prospect's needs and the presentation is all about explaining to the consumer how the products meet their requirements. ? It is the approach that makes or breaks a presentation. If the approach fails, the sales person cannot proceed to give a presentation or demonstration. The sales person should try and dress similar to what the buyers wear and should be courteous and polite in manners. ?

Prospects usually show resistance against buying products by pointing out real or imaginary hurdles and by voicing objections. Objections, even if insincere, should be met with utmost courtesy. ?

After a successful close there is still a great deal of work to be done. In order to make the customer satisfied the sales person has to ensure that the product is delivered at the desired location and at an appropriate time. ? The buying process includes basic five steps namely: need recognition, information gathering, evaluation of alternatives, purchase action and post purchase evaluation. ? Sales organisation is a group of people working together to achieve the objective of sales – which is to capture a certain share of market while satisfying the customers. It undertakes the effective marketing of products produced by the undertaking or even products purchased for resale. ? A sound sales organisation defines people in the organisation in terms of authority, responsibility and accountability and identifies flow of authority. It enables the sales person to identify whether their authority is line, staff, or functional. ? Sales organisation develops in response to the market and company requirements. The setting up of an organisation or the sales organisation development takes place in a series of steps. These steps are as follows: defining the sales organisation's objectives, defining the various activities that need to

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be performed to achieve these objectives and estimating the cost

and volume of each of these, grouping of the activities and positions, assignment of personnel to positions, and control and coordination by formal and informal means. ? Line and staff sales organisational structure results as the size of the operation grows. It is characteristically found in medium and large firms with sizeable sales staff selling diversified product lines. ? Functional sales organisation was designed by F W Taylor and takes into account, that, all the executives and employees should have different types of activities, as far as possible. ? The integration of various modern technologies is allowing companies to access valuable information. Ever increasing numbers of market researchers and managers are having access to e-mail, voice mail, teleconferencing, videoconferences, and faxes.

145 Chapter 7: Formulation of Sales Program 7.7 Keywords AIDAS: Attention, Interest, Desire, Action and Satisfaction Cold Canvassing: calling prospects without prior appointment Databases: collection of information about prospects Direct Marketing: combination of personal selling and advertising Evoked Set: brands which consumer considers while deciding Gift Close: giving incentives on immediate purchase Inept Set: brands which consumer considers unworthy of consideration Line Sale Organisation: organisations characterized by chain of command Personal Selling: interactive selling process with personal confrontation and response Prospecting: process essential in eliminating non-buyers

Recency: time of purchase Salesmanship: seller initiated effort Sales Reports: contains details of sales Sales Quota: minimum sales volume goal established by seller 7.8

Self Assessment 1. State whether the following statements are true or false: (a)

Salesmanship is a two way interaction process between buyer and seller. (b) Direct marketing involves personal selling. (c) A salesman makes a consumer curious about the product he is selling in the interest stage. (d) The main job of the spotters is to spot the products in demand and satisfied customers. (e) When a salesperson is giving detailed attention to your needs and clearing your doubts, he is following a structured presentation. (f) When a salesperson gives you an option of choosing products with various attributes, that type of close is a direct close. (g) The employee referrals are internal sources of information. 2. Fill in the blanks: (a)

You get catalogues and brochures of different products and services with your newspapers. This approach is called..... (b) Giving testimonials is a popular kind of approach. It is known as .....approach. (c) If a prospect is postponing the purchase date due to unavailability of cash, this refers to objection on..... (d) If a salesperson assures you on financial assistance on purchase, such type of close is called.....close. (e) Brands which a consumer is aware of but would not prefer buying represents his.....set. (f) An organisation which is most likely to face coordination of reporting problems is .....organisation. (g) If a salesperson is given a target of calling atleast 50 prospects in a day, it may be a part of his.....

146 Sales and Promotions Management 7.9 Review Questions 1.

Discuss the concept of 'personal selling as an art of persuading consumers and providing delight'. With this make a distinction between salesmanship and personal selling. 2. "Personal selling involves an alive, immediate and interactive relationship building". Comment 3. "Buyers are becoming more sophisticated, knowledgeable and demanding". What are the companies doing to handle this? 4.

What are "conversation openers"? Discuss their importance in selling. 5. Explain with practical examples, the buying process to purchase a club membership. 6. "The sales organisation is not an end in itself but rather the vehicle by which individuals achieve given ends". Comment 7. "Sales organisation develops in response to the market and company requirements". Substantiate 8. Compare and contrast the various types of organisational structures. 9. How has technological development helped the organisations in better prospecting? 10. Why sales forecasting is considered to be a key function? Why is it difficult to estimate sales? 11. How can sales quotas be a source of motivation? Can sales quotas be a source of de-motivation also? 12. "Sales person should try to understand the prospects' real needs." Explain the statement with reference to sales process. Answers: Self Assessment 1. (a) F (b) T (c) T (d) F (e) F (f) F (g) T 2. (a) Direct Marketing (b) Referral (c) Payment (d) Action (e) Inert (f) Line and Staff (g) Sales Quota 7.10 Further Readings Books

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147 Chapter 8: Implementation of Sales Program 1 Chapter 8: Implementation of Sales Program 1 Objectives This chapter on Implementation of Sales Program 1 covers 1. Motivating Sales force 2. Personal characteristics and sales aptitude

Introduction Motivation of the salesman is important because the salesman has a monotonous job to perform and he gets fed up very soon and wants a change. Through motivation the salesman is stimulated to action, so that he gets interested in the job and performs his duties to the best of his capability. "The primary purpose of motivation is to aid salesmen to satisfy their goals by stimulating them to improve the efficiency of their work." Motivation can be defined in many ways, it is a psychological aspect and helps the salesman to a goal directed behaviour. Through motivation the needs of the salesmen may be fulfilled.

Regular motivation by supervisors is instrumental in polishing of the personal skills of the salesmen and developing sales aptitude. 8.1

Motivating the Sales Force Motivation can be carried out through financial and non-financial incentives. It is a continuous process that carries on as the expectation of the sales person keep changing from time to time. The main objectives of motivation are: 1. To stimulate the salesmen to improve their efficiency. 2. To establish cordial relationship between the managers and salesmen. 3. To maintain high morale among the salesmen. 4. To seek cooperation of the salesmen in achieving the sales target. 8.1.1 Need for Motivation Motivation is specially required in sales management as the nature of job is different from the usual work that the other members of the organisation are engaged in: 1. The job has a lot of obstacles for the salesman, as most of the customers visited don't entertain the salesmen by giving orders. 2. The salesman has no family life as he is always enveloped in the market and the traders. 3. He has to face acute competition from competitive products. There is no fixed hour of working for a salesman. 4. The activities of a salesman are repetitive and he gets dissatisfied from repeating his work which becomes highly monotonous. 5. He is under pressure both from the customer (wholesaler, retailers and consumers) and his supervisor, as both want to get the best from the deal. The salesman is sandwiched between the two parties. 6. Too much of traveling and keeping away from home leads to health problems which affects the salesman in the long run. 7. By working in fields the salesman does not have contacts with his fellowmen or the members of the organisation and is posted at very distant places most of the year. Thus, he does not have any group relationship and feels alone most of the time.

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He does not work to full capacity and does an average job to remain in the job. This can be overcome through proper motivation. 9. Most salesmen have a variety of needs including physiological and social needs and thus feel that they can't satisfy their needs by remaining in the sales job which gives them lesser opportunities to socialise with their kith and kin. 10.

Motivation helps to build the morale of the salesman; it is a driving force for the salesman. Motivation can overcome the lethargy and inactiveness of the salesman so that he can perform to the best of his ability.

**8.1.2 Steps in Motivation** The salesmen can be motivated through logical steps which should be followed in a sequence.

**Objectives** The objectives of motivation must be determined by the salesmen, the objectives could be different for different salesmen and for the different areas. However, the main aim of motivation is to encourage the salesman to give off his best.

**Needs** The needs of the salesman must be satisfied and this can be done by joining into the depth of the expectation of salesmen, the position held by them, their mental attitude and differences between various salesmen.

**Motivation of Salesmen** Salesmen can be motivated through financial or non-financial incentives or both; while deciding the same, financial condition of the organisation has to be taken into consideration. Salesmen can also be motivated by changing their territory or area of work. For no-financial incentives the salesmen can be given other prerequisites, like sending them for training along with their families, for a holiday trip in attractive locales.

**Communication** It is necessary that the communication be already understood, it should be simple and should give special instructions to the salesmen. The interest of the company as well as that of the salesman must always be kept in mind so that both are mutually benefited.

**Feedback** The result achieved from the motivation programme must be evaluated so that the effectiveness of the motivational programme can be assessed. The other points to be kept in mind is the development of the team spirit and development of satisfaction from the work, which is necessary for the success of the programme.

**8.1.3 Maslow's Hierarchy of Needs** Maslow argued that needs form a hierarchy in the sense that, when no needs are fulfilled, a person concentrates upon his or her physiological needs. When these needs are fulfilled, safety needs become preponderant and become important determinants of behaviour. When these are satisfied, belongingness becomes important - and so on up the hierarchy. Although Maslow's belief, that one set of needs only becomes important after lower order needs have been completely satisfied, has been criticised, the theory does have relevance to sales force motivation. First, it highlights the perhaps obvious point that a satisfied need is not a motivator of behaviour. Thus, for sales person who already receives a more than adequate level of remuneration, additional payments may have no effect on motivation. Second, the theory implies that what may act as a motivator for one sales person may not be effective with another. This follows from the likelihood that different salespeople will have different combinations of needs.

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#### Chapter 8: Implementation of Sales Program 1

Effective motivation results from an accurate assessment of the needs of the individual salespeople under the manager's supervision. The overriding need of one sales person may be reassurance and the building of confidence; this may act to motivate him or her. For another who has great need for esteem but a problem regarding work rate, the sales manager may try to motivate by displaying to colleagues at a sales meeting his or her relatively poor sales performance.

**Notes**

Maslow's Hierarchy of Needs	Category	Type	Characteristics
1. Physiological	Physical	1.	The fundamentals of survival, e.g., hunger, thirst
2. Safety	Protection	2.	Protection from the unpredictable happenings in life, e.g., accidents, ill health
3. Belongingness	Social	3.	Striving to be accepted by those to whom we feel close and love (especially one's family) and to be an important person to them
4. Esteem	Striving	4.	Striving to achieve a high standing relative to status other people; a desire for prestige and a high reputation
5. Self-actualise	Self	5.	The desire for self-fulfillment in achieving action what one is capable of for one's own sake — 'Actualised in what he is potentially' (Maslow)

**8.1.4 Herzberg's Two Factor Theory** Herzberg's dual factor theory distinguished factors which can cause positive dissatisfaction but cannot motivate (hygiene factors) and factors which cannot cause positive motivation. Example: Hygiene factors included physical working conditions, security, salary and interpersonal relationships. Directing managerial attention to these factors, postulated Herzberg, would bring motivation up to a 'theoretical zero' but would not result in positive motivation. If this were to be achieved, attention would have to be given to true motivators. These included the nature of the work itself which allows the person to make some concrete achievement, recognition of achievement, the responsibility exercised by the person, and the interest value of the work itself. The inclusion of salary as a hygiene factor rather than as a motivator was subject to criticisms from sales managers whose experience led them to believe that commission paid to their salespeople was a powerful motivator in practice. Herzberg accommodated their view to some extent by arguing that increased salary through higher commission was a motivator through the automatic recognition it gave to sales achievement. The sales person is fortunate that achievement is directly observable in terms of higher sales (except in missionary selling, where orders are not taken, e.g., pharmaceuticals, beer and selling to specifiers). However, the degree of responsibility afforded to salespeople varies a great deal.

Opportunities for giving a greater degree of responsibility to (and hence motivating) salespeople include giving authority to grant credit (up to a certain value) discretion to the salespeople. The results of an experiment with a group of British sales people by Paul, Robertson and Herzberg (1969) showed that greater responsibility given to salespeople by such changes resulted in higher sales success. Herzberg's theory has been well received, in general, by practitioners, although academics have criticised it in terms of methodology and oversimplification. The theory has undoubtedly made a substantial contribution to the understanding of motivation at work, particularly in extending Maslow's theory to the work situation and highlighting the importance of job content factors which had hitherto been badly neglected.

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Sales and Promotions Management Advancement Motivation Factors Achievement Work itself Recognition Growth Potential Responsibility Self Actualisation Esteem Social Security Herzberg's Two factors Model Hygiene Factors Interpersonal Relations Peers, Supervisors, Subordinates, Company Policy, Job, Security work, Conditions, Salary, Personal life Maslow's Physiological

Source: Adapted from James H. Annely, Jr. James L. Gibson and John Mivancevich, Fundamentals of Management, Sixth Ed. (Plano, Texas; Business Publications Inc. 1987. 8.1.5 Financial Motivation Techniques Most salesmen prefer the financial benefit because the need at the lower level of organisation is more of physiological and safety needs, rather than those of esteem and self actualisation. Social needs are also necessary at all levels. The financial incentives include: 1. Higher salary 2. More commission 3. Other monetary incentives 4. Profit sharing 5. Travelling allowance 6. Bonus, etc. The financial incentives become less affective after some time and thereafter the salesman is looking to non-financial incentives which have been discussed at length. 8.1.6 Non-financial Motivation Techniques The simple motivational tools of early years such as only financial benefits prove to be a poor method of motivation beyond physiological and safety needs satisfaction on account of the unique aspects of a sales person's job. The non-financial incentives, thus, become an important component of the motivation mix of a company. These are specially relevant as Dawson has pointed, "Business is on the threshold of a new era of human and social concern, which will inevitably result in greater attention to total human resource development by sales management". Some of the unconventional factors that make a special rank on sales force motivation are discussed hereunder:

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#### Chapter 8: Implementation of Sales Program 1

Meeting between Manager and Sales Force These are highly regarded by sales managers in the motivation of their sales teams as this provides opportunity to managers to meet their sales force in the field, at head office and at the sales meetings/conventions. These meetings allow the sales manager to understand the personality, needs and problems of each sales person. The manager can then better understand the causes of demotion/frustration in individual sales person and respond in a manner which takes into account the needs, problems and personality of the sales person. Sales techniques can thus be improved and confidence boosted. According to Likert, when the sales manager encourages an "open" style of management, salesmen are encouraged to discuss their problems and opportunities so that the entire sales team benefits from the experience of each salesman. This results in a greater sense of group loyalty and improved performance. Example: The success of the marketing team can be easily attributed to the open door policy adopted by companies in India. As one manager put it, "I know all my team of 166 sales representatives personally, by name and make it a point to keep in touch with all of them. They can walk in any time with their problems and they have got the confidence that most of their problems will be handled to their satisfaction". Clarity of Job Clarity of job and what is expected from the sales person is a great motivator. The objectives when duly quantified and well defined, properly connected and linked with the reward and recognition serve as a source of motivation to the sales person. Sales Targets or Quotas If a sales target or quota is to be effective in motivating a sales person, it must be regarded as fair and attainable and yet offer a challenge to him. Because the sales person should regard the quota as fair, it is usually sensible to allow him to participate in the setting of the quota. However, the establishment of the quotas is ultimately the sales manager's responsibility and he will inevitably be constrained by overall company objectives. If sales are planned to increase by 10 per cent, then salesmen's quotas must be altered in a manner consistent with this objective. Variations around this average figure will arise through the sales managers knowledge of individual sales person and changes in commercial activity within each territory; for e.g., the liquidation of a key customer in a territory may be reflected in a reduced quota. Quotas can be set on rupee sales, unit volume, margin, selling effort or activity and product type. The attainment of a sales target or quota usually results in some form of financial benefit to the sales person.

**Sales Contest** The sales contest is an important tool to motivate sales persons. The purpose of sales contest varies widely. It may encourage a high level of sales in general to increase the sales of a slow-moving product or to reward the generation of new customers. It provides an incentive to show better performance and secure more satisfactory results. However, sales contest has a few disadvantages. One such disadvantage is that it can encourage cheating. Example: In one company which used a sales contest to promote sales at a series of promotional events around the country with its dealers, sales persons "stored up" orders achieved prior to the event in order to increase the apparent number of orders taken at the event. Also, contests, by pitching sales person against sales person, militate against the spirit of mutual help and cooperation which can improve salesforce performance. **Sales Conventions and Conferences** These are the devices of group motivation. They provide opportunities for sales persons to participate, gain social satisfaction and express their views on matters directly affecting their work. They promote team work, dissolve social barriers, inspire and raise sales person's morale. Most of the companies in India are now a days adopting this method to motivate their salesforce.

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**Positive Effect** The positive effect method is also an important technique for motivating the salesforce to their best. The proper application of praise, positive feedback, and human warmth and understanding can impel others to perform up to their capabilities. This must be done in a genuine way and not be perceived as overtly self serving. Another form of motivation through positive effect occurs via a small group and peer relations. Friendship, support and comradeship frequently serve as vehicles for creating positive feelings towards company and job. **Leadership Style of the Manager** Leadership style of the manager plays an important role in motivating the sales person. Inspirational leadership refers to influence through referent power. Identification of charismatic charm is an important tool in the motivational strategy of the management. It infuses the images and expectations for extremes of effort, sacrifice achievement and in general "the right stuff". It is practiced through the use of professional speakers' special audio tapes and video tapes designed to arouse and stimulate sales persons. It also tries to create and perpetuate certain corporate myths and success stories, which indirectly motivates sales person to perform at their best. **Freedom to Work** In order to perform his onerous duties and responsibilities, the sales person must be given a reasonable amount of freedom and discretion in performing his job. Likert, in his studies, has mentioned that lack of discretion has a negative impact on employees job satisfaction. Discretion and freedom may be accomplished by allowing sales person to develop their own call patterns, more control over the types of promotional packages that they offer to their customers, etc. Freedom or autonomy satisfies the psychological needs and is like power pay (which is a reward), making the job of sales person more important in the organisation. **Reward and Recognition** Although the sales quotas, sales contests, convention and conferences have positive carry over effects, these are short lived techniques of motivating salesmen. On the other hand reward and recognition of sales persons accomplishments are more enduring and relatively economic methods of motivation. Some of the ways to extend recognition and honour to sales person include conferring the title of "salesman of the month/year" congratulation telegrams from members of top management, sales trophies, offering memberships of social clubs, mention in company's news letter, certificate etc. Recognition and honour satisfy sales persons need for self esteem and self respect. These are like status pay - a public acknowledgment of the value that management places upon an individual. **Persuasion** One of the common and recommended forms for inducing high levels of motivation is through persuasion. In this situation, managers use rational arguments to convince sales persons that it is in their own best interest to act in a preferred way. Persuasion has the advantage of getting people to conclude that their actions were performed out of their own free will. This leads to higher levels of self direction than reward or coercive modes of influence where one perceives he or she acts more out of external compulsion than internal volition.

