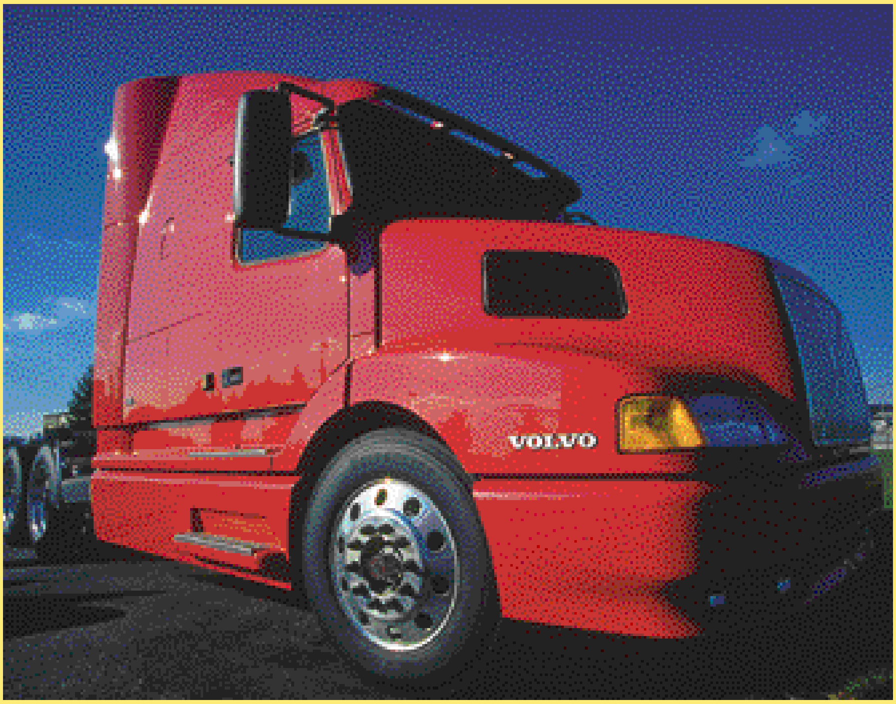
Concept Connections

When you finish this chapter, you should be able to

1. Name and define the five tools of the promotion mix.
2. Discuss the process and advantages of integrated marketing communications.
3. Outline the steps in developing effective marketing communications.
4. Explain the methods for setting the promotion budget and factors that affect the design of the promotion mix.

chapter 13

Integrated Marketing Communication Strategy



Jim Lesinski, director of marketing communications and research for Volvo Trucks North America, first proposed putting an ad for Volvo's heavy-duty trucks on the Super Bowl in 1994. His bosses at Swedish parent AB Volvo, who were not familiar with the hype and frenzy that surrounds North American football, must have thought he'd gone a little ditzy. "How much will it cost?" they asked. "About $1.9 million in media costs," replied Lesinski. "Plus another $750 000 or so to produce the ad." "And how long and how often will the ad run?" they asked. "Just once," said Lesinski, "for 30 seconds." With eyebrows raised and mouths agape, Volvo's top management respectfully rejected Lesinski's proposal.

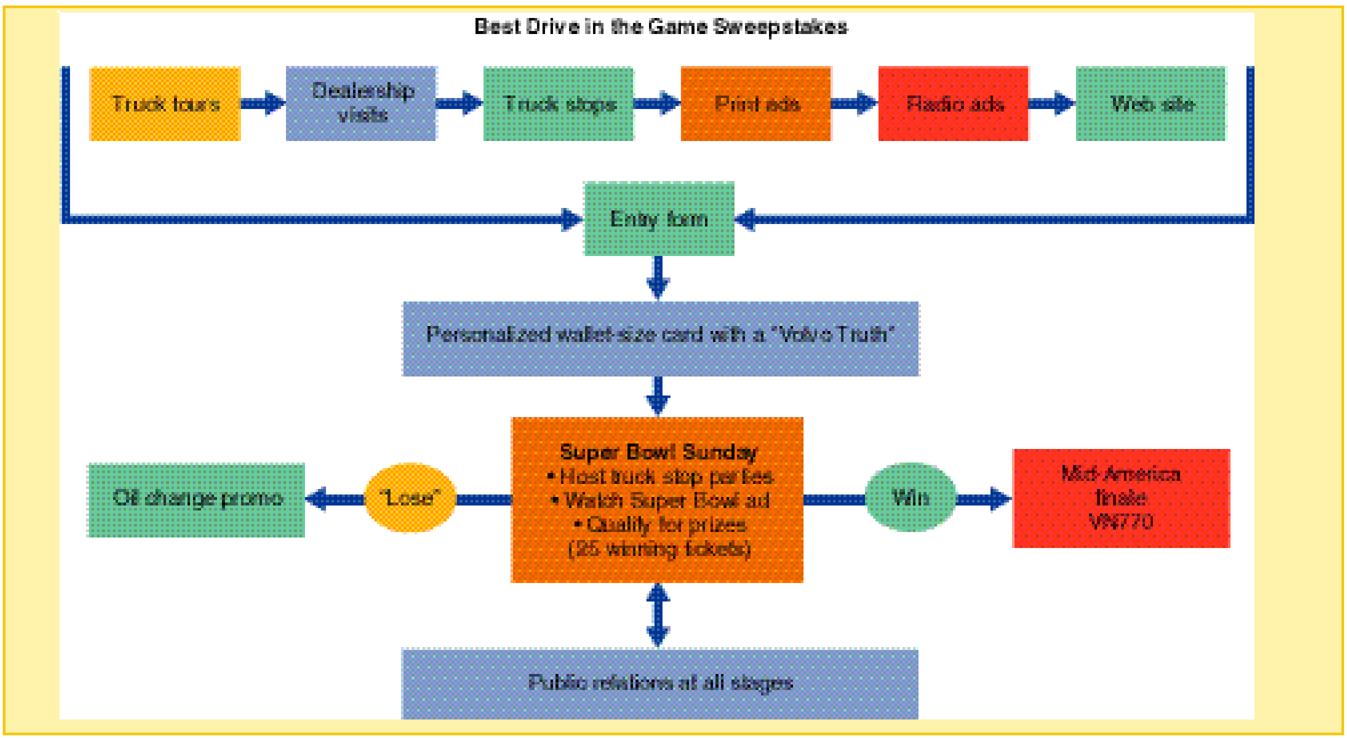
In fact, early on, Lesinski himself had some doubts. Did it make sense to spend almost a third of his annual marketing budget on a single ad? Given the narrow target market for Volvo's huge, $180 000 trucks, was it wise to advertise in the granddaddy of mass-media spectacles, amidst the glitzy showcase ads run by big-spending consumer product companies selling to the masses? Volvo Trucks' target market constituted a mere one percent of the total Super Bowl audience. Moreover, no other heavy-duty truck manufacturer was advertising on television, let alone on the Super Bowl.

But the more he thought about it, the more convinced Lesinski became. Volvo had been selling heavy trucks in North America since 1981 under a variety of nameplates, including Volvo, Autocar, and White/GMC. Its early trucks lacked quality, sold at relatively low prices, and had gained a reputation as low-status "fleet trucks." In recent years, however, Volvo Trucks had consolidated its nameplates under the Volvo brand and had developed a new line of premium trucks—the VN Series. These new Volvo trucks were superior to competing premium brands in overall quality, design, safety, and driving comfort. Now, all that remained was to raise Volvo Trucks' old low-status image to match the new high-quality reality. That task, Lesinski knew, would take something dramatic—something like the Super Bowl. He persisted and finally won approval to place a single ad in the 1998 Super Bowl.

The target market for heavy-duty trucks is truck fleet buyers and independent owner-operators. However, truck drivers themselves are perhaps the most important buying influence. The industry faces a severe driver shortage, and firms perceived as having better-performing, more comfortable, higher-status trucks have a big edge in attracting and holding good drivers. As a result, truck buyers are swayed by driver perceptions. Therefore, Lesinski's communications goal was to improve the image of Volvo's VN Series trucks not just among truck buyers but also among drivers. No other event reaches this audience more completely than the Super Bowl. In fact, nearly 70 percent of all truck drivers watch some or all of an average Super Bowl game.

Still, Jim Lesinski knew that a single Super Bowl ad, by itself, wasn't likely to have much lasting impact on buyer and driver perceptions. Instead—and this is the real story—he designed a comprehensive, carefully targeted, four-month integrated promotional campaign, with Super Bowl advertising as its centrepiece (see figure below). Called The Best Drive in the Game Sweepstakes, the promotion offered truck drivers a chance to win a new Volvo VN770 truck. Lesinski began promoting the Best Drive sweepstakes in September 1997, using a wide range of carefully coordinated media, including trucker magazines and radio stations. Drivers could enter the sweepstakes by responding to print or radio ads, by visiting a Volvo Truck dealer or participating truck stop, or by clicking onto the Volvo Trucks Web site (a large proportion of truckers use the Internet regularly to schedule loads). To create additional interest, Volvo Trucks sponsored a North American truck tour, consisting of two caravans of three VN770s each, which visited major truck stops, encouraging truck drivers to enter the Best Drive sweepstakes and giving them a chance to experience a new Volvo VN770 first-hand.

The campaign attracted more than 48 700 entrants. Each entrant received a wallet-size entry card with one of 40 "Volvo Truths" printed on it—each emphasizing a key VN770 positioning point. If the phrase on a driver's card matched the winning phrase revealed in the Super Bowl commercial, the driver became a finalist eligible for the grand prize. To further encourage drivers to watch the commercial, Volvo Trucks sponsored Super Bowl parties at 40 Flying J truck stops. It also had Volvo VN770s at each truck stop so that drivers could see the truck that was causing all the commotion.



Volvo Trucks
www.volvotrucks.volvo.com/

On Super Bowl Sunday 1998, Jim Lesinski found himself at a Greensboro, North Carolina, truck stop, anxiously awaiting the fourth-quarter airing of his ad. He sat shoulder to shoulder with a standing-room-only crowd of truckers, clustered around a lounge television with their Best Drive wallet cards in hand. To Lesinski's dismay, a clever ad for Tabasco Sauce preceded the Volvo ad (remember the exploding mosquito?) and the crowd was still laughing as the Volvo commercial began. Lesinski still remembers counting off the missed seconds (at a cost of some $60 000 apiece!) waiting for the group to settle their attention on his ad.

The Volvo Trucks ad itself used soft humour to make the quality point. It featured an experienced and approachable professional driver named Gus, driving a new Volvo VN770 down a desert highway. Gus talked sagely about "what 30 years on the road have taught me" and advised "always run the best truck you can." During the 30-second spot, the scenes shifted to show both the sleek, handsome exterior of the truck and its luxurious interior. "But success hasn't spoiled me," Gus concluded. "I still put my pants on one leg at a time." As Gus delivered this last line, a uniformed butler approached from the sleeper area of the truck, presenting a small silver box on a pillow. "Your toothpick, sir," he intoned. The winning phrase, "Volvo—Drive Safely," appeared on the screen as the commercial ended.

To Jim's enormous relief, the drivers at the truck stop seemed to really like the commercial. They were pleased that it portrayed professional truck drivers and their huge, sometimes scary trucks in a positive light. More importantly, the ad got the drivers buzzing about the VN770 truck and the winning phrase. In the month following the Super Bowl, the 10 finalists holding winning phrases received all-expense-paid trips to the trucking industry's premier trade show, the Mid-America Truck Show in Louisville, Kentucky. Volvo stole the show, sponsoring a Brooks and Dunn concert at which company officials held an on-stage drawing in front of 20 000 truckers to select the grand prize winner.

In all, the Best Drive in the Game Sweepstakes cost Volvo Trucks North America $3.6 million—$2.7 million for the ad alone. Was it worth the cost? Lesinski and his bosses at AB Volvo certainly think so. Later research showed that the campaign had a sizeable, positive impact on both trucker and public perceptions. More than 30 million adults recalled seeing the Super Bowl ad. Just that one ad created a 98 percent increase in the general public's awareness of Volvo trucks and significantly improved public perceptions of Volvo drivers as intelligent, safe, successful, and friendly.

Perhaps more importantly, the ad was viewed by 1.4 million truck drivers, almost half the target market.

Twenty-three percent of these drivers talked about the ad with someone else, generating more than 325 000 conversations about the commercial. After the Best Drive campaign, substantially higher proportions of drivers and buyers perceive the Volvo VN770 as being like a "Hilton" rather than a "Motel 6," and as a "sleek, aerodynamic, friendly vehicle" versus a "work truck." The campaign created 30 percent driver preference for Volvo trucks, higher than preferences for competitors Freightliner (25%), Peterbilt (23%), and Kenworth (16%). By the end of 1998, sales of Volvo trucks were up by 44.5 percent over the previous year, and market share had risen 2.5 points to 12 percent. Based on these results, Volvo Trucks North America sponsored a repeat promotion, The Best Drive in the Game II, the following year, including a brand new ad in the 1999 Super Bowl.

Why did the Best Drive promotion work so well? Success resulted from much more than just a single Super Bowl ad. "The ad was definitely the main attraction," says Jim Lesinski. "But it was really just the lure that pulled drivers into the full Best Drive promotion and got them into our trucks." By blending Super Bowl advertising with a full slate of other carefully targeted ads, promotions, and events, Lesinski created a complete integrated marketing communications campaign that had a larger and more lasting impact than any single ad could ever have achieved.[1]

Modern marketing calls for more than just developing a good product, pricing it attractively, and making it available to target customers. Companies also must *communicate* with their customers, and what they communicate should not be left to chance. For most companies, the question is not *whether* to communicate, but *how much to spend* and *in what ways*.

The Marketing Communications Mix

Marketing communications mix (or promotion mix) The specific mix of advertising, personal selling, sales promotion, and public relations a company uses to pursue its advertising and marketing objectives.

Advertising Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Personal selling Personal presentation by the firm's sales force to make sales and build customer relationships.

Sales promotion Short-term incentives to encourage purchase or sale of a product or service.

Public relations Building good relations with the company's publics by obtaining favourable publicity, building up a good "corporate image," and handling or heading off unfavourable rumours, stories, and events.

Direct marketing Direct communications with carefully targeted individuals to obtain an immediate response.

