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17

Integrated Marketing Communications and Direct Marketing

LEARNING OBJECTIVES

After reading this chapter you should be able to:

**LO 17-
1**

Discuss integrated marketing communications and the communication process.

**LO 17-
2**

Describe the promotional mix and the uniqueness of each component.

**LO 17-
3**

Select the promotional approach appropriate to a product's target audience, life-cycle stage, and characteristics, as well as stages of the buying decision and channel strategies.

**LO 17-
4**

Describe the elements of the promotion decision process.

**LO 17-
5**

Explain the value of direct marketing for consumers and sellers.

Taco Bell Loves Twitter!

More than 1.5 million people follow Taco Bell on Twitter. Many more are reached by other elements of its engaging integrated marketing campaign. If you've ever had a late-night snack at Taco Bell, you may be one of them!

Taco Bell has been wildly successful with its Cool Ranch Doritos Locos Tacos campaign. It began three weeks before the new taco was launched with password-only social media events. Taco Bell listened to real-time conversations on Twitter (@TacoBell) and rewarded fans with "epic deliveries." A woman who asked Taco Bell to be her Valentine, a student who promised to gather enough friends to eat 1,000 tacos, and a fan who posted a message about tacos on YouTube all received early tastes of the new product.

The campaign then used television, radio, outdoor, and cinema ads, as well as public relations support. The television ads included two 15-second spots titled "Wow" and "Duh" that were supported by a contest (printed on taco wrappers) inviting customers to post photos to Instagram or Twitter using the #wow and #duh hashtags for a chance to have their entry appear on a billboard in Times Square. The most unique element of the campaign was a 3D ad showing a Dorito chip exploding and then morphing into a Cool Ranch Doritos Locos Taco chip. The ad appeared in more than 8,000 movie theaters nationwide, and the new product quickly became the company's most liked, shared, retweeted, and talked-about product on Facebook, Twitter, and Vine.

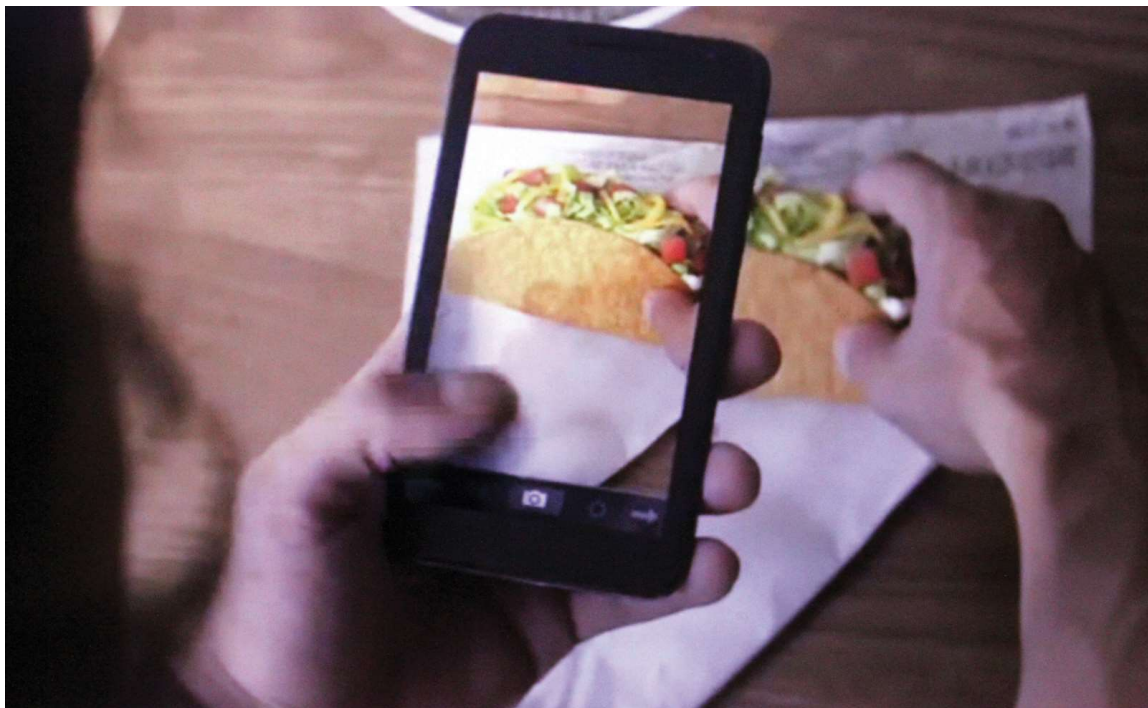
One reason for Taco Bell's success is that all of the elements of its Doritos Locos Tacos campaign are integrated to have the same message and tone, and they focus on engaging consumers. Some marketers have observed that our marketplace is in the midst of a shift from traditional branding to an "age of engagement" and that social media promotions are the best way to accommodate this shift. In addition, they suggest several aspects of social media promotions are essential to engage today's customers. They are:

1. Post relevant content about the benefits and uses of the product.
2. Supplement text with photos and videos.
3. Create sweepstakes, contests, and deals that reward current and new customers.
4. Encourage and respond to comments and feedback, both positive and negative.

5. Be current and timely with all interactions.



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In addition to a presence on Twitter, many brands are using other new forms of engagement, such as Facebook Pages, RSS (rich site summary) feeds, mobile apps, blogs, websites, and QR (quick response) codes. Even traditional

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media are engaging customers—for example, TV reality shows like *Dancing with the Stars* and *America's Got Talent* encourage online and telephone voting. In the future, successful integrated marketing communications campaigns will certainly be engaging you!¹

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Taco Bell's successful Doritos Locos Tacos campaign demonstrates the opportunity for engaging potential customers and the importance of integrating the various

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elements of a marketing communication program. Promotion represents the fourth element in the marketing mix. The promotional element consists of five communication tools, including advertising, personal selling, sales promotion, public relations, and direct marketing. The combination of one or more of these communication tools is called the **promotional mix**. All of these tools can be used to (1) inform prospective buyers about the benefits of the product, (2) persuade them to try it, and (3) remind them later about the benefits they enjoyed by using the product. In the past, marketers often viewed these communication tools as separate and independent. The advertising department, for example, often designed and managed its activities without consulting departments or agencies that had responsibility for sales promotion or public relations. The result was often an overall communication effort that was uncoordinated and, in some cases, inconsistent. Today, the concept of designing marketing communications programs that coordinate all promotional activities—advertising, personal selling, sales promotion, public relations, and direct marketing—to provide a consistent message across all audiences is referred to as **integrated marketing communications (IMC)**. By taking consumer expectations into consideration, IMC is a key element in a company's customer experience management strategy.²

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This chapter provides an overview of the communication process, a description of the promotional mix elements, several tools for integrating the promotional mix, and a process for developing a comprehensive promotion program. One of the promotional mix elements, direct marketing, is also discussed in this chapter. **Chapter 18** covers advertising, sales promotion, and public relations, **Chapter 19** covers social media, and **Chapter 20** discusses personal selling.

THE COMMUNICATION PROCESS

LO 17-1

Discuss integrated marketing communications and the communication process.

Communication is the process of conveying a message to others, and it requires six elements: a source, a message, a channel of communication, a receiver, and the processes of encoding and decoding³ (see **Figure 17-1**). The **source** may be a company or person who has information to convey. The information sent by a source, such as a description of a new smartphone, forms the **message**. The message is conveyed by means of a **channel of**

communication such as a salesperson, advertising media, or public relations tools. Consumers who read, hear, or see the message are the **receivers**.

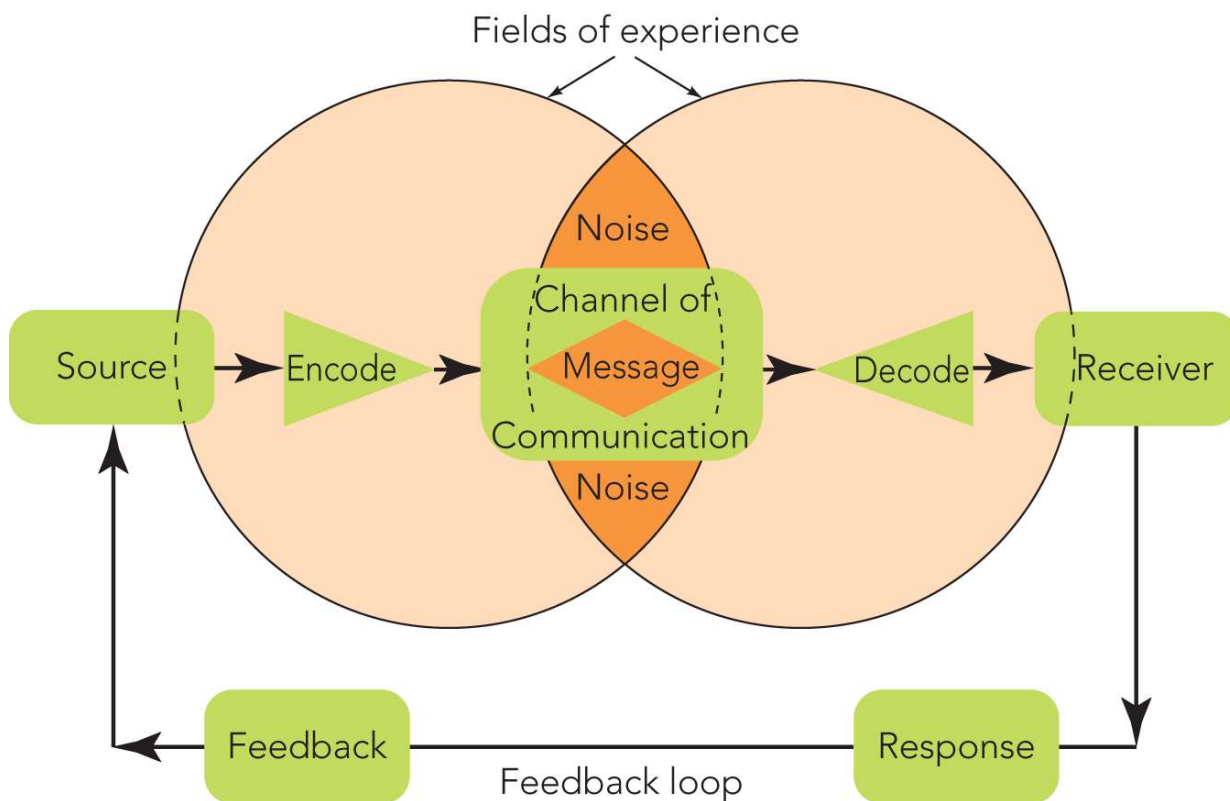


Figure 17-1 The communication process consists of six key elements. See the text to learn about factors that influence the effectiveness of the process.

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How would you decode this ad? What message is The North Face trying to send?

The North Face www.thenorthface.com

Source: The North Face

Encoding and Decoding

Encoding and decoding are essential to communication. **Encoding** is the process of having the sender transform an idea into a set of symbols. **Decoding** is the reverse, or the process of having the receiver take a set of symbols, the message, and transform the symbols into an idea. Look at the advertisement above: Who is the source, and what is the message?

VIDEO 17-1**The North Face**kerin.tv/13e/v17-1

Decoding is performed by the receivers according to their own frame of reference: their attitudes, values, and beliefs.⁴ The North Face is the source and the advertisement is the message, which appeared in *Wired* magazine (the channel). How would you interpret (decode) this advertisement? The picture and text in the advertisement show that the source's intention is to generate interest in its product with the headline "Never Stop Exploring"—a statement the source believes will appeal to the readers of the magazine.

The process of communication is not always a successful one. Errors in communication can happen in several ways. The source may not adequately transform the abstract idea into an effective set of symbols, a properly encoded message may be sent through the wrong channel and never make it to the intended receiver, the receiver may not properly transform the set of symbols into the correct abstract idea, or finally, feedback may be so delayed or distorted that it is of no use to the sender. Although communication appears easy to perform, truly effective communication can be very difficult.