#### 8.1.7 Financial Incentives

Now we come to the financial aspects of the motivational technique. Financial incentives are definitely a motivating factor, but they vary at the hierarchical level of the sales person. The need is great at lower end of the hierarchy. A financial incentive not only keep sales person on the company rolls but also motivates them to contribute to the growth of the company and thereby get grown individually. It is also an important managerial tool to control and direct sales force to attain the sales objectives.

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Sales Program 1 A poorly developed or administered financial plan may invite unions to organise sales force as happened in some of the pharmaceutical companies in India. Therefore in the management and motivation of sales force, a fairly reasonable financial incentive plan plays a very important role. A sales force cannot be considered soundly managed unless there is a well developed and well administered company plan". Case Study How to Motivate your Sales Force: The Accenture Way –by Richard J Bakosh What motivates a sales force? It's an age-old question, of course. But these days, it's arguably more important than ever, as organizations in many industries and different parts of the world face critical talent shortages that could impede their plans for growth. During a time of worker scarcity, a better understanding of basic human needs and of the methods that can sustain high levels of motivation among a company's sales staff is important for two reasons. First, organizations need to motivate and engage their best workers to increase the chances those workers will stick around.

Second, when a large percentage of a workforce is nearing retirement or being lured to different jobs, companies want to motivate those who remain to perform at the highest productivity levels possible. In both cases, it's a big challenge. Based on Accenture research and on our client experience around the globe, we believe that when it comes to successful motivational approaches and incentive compensation strategies, sales executives must "go back to go forward." That is, they must rediscover some of the basic and deeper truths about what factors – besides financial compensation – motivate their sales professionals, and then use those insights to design a more comprehensive approach to incentive management. Creating a culture of trust; leveraging the power of peer recognition; and focusing on the enablers and tools that help salespeople reach their potential in an increasingly complex business environment – these are all critical parts of the overall picture of motivating a sales force more effectively. By gaining a deeper knowledge of human motivation, sales executives can put in place a more holistic approach – one that integrates people, process, technology and compensation strategies – to encourage and reward the behaviors that help produce high performance. What's more, gaining insights into what really makes a sales force tick has benefits that go well beyond the sales organization, since many of the lessons also apply to workforces in general. Not all workers, of course, have motivations and incentives as tied to the very definition of their jobs as salespeople do. But today, those managing all types of workforces are beginning to understand what chief sales officers have known for years: When it comes to motivating people toward great performance, it's not just about the paycheck. In other words, something more is going on. The question is, what? More work, less to show for it If your sales professionals feel as if they're working harder today but have less to show for it, they may be right. The most recent results from an annual sales performance optimization survey conducted by CSO Insights<sup>1</sup> point to some troubling trends. For example, after two consecutive years of improvement, the percentage of salespeople making their quotas declined in this year's survey to just 57 percent. The reasons for this decline become clearer upon closer analysis of the findings. For example, the average selling cycle is getting longer. Last year, nearly 14 percent of the firms surveyed reported an average sell cycle of one month or less; this year, that number dropped to just over 7 percent. The number of calls necessary to close a deal has also jumped: About 46 percent of firms said that a typical sales cycle requires six or more calls, up from 35 percent four years ago. And conversion rates-moving from the initial call to the presentation stage, and then converting proposals to sales-are trending down again.

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What do these long sell cycles and declining conversion rates mean? First, they underscore the challenges and complexities of today's sales environment. As David Joyner, executive vice president of sales and account management for pharmaceutical services company Caremark, puts it: "The demands from customers and the pressure from competitors continue to rise, and that results in a marketplace that has higher expectations and more demands. To effectively sell solutions, and not just boxes, a salesperson needs to have more knowledge across a broader spectrum of products and services." That leads to what Joyner describes as "a situation where you have to know more and sell harder, but where you may be less effective in your overall success rates." A second implication of declining success rates is that traditional approaches to incentive management are no longer adequate to the task. Dion Joannou, North America president of communications giant Nortel Networks, notes that "it's important that a company's leadership work harder at really understanding people. I spend a fair amount of time thinking about the things, beyond just compensation, that are going to motivate my sales team." Based on the results of Nortel sales team employee satisfaction surveys, for example, Joannou has divided the motivational dimension of his sales force into two categories. The first is what he calls "table stakes...the things you need to do just to get people fairly satisfied. Then, on top of that, another set of factors has to be in place if you intend to increase their motivation." According to Joannou, the latter category "may not immediately sound anything like factors that appear in traditional motivation studies. They include things like sales enablement and tools, reducing quote cycle times, getting better documentation, and developing a product that is differentiated and therefore easier to sell. Those are some of the things that actually motivate salespeople – even more than sales compensation incentives." Joannou recalls a recent sales meeting attended by the head of the company's supply chain management function. That executive listened carefully to the concerns expressed by the sales force about a number of supply chain issues that were sometimes interfering with selling to and servicing customers. "One of the most motivational things our salespeople heard that day was when the supply chain guy stood up and said, 'I understand your issues, and I'm going to fix them.' In some ways, that was received far better than any type of sales compensation or special bonus we could have put on the table that day." Universal Needs

How can one best understand the factors that influence the motivation of a sales force? One way is to return to the work of Abraham Maslow, a pioneering American psychologist who introduced, in the 1940s, a hierarchical understanding of basic or innate human needs. Generally depicted as a pyramid, the original version of Maslow's hierarchy set forth five levels of needs. The bottom four levels proceed through basic physiological needs, a need for safety, for belonging and for esteem. Finally, at the top of the hierarchy sits "self-actualization," something Maslow called a "growth need" -striving to live up to one's potential. Central to the application of Maslow's hierarchy are two principles – first, that people are motivated to satisfy the lowest level of unmet need, and second, that a satisfied need cannot serve as a source of motivation. For example, a starving person can be motivated by the prospect of attaining food; a well-fed one cannot. Maslow's hierarchy is based on the principle that human beings share a set of universal needs regardless of their culture and experiences. However, to apply that hierarchy to a business setting, Maslow's general principles must be expressed in terms more relevant to a particular workforce. The figure below provides that reinterpretation for a sales force, and shows four levels of motivational need.

Compensation Looking at the reconstructed figure, one can see fairly quickly why financial compensation alone is not sufficient to explain the motivations at work in a sales workforce. Financial compensation – though not, strictly speaking, a physiological need – is analogous to the lowest tier of needs in Maslow's hierarchy. It is basic and important, but it touches upon only one dimension of motivation, and a comparatively low-level one at that.

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Caremark's Joyner sees it this way: "Salespersons in general have more needs than simply getting a paycheck. That is part of the reward, certainly, but once you have a fair compensation plan in place, then the real work of employee motivation begins." In other words, the carrot-and-stick approach – dangling financial rewards in front of a sales force – does not work very well once a person has reached an adequate income level and is motivated primarily by higher needs. Trust Above physiological needs on Maslow's hierarchy is the human need for safety and security. In a sales context, this need can also be understood as one involving the level of trust a sales force has in how it is treated and compensated. Trust is a difficult thing to establish within a sales organization when it comes to the complex and ever-changing calculation of commissions. The story of Canadian telecommunications company Telus Corp. is instructive in this context. Telus was suffering from the effects of inconsistent and manually intensive incentive management processes, dependent on multiple data sources that have little or nothing in the way of audit trails and traceability. As a consequence, the company's salespeople were very skeptical about how their compensation was determined: Without reliable, detailed reporting on commission payments, the compensation system was a "black box" as far as the sales force was concerned. When trust is absent, sales professionals generally respond by creating their own individualized shadow accounting processes – most often an automated spreadsheet or other tool they use to verify the accuracy of their paychecks and incentive payouts. While it might seem that no harm is done with such a process, in fact it can be a drain on performance and productivity. Estimates of productive selling time lost to shadow accounting activities can range from one-half day to two days per month per salesperson. As Nortel's Joannou notes, "Decreasing the amount of time a salesperson spends on non-sales activities is critically important to raising overall productivity. Every minute spent by a salesperson verifying compensation data is one less minute available to meet with customers and close deals." What can be done? In Telus's case, the company adopted a holistic enterprise incentive management solution driven by next-generation technologies to improve the level of trust, and to more closely align sales force behavior with not only the company's sales strategy but also its overall corporate strategy. When Telus implemented its new incentive management system, the trust level in its sales force grew. Two years after the system's deployment, the average time spent by salespeople on shadow accounting activities dropped from 40 hours per month to 5 hours per month. The company's sales team recouped 17,730 days of additional selling time during the first year of deployment and 52,500 days the second year. Productivity also improved. Telus saw its total annual sales transactions grow from 1,328 to 16,656 for two years after the implementation of its enterprise incentive management system. In total, the company achieved a 103 percent return on investment by the end of the first year of deployment and an astounding 3,316 percent ROI by the second year. Esteem and a Sense of Belonging Moving further up the modified Maslow hierarchy, we come to two principles that are closely linked in terms of motivating a sales force: the need to belong and feel a part of a group, and the need to be held in esteem and receive recognition. One important aspect of belonging and esteem is the respect accorded to individuals by senior management. But recognition from a peer group is also critical to motivating the sales force. Joannou describes it this way: "There are two things that Nortel has never stopped or changed, even through challenging economic times. One is our annual sales conference, where we bring our sales team together, both to interact with each other in a forum setting, but also to do peer recognition. You get the sales team up there on stage and you reward them in front of their peers. That is hugely important to them." The second thing Nortel has never changed is what Joannou and his team call their "circle of excellence." With this program, he continues, "we take the top 10 percent of our sales force and treat them to an all-expenses-paid trip to a nice location. One reason we've never cut that program, despite all of the cost pressures, is because it motivates your best performers to do even better because they want to be a member of this elite group."

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In planning social or peer motivation programs, companies must bear in mind that such programs should be keyed to the transactional speed of the business. When a sales force is selling business solutions and not just products, the sales cycle is generally longer. The shorter sales cycle for transactional sales, on the other hand, means that sales results must be posted at least once a month, and perhaps even more frequently. The posting itself becomes part of the reward, as it is a form of public peer recognition. Those results generate financial rewards as well, cycling back into the more basic elements of compensation-based motivation. Creativity is often the key to devising meaningful recognition programs that have an impact on individual performance and the bottom line. At one company we have worked with, the top 10 percent of the sales force is rewarded with the authorization to hire an administrative assistant. It is an interesting case of the "rich getting richer," since these top performers can then leverage the additional help to generate even better sales. And the turnover rate for that level of the sales force is not just low; it is zero percent. Fulfillment of Potential At the highest level of Maslow's motivational hierarchy is what he called "self-actualization," which we have expressed more simply as the fulfillment of potential. People have an instinctual need to make the most of their unique abilities, and they advance toward that goal by having the conditions in place – which often means acquiring new knowledge and skills – that enable them to take on ever-greater challenges. Understood in this context, it becomes clearer why such a high percentage of salespeople around the world appear so unmotivated and disengaged from their work and seem to lack a commitment to their organizations. The complexity of the business environment often means there are deep structural obstacles preventing salespeople from living up to their potential.

In a sales environment, the rapid expansion of the basic catalog of products and services, the changing technical environment, and the need to sell in new ways to new customers place such a burden on the sales force that their existing knowledge simply may be inadequate to the task. Psychologists tell us that in response to this condition – known as cognitive overload – people often retreat back into modes of performance that make them more comfortable. And that can be deadly to an organization that needs its sales force to meet new challenges by performing in new ways. More sophisticated tools can help here. For example, the Accenture Sales Workbench is a comprehensive, technology-based tool that delivers a salesforce-centric, role-based supportive environment that provides the knowledge, content, legacy applications, productivity tools, learning, collaboration and expert network capabilities that enable salespeople to take their performance to higher levels. The supportive environment created by the tool can also be tied to an enterprise wide performance management capability that links differentiated individual performance to higher workforce performance and, ultimately, to high performance for the organization as a whole. A similar kind of sales workbench has been used effectively by a major US medical products distributor to increase the types and numbers of products it sells to physicians. Although the company offered more than 30,000 medical products, it found that most of its customers were consistently ordering from just a small percentage of the total catalog. To help its sales force succeed, the company rolled out an application on a Tablet PC that is now used by its field sales force. One of the functions of the new application is what the company calls a "condition calculator." It uses data mining techniques – similar to the methods used by Amazon.com to link one customer's purchase patterns to those of other customers – to suggest additional products the physician may need based on what other doctors have purchased, on that doctor's own past buying preferences, and on known ways that multiple products can help serve patients better. As a result of using this new tool, the company has seen dramatic improvement in its sales performance, including a 400 percent increase in cross-selling. These sales tools, along with improved training, put workers in a position where they have a better chance of overcoming cognitive overload-and, more important, a better chance of fulfilling their potential.

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Going Back to Go Forward In the face of complex performance environments and looming worker scarcity, sales executives must return to the basics of human motivation to understand why financial incentives alone cannot hope to move the behaviors of the sales organization in a direction that can support business growth. When compensation is approximately equal among the sales forces of competing companies, those with a better chance of achieving high performance will be the ones that recognize the importance of such things as peer recognition and a trusting relationship between salespeople and management. Companies must also be better attuned to the challenges of the complex marketplace and of cognitive overload; the two often combine to impede the ability of the sales force to achieve its potential. It is vital to both personal and corporate success that critical workforces are given the tools they need to succeed in a more complicated marketplace. Technology is a key enabler here. Advanced solutions now provide real-time performance support for sales personnel at the time of need, and also provide links to companywide performance management systems. By understanding how an integrated and holistic approach to motivation works – the importance of trust, of self-esteem, of social recognition, of improved chances to fulfill one's potential – traditional incentive compensation management strategies can be rethought and implemented in ways that improve the performance of the sales force and help the entire company achieve high performance. Questions 1. Analyse the ways in which Accenture motivates its sales force. Do you think they are adequate? 2. Examine the role played by trust and self-esteem in motivation. Source: accenture.com Task Consider any 3 companies and list the techniques adopted by them to motivate its personnel. Is there any difference in their ways? 8.2

Personal Characteristics of a Salesman and Sales Aptitude There are a number of traits or qualities that make up the personality of a salesman. If an inquisitive young man is aspiring to become a successful salesman, he should develop his personality along the following lines: 1. Physical Qualities 2. Psychological Qualities 3. Social Qualities 4. Character Qualities. 8.2.1 Physical Qualities The physical aspects of a salesman personality are possessing sound health, alluring posture, pleasant voice, good appearance. All these aspects, to a certain extent, are controllable and can be acquired. Sound Health and Physique Sound health is significant not just because of the strains of a selling job but because it is the basic foundation on which other mental and physical qualities are built. For instance, a traveling salesman requires great stamina and vitality resulting in endurance. They also have to eat varying kinds of food in different places and travel to different areas. Those who are gifted with a naturally good health cope well but even those who are not so lucky, can be fairly healthy by following certain rules.

158 Sales and Promotions Management Example: The main factors that make up sound health are proper food and eating habits, exercise, sleep and periodic medical care. Alluring Posture In reality, there is no direct relationship between health and posture. Some salesmen who have very good health have a poor posture. Good posture reflects an impression that the salesman is a successful vendor endowed with confidence in himself and in his job. He is able to command both respect and assurance in himself while sitting and standing. His physical manner indicates vigour and power. His walk should be business like with an erect head and shoulders thrown back, connoting authority and purpose. Good Appearance Today selling is mostly impersonal where first impressions play a vital role. The outward appearance has far reaching impact on the customers as they tend to size up the salesman by his appearance. The appearance of a salesman can be divided into three important segments – cleanliness, grooming and clothes. 1. Cleanliness: Cleanliness, a vital part of good health, is something more for a salesman. It is a common experience that nobody likes to purchase from a salesman who has dirty hands, face or who is stinking of perspiration and food consumed. Cleanliness is the most important feature of appearance – well brushed hair and clean hands make a greater impression than bright neck ties and fancy and up to date dresses. 2. Grooming: Grooming implies the care of face, hair and hands. Care of the face does not refer to the use of costly cosmetics. It means the facial expression being reflected as "face is the index of mind". Every salesman must know the importance of a smile, how to smile and how best to smile. 3. Clothes: A salesman is not a fashion parading individual. Dress must not be too gaudy and expensive like a bridegroom nor like a dandy. One who dresses well boosts up sales as compared to man with dirty or shabby dress. A well dressed salesman avoids extremes in style and exciting elements. The clothes should be clean and ironed, conservative and appropriate, shining shoes add new colour to his personality. Voice Very often the tone of a salesman's voice has a deeper and greater impact than the words he uses. Voice is the index of one's own feelings. Experts say that voice of a salesman must not be high pitched, shrill, rasping or nasal as it irritates the sensitive and nervous customers. It must also not be hoarse or husky like that of a donkey. It should be pleasant, backed with a clear diction and articulate so that it helps the customer to grasp easily what the salesman is trying to say. The speed of talk also must be flexible, tuned, lucid, dignified and well modulated. 8.2.2 Psychological Qualities Physical fitness does not guarantee mental sharpness. The mental faculties are more imperative than physical traits and have an upper place in the total personality framework. There are different psychological traits to be possessed in service line. These qualities are amazing alertness, rich imagination, shining self-confidence and cheerfulness. Many psychologists find personality traits closely linked to motivation provided to the sales force. Amazing Alertness An alert and agile salesman has a quick and keen mind that keeps him alert to what to say, how to say, when to say. He is ready to meet any occasion, case and every amity. Such a person has the ability to think extemporaneously, he is flush with new ideas and has the quality to improvise.