A company's total **marketing communications mix,** or **promotion mix,** consists of the specific blend of advertising, personal selling, sales promotion, and public relations tools that the company uses to pursue its advertising and marketing objectives. The five major types of promotion are:[2]

- **Advertising:** Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.
- **Personal selling:** Personal presentation by the firm's sales force to make sales and build customer relationships.
- **Sales promotion:** Short-term incentives to encourage the purchase or sale of a product or service.
- **Public relations:** Building good relations with the company's publics by obtaining favourable publicity, building up a good "corporate image," and handling or heading off unfavourable rumours, stories, and events.
- **Direct marketing:** Direct communications with carefully targeted individual consumers to obtain an immediate response—the use of mail, telephone, fax, e-mail, and other non-personal tools to communicate directly with specific consumers or to solicit a direct response.

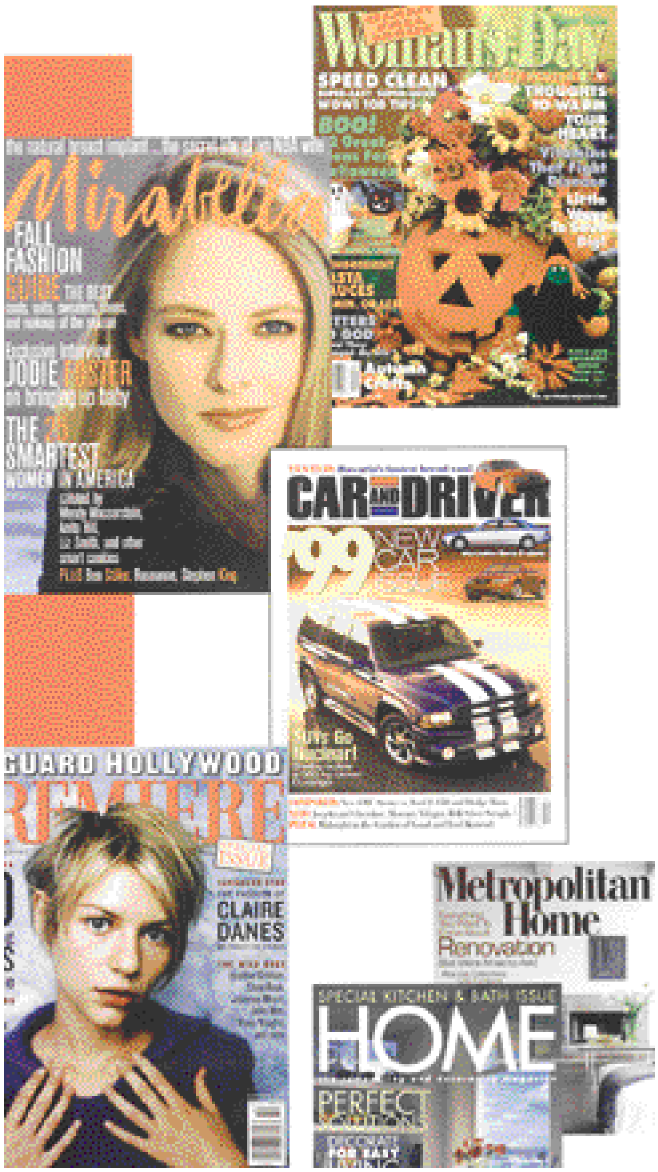
Each type of promotion has its own tools. Advertising includes print, broadcast, outdoor, and other forms. Personal selling includes sales presentations, trade shows, and incentive programs. Sales promotion includes point-of-purchase displays, premiums, discounts, coupons, specialty advertising, and demonstrations. Direct marketing includes catalogues, telemarketing, fax transmissions, and the Internet. Thanks to technological breakthroughs, marketers can now communicate through traditional media (newspapers, radio, telephone, and television), as well as its newer forms (fax machines, cellular phones, pagers, and computers). These new technologies have encouraged more companies to move from mass communication to more targeted communication and one-on-one dialogue.

At the same time, communication goes beyond these specific promotion tools. The product's design, its price, the shape and colour of its package, and the stores that sell it—*all* communicate something to buyers. Thus, although the promotion mix is the company's primary communication activity, the entire marketing mix—promotion *and* product, price, and place—must be coordinated for greatest communication impact.

In this chapter, we begin by examining the rapidly changing marketing communications environment, the concept of integrated marketing communications, and the marketing communication process. Next, we discuss the factors that marketing communicators must consider in shaping an overall communication mix. Finally, we summarize the legal, ethical, and social responsibility issues in marketing communications. In Chapter 14, we look at mass-communication tools—advertising, sales promotion, and public relations. Chapter 15 examines the sales force as a communication and promotion tool.

Integrated Marketing Communications

Over the past few decades, companies around the world perfected the art of mass marketing—selling highly standardized products to masses of customers. In the process, they developed effective mass-media advertising techniques to support their mass-marketing strategies. These companies routinely invested millions of dollars in the mass media, reaching tens of millions of customers with a single ad. However, as we move into the twenty-first century, marketing managers face some new marketing communications realities.



The relatively few mass magazines of the mid-twentieth century have been replaced by thousands of special-interest magazines. HMF alone publishes these and more than 20 other magazines reaching 17 different markets and more than 47 million readers, not to mention a wide range of online, broadcast, outdoor, and other media.

The Changing Communications Environment

Two major factors are changing the face of today's marketing communications. First, as mass markets have fragmented, marketers are shifting away from mass marketing and developing focused marketing programs, designed to build closer relationships with customers in more narrowly defined micromarkets. Second, vast improvements in information technology are speeding the movement toward segmented marketing. Today's information technology helps marketers to keep closer track of customer needs—more information about consumers at the individual and household levels is available than ever before. New technologies also provide new communications avenues for reaching smaller customer segments with more tailored messages.

The shift from mass marketing to segmented marketing has had a dramatic impact on marketing communications. Just as mass marketing gave rise to a new generation of mass-media communications, the shift toward one-on-one marketing is spawning a new generation of more specialized and highly targeted communications efforts.[3]

Given this new communications environment, marketers must rethink the roles of various media and promotion mix tools. Mass-media advertising has long dominated the promotion mixes of consumer product companies. However, although television, magazines, and other mass media remain very important, their dominance is now declining. Market fragmentation has resulted in media fragmentation into more focused media that better match today's targeting strategies. For example, in 1975, what were the three major US TV networks (ABC, CBS, and NBC) attracted 82 percent of the 24-hour viewing audience. By 1995, that number had dropped to only 35 percent, as cable television and satellite broadcasting systems offered advertisers dozens or even hundreds of alternative channels, which reach smaller, specialized audiences. It's expected to drop even further, down to 25 percent by the year 2005. Similarly, the relatively few mass magazines of the 1940s and 1950s—*Look, Life, Maclean's, Saturday Evening Post*—have been replaced by more than 18 600 special-interest magazines, reaching more focused audiences. Beyond these channels, advertisers are making increased use of new, highly targeted media, ranging from video screens on supermarket shopping carts to CD-ROM catalogues and Web sites on the Internet.[4]

More generally, advertising appears to be giving way to other elements of the promotion mix. In the glory days of mass marketing, consumer product companies spent the lion's share of their promotion budgets on mass-media advertising. Today, media advertising captures only about 26 percent of total promotion spending.[5] The rest goes to various sales promotion activities, which can be focused more effectively on individual consumer and trade segments. Marketers are using a richer variety of focused communication tools in an effort to reach their diverse target markets. In all, companies are doing less broadcasting and more narrowcasting.

The Need for Integrated Marketing Communications

The shift from mass marketing to targeted marketing, with its corresponding use of a richer mixture of communication channels and promotion tools, poses a problem for marketers. Consumers are being exposed to a greater variety of marketing communications from and about the company from an array of sources. However, customers don't distinguish between message sources the way marketers do. In the consumer's mind, advertising messages from different media—such as television, magazines, or online sources—blur into one. Messages delivered via different promotional approaches—such as advertising, personal selling, sales promotion, public relations, or direct marketing—all become part of a single message about the company. Conflicting messages from these different sources can result in confused company images and brand positions.

All too often, companies fail to integrate their various communications channels. The result is a hodgepodge of communications to consumers. Mass advertisements say one thing, a price promotion sends a different signal, a product label creates still another message, company sales literature says something altogether different, and the company's Web site seems out of sync with everything else.

The problem is that these communications often come from different company sources. The advertising department or advertising agency plans and implements advertising messages. Sales management develops personal selling communications. Other functional specialists are responsible for public relations, sales promotion, direct marketing, online sites, and other forms of marketing communications. Such functional separation has recently become a major problem for many companies and their Internet communications activities, which are often split off into separate organizational units. "These new, forward-looking, high-tech functional groups, whether they exist as part of an established organization or as a separate new business operation, commonly are located in separate space, apart from the traditional operation," observes one integrated marketing communications expert. "They generally are populated by young, enthusiastic, technologically proficient people with a burning desire to 'change the world,'" he adds, but "the separation and the lack of cooperation and cohesion" can be a disintegrating force in marketing communications (see Marketing Highlight 13-1).

In the past, no one person was responsible for thinking through the communication roles of the various promotion tools and coordinating the promotion mix. Today, however, many companies are adopting the concept of **integrated marketing communications (IMC)**. Under this concept, as illustrated in Figure 13-1, the company carefully integrates and coordinates its many communications channels to deliver a clear, consistent, and compelling message about the organization and its products.[6] As one marketing executive puts it, "IMC builds a strong brand identity in the marketplace by tying together and reinforcing all your images and

Integrated marketing communications (IMC)
The concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear, consistent, and compelling message about the organization and its products.

messages. IMC means that all your corporate messages, positioning and images, and identity are coordinated across all [marketing communications] venues. It means that your PR materials say the same thing as your direct mail campaign, and your advertising has the same 'look and feel' as your Web site."[7]

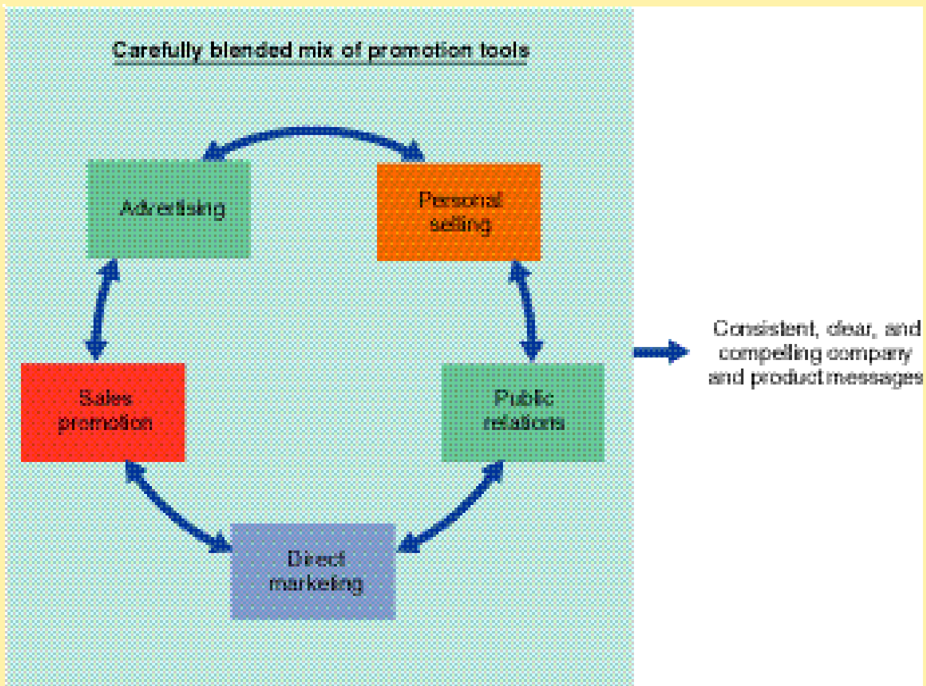
The IMC solution calls for recognizing all contact points at which the customer may encounter the company, its products, and its brands. Each brand contact will deliver a message, whether good, bad, or indifferent. The company must strive to deliver a consistent and positive message at all contact points.

To help implement IMC, some companies appoint a marketing communications director, or marcom manager, who has overall responsibility for the company's communications efforts. Compaq Canada, for example, has a vice-president of integrated marketing communications. IMC produces better communications consistency and greater sales impact. It places the responsibility in someone's hands—where none existed before—to unify the company's image as it is shaped by thousands of company activities. It leads to a total marketing communication strategy aimed at showing how the company and its products can help customers solve their problems.

A View of the Communication Process

IMC involves identifying the target audience and shaping a well-coordinated promotional program to elicit the desired audience response. Too often, marketing communications focus on overcoming immediate awareness, image, or preference problems in the target market. But this approach to communication has limitations: It is too short term and too costly, and most messages of this type fall on deaf ears. Marketers are moving toward viewing communications as *managing the customer relationship over time,* during the preselling, selling, consuming, and postconsumption stages. Because customers differ, communications programs need to be developed for specific segments, niches, and even individuals. Given the new interactive communications technologies, companies must ask not only "How can

FIGURE 13-1
Integrated marketing communications



marketing highlight 13-1

The Internet, Interactivity, and All Those Nets and Dot-Coms: Disintegrated Marketing Communications?

Ever have a day when you couldn't get a TV commercial out of your head? Or do ad jingles from yesteryear sometimes stick in your cranium, like "I'd like to buy the world a Coke," or "Plop, plop, fizz, fizz. Oh what a relief it is"? Or do long lost words like "Two all beef patties, special sauce, lettuce, cheese, pickles, onions, on a sesame seed bun" suddenly and inexplicably burst from your mouth? If you're like most people, you sop up more than a fair share of TV advertising.

Now, try to remember the last ad you saw while surfing the Internet. Drawing a blank? That's not surprising. The Web's ineffectiveness as a major brand-building tool is one of today's hottest marketing issues, even though spending on Internet advertising by Canadian marketers grew by 126 percent between 1998 and 1999. Despite its growth, Internet advertising ($55.5 million) represents only a small portion of Canadian advertising expenditures. Television still represents 34.1 percent of total spending at $2.36 billion, followed by daily newspapers (25.1% at $1.7 billion), radio (13.8% at $952 million), weekly newspapers (11.4% at $788 million), magazines (10.8% at $747 million), and outdoor signage (4.1% at $287 million). Still, some firms are treating the Internet as if it were the "one and only" communication medium of the future.

The problem? According to integrated marketing communication guru Don Schultz, all the special attention this new medium is getting may be resulting in disintegrated marketing communications. Says Schultz:

> My mailbox has filled with brochures, invitations, meetings, get-togethers, and debates all promising to explain interactivity, new media, e-commerce and electronic media. Each . . . promises to give me the full picture of how to do the Internet, the Web, extranets, intranets, and all the other "nets" that are popping up everywhere. Not one has even suggested how all this new stuff might fit with, coordinate alongside, relate to, or be integrated with the existing media systems. Nothing on how to combine or bring together existing programs and existing customers with the brave new world of the 21st century.