For the message to be communicated effectively, the sender and receiver must have a mutually shared **field of experience**—a similar understanding and knowledge they apply to the message. **Figure 17-1** shows two circles representing the fields of experience of the sender and receiver, which overlap in the message. Some of the better-known message problems have occurred when U.S. companies have taken their messages to cultures with different fields of experience. Many misinterpretations are merely the result of bad translations. For example, KFC made a mistake when its "finger-lickin' good" slogan was translated into Mandarin Chinese as "eat your fingers off"! ⁵

Feedback

Figure 17-1 shows a line labeled *feedback loop*, which consists of a response and feedback. A **response** is the impact the message had on the receiver's knowledge, attitudes,

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or behaviors. **Feedback** is the sender's interpretation of the response and indicates whether the message was decoded and understood as intended. **Chapter 18** reviews approaches called *pretesting*, which ensure that messages are decoded properly.

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Noise

Noise includes extraneous factors that can work against effective communication by distorting a message or the feedback received (**Figure 17–1**). Noise can be a simple error, such as a printing mistake that affects the meaning of a newspaper advertisement or the use of words or pictures that fail to communicate the message clearly. Noise can also occur when a salesperson's message is misunderstood by a prospective buyer, such as when a salesperson's accent, use of slang terms, or communication style make hearing and understanding the message difficult.

learning review

- 17- What six elements are required for communication to occur?
- 1.
- 17- A difficulty for U.S. companies advertising in international markets is
2. that the audience does not share the same _____.
- 17- A misprint in a newspaper ad is an example of _____.
- 3.

THE PROMOTIONAL ELEMENTS

To communicate with consumers, a company can use one or more of five promotional alternatives: advertising, personal selling, public relations, sales promotion, and direct marketing. **Figure 17–2** summarizes the distinctions among these five elements. Three of these elements—advertising, sales promotion, and public relations—are often said to use *mass selling* because they are used with

LO 17-2

Describe the promotional mix and the uniqueness of each component.

groups of prospective buyers. In contrast, personal selling uses *customized interaction* between a seller and a prospective buyer. Personal selling activities include face-to-face, telephone, and interactive electronic communication. Direct marketing also uses messages customized for specific customers.

PROMOTIONAL ELEMENT	MASS OR CUSTOMIZED	COST	STRENGTHS	WEAKNESSES
Advertising	Mass	Fees paid for space or time	Efficient means for reaching large numbers of people	- High absolute costs - Difficult to receive good feedback
Personal selling	Customized	Fees paid to salespeople as either salaries or commissions	- Immediate feedback - Very persuasive - Can select audience - Can give complex information	- Extremely expensive per exposure - Messages may differ between salespeople
Public relations	Mass	No direct payment to media	Often most credible source in the consumer's mind	Difficult to get media cooperation
Sales promotion	Mass	Wide range of fees paid, depending on promotion selected	- Effective at changing behavior in short run - Very flexible	- Easily abused - Can lead to promotion wars - Easily duplicated
Direct marketing	Customized	Cost of communication through mail, telephone, or computer	- Messages can be prepared quickly - Facilitates relationship with customer	- Declining customer response - Database management is expensive

Figure 17-2 Each of the five elements of the promotional mix has strengths and weaknesses.

Advertising

Advertising is any paid form of nonpersonal communication about an organization, product, service, or idea by an identified sponsor. The *paid* aspect of this definition is important because the space for the advertising message normally must be bought. An occasional exception is the public service announcement, where the advertising time or space is donated. A full-page, four-color ad in *Time* magazine, for example, costs \$338,900. The *nonpersonal* component of advertising is also important. Advertising involves mass media (such as TV, radio, and magazines), which are nonpersonal and do not have an immediate feedback loop as does personal selling. So before the



Magazines are a mass media outlet for advertising.

© H. S. Photos/Alamy

message is sent, marketing research plays a valuable role; for example, it determines that the target market will actually see the medium chosen and that the message will be understood.

There are several advantages to a firm using advertising in its promotional mix. It can be attention-getting—as with the Klondike ad shown

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in this chapter—and also communicate specific product benefits to prospective buyers. Page 473
By paying for the advertising space, a company can control *what* it wants to say and, to some extent, to *whom* the message is sent. Advertising also allows the company to decide *when* to send its message (which includes how often). The nonpersonal aspect of advertising also has its advantages. Once the message is created, the same message is sent to all receivers in a market segment. If the pictorial, text, and brand elements of an advertisement are properly pretested, an advertiser can ensure the ad's ability to capture consumers' attention and trust that the same message will be decoded by all receivers in the market segment.⁶

Advertising has some disadvantages. As shown in **Figure 17–2** and discussed in depth in **Chapter 18**, the costs to produce and place a message are significant, and the lack of direct feedback makes it difficult to know how well the message was received.

Personal Selling

The second major promotional alternative is **personal selling**, which is the two-way flow of communication between a buyer and seller designed to influence a person's or group's purchase decision. Unlike advertising, personal selling is usually face-to-face communication between the sender and receiver. Why do companies use personal selling?

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There are important advantages to personal selling, as summarized in **Figure 17–2**. A salesperson can control to *whom* the presentation is made, reducing the amount of *wasted coverage*, or communication with consumers who are not in the target audience. The personal component of selling has another advantage in that the seller can see or hear the potential buyer's reaction to the message. If the feedback is unfavorable, the salesperson can modify the message.

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The flexibility of personal selling can also be a disadvantage. Different salespeople can change the message so that no consistent communication is given to all customers. The high cost of personal selling is probably its major disadvantage. On a cost-per-contact basis, it is generally the most expensive of the five promotional elements.

Public Relations

Public relations is a form of communication management that seeks to influence the feelings, opinions, or beliefs held by customers, prospective customers, stockholders, suppliers, employees, and other publics about a company and its products or services.⁷ Many tools such as special events, lobbying efforts, annual reports, press conferences, social media (including Facebook and Twitter), and image management may be used by a public relations department, although publicity often plays the most important role.⁸ **Publicity** is a nonpersonal, indirectly paid presentation of an organization, product, or service. It can take the form of a news story, editorial, or product announcement. A difference between publicity and both advertising and personal selling is the “indirectly paid” dimension. With publicity a company does not pay for space in a mass medium (such as television or radio) but attempts to get the medium to run a favorable story on the company. In this sense, there is an indirect payment for publicity in that a company must support a public relations staff.

An advantage of publicity is credibility. When you read a favorable story about a company's product (such as a glowing restaurant review), there is a tendency to believe it. Travelers throughout the world have relied on Fodor's guides such as *Essential Italy*. These books describe out-of-the-way, inexpensive restaurants and hotels, giving invaluable publicity to these establishments. Such

businesses do not (nor can they) buy a mention in the guide. Publicity is particularly effective when consumers lack prior knowledge of the product or service.⁹







The Klondike ad, Fodor's travel guide, and M&M's sweepstakes are examples of three elements of the promotional mix—advertising, public relations, and sales promotion.

Sources: Left: Unilever; Middle: © McGraw-Hill Education/Editorial Image, LLC, photographer; Right: Mars, Incorporated



McDonald's facilitates online discussions with Twitter.

Source: McDonald's

The disadvantage of publicity relates to the lack of the user's control over it. A company can invite media to cover an interesting event such as a store opening or a

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new-product release, but there is no guarantee that a story will result, that it will be positive, or that the target audience will receive the message. Social media such as Facebook, Twitter, and topic-specific blogs have grown dramatically and allow public discussions of almost any company activity. Many public relations departments now focus on facilitating and responding to online discussions. McDonald's, for example, recently announced a one-hour Twitter chat with Bob Langert, vice president of corporate social responsibility and sustainability. Generally, publicity is an important element of most promotional campaigns, although the lack of control means that it is rarely the primary element. Research related to the sequence of IMC elements, however, indicates that publicity followed by advertising with the same message increases the positive response to the message.¹⁰

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Sales Promotion

VIDEO 17-2

McDonald's

kerin.tv/13e/v17-2

A fourth promotional element is **sales promotion**, a short-term inducement of value offered to arouse interest in buying a product or service. Used in conjunction with advertising or personal selling, sales promotions are offered to intermediaries as well as to ultimate consumers. Coupons, rebates, samples, contests, and sweepstakes such as the M&M's promotion are just a few examples of sales promotions discussed later in this chapter.

The advantage of sales promotion is that the short-term nature of these programs (such as a coupon or sweepstakes with an expiration date) often stimulates sales for their duration. Offering value to the consumer in terms of a cents-off coupon or rebate may increase store traffic from consumers who are not store-loyal.¹¹

Sales promotions cannot be the sole basis for a campaign because gains are often temporary and sales drop off when the deal ends. Advertising support is needed to convert the customer who tried the product because of a sales promotion into a long-term buyer. If sales promotions are conducted continuously, they lose their effectiveness. Customers begin to delay purchase until a coupon is offered, or they question the product's value. Some aspects of sales promotions also are regulated by the federal government.¹² These issues are reviewed in detail in **Chapter 18**.

Direct Marketing



© Fotosearch, LLC

Another promotional alternative, **direct marketing**, uses direct communication with consumers to generate a response in the form of an order, a request for further information, or a visit to a retail outlet. The communication can take many forms, including face-to-face selling, direct mail, catalogs, telephone solicitations, direct response advertising (on

television and radio and in print), and online marketing.¹³ Like personal selling, direct marketing often consists of interactive communication. It also has the advantage of being customized to match the needs of specific target markets. Messages can be developed and adapted quickly to facilitate one-to-one relationships with customers.

While direct marketing has been one of the fastest-growing forms of promotion, it has several disadvantages. First, most forms of direct marketing require a comprehensive and up-to-date database with information about the target market. Developing and maintaining the database can be expensive and time-consuming. In addition, growing concern about privacy has led to a decline in

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response rates among some customer groups. Companies with successful direct marketing programs are sensitive to these issues and often use a combination of direct marketing alternatives together, or direct marketing combined with other promotional tools, to increase value for customers.

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learning review

- 17-4. Explain the difference between advertising and publicity when both appear on television.
- 17-5. Cost per contact is high with the _____ element of the promotional mix.
- 17-6. Which promotional element should be offered only on a short-term basis?

INTEGRATED MARKETING COMMUNICATIONS— DEVELOPING THE PROMOTIONAL MIX

A firm's promotional mix is the combination of one or more of the promotional tools it chooses to use. In putting together the promotional mix, a marketer must consider two issues. First, the balance of the elements must be determined. Should advertising be emphasized more than personal selling? Should a promotional rebate be offered? Would public relations activities be effective? Several factors affect such decisions: the target audience for the promotion, the stage of the product's life cycle, the characteristics of the product, the decision stage of the buyer, and even the channel of distribution. Second, because the various promotional elements are often the responsibility of different departments, coordinating a consistent promotional effort is necessary. A promotional planning process designed to ensure integrated marketing communications (IMC) can facilitate this goal.

LO 17-3

Select the promotional approach appropriate to a product's target audience, life-cycle stage, and characteristics, as well as stages of the buying decision and channel strategies.

The Target Audience



Publications such as *Restaurant Business* reach business buyers.