159 Chapter 8: Implementation of Sales Program 1 Rich Imagination Imagination does not refer to the capacity of day dreaming. It is the ability to see and picture an article or service in use. It helps the salesman to visualise the difficulties and problems through the eyes of the customer and helps him in devising ways and means for solving them. In effect "customer-oriented or it means becoming minded". Rising Resourcefulness Closely allied to the factor of imagination is that of resourcefulness. It is that trait which makes a salesman more reliable and creative in his line. Resourceful salesman is not easily defeated by his customers. He never gives "no" for an answer and is able to satisfy the customers' requirements to the maximum possible extent. Confidence Fear is enemy number one to the salesman. It may be caused by competition, criticism, inexperience. Such fears must be uprooted and supplanted by confidence. Confidence is the belief in oneself, respect for one's own capacities and powers. It is confidence that makes him willing and eager to meet any odd situation in the sales line. In fact confidence is the outcome of knowledge and experience. If the salesman is optimistic and enthusiastic, he can develop confidence in himself. Enthusiasm Enthusiasm represents a broad and probing curiosity. It makes the work of a seller pleasant and its absence will mean drudgery and drag. It is based on belief and loyalty which are impossible to have without knowledge. Therefore, knowledge of the firm, goods, customers and matters relating to sales is the foundation of enthusiasm. It helps in securing interest and confidence of the prospect and in increasing sales, profits and satisfaction. Initiative A salesman should have to be endowed with a lot of initiative. Initiative refers to an urge to learn the tricks and secrets of his line. A person with initiative is willing to get into action instead of being hesitant. He takes a lead in his job and learns to rely on himself, have his own plans and works as per the charted course in the plans. Keen Observation A creative salesman is always a keen observer. He observes things and people more meaningfully with the intent of finding something new. He closely observes changes in style, fashions of people; activities of his rival; change in government policies. It helps him to size up the customer easily and assist him in making purchases in accordance to his needs and moods. Salesman, as an observer, must be able to figure out the customer's requirement.

8.2.3 Social Qualities A salesman is a part of society and he should have some social qualities which help him to sense the needs and requirements of the community. Such social traits are an extrovert nature, conversational ability, poise, courtesy, tact, cooperation and good manners. Extrovert A true salesman is essentially an extrovert. An extrovert has a pronounced social inclination, basic liking for people and shows eagerness to meet and know new individuals. He is friendly by nature and enjoys the company of others and associates with them easily. Customers vary in opinion, age, pattern of living, background, ideals and knowledge. To be a friend of all demands social adaptability of the extreme type.

160 Sales and Promotions Management Conversational Ability Being able to make good conversation is the foremost skill a good salesman should have. Conversation is the process of communication, where you try to influence others with your ideas. It should be clear, pleasant, persuasive and capable of generating a charming psychological impression on the prospects. A good salesman should have a good vocabulary as words are symbols of ideas and language is the vehicle of thoughts. Good command over English is a big asset. A good conversation leaves the parties completely engrossed in talk. Poise Poise is the power of an individual that keeps him in effective command of himself in terms of physique, mind and emotions. It also implies self-control, self-possession, and self-assurance. A salesman should be indifferent to the different reactions of customers' praise or criticism, castigating statements or sarcastic expressions. Such an attitude calms down the buyer and relieves him of fears and doubts. Courtesy To turn the hearts of consumers, a salesman is expected to be polite, modest and courteous. He should not be curt as it can hurt the feelings of others. Courtesy is consideration for the feelings of others. Example: Use of words like, thank you, please, welcome, etc., cost nothing. Customers want to be treated well and that is guaranteed by courtesy. Tact It is the art of saying the proper thing and doing the work accurately without offending others. It is the capacity of appreciating a delicate situation and acting accordingly. It is also the mental awareness as to what is appropriate to say or to do at a given moment to avoid dissatisfaction and unwarranted happenings. Cooperation Cooperation is the union of thoughts, purpose and actions. Collective team work is the most important characteristic of cooperation. If selling is to be a grand success there must be sound relations between the employer and the employees, salesman and salesman, salesman and his immediate superiors. Good Manners Manners are the habits acquired consciously or unconsciously, by imitation and routine contact and salesman is no exception to it. Bad manners may irritate the customers and they may decide to move away from a salesman so he should be alert enough to detect such manners in time and control them.

8.2.4 Character Qualities Physical and mental qualities or moral qualities add new colour and value to the personality of a salesman. The moral attributes that can be listed are maturity, courage, sincerity, determination, integrity, loyalty and industry. Maturity Maturity is a state of balance, reflected by social adjustability and independent and confident attitude. Maturity forces the salesman to think before he takes any action and once the decision is taken he is prepared to stick by it. A mature salesman recognises his responsibilities and shows willingness to assume them.

161 Chapter 8: Implementation of Sales Program 1 Courage Courage is a moral strength. It has two sides, daring and fortitude. Daring is the willingness to undertake ventures and fortitude speaks of a firm mind. In fact, courage is such a tonic that enables the salesman to be persistent, frank, forceful, firm and tenacious. Such a trait helps him in succeeding even when the current is against him. Sincerity It is a valuable property as it helps to attract new prospects and to maintain the present clientele. Sincerity develops dependability. A dependable and sincere salesman makes true attempts to present the product, gives a complete picture of goods and assists the consumers in selecting the products. Determination Determination is the will to succeed and go ahead. Patience and perseverance are the ingredients of determination that makes the salesman stick to a task and not to give up hope. A determined salesman plans in advance about the days work and then proceeds ahead. Integrity Integrity is a comprehensive term that has many meanings. It connotes honesty and trust. A salesman with integrity can be trusted regarding his promises and behaviour. He is expected to speak honestly to the extent required by today's world of trade and industry. Loyalty Loyalty means the desire or willingness to obey, cooperate, and work as per the rules and regulations. Loyalty to the concern implies accepting the policies laid down by it and not to speak ill of it as such loose talks may help the rivals. Industry Optimism and ambition help the salesman to move ahead. However, only ambition will never lead us to reach the goal unless backed by hard work. The statement "no gains without pains" holds good here. Hard work is another name for industry. Industry leads to qualities like tolerance and waiting which is essential to achieve the goals. Caselet Martin Corporation Martin Corporation the manufacturers of calculating machines had offices located in Delhi, Mumbai, Kolkata and Chennai, Its sales were quite substantial. Martin Corporation was a small company as compared to other giants in the calculating machine industry. The calculating machines were sold from ten thousand to thirty thousand rupees. The higher cost machines were very sophisticated and were used by banks and other governmental institutions. They offered storage, memory, separate keyboards for calculation and automatic balancing of rows and columns of large tables. This company also had a sales force of its own and was selling to industrial distributors, wholesaler of electronic machines and also directly to customers. It had four sales managers, covering all the four metropolitan cities as given above. The machines were also popular in Bangladesh and the agency was managed by Abdul Rahman Enterprises, who were booking orders from Bangladesh as well as asking the company (Martin Corporation) to ship the goods to Bangladesh. The commission earned by Abdul Rahman Enterprises was 50% on the sales made by them. However, when the order was placed to Martin Corporation and the company had to ship the goods the commission given was only 10%. Contd....

162 Sales and Promotions Management The marketing manager of the company was not satisfied with the sales made by the agency. Their salesmen were busy in domestic territories and could not give marketing support to the agency. He however felt that the agents had very big territory to themselves and very good sale potential. He therefore tried to make an in-depth study of the causes of the low sales. He came to know that the agents also had a subsidiary plan for repairing machines. The old machines were repaired at a low cost ranging from 5000-10,000 rupees and these repaired machines performed very well and were in great demand. The agents wanted the company to share advertising expenses in Bangladesh and also wanted a long term agreement with the company rather than a contract on two-year renewals which existed at that moment. Source: Dr. Matin Khan, Sales and Distribution Management, First Edition, Excel Books, New Delhi 8.3

Summary ? The primary purpose of motivation is to aid salesmen to satisfy their goals by stimulating them to improve the efficiency of their work. ?

Motivation

can be carried out through financial and non-financial incentives. It is a continuous process that carries on as the expectation of the sales person keep changing from time to time. ?

Motivation is specially required in sales management as the nature of job is different from the usual work that the other members of the organisation are engaged in. ?

There are five steps in motivating the salesforce: define objectives of motivation, gage the needs of the salesmen, actual motivation through financial and non-financial incentives, effective communications and feedback. ?

Maslow argued that needs form a hierarchy in the sense that, when no needs are fulfilled, a person concentrates upon his or her physiological needs. When these needs are fulfilled, safety needs become preponderant and become important determinants of behaviour and he moves so on up the hierarchy. ? Herzberg's dual factor theory distinguished factors which can cause positive dissatisfaction but cannot motivate (hygiene factors) and factors which cannot cause positive motivation. ? Most salesmen prefer the financial benefit because the need at the lower level of organisation is more of physiological and safety needs, rather than those of esteem and self actualisation. ?

The simple motivational tools of early years such as only financial benefits prove to be a poor method of motivation beyond physiological and safety needs satisfaction on account of the unique aspects of a sales person's job. ?

These meetings allow the sales manager to understand the personality, needs and problems of each sales person.

The

attainment of a sales target or quota usually results in some form of financial benefit to the sales person. ?

Leadership style of the manager plays an important role in motivating the sales person. Inspirational leadership refers to influence through referent power. Identification of charismatic charm is an important tool in the motivational strategy of the management. ?

A financial incentive not only keep sales person on the company rolls but also motivates them to contribute to the growth of the company and thereby get grown individually. ?

There are a number of traits or qualities that make up the personality of a salesman. If an inquisitive young man is aspiring to become a successful salesman, he should develop his personality along the following lines: physical qualities, psychological qualities, social qualities, and character qualities. ? Physical fitness does not guarantee mental sharpness. The mental faculties are more imperative than physical traits and have an upper place in the total personality framework. There are different psychological traits to be possessed in service line. ? A salesman is a part of society and he should have some social qualities which help him to sense the needs and requirements of the community. ? Physical and mental qualities or moral qualities add new colour and value to the personality of a salesman. The moral attributes that can be listed are maturity, courage, sincerity, determination, integrity, loyalty and industry.

163 Chapter 8: Implementation of Sales Program 1 8.4 Keywords Grooming: care of face, hair and hands

Hygiene Factors: factors that cause positive dissatisfaction but cant motivate Motivation: psychological aspect and drives salesman behavior Physiological needs: basic needs of food, clothing, shelter etc.

Poise: power of an individual that keeps him in effective command of himself Posture: position of body; shows the confidence of a successful salesman Sales Aptitude: zing required for sales Self-Actualization Needs: self-fulfillment and achievement needs Tact: art of saying proper thing and doing work accurately without offending others 8.5

Self Assessment 1. State whether the following statements are true or false: (a)

Sales Heads may also motivate their staff to get extra work from them. (b) The basic idea of motivation lies in getting a standard performance from salesmen. (c) Need for adventure is a part of self-actualisation needs. (d)

According to Herzberg's Theory, relationship between a salesman and supervisor is a

hygiene factor. (e) Usually salesmen are motivated more by non-financial incentives. (f) A salesman should be a keen observer and thus, notice the indifferent behavior of consumers and respond accordingly. 2.

Fill in the blanks: (a) Desire to own a big house to show off status relates to.....needs. (b) An untimely promotion due to consistent performance can act as a..... ( c)

Incentives given to salesmen to push up sales of a non-performing product is known as..... (

d) Ability to dress up well to create psychological impression on consumers relates to.....qualities of a salesman. (e) Ability of a salesman to handle himself if a customer starts abusing is related to his..... (f) With his.....a salesman can even sell things that are not required by a consumer. 8.6

Review Questions 1. "The primary purpose of motivation is to aid salesmen to satisfy their goals by stimulating them to improve the efficiency of their work." Comment. 2. "Motivation is a continuous process that carries on as the expectation of the sales person keep changing from time to time". Discuss. 3. Suppose you are sales manager of a pharmaceutical company. What measures will you take to ensure that your salesmen are motivated? 4. Is Maslow's theory relevant in today's world? Compare and contrast between Maslow's and Herzberg's theories.

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Business is on the threshold of a new era of human and social concern, which will inevitably result in greater attention to total human resource development by sales management".

Discuss 6. "

Friendship, support and comradeship frequently serve as vehicles for creating positive feelings towards company and job".

Do you agree? Does this still hold good in today's era of cut throat competition? 7. As a salesman of a car company, what are the prime five motivating factors you will look for? 8. "Selling is an art and utilises qualities that a person is born with".

Do you agree? Substantiate 9. What do you think, a salesman should be more physically fit or psychologically fit? 10. As a part of society, how can a salesman ensure that he fulfils both the requirements of society and his company? 11. Suppose you are the Sales Head of a telecom network company. What qualities you will look for in a person while selecting for a sales job with your organisation? Answers: Self Assessment 1. (a) T (b) F (c) T (d) T (e) F (f) F 2. (a) Self-Esteem (b)

Motivators (c) Sales Contests (d) Physiological (e) Poise (f) Tact 8.7

Further Readings Books Matin Khan, Sales and Distribution Management, Excel Books, New Delhi. Johnston and Marshall, Sales Force Management, Tata McGraw Hill, 2007.

Online links [www.accenture.com/Global/.../SalesForcePerformance](http://www.accenture.com/Global/.../SalesForcePerformance). [www.optimalthinking.com/sales-force-motivation](http://www.optimalthinking.com/sales-force-motivation) [www.businessballs.com/motivation](http://www.businessballs.com/motivation). [www.gaebler.com/How-to-Build-and-Motivate-a-Sales-Team](http://www.gaebler.com/How-to-Build-and-Motivate-a-Sales-Team) [www.emeraldinsight.com/](http://www.emeraldinsight.com/)



Insight/ViewContentServlet answers.yahoo.com/question/index? www.sellingsalesmanship.com/chap9a.html  
165 Chapter 9: Implementation of Sales Program 2 Chapter 9: Implementation of Sales Program 2 Objectives This chapter on Implementation of Sales Program 2 covers 1. Recruitment of sales personnel 2. Selection of salesmen 3. Training the sales force 4. Compensation for sales force Introduction This chapter is a continuation of the previous chapter and here

we will emphasize on the recruitment and selection procedure, the training of the sales force and compensating

the sale force. "Recruitment is a process to discover the source of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force." —Yoder "Recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen." — Byars and Rue

All the activities involved in securing the applications for the sales positions are referred to as recruitment. Recruitment sets out the necessary stages to clarify what kind of person is required, where he/she might be found and how to make the right choice. The choice of he/she is very significant. Selection systems for sales personnel range from simple one-step systems consisting of nothing more than an informal personal interview to complex multistep systems incorporating diverse mechanisms

designed to gather information about applicants for sales job. "

A selection system is a set of successive 'screens' at any of which an applicant may be dropped from further consideration".

Training of the sales person will never become obsolete. As long as technology changes, new people enter the work force, businesses strive to improve, organisations will need training. The term "training" may change (e.g., it is currently referred to as learning, coaching, facilitating, etc.) but the concept remains the same people continually need help in mastering new skills, applying new knowledge and/or adjusting their attitudes.

It is difficult to devise a sound compensation plan. It comes with experience and varies from company to company. It is designed keeping in view the company's goals, capabilities and requirements. The company wants to increase sales and profits at a minimum cost whereas the sales person is interested in maximising his earnings. An effective compensation plan takes care of both the parties. Therefore, a compensation plan must attract, retain and motivate capable sales personnel and also work within the company's budget. 9.1

Recruitment of Sales Personnel According to Yoder, "The recruitment policy is concerned with quality and qualifications of manpower". It establishes broad guidelines for the staffing process. Generally, following factors are involved in the recruitment policy: 1. Number of recruits desired 2. Recruitment sources 3. Recruitment needs

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Recruitment cost 5. Size of sales organisation 6. Rate of turnover 7. Forecasted sales volume 8. Government policies 9. Personnel policies of competing organisation 10. Organisational personnel policies. 9.1.1 Recruitment Process Before an organisation begins recruiting applicants, it should form a checklist of questions which outline a chronological sequence for the recruitment and selection process as follows: 1. What kind of job is to be filled? 2. What sort of person would do this job successfully? 3. Where will this person be found? 4. What recruitment sources can be employed to find this person? 5. Which person is to be recruited out of the selected applications? What Kind of Job is to be Filled? This question has a wide spectrum of answers. Hence, to answer this question in totality following sub-questions are to be answered. 1. What is the main role for this job? 2. What does the job description include? 3. Whether the job description includes the following? (a) The name of the job; (b) Who is the Boss; (c) Why this job exists - its objectives; (d)

How far the job holder is personally responsible for achieving results? (e) Control and use of people, materials and money. 4. Is this principally a job dealing with buyers in commercial organisation, dealing with retailers or dealing with end users? 5. Is the company looking for a future area or sales manager or is it looking only for someone to fill this specific job for a period of time? 6. What is the remuneration package for the job? What is the mix of salary? 7. What commissions and other benefits are going to be offered? It is only when all these questions have been answered that it is possible to move on to think about the kind of person that is needed and the answers of other questions of the chronological sequence.

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What Sort of Person would do the Job Successfully? To find out the right person for the right job a "Person Specification Form" should be made depending upon the job specifications and organisational needs. The person specification form is a checklist of abilities separating those aspects which are essential (the job cannot be effectively done without them) and those which are desirable (it would be nice to have them but could manage without). By using the two categories of essential and desirable, a minimum candidate and an ideal candidate can be identified. The following broad areas have been tried and tested in drawing up specifications for sales appointments. Intellectual Abilities It includes the requirement of the job in terms of general intelligence, judgement required (common sense) and the creativity necessary to recognise, introduce and adapt new ideas. Motivation Under this specification it has to be determined what things interest or motivate the sales persons towards the job. Is money the driving force, or progress, recognition, achievement are also important?

Specific Attainments Does the job really require technical/professional knowledge or qualification? Is there a genuine need for some specific previous experience? People Skills It is essential in selling to be able to deal with people. Whether the sales person, to be recruited, has communication and leadership skills? What impact can he bring in customers' mind through his communication skills?

Working Conditions Finally, it is important to remember whether there are any specific conditions relating to mobility, hours of work, etc., which could effect the recruitment or selection of sales person. Thus, the person specification form is used as the base for the selection process. A figure representing a person specification form is shown here. The first column is headed 'Characteristics to be assessed' the second and third column categories the 'Essential' and 'Desirable' characteristics.

Table 9.1: Person Specification Form

Characteristics to be assessed/measured Essential Desirable 1. Intellectual abilities (a) Creativity (b) Judgement (c) General Intelligence 2. Motivation (a) Interests (b) Drive  
Contd...