Most troubling is that many firms are organizing their new e-communications operations into separate groups or divisions, isolating them from mainstream marketing activities. "It is . . . the apartness that concerns me," Schultz observes. "We seem to be creating the same problems with new media, new marketing, and new commerce that we created years ago when we developed separate sales promotion groups, separate direct-marketing activities, separate public relations departments, separate events organizations, and so on. . . . In my view, we are well on the way to disintegrating our marketing and communication programs and processes all over again." However, whereas companies appear to be compartmentalizing the new communications tools, customers won't. According to Schultz:

> New media, the Internet, interactivity and all the Nets and "dot-coms" are critical to marketing and communication practice, but they are not the be-all-and-end-all of marketing and marketing communication. They . . . are not going to instantaneously replace all our current techniques, approaches or media systems. . . . The real issue for most [marketers] and consumers is transition, from what they do now to what they likely will do in the future. And, the truth is, most [consumers] won't compartmentalize their use of the new systems. They won't say, "Hey, I'm going off to do a bit of Net surfing. Burn my TV, throw out all my radios, cancel all my magazine subscriptions, and, by the way, take out my telephone and don't deliver any mail anymore." It's not that kind of world for consumers, and it shouldn't be the kind of world for marketers either.

To be sure, the new Internet promises exciting marketing communications potential. However, marketers trying to use the Web to build brands face many challenges. One limitation is that the Internet doesn't build mass brand awareness. Instead, it's like having millions of private conversations. The Web simply can't match the impact of the Super Bowl, where tens of millions of people see the same 30-second Coca-Cola or Hallmark ad at the same time. Thus, using the Internet, it's hard to establish the universal meanings—like "Always Coca-Cola" or "When you care enough to send the very best"—that are at the heart of brand recognition and brand value. That's why tactics that have worked on TV have failed on the Web. For example, Bell Atlantic developed an online soap opera that re-

we reach our customers?" but also "How can we find ways to let our customers reach us?"

Therefore, the communications process should start with an audit of all the potential interactions that target customers may have with the product and company. For example, someone purchasing a new computer may talk with others, see television commercials, read articles and ads in newspapers and magazines, and try out computers in the store. Marketers must assess the influence that each of these communications experiences will have at different stages of the buying process. This understanding will help them allocate their communication dollars more efficiently and effectively.

To communicate effectively, marketers need to understand how communicavolved around yuppie newlyweds Troy and Linda. Although the site won raves from critics and had lots of fans, Bell Atlantic's research showed it did little to boost the brand.

Another Internet limitation is format and quality constraints. Web ads are still low in quality and impact. Procter & Gamble and other large advertisers have been pushing to get Internet publishers to allow larger, more complex types of ads with high-quality sound and full-motion video. So far, however, ads on the Internet are all too ignorable. Even if advertisers could put larger, richer ads on the Web, they would likely face a consumer backlash. In the digital world, consumers control ad exposure. Many consumers who've grown up with the Internet are sceptical of ads in general and resentful of Web ads in particular. Internet advertisers face an uphill battle in getting such consumers to click onto their ads. In fact, a recent survey found that 21 percent of Internet users polled said they never clicked on Internet ads and another 51 percent said they clicked only rarely.

Facing such realities, most marketers opt for fuller promotion campaigns to build their brands. Even companies that rely primarily on e-commerce for sales are conducting most of their branding efforts offline. Business-to-business e-commerce star Cisco Systems spends ad money on full-page ads in the *Wall Street Journal* rather than on Web banners. Dell Computer is one of the largest ad spenders in tech trade magazines and runs a $150-million-plus branding campaign almost entirely on TV. Dell hopes to conduct 50 percent of all transactions online and contends that it can't generate that kind of volume with Web advertising.

Similarly, most traditional marketers are adding the Web as an enhancement to their more traditional communication media. They wed the emotional pitch and impact of traditional brand marketing with real service offered online. For example, television ads for Saturn still offer the same old-fashioned humorous appeal. But now they point viewers to the company's Web site, which offers lots of help and very little hype. The site helps serious car buyers select a model, calculate payments, and find a dealer online. Even marketers that can't really sell their goods via the Web are using the Internet as an effective customer communication and relationship enhancer. For example, Procter & Gamble has turned Pampers.com into the Pampers Parenting Institute, addressing various issues of concern to new and expectant parents.

Thus, although the Internet offers electrifying prospects for marketing communication, it can rarely stand alone as a brand-building tool. Instead, it must be carefully integrated into the broader marketing communications mix. Schultz makes this plea: "My cry is to integrate, not isolate. Yes, we need to explore and develop the new media and new approaches, but we need to . . . integrate [them] with the old, melding e-commerce and across-the-counter commerce. There never has been a greater need for integration than there is today. Let's recognize and develop the new electronic forms on the basis of what they are—alternatives and perhaps enhancements for the existing approaches presently in place—and nothing more. Then again, they are nothing less, either."

The Internet can rarely stand alone as a brand-building tool. Even companies that rely primarily on e-commerce for sales are conducting most of their branding efforts offline.

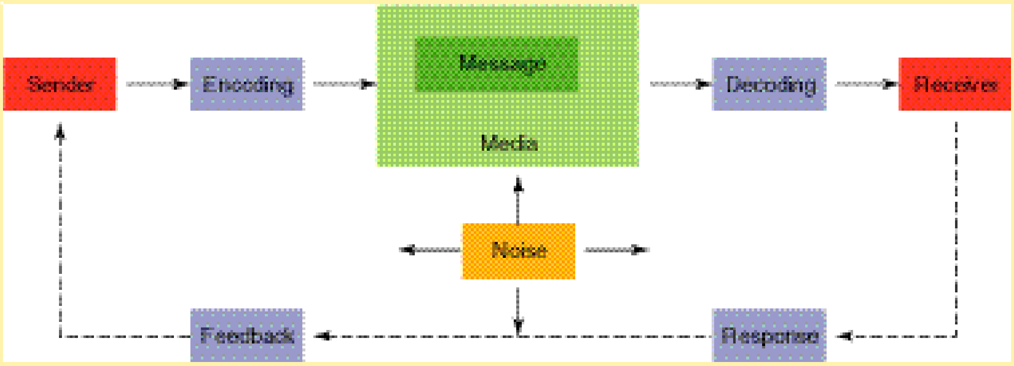
Sources: Quotes and excerpts from Don E. Schultz, "New media, old problem: Keep marcom integrated," *Marketing News,* 29 March 1999:11. Also see "Net leads the way in spending," *Marketing On-Line,* 25 September 2000; Jeffrey O'Brien, "Web advertising and the branding mission," *Upside,* September 1998: 90–4; Saul Hansell, "Selling soap without the soap operas, mass marketers seek ways to build brands on the Web," *New York Times,* 24 August 1998:D1–2; Ellen Neuborne, "Branding on the Net," *Business Week,* 9 November 1998:76–86; and Bradley Johnson, "Boom or bust?" *Advertising Age,* 1 November 1999:1,52.

Hewlett-Packard
www.hp.com/

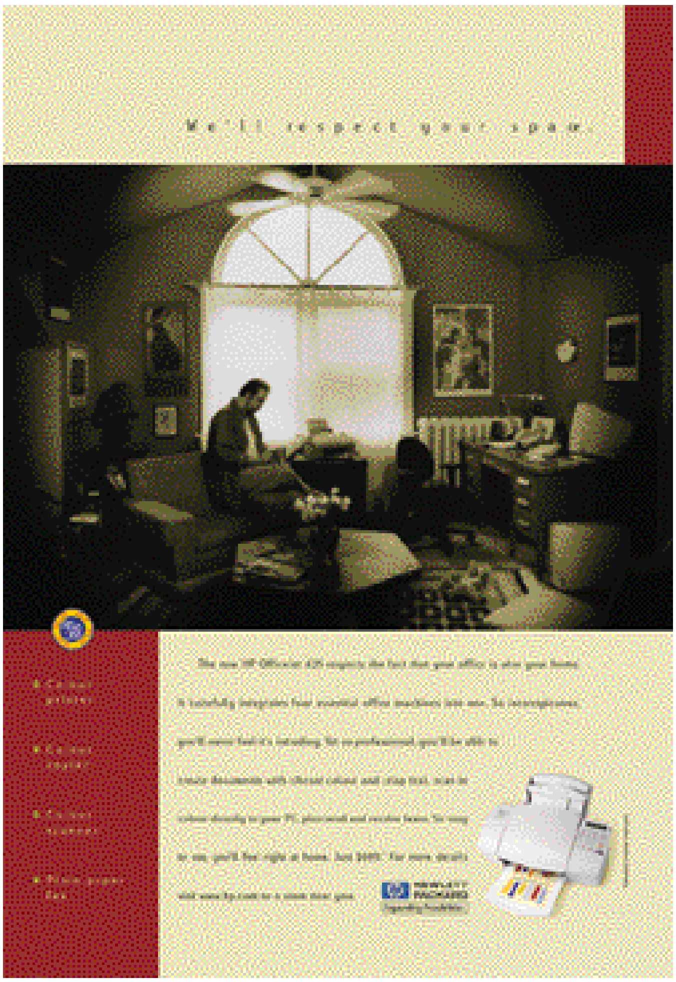
tion works. Communication involves the nine elements shown in Figure 13-2. Two of these elements are the major parties in a communication—the sender and receiver. Another two are the major communication tools—the message and the media. Four more are major communication functions—encoding, decoding, response, and feedback. The last element is noise in the system. Definitions of these elements are applied to an ad for Hewlett-Packard colour multifunction machines:

- *Sender:* The party sending the message to another party—here, Hewlett-Packard.
- *Encoding:* The process of putting thought into symbolic form—HP's advertising agency assembles words and illustrations into an advertisement that will convey the intended message.

FIGURE 13-2
Elements in the communication process



An understanding of the concerns of home-business owners helps Hewlett-Packard communicate effectively.



- *Message:* The set of symbols that the sender transmits—the actual HP multifunction machine ad.
- *Media:* The communication channels through which the message moves from sender to receiver—in this case, the specific magazines that HP selects.
- *Decoding:* The process by which the receiver assigns meaning to the symbols encoded by the sender—a consumer reads the HP multifunction machine ad and interprets the words and illustrations it contains.
- *Receiver:* The party receiving the message sent by another party—the home office or business customer who reads the HP multifunction machine ad.
- *Response:* The reactions of the receiver after being exposed to the message—any of hundreds of possible responses, such as the consumer is more aware of the attributes of HP multifunction machines, actually buys an HP multifunction machine, or does nothing.
- *Feedback:* The part of the receiver's response communicated back to the sender—HP research shows that consumers are struck by and remember the ad, or consumers write or call HP praising or criticizing the ad or HP's products.
- *Noise:* The unplanned static or distortion during the communication process, which results in the receiver's getting a different message than the one the sender sent—the consumer is distracted while reading the magazine and misses the HP ad or its key points.

For a message to be effective, the sender's encoding process must mesh with the receiver's decoding process. Therefore, the best messages consist of words and other symbols that are familiar to the receiver. The more the sender's field of experience overlaps with that of the receiver, the more effective the message is likely to be. Marketing communicators may not always share their consumer's field of experience. For example, an advertising copywriter from one social stratum might create ads for consumers from another stratum—say, blue-collar workers or wealthy business owners. However, to communicate effectively, the marketing communicator must understand the consumer's field of experience.

This model points out several key factors in good communication. Senders need to know what audiences they wish to reach and what responses they want. They must be good at encoding messages that take into account how the target audience decodes them. They must send messages through media that reach target audiences, and they must develop feedback channels so that they can assess the audience's response to the message.

Steps in Developing Effective Communication

We now examine the steps in developing an effective integrated communications and promotion program. The marketing communicator must: identify the target audience; determine the response sought; choose a message; choose the media through which to send the message; select the message source; and collect feedback.

Identifying the Target Audience

A marketing communicator starts with a clear target audience in mind. The audience may be potential buyers or current users, those who make the buying decision or those who influence it. The audience may be individuals, groups, special publics, or the general public. The target audience will affect the communicator's decisions on *what* will be said, *how* it will be said, *when* it will be said, *where* it will be said, and *who* will say it.

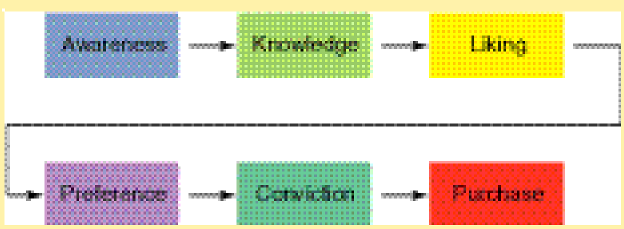
Determining the Desired Response

Buyer readiness stages
The stages consumers typically pass through on their way to purchase: awareness, knowledge, liking, preference, conviction, and purchase.

After defining the target audience, the marketing communicator must decide what response is desired. In most cases, the final response is *purchase*. But purchase is the result of a long process of consumer decision making. The target audience may be in any of six **buyer readiness stages,** the stages that consumers typically pass through on their way to making a purchase. These stages are *awareness, knowledge, liking, preference, conviction,* and *purchase* (see Figure 13-3). The marketing communicator needs to know where the target audience is now and to what stage it needs to be moved.

The marketing communicator's target market may be totally unaware of the product, know only its name, or know little about it. The communicator must first build *awareness* and *knowledge*. When Nissan introduced its Infiniti automobile line, it began with an extensive "teaser" advertising campaign to create

FIGURE 13-3 Buyer readiness stages



marketers speak out

Alan Quarry, President of Quarry Integrated Communications

"Clients count on us to help build their business, build their brands, build their customer relationships and build their profits . . . and we deliver," states Alan Quarry, "head coach" of Quarry Integrated Communications, a firm based in Waterloo, Ontario, with offices in Toronto, Dallas, and Japan. The hand-lettered signs posted all around Quarry's premises capture their essence: "Our mission is to help our clients build their businesses through integrated communications." Quarry's clients—firms like Nortel Networks, Hewlett-Packard, Royal Bank, Cyanamid Crop Protection, Clarica Life, Hoffmann-la Roche, Elanco Animal Health, FedEx, Merck Frosst, and Sprint Canada—all agree that Quarry has helped them accomplish this objective.