Source: CSP Business Media, LLC

Promotional programs are directed to the ultimate consumer, to an intermediary (retailer, wholesaler, or industrial distributor), or to both. Promotional programs directed to buyers of consumer products often use mass media because the number of potential buyers is large. Personal selling is used at the place of purchase, generally the retail store. Direct marketing may be used to encourage first-time or repeat purchases. Combinations of many media alternatives are a necessity for some target audiences today. The Marketing Matters box describes how today's college students can be reached through mobile marketing programs.¹⁴

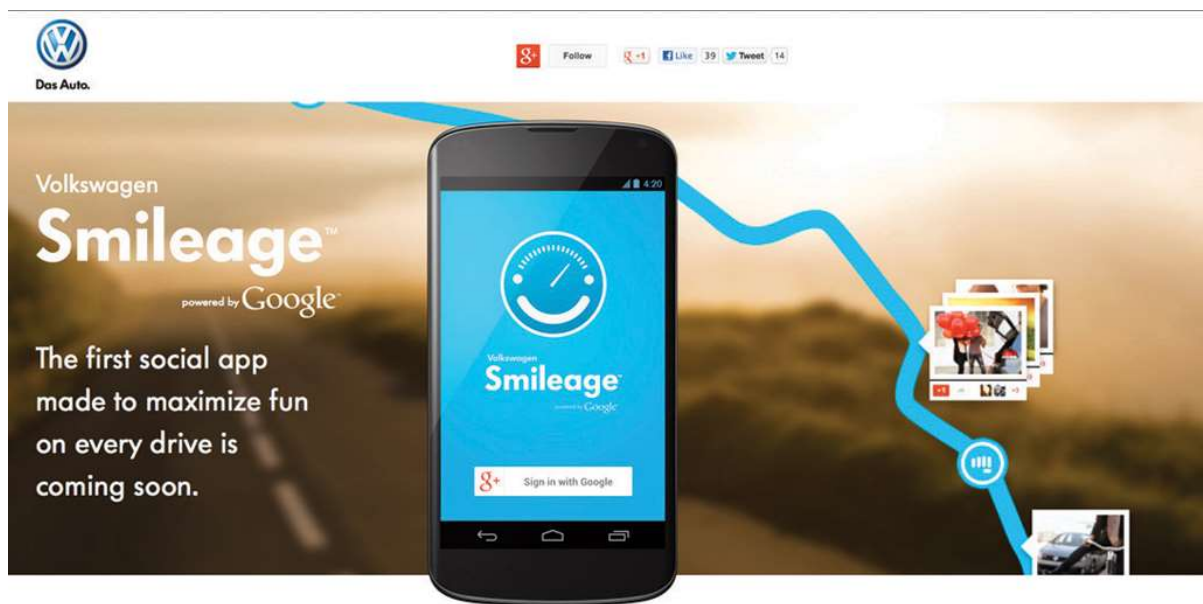
Marketing Matters

technology

Tips for Targeting College Students

College students represent an attractive target market for many businesses today for several reasons. First, they are early adopters shaping spending habits that could lead them to become lifelong customers. Second, experts estimate that their annual spending power is \$417 billion. The challenge for marketers is that students are tech-savvy, hyper-connected, and demanding.

In an effort to reach students with their offerings, marketers are tailoring their activities to match the segment's unique combination of characteristics.



Source: Volkswagen of America, Inc.

College students consist of “digital natives” who have grown up with technology. They have and use laptop computers, high definition televisions, game consoles, tablet PCs, and smartphones. In fact, a recent study of university and college students found that 82 percent of new college students own a smartphone. They access Facebook, Twitter, YouTube, and Instagram; they download apps, coupons, and information 24/7; and they communicate with e-mail, text messages, and blogs. For many businesses, these facts suggest that marketing through cell phones, or mobile marketing will be an essential element in integrated marketing communications campaigns in the future.

Several guidelines help ensure the success of mobile marketing. First, it is important to create a mobile-ready app that is flashy, fun, and has the potential to “go viral.” In addition, successful mobile apps should help shoppers make price comparisons, and match product characteristics to their needs, preferences, and lifestyles. Communication must be short (140 characters on Twitter!), honest, authentic, and transparent about the purpose and value of the brand. Finally, mobile marketing campaigns should facilitate multitasking. According to one expert, marketers “should picture students looking at text and images while traveling on a bus, rushing to a lecture, or out socializing.”

Examples of successful mobile marketing campaigns include MTV's use of a Twitter jockey to provide messages to its viewers, Starbucks's mobile app to make payments easier, and Volkswagen's Smileage app that measures fun on the road.

Watch for other brands that use mobile marketing as part of their campaigns to reach college students in the future.

Advertising directed to business buyers is used selectively in trade publications such as *Restaurant Business* magazine for buyers of restaurant equipment and supplies. Because business buyers often have specialized needs or technical questions, personal selling is particularly important. The salesperson can provide information and the necessary support after the sale.

Intermediaries are often the focus of promotional efforts. As with business buyers, personal selling is the major promotional ingredient. The salespeople assist intermediaries in making a profit by coordinating promotional campaigns sponsored by the manufacturer and by providing marketing advice and expertise. Intermediaries' questions often pertain to the allowed markup, merchandising support, and return policies.

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The Product Life Cycle

All products have a product life cycle (see [Chapter 11](#)), and the composition of the promotional mix changes over the four life-cycle stages, as shown in [Figure 17–3](#).

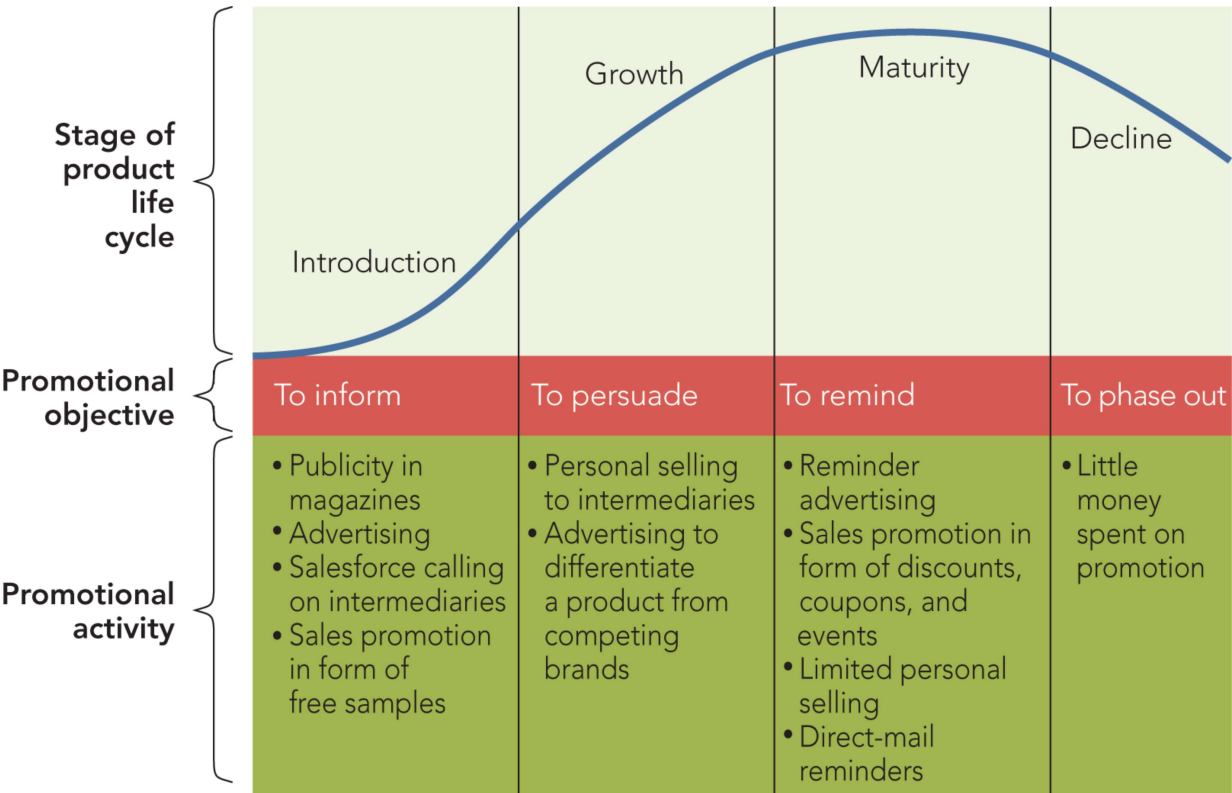


Figure 17–3 The product life cycle illustrates how promotional objectives and activities change over the four stages.

Introduction Stage



Advertising in *Dogster* can build awareness of a new dog food.

Source: I-5 Publishing, LLC

Informing consumers in an effort to increase their level of awareness is the primary promotional objective in the introduction stage of the product life cycle. In general, all the promotional mix elements are used at this time, although the use of specific mix elements during any stage depends on the product and situation. News releases about a new dog food, for example, are sent to veterinary magazines, trial samples are sent to registered dog owners, advertisements are placed in

Dogster magazine, and the salesforce begins to approach supermarkets and pet stores to get orders. Advertising is particularly important as a means of reaching as many people as possible to build awareness and interest. Publicity may even begin slightly before the product is commercially available.

Growth Stage

The primary promotional objective of the growth stage is to persuade the consumer to buy the product rather than substitutes, so the marketing manager seeks to gain brand preference and solidify distribution. Sales promotion assumes less importance in this stage, and publicity is not a factor because it depends on novelty of the product. The primary promotional element is advertising, which stresses brand differences. Personal selling is used to solidify the channel of distribution. For consumer products such as

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dog food, the salesforce calls on the wholesalers and retailers in hopes of increasing inventory levels and gaining shelf space. For business products, the salesforce often tries to get contractual arrangements to be the sole source of supply for the buyer.

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Maturity Stage

In the maturity stage, the need is to maintain existing buyers, and advertising's role is to remind buyers of the product's existence. Sales promotion, in the form of discounts and coupons offered to both ultimate consumers and intermediaries, is important in maintaining loyal buyers. In a test of one mature consumer product, it was found that 80 percent of the product's sales at this stage resulted from sales promotions.¹⁵ Sponsoring events can also help maintain loyalty. For the past 18 years, Purina has sponsored the Purina Pro Plan Incredible Dog Challenge, which is covered by a live stream for online viewers. In addition, Purina has developed an iPhone app called P5 to teach viewers how to train their dogs in the events they see performed during the Challenge.¹⁶ Direct marketing actions such as direct mail are used to maintain involvement with existing customers and to encourage repeat purchases. Price cuts and discounts can also significantly increase a mature brand's sales. The salesforce at this stage seeks to satisfy intermediaries. An unsatisfied customer who switches brands is hard to replace.

Decline Stage

The decline stage of the product life cycle is usually a period of phaseout for the product, and little money is spent in the promotional mix. The rate of decline can be rapid, as is the case when a product is replaced by an improved or lower-cost product, for example, or slow, as often happens when there is a loyal group of customers.

Product Characteristics

The proper blend of elements in the promotional mix also depends on the type of product. Three specific characteristics should be considered: complexity, risk, and ancillary services. *Complexity* refers to the technical sophistication of the product and hence the amount of understanding

required to use it. It's hard to provide much information in a one-page magazine ad or a 30-second television ad, so the more complex the product, the greater the emphasis on personal selling. Gulfstream asks potential

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customers to call a representative identified in its ads. On the other hand, very little information is provided for simple products such as Pepperidge Farm cookies.

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Gulfstream®
G650® G550® G450® G280® G150®

THE WORLD STANDARD

Intercontinental range, record-setting speed, unrivaled utility and the top-rated worldwide product support network. The World Standard® isn't just a company tagline, it's a benchmark by which all others must be measured.

SCOTT NEAL | +1 912 965 6023 | scott.neal@gulfstream.com | GULFSTREAM.com
Gulfstream Aerospace Corporation is a wholly owned subsidiary of General Dynamics.



How do Gulfstream aircraft and Pepperidge Farm cookies differ on complexity, risk, and ancillary services?

Gulfstream www.gulfstream.com Pepperidge Farm www.pepperidgefarm.com

Credit: (left) Source: General Dynamics; (right) Source: Pepperidge Farm, Incorporated

A second element is the degree of risk represented by the product's purchase. *Risk* for the buyer can be assessed in terms of financial risk, social risk, and physical risk. A private jet, for example, might represent all three risks—it is expensive, employees and customers may see and evaluate the purchase, and safety and reliability are important. Although advertising helps, the greater the risk, the greater the need for personal selling. Consumers are unlikely to associate any of these risks with a candy bar.