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Specific Attainments (a) Technical/Professional knowledge or qualification (b) Specific experience 4. People Skills (a) Impact (b) Communication (c) Leadership 5. Working Conditions (a) Location (b) Hours

Where will this Person be Found? Now, we know what the job is and what kind of person is required for the job-only we need to find this person. The person specification can help in looking at employees in other areas who may have no previous sales experience but whole profile in terms of their skills, their motivation, etc. could well make them excellent sales people. The various recruitment sources like advertisements, employment agencies, educational institutions, internal transfers, etc., will also help in this context.

The choice will depend on the nature of the job and on how many potential candidates there are. If a highly specialised salesman in a narrow market segment is required and there are only a few dozen likely contenders then the choice maker has to go spear fishing. A 'search' is undertaken either by the company or a reputable consultant. This individual approach to identifying potential candidates is likely to be fulfilled from the following resources: 1. Employment Agencies: Agencies often administer batteries of tests, check references and perform task otherwise done by the employer. Whenever an agency is used, it should receive a clear statement of the job's objective and a complete run-down of job specifications. Agencies need time to learn about an employing firm and its unique requirements of the interest to sales executive is the growing no. of agencies that take the initiative in searching but promising job candidates, employed or not, instead of confining themselves to "volunteer" applicants. 2. Advertising: Newspapers carry numerous advertisements publicising openings for sales personnel such advertisements appear both in classified sections and as display advertising so great is the number of prospective job candidates reached by a single advertisement that companies often try to reduce the volume of applications. If the employer publishes details about the company and job, fewer obviously unqualified persons will reply. Specific job details vary with the company and its situations and these should be in the ad if it is to attract good applicants. Some ads give the compensation range of successful company sales personnel. Others explain that the person selected is to replace a regular sales person in an established territory with active accounts. Still others specify that only highly qualified professional sales people need apply. Information of this sort helps to convince promising applicants that the opening is legitimate. Example: Many companies come up with recruitment offers in Times Accent, supplement available with Times of India and HT Horizons, a supplement of Hindustan Times. 3.

Internal transfers: Two additional internal sources are other departments and the non selling section of the sales department.

Employees desiring transfers are already familiar with company policies and the personnel department has considerable detailed information about them. While little is known about their aptitude for selling, they often possess excellent product knowledge. Aptitude for selling of course, can be tested formally or by trial assignment to the field. Transfers are good prospects for sales positions whenever product knowledge makes up a substantial portion of sales training, since it may be possible to accelerate field assignments.

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Educational Institutions: This source includes colleges, universities, technical and vocational institutes. They are supposed to have developed their ability to think, to reason logically and to express themselves reasonably well. Ordinarily, they do a good job of budgeting their time and managing their daily activities. Their main limitation is lack of selling experience and hence they need to be trained. Many big companies like ITC like to recruit fresh candidates from campuses only. They usually don't entertain outside applications from fresher. 5. Salesmen of other Companies: These are individuals currently employed as salesman for other companies. They are an attractive source of recruitment as they know the product, customers and competitors. They are also experienced sellers and therefore no money is required to be spent for their training. But their limitations are that they are a costly source as generally higher pay must be offered to them and they also do not possess the required degree of loyalty.

Which Person is to be Recruited out of the Selected Applications? The simple answer to this is that the one who best fits the specification and who has the essential characteristics as defined should be recruited. This implies an structured approach of three steps. These are: First, compare application form or C.V. with the person specification and remove all those who do not meet the essential criteria. Secondly, move on to those areas where the 'Measuring Instruments' and an assessment at interview are needed. For instance, 1. Education 2. Work history 3. Family background 4. Domestic and social situation 5. Present financial situation 6. Health 7. Leisure interests 8. Ambitions and future plans. Thirdly, it involves the identification of the pattern of behaviour which will help in forming judgements. The terms patterns should be stressed – the company should look for a consistent picture at school, at work, in social life which shows, for example, tenacity, perseverance, commitment or lack of these. After all the three steps have been followed and care has been taken to see that the candidate fits into the specific job requirements one can be sure of choosing the right candidate for the right job. 9.2

Selection The process of selection of sales personnel differs from company to company depending upon the requirements. The applicant goes through various stages and the chances of selection get better as more and more stages are cleared. It is important for the company to find the suitable candidate, how he would be an asset to the company as well as fit well so that his requirements are also met.

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Selection Process As shown in the Figure 9.1, a commonly used selection process consists of seven steps. These are: 1. Preliminary Interview 2. Formal Application 3. Interview 4. Reference Check 5. Testing 6. Physical Examination 7. Employment Offer Preliminary Interview The initial screening is usually undertaken by the receptionist in the employment office. This interview is essentially a sorting process in which prospective applicants are given the necessary information about the nature of the jobs in the organisation. The necessary information then is elicited from the candidates relating to their education, experience, skill, salary demanded, the reasons for leaving the present job, their job interest, physical appearance, age and facility of speech. If a candidate meets with the requirements of the organisation he may be selected for further action. If not, he is eliminated at this preliminary stage. Formal Application Blank An application blank is a brief history sheet of an employee's background and can be useful for future reference in case of need. An application blank is a traditional, widely accepted device for getting information from a prospective applicant which will enable the management to make a proper selection. The blank provides preliminary information and helps in interview by indicating the areas of interest and discussion. It is a useful device for collecting historical data from the candidate as well as storing information for later reference. Ideally each company should prepare its own formal application form as per its information requirements. But to save the time and cost of preparing its own application form it can follow a standard application form. Categories of information used in standard application forms on usual terms are: 1. Personal (a) name (b) address (c) sex (d) date of birth and age (e) marital status (f) children/dependents. 2. Education (a) schooling : primary/secondary (b) higher education: institutions (c) qualifications (d) specified training, e.g., apprenticeships, sales (e) membership of professional bodies.

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Employment History (a) number of jobs held (b) name of companies worked for (c)

duration and dates of employment (d) positions, duties and responsibility. 4. Other Interests (a) sports (b) hobbies (c) membership of societies/clubs.

Figure 9.1: A Seven Step Selection System

Interview An interview can be defined as an attempt at gathering information from the candidate concerning his suitability for the job under consideration. No method other than interview is quite as satisfactory in judging an individual's ability in oral communication, personal appearance and attitude towards selling and

personal impact on others which are most important for the person involved in selling.

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Interview

Decisions The following important decisions have to be taken by the management regarding interviews 1. Who: The usual practice is to interview several persons and evaluate each applicant. In large sales organisation, district or branch sales manager handles the interview while in small organisations the responsibility lies with the top personnel of sales and marketing department. 2. Where: Similarly the place of interviewing also depends upon the size and degree of decentralisation in the organisation. In large and highly decentralised organisations the responsibility lies with district/branch/regional level sales department while in centralised organisations it lies with top personnel of sales and marketing department. 3.

When: A short interview is generally used at the initial stage of screening process as preliminary interview, while a detailed/depth interview is used at a later stage in the selection process. Interviewing Techniques Mainly four kinds of interviewing techniques are used in a sales organisation. These are: 1. Non-Directed/Non-Structured Interview: This kind of interview does not follow a standard format of questions, instead it involves a relaxed discussion.

Some personnel experts say that a non-directive technique yields maximum insight into an individual's attitude and interests.

This method is perhaps the best way of probing an individual's personality in depth. The main drawback is that administering the interview and interpreting the results demands specialised instructions. 2. Patterned/Structured Interview: In this method the interviewers are given a prepared list of questions or a specific outline of questions designed to elicit a basic core of information.

Notes

McMurray explains why the patterned interview is likely to improve the judgment of the interviewers: First, the interviewer works from definite job specifications; he knows what qualities each job requires. Second, he has a plan, he knows what questions to ask. Third, he has been trained in the techniques of conducting an interview. Fourth, prior to interview, he has checked with outside sources and already knows a great deal about the applicant. Fifth, the interviewer himself has been carefully selected to assure that he has adequate intelligence and is emotionally well adjusted. 3. Interaction (Stress) Interview: It is a highly complex technique. In this the interviewer assumes a hostile role towards the applicant. He deliberately puts him on the defensive by trying to annoy, embarrass and frustrate him.

The interaction interview simulates the stresses the applicant would meet in actual selling and how he would react to them. 4. Rating Scales: In this method results are obtained from comparable ratings of the same individual by different interviewers. The rating scales of the interview are so constructed that interviewers' ratings are channeled into a limited choice of responses. For instance, in evaluating the attitude of the candidate an interviewer is forced to choose from one of these answers: negative and complaining, pessimistic, positive and healthy, strong loyalty. Reference Check Sometimes applicants are asked to name as references those people on whom they can rely to speak about them. The main purpose of reference checks as a selection tool is to verify the facts such as dates of employment, earnings, sales volume, absenteeism and nature of the past selling job. This typical procedure is to check the references by personal visit, telephone or letter. Psychological Testing "Tests are the most misused, the least understood, yet the most valuable sources of information about the applicants".

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A psychological test can be defined both in a broad as well as narrow manner. Broadly, it has been defined as a "Systematic approach for comparing the behaviour of two or more persons". In narrow sense, "It is a sample of an aspect of an individual's behaviour, performance or attitude". Thus, we may define it as a systematic procedure for sampling human behaviour. Psychological testing is gaining greater importance as a selection tool of sales personnel because of sales management becoming more formalised and rising cost of selection and training. The major purpose of testing is to identify the various aspects of a persons' behaviour such as intelligence, achievements, interests, aptitude, personality traits, etc. Different Types of Psychological Tests Psychological tests are divided into four categories on the basis of human behaviour. But mostly, the three categories: Aptitude Test, Personality Test and Achievement Test are used in selection procedure of sales personnel. 2 1. Aptitude or Ability Test: These are used to measure the talent/ability of a candidate to learn the job or skill. They detect peculiarities or defects in a person's sensory or intellectual capacity. They focus attention on a particular type of talent, e.g., learning, reasoning or a mechanical bend of mind. Such tests may be of the following types: (a) Mental or Intelligence Test: They measure the overall intellectual activity or the Intelligence Quotient (IQ) of the candidate. They also determine the candidate's word fluency, memory, inductive reasoning, speed of perception and spatial visualisation. (b) Mechanical Aptitude Test: These measure the capacity of a person to learn a particular type of mechanical work as they measure a person's visual-motor coordination or integration. ( c)

Psychomotor or Skill Test: These tests measure a person's ability to do a specific job. They are administered to determine mental dexterity or mental ability and similar attributes involving muscular movement, control and coordination. 2.

Personality Tests: These tests try to find out an individual's value system, his emotional reactions and maturity and his characteristic mood. Their major motive is to measure the basic make up or characteristics of individuals which are non-intellectual in nature. These tests can be categorised into the following types: (a) Objective Test: They measure neurotic tendencies, self-sufficiency, dominance-submission and self-confidence. These are scored objectively. (

b) Project Tests: In this the candidate is asked to project his own interpretation into certain standard stimulus situations which reflects his own values, motives and personality. (

c) Situation Test: This reveals the ability of a candidate to undergo stress and his demonstration of ingenuity under pressure. In short, we can say that it is a measure of applicant's reaction when he is placed in a particular situation.

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Achievement Tests (Proficiency Tests): Achievement tests seek to determine how much the individual knows about a subject. They determine the admission feasibility of the candidate and measure what he is capable of doing. (a) Tests for measuring job knowledge: They are administered to determine degree of their qualification and feasibility to perform the job. (b) Work sample tests: They demand the administration of the actual job as a test. 4. Interest Test: It is assumed in the use of interest tests that a relationship exists between

test

and motivation. Hence, if two persons have equal ability, the one with

a greater interest in a particular job is more successful. These tests aim at finding out the types of work in which the candidate is interested. However, these are not used much in the selection procedure of sales personnel as significant variation has been found in the interest test scores of successful and unsuccessful sales persons. Physical Examination Sales persons' job requires unusual stamina, strength or tolerance of hard working conditions. The presence or absence of these qualities in the candidate is revealed by physical examination. The major purpose of physical examination in the selection procedure of sales persons is that: 1. It gives a clear indication whether candidate is physically able to perform the sales person's job in the company. 2. It prevents selection of people who suffer from some contagious diseases. 3. It discovers the existing disabilities of the candidate and a record of the same is maintained so that the question of company's responsibilities would be settled in the event of a workman's compensation claim. 9.2.2 Rating of Interviewee Having studied all the factors related to selection process, these should now be rated on the placement summary. The various facts should be compared with the requirements of the main profile and a score noted in the appropriate box. He should be rated 1 for a perfect match, 2 for an average match, 3 for below average and 4 for totally unsatisfactory. Comments should be made in the appropriate column to explain apparent discrepancies. Overall comments can be made in the space provided. The scores should not be totaled or averaged in arriving at the final recommendation, as the weighing of the various factors will vary. What the manager must do is to consider each candidate as a mixture of factors and by identifying strong and weak points, come to a recommendation and scores the man on the four-category scale. Category 1 men will normally be offered jobs immediately. Category 2 are not qualified in all respects and failing the appearance of anyone better, are worth employing. Only in dire circumstances, when it is imperative that someone be employed, should category 3 men be taken on. Category 4 staff should never be employed however desperate the manager might feel, for they can only create worse problems rather than solving them. Two further considerations that the manager must take into account in arriving at his decision are the compatibility of the man with his future colleagues and superiors and the future management needs of the company. How well a man fits into a team can often determine his success. It is usually fatal to put a dynamic, aggressive, ambitious twenty six year old into a sales force consisting of security minded senior citizens hanging on for their pensions. It is likewise dangerous to have a man who is over-compatible with his superior. This often comes about by "mirror-image" selection, a common fault of many inexperienced managers. Because a candidate happens to have a similar background to the manager, that is, comes from the same part of the country, went to the same school, shares an interest in water-polo and the like, it may be tempting to assume that he possesses similar business abilities but if a manager is prone to such temptations, it is better for him to ask a colleague to take over the interviewing. Task Ask your father that what selection process he went through for his first job. What selection process you went through for admission into your college? Is there any difference in the two selection processes?

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#### Chapter 9: Implementation of Sales Program 2 9.3

Training of Sales Force Training of salesmen is essential to make them skilled. Just as a gifted athlete needs coaching and practice to perform at his best, similarly a sales person also requires proper training and development. After selection, personnel should be given formal training which includes planned programmes complete with schedules, lesson plans, visual aids, other teaching devices and systematic reviews and evaluation. Informal training involves the continuous development of sales people. It is a prime responsibility of the supervisor and includes working with sales people, finding their activities and advising them on improvements that should be made. It is also known as field coaching. Training varies with the sales person's career cycle Sales persons

have varied backgrounds, experience levels, learning abilities, etc. and therefore have their own training needs.

Another factor deciding the type of training is the stage of the career of the sales person. Sales person's career cycle is a conceptual framework which describes the stages through which a sales person passes in his career cycle. There are four basic stages of this cycle. 1. Preparation 2. Development 3. Maturity 4. Decline

Decline Maturity Preparation Development Time units Achievement level

Preparation For the sales person the emphasis should be on orientation and training. He should know about the environment in which he has to function and given information about the company and the products he has to sell. Selling instructions and basic selling techniques are all important at this stage. Sometimes experienced sales persons new to the company must also be acquainted with the policies and practices of the company. Development This is the second stage when the salesman becomes productive. He should be supervised and provided field coaching. He should be able to identify the problems and be kept away from acquiring bad habits.

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Maturity In maturity stage, the productivity of the sales person levels off. He works "smarter than harder". Sometimes refresher training is required to be given to him to retrain and acquaint him with new concepts and techniques. They can also be given new challenges and transferred to new areas, new territories or can be promoted to more responsible positions. Sometimes due to inadequate training career plateauing takes place. Lack of relevant training hampers growth and development. Decline In this stage the sales person is a problem for the management. A lot of motivational retraining is required. The productivity of the salesman decreases considerably and is difficult to avert. Training imparted at proper time develops right working habits and offsets the effect of detraining.

9.3.1 Aim of Training Defining the specific and general aims of a training programme is the first step in training. General aims are translated into specific aims phrased in operational terms. These can be defined in two ways: 1. Identify initial training needs. 2. Continuing sales training programmes.

Identifying Initial Training Needs The initial training needs of sales training programme can be identified by the analysis of three main factors.

Job Specification The qualifications needed to perform the job are detailed in job specification. The set of job specifications needs scrutinising for clues to the points on which new personnel are most likely to need training. Trainee's Background and Experience The gap between the qualifications in the job specifications and those a trainee already has represents the nature and amount of training needed.

But it is not always practical to adjust training precisely to individual differences and time and money are saved by putting all recruits through identical programmes. In all organisations' determination of the recruits real training needs is essential to developing initial training programmes of optimum benefit to company and trainee alike.

Sales-related Marketing Policies The analysis of sales related marketing policies is also necessary to determine initial sales training needs because the differences in products, markets and their selling practices and policies determines the differences in training programmes. Example: Selling of highly technical goods involves training with lot of product information while selling of non- technical goods involves only initial sales training programmes.

Identifying Continuing Sales Training Programmes The identification of continuing sales training needs means to identify training needs of experienced sales personnel which are felt due to changes in market, product, marketing policies, procedures, organisation and even in the sales personnel

itself.

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#### Chapter 9: Implementation of Sales Program 2 9.3.2

Methods of Training The selection of appropriate training method for a training programme depends on the content of training. Few of the important and appropriate methods of sales training are: lecture, conference, demonstration, replaying, case-discussion, impromptu discussion, gaming, on-the-job

training, programmed learning, correspondence courses.

The Lecture Lecture is the method of learning through instructions from trainer to trainee. Trainees mainly watch and listen, although some versions of lecturing permit questions. Advantages 1. It is more economical as compared to other methods. 2. It is the only method to cover the desired training content if initial sales training is brief. 3. It is the only practical way to handle instructions when the training group is too large but it can also provide training appropriately to smaller training groups through summary of major topics. Disadvantages 1. Teaching is emphasised more than learning.

2. Only one-way communication between trainer and trainee prevails. Personal Conference The personal conference is an unstructured and informal method. It varies with the personalities of the trainer and the trainee and the topics discussed. The trainer and trainee jointly analyse problems such as effective use of selling time, route planning and call scheduling and also handling unusual selling problems. Demonstration The demonstration method of training is where sales managers plan and carry out a real selling call on a customer or prospect with the salesmen they are training present as silent observers. The method is most appropriately used for training new salesmen.