It's hard to catch up with Alan Quarry. A person with seemingly endless energy, he not only is the president of Quarry Integrated Communications, but he also finds time to teach marketing communications to fourth-year honours business students at Wilfrid Laurier University. When he isn't teaching, travelling, working with his clients, or sharing a laugh with his family, he has his head in a book. He is a strong believer that continuous learning is the key to success in the modern economy. "As communicators, we can never stop increasing our knowledge about consumer motivation and how effective communications work," states Quarry.

Quarry Integrated focuses on building demand for considered-purchase goods and services in the information technology, financial services, agribusiness, and health care industries. But, as Quarry notes, "Advertising doesn't work like it used to. People have grown sceptical, info-saturated, atomized in their interests, and now wired to the Internet." So how do you reach your customers in such a jaded marketplace? Quarry asks. We know that advertisers can't simply deliver a snappy selling message and expect results. Increasingly, the challenge is to understand the lifestyles, attitudes, and motivations of individual customers, and find a way to reach them with a consistent, relevant message. In other words, you have to use integrated communications where integration means consistency of brand contacts. Even more importantly, Quarry notes, "Consistency means trust. Trust means better relationships with your customers."

As you may gather from the last statement, Quarry Integrated Communications is a values-led company. Three core values guide its actions: integrity, relevance, and achievement. Visit Quarry's Web site to understand fully the importance of these guiding principles for the firm (www.quarry.com/culture/values). Integrity means that Quarry conducts its business honestly and fairly with its clients, associates, suppliers, and the marketplace. In terms of relevance, Quarry works to anticipate and identify critical success factors for clients and then exceed their expectations by delivering on its commitments in a creative, timely, and cost-effective manner. To Quarry, achievement is successfully building the businesses of its clients and their brands.

In addition to being values-led, Quarry Integrated is a highly innovative firm, which broke the traditional adver-

name familiarity. Initial ads for the Infiniti created curiosity and awareness by showing the car's name but not the car. Later ads created knowledge by informing potential buyers of the car's high quality and many innovative features.

Assuming target consumers *know* the product, how do they *feel* about it? Once potential buyers know about the Infiniti, Nissan's marketers want to move them through successively stronger stages of feelings toward the car. These stages include *liking* (feeling favourable about the Infiniti), *preference* (preferring Infiniti to other car brands), and *conviction* (believing that Infiniti is the best car for them). Infiniti marketers can use a combination of the promotion mix tools to create positive feelings and conviction. Advertising extols the Infiniti's advantages over competing brands. Press releases and other public relations activities stress the car's innovative features and performance. Dealer salespeople tell buyers about options, value for the price, and after-sale service.

Finally, some members of the target market might be convinced about the product, but not quite get around to making the *purchase*. Potential Infiniti buyers may decide to wait for more information or for the economy to improve. The communicator must lead these consumers to take the final step. Actions may include offering special promotional prices, rebates, or premiums. Salespeople may call or write to selected customers, inviting them to visit the dealership for a special showing.

Marketing communications alone cannot create positive feelings and purchases for Infiniti. The car itself must provide superior value for the customer. In fact,

Nissan Canada
www.nissancanada.com/

tising agency model in the early 1990s and developed a new model for doing business. "The structure of the traditional ad agency seemed dysfunctional and almost anti-client to me," states Alan Quarry. "All the internal politics and focus on driving mass-media spending was not the kind of organization we wanted to be. We couldn't be the type of strategic ally that our clients need to be successful in the future.

"We believe that mass media advertising is communications 'at' the consumer. Integrated marketing communications (IMC) is a conversation 'with' the consumer. There will be a lot less marketing in the future and a lot more 'customerizing' as IMC guru Don Schultz has pointed out. We believe that relationship-building dialogue with the customer strengthens and can even improve products and brands."

To help make this all happen, Quarry Integrated is wired. No, not from three-martini lunches, but by the ethernet hubs, Internet routers, T-1 lines, video conferencing, and leading edge telephony and software, which they use to improve communications between Quarry and its clients. This "technology-enhanced communications" approach is another difference between Quarry and many of its competitors. "Lots of ad agencies seem to think of buying technology as being an 'expense'. . . we think of acquiring the tools we use as an 'investment,'" explained Alan Quarry. "It's a mindset thing. We know that we cannot be a successful, global organization and help our clients build without being tech-savvy."

In an industry characterized by disturbingly high staff turnover rates, Quarry Integrated has had one of Canada's best track records for continuity. Many think that Quarry's high retention rate has a lot to do with the environment created at the workplace. It's an environment without corner offices. (In fact, Alan Quarry, the president, does not have an assigned office at all. Instead he pushes his mobile work surface around and answers to the nickname 'Virtu-Al.') It has idea rooms named the Eureka Room and the Kaboom Room. There's a 1950s-style diner, called Al's Diner (in honour of Albert Einstein), where the Quarry team and guests meet, work, and have access to a free supply of fruit, veggies, and other brain food. It's an environment that offers at least one view of the outside world no matter where you stand. The workplace motto—"Think like the customer, Always anticipate, And have fun!"—is posted all around.

Alan Quarry.

Quarry Integrated Communications has been incredibly successful in an industry where many believe starting new communication agencies, let alone independent Canadian-owned agencies, is next to impossible. However, Quarry continues to grow. Not content to rest on its laurels, Quarry Integrated Communications has a remarkable growth objective: To be the best integrated communications organization in the galaxy! Seeing the incredible commitment and energy in this firm can convince anyone that it is well on its way to accomplishing this aim.

Sources: Information provided to Peggy Cunningham by Alan Quarry. Also see www.quarry.com.

outstanding marketing communications can actually speed the demise of a poor product. The more quickly potential buyers learn about the poor product, the more quickly they become aware of its faults. Thus, good marketing communication calls for "good deeds followed by good words."

Designing a Message

Having defined the desired audience response, the communicator turns to developing an effective message. Ideally, the message should get a*ttention,* hold *interest,* arouse *desire,* and obtain *action* (a framework known as the *AIDA model*). In practice, few messages take the consumer all the way from awareness to purchase, but the AIDA framework suggests the qualities of a good message.

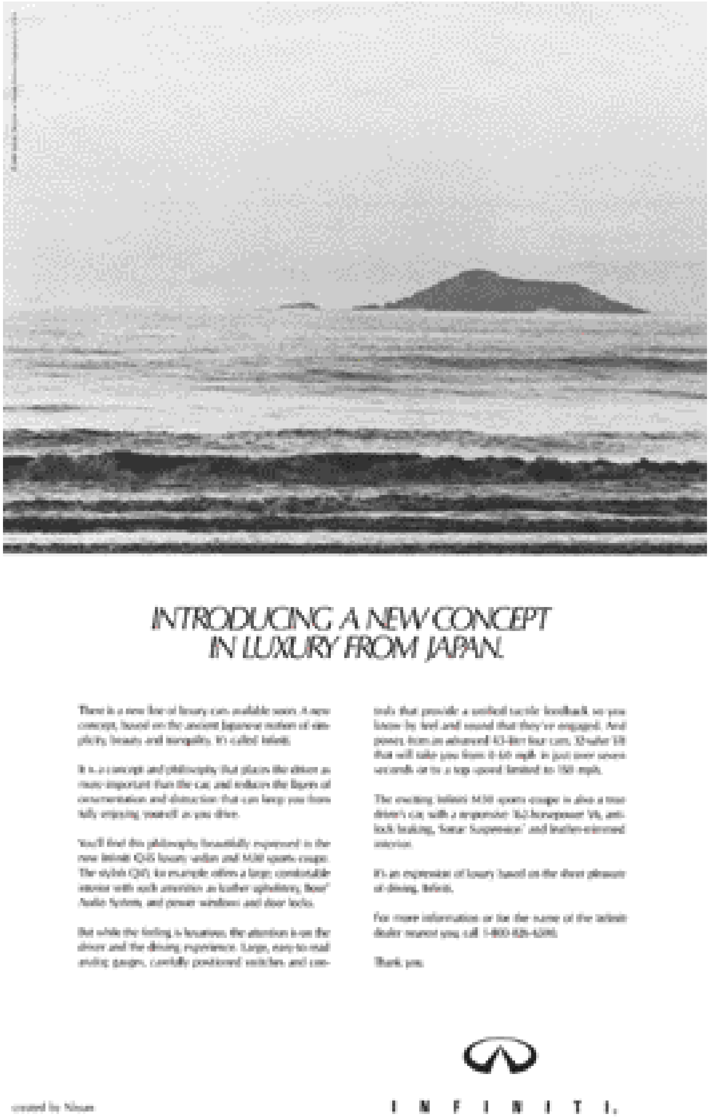
In putting together the message, the marketing communicator must solve three problems: what to say (*message content*), how to say it logically (*message structure*), and how to say it symbolically (*message format*).

Message Content

Rational appeals
Message appeals that relate to the audience's self-interest and show that the product will produce the claimed benefits; for example, product quality, economy, value, or performance.

The communicator must identify an appeal or theme that will produce the desired response. There are three types of appeals: rational, emotional, and moral.

Rational appeals relate to the audience's self-interest. They show that the product will produce the desired benefits. Rational appeal messages may show a prod-



To move consumers toward purchase of the Infiniti, Nissan created a multi-phase promotion campaign. The first teaser ads, which did not even show the car, built awareness. Later ads created liking, preference, and conviction by comparing Infiniti's features with those of competitors.

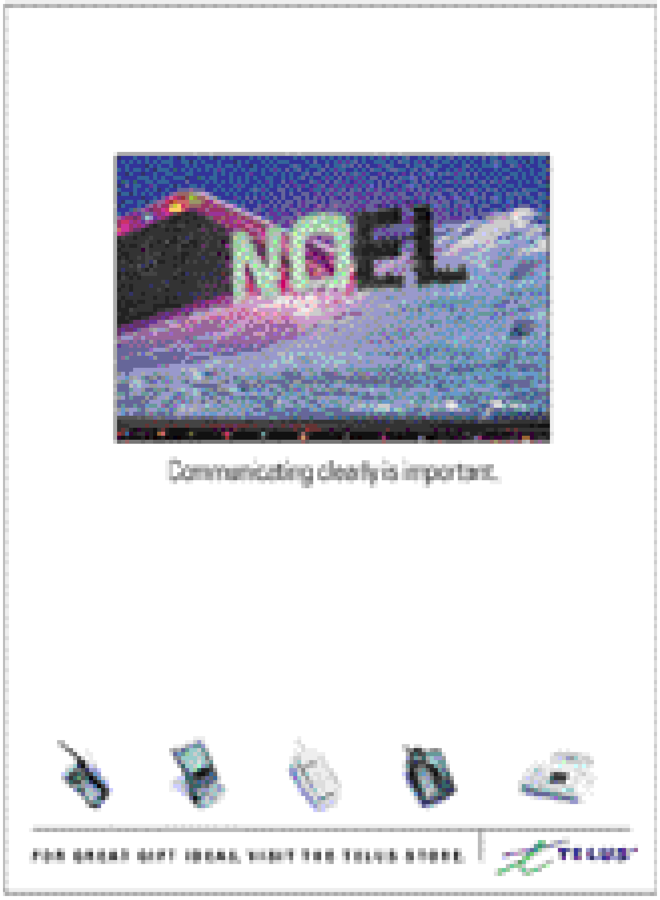
uct's quality, economy, value, or performance. In its ads, Mercedes offers cars that are "engineered like no other car in the world," stressing engineering design, performance, and safety. Buckley's Mixture took its most recognizable quality, the bad taste of its cough syrup, and turned it into an award-winning campaign linked by the tag line, "It tastes awful. And it works."

Emotional appeals
Message appeals that attempt to stir up negative or positive emotions—for example, fear, guilt, shame, love, humour, pride, and joy—to motivate purchase.

Emotional appeals attempt to stir up either negative or positive emotions that can motivate purchase. Communicators can use such positive emotional appeals as love, pride, joy, and humour. Advocates for humorous messages claim that they attract more attention and create more liking and belief in the sponsor. Cliff Freeman, the advertiser responsible for Little Caesars' humorous "Pizza, Pizza" ads, contends that: "Humour is a great way to bound out of the starting gate. When you make people laugh, and they feel good after seeing the commercial, they like the association with the product." But others maintain that humour can detract from comprehension, wear out its welcome fast, and overshadow the product.[8]

Consider some recent ads from Telus:[9]

> For the Christmas 2000 shopping season, Telus Corporation, one of Canada's leading telecommunications companies, launched a new series of 12 ads for Telus Store products using humour to draw attention to its products. In one ad, a woman overhears Christmas carolers approaching



Telus Corporation successfully used humour as a way to convey otherwise dry product benefits and to generate traffic in its stores.

her home on a snowy festive night. She cheerfully opens the door, only to find the group singing loudly but totally unintelligibly through the mufflers wrapped up to their eyeballs. The ad then cuts to the headline, "Communicating clearly is important," and then quickly features some key products. As the "Creative Eye" section of *Marketing Magazine* notes, "Great work—fresh and memorable. Fun and well produced, [in fact] the second Telus campaign is brilliant. It's a fresh way to convey otherwise dry product benefits. It also creates a very smart, approachable brand character." Humour helped the ads break through the clutter of competitors' Christmas campaigns and accomplished their purpose of getting people to think of the variety of gifts they can buy at the Telus Store when doing their Christmas shopping expeditions. Palmer Jarvis DDB, of Vancouver created the campaign.

Communicators can also use negative emotional appeals such as fear, guilt, and shame, which get people to do things they should (brush their teeth, buy new tires), or to stop doing things they shouldn't (smoke, drink too much, eat fatty foods). One Crest ad invokes mild fear of cavities when it claims: "There are some things you just can't afford to gamble with." Etonic ads ask: "What would you do if you couldn't run?" and go on to note that Etonic athletic shoes are designed to avoid injuries—they're "built so you can last." A Michelin tire ad features cute babies and suggests, "Because so much is riding on your tires."

Moral appeals are directed to the audience's sense of what is "right" and "proper." They often are used to urge people to support such social causes as a cleaner environment and aid to the needy, or combat such social problems as drug abuse, discrimination, sexual harassment, and spousal abuse. An example of a moral appeal is the March of Dimes appeal: "God made you whole. Give to help those He didn't."

Moral appeals
Advertising messages directed to the audience's sense of what is "right" or "proper."