The level of ancillary services required by a product also affects the promotional strategy. *Ancillary services* pertain to the degree of service or support required after the sale. This characteristic is common to many industrial products and consumer purchases. Who will provide maintenance for the plane? Advertising's role is to establish the seller's reputation. Direct marketing can be used to describe how a product or service can be customized to meet individual needs. However, personal selling is essential to build buyer confidence and provide evidence of customer service.

Stages of the Buying Decision

Knowing the customer's stage of decision making can also affect the promotional mix. **Figure 17–4** on the next page shows how the importance of the promotional elements varies with the three stages in the consumer purchase decision process.

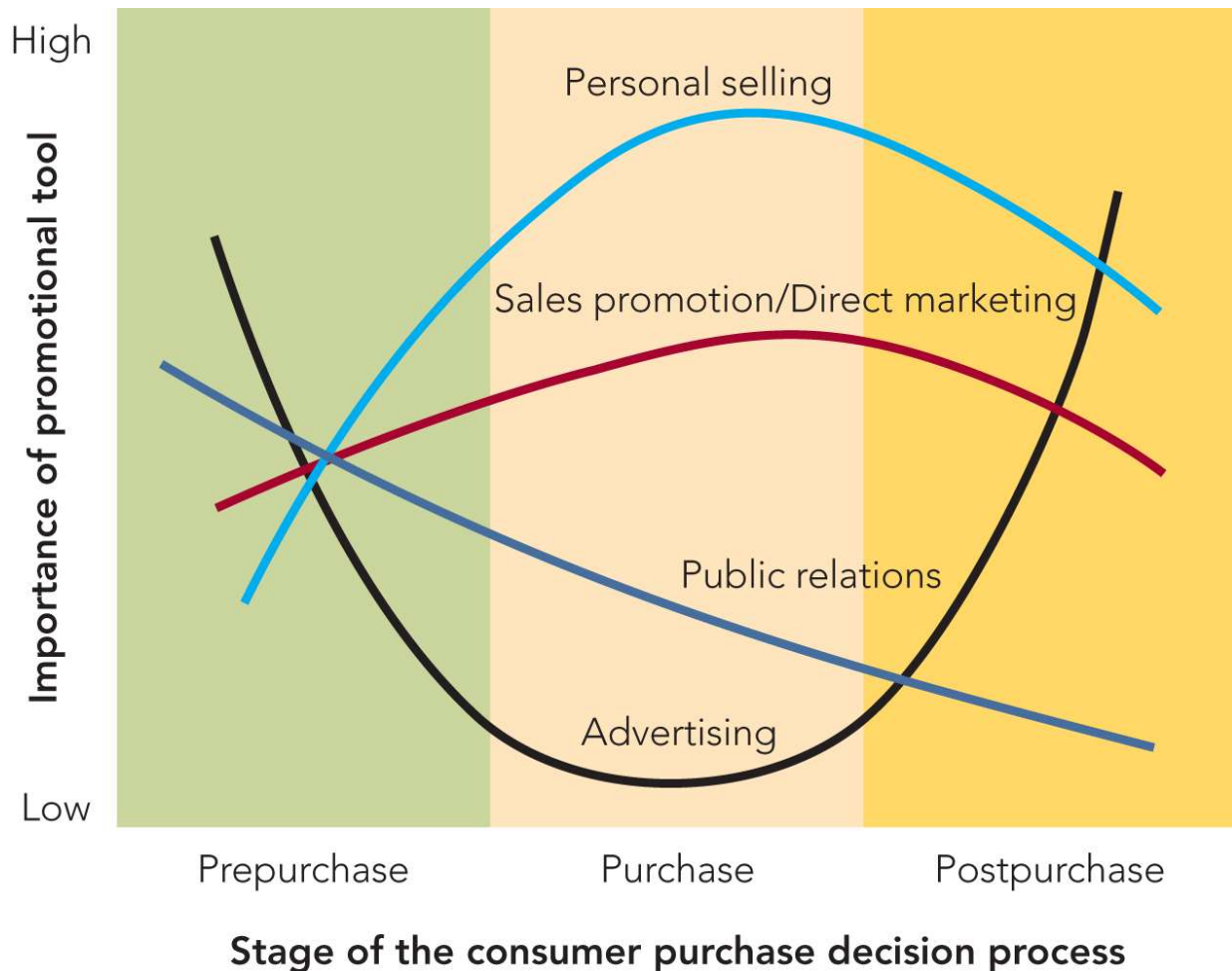


Figure 17-4 The importance of promotional elements varies during the stages of the consumer purchase decision process.

Prepurchase Stage

In the prepurchase stage, advertising is more helpful than personal selling because advertising informs the potential customer of the existence of the product and the seller. Sales promotion in the form of free samples also can play an important role to gain low-risk trial. When the salesperson calls on the customer after heavy advertising, there is some recognition of what the salesperson represents. This is particularly important in industrial settings in which sampling of the product is usually not possible.

Purchase Stage

At the purchase stage, the importance of personal selling is highest, whereas the impact of advertising is lowest. Sales promotion in the form of coupons, deals, point-of-purchase displays, and rebates can be very helpful in

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encouraging demand. In this stage, social media can play an important role in the final decision by delivering promotions and giving consumers control of the process. Research indicates that direct marketing activities shorten the time consumers take to adopt a product or service.¹⁷

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Postpurchase Stage

In the postpurchase stage, the salesperson is still important. In fact, the more personal contact after the sale, the more the buyer is satisfied. Advertising is also important to assure the buyer that the right purchase was made. Advertising and personal selling help reduce the buyer's postpurchase anxiety. Sales promotion in the form of coupons and direct marketing reminders can help encourage repeat purchases from satisfied first-time triers. Public relations plays a small role in the postpurchase stage.¹⁸

Channel Strategies

Chapter 15 discussed the channel flow from a producer to intermediaries to consumers. Achieving control of the channel is often difficult for the manufacturer, and promotional strategies can assist in moving a product through the channel of distribution. This is where a manufacturer has to make an important decision about whether to use a push strategy, pull strategy, or both in its channel of distribution.¹⁹

Push Strategy

Figure 17–5A shows how a manufacturer uses a **push strategy**, directing the promotional mix to channel members to gain their cooperation in ordering and stocking the product. In this approach, personal selling and sales promotions play major roles. Salespeople call on wholesalers to encourage orders and provide sales assistance. Sales promotions, such as case discount allowances (20 percent off the regular case price), are offered to stimulate demand. By pushing the product through the channel, the goal is to get channel members to push it to their customers.



Why does this ad for a drug that offers migraine pain relief suggest readers should “Ask your doctor about RELPAX today”? For the answer, see the text.

Source: Pfizer Inc.

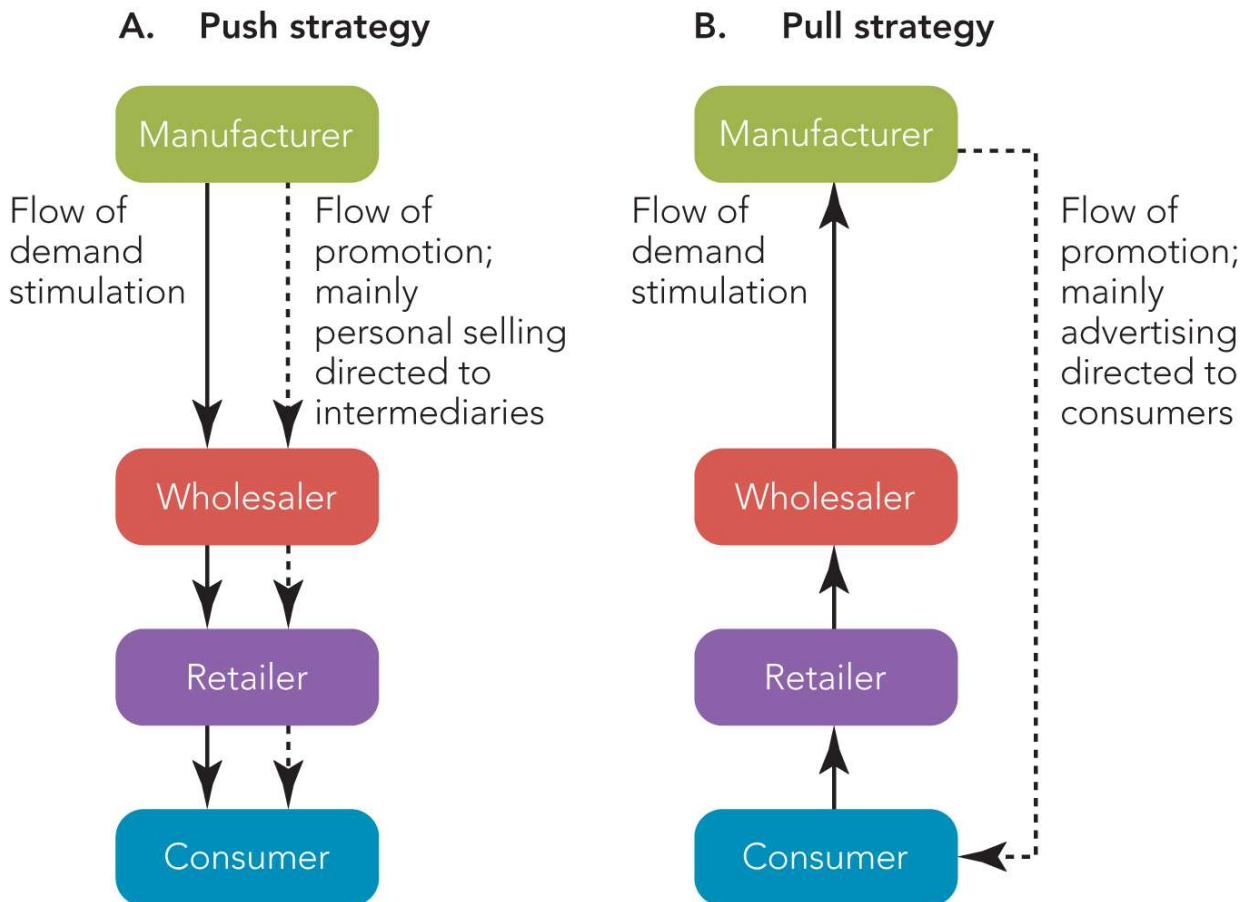


Figure 17–5 Push and pull strategies direct the promotional mix to different points in the channel of distribution.

Ford Motor Company, for example, provides support and incentives for its 3,263 Ford dealers. Through a multilevel program, Ford provides incentives to reward dealers for meeting sales goals. Dealers receive an incentive when they are

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near a goal, another when they reach a goal, and an even larger one if they exceed sales projections. Ford also offers some dealers special incentives for maintaining superior facilities or improving customer service. All of these actions are intended to encourage Ford dealers to “push” the Ford products through the channel to consumers.²⁰

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Pull Strategy

In some instances, manufacturers face resistance from channel members who do not want to order a new product or increase inventory levels of an existing brand. As shown in **Figure 17–5B**, a manufacturer may then elect to implement a **pull strategy** by directing its promotional mix at ultimate consumers to encourage them to ask the retailer for a product. Seeing demand from ultimate consumers, retailers order the product from wholesalers and thus the item is pulled through the intermediaries. Pharmaceutical companies, for example, now spend more than \$3.8 billion annually on *direct-to-consumer* prescription drug advertising, to complement traditional personal selling and free samples directed only at doctors.²¹ The strategy is designed to encourage consumers to ask their doctor for a specific drug by name—pulling it through the channel. Successful campaigns such as the print ad, which says, “Ask your doctor about RELPAX today,” can have dramatic effects on the sales of a product.

learning review

- 17- Describe the promotional objective for each stage of the product life cycle.
- 7. cycle.
- 17- At what stage of the consumer purchase decision process is the importance of personal selling highest? Why?
- 8. importance of personal selling highest? Why?
- 17- Explain the differences between a push strategy and a pull strategy.
- 9.