Role Playing In this method first the trainer describes the situations and different personalities involved. Then the trainee is asked to play the role of those personalities in different situations.

In the end both the trainer and trainee appraise each player's effectiveness and suggest how performance of each has been improved. Thus,

role playing can be defined as "a method of human interaction which involves realistic behaviour in an imaginary situation".

The merits of the role-playing method are: 1. Learning by doing is emphasised. 2. Human sensitivity and interactions are stressed. 3. The knowledge of results is immediate. 4. Trainee interest and involvement tend to be high.

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Trainees learn to accept criticism from others and the group soon recognises that sound suggestions benefit everyone. 6. Role player's practice introspection through participating in the appraisal of their own performances. 7. Role playing provides chance to learn valuable tricks and gain acting experience.

Case Discussion (Learning by Doing) The case is a set of data (real or fictional, written or oral). Miniature description

and summary of such data presents issues and problems calling for solutions or action on the part of trainee. Example: When the trainees are given cases to analyse, they are asked to identify the problem and to recommend tentative solutions through group discussions.

Gaming Simulation This method is somewhat similar to role playing with a unique feature that it uses highly structured and contrived situations based on reality and players receive information feedback. Advantages 1. Participants learn easily because they involve themselves in game play. 2. Players develop skills in identifying key factors influencing decisions. 3. Games have built-in information feedback features. Limitations 1. Some minimum amount of time is required for playing, usually, three to four hours, which is not sufficient to provide desired learning experience. 2. Since the game designs are based on ordinary decision making process their rules often prevent play on unusual or novel approaches. 3. Poorly designed games may actually hinder instead of helping. On-the-Job Training (Coach-and-pupil Method)

In this the salesmen are coached and instructed by skilled co-workers or by supervisors or by the special training instructor.

They learn the job by personal observation and practice as well as occasionally handling it. This method involves three steps. First, the coach who is an experienced sales person begins by describing particular selling situations, explaining various techniques and approaches. Next, accompanied by pupil, the coach makes actual sales call, discussing each with the trainee afterward. Then, under coach supervision trainee makes sales calls, each one being followed by discussion and appraisal. Programmed Learning (Teaching by Machine Method)

Programmed instruction involves a sequence of steps which are often set up through the central panel of an electronic computer as a guide in the performance of a desired operation or service of operation.

It involves breaking down information into meaningful units and then arranging these in a proper way to form a logical and sequential learning programme or package for use with the machine. But programmed instructions have not been widely adopted for sales training due to their high cost of operation and other constraints.

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Correspondence Courses Companies with highly technical products and small but widely deployed sales forces use correspondence courses to acquaint experienced sales people with new product development and applications.

It is most appropriate as an interim training method when trainees are scattered geographically but are assembled periodically for lectures, seminars, role playing and other instructions. 9.3.3 Execution of Sales Training Execution is the fourth step of the A-C-M-E-E approach

of sales training. It involves the following four key decisions: 1. Who will be the trainees? 2. Who will be the trainers? 3. When will the training take place? 4. Where will the training site be? Who will be the Trainees? The general criteria to identify trainees

are: 1. Reward for good performance. 2. Punishment for poor performance. 3. Convenience of trainee and trainer. 4.

Seniority. The greater the seniority, the greater opportunity for added training. Who will be the Trainers? The trainers who impart training during different training phases are: 1. Initial Sales Training:

If the initial sales training is a line function then training is assigned to top sales executive but if it is a staff function then the responsibility of initial sales

training is given to personnel director. 2. Continuing Sales Training:

Responsibility for continuing sales training resides with the top sales executive.

The top sales executive is in the best position to recognise the need and design and execute the sales training

programme. 3. Sales Training Staff: In large organisations the sales training director reports to the top sale executive. The director conducts some training by himself and the rest is given on decentralised basis by district sales managers. In small organisations top sale executives have assistant sales managers or district managers to impart the training. 4. Outside Experts:

Sometimes outside experts are also hired to conduct portions of sales training programmes relating to sales techniques like selling by telephone, prospecting, etc.

When will the Training take Place? Generally the training programmes are held on adhoc basis. But a number of factors should be kept in mind while organising a training programme. 1. Initial



Sales Training Programmes: Timing for initial sales training programmes depends upon the number of new personnel trained each year

and this

in turn depends upon the size of the sales force, sales personnel, turnover and management plans for changing sales force size.

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Example: If a large number of sales persons are recruited, training programmes are scheduled several times a year whereas if a small number of sales persons are recruited, training programmes are infrequent. 2. Continuing Sales Training Programme:

The principle of an effective sales training programme is that learning must be continuous-new information must be assimilated and other concepts modified in the light of new developments. This requires that each sales person'

s training should continue as long as he is on the job. Retraining helps in: (

a) New refinements of selling techniques. (

b) New product applications. (c)

New customer problem. (d) New selling aids. (e) Overcoming the forgetting tendency of human brain. Where will the Training Site be?

Training programmes are held either at centralised or decentralised points.

The centralised programme generally provides better product training but higher costs are incurred in bringing trainees to

the central point.

But decentralised

training has even more serious defects. It cannot be executed properly unless supervised by top management.

Hence, an adhoc basis for centralised and decentralised training should be adopted by top management. 9.3.4 Evaluation of Training Programmes This is the last but not the least step of the training programme. Evaluation involves the comparing of

the training programme's aim with the results and measuring its impact on the sales person. There is no direct method of measuring the impact of training but certain methods could provide indications whether the results are positive or not.

These are: 1. Market share percentages 2.

Written Tests 3. Observers which work with sales personnel. Task Consider any two companies in same product category and compare and contrast their training methods. Which company is a better 'trainer'? 9.4

Compensation

Sales compensation plans are aids to, rather than substitutes for, effective motivation. The basic appropriateness of a compensation plan is important and so is the way it is implemented and administered. In established companies it is rarely necessary to design new sales compensation plans and sales executives concern themselves mainly with revising plans already in effect. Most changes are minor, instituted to bring the plan and marketing objectives into closer alignment. Major changes in the compensation plan are rare. Like most people sales personnel resist sweeping changes, particularly when this requires them to alter accustomed ways of doing things.

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Chapter 9: Implementation of Sales Program 2 9.4.1

Requirements of a Good Compensation Plan A good sales compensation plan fulfils seven requirements: 1. It provides a living wage in the form of a secured income. 2. The plan fits with the rest of the motivational programme. 3. The plan is fair – it does not penalise sales personnel because of factors beyond their control. Within the limits of security and other special circumstances, sales personnel receive equal pay for equal performance. 4. It is easy for sales personnel to understand – they are able to calculate their own earnings. 5. The plan adjusts pay to changes in performance. 6. It is economical to administer. 7. It helps in attaining the objectives of the sales organisation. 9.4.2 Designing a Compensation Package A good compensation plan is built on solid foundation and therefore it requires a systematic approach to assure that no essential step is overlooked.

Defining a Sales Job 1. Re-examine the nature of the sales job and revise it if it is outdated. 2. Analyse sales department objectives for their effect on the sales person's job. 3. Check out for sales volume objectives, for instance, whether in rupees, units of products, or number of dealers and distributors and translate them into what is expected of the sales personnel, as group and individually. 4. The impact of sales related marketing policies are determined (like, credit policies, price policies, etc.) 5. Consider the current and proposed advertising and sales promotional programmes as they assist in clarifying the nature of the sales person's goals, duties and activities. Consider the Company's General Compensation Structure Most companies use job evaluation systems to determine the relative value of individual jobs. Its purpose is to arrive at fair compensation relationships among jobs. There are four job evaluation methods. Two are non-quantitative – simple ranking and classification or grading. Other two are quantitative - the point system and the factor comparison method. Non-Quantitative 1. Simple Ranking: This is an inexpensive job evaluation method. No attempt is made to determine the critical factors inherent in the job, only overall appraisal of the relative worth of different jobs is made. 2. Classification or Grading: In this method jobs are graded in terms of job responsibility, skills required, supervision given and received, exposure to unfavourable and hazardous working conditions and similar characteristics. All jobs within a grade are treated alike for compensation. Quantitative 1. Point System: It involves defining factors common to most jobs. The specific factors generally include mental and physical skills, responsibility, supervision received and given, personality requirements and minimum education required. Each factor is assigned a minimum and maximum number of points, different ranges being associated in line

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with the relative importance of the factors. The use of point values makes it possible to determine the gap or distance between job classes. 2. Factor Comparison Method: This method resembles the point system but is more complex. It utilizes a scheme of ranking and cross comparisons to minimise error from faulty judgment. A selected number of key jobs typical of similar jobs throughout the company are evaluated. This is done by arranging them in rank order, from highest to lowest for each factor. As a check against this judgmental evaluation, the compensation money actually paid for each job is allocated to the factors, which automatically establishes the relationship among jobs for each factor. The judgmental ranking and the ranking by allocation of compensation are compared and differences are reconciled, or else the jobs are removed from the key list. On this basis, money amounts assigned to the several factors making up key jobs and additional jobs are evaluated and their monetary values for each factor interpolated into the scale. This procedure is repeated until all jobs are evaluated. Consider the Compensation Patterns in Community and Industry Because compensation levels for sales personnel are related to external supply and demand factors, it is important to consider the prevailing compensation patterns in the community and the industries. Management needs answers to five questions. 1. What compensation systems are being used? 2. What is the average compensation for similar positions? 3. How are other companies doing with their plans? 4. What are the pros and cons of departing from industries or community patterns? 5. What calibre of salespersons is required to be effective as well as cost efficient? Determining Compensation Level Management must determine the amount of compensation a sales person should receive on the average. The compensation level might be set through individual bargaining or on an arbitrary judgment basis. Management should ascertain whether the caliber of the present sales force measures up to what the company would like to have. If it is too low, or if the company should have lower-grade people than those currently employed, management should determine the market value of the sales personnel of the desired grade. Management weighs the worth of the individual person by estimating the sales and profit money that would be lost if particular sales people resigned. Another consideration is the compensation amount the company can afford to pay. Provide for the Various Compensation Elements A sales compensation plan has as many as four basic elements: 1. A fixed element, either a salary or a drawing account to provide some stability of income. 2. A variable element to serve as an incentive. Example: A commission, bonus, or profit sharing arrangement 3. An element covering the fringe or plus factor such as paid vacations, sickness and accident benefits, life insurance, pensions. 4. An element providing for reimbursement of expenses or payment of expense allowances. Management selects the combination of elements that best fits the selling situation. The proportions that different elements bear to each other vary. However, most companies split the fixed and variable elements on a 60:40 or to 80:20 basis.

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Special Company Needs and Problems A sales compensation plan is no panacea for marketing ills, but it is often possible to construct a plan that increases marketing effectiveness. If a company's earnings are depressed because sales personnel overemphasize low margin items and neglect more profitable products, it may be possible, despite the existence of other managerial alternatives, to adjust the compensation plan to stimulate the selling of better balanced orders. Specifically, variable commission rates might be set on different products with higher rates applying to a neglected product.

Example: A firm might have a "small orders" problem. It is possible to design compensation plans that encourage sales personnel to write larger orders. Commission rates can be graduated so that higher rates apply to larger orders. Consult the Present Sales Force Management should consult the present sales personnel, in as much as many grievances have roots in the compensation plan. Management should encourage sales personnel to articulate their likes and dislikes about the current plan and to suggest changes in it. Criticism and suggestions are appraised relative to the plan or plans under consideration. Reduce Tentative Plan to Writing and Pre-test it For clarification and to eliminate inconsistencies the tentative plan is put in writing. Then it is pre-tested. The amount of testing required depends upon how much the new plan differs from the one in use. The greater the difference, the more thorough is the testing. Pre-tests of compensation plans are almost always mathematical and usually computerised. If the sales pattern has shown considerable fluctuations, speculations are made for period's representative of average, good and poor business. Then a look is taken into the future. Utilising sales forecast data, new and old plans are applied to future periods. The plan is tested for the sales force as a group and for individuals faced with unique selling conditions. Analysis reveals whether the plan permits earnings in line with the desired compensation level. If deficiencies show up the plan may not be at fault; weaknesses can be traced to the way territorial assignments have been made or to inaccuracies in sales forecasts, budgets, or quotas. To conduct a pilot test, several territories representative of different sets of selling conditions are selected. The proposed plan is applied in each one long enough to detect how it works under current conditions. Revise the Plan The plan is then revised to eliminate trouble spots or deficiencies. If alterations are extensive, the revised plan goes through further pre-test and perhaps another pilot test. But if changes have been only minor, further testing is not necessary. Implement the Plan and Provide for Follow up At the time the new plan is implemented, it is explained to the sales personnel. Management should convince them of its basic fairness and logic. Details of changes from the old plan and their significance require explanation. All sales personnel should receive copies of the new plan, together with written examples of the method used for calculating earnings. If the plan is at all complex, special training sessions are held and aimed at teaching sales personnel how to compute their own earnings. Provisions for follow up are made. From periodic check ups need for further adjustments is detected. Periodic checks provide evidence of the plans' accomplishment and they uncover weaknesses needing correction.

184 Sales and Promotions Management Caselet Finding the Right Pay Scale for your Sales Force As told by Karen E. Klein T here is no tried-and-true formula for pay structure that holds across the board. The manner in which you compensate your salespeople will vary, depending on many complex factors, including your particular industry, your sales cycle, your company's market position, the strength of your product or service and – not least – your individual salesperson and his or her experience. Experts say that your best source of information will be found in the trade organizations and publications that serve your industry. Trade journals often do annual compensation surveys that should be helpful, and they will give you a sense of the pay standards that have been developed in your industry. "There are basic formulas for people who sell shoes, or insurance. There are mores in each market that have been developed by trial and error," says Ben Tenn, a sales, marketing, and distribution consultant who owns Tenn Consulting in Northridge, Calif. "You should reach out to other people in your industry. Ask salespeople that interview with you what they're being paid, and, if you get a chance, talk to your competitors about how they pay their sales force. "In general, companies that sell highly predictable products or services with very short sales cycles weight their compensation heavily on commissions. An outside sales rep, someone not a direct employee of your company, will make 100% commission. So, typically, will an insurance agent, and people who sell health club memberships, time shares, or dating services. Salespeople in food service and retail, such as waitresses and sellers of shoes, tend to make minimum wage as a base salary, with most of their income derived from tips and commission. On the other end of the spectrum are those selling consulting services or enterprise-wide software, industries where the sales cycle – the time between initial contact with a prospect to closing a deal – may be 6 to 18 months. In order to keep the salesperson from starving, he or she will need a reasonably good base salary until commission can be earned. In the middle range are those industries with sales cycles of three months or more – executive recruiters, technology salespeople, and those hawking telecommunications services – who tend to get salary-to-commission ratios in the 40-60 or 50-50 range. If your business is a startup with a volatile product that may be a hit or a dud, you'll need to compensate your in-house sales force with a livable base salary, at least until they make contacts and sales take off. "In a small business, everything is negotiable. What you want is a sales staff that is hungry – but not too hungry, or they will be thinking about their own personal living situations too much to be effective in developing relationships with potential customers," says Sam Parker, co-founder of justsell.com, an Internet sales and marketing portal based in Fairfax, Va. Source: businessweek.com 9.4.3 Types of Compensation Plans There are only three basic type of compensation plans – straight salary, straight commission and a combination of salary and variable elements. Straight Salary Plan This is the simplest compensation plan. Under it, sales persons receive fixed sums at regular intervals (usually each week or month but sometimes every two weeks), representing total

payments for their services. Only 17.5% used this method. It is more common among industrial goods companies than consumers' goods companies. Firms that previously used the straight salary plan have switched over to combined basic salary with a variable element. Advantages 1. There is control and direction over the sales personnel. 2. There is flexibility in adjusting the work. 3. Sales persons cooperate more if paid straight salary rather than commissions.

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It is simple and economical to administer. 5. More stability of income. 6. Sales persons are relieved of much burden of planning their own activities. Disadvantages 1. Since there is no direct monetary incentive many sales persons do only an average rather than an outstanding job. 2. There is tendency to under compensate productive sales persons and to over compensate poor performers. 3. If this exists for long, the turnover rate rises. 4. The morale of the sales persons is affected. 5. It is difficult to adjust to changing circumstances. Straight Commission Plan In this, sales persons are paid according to productivity. This method provides for progressive or regressive changes in commission rates as sales volume rises to different levels. Others provide for different commission rates for sale of different products, to different categories of customers, or during given seasons. Straight commission plans fall into one of the two broad classifications: 1. Straight commission with sales persons paying their own expense. Advances may or may not be made against earned commissions. 2. Straight commission with the company paying expenses, with or without advances against earned commissions. For this method non-selling duties are unimportant, rather getting order is the main objective. Advantages 1. It provides maximum direct monetary incentives. 2. It provides means of cost control. 3. The straight commission plan is also characterised by great flexibility for revising commission rates for different products. Weaknesses 1. Only customer orders are set by sales persons and they are careless about transmitting reports. 2. Sales persons neglect to follow up leads. They resist reduction in size of sales territories. 3. Sales persons push the easier to sell low margin items and neglect harder-to-sell high margin items. Determine Commission Base Important aspect of designing a straight commission system is to select the base on which to pay the commission. 1. If obtaining volume is the main concern then total sales is the base. 2. If sales personnel make collections on sales, then commissions are based on collections. 3. If a firm has excessive order cancellations, commissions can be based upon shipments, billings or payments.

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To control price cutting by sales personnel, some companies base commissions on gross margin. 5. Some companies use net profits base, seeking simultaneously to control price cutting, selling expenses and net profits. Salary Plus Commission Most sales compensation plans are a combination of salary and commission plan. They develop as attempts to capture the advantages and offset the disadvantages of both the salary and commission systems. In commission plan, executive has weak control on non-selling activities while in salary method it is not so. Advantages 1. Security of stable income and financial incentive. 2. Management has greater control and apparatus to motivate sales force. 3. A cooperative spirit develops between salesmen and the company. Disadvantages 1. Clerical costs are high. 2. The split between fixed and variable component is 60:40 to 80:20. 9.4.4 Factors Influencing Compensation Scheme Irrespective of the basic structure of compensation, some factors cannot be overlooked while designing a compensation plan for companies.