March of Dimes
www.modimes.org/

Message Structure

The communicator must decide which of three ways to use to structure the message. The first is whether to draw a conclusion or leave it to the audience. Early research showed that drawing a conclusion was usually more effective; however, more recent research suggests that the advertiser is often better off asking questions and letting buyers draw their own conclusions. The second structure issue is whether to present a one-sided argument—mentioning only the product's strengths—or a two-sided argument—touting the product's strengths while also admitting its shortcomings. Buckley's Mixture built its entire business around this technique:[10]

Buckley's Mixture was first developed in 1919 by pharmacist William Knapp Buckley in his Toronto drug store. W.K. was a pioneer, not only in terms of developing a highly effective product, but also because he was one of the first to recognize the power of catchy copy. He used both print and radio at a time when advertising, especially radio advertising, was a relatively new and a poorly understood phenomena. Advertising made the product a hit, despite its taste. It wasn't long before W.K. extended his success overseas. By the late '30s, Buckley's had introduced itself to cold sufferers in the United States and Caribbean, and to New Zealand, Australia, and Holland by the '40s. The company roared along until the 1960s. Suddenly, pharmacies started to be bought up by chains and other cough medicines started to advertise. The creative advertising strategies that had made Buckley's so successful and unique among the rest of the category were now being used by everyone, and sales began sliding. It wasn't until the 1980s that the company hit on its 'the back to basics' strategy. Buckley's Mixture possessed two strong characteristics: lousy taste and tremendous efficacy. Using these two points of difference, Buckley's produced an award-winning advertising campaign that made Buckley's Mix-

Buckley's Mixture has won world renown by using simple and humorous two-sided advertising—"It tastes awful, and it works."

ture and Frank Buckley (W.K.'s son) household names in Canada. The company's simple, honest, and humorous approach to advertising and its famous tag line, "It tastes awful, and it works," attracted attention, praise, and advertising awards. More importantly it brought in new users. Today, Buckley's Mixture is the top-selling cough syrup in Canada by volume, commanding a 10 percent share of the market. The 'bad taste' campaign also solidified its position in the Caribbean, Australia, New Zealand, and the US. If, like other Canadians, you regard Buckley's as part of your Canadian heritage, you can join other fans and view Buckley's current and historical advertising at www.buckleys.com/Cdn/Cdn%20Frames/cdn_main_page.htm.

Usually, a one-sided argument is more effective in sales presentations—except when audiences are highly educated, negatively disposed, or likely to hear opposing claims. In these cases, two-sided messages can enhance the advertiser's credibility and make buyers more resistant to competitor attacks. The third message structure issue is whether to present the strongest arguments first or last. Presenting them first gets strong attention, but may lead to an anti-climactic ending.[11]

Message Format

The marketing communicator needs a strong *format* for the message. In a print ad, the communicator has to decide on the headline, copy, illustration, and colour. To attract attention, advertisers can use novelty and contrast; eye-catching pictures and headlines; distinctive formats; message size and position; and colour, shape, and movement. If the message will be carried over the radio, the communicator must choose words, sounds, and voices. The "sound" of an announcer promoting banking services, for example, should be different from one promoting quality furniture.

If the message is to be carried on television or in person, then all these elements plus body language have to be planned. Presenters plan their facial expressions, gestures, dress, posture, and hair style. If the message is carried on the product or its package, the communicator has to watch texture, scent, colour, size, and shape. Colour plays a major communication role in food preferences. When consumers sampled four cups of coffee that had been placed next to brown, blue, red, and yellow containers (all the coffee was identical, but the consumers did not know this), 75 percent felt that the coffee next to the brown container tasted too strong; nearly 85 percent judged the coffee next to the red container to be the richest; nearly everyone felt that the coffee next to the blue container was mild; and the coffee next to the yellow container was seen as weak. Therefore, if a coffee company wants to communicate that its coffee is rich, it should probably use a red container along with label copy boasting the coffee's rich taste.[12]

Choosing Media

The communicator now must select *channels of communication*. There are two broad types of communication channels—*personal* and *non-personal*.

Personal Communication Channels

Personal communication channels
Channels through which two or more people communicate directly with each other, including face to face, person to audience, over the telephone, or through the mail or e-mail.

In **personal communication channels,** two or more people communicate directly with each other. They can communicate face to face, over the telephone, or even through the mail or e-mail. Personal communication channels are effective because they allow for personal addressing and feedback.

The company controls some personal communication channels directly; company salespeople, for example, contact buyers in the target market. But other personal communications about the product may reach buyers through channels not directly controlled by the company. These may be independent experts—consumer advocates, consumer buying guides, and others—making statements to target buyers. Or they may be neighbours, friends, family members, and associates talking to target buyers. This last channel, known as **word-of-mouth influence,** has considerable effect in many product areas.

Word-of-mouth influence
Personal communication about a product between target buyers and neighbours, friends, family members, and associates.

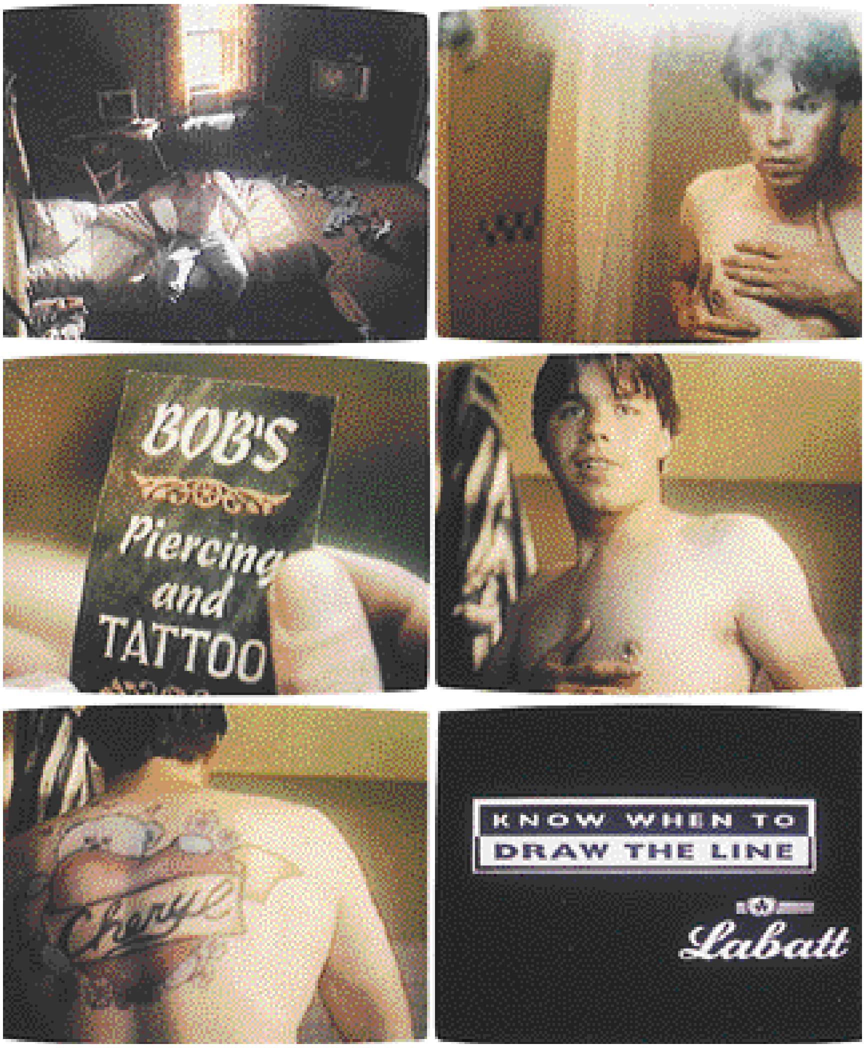
Personal influence carries great weight for products that are expensive, risky, or highly visible. For example, buyers of automobiles, home decor, and fashion often go beyond mass-media sources to seek the opinions of knowledgeable people.

Companies can take several steps to put personal communication channels to work for them. They can devote extra effort to selling their products to well-known people or companies, who may, in turn, influence others to buy. They can create *opinion leaders*—people whose opinions are sought by others—by supplying certain people with the product on attractive terms. For example, companies can work through community members such as local radio personalities, class presidents, and heads of local organizations. And they can use influential people in their advertisements or develop advertising that has high "conversation value."

Non-Personal Communication Channels

Non-personal communication channels
Media that carry messages without personal contact or feedback, including major media, atmospheres, and events.

Non-personal communication channels are media that carry messages without personal contact or feedback. They include major media, atmospheres, and events. *Major media* include print media (newspapers, magazines, direct mail); broadcast media (radio, television); and display media (billboards, signs, posters). *Atmospheres* are designed environments that create or reinforce the buyer's leanings toward buying a product. Thus, lawyers' offices and banks are designed to communicate confidence and other qualities that might be valued by their clients. *Events* are staged occurrences that communicate messages to target audiences, such as press conferences, grand openings, shows and exhibits, public tours, and other events arranged by public relations departments. Many Canadian companies sponsor sporting events that draw audiences that match the firm's target market. The



Labatt used non-personal communication channels for its award-winning "Know When to Draw the Line" campaign.

Molson Indy
www.molsonindy.com

Bank of Montreal, for example, is the lead sponsor for equestrian events held at Spruce Meadows in Calgary and at the Royal Winter Fair in Toronto. Molson Breweries holds two annual Indy races: one in Vancouver, the other in Toronto.

Non-personal communication affects buyers directly. It also often affects them indirectly by causing more personal communication. Communications first flow from television, magazines, and other mass media to opinion leaders and then from these opinion leaders to others. Thus, opinion leaders step between the mass media and their audiences and carry messages to people who are less exposed to media. This suggests that mass communicators should aim their messages directly at opinion leaders, letting them carry the message to others.

Selecting the Message Source

In either personal or non-personal communication, the message's impact on the target audience is affected by how the audience views the communicator. Messages delivered by highly credible sources are more persuasive. Therefore, marketers hire celebrity endorsers—well-known athletes, actors, and even cartoon characters—to deliver their messages (see Marketing Highlight 13-2).

Many food companies promote to doctors, dentists, and other health care providers to motivate these professionals to recommend their products to patients.

marketing highlight 13-2

Celebrity Endorsers

"Kid, you've got the talent, but you've got a problem," barks Bill Laimbeer, one of basketball's all-time dirtiest players, at young superstar Grant Hill during a commercial for Fila. "You're too nice." A series of drills follows in which Laimbeer tries to teach Hill elbowing, tripping, referee abuse, cameraman pushing, nose piercing—all the skills needed for today's modern athletes to make big money off the court and playing field. But the joke is on Laimbeer. A follow-up spot shows Hill calling his mom, asking her to rescue him. The next commercial in the series depicts Hill finally breaking free of Laimbeer's hold, despite 52 days of brainwashing at "Camp Tough Guy." "I've got to play with decency, honesty," he says as a ray of light dawns upon him. "I've got to play clean." Clean is now cool. Clean is also lucrative. For endorsing Fila's running shoes, Hill received about $36 million over five years.

Teams, as well as individual athletes, are attracting sponsorship dollars. In a landmark deal, TD Waterhouse Investor Services, the Toronto-based discount brokerage, signed on as title sponsor for the next three Toronto Maple Leafs and Toronto Raptors seasons, 2001–2004.

Choosing the wrong salesperson can result in embarrassment and a tarnished image. Hertz discovered this when it entrusted its good name to the care of O.J. Simpson. Kellogg Canada Inc. is still feeling the agony over its sponsorship of sprinter Ben Johnson, who was stripped of his gold medal after the 1988 Olympics for taking an illegal substance.

Manufacturers and advertisers seek an endorser's "halo effect"—the positive association that bathes the product in good vibes after a popular sports celebrity has pitched it. The trend toward nice is very good news for brand names that are marketed globally. Tennis star Michael Chang has emerged as the most popular athlete in Asia by far. Reebok is basing its entire Asian strategy around him, as is Procter & Gamble's Rejoice (Pert Plus) shampoo line. What makes Asia so crazy about Chang? It's not just his heritage. It's also his persona. On a continent where family is considered paramount, Chang is coached by his brother, and they travel frequently with their parents. He's properly humble and soft-spoken as well. "We've always been a very close-knit family, and I think that's pretty characteristic of Asian families, period," says Chang.

Professional athletes aren't the only ones drawing sponsorship dollars. Amateur athletes, especially those training for the Olympics, are receiving increased attention. Olympic sponsorship is a significant marketing vehicle, whether it is of the Games themselves, the teams that compete in them, or individual athletes. People aren't as jaded in their views of Olympic athletes as they are about their professional counterparts. Although Olympic athletes may not be household names, people believe that these athletes compete for the love of the sport. Thus, the goodwill that adheres to a company that supports Olympic athletes is greater than that associated with support of a professional sports celebrity. Since the Olympics draw both international and national audiences, they provide sponsoring companies with the opportunity to speak to the world.

The power of the Games led Kellogg to re-enter the sponsorship game. Runner Donovan Bailey graced the front of the Corn Flakes box. Swimmer Joanne Malar, who projects an image of fitness and health-consciousness, was chosen as the perfect fit for Special K. Divers Anne Montminy and Annie Pelletier also receive Kellogg's support.

Kellogg certainly isn't alone in its sponsorship of Canadian Olympic athletes. Home Depot Canada has a unique program in which it provides jobs for 10 Olympians in training. Panasonic runs breakthrough advertising showing the women's rowing team tearing up the pavement of Canadian cities. Nike Canada supports the snowboarding and hockey teams. Roots Canada was one of Canada's official clothing providers for the Games, and also sponsors individual athletes such as skater Elvis Stojko. Tim Hortons supports the Canadian Cycling Association, while Procter & Gamble supports the Spirit of Sport Foundation.

Olympic sponsorship is not without risks, however. When firms endorse an individual athlete, they run the risk that the person might not perform as well as hoped. They may say something unfortunate in their excitement over victory. They may even bring disrepute, as when Canadian snowboarder Ross Rebagliati was temporarily stripped of his win after testing positive for marijuana. Many sponsors are now making their sponsored athletes sign codes of conduct and morality.

Rather than sponsoring individual competitors, many firms are now endorsing teams. Ken McGovern, a Vancouver researcher who specializes in sponsorship, says, "When you're endorsing a team, what you're really doing is endorsing the spirit of the Games, the excitement of competition and the national pride that comes with that." Corporations that help make all this happen reap a tremendous harvest of goodwill.

Although the sponsorship arena has long been dominated by male athletes, not only men's teams are drawing sponsorship dollars. In 1998, women's hockey was an Olympic event for the first time, and the Canadian team attracted a number of sponsors including Imperial Oil.