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DEVELOPING AN INTEGRATED MARKETING COMMUNICATIONS PROGRAM

LO 17-4

Describe the elements of the promotion decision process.

Because media costs are high, promotion decisions must be made carefully, using a systematic approach. Paralleling the planning, implementation, and evaluation steps described in the strategic marketing process (**Chapter 2**), the promotion decision process is divided into (1) developing, (2) executing, and (3) assessing the promotion program (see **Figure 17–6**). Development of the promotion

program focuses on the four *Ws*:

- *Who* is the target audience?
- *What* are (1) the promotion objectives, (2) the amounts of money that can be budgeted for the promotion program, and (3) the kinds of promotion to be used?
- *Where* should the promotion be run?
- *When* should the promotion be run?

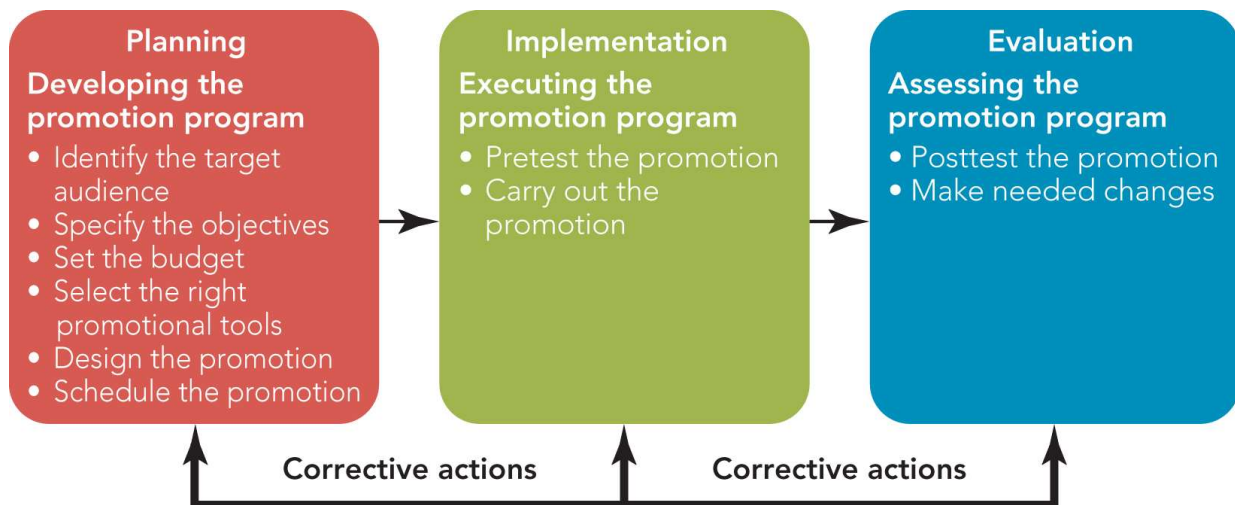


Figure 17–6 The promotion decision process includes planning, implementation, and evaluation.

Identifying the Target Audience

The first step in developing the promotion program involves identifying the *target audience*, the group of prospective buyers toward which a promotion program will be directed. To the extent that time and money permit, the target audience for the promotion program is the target market for the firm's product, which is identified from primary and secondary sources of marketing information. The more a firm knows about its target audience—including demographics, interests, preferences, media use, and purchase behaviors—the easier it is to develop a promotional program. A firm might use a profile based on gender, age, and income, for example, to place ads during specific TV programs or in particular magazines. Similarly, a firm might use *behavioral targeting*—collecting information about your web-browsing behavior to determine the banner and display ads that you will see as you surf the Web. Behavioral targeting is discussed in more detail in [Chapter 21](#).²²

Specifying Promotion Objectives

After the target audience has been identified, a decision must be reached on what the promotion should accomplish. Consumers can be said to respond in terms of a **hierarchy of effects**, which is the sequence of stages a prospective buyer goes through from initial awareness of a product to eventual action.²³ The five stages are:

- *Awareness*—the consumer's ability to recognize and remember the product or brand name.
- *Interest*—an increase in the consumer's desire to learn about some of the features of the product or brand.
- *Evaluation*—the consumer's appraisal of the product or brand on important attributes.

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Trial—the consumer's actual first purchase and use of the product or brand.

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- *Adoption*—through a favorable experience on the first trial, the consumer's repeated purchase and use of the product or brand.

For a totally new product, the sequence applies to the entire product category, but for a new brand competing in an established product category, it applies to the brand itself. These steps can serve as guidelines for developing promotion objectives.

Although sometimes an objective for a promotion program involves several steps in the hierarchy of effects, it often focuses on a single stage. Regardless of what the specific objective might be, from building awareness to increasing repeat purchases, promotion objectives should possess three important qualities. They should (1) be designed for a well-defined target audience, (2) be measurable, and (3) cover a specified time period.

Setting the Promotion Budget

From **Figure 17–7**, it is clear that the promotion expenditures needed to reach U.S. households are enormous. Note that each of the companies spends a total of more than \$2 billion annually on promotion.²⁴

Rank	Company	Advertising (\$ in millions)	+	All Other Promotion (\$ in millions)	=	Total (\$ in millions)
1	Procter & Gamble	\$2,919		\$1,688		\$4,607
2	AT&T	\$1,636		\$1,636		\$3,272
3	General Motors	\$1,660		\$1,460		\$3,120
4	Comcast	\$1,557		\$1,472		\$3,029
5	Verizon	\$1,292		\$1,234		\$2,526
6	Ford	\$ 842		\$1,625		\$2,467
7	American Express	\$ 372		\$1,992		\$2,364
8	Fiat Chrysler	\$1,128		\$1,121		\$2,249
9	L'Oréal	\$1,474		\$ 684		\$2,158
10	Walt Disney	\$ 869		\$1,240		\$2,109

Figure 17-7 U.S. promotion expenditures of the top 10 companies. Note that Ford, American Express, and Walt Disney spend more on promotion than on advertising.

After setting the promotion objectives, a company must decide how much to spend. Determining the ideal amount for the budget is difficult because there is no precise way to measure the exact results of spending promotion dollars. However, several methods can be used to set the promotion budget.²⁵



© Peter Probst/Alamy



© PSL Images/Alamy

Percentage of Sales

In the **percentage of sales budgeting** approach, funds are allocated to promotion as a percentage of past or anticipated sales, in terms of either dollars or units sold. A common budgeting method, this approach is often stated in terms such as, “Our

promotion budget for this year is 3 percent of last year's gross sales."²⁶ The advantage of this approach is obvious: It is simple and provides a financial safeguard by tying the promotion budget to sales. However, there is a major fallacy in this approach, which implies that sales cause promotion. Using this method, a company may reduce its promotion budget because of a downturn in past sales or an anticipated downturn in future sales—situations in which it may need promotion the most. See the Applying Marketing Metrics box for an application of the promotion-to-sales ratio to the soft-drink industry.²⁷

Applying Marketing Metrics

How Much Should You Spend on IMC?

Integrated marketing communications (IMC) programs coordinate a variety of promotion alternatives to provide a consistent message across audiences. The amount spent on the various promotional elements, or on the total campaign, may vary depending on the target audience, the type of product, where the product is in the product life cycle, and the channel strategy selected. Managers often use the promotion-to-sales ratio on their marketing dashboard to assess how effective the IMC program expenditures are at generating sales.

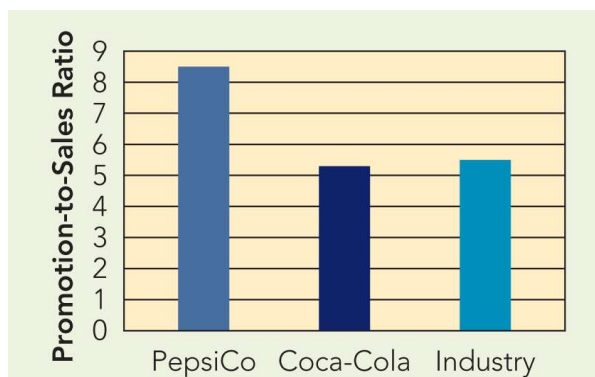
Your Challenge

As a manager at PepsiCo, you've been asked to assess the effectiveness of all promotion expenditures during the past year. The promotion-to-sales ratio can be used to make year-to-year comparisons of a company's promotional programs, to compare the effectiveness of a company's program with competitors' programs, or to make comparisons with industry averages. You decide to calculate the promotion-to-sales ratio for PepsiCo. In addition, to allow a comparison, you decide to make the same calculation for one of your competitors, Coca-Cola, and for the entire nonalcoholic beverage industry. The ratio is calculated as follows:

$$\text{Promotion-to-sales ratio} = \text{Total promotion expenditures} \div \text{Total sales}$$

Your Findings

The information needed for these calculations is readily available from trade publications and annual reports. The following graph shows the promotion-to-sales ratio for PepsiCo, Coca-Cola, and the entire nonalcoholic beverage industry. PepsiCo spent \$196 million on its promotion program to generate \$2.3 billion in sales for a ratio of 8.5 (percent). In comparison, Coca-Cola's ratio was 5.3, and the industry average was 5.5.



Your Action

PepsiCo's promotion-to-sales ratio is higher than Coca-Cola's and higher than the industry average. This suggests that the current mix of promotional activities and the level of expenditures may not be creating an effective IMC program. In the future, you will want to monitor the factors that may influence the ratio.

Competitive Parity

A second common approach, **competitive parity budgeting**, is matching the competitor's absolute level of spending or the proportion per point of

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market share. This approach has also been referred to as *matching competitors* or *share of market*. It is important to consider the competition in budgeting. Consumer responses to promotion are affected by competing promotional activities, so if a competitor runs 30 radio ads each week, it may be difficult for a firm to get its message across with only 5 ads. The competitor's budget level, however, should not be the only determinant in setting a company's budget. The competition might have very different promotional objectives, which require a different level of promotion expenditures.²⁸

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All You Can Afford

Common to many small businesses is **all-you-can-afford budgeting**, in which money is allocated to promotion only after all other budget items are covered. As one company executive said in reference to this budgeting process, "Why, it's simple. First, I go upstairs to the controller and ask how much they can afford to give us this year. She says a million and a half. Later, the boss comes to me and asks how much we should spend, and I say, 'Oh, about a million and a half.' Then we have our promotion appropriation."²⁹

Fiscally conservative, this approach has little else to offer. Using this budgeting philosophy, a company acts as though it doesn't know anything about a promotion-sales relationship or what its promotion objectives are.

Objective and Task

The best approach to budgeting is **objective and task budgeting**, whereby the company (1) determines its promotion objectives, (2) outlines

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the tasks it will undertake to accomplish those objectives, and (3) determines the promotion cost of performing those tasks.³⁰ This method takes into account what the company wants to accomplish and requires that the objectives be specified.³¹ Strengths of the other budgeting methods are integrated into this approach because each previous method's strength is tied to the objectives. For example, if the costs are beyond what the company can afford, objectives are reworked and the tasks revised. The difficulty with this method is the judgment required to determine the tasks needed to accomplish objectives.

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Selecting the Right Promotional Tools

Once a budget has been determined, the combination of the five basic IMC tools—advertising, personal selling, sales promotion, public relations, and direct marketing—can be specified. While many factors provide direction for selection of the appropriate mix, the large number of possible combinations of the promotional tools means that many combinations can achieve the same objective. Therefore, an analytical approach and experience are particularly important in this step of the promotion decision process. The specific mix can vary from a simple program using a single tool to a comprehensive program using all forms of promotion.