Relation with Product Life Cycle (PLC) All products undergo various stages of introduction growth, maturity and decline. The selling effort is related to this (PLC) stage. When the product is in the introductory stage it is difficult to sell the product. Therefore the sales force must be dynamic, enterprising, willing to travel, to be able to establish the product in the market. It should have good knowledge of the product, good communication skills and tremendous willingness and endurance to pursue the goals that are to be achieved. Therefore in the introductory stage direct salary will be on the higher side and indirect benefits may not be introduced. Growth Stage In this stage the motivation of the sales force has to be maintained. Indirect incentive schemes have to be introduced. Incentives can be linked with achieving targeted quarters. This will help in the growth of the product. Maturity When the product firmly establishes itself the sales force needs a break. The indirect benefits like training programmes in good environmental locales foreign trips, promotions, basic increase in salary are given. This increases their knowledge and motivates them and gives them a new direction to do the job. Decline Stage When the sales of the product starts declining then added incentives may be given to generate fresh interest in the product. Efficient product managers who may be concentrating on different products are given added incentive to service the sales of the declining product.

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Compensation Related with Demographic Characteristics Different compensation packages are preferred by different sales persons depending upon their demographic characteristics, i.e., age and family life cycle. A bachelor can take high risks, is more enterprising and with high risks high awards are also promised. He can work on a straight commission or incentive scheme only. As one gets married he prefers stability with high basic component. When one gets older one wants more stability and preferably a direct salary. Notes Age Salesmen Family life cycle Preferred Job Preferred compensation style 20-28 Bachelor High risk, High reward Aggressive company Straight commission or incentive 28-35 Married with one or two young children Established company and stability Intensive plan – Basic + incentive; preferably with higher basic component 35 & above Married with growing up children Stability and steady job Preferably straight salary basic Source: Marketing in India by S.N. 9.4.5 Use of Bonus A bonus is an amount paid for accomplishing a specific sales task. Bonuses are paid for reaching a sales quota, performing promotion activities, obtaining new accounts, following up leads, setting up displays or carrying out other assigned tasks. Bonuses are never used alone – they always appear with one of the main sales compensation methods. If used with the straight salary, the plan resembles the combination plan. If used with the straight commission plan, the result is a commission plan to which an element of managerial control and direction has been added. If used with the combination salary and commission plan, the bonus becomes a portion of the incentive income that is calculated from the commission. 9.4.6 Fringe Benefits Fringe benefits, which do not bear direct relationships to job performance, range from 25-40 per cent of the total sales compensation package. Fringe benefits, like monetary compensation, are not motivating factors. In Maslow's hierarchy, fringe benefits contribute to fulfillment of safety and security needs, although some (such as payment of country club dues) contribute to fulfillment of esteem and other higher order needs. As the variety of fringes has expanded, individual fringes have been added that appeal more to some groups than others – people with bad teeth are the ones most interested in dental insurance while those with children are the ones most interested in plans for paying education and tuition fees for dependents. An increasing number of companies offer a "cafeteria" approach to fringe benefits. In this approach, the company offers a core of basic benefits - the benefits required by law plus other traditional benefits, including paid vacations, medical, disability, and death benefits and a retirement programme. Employees then use credits (based on age, pay, family status and years of company service) to obtain optional benefits not included in the core; this lets employees select those benefits that best fit their needs. Also, because of changing needs employees are given opportunity to change their choice. Companies using the cafeteria also have "awareness programmes" aimed at making employees aware of the benefits available.

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Notes

Fringe Benefits – A Compendium of Types Available to Sales Personnel in some Companies Time Organisation's dues Holidays Trade association Vacations Civic clubs Sick leave Country clubs Personal leave Professional association Sabbaticals Pregnancy leave Miscellaneous Automobile Retirement Programme Use of vacation spot Social security (mandatory) Parking Pension plan Dry cleaning and laundry Profit sharing Lunches (all or part) Salary reduction plans Secretarial services Employee stock purchase plan Insurance and Medical Company-provided housing Physical examinations Legal services Medical payments and reimbursements Financial counselling Hospitalisation insurance Tuition for continuing education Dental insurance programmes Disability insurance Financial support for dependents Life insurance education Travel insurance Credit unions Accident insurance Discounts for purchases of company Worker's compensation (mandatory) products Unemployment insurance (mandatory) Child care payments Cancer insurance Matching funds to charities and schools Psychotherapy expense Company social events Company sports tournaments Payment of moving expenses Source: Developed at a Shirt-sleeve Seminar, Atlanta Chapter, Sales and Marketing Executives International.

Fringe benefits

are now an important part of every sales persons income. These are dealt as under: 1. Company Benefits: These constitute 25 to 40% of the basic pay. Fringe benefits differ from company to company. Insurance, paid vacation, paid leaves, retirement plans and educational assistance are a part of company benefits. 2. Insurance: Life insurance, health insurance, accident and disability, insurance are provided by most companies. Sometimes a part of insurance is paid by the salesman. Dental and vision care are also popular benefits introduced by many companies.

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Paid Vacations: These are provided to sales persons with a long standing, who have served the company for a long period of time. 4. Paid Leaves: Includes, sick leave, maternity leave and are enjoyed by confirmed salesman who have worked for a considerable period of time. 5. Retirement Plans: Many companies contribute to pension plan for its employees. The sales person also contribute a part of their income through payroll deductions. 6. Educational assistance: Many sales persons take advantage of company sponsored educational programmes. They sponsor candidates to courses useful to the company. Employers also grant release time to employees to attend courses. 7.

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Force Benefits: Personal use of a company car and membership to clubs/associations is also provided to sales people. This helps them to get in touch with a lot of people connected with business so that the sales could be increased.

Besides these fringe benefits

there can be other types of incentives: 1. Profit Sharing: If the company's profit rises then a cash bonus can be given. 2. Stock Purchase Plan: Employees can buy shares of the company at a discounted price. They can become shareholders of the company. This increases the loyalty of the sales people towards the company. 3. Credit Union: A company supported credit union to save and borrow as and when desired. 4. Employee Services: These include subsidised meals, recreational facilities, discount on company's products, etc. 5. Cafeteria Approach: In this the employees choose the desired benefits. This is a new approach in which there is a basket of benefits and the employee opts for some of these which are more beneficial to him.

Case Study ABC Company A BC Company was a producer of several kinds of industrial equipment listed in exhibit. It developed from the efforts, in the late 1940s, of a gifted engineer and inventor, Srirang Pandey, who patented several of his ideas for variations on standard products. He founded and was active in the firm for more than twenty-six years until his death. Pandey had been very interested in the selling activity of his company and had a strong sense of professionalism that he used in personally selecting people for his sales force. He managed the sales force until it grew to a size of three men, at which time he secured the services of Hiren Shah as sales manager. Before Shah's arrival, and for several years thereafter, Pandey told the salesmen expressly the names of firms he wanted them to call on. The founder was actually interested in the reputation of his young company. His concern for reputation included product characteristics as promised, delivery on time (critical to customers for these goods), and ethical, highly reserved business conduct by the salesmen. However, this concern for reputation was not restricted to these factors. Pandey also wanted to have, as his customers, those who employed the finest reputations. For example, he told his salesmen never to solicit the orders of a small firm then known by the name of Rohan and Lovely, for he considered the owners to be social climbers without proper backgrounds. In addition, he did not like an advertisement of theirs he once saw in a weekly business newspaper. He also instructed his salesmen not to call on Kapoor Glow Ltd. because it had been turned down for a loan at the bank that Pandey used. This was despite the fact that Kapoor Glow Ltd. found credit at another bank. Not all the instructions were negative however. Pandey had the sales men, all of whom were engineers, visit Camden Mills, Stone & Kruger, and South Indian Metals time after time even though all three were committed to other sellers and other product designs. He wanted ABC Company to be a name that such firms knew and respected. He also cultivated several large national companies such as Combustion Engineering, Indian Machine and Foundry, Westinghouse and Melpar. Contd....

190 Sales and Promotions Management After Pandey's death, Shah continued these policies for the better part of a year. At that point Jevan Vats, the new president hired from outside, had a long talk with the sales manager and explained that he thought some changes were desirable. The firm should try to maximise sales and abandon all the 'notions and pretensions', as he termed them. The salesmen should be put on a combination of salary plus commission. The two other executives in the company, the finance man and the production man, spoke up with a thorough endorsement of such changes. The existing policy was straight salary. With some misgivings, Shah devised a new compensation structure for his four salesmen. Under this plan he estimated that a salesman would earn about 80 per cent of his compensation through salary and about 20 per cent through commission. The plan was announced on August 1 and the men were told it would go into effect in thirty days. Sales in August slumped about 17 per cent from the same month one year earlier and 14 per cent from the same month two years earlier. After one month of use, the sales manager conducted a preliminary inquiry into the results of the new compensation policy. The results appeared to be that the easier to sell items in the product line were moving well, those of average difficulty to sell were moving adequately, and the one item that was rather difficult to sell (the dryer) was moving very poorly. The exhibit gives the comparison of September to the last month under the old policy (July) and to September one year before. Shah presented his analysis from these data. The sales manager said that he would repeat his comparison after another month. In the meanwhile, the president told the sales manager to urge the salesmen to solicit orders for dryers. Exhibit 1: ABC Company Sales by Product, Selected Months

Product	September (Rs)	July (Rs)	last year September (Rs)	two years September before (Rs)
Dryers	2,10,000	3,45,000	3,50,000	3,22,000
Sprayers	77,000	75,000	80,000	78,000
Planers	41,000	43,000	40,000	39,000
Power saws	32,000	30,000	30,000	31,000
Drills	42,000	41,000	40,000	39,000
Sanders	95,000	73,000	72,000	70,000
Metal buffers	75,000	49,000	50,000	48,000

Questions 1. Do you think that as a promoter, Pandey was right in promoting the kind of sales policies he did? Justify your comment. 2. Evaluate the compensation package in light of the facts given in the case. What are the suggestions that you would have for an ideal compensation plan in this case? (IGNOU, June 1998) Source: Dr. S L Gupta, Sales and Distribution Management: Text and Cases – An Indian Perspective, First Edition, Excel Books, New Delhi. 9.5

Summary ? Recruitment is a process to discover the source of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force. ?

A selection system is a set of successive 'screens' at any of which an applicant may be dropped from further consideration. ?

Before an organisation begins recruiting applicants, it should form a checklist of questions which outline a chronological sequence for the recruitment and selection process.

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The person specification form is a checklist of abilities separating those aspects which are essential (the job cannot be effectively done without them) and those which are desirable (it would be nice to have them but could manage without).

? The person specification can help in looking at employees in other areas who may have no previous sales experience but whole profile in terms of their skills, their motivation, etc. could well make them excellent sales people. ? The process of selection of sales personnel differs from company to company depending upon the requirements. The applicant goes through various stages and the chances of selection get better as more and more stages are cleared. ? The initial screening is usually undertaken by the receptionist in the employment office. This interview is essentially a sorting process in which perspective applicants are given the necessary information about the nature of the jobs in the organisation. ? An interview can be defined as an attempt at gathering information from the candidate concerning his suitability for the job under consideration. ? After selection, personnel should be given formal training which includes planned programmes complete with schedules, lesson plans, visual aids, other teaching devices and systematic reviews and evaluation. ? The qualifications needed to perform the

job are detailed in job specification. The set of job specifications needs scrutinising for clues to the points on which new personnel are most likely to need training. ?

Sales compensation plans are aids to, rather than substitutes for, effective motivation. The basic appropriateness of a compensation plan is important and so is the way it is implemented and administered. ?

Straight Salary Plan: This is the simplest compensation plan. Under it, sales persons receive fixed sums at regular intervals. ?

Commission plan: This method provides for progressive or regressive changes in commission rates as sales volume rises to different levels. ?

Salary plus commission plan: They develop as attempts to capture the advantages and offset the disadvantages of both the salary and commissions systems. ?

Different compensation packages are preferred by different sales persons depending upon their demographic characteristics, i.e., age and family life cycle. ?

Bonuses are paid for reaching a sales quota, performing promotion activities, obtaining new accounts, following up leads, setting up displays or carrying out other assigned task. ? The variety of fringes has expanded, individual fringes have been added that appeal more to some groups than others - people with bad teeth are the ones most interested in dental insurance while those with children are the ones most interested in plans for paying education and tuition fees for dependents. 9.6

Keywords

Application Bank: contains brief history of employees, used for reference Aptitude Test: used to judge ability to learn the job/skills

Bonus: an amount paid for accomplishing a specific sales task Commission Plan: sales persons are paid according to productivity Fringe Benefits: benefits other than monetary and incentives like insurance etc.

Internal Transfers: switching between departments in same company Interview: attempt at gathering information from the candidate Job Specification: qualifications needed for a job

Point System: defining factors common to most jobs

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Recruitment: process of discovering pool of manpower Reference Check: confirming your candidature by talking to your references Selection: process of eliminating unfit candidates and choosing fit ones

Straight Salary Plan: sales persons receive fixed sums at regular intervals

Stress Interview: interviewer takes a hostile role to frustrate candidates 9.7

Self Assessment 1. State whether the following statements are true or false: (a)

In general sense, training and learning are the same. (b) A job specification is a sheet containing all the employee details, which may be useful for future reference. (c) Internal transfers are cost effective as employees already have product knowledge and adequate selling skills. (d)

In a interview if an interviewer is asking you questions from diverse fields, the interview is most likely be a unstructured one. (e) Gaming simulation makes people assume different personalities and play them. (f) Commission plans are most paying and stable. 2. Fill in the blanks: (a)

You get a call from a company for a job opportunity. The company is probably looking for employee..... ( b) .....

often acts as mediators between the company and prospective employees. ( c)

An important tool for creating a good first impression on employers is your..... ( d)

If in an interview, the interviewer is asking you questions that are unrelated to your field of interest deliberately to pin you down, the interview is most likely to be a ..... ( e)

The training method which is least effective due to lack of feedback from the employees is..... ( f) .....

method of evaluating compensation plan, tries to reduce errors to the minimum possible level. (g) In your organisation, if you are asked to choose from an array of benefits that suits you most, your company is following .....approach. 9.8

Review Questions 1. "The recruitment policy is concerned with quality and qualifications of manpower". Keeping this statement in mind, explain the concept of recruitment. 2. Suppose you are the HR of a sales organisation selling insurance policies. What will you do to ensure that you choose right person for the job? 3. Critically analyse the role of employment agencies and internal transferring. 4. Assume yourself to be the Sales Manager of a car showroom. How will you ensure that the selection procedure is smooth and you select right candidates for the job? 5. Do you believe in the concept of Stress interviews? Do you think they are a good way to judge a candidates' mental strength? Give reasons. 6. "Tests are the most misused the least understood". Comment.

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Training varies with the sales person's career cycle". Substantiate. 8. "Role playing is a method of human interaction which involves realistic behaviour in an imaginary situation".

Discuss. 9. "



Compensation plans are aids to, rather than substitutes for, effective motivation". Do you agree? Explain. 10. Suppose you are the Sales Head of a direct marketing cosmetics company. In order to make a sound compensation plan for your company, what all things you need to keep in mind? 11. Compare and contrast the different compensation plans. Which one is most attractive according to you? 12. "As life progresses, needs also progress". Explain this statement in relation to compensation. 13. How is the concept of fringe benefits related to Maslow's theory? Suppose you have to make a bonus and fringe benefit plan for two categories of employees- 1 year in service and 5 years in service. Make appropriate plans for both.

Answers: Self Assessment 1. (a) T (b) F (c) F (d) T (e) F (f) F 2. (a) Recruitment (b) Employment agencies (c) CV/Resume (d) Stress Interview (e) Lectures (f) Factor Comparison (g) Cafeteria 9.9 Further Readings Books

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194 Sales and Promotions Management Chapter 10: Evaluation and Control of Sales Program Objectives This chapter on Evaluation and Control of Sales Program covers 1. Sales cost analysis 2. Sales Budgeting 3. Monitoring 4. Sales force evaluation and performance appraisal Introduction Sales managers must be aware of the types of expenses that are incurred both before and after the sale as well as the sales revenues generated. Budgeting becomes a key task of sales management. It is also known as a blue print to making profitable sales. It estimates how much sales are to be made and what expenses will be incurred in the same. A proper budget provides a projection into the sales volume, selling expenses and profits of the company. The figure shows that personal selling objectives, both quantitative and qualitative, determine the sales related marketing policies which in turn forms personal selling strategies. The strategies are decided keeping in mind the two key decisions, i.e., kind of sales personnel and size of sales personnel. All this together determines the sales budgets and once the expenses have been estimated the sales force management is undertaken.

Monitoring is keeping abreast of salesman's activities. Sales efforts should be planned and controlled on a regular basis. Most organisations have formal performance appraisal to aid them in evaluating the sales force. 10.1 Cost Analysis 10.1.1

Major Selling Cost Categories 1. Selling (a) Compensation (salary, commission, bonus fringe benefits) (b) Travel and entertainment (c) Boarding and lodging (d) Discounts and allowances. 2. Administration (a) Office expenses and maintenance (b) Telephone and fax and postage and telegram expenses. 3. Promotion (a) Advertising (b) Catalogues, brochures, price lists (c) Sales contents (d) Participation in fairs, and exhibits (e) Selling aids audio visual equipment, flipcharts, manuals and kits (f) Free samples, displays.