While some corporations focus their sponsorship efforts on just the athletes, other firms, such as McDonald's of Canada, take a more integrated approach. Around the 2000 Olympics season, the company began by sponsoring the CBC, the official broadcaster of the games. Each of its hundreds of Canadian restaurants was designated an "official headquarters." All of McDonald's in-restaurant materials featured Olympic themes—from tray liners to sandwich wraps to a special magazine touting Olympic values. Olympic watches were offered as the featured premium, and the company sent coupon booklets bearing Olympic logos to every Canadian household. Sales of the watches alone raised $1 million for the Canadian Olympic team. So that people watching the television coverage of the Games didn't get bored with watching a single ad aired again and again, McDonald's created 11 commercials. McDonald's believed that it was better to be associated with the spirit of the Games than to sponsor an individual athlete.

Sources: Portions adapted from Lane Randall, "Nice guys finish first," *Forbes,* 16 December 1996:236–42. Also see Susan Chandler, "Michael Jordan's full corporate press," *Business Week,* 7 April 1997; Roy S. Johnson, "Tiger!" *Fortune,* 12 May 1997:73–84; John Heinzl, "Logos an Olympic event," *Globe and Mail,* 20 October 1997:B1,B4; Lara Mills, "Women get in the Game," *Marketing,* 7 April 1997:10–1; James Walker, "Ben Johnson on their minds," *Financial Post,* 13 July 1996; Patti Summerfield, "TD Waterhouse makes landmark sports deal," *Strategy,* 23 October 2000:4; and www.kelloggs.com/index_nite.html.

Becel Canada
www.becelcanada.com/

This has been an important strategy for Lipton's Becel margarine, since research showed that health professionals were important influencers on their patients' dietary choices. In addition to award-winning advertising that helped the brand grow throughout the 1990s, Becel developed its Becel Heart Health Information Bureau. This "educational arm" of the brand provides health care professionals and the public with current information on nutrition and the scientific issues affecting heart health. While maintaining its objectivity, the bureau strives to disseminate both key scientific facts about heart health and key brand messages, primarily on the Becel Canada Web page.[13]

Collecting Feedback

After sending the message, the communicator must research its effect on the target audience. This involves asking the target audience members whether they remember the message, how many times they saw it, what points they recall, how they felt about the message, and their past and present attitudes toward the product and company. The communicator also wants to measure behaviour resulting from the message—how many people bought a product, talked to others about it, or visited the store.

Feedback on marketing communications may suggest changes in the promotion program or in the product offer itself. For example, when the new Boston Market restaurant chain enters new market areas, it uses television advertising and coupons in newspaper inserts to inform area consumers about the restaurant and to lure them in. Suppose feedback research shows that 80 percent of all consumers in an area recall seeing Boston Market ads and are aware of what the restaurant offers. Sixty percent of those who are aware of it have eaten at the restaurant, but only 20 percent of those who tried it were satisfied. These results suggest that although the promotion program is creating *awareness,* the restaurant isn't giving consumers the *satisfaction* they expect. Therefore, Boston Market needs to improve its food or service while staying with the successful communication program. In contrast, suppose the feedback research shows that only 40 percent of area consumers are aware of the restaurant, that only 30 percent of those aware of it have tried it, but 80 percent of those who have tried it return. In this case, Boston Market needs to strengthen its promotion program to take advantage of the restaurant's power to create customer satisfaction.

Setting the Total Promotion Budget and Mix

We have examined the steps in planning and sending communications to a target audience. But how does the company decide on the total *promotion budget* and its division among the major promotional tools to create the *promotion mix?* We now look at these questions.

Setting the Total Promotion Budget

One of the hardest marketing decisions facing a company is how much to spend on promotion. John Wanamaker, the department-store magnate, once said: "I know that half of my advertising is wasted, but I don't know which half. I spent $2 million for advertising, and I don't know if that is half enough or twice too much." Therefore, it is not surprising that industries and companies vary widely in how much they spend on promotion. Promotion spending may be 20 to 30 percent of sales in the cosmetics industry and only two or three percent in the industrial machinery industry. Within any industry, both low and high spenders can be found.

How does a company decide on its promotion budget? We look at four common methods used to set the total budget for advertising: the *affordable method*, the *percentage-of-sales method*, the *competitive-parity method*, and the *objective-and-task method*.[14]

Affordable Method

Affordable method
Setting the promotion budget at the level management thinks the company can afford.

Some companies use the **affordable method:** They set the promotion budget at the level they think the company can afford. Small businesses often use this method, reasoning that the company cannot spend more on advertising than it has. They start with total revenues, deduct operating expenses and capital outlays, and then devote some portion of the remaining funds to advertising.

Unfortunately, this method of setting budgets completely ignores the effects of promotion on sales. It tends to place advertising last among spending priorities, even in situations in which advertising is critical to the firm's success. It leads to an uncertain annual promotion budget, which makes long-range market planning difficult. Although the affordable method can result in overspending on advertising, it more often results in underspending.

Percentage-of-Sales Method

Percentage-of-sales method
Setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the sales price.

Other companies use the **percentage-of-sales method,** setting their promotion budget at a certain percentage of current or forecasted sales. Or they budget a percentage of the unit sales price. The percentage-of-sales method has a number of advantages. First, using this method means that promotion spending is likely to vary with what the company can "afford." It also helps management think about the relationship between promotion spending, selling price, and profit per unit. Finally, it supposedly creates competitive stability because competing firms tend to spend about the same percentage of their sales on promotion.

Despite these claimed advantages, however, the percentage-of-sales method has little to justify it. It wrongly views sales as the *cause* of promotion rather than as the *result*. "A study in this area found good correlation between investments in advertising and the strength of the brands concerned—but it turned out to be effect and cause, not cause and effect. . . . The strongest brands had the highest sales and could afford the biggest investments in advertising!"[15] The budget is based on availability of funds rather than on opportunities. It may prevent the increased spending sometimes needed to turn around falling sales. Because the budget varies with year-to-year sales, long-range planning is difficult. Finally, the method does not provide any basis for choosing a *specific* percentage, except what has been done in the past or what competitors are doing.

Competitive-Parity Method

Competitive-parity method
Setting the promotion budget to match competitors' outlays.

Still other companies use the **competitive-parity method,** setting their promotion budgets to match competitors' outlays. They monitor competitors' advertising or get industry promotion spending estimates from publications or trade associations, and then set their budgets based on the industry average.

Two arguments support this method. First, competitors' budgets represent the collective wisdom of the industry. Second, spending what competitors spend helps prevent promotion wars. Unfortunately, neither argument is valid. There are no grounds for believing that the competition has a better idea of what a company should be spending on promotion than does the company itself. Companies differ greatly, and each has its own special promotion needs. Finally, there is no evidence that budgets based on competitive parity prevent promotion wars.

Objective-and-Task Method

Objective-and-task method Developing the promotion budget by defining specific objectives; determining the tasks that must be performed to achieve these objectives; and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

The most logical budget setting method is the **objective-and-task method,** whereby the company sets its promotion budget based on what it wants to accomplish with promotion. This budgeting method entails defining specific promotion objectives; determining the tasks needed to achieve these objectives; and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

The objective-and-task method forces management to spell out its assumptions about the relationship between dollars spent and promotion results. But it is also the most difficult method to use. It is often hard to determine which specific tasks will achieve specific objectives. For example, suppose Sony wants 95 percent awareness for its latest camcorder model during the six-month introductory period. What specific advertising messages and media schedules should Sony use to attain this objective? How much would these messages and media schedules cost? Sony management must consider such questions, even though they are hard to answer.

Setting the Overall Promotion Mix

MAC Cosmetics
www.maccosmetics.com/

The company now must divide the total promotion budget among the major promotion tools—advertising, personal selling, sales promotion, and public relations. It must blend the promotion tools carefully into a coordinated *promotion mix*. Companies within the same industry differ greatly in the design of their promotion mixes. For example, Avon spends most of its promotion funds on personal selling and direct marketing, whereas Revlon spends heavily on consumer advertising, and Toronto-based M•A•C (Make-up Art Cosmetics) has rocketed onto the world stage with almost no traditional advertising. We now look at the many factors that influence the marketer's choice of promotion tools.

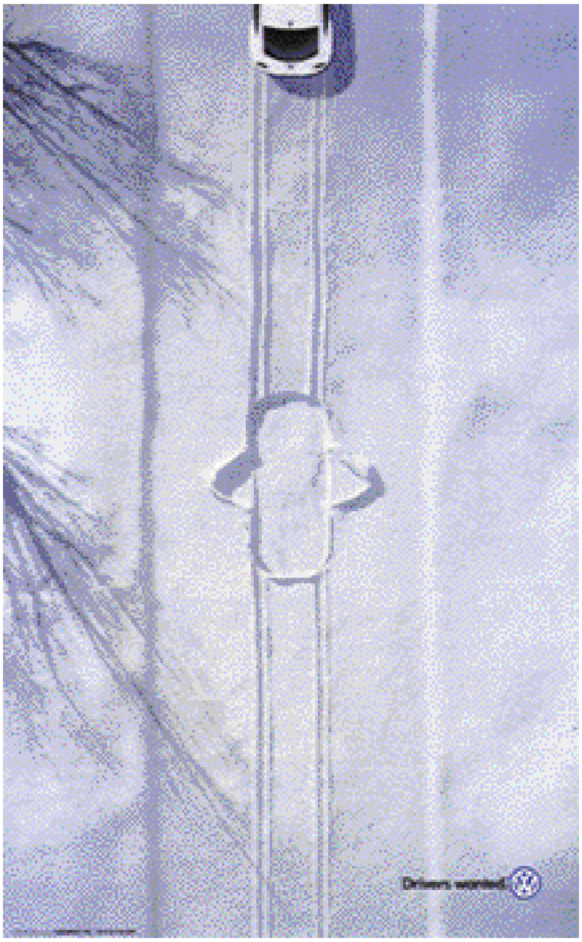
The Nature of Each Promotion Tool

Each promotion tool—advertising, personal selling, sales promotion, public relations, and direct marketing—has unique characteristics and costs. Marketers must understand these characteristics in selecting their tools.

Advertising. Advertising can reach masses of geographically dispersed buyers at a low cost per exposure and enables the seller to repeat a message many times. Television advertising, for example, reaches huge audiences. On an average day, 77 percent of Canadians view television at least once. This viewership may be split between Canadian national networks (19.5%), French networks (17.7%), Canadian Global and independents (17.6%), and US conventional and superstations (17.4%). More than 127 million North Americans tune in to the Super Bowl, and about 78 million people watched at least part of the past Academy Awards broadcast. "If you want to get to the mass audience," says a media services executive, "Broadcast TV is where you have to be." He adds, "For anybody introducing anything who has to lasso an audience in a hurry—a new product, a new campaign, a new movie—the networks are still the biggest show in town."[16]

Beyond its reach, large-scale advertising says something positive about the seller's size, popularity, and success. Because of advertising's public nature, consumers tend to view advertised products as more legitimate.

Advertising is also very expressive. It allows the company to dramatize its products through the artful use of visuals, print, sound, and colour. On the one hand, advertising can be used to build a long-term image for a product (such as Coca-Cola ads). On the other hand, advertising can trigger quick sales (such as Sears' weekend sale ads).



Advertising is an important part of Volkswagen's promotion mix. This award-winning, distinctive, eye-catching ad helped Volkswagen grab consumers' attention.

Advertising also has shortcomings. Although it reaches many people quickly, advertising is impersonal and cannot be as persuasive as company salespeople. For the most part, advertising can carry on only a one-way communication with the audience, and the audience does not feel that it must pay attention or respond. In addition, advertising can be very costly. Although some advertising forms, such as newspaper and radio advertising, can be done on small budgets, other forms, such as network TV advertising, require very large budgets.

Personal Selling. Personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyers' preferences, convictions, and actions. Compared to advertising, personal selling has several unique qualities. It involves personal interaction between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments. Personal selling also allows all kinds of relationships to develop, ranging from a matter-of-fact selling relationship to a deep personal friendship. The effective salesperson keeps the customer's interests at heart to build a long-term relationship. Finally, with personal selling, the buyer usually feels a greater need to listen and respond, even if the response is a polite "no thank you."

These qualities come at a cost, however. A sales force requires a longer-term commitment than does advertising: A company can turn on and off its advertising, but it is hard to change the size of a sales force. Personal selling is also the company's most expensive promotion tool, costing industrial companies an average of over $275 per sales call.[17] North American firms spend up to three times as much on personal selling as they do on advertising.

Sales Promotion. Sales promotion includes a wide assortment of tools, including coupons, contests, cents-off deals, and premiums such as "buy 10 products, and get one free." These attract consumer attention and provide information that may lead to a purchase. They offer strong incentives to purchase by providing inducements or contributions that give additional value to consumers. And sales promotions invite and reward quick response. Where advertising says, "Buy our product," sales promotion says, "Buy it now."

Companies use sales promotion tools to create a stronger and quicker response. Sales promotion can be used to dramatize product offers and to boost sagging sales. Sales promotion effects are usually short lived, however, and are not effective in building long-run brand preference.

Public Relations. Public relations offers several benefits. It is very believable: news stories, features, and events seem more real and believable to readers than ads do. Public relations also can reach many prospects who avoid salespeople and advertisements—the message gets to the buyers as "news" rather than as a sales-directed communication. And, like advertising, public relations can dramatize a company or product. Marketers tend to underuse public relations or to use it as an afterthought. Yet a well-planned public relations campaign used with other promotion mix elements can be very effective and economical.

Direct Marketing. The many forms of direct marketing—direct mail, telemarketing, electronic marketing, online marketing, and others—share four distinctive

With personal selling, the customer feels a greater need to listen and respond, even if the response is a polite "no thank you."

characteristics. Direct marketing is non-public: The message is normally addressed to a specific person. Direct marketing is also immediate and customized: Messages can be prepared very quickly and can be tailored to appeal to specific consumers. Finally, direct marketing is interactive: It allows a dialogue between the marketer and consumer, and messages can be altered depending on the consumer's response. Therefore, direct marketing is well suited to highly targeted marketing efforts and to building one-on-one customer relationships.

Promotion Mix Strategies

Push strategy
A promotion strategy that calls for using the sales force and trade promotion to push the product through channels. The producer promotes the product to wholesalers, the wholesalers promote to retailers, and the retailers promote to consumers.