This logo for the 2018 Winter Olympics in PyeongChang, South Korea, is part of a comprehensive IMC program.

© grzegorz knec/Alamy

VIDEO 17-3

Olympics

kerin.tv/13e/v17-3

The Olympics have become a very visible example of a comprehensive integrated communications program. Because the Games are repeated every two years, the promotion is continuous during “on” and “off” years. Included in the program are advertising campaigns, personal selling efforts by the Olympic committee and organizers, sales promotion activities such as product tie-ins and sponsorships, public relations programs managed by the host cities, online and social media communication, and direct marketing efforts targeted at a variety of audiences, including governments, organizations, firms, athletes, and individuals.³² At this stage, it is also important to assess the relative importance of the various tools. While it may be desirable to utilize and integrate several forms of promotion, one may deserve emphasis. The Olympics, for example, place primary importance on public relations and publicity.

Designing the Promotion

The central element of a promotion program is the promotion itself. Advertising consists of advertising copy and the artwork that the target audience is intended to see or hear. Personal selling efforts depend on the characteristics and skills of the salesperson. Sales promotion activities consist of the specific details of inducements such as coupons, samples, and sweepstakes. Public relations efforts are readily seen in tangible elements such as news releases, and direct marketing actions depend on written, verbal, and electronic forms of delivery. The design of the promotion will play a primary role in determining the message that is communicated to the audience. This design activity is frequently viewed as the step requiring the most creativity. In addition, successful designs are often the result of insight regarding consumers’ interests and purchasing behavior. All of the promotion tools have many design alternatives. Advertising, for example, can utilize fear, humor, attractiveness, or other themes in its appeal. Similarly, direct marketing can be designed for varying levels of personal or customized appeals. One of the challenges of IMC is to design each promotional activity to communicate the same message.³³

Scheduling the Promotion



What promotional tools did Disney use to support the release of *Jurassic World*?

© Film Fanatique/Alamy

Once the design of each of the promotional program elements is complete, it is important to determine the most effective timing of their use. The promotion schedule describes the order in which each promotional tool is introduced and the frequency of its use during the campaign.

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Universal Pictures movie studio, for example, uses a schedule of several promotional tools for movies. To generate interest in *Jurassic World*, the studio aired a “Jurassic Park” special on the SciFi Channel and also created “Jurassic Thursday” for Univision and Telemundo. The trailer for the movie was then aired just before kickoff at the Super Bowl, and the studio created a reality-based web experience, which presented Jurassic World as an actual vacation resort. In addition, the director of the original *Jurassic Park*, Steven Spielberg, did magazine, online, and TV interviews recalling his original film. Actors from the new film, including lead actor Chris Pratt, also made promotional appearances and Chris was highlighted in *Entertainment Weekly*’s movie double issue and on the cover of *GQ* magazine. The campaign culminated with a premiere event in Hollywood featuring Jimmy Buffett. The results were spectacular as the movie broke all records to become the number one movie for U.S. and overseas ticket sales!³⁴

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Overall, the scheduling of the various promotions was designed to generate interest, bring consumers into theaters, and then encourage additional purchases after seeing the movie. Several factors such as seasonality and competitive promotion activity can also influence the promotion schedule. Businesses such as ski resorts, airlines, and professional sports teams are likely to reduce their promotional activity during the off-season. Similarly, restaurants, retail stores, and health clubs are likely to increase their promotional activity when new competitors enter the market.

EXECUTING AND ASSESSING THE PROMOTION PROGRAM

Carrying out the promotion program can be expensive and time-consuming. One researcher estimates that “an organization with sales less than \$10 million can successfully implement an IMC program in one year, one with sales between \$200 million and \$500 million will need about three years, and one with sales between \$2 billion and \$5 billion will need five years.” In addition, firms with a market orientation are more likely to implement an IMC program, and firms with support from top management have more effective IMC programs.³⁵ To facilitate the transition, approximately 200 integrated marketing communications agencies are in operation. In addition, some of the largest agencies are adopting approaches that embrace “total communications solutions.”

VIDEO 17-4

MediaCom

kerin.tv/13e/v17-4



Read the text to learn how an integrated campaign helped Canon become a market share leader.

Source: Canon

Media agency MediaCom, which recently won *Advertising Age* magazine's Media Agency of the Year award, for example, is part of a global network of 5,000 people in 113 offices in 89 countries who "work on behalf of our clients to leverage their brands' entire system of communications." In fact, the agency website proclaims that "we optimize content and connections to fuel business success."

MediaCom's clients include Volkswagen, Dell, Subway, Revlon, Shell, and many others. One of its integrated campaigns for Canon, called Project Imagin8ion, included a user-generated photo contest, a partnership with filmmaker Ron Howard, community participation through YouTube and Flickr, online and TV advertising, and an interactive billboard in Times Square. The campaign resulted in Canon becoming the detachable lens camera market share leader. While many agencies may still be specialists, the trend today is clearly toward an integrated perspective that includes all forms of promotion. Agencies can accomplish this by including account managers, channel experts, media specialists, and planning personnel in their campaign design efforts.³⁶

An important factor in developing successful IMC programs is to create a process that facilitates their design and use. A tool used to evaluate a company's current process is the IMC audit. The audit analyzes the internal communication network of the company; identifies key audiences; evaluates customer databases; assesses messages in recent advertising, public relations releases, packaging, websites, e-mail and social media communication, signage, sales promotions, and direct mail; and determines the IMC expertise of company

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and agency personnel.³⁷ This process is becoming increasingly important as consumer-generated media such as blogs, RSS, podcasts, and social networks become more popular and as the use of search engines increases. Now, in addition to ensuring that traditional forms of communication are integrated, companies must be able to monitor consumer content, respond to inconsistent messages, and even answer questions from individual customers. According to Professor Judy Franks, marketers should also be cognizant of consumers she calls “accelerators.” These individuals easily move content from medium to medium—from TV to YouTube to a mobile phone text message, for example—without any influence or control from the message source.³⁸

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© PSL Images/Alamy

As shown earlier in **Figure 17–6**, the ideal execution of a promotion program involves pretesting each design before it is actually used to allow for changes and modifications that improve its effectiveness. Similarly, posttests are recommended to evaluate the impact of each promotion and the contribution of the promotion toward achieving the program objectives. The most sophisticated pretest and posttest procedures have been developed for advertising and are discussed in **Chapter 18**. Testing procedures for sales promotion and direct marketing efforts currently focus on comparisons of different designs or responses of different segments. To fully benefit from IMC programs, companies must create and maintain a test-result database that allows comparisons of the relative impact of the promotional tools and their execution options in varying situations. Information from the database will allow informed design and execution decisions and provide support for IMC activities during internal reviews by financial or administrative personnel. The San Diego Padres baseball team, for example, developed a database of information relating attendance to its integrated campaign, which included a new logo, special events, merchandise sales, and a loyalty program.

As many as three-fourths of businesses may individually test new communication elements such as digital advertising, while one-fourth of all businesses may assess “most of their communication tactics” using new and traditional measures of effectiveness.³⁹ For most organizations, the assessment focuses on trying to determine which element of promotion works better. In an integrated program, however, media advertising might be used to build awareness, sales promotion

to generate an inquiry, direct mail to provide additional information to individual prospects, and a personal sales call to complete the transaction. The tools are used for different reasons, and their combined use creates a synergy that should be the focus of the assessment. In addition, the effectiveness of IMC programs is strongly related to overall company performance.⁴⁰ Another level of assessment is necessary when firms have international promotion programs.

learning review

- 17-10.** What are the characteristics of good promotion objectives?
- 17-11.** What is the weakness of the percentage of sales budgeting approach?
- 17-12.** How have advertising agencies changed to facilitate the use of IMC programs?

DIRECT MARKETING

LO 17-5

Explain the value of direct marketing for consumers and sellers.

Direct marketing takes many forms and utilizes a variety of media. Several forms of direct marketing—direct mail and catalogs, television home shopping, telemarketing, and direct selling—were discussed as methods of nonstore retailing in **Chapter 16**. In addition, although advertising is discussed in **Chapter 18**, a form of advertising—direct response advertising—is an important form of direct marketing. Finally, interactive marketing is

discussed in detail in **Chapter 21**. In this section, the growth of direct marketing, its value for consumers and sellers, and key global, technological, and ethical issues are discussed.

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The Growth of Direct Marketing

The increasing interest in customer relationship management is reflected in the dramatic growth of direct marketing. The ability to customize communication efforts and create one-to-one interactions is appealing to most marketers, particularly those with IMC programs, because it leads to more favorable attitudes from the recipients. While many direct marketing methods are not new, the ability to design and use them has increased with the availability of customer information databases and new printing technologies. In recent years, direct marketing growth has outpaced total economic growth. Direct marketing expenditures exceed \$146 billion and are growing at a rate of 9 percent. Similarly, revenues are expected to grow to \$2.4 trillion next year. Direct marketing currently accounts for 8.7 percent of the total U.S. gross domestic product. **Figure 17–8** shows the annual expenditures on four popular forms of direct marketing and their typical response rates. For example, marketers spend over \$33 billion on direct mail each year, and direct mail generates a 3.4 percent response rate.⁴¹

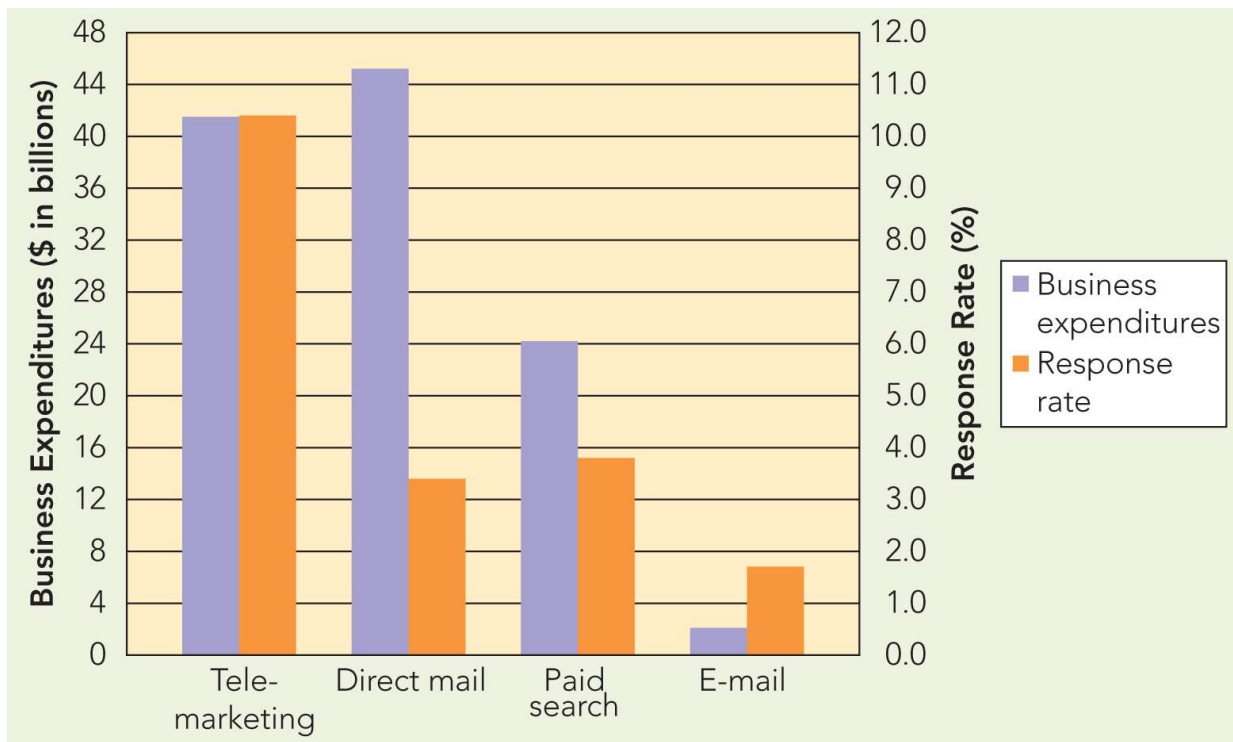
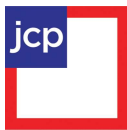


Figure 17–8 Business expenditures and response rates of four popular forms of direct marketing. Read the text to learn why the use of direct marketing is increasing.