195 Chapter 10: Evaluation and Control of Sales Program 4. Providing facilities (a) Warranty provided (b) Credit money blocked (c) Billing expenses (d) Return of goods 5. Expenses on personnel and service (a) Recruitments and selection (b) Training and developments (c) Customer service (d) Warehousing (e) Distribution and customer training (f) Technical counselling. 10.1.2 Techniques This technique is used to control the expenses to be incurred on sales and income to be generated from sales. For this purpose, the following types of sales cost analysis are made: Total Costs Ratio Analysis The total sales of the firm are analyzed and then ratios between the total sales and the expenses made on different sales activities are ascertained. Then those ratios are compared with the previous years' sales ratios and also with ratios of total costs of the industry. This will help to control the excessive costs on sales. Examples of ratios are: 1. Sales Force Expenses to Sales Ratio = Sales Force Expenses Sales 2. Sales Administration Expenses to Sales Ratio = Sales Administration Expenses Sales 3. Gross Profit to Sales Ratio = Gross Profits Sales 4. Direct Selling Expenses to Sales Ratio = Direct SellingExpense Sales 5. Advertising Expenses to Sales Ratio = Advertising Expenses Sales 6. Av.call/Day = No.of Calls made Days Worked 7. Av.Orders/Day = No.of Orders No.of Days Worked 8. Batting Average = No. of Orders No.of Calls 9. Av.Order Size = Sales No.of Order

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196 Sales and Promotions Management 10. Av.call productivity = Sales Volume Sales Calls Ledger Expenses Analysis In this method of sales control, specific calculations are needed for the purpose of analyzing the sales costs. Different ledger accounts are opened for different types of expenses, namely salesmen salary account, salesmen travelling expenses account, etc. The total expenditure on each account is calculated and then compared with the previous years expenses and thus sales expenses are controlled. Activity Expenses Analysis Technique Sometimes, it becomes difficult to control the sales expenses on the basis of the total of all the accounts of expenses. In such a situation, activity-wise ledger account is opened such as direct sales expenses, advertising expenses, transport expenses, store, etc. This way, all expenses are classified on the basis of each activity. The activity-wise total expenses are then compared with the previous years' total expenses and thus expenses are controlled. 10.2 Sales Budgeting and Control A sales budget is a financial plan depicting how resources should best be allocated to achieve the forecasted sales. The purpose of sales budgeting is to plan for and control the expenditure of resources facilities necessary to achieve the desired sales objectives. Example: Money, material, people Sales forecast and sales budget are related in that if sales budget is inadequate the sales forecast will not be achieved and if sales forecast is increased sales budget must be increased accordingly. It also acts as a means of evaluating and planning sales effort. It aims at attaining maximum profits by direct efforts on most profitable segments, customers and products. 10.3 Purpose of Sales Budget It serves three basic purposes: 1. Planning Tool:

97%

**MATCHING BLOCK 21/24**

**W**

In order to achieve goals and objectives sales managers plan by outlining essential costs to be incurred.

This helps in profit planning and acts as a guide for achieving objectives. 2. Instrument of Coordination:

100%

**MATCHING BLOCK 22/24**

**W**

Budget acts as an instrument of coordination. Selling is one of the functions of marketing and needs support from the elements of marketing mix. Budgets

also help in integrating other functions of like sales, finance, production and purchase. 3. A Tool for Control:

94%

**MATCHING BLOCK 23/24**

**W**

Comparison between budgeted and actual costs results in the analysis of factors causing variations and enables the sales manager to spot problem areas or plan better for expected outcomes.

Variance analysis helps in improving insight of sales manager and enables to define and develop realistic sales budget in future with minimal variance. 10.4 Method of Sales Budgeting 1.

Affordable Method: What is

affordable? Many companies set the promotion budget at what they think the company can afford. This method is used by firms dealing in capital industrial goods.

Also companies having small size of operation make use of this method.

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Chapter 10: Evaluation and Control of Sales Program 2.

Rule of Thumb (Percentage of Sales Method): Most companies set their sales

budget as a specified percentage of sales (either current or anticipated). Mass selling goods and companies dominated by finance are major users of this method. 3. Competitors Parity Method: This method is used by large size companies facing tough competition.

It presumes

knowledge of competitors' activities and resource allocation. 4.

Objective and Task Method: This method calls upon marketers to develop their budgets by

identifying the objectives of sales function and then ascertaining the selling and related tasks to achieve objectives.

Later the cost of each task/activity is calculated to arrive at the total budget. Adjustment to task or budgets can be made.

5. Zero Base Budgeting: A process in which sales budget for each year is initiated from zero base thus justifying all expenditure and discarding all conventions and rules of thumb. Its limitation is that it is very elaborate and time consuming process.

In practice, companies use a combination of these methods. 10.5 Methods of Sales Control Most commonly used methods are 1. Sales analysis 2. Marketing cost analysis 3. Sales management audit

**Sales Analysis** It is a detailed examination of sales volume by territory, sales person, customer, product line, etc. It works on the principle that the trends of the total sales volume conceal rather than reveal the market reality. Researchers reveal that in most organisations a large percentage of customer order territories bring in a small percentage of total sales. This is known as 80-20 principle. 80% of the orders contribute over 20% of sales and 20% of selling units amount for 80% of sales. Notes Likewise there is the example of iceberg principle which shows that total sales volume may reveal 10% of real market situation which is above the surface and 90% may remain unknown. Therefore, it is recommended that for unearthing reality and gaining meaningful insight, sales must be analysed by territory, by sales person, by customer.

**Table 10.1: Sales Analysis by Territory**

Territory	Quota	Actual Performance
East	1000	1100 110%
West	900	900 100%
North	1200	1000 83%
South	800	900 112.5%

The sales manager scans the total sales on territory basis. Any unusual conditions in any territory such as intense competition, strike by labour union or transportation, etc., which make an adverse effect on company's products' are considered for further sales analysis. In the above example actual sales be compared with desired sales and the reasons for variations be looked into.

198 Sales and Promotions Management **Table 10.2: Sales Analysis by Salesperson**

Salesperson	Quota	Actual Performance
Mukesh	90	88 98%
Saurabh	115	117 102%
Kamal	115	110 95.6%
Salim	110	120 109%
Tony	110	105 95.4%
Tinku	120	125 104%
Bobby	130	106 81.5%
Babloo	120	120 100%
Total	910	891 97.9%

Manager should see his sales performance based on product line.

**Table 10.3: Sales Analysis by Product Line**

Product line	Quota	Actual Performance
Computers	50	55 110%
Portable Typewriter	40	40 100%
Manual Typewriter	30	06 20%
Electronic Typewriter	20	20 100%
Spares	20	18 90%
Total	160	139 86.9%

It is clear that all did an excellent job except for manual typewriter.

**Table 10.4: Sales Analysis by Customer**

Customer/Accounts	Quota	Actual Performance
Banks		
Financial institution		
Educational institution		
Govt. departments		
Industrial undertaking		
Private parties		

199 Chapter 10: Evaluation and Control of Sales Program **Marketing Cost Analysis** Here the cost incurred to achieve sales are considered. It is not just sales but sales with budgeted profits or expenses that matter. It is a fact finding analysis which relates cost to sales volume and resultant profitability. It relates cost and financial discussion of each selling transactions and activity. It can generate: 1. Cost of goods per rupee of sale; 2. Profit per territory, product pack, sales person; 3. Profit per rupee of sale; 4. Sales volume and turnover of receivables; 5. Turnover of stock and profitability; 6. Average value of order; 7. Average cost per order; 8. Total value of orders.

**Usefulness of Marketing Cost Analysis:** Successful cost analysis benefits the manager in ascertaining: 1. Relative cost and profitability of sales operation; 2. Profitable, not so profitable and not profitable territories; 3. Products, pack size, market segments, distribution channel; 4. Minimum order level quantity; 5. Productivity of sales person; 6. Profitability of different sales promotion techniques; 7. Profitability of different marketing mix programmes.

**Sales Management Audit** Sales analysis and marketing cost analysis focus on routine and operational aspects. The third technique of sales control relates to strategic discussions of sales control. Sales management audit is a comprehensive, systematic, independent and periodic audit of sales policy, objectives, strategies, organisation and procedure followed by the firm. The purpose of sales management audit is to evaluate the soundness of the sales management of firm. It examines the validity of the very basis and assumption on which sales function is against the changing market environment, it points out the emerging areas of opportunity as well as areas which need observation.

**Task** Consider any two companies and study their annual reports available on their website. Analyse their budget and where they spent most of their money. 10.6

**Evaluating Performance of the Sales Force** Sales managers must know whether sales effort is being operationalised as it was expected. Organisations design a monitoring system based on their needs. It is a vital aid in controlling the sales efforts and becomes the input in the formal appraisal of the salesmen's performance. Sales reports are the basic tools used for the monitoring of sales personnel. They help the sales manager to know that the sales person is calling on the right people, making the desired number of visits and also to determine what can be done to secure

200 Sales and Promotions Management larger orders. The data furnished also tells the manager as to what kind of help is needed by the salesmen. A well designed monitoring system aids in self improvement of the salesman by taking stock of his own work. He can evaluate his performance and compare it with his own past performance which also acts as a motivating force. The main reasons for which a good monitoring system is designed are: 1. To keep the sales manager informed of all the activities of sales personnel. 2. To enable the sales manager to evaluate the performance in terms of number of calls made, orders obtained, expenses incurred, displays arranged, missionary work undertaken. 3. It enables the salesmen to detect deviations from standard performance and take timely action. 4. To help the sales person to plan his work which includes planning for specific accounts and planning a travelling schedule. 5. To record consumer reactions and complaints about a new product. 6. To record information on competitor's activities like changes in promotion, pricing, service or credit, etc. 7. To record information on local changes. 8. To build a rich database of territorial information which can be put to a variety of uses. 9. To furnish information requested by marketing research – data on dealers, sales, product, etc. 10.6.1 Parameters used to Monitor Sales Force Monitoring of sales force is closely related to monitoring of sales as one depends on the other. A number of parameters are used. 1. Sales per salesman, per dealer, per product 2. Expense to salesman, ratio for each dealer to salesman 3. Calls per day 4. Order call ratio (i.e., orders received per call) 5. Average cost per call 6. Direct selling expense 7. Number of accounts lost 8. Number of new accounts made 9. Number of customer's complaints attended. Monitoring is gathering information on day to day activities and taking stock of deviations from expected performance, i.e., control. Two of the most common methods used are sales reports and field visits by sales manager. Details in sales reports vary from company to company. Greater the discretion the salesmen have in planning and scheduling their own activities, greater are the details required in their sales reports.

201 Chapter 10: Evaluation and Control of Sales Program Caselet Evaluate your Sales Team Performance Excerpt from article by John N Brennan Before you can evaluate the performance of your sales team, you must first analyze its components. Here is a simple formula you can use to analyze the performance of your team as a whole or of individual sales representatives:  $\text{Performance} = \text{Competence} + \text{Motivation} + \text{Opportunity}$  The components are independent of each other. In other words, a sales representative can be highly motivated but incompetent, poorly motivated but highly competent, poorly motivated and incompetent, or highly motivated and highly competent. Regardless of your sales team's level of motivation and competence, if the opportunity component is weak, sales performance suffers. After you evaluate the components of performance, evaluate another key measure of performance: sales results. After you complete all of your evaluations, you can take action for each sales representative. Evaluate Competence Competence includes knowledge of your products, your sales processes and policies, your company, and your industry. It also extends to knowledge of your customers, their problems and opportunities, and their industry. Additionally, it includes a basic understanding of how business operates. Background Knowledge Depending on your industry, sales representatives might need to have a certain amount of knowledge in technology, finance, engineering, manufacturing, or human resources. They should be able to ask informed questions of their customers and to perceive gaps in their own knowledge so that they can call in a technical expert at the appropriate time. Sales Skills The second element of competence is sales skills. These skills include: 1. Knowing how to prospect for business 2. Knowing how to prepare for a sales call 3. Knowing how to build rapport and trust with customers 4. Knowing how to qualify prospects and assess their needs 5. Knowing how to write a proposal and deliver a sales presentation 6. Knowing how to overcome objections and close the sale When you evaluate representatives who manage key accounts, look at their skills in building relationships at multiple levels of the customer organization, managing change, communicating back into your company, influencing, negotiating, and thinking strategically. Source: businessweek.com 10.6.2 Performance Appraisal and Evaluation Appraisal and evaluation is done continuously. The ultimate goal of any evaluation is to make the salesman more valuable to the company. To make evaluation effective we must make: 1. A study of the salesman himself – his skills, aptitudes and attitudes.

202 Sales and Promotions Management 2. A study of his selling records – his efforts and accomplishments. 3. An analysis of the direction the development function is to take. Evaluation is a complex task because of a variety of activities and different selling situations which are to be compared. Different types of selling situations require different selling skills. Salesmen differ in selling acumen due to differences in personal qualities and the territories are also different. Evaluation requires the setting of quantitative and qualitative standards for periodic comparison. A salesman is considered effective if the results offset the cost and contribute to profit. Evaluation helps in: 1. Developing salesmanship as an interpersonal influence process. 2. Motivation of salesmen and supervisory leadership. 3. Identifying the needs for continuous training and development. 4. Determining and restructuring salesmen territories and work assignments. 5. Improving selling aids like demonstration material, working documents. 6. Introducing a sound compensation and incentive system. 7. Improving sales planning, call cycles, routes and visits, job preparation.

10.6.3 Basic Issues with Evaluation There are some basic issues involved in evaluating system of salesman: 1. Evaluation based on quantitative data can have bias and vitiate evaluation results as certain important determinants of salesman effectiveness (personal effectiveness of a salesman, selling skills, persuasion ability, etc.) which are qualitative will be left out. Therefore a judicious mix of quantitative and qualitative criteria has to be evolved by the managers. 2. Comparison can never be on "man to man" basis as conditions differ and salesmen handle different sets of products or customers in different geographical areas, under different environmental conditions. 3. Standards of performance should be realistic for comparison of actual with standard. 4. Periodicity of evaluation – short-term evaluation may not give correct results and very long-term evaluation is also not desirable. Periodicity should vary with type of product practice of the company and management's outlook towards control. 5. Last issue refers to the accounting system or database of the company. Actual data taken from typical sales records are not adequate to provide precise comparison of salesman or sales groups, i.e., the product mix sold differs and performance is not comparable. Therefore, evaluation system with multiple criteria should be used.

10.6.4 Setting Performance Standards For a realistic comparison, a judicious mix of qualitative and quantitative standards should be decided and standards must be reflective of the company's analysis, its own market situation vis-a-vis its competitors. Criteria of using sales volume as a yardstick is no longer prevalent as managers realise that present sales can be made at the expense of future sales. Quantitative Criteria Sales Quotas If sales targets in rupees or volume (units), are set realistically they can be used for performance standards but if they are not realistic they lose their meaning.

203 Chapter 10: Evaluation and Control of Sales Program Net Profit Ratio or Gross Margin Rates per Territory Ratio of net profit or gross profit to sales are decided upon for the sales territories. Each sales territory is considered as an organisational unit and contributor to corporate profit. In such a situation high margin products are emphasised at the expense of new products or new accounts with the result that the salesman concentrates on more lucrative accounts in their territory to reduce expenses and give no importance to new accounts. Positive impact upon sales force is that the sales personnel tends to meet the ratio by attaining a higher sales volume and by reducing expenses. Sales Expense Ratio This is the ratio of selling expense to sales volume. Salesman can manage this ratio by either controlling expense or by making sales or both. Control on this ratio inhibits salesman to make extra effort in case of declining sales. Companies show different practices as far as defining selling expenses is concerned. Some use only direct and indirect expenses. Direct. Expenses: are incurred and controllable by salesmen to define norms for selling expenses. Indirect expenses: Those expenses over which salesman have no control. This sales expense ratio is used more by industrial companies rather than consumer product industries. Sales Coverage Effectiveness Ratio Sales and marketing are closely related. Sales is a subset of marketing – in fact, sales is the backbone, the end result of marketing. Without adequate sales marketing activities will come to a halt. There are other ratios that must be considered and set as quantitative standards.

1. Calls per day: The amount of calls made in a day. The calls can be further divided into the class of customers A, B or C depending upon their size.
2. Order call ratio: The ratio of number of orders received to the number of calls made.
3. Average cost per call: Cost is a very important factor and the cost of calling on customers should be reduced. The planning of the sales person and his sense of time management comes handy.
4. Average order size: This depends on the class of customers to be called upon. A judicious mix of the customer must be planned to bring effectiveness & efficiency in his work.
5. Qualitative Standards: This area which is difficult to measure and gives the feedback about the sales person after sometime. These include customer relations, creating customer loyalty, appearance and personality of the salesman. His application to the need and objection handlings of the customer. His adaptability and handling of difficult situations confronted by him. His reliability & positive attitude etc.

Case Study CEOs under Fire The five Pitfalls of CEO Succession It takes some effort to find CEOs who can make a difference. For a board of directors, no decision is more momentous. Yet many boards—perhaps even most—do a dismal job of succession planning. According to one survey, a stunning 45 per cent have no process for grooming potential CEOs. None! That sets them up for five big pitfalls. Letting the CEO Play Kingmaker Though many CEOs relish the process of cultivating a replacement, to others it's a threatening reminder of their own mortality or, worse, dispensability. Some develop a knack for driving off any promising heirs. Others back successors cast in the image of guess-who. Contd....

204 Sales and Promotions Management That's why boards shouldn't allow a 'choose your own successor' approach'. Starting a minimum of six years in advance, they should demand a list of candidates plus regular briefings on how those candidates' skills are being tested. As the top contenders emerge, the outside directors have a duty to meet with them alone for open ended discussions. The larger goal is to create what former Fannie Mae CEO, James Johnson, has called a "succession culture." A periodic census of the leadership pools at all levels will help spot future stars earlier in their careers. Using Boiler Plate Criteria When headhunters draw up their "specification sheet" describing the ideal candidate, the language tends to be hopelessly generic. Consider these passages from two actual spec sheets—one for a software firm, the other for a manufacturer—and try to guess which is which. One company seeks a "natural leader and mature communicator" with a "bias for action" and a "solid reputation for integrity, maturity, and energy." The other is looking for a "proven leader" who is "decisive, action-oriented, and personable, with the highest integrity and authenticity." Stumped? (The manufacturer is the first one, the software firm the second.) Instead of wasting time with such boiler plate drivel, boards need to drill down to specifics. If the job opening is in the PC industry, the first question to a candidate ought to be—How are you going to cope with Michael Dell's attack on the business? If you can't cope with it, what's plan B? Remember a board's task is to find someone with the right skills for this job, not someone who meets central casting's idea of a "leader." Letting Headhunters Run the Show Executive recruiters can play a valuable role in assembling a slate of candidates. But boards err by letting them rush the deal to a conclusion. At one major infrastructure company, the selection committee never even interviewed a second candidate—a blunder reflected in the company's subsequent sagging performance. It's best for boards to set aside two days to meet with finalists. The directors may split into small groups, rotating candidates through at least three interviews. They shouldn't hesitate to grill them. Succumbing to Fads Outsiders are in. Between the 1970s and the late 1990s, the proportion of externally recruited CEOs rose from 8 per cent to 19 per cent. (This despite studies showing that outsiders are more expensive than insiders—commanding roughly twice the starting compensation—and perform no better on an average.) Relying on external labour to fill the top slot should be seen for what it usually is: a second-best approach. A fixation on outside saviors also undervalues in-house talent, often assumed to be bureaucratic, blinkered and beholden to the status quo. This view ignores the fact that some of the biggest corporate revolutionaries have been insiders. Jack Welch was already a 20-year company man when he put General Electric in the blender, while insiders also led dramatic transformations at Circuit City, Intel and Boeing. Finally, outside hires are too often a symptom of the board's anxiety to please Wall Street and its bias for new blood. The day AT&T signed Michael Armstrong as CEO, its market value surged \$3.8 billion; the day Kodak signed former Motorola chief George Fischer, its value climbed \$1.4 billion. Never mind that both appointments were the result of each company's failure to line up an internal successor (and that those one-day surges proved fleeting). The last people you want weighing in on the succession process are securities analysts. Keeping Elvis in the Building So the board has picked a new CEO. Now make sure that the old one leaves the premises. Really, intentionally or not, ex-CEOs can end up undermining their successors when they linger around the building or the boardroom. That's why the safest policy is a clean break. It sounds harsh, but as the outgoing CEO surely knows, nothing succeeds like a smooth succession.