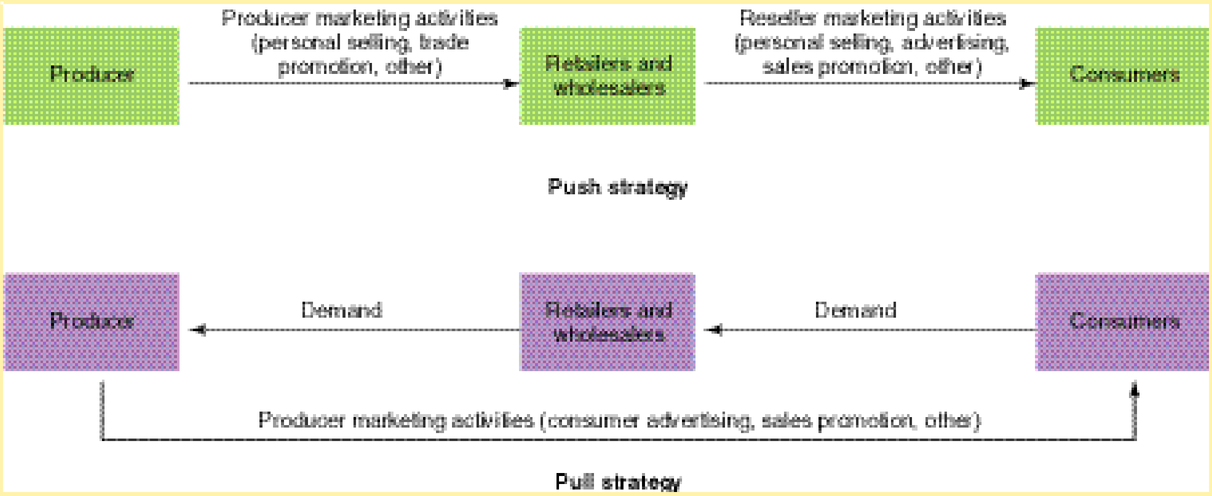
Pull strategy
A promotion strategy that calls for spending a lot on advertising and consumer promotion to build up consumer demand. If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers.

Marketers can choose from two basic promotion mix strategies—*push* promotion or *pull* promotion. Figure 13-4 contrasts the two strategies. A **push strategy** involves "pushing" the product through distribution channels to final consumers. The producer directs its marketing activities (primarily personal selling and trade promotion) toward channel members to induce them to carry the product and to promote it to final consumers. Using a **pull strategy,** the producer directs its marketing activities (primarily advertising and consumer promotion) toward final consumers to induce them to buy the product. If the pull strategy is effective, consumers then will demand the product from channel members, who will in turn demand it from producers. Thus, under a pull strategy, consumer demand "pulls" the product through the channels.

Some small industrial goods companies use only push strategies; some direct-marketing companies use only pull. Most large companies use some combination of both. For example, Frito-Lay uses mass-media advertising to pull its products, and a large sales force and trade promotions to push its products through the channels. In recent years, consumer goods companies have been decreasing the pull portions of their promotion mixes in favour of more push.

Companies consider many factors when developing their promotion mix strategies, including *type of product-market* and the *product life cycle stage.* For example, the importance of different promotion tools varies between consumer and busi-

FIGURE 13-4 Push versus pull promotion strategy



ness markets. Consumer goods companies usually "pull" more, putting more of their funds into advertising, followed by sales promotion, personal selling, and then public relations. In contrast, business-to-business marketers tend to "push" more, putting more of their funds into personal selling, followed by sales promotion, advertising, and public relations. In general, personal selling is used more heavily with expensive and risky goods and in markets with fewer and larger sellers.

The effects of different promotion tools also vary with stages of the product life cycle. In the introduction stage, advertising and public relations are good for producing high awareness, sales promotion is useful in promoting early trial, and personal selling must be used to get the trade to carry the product. In the growth stage, advertising and public relations continue to be powerful influences, whereas sales promotion can be reduced because fewer incentives are needed. In the mature stage, sales promotion again becomes important relative to advertising: Buyers know the brands, and advertising is needed only to remind them of the product. In the decline stage, advertising is kept at a reminder level, public relations is dropped, and salespeople give the product only a little attention; however, sales promotion might continue to be strong.

Integrating the Promotion Mix

Having set the promotion budget and mix, the company must take steps to see that all of the promotion mix elements are smoothly integrated. This is a checklist for integrating the firm's marketing communications.[18]

- *Analyze trends—internal and external—that can affect your company's ability to do business:* Look for areas where communications can help the most. Determine the strengths and weaknesses of each communications function. Develop a combination of promotional tactics based on these strengths and weaknesses.
- *Audit the pockets of communications spending throughout the organization:* Itemize the communications budgets and tasks and consolidate these into a single budgeting process. Reassess all communications expenditures by product, promotional tool, stage of the life cycle, and observed effect.

- *Identify all contact points for the company and its brands:* Work to ensure that communications at each point are consistent with your overall communications strategy and that your communications efforts are occurring when, where, and how your customers want them.
- *Team up in communications planning:* Engage all communications functions in joint planning. Include customers, suppliers, and other stakeholders at every stage of communications planning.
- *Create compatible themes, tones, and quality across all communications media:* Make sure each element carries your unique primary messages and selling points. This consistency achieves greater impact and prevents the unnecessary duplication of work across functions.
- *Create performance measures that are shared by all communications elements:* Develop systems to evaluate the combined impact of all communications activities.
- *Appoint a director responsible for the company's persuasive communications efforts:* This move encourages efficiency by centralizing planning and creating shared performance measures.

Socially Responsible Marketing Communication

People at all levels of the organization must be aware of the growing body of legal and ethical issues surrounding marketing communications. Most marketers work hard to communicate openly and honestly with consumers and resellers. Still, abuses do occur, and public policy makers have developed a substantial body of laws and regulations to govern advertising, personal selling, and direct marketing activities. In this chapter, we discuss issues regarding advertising and personal selling. Issues relating to direct marketing are addressed in Chapter 16.

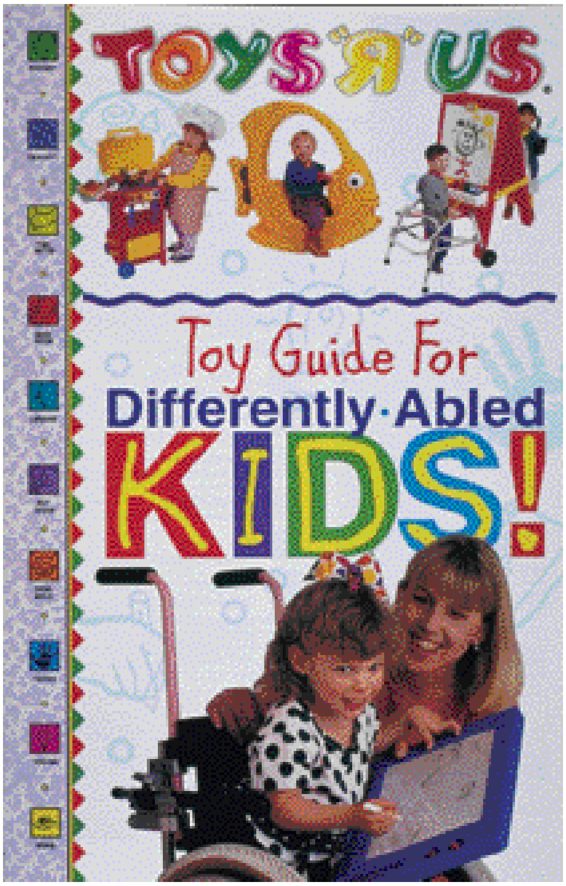
Advertising and Sales Promotion

Canadian Radio-television and Communications Commission
www.crtc.gc.ca/

Advertising Standards Canada
www.adstandards.com/

The advertising industry in Canada is controlled both by the Canadian Radio-television and Telecommunications Commission (CRTC) and by voluntary industry codes administered by Advertising Standards Canada. The CRTC, which independently governs broadcast licensing, is itself governed by the *Broadcasting Act* of 1991 and the Telecommunications Act of 1993. The primary objective of the *Broadcasting Act* is to ensure that all Canadians have access to a wide variety of high-quality Canadian programming. The main objective of the *Telecommunications Act* is to ensure that Canadians have access to reliable telephone and other telecommunications services at affordable prices. The CRTC also has the mandate to ensure that programming in the Canadian broadcasting system reflects Canadian social values, creativity, and talent, the country's linguistic duality, its multicultural diversity, and the special place of aboriginal people within Canadian society. The CRTC regulates over 5900 broadcasters, including television, cable distribution, AM and FM radio, pay and specialty television, direct-to-home satellite systems, multipoint distribution systems, subscription television, and pay audio, as well as 61 telecommunications carriers including major Canadian telephone companies. The CRTC also administers several codes that have a particular impact on certain categories of advertising. For example, the Code for Broadcast Advertising of Alcoholic Beverages governs advertising of alcoholic beverages with over seven percent alcohol.

Advertising Standards Canada (ASC), established as the Canadian Advertising Foundation in 1963, is a national industry association committed to assuring the integrity and viability of advertising through industry self-regulation. Its members



Toys 'R' Us helped both parents and disabled children with its new toy guide.

include advertisers, agencies, media organizations, and suppliers to the advertising sector. ASC receives, reviews, adjudicates, and reports on complaints about advertising. Industry codes and guidelines administered by ASC include the Canadian Code of Advertising Standards, the Gender Portrayal Guidelines, Broadcast Code for Advertising to Children, the Guide to Food Labelling and Advertising, Advertising Code of Standards for Cosmetics, Toiletries & Fragrances, Guidelines for the Use of Comparative Advertising in Food Commercials, Tobacco Voluntary Packaging, and the Advertising Industry Code. Details of these codes can be found on the ASC Web site.

A company's trade promotion activities are also closely regulated. Under the *Competition Act,* sellers cannot favour certain customers through their use of trade promotions. They must make promotional allowances and services available to all resellers on proportionately equal terms.

Beyond simply avoiding legal pitfalls, such as deceptive or bait-and-switch advertising, companies can use advertising to encourage and promote socially responsible programs and actions. For example, Toys 'R' Us (Canada) was praised by a number of groups for its new *Toy Guide for Differently Abled Kids!* This 16-page catalogue, featuring 50 toys designed for disabled children, was distributed through the company's 56 Canadian locations as well as through such agencies as Easter Seals and the Canadian National Institute for the Blind. Although none of the toys displayed in the catalogue was specifically designed for disabled children, the publication informed parents about which toys were suitable for their children and how the toys might help their children develop certain skills.[19]

Personal Selling

A company's salespeople must follow the rules of "fair competition." For example, salespeople may not lie to consumers or mislead them about the advantages of buying a product. To avoid bait-and-switch practices, salespeople's statements must match advertising claims.

Different rules apply to consumers who are visited by salespeople at home than to those who go to a store in search of a product. Because people called on at home may be taken by surprise and may be especially vulnerable to high-pressure selling techniques, most provincial governments have stipulated a *three-day cooling-off rule* to give special protection to customers who are not seeking products: Under this rule, customers who agree in their own homes to buy something have 72 hours in which to cancel a contract or return merchandise and get their money back, no questions asked.

Much personal selling involves business-to-business trade. In selling to businesses, salespeople may not offer bribes to purchasing agents or to others who can influence a sale. They may not obtain or use technical or trade secrets of competitors through bribery or industrial espionage. Finally, salespeople must not disparage competitors or competing products by suggesting things that are not true.[20]

Review of Concept Connections

Modern marketing calls for more than just developing a good product, pricing it attractively, and making it available to target customers. Companies also must communicate with current and prospective customers, and what they communicate should not be left to chance. For most companies, the question is not whether to communicate, but how much to spend and in what ways.

1. Name and define the five tools of the promotion mix.

A company's total marketing communications mix—also called its promotion mix—consists of the specific blend of advertising, personal selling, sales promotion, public relations, and direct marketing tools that the company uses to pursue its advertising and marketing objectives. Advertising includes any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. In contrast, public relations focuses on building good relations with the company's various publics by obtaining favourable unpaid publicity. Firms use sales promotion to provide short-term incentives to encourage the purchase or sale of a product or service. Personal selling is any form of personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. Finally, firms seeking immediate response from targeted individual customers use non-personal direct marketing tools to communicate with customers.

2. Discuss the process and advantages of integrated marketing communications.

Recent shifts in marketing strategy from mass marketing to targeted or one-on-one marketing, coupled with advances in information technology, have had a dramatic impact on marketing communications. Although still important, the mass media are giving way to a profusion of smaller, more focused media. Companies are doing less broadcasting and more narrowcasting. As marketing communicators adopt richer but more fragmented media and promotion mixes to reach their diverse markets, they risk creating a communications hodgepodge for consumers. To prevent this, companies are adopting the concept of integrated marketing communications, which calls for carefully integrating all sources of company communication to deliver a clear and consistent message to target markets.

To integrate its external communications effectively, the company must first integrate its internal communications activities. The company then works out the roles that the various promotional tools will play and the extent to which each will be used. It carefully coordinates the promotional activities and the timing of when major campaigns take place. Finally, to help implement its integrated marketing strategy, the company appoints a marketing communications director who has overall responsibility for the company's communications efforts.

3. Outline the steps in developing effective marketing communications.

In preparing marketing communications, the communicator's first task is to identify the target audience and its characteristics. Next, the communicator must define the response sought, whether it be awareness, knowledge, liking, preference, conviction, or purchase. Then a message should be constructed with an effective content and structure. Media must be selected, both for personal and non-personal communication. Finally, the communicator must collect feedback by watching how much of the market becomes aware, tries the product, and is satisfied in the process.

4. Explain the methods for setting the promotion budget and factors that affect the design of the promotion mix.

The company must decide how much to spend on promotion. The most popular approaches to making this decision are to spend what the company can afford, to use a percentage of sales, to base promotion on competitors' spending, or to base it on an analysis and costing of the communication objectives and tasks.

The company must divide the promotion budget among the major tools to create the promotion mix. Companies can pursue a push or a pull promotional strategy, or a combination of the two. What specific blend of promotion tools is best depends on the type of product-market, the desirability of the buyer's readiness stage, and the product life cycle stage.

Key Terms

Advertising *(p. 540)*
Affordable method *(p. 557)*
Buyer readiness stages *(p. 547)*
Competitive-parity method *(p. 557)*
Direct marketing *(p. 540)*
Emotional appeals *(p. 550)*
Integrated marketing communications *(p. 542)*
Marketing communications mix (promotion mix) *(p. 540)*
Moral appeals *(p. 551)*
Non-personal communication channels *(p. 553)*
Objective-and-task method *(p. 558)*
Percentage-of-sales method *(p. 557)*
Personal communication channels *(p. 553)*
Personal selling *(p. 540)*
Public relations *(p. 540)*
Pull strategy *(p. 560)*
Push strategy *(p. 560)*
Rational appeals *(p. 549)*
Sales promotion *(p. 540)*
Word-of-mouth influence *(p. 553)*

Discussing the Issues

1. Name which form of marketing communications each of the following represents: (a) a U2 T-shirt sold at a concert, (b) a *Rolling Stone* interview with Nelly Furtado arranged by her manager, (c) a scalper auctioning tickets via e-Bay (ebay.com) for a Pearl Jam concert, and (d) a record store selling Our Lady Peace albums for $2 off the week their latest music video debuts on MuchMusic, and (e) Shania Twain's development of a Web page to keep fans aware of her concert tours, latest recordings, and line of signature clothing products.
2. The shift from mass marketing to targeted marketing, and the corresponding use of a richer mixture of promotion tools and communication channels, poses problems for many marketers. Using all of the promotion mix elements suggested in the chapter, propose a plan for integrating marketing communications at one of the following: (a) your university or college, (b) McDonald's (see www.mcdonalds.com), (c) Burton Snow Boards (see www.burton.com), or (d) a local zoo, museum, theatre, or civic event. Discuss your plan in class.
3. Many firms advertising in Canada use American rather than Canadian celebrities to endorse their products. For example, Sprint Canada uses Candice Bergen (who plays Murphy Brown on the self-titled sitcom) to promote its service. Why do you think they made this choice? Identify a product or service that has made effective use of a celebrity endorser. Identify another in which you think the use of a celebrity endorser was inappropriate. What criteria did you use to differentiate between a successful and unsuccessful use of a celebrity endorser?
4. Using Figure 13-2, describe the communications process for (a) a local newspaper ad for new cars, (b) a phone call from a representative of MCI requesting service sign-up, (c) a salesperson in Sears attempting to sell you a television set, and (d) Microsoft's Web page (www.microsoft.com) allowing you to ask questions about products.
5. The marketing communicator can use one or more types of appeals or themes to produce a desired response. (a) What are these types of appeals? (b) When should each be used? (c) Provide an example of each type of appeal using three different magazine ads.
6. Celebrity endorsers like Wayne Gretzky, Michael Jordan, and Tiger Woods, and numerous Olympic athletes like Marnie McBean, Simon Whitfield, Emilie Heymans, Anne Montminy, and Ian Millar have had a huge impact on advertising and endorsements. Explain the positive and negative consequences of using celebrity sports figures to promote a company's products. What impact does the use of sports celebrity endorsers have on the average person? Is this different from the impact of other types of celebrity endorsers?
7. Decide which of the promotional budget models described in the text would be most appropriate for (a) a small retail gift store, (b) an office supply company that has had a consistent sales and promotion pattern during each of the past five years, (c) a grocery store that has faced intense competition from three competitors in its immediate market area, and (d) an electronics manufacturer that is seeking to expand its market base and national appeal. Explain.

8. Each promotional tool has its own characteristics. Marketers must understand these characteristics in selecting their tools. Using Coca-Cola as an example, demonstrate how each of the promotional tools might be used to create an integrated marketing communications approach for the upcoming year.

Marketing Applications

1. The markets for personal and handheld computers are exploding. It seems that there will soon be a PC for every desk or pocket. However, tomorrow's computers will probably be as different from today's as today's laptops are from yesterday's old "punch card" machines. But how do you tell consumers in plain terms what they need to know about new generations of products without boring them? Computer manufacturers have learned that most consumers do not respond well to the detailed descriptions that are often needed to explain complex technological features and differences. The answer may be as close as the computer company's Web site. Experts predict that more and more consumers will be surfing the Web for product information and that fewer will use traditional information sources. Examine these Web sites: Sharp (www.sharp.ca), IBM (www.can.ibm.com), NEC Computer Systems (www.nec.com), Casio (www.casio.com), Apple (www.apple.com/ca/), and Sony (www.sony.ca).
   a. How are the marketing communications at these Web sites different from those found in traditional advertising media? Develop a grid that compares and critiques the two forms of marketing communication. Assess the advantages and disadvantages of each form.
   b. Which of these Web sites is the most effective? Explain.
   c. After reviewing each site, pick a product that you might like to own (such as a laptop or handheld computer). Based solely on the Web sites above, which company and product most grabs your attention and purchasing interest? Critique your information-gathering experience: What information was most useful? How could the communication be improved? Would you be willing to purchase the product via the Internet? Why or why not?

2. In five short years, Charles Brewer turned MindSpring Enterprises (www.mindspring.com) from a one-room operation into one of North America's largest Internet service providers (ISP). When Mindspring recently merged with EarthLink Network, it jumped past such industry giants as Microsoft, AT&T, and Prodigy to become the number two US ISP behind mammoth AOL (www.aol.com). However, with three million customers versus AOL's 20 million, catching up will take careful strategic planning—and a bit of luck. MindSpring/EarthLink plans to spend $300 million (half of its annual revenues) on promotion to encourage AOL customers (approximately one million defect from AOL each month) to join the ISP "with better service." EarthLink also plans to attack AOL's small business market by offering customized e-mail addresses, home pages, and applications that AOL doesn't currently provide. Will these moves move MindSpring/EarthLink closer to the top, or will the AOL juggernaut continue to roll unchecked? Only time will tell.
   a. What successful communications strategies does MindSpring/EarthLink appear to be using now? How could MindSpring/EarthLink use integrated marketing communications (IMC) to challenge AOL?
   b. What other areas of AOL vulnerability might MindSpring/EarthLink attack?
   c. If you were AOL's CEO, what would you do to meet the threat?
   d. If you were to give one piece of advice to an ISP that wanted to get your business, what would the advice be? What would be the best way for MindSpring/EarthLink to communicate in response to your advice?

Internet Connections

Integrated Marketing Communications

McDonald's is one of the most powerful brands in the world. In addition to its product mix, wide distribution of restaurants, and value pricing, McDonald's has extremely effective communications with important audiences. The concept of integrated marketing communications recognizes that customers are only one group to whom a firm wants to disseminate persuasive information. In addition to targeting kids and their parents, McDonald's is concerned with shareholders, potential franchisees, potential employees, and the communities in which the restaurants reside. Visit McDonald's online (www.mcdonalds.com) and see how it communicates to various audiences. View each page named in the table and then formulate a sentence to describe your opinion about the overall communication content and desired response

For Discussion

1. Why do you think McDonald's wants to communicate with each of the non-customer groups?
2. Although the specific messages may differ, is the overall appeal of its messages consistent to all audiences (rational or emotional tone, visuals, colour, brand name, and image)? What is the overall feeling you get from viewing its site?
3. Is McDonald's online message to consumers consistent with what you've seen on TV and elsewhere?
4. Have you seen any of McDonald's promotions or packages that direct consumers to the Web site? Specify where you've seen them.

Audience	One-sentence message to this audience	Desired response from this audience
Customer: Kids		
Customer: Adults		
Investors		
Potential franchises (corporate)		
Potential employees		
Community		
Other (specify)		
Other (specify)		

Savvy Sites

- Want to see some Web sites that don't do a good job at attracting and keeping visitors? Visit Web Pages That Suck (www.webpagesthatsuck.com) for an interesting and humorous look at the Web's worst.
- Check out the Advertising Age (www.adage.com) and AdWeek (www.adweek.com) online editions to learn more about what is happening in integrated marketing communications worldwide.
- Want to see an ad you loved again and again? Go to AdCritic (www.adcritic.com) and check out their weekly videos of new ads as well as your favourites.

Notes

1. Based on information supplied by Jim Lesinski at Volvo Trucks North America.

2. For these and other definitions, see Peter D. Bennett, *Dictionary of Marketing Terms,* Chicago: American Marketing Association, 1988.

3. For more discussion, see Don E. Schultz, Stanley I. Tannenbaum, and Robert F. Lauterborn, *Integrated Marketing Communication,* Chicago: NTC, 1992:11,17; Larry Percy, *Strategies for Implementing Integrated Marketing Communication,* Chicago: NTC, 1997; and James R. Ogdan, *Developing a Creative and Innovative Integrated Marketing Communications Plan,* Upper Saddle River, NJ: Prentice Hall, 1998.

4. Michael Kubin, "Simple days of retailing on TV are long gone," *Marketing News,* 17 February 1997:2,13; Elizabeth Lesly Stevens and Ronald Glover, "The entertainment glut," *Business Week,* 16 February 1998:88–95; Ronald Glover, "If these shows are hits, why do they hurt so much?" *Business Week,* 13 April 1998:36; Stuart Elliott, "Fewer viewers, more commercials," *New York Times,* 8 June 1999:1; Joe Mandese, "Networks facing a most uncertain fate," *Advertising Age,* 14 February 2000: 54,516; www.magazine.org, March 2000.

5. "Promotion practices condensed," *Potentials,* November 1998:6.

6. See Schultz, Tannenbaum, and Lauterborn, *Integrated Marketing Communication:* Chapters 3, 4.

7. P. Griffith Lindell, "You need integrated attitude to develop IMC," *Marketing News,* 26 May 1997:6.

8. Kevin Goldman, "Advertising: Knock, knock. Who's there? The same old funny ad again," *Wall Street Journal,* 2 November 1993:B10; Marc G. Weinberger, Harlan Spotts, Leland Campbell, and Amy L. Parsons, "The use and effect of humour in different advertising media," *Journal of Advertising Research,* May–June 1995:44–55.

9. "The creative eye," *Marketing On-Line,* 11 December 2000.

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Company Case 13

Fierce Creatures: Insects, Dogs, and Other Amigos Work to Ring Up PCS Sales

In 1997, the sector that spent the most on advertising was the telecommunications industry. A record number of primetime ads were run as the telecommunications giants fought new market entrants. Canada's largest advertiser, BCE, parent of the Bell companies, spent a cool $99 million on advertising. Rogers Cantel dug deep and found $35.5 million for its communications budget. Sprint Canada splurged with another $17.6 million. AT&T budgeted $16.6 million. And Unitel coughed up an additional $13.8 million. Even the newest players had huge expenditures: Microcell and Clearnet spent $400 000 and $800 000, respectively.

Part of these expenditures went to support the launch of the industry's newest products—personal communications services or PCS—those funky little handsets that handle everything from e-mail to voice-mail to actual telephone calls. The fight for market share is being fought with a vengeance and, if this market follows the history of cell phones, it won't be an easy battle. Even after years on the market, cell phones have penetrated a meagre 12 to 15 percent of the Canadian market.

It may not be surprising that consumers have been so slow on the uptake. They have been barraged with ads and sales pitches, yet they find it impossible to compare prices and total costs of the services since most of the companies were subsidizing the cost of the phone by making consumers sign long-term service contracts and charging them premium per-minute usage rates. At least, that was the case until Clearnet, of Pickering, Ontario, entered the scene.

Clearnet is one of the four firms vying for share in this superheated market. While the telecommunications giants, Bell and Rogers Cantel, are marketing their PCS products to existing customers as upgrades for their current products, the upstarts, Clearnet and Microcell, want consumers to see PCS as a totally new product class that will give consumers control over their personal and business communications. Thus, Rogers Cantel used promotions that extended the Amigo brand into the PCS arena shouting, "Let's get digital!" and Bell used the same 12-year-old spokesperson for both its Bell Mobility and PCS spots to tie the two product lines together. Microcell built its strategy around faithful FIDO.

When planning its strategy, Clearnet believed it faced a three-fold challenge: Introduce a completely new technology; establish a unique brand identity for its product; and provide potential buyers with enough information so that they would be comfortable making a purchase decision.

Research conducted by Clearnet and its agency, TAXI Advertising and Design, showed that consumers were concerned about rampant technological change and the constant product variations it created. Therefore, the team knew that focusing on the technology itself would be a mistake. Unlike the other companies, Clearnet decided to offer national coverage from day one instead of rolling out its products on an area-by-area basis. It also decided to simultaneously aim its product at both the end-consumer and the business marketplaces. Unlike the other competitors, Clearnet's pricing strategy is simplicity itself. Consumers pay $149.99 for their PCS phone and sign up for one of two talk-time plans. George Cope, Clearnet president, says, "We've finally made wireless telephoning accessible and affordable. No more 60¢-a-minute charges." In addition to simplicity in pricing, Clearnet made its phones widely available. Customers can use one of over 600 outlets across Canada as well as such non-traditional phone sales outlets as Blockbuster Video, Business Depot, Future Shop, Grand & Toy, Battery Depot, and The Telephone Booth.

Given Clearnet's cross-country launch and non-traditional distribution channels, it needed a communications strategy that would be as meaningful in Amherstview as it was in the Okanagan. Moreover, Clearnet, a small player facing industry giants, had only a small communications budget to launch the product, $800 000 compared to the $10 million used by Bell to launch its PCS service. Therefore, Clearnet had to carefully integrate its efforts so that it could speak to consumers with one voice.

In the face of these daunting challenges, Clearnet decided to create a human face for its brand that would link all of the elements of their campaign. This thinking gave birth to Mike, the "buddy" who can handle all forms of communication including two-way radio. Mike is an unassuming guy meant to typify to potential users that the service is a practical way to save users both time and money. Clearnet put Mike everywhere. Clearnet decided it was important to use a shotgun approach, believing it could only reach key buyers with this type of campaign. Thus, Mike appeared in a teaser campaign placed in newspapers, on television, in direct-mail pieces, at special events, and in news releases.

Clearnet's initial campaign was aimed at generating awareness. Its next task was to provide potential buyers with more information to move them through the decision-making process. This is where newspaper advertising really came into its own. According to Rick Seifeddine, Clearnet's director of communications and advertising, "Newspapers allow you to touch a lot of people, but [they] give you a little more time to deliver a complex message."

The secondary objective of the campaign was to generate leads about people most interested in the product so that Clearnet could follow up with more personal, targeted sales methods. Being able to explore niche markets overlooked by the two big players is an important part of Clearnet's strategy. It plans to use a direct marketing program that will target small firms and home businesses in which internal and external communications is essential to getting their work done. As part of its direct marketing efforts, Clearnet will make use of the Web, telemarketing, direct mail, and direct television.

Clearnet's "Mike" campaign helped turn the company into the mouse that roared. It became the industry leader, selling 30 000 units and growing its staff from 11 employees to over 1600. To sustain this remarkable growth, Clearnet launched a second campaign late in 1997. All of the ads featured nature-based images—everything from dung beetles to fly-catching plants. Clearnet chose the images to convey its positioning as the "simple" choice—one that wouldn't ensnare customers in complex contracts. Ads contained the message that buying PCS technology was as hassle-free as buying a toaster.

Were the ads enough to help Clearnet reign supreme in the competitive jungle? They certainly turned the small firm into a force to be reckoned with