Source: McGraw-Hill Education, Mark A. Dierker, photographer

While telemarketing receives the highest level of expenditures, most campaigns use several methods. jcpenny is one company that has integrated its direct marketing activities. The company begins a campaign by sending coupons to customers through e-mail and text messages. Consumers also receive direct-mail postcards and “Look Books” that invite them to visit the company’s e-commerce website www.jcpenny.com or mobile commerce site www.m.jcpenny.com. A special social commerce app is also available for purchases on jcpenny’s Facebook “Fan” Page. Many companies also integrate their direct marketing with other forms of promotion. Porsche, for example, recently launched television ads to change consumer perceptions of its cars and supported the campaign with direct-mail brochures, a mobile application, and an online video contest. As part of its campaign, Porsche parked its cars in the driveways of selected homes, took photos, and then created customized cards for delivery to each of the homes! Mobile direct marketing sales and social network direct marketing sales are growing at 33 percent and 20 percent, respectively—the fastest of all direct marketing tools.⁴²

The Value of Direct Marketing

One of the most visible indicators of the value of direct marketing for consumers is its increasing level of use in its various forms. For example, in the past year, 45 percent of

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the U.S. population ordered merchandise or services by mail; more than 114 million people made purchases online; and consumers spent more than \$76 billion on products available through mobile (smartphone, smartwatch, tablet) offers. In addition, 57 percent of social media users say that they are more likely to purchase a product after seeing a positive post.

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For consumers, direct marketing offers a variety of benefits, including: They don't have to go to a store; they can usually shop 24 hours a day; buying direct saves time; they avoid hassles with salespeople; they can save money; it's fun and entertaining; and it offers more privacy than in-store shopping. Many consumers also believe that direct marketing provides excellent customer service. Toll-free telephone numbers, customer service representatives with access to information regarding purchasing preferences, overnight delivery services, and unconditional guarantees all help create value for direct marketing customers. At Landsend.com, when customers need assistance they can click the "Live Help" icon to receive help from a sales representative on the phone or through online chat or online video until the correct product is found. "It's like we were walking down the aisle in a store!" says one Lands' End customer.⁴³

VIDEO 17-5

Priceline Ad

kerin.tv/13e/v17-5

The value of direct marketing for sellers can be described in terms of the responses it generates. **Direct orders** are the result of offers that contain all the information necessary for a prospective buyer to make a decision to purchase and complete the transaction. Priceline.com, for example, will send *PriceBreaker* alerts to people in its database. The messages offer discounted fares and rates to customers who can travel on very short notice. **Lead generation** is the result of an offer designed to generate interest in a product or service and a request for additional information. Four Seasons Hotels now sell private residences in several of their properties and send direct mail to prospective residents asking them to request additional information on the telephone or through a website.



Mazda uses direct mail to motivate people to visit its dealerships.

Source: Minacs Marketing Solutions

Finally, **traffic generation** is the outcome of an offer designed to motivate people to visit a business. Home Depot, for example, uses an opt-in e-mail alert to announce special sales that attract consumers to the store. Similarly, Mazda uses direct mail to generate traffic in its dealerships.⁴⁴

Technological, Global, and Ethical Issues in Direct Marketing

The information technology and databases described in **Chapter 8** are key elements in any direct marketing program. Databases are the result of organizations' efforts to create profiles of customers so that direct marketing tools, such as e-mail and catalogs, can be directed at specific customers. While most companies try to keep records of their customers' past purchases, many other types of data are needed to use direct marketing to develop one-to-one relationships with customers. Some data, such as lifestyles, media use, and demographics, are best collected from the consumer. Other types of data, such as price, quantity, and brand, are best collected from the businesses where purchases are made. New integrated marketing databases match consumers' postal addresses, telephone numbers, and e-mail addresses. In addition, many businesses are beginning to match their customer records with Facebook profiles, Twitter following behavior, and Google search activity.⁴⁵

Increases in postage rates and the decline in the economy have also increased the importance of information related to the cost of direct marketing activities. For example, the Direct Marketing Association estimates that e-mail advertising expenditures outperform social media advertising by a ratio of 3-to-1. Similarly, catalog businesses have found they can reduce the cost of printing by using innovations such as soy-based ink and recycled paper, and they can reduce postage fees through database list analysis. Related to postage fees, many direct marketers are assessing the potential impact of the USPS plan for a five-day mail delivery cycle.⁴⁶

Direct marketing faces several challenges and opportunities in global markets today. Many countries, including the United Kingdom, Australia, the European

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Union, and Japan, have requirements for a mandatory “opt-in”—that is, potential customers must give permission to be included on a list for direct marketing solicitations. In addition, the mail, telephone, and Internet systems in many countries are not as well developed as they are in the United States. The need for improved reliability and security in these countries has slowed the growth of direct mail, while the dramatic growth of mobile phone penetration has created an opportunity for direct mobile marketing campaigns. Another issue for global direct marketers is payment. The availability of credit and credit cards varies throughout the world, creating the need for alternatives such as C.O.D. (cash on delivery), bank deposits, and online payment accounts.⁴⁷

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Global and domestic direct marketers both face challenging ethical issues today. Concerns about privacy, for example, have led to various attempts to provide guidelines that balance consumer and business interests. The European Union passed a consumer privacy law, called the *Data Protection Directive*, after several years of discussion with the Federation of European Direct Marketing and the UK’s Direct Marketing Association. A new version of the law, called the *General Data Protection Regulation*, will address new developments such as social networks and cloud computing and is scheduled to take effect in 2016.

VIDEO 17-6

Ad Choices

kerin.tv/13e/v17-6

In the United States, the Federal Trade Commission and many state legislatures have also been concerned about privacy. Several bills that call for a do-not-mail registry similar to the Do Not Call Registry are being discussed. Similarly, there are growing concerns about the web “tracking” tools used by direct marketers to segment consumers and match them with advertising. The Making Responsible Decisions box describes some of the issues under consideration.⁴⁸

Making Responsible Decisions Ethics

What Is the Future of Your Privacy?

In 2003, the Federal Trade Commission opened the National Do Not Call Registry to give Americans a tool for maintaining their privacy on home and cellular telephone lines. More than 70 percent of all Americans registered. Since then, several state legislatures have also passed laws to create do-not-call lists for automated (robo) telephone calls. In addition, new discussions about privacy related to mail and computer use are now taking place.

Generally, the question being debated is, “What information is private?” Are telephone numbers, addresses of residences, and online activities private or public information? Proponents of a do-not-mail registry argue that, like telephone calls, citizens should be able to stop unsolicited mail. Proponents of do-not-track regulations suggest that website owners who use cookies to collect information about consumers’ shopping habits should do so only with a consumer’s consent. Marketers counter that consumers who share this information are more likely to receive messages and advertising that better match their interests.



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The Direct Marketing Association currently advocates several solutions. First, it has created DMAchoice, an online tool to help consumers manage the types of mail and e-mail they receive. Second, the organization endorses a self-regulatory program for online behavioral advertising (OBA) that encourages advertisers to include an “Ad Choices” icon in the corner of online ads to allow consumers to opt out of having data collected about their online activities. The program is part of an advertising coalition called the Digital Advertising Alliance. The program is part of an advertising coalition called the Digital Advertising Alliance. Moving beyond self-regulation, the European Union recently passed the *E-Privacy Directive* to provide explicit laws for website owners. And in the United States, the Senate is evaluating the “Do Not Track Online Act.” These guidelines and regulations, of course, have huge implications for advertisers, portals such as Facebook and Google, and consumers.

What is your opinion? What types of information should be private? Can we find a balance between self-regulation and legislation?

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learning review

- 17- The ability to design and use direct marketing programs has increased
- 13. with the availability of _____ and _____.
- 17- What are the three types of responses generated by direct marketing
- 14. activities?

LEARNING OBJECTIVES REVIEW

LO 17-1 *Discuss integrated marketing communications and the communication process.*

Integrated marketing communications is the concept of designing marketing communications programs that coordinate all promotional activities—advertising, personal selling, sales promotion, public relations, and direct marketing—to provide a consistent message across all audiences. The communication process conveys messages with six elements: a source, a message, a channel of communication, a receiver, and encoding and decoding. The communication process also includes a feedback loop and can be distorted by noise.

LO 17-2 *Describe the promotional mix and the uniqueness of each component.*

There are five promotional alternatives. Advertising, sales promotion, and public relations are mass selling approaches, whereas personal selling and direct marketing use customized messages. Advertising can have high absolute costs but reaches large numbers of people. Personal selling has a high cost per contact but provides immediate feedback. Public relations is often difficult to obtain but is very credible. Sales promotion influences short-term consumer

behavior. Direct marketing can help develop customer relationships, although maintaining a database can be very expensive.

LO 17-3 *Select the promotional approach appropriate to a product's target audience, life-cycle stage, and characteristics, as well as stages of the buying decision and channel strategies.*

The promotional mix depends on the target audience. Programs for consumers, business buyers, and intermediaries might emphasize advertising, personal selling, and sales promotion, respectively. The promotional mix also changes over the product life-cycle stages. During the introduction stage, all promotional mix elements are used. During the growth stage advertising is emphasized, while the maturity stage utilizes sales promotion and direct marketing. Little promotion is used during the decline stage. Product characteristics also help determine the promotion mix. The level of complexity, risk, and ancillary services required will determine which element is needed. Knowing the customer's stage in the buying process can help marketers select appropriate promotions. Advertising and public relations can create awareness in the prepurchase stage, personal selling and sales promotion can facilitate the purchase, and advertising can help reduce anxiety in the postpurchase stage. Finally, the promotional mix can depend on the channel strategy. Push strategies require personal selling and sales promotions directed at channel members, while pull strategies depend on advertising and sales promotion directed at consumers.

LO 17-4 *Describe the elements of the promotion decision process.*

The promotional decision process consists of three steps: planning, implementation, and evaluation. The planning step consists of six elements: identify the target audience, specify the objectives, set the budget, select the right promotional elements, design the promotion, and schedule the promotion. The implementation step includes pretesting. The evaluation step includes posttesting.

LO 17-5 *Explain the value of direct marketing for consumers and sellers.*

The value of direct marketing for consumers is indicated by its increasing level of use. For example, during the past year, 52 percent of the U.S. population made a purchase by mail and more than 110 million people shopped online. The value of direct marketing for sellers can be measured in terms of three types of responses: direct orders, lead generation, and traffic generation.

LEARNING REVIEW ANSWERS

17-1 What six elements are required for communication to occur?

Answer: The six elements required for communication to occur are: (1) a source, which is a company or person who has information to convey; (2) a message, which is the information sent; (3) a channel of communication, which is how the information is conveyed; (4) a receiver, which is the consumer who reads, hears, or sees the message; and the processes of (5) encoding, in which the sender transforms the idea into a set of symbols; and (6) decoding, in which the receiver takes the symbols, or the message, and transforms it back into an idea.

17-2 A difficulty for U.S. companies advertising in international markets is that the audience does not share the same _____.

Answer: field of experience, which is a similar understanding and knowledge that is applied to a message

17-3 PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

A misprint in a newspaper ad is an example of _____.

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Answer: noise, the extraneous factors that distort a message

17-4 Explain the difference between advertising and publicity when both appear on television.