Questions 1. Analyse the reasons behind the poor performance of CEOs in India. 2. What are the ways and techniques used by MNCs for CEOs' performance rating? Source: Dr. S L Gupta, Sales and Distribution Management: Text and Cases – An Indian Perspective, First Edition, Excel Books, New Delhi.

205 Chapter 10: Evaluation and Control of Sales Program 10.7 Summary ? Sales managers must be aware of the types of expenses that are incurred both before and after the sale as well as the sales revenues generated. Budgeting becomes a key task of sales management. ? A sales budget is a financial plan depicting how resources should best be allocated to achieve the forecasted sales. The purpose of sales budgeting is to plan for and control the expenditure of resources facilities necessary to achieve the desired sales objectives. ? A sales budget acts as a planning tool, an instrument of control and a tool for control ? Methods of sales budgeting includes affordable method, rule of thumb method, competitive parity method, objective and task method and zero based budgeting. ? Sales analysis is a detailed examination of sales volume by territory, sales person, customer, product line, etc. It works on the principle that the trends of the total sales volume conceal rather than reveal the market reality. ? In market cost analysis the cost incurred to achieve sales are considered. It is not just sales but sales with budgeted profits or expenses that matter. ? Sales management audit is a comprehensive, systematic, independent and periodic audit of sales policy, objectives, strategies, organisation and procedure followed by the firm. ? Sales managers must know whether sales effort is being operationalised as it was expected. Organisations design a monitoring system based on their needs. It is a vital aid in controlling the sales efforts and becomes the input in the formal appraisal of the salesmen's performance. ? Evaluation is a complex task because of a variety of activities and different selling situations which are to be compared. Different types of selling situations require different selling skills. ? Evaluation based on quantitative data can have bias and vitiate evaluation results as certain important determinants of salesmen effectiveness (personal effectiveness of a salesman, selling skills, persuasion ability, etc.) which are qualitative will be left out. ? For a realistic comparison, a judicious mix of qualitative and quantitative standards should be decided and standards must be reflective of the company's analysis, its own market situation vis-a-vis its competitors. 10.8

Keywords Affordable Method: fixing the budget based on the resources (affordance)

Market Cost Analysis: considering budget profits and expenses also for analysis Monitoring: gathering information on day to day activities and controlling Order Call Ratio: The ratio of number of orders received to the number of calls made

Sales Analysis: analysis of sales based on territory, product line, customers etc.

Sales Budget: plan showing how resources shall be allocated to achieve sales goals Sales

Expense Ratio: ratio of selling expense to sales volume Sales Management Audit: comprehensive, systematic,

independent and periodic audit of sales Sales Quotas: sales targets in rupees or volumes Sales Reports: basic tools used for the monitoring of sales personnel

Zero Based Budgeting: keeping the base for each other budget as zero (new base)

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Sales and Promotions Management 10.9

Self Assessment 1. State whether the following statements are true or false: (a)

Free samples and free displays do not come under the purview of direct selling costs. (b) A company can achieve its sales goals only if sales budget is appropriate. (c)

A company sets its budget by looking at its resources at hand. They are using rule of thumb method for budgeting. (d) Market cost analysis can be useful in determining the economic order quantity.

(e) Remuneration of a National Sales Head is a direct selling expense. 2. Fill in the blanks: (a) .....

is same for sales as service blueprint is for service. (

b) The transportation cost of the raw materials come under.....selling expenses. (c) If Batting Average is 0.20 and number of orders gained is 250, then the number of calls made is .....

(d) A company doesn't consider any of its past records for estimating new sales goals. It is following.....method of budgeting. (

e) Number of calls made to number of calls converted into sales, is ..... 10.10 Review Questions 1. "

Budget is a blue print to making profitable sales". Comment. 2.

It is very important for any sales manger to understand the relation between sales budget and sales forecast. Why? 3.

As a sales manager of a software firm, how can you make effective use of sales budgets? 4. Critically analyse the methods used for budgeting. Which one according to you is most efficient and effective? 5. Suppose you are

the sales manager of a firm similar to HUL. You are dealing in FMCG products. Do a sales analysis for your company

based on product lines, customers and territories. Use fictitious figures. 6. Suppose you are the sales manager of a

insurance company. What things will you keep in mind while doing a market cost analysis, sales analysis and sales

management audit? 7. As a sales head of ABC Club, what all do you need to remember to install an appropriate

monitoring system? 8. "Evaluation is a complex task". Substantiate. 9. Suppose you are the sales manager of a large retail

store, selling FMCG to apparels to kitchenware etc. What precautions will you take carrying out salesmen evaluation

activity? 10. Calculate Average Calls per day, average orders per day, batting average, and average order size from the

following data: (a) Number of Calls = 4500 (b) Number of working days = 7 (c) Number of orders = 210 (d) Number of

Sales = 1800

207 Chapter 10: Evaluation and Control of Sales Program Answers: Self Assessment 1. (a) F (b) T (c) F (d) T (e) F 2. (a) Sales Budget (b) Direct (c) 12500 (d) Zero Based Budgeting (e) Order Call Ratio 10.11

Further Readings Books Matin Khan, Sales and Distribution Management, Excel Books, New Delhi. Johnston and Marshall, Sales Force Management, Tata McGraw Hill, 2007. Ingram T.N., LaForge, R.W., Avila, R.A., (2006), Sales Management, 6th Edition, USA; Thomson South-Western.

Online links [ag.arizona.edu/fcs/cyfernet/cyfar/Costben2.htm](http://ag.arizona.edu/fcs/cyfernet/cyfar/Costben2.htm)

[www.nlm.nih.gov/nichsr/hta101/ta10106.html](http://www.nlm.nih.gov/nichsr/hta101/ta10106.html)

[omgevaluation.blogspot.com/.../sales-force-evaluation-not-everyone](http://omgevaluation.blogspot.com/.../sales-force-evaluation-not-everyone) [www.openmet.com/eng/ev\\_ventas.htm](http://www.openmet.com/eng/ev_ventas.htm)

[www.rmcionline.com/html/news/newsletters/measuring](http://www.rmcionline.com/html/news/newsletters/measuring) [www.springerlink.com/index/J37J85H523340H53](http://www.springerlink.com/index/J37J85H523340H53)

## Hit and source - focused comparison, Side by Side

**Submitted text** As student entered the text in the submitted document.

**Matching text** As the text appears in the source.

1/24	SUBMITTED TEXT	17 WORDS	80% MATCHING TEXT	17 WORDS
	Kazmi and Satish K Batra, Advertising and Sales Promotion, Third Edition, Excel Books, New Delhi, 2008 4.5			
	<b>SA</b> MKG302 Advertising _ Sales Promotion.pdf (D164737055)			
2/24	SUBMITTED TEXT	28 WORDS	57% MATCHING TEXT	28 WORDS
	Kruti Shah and Alan D'Souza, Advertisement and Promotions – An IMC Perspective, Tata McGraw Hill. Batra, Aaker and Myers, Advertising Management, Pearson Education. 91 Chapter 4: Media Planning and Strategy			
	<b>SA</b> MKG302 Advertising _ Sales Promotion.pdf (D164737055)			
3/24	SUBMITTED TEXT	62 WORDS	100% MATCHING TEXT	62 WORDS
	promotion managers are well aware about the importance of setting objectives in the process of planning an ad campaign, there is often confusion about what objectives are appropriate for advertising. Advertising objectives are needed for a number of reasons that include communications function focusing on what the company wants its target customers to think, feel, and do; planning and decision making, and measurement and evaluation.			
	<b>SA</b> MKG302 Advertising _ Sales Promotion.pdf (D164737055)			



<b>4/24</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>72% MATCHING TEXT</b>	19 WORDS
<p>The company's overall marketing plan determines promotional objectives. Promotion objectives specify what is to be accomplished, and where the</p>				
<p><b>SA</b> MKG302 Advertising _ Sales Promotion.pdf (D164737055)</p>				

<b>5/24</b>	<b>SUBMITTED TEXT</b>	93 WORDS	<b>92% MATCHING TEXT</b>	93 WORDS
<p>fits in. The situation analysis should provide relevant information about: 1. The target market segments and the target audience profile. 2. The brand's main attributes and benefits. 3. Market share of the company's and competing brands. Their positioning, strategies, and other relevant information. 4. Some ideas on how the company's brand should be positioned and what specific behavioural response is desired, such as brand trial, repeat purchase, increased usage rate etc. A review of information by the promotion manager would determine where the promotions fits in the company's total promotion plan. The next step is to set specific promotions objectives</p>				
<p><b>SA</b> MKG302 Advertising _ Sales Promotion.pdf (D164737055)</p>				

<b>6/24</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>60% MATCHING TEXT</b>	19 WORDS
<p>The expected rate of return assists in determining how much expenditure will be needed before the return might be expected.</p>				
<p><b>SA</b> MKG302 Advertising _ Sales Promotion.pdf (D164737055)</p>				

<b>7/24</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>to achieve the acceptance of fair advertising practices in the best interests of the consumer.</p>				
<p><b>W</b> <a href="https://pdfcoffee.com/advertising-and-sales-management-pdf-free.html">https://pdfcoffee.com/advertising-and-sales-management-pdf-free.html</a></p>				

<b>8/24</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>To ensure the truthfulness and honesty of representations and claims made by</p>				
<p><b>SA</b> plg check May 22 BASICS OF ADVERTISING- Final file.docx (D138332082)</p>				

<b>9/24</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>To ensure that advertisements are not offensive to generally accepted standards of public decency. 3.</p> <p><b>SA</b> plg check May 22 BASICS OF ADVERTISING- Final file.docx (D138332082)</p>				

<b>10/24</b>	<b>SUBMITTED TEXT</b>	67 WORDS	<b>81% MATCHING TEXT</b>	67 WORDS		
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>To safeguard against indiscriminate use of advertising for promotion of products, which are regarded as hazardous to society or to individuals to a degree or of a type, which is unacceptable to society at large. 4. To ensure that advertisements observe fairness in competition so that both the consumers' need to be informed about choices in the market place and the canons of generally accepted competitive behaviour in business,</p> </td> <td style="width: 50%; vertical-align: top;"> <p>To safeguard against the indiscriminate use of Advertising in situations or of the promotion of which are regarded as hazardous or harmful to society or to individuals, minors, to a degree or of a type which is unacceptable to society at large. • To ensure that advertisements observe fairness in competition so that consumer's need to be informed on choices in the market-place and the canons of generally accepted competitive behaviour in business</p> </td> </tr> </table> <p><b>W</b> <a href="https://alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/3/___PG_M.B.A%20Marketing%20Managemen ...">https://alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/3/___PG_M.B.A%20Marketing%20Managemen ...</a></p>					<p>To safeguard against indiscriminate use of advertising for promotion of products, which are regarded as hazardous to society or to individuals to a degree or of a type, which is unacceptable to society at large. 4. To ensure that advertisements observe fairness in competition so that both the consumers' need to be informed about choices in the market place and the canons of generally accepted competitive behaviour in business,</p>	<p>To safeguard against the indiscriminate use of Advertising in situations or of the promotion of which are regarded as hazardous or harmful to society or to individuals, minors, to a degree or of a type which is unacceptable to society at large. • To ensure that advertisements observe fairness in competition so that consumer's need to be informed on choices in the market-place and the canons of generally accepted competitive behaviour in business</p>
<p>To safeguard against indiscriminate use of advertising for promotion of products, which are regarded as hazardous to society or to individuals to a degree or of a type, which is unacceptable to society at large. 4. To ensure that advertisements observe fairness in competition so that both the consumers' need to be informed about choices in the market place and the canons of generally accepted competitive behaviour in business,</p>	<p>To safeguard against the indiscriminate use of Advertising in situations or of the promotion of which are regarded as hazardous or harmful to society or to individuals, minors, to a degree or of a type which is unacceptable to society at large. • To ensure that advertisements observe fairness in competition so that consumer's need to be informed on choices in the market-place and the canons of generally accepted competitive behaviour in business</p>					

<b>11/24</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>93% MATCHING TEXT</b>	23 WORDS
<p>was presented to Parliament in 1987. It incorporates the Indecent Representation of Women Act and the Consumer Act, which were passed by the Parliament</p> <p><b>SA</b> Advertising and PR Block 1.pdf (D165350640)</p>				

<b>12/24</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>72% MATCHING TEXT</b>	19 WORDS
<p>The company's overall marketing plan determines promotional objectives. Promotion objectives specify what is to be accomplished, and where the</p> <p><b>SA</b> MKG302 Advertising _ Sales Promotion.pdf (D164737055)</p>				

<b>13/24</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>100% MATCHING TEXT</b>	29 WORDS
<p>the target market segments and the target audience profile, the brand's main attributes and benefits, Market share of the company's and competing brands. Their positioning, strategies, and other relevant information. ?</p> <p><b>SA</b> MKG302 Advertising _ Sales Promotion.pdf (D164737055)</p>				

14/24	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>is the performance of business activities that directs the flow of goods</p> <p><b>SA</b> Advertising and PR Block 1.pdf (D165350640)</p>				
15/24	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>as planning, direction, control of personnel selling, including recruiting, selecting, equipping, supervising, paying and motivating,</p> <p>as "Planning, Direction, and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating</p> <p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/09/Advertising-and-Sales-Management-English.pdf">https://mu.ac.in/wp-content/uploads/2022/09/Advertising-and-Sales-Management-English.pdf</a></p>				
16/24	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>should understand the nature of their authority with respect to each aspect of the operation,</p> <p>should understand the nature of their authority with respect to each aspect of the operation. 3.</p> <p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/09/Advertising-and-Sales-Management-English.pdf">https://mu.ac.in/wp-content/uploads/2022/09/Advertising-and-Sales-Management-English.pdf</a></p>				
17/24	<b>SUBMITTED TEXT</b>	38 WORDS	<b>82% MATCHING TEXT</b>	38 WORDS
<p>sales organisation is both an orienting point for cooperative endeavour and a structure of human relationships. It is a group of individuals striving jointly to reach qualitative and quantitative objectives and bearing formal and informal relations to one another.</p> <p>Sales organisation is both an orienting point for cooperative endeavour and a structure of human relationships. It is composed of the group of individuals, striving jointly to reach qualitative and quantitative personal selling objectives and bearing both informal and formal relations to one another." 6.2.1</p> <p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/09/Advertising-and-Sales-Management-English.pdf">https://mu.ac.in/wp-content/uploads/2022/09/Advertising-and-Sales-Management-English.pdf</a></p>				
18/24	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>be performed to achieve these objectives and estimating the cost</p> <p><b>SA</b> AMU_BCom__Sem_II_ADVERTISING_AND_SALES_MANAGEMENT AMU.doc (D142327477)</p>				
19/24	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>planners prefer, whenever the situation permits, to have individuals grow into particular jobs rather than to have jobs grow up around individuals. 136</p> <p>planners prefer, whenever the situation permits, to have individuals grow into particular jobs rather than to have jobs grow up around individuals. 5.</p> <p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/09/Advertising-and-Sales-Management-English.pdf">https://mu.ac.in/wp-content/uploads/2022/09/Advertising-and-Sales-Management-English.pdf</a></p>				

<b>20/24</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	20 WORDS
<p>positions to whom these activities may be assigned. 2. Classify and group closely related activities and assign them to same</p> <p><b>SA</b> Sales distribution and management.pdf (D157248461)</p>					
<b>21/24</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>97%</b>	<b>MATCHING TEXT</b>	17 WORDS
<p>In order to achieve goals and objectives sales managers plan by outlining essential costs to be incurred.</p> <p>In order to achieve goals and objectives, sales managers plan by outlining the essential costs to be incurred.</p> <p><b>W</b> <a href="https://alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/3/___PG_M.B.A%20Marketing%20Managemen ...">https://alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/3/___PG_M.B.A%20Marketing%20Managemen ...</a></p>					
<b>22/24</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	25 WORDS
<p>Budget acts as an instrument of coordination. Selling is one of the functions of marketing and needs support from the elements of marketing mix. Budgets</p> <p>budget acts as an instrument of coordination. Selling is one of the functions of marketing and needs support from the elements of marketing mix. Budgets</p> <p><b>W</b> <a href="https://alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/3/___PG_M.B.A%20Marketing%20Managemen ...">https://alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/3/___PG_M.B.A%20Marketing%20Managemen ...</a></p>					
<b>23/24</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>94%</b>	<b>MATCHING TEXT</b>	29 WORDS
<p>Comparison between budgeted and actual costs results in the analysis of factors causing variations and enables the sales manager to spot problem areas or plan better for expected outcomes.</p> <p>comparison between budgeted and actual cost results in the analysis of factors causing variations and enables the sales manager to spot problem areas or plan better for expected outcomes. 2.4.2</p> <p><b>W</b> <a href="https://alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/3/___PG_M.B.A%20Marketing%20Managemen ...">https://alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/3/___PG_M.B.A%20Marketing%20Managemen ...</a></p>					
<b>24/24</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>be performed to achieve these objectives and estimating the cost</p> <p><b>SA</b> AMU_BCom__Sem_II_ADVERTISING_AND_SALES_MANAGEMENT AMU.doc (D142327477)</p>					