Answer: Since advertising space on TV is paid for, a firm can control what it wants to say and to whom and how often the message is sent over a broadcast, cable, satellite, or local TV network. Since publicity is an indirectly paid presentation of a message about a firm or its products or services, the firm has little control over what is said to

whom or when. Instead, it can only suggest to the TV medium that it run a favorable story about the firm or its offerings.

17-5 Cost per contact is high with the _____ element of the promotional mix.

Answer: personal selling

17-6 Which promotional element should be offered only on a short-term basis?

Answer: sales promotion

17-7 Describe the promotional objective for each stage of the product life cycle.

Answer: Introduction—to inform consumers of the product's existence; growth—to persuade consumers to buy the product; maturity—to remind consumers that the product still exists; and decline—to phase out the product.

17-8 At what stage of the consumer purchase decision process is the importance of personal selling highest? Why?

Answer: Personal selling is most important at the purchase stage of the consumer purchase decision process because salespeople can provide sales assistance to prospective customers and negotiate terms of the sale.

17-9 Explain the differences between a push strategy and a pull strategy.

Answer: In a push strategy, a firm directs the promotional mix to channel members to gain their cooperation in ordering and stocking the product. In a pull strategy, a firm directs the promotional mix at ultimate consumers to encourage them to ask retailers for the product, who then order it from wholesalers or the firm itself.

17-10 What are the characteristics of good promotion objectives?

Answer: Promotion objectives should possess three important qualities. They should (1) be designed for a well-defined target audience, (2) be measurable, and (3) cover a specified time period.

17-11 What is the weakness of the percentage of sales budgeting approach?

Answer: In the percentage of sales budgeting approach, funds are allocated to promotion based on a percentage of past or anticipated

dollar or unit sales. The major fallacy of this method is that sales cause promotion. By using this method, a company may reduce its promotion budget because of actual or projected downturns in past or future sales—situations where promotion may be needed the most.

17-12 How have advertising agencies changed to facilitate the use of IMC programs?

Answer: Some agencies have adopted: (1) a total communications solutions approach; (2) an integrated perspective that includes all forms of promotion; (3) an IMC audit to analyze the internal communication network of the company to identify key audiences, evaluate customer databases, assess messages contained in recent advertising, press releases, packaging, websites, social media, direct marketing, etc., and determine the IMC expertise of company and agency personnel; and (4) strategies to monitor consumer content, respond to inconsistent messages, and answer questions from individual customers.

17-13 The ability to design and use direct marketing programs has increased with the availability of _____ and _____.

Answer: customer information databases; new printing technologies

17-14 What are the three types of responses generated by direct marketing activities?

Answer: They are: (1) direct orders, the result of offers that contain all the information necessary for a prospective buyer to make a decision to purchase and complete the transaction; (2) lead generation, the result of an offer designed to generate interest in a product or service and a request for additional information; and (3) traffic generation, the outcome of an offer designed to motivate people to visit a business.

FOCUSING ON KEY TERMS

advertising , 472

all-you-can-afford budgeting , 484

channel of communication , 470

communication , 470
competitive parity budgeting , 483
decoding , 471
direct marketing , 475
direct orders , 489
encoding , 471
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integrated marketing communications (IMC) , 470
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traffic generation , 489

APPLYING MARKETING KNOWLEDGE

1. After listening to a recent sales presentation, Mary Smith signed up for membership at the local health club. On arriving at the facility, she learned there was an additional fee for racquetball court rentals. “I don’t remember that in the sales talk; I thought they said all facilities were included with the membership fee,” complained Mary. Describe the problem in terms of the communication process.

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Develop a matrix to compare the five elements of the promotional mix on three criteria—to *whom* you deliver the message, *what* you say, and *when* you say it.

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3. Explain how the promotional tools used by an airline would differ if the target audience were (a) consumers who travel for pleasure and (b) corporate travel departments that select the airlines to be used by company employees.
4. Suppose you introduced a new consumer food product and invested heavily both in national advertising (pull strategy) and in training and motivating your field salesforce to sell the product to food stores (push strategy). What kinds of feedback would you receive from both the advertising and your salesforce? How could you increase both the quality and quantity of each?
5. Fisher-Price Company, long known as a manufacturer of children's toys, has introduced a line of clothing for children. Outline a promotional plan to get this product introduced in the marketplace.
6. Many insurance companies sell health insurance plans to companies. In these companies the employees pick the plan, but the set of offered plans is determined by the company. Recently, Blue Cross–Blue Shield, a health insurance company, ran a television ad stating, “If your employer doesn't offer you Blue Cross–Blue Shield coverage, ask why.” Explain the promotional strategy behind the advertisement.
7. Identify the sales promotion tools that might be useful for (a) Tastee Yogurt, a new brand introduction, (b) 3M self-sticking Post-it® Notes, and (c) Wrigley's Spearmint gum.
8. Design an integrated marketing communications program—using each of the five promotional elements—for Rhapsody, the online music service.

9. BMW recently introduced its first sports activity vehicle, the X6, to compete with other popular crossover vehicles such as the Mercedes-Benz R-Class. Design a direct marketing program to generate (a) leads, (b) traffic in dealerships, and (c) direct orders.
10. Develop a privacy policy for database managers that provides a balance of consumer and seller perspectives. How would you encourage voluntary compliance with your policy? What methods of enforcement would you recommend?

BUILDING YOUR MARKETING PLAN

To develop the promotion strategy for your marketing plan, follow the steps suggested in the planning phase of the promotion decision process described in **Figure 17–6**.

1. You should (a) identify the target audience, (b) specify the promotion objectives, (c) set the promotion budget, (d) select the right promotion tools, (e) design the promotion, and (f) schedule the promotion.
2. Also specify the pretesting and posttesting procedures needed in the implementation and evaluation phases.
3. Finally, describe how each of your promotion tools is integrated to provide a consistent message.

Video Case 17

Video Case 17: Taco Bell: Using IMC to Help Customers Live

Más!



VIDEO 17-7

Taco Bell Video Case

kerin.tv/13e/v17-7

“Every touch point is considered,” explains Stephanie Perdue, Taco Bell’s senior director of marketing, “from the posters in the restaurants down to the packaging, and all of the different media channels.” Stephanie is describing the integrated marketing communications (IMC) approach used by Taco Bell, the nation’s leading Mexican-style quick service restaurant. IMC is one of the key factors that has contributed to the extraordinary success of the food chain, which serves more than 36 million customers each week!

THE COMPANY

The story behind Taco Bell and its success is fascinating. After World War II, a young marine named Glen Bell returned to his home state of California with an entrepreneurial spirit and an observation that people were hungry for fast, good food. He opened his first restaurant, Bell’s Burgers, based on the simple concept that customers might want to walk up and get their food from a service window. Not far away, two brothers named McDonald were operating their new restaurant using a “drive-in” concept. For several years, Bell and the McDonald brothers enjoyed

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friendly competition as pioneers of the growing fast-food industry. However, when the Page 494
burger restaurant market became crowded with competitors, Bell decided to try something new—tacos!

Tacos were new to most Americans so Bell experimented with many concepts. First he developed a crunchy taco shell and opened a restaurant called Taco Tia. His marketing activities consisted of handing out sombreros and having Mariachis play outside the restaurant. Next, Bell started another restaurant, El Taco, with a group of celebrity partners. Finally, after a friend suggested that Glen should use his name in his business, the first Taco Bell was opened in Downey, California.



© David Paul Morris/Bloomberg via Getty Images

Taco Bell grew quickly and as Bell began opening additional locations he decided that the restaurants should resemble the appearance of California's historic missions. With the help of an architect he created an inviting design based on an adobe-like exterior with a red clay-tile roof. The name and logo utilized a mission-style bell, a version of which is still in use today. Through franchises and additional corporate locations Taco Bell soon reached from coast to coast.

Today Taco Bell is a subsidiary of Yum! Brands, which also owns and operates KFC, Pizza Hut, and WingStreet. Taco Bell now has more than 6,500 locations and \$7 billion in sales. Many locations are cobranded with KFC, Pizza Hut, and Long John Silver stores. Taco Bell also operates Taco Bell Express locations in convenience stores, truck stops, shopping malls, and airports.

INTEGRATED MARKETING COMMUNICATIONS AT TACO BELL

From its beginning, Taco Bell has used very creative promotional activities. For example, when the Mir space station was about to reenter the Earth's atmosphere, Taco Bell placed a target in the Pacific Ocean and announced that every person in the United States would receive a free taco if any piece of the falling space station hit the target. Similarly, in its "Steal a Base, Steal a Taco" promotion, Taco Bell promised to give everyone a free taco if any player steals a base in the World Series. While the space station did not hit the target, several players have stolen bases in the World Series, leading to free tacos for everyone! Taco Bell has also offered special promotions with Mountain Dew, partnered with the NBA as its official fast food, and created videos for movie-theater advertising.

You might remember some of Taco Bell's advertising campaigns such as "Yo quiero Taco Bell," "Grand Taste. Loco Value," or "Get it at The Bell." The more recent "Think Outside the Bun" campaign was designed for Millennials. Then as that group changed, Taco Bell executives recognized that they had an opportunity to reposition the chain. Tracee Larocca, brand creative director at Taco Bell, explains, "We realized there was a big opportunity as the culture shifted from 'food as fuel' to 'food as experience.'" Taco Bell considered many new taglines, such as "Keep Life Spicy" and "Hunger for Más," and eventually developed the "Live Más" campaign. As campaigns and positioning changes, integrated marketing becomes increasingly important. According to Larocca, "as the brand's creative director, my job is to make sure that all of our communications have the same look, tone, and feel across all platforms, making sure we maintain consistency in our brand voice no matter what we're doing internally or externally."

Advertising Age magazine recently named Taco Bell the winner of its Marketer of the Year award for its extraordinary use of integrated marketing in the launch of its Doritos Locos Tacos. The new product went through three years of development and 45 prototypes before its launch, which led to sales of 100 million units in its first 10 weeks. Taco Bell allocates approximately 70 percent of its budget to traditional media, 20 percent to digital media, and 10 percent to new media where it can "explore." The traditional media budget included a Super Bowl ad utilizing the "Live Más" theme. "It was all about a mindset and not necessarily an age range or a demographic," explains Larocca. The ad, called "Forever Young," showed "a group of old people breaking out of a retirement home and having a great night on the town," she adds.

The social media component of the campaign included Facebook, Twitter, Vine, Snapchat, and Instagram. The Twitter campaign, for example, included a Hometown Tweet-off where anyone could send a tweet saying why a Taco Bell truck should visit their hometown. Similarly, Taco Bell posted pictures to Facebook and watched the responses in the comments and the “likes.” Some of the new media budget was used to try things such as Taco Bell’s own video channels for Web and mobile, and a live stream to a billboard in Times Square. As Rob Poetsch, director of public affairs and engagement, observed about the Doritos Locos Tacos launch, “for the first time, we had a fully integrated plan that engaged all of our constituents.”

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THE FUTURE AT TACO BELL

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Taco Bell continues to develop new products, brand concepts, and promotions. For example, waffle tacos, Cinnabon Delights, and the A.M. Crunchwrap are new additions to the menu. In addition, a new brand concept called Taco Bell Cantina, which is testing its first locations in Chicago and San Francisco, will offer "tapas-style" appetizers for customers to share, and beer and wine, in an urban setting. Finally, a new breakfast menu campaign used 25 men named Ronald McDonald to help suggest that a new generation of fast-food breakfast items is now available at Taco Bell. All of these activities are contributing to the company's continued growth. Yum! Brands expects Taco Bell's domestic sales to double by 2021!⁴⁹

Questions

1. What factors contributed to Taco Bell's early success?
2. Which of the promotional elements described in Figure 17–2 were used by Taco Bell in its Doritos Locos Tacos campaign?
3. How does Taco Bell ensure the continued success of the food chain?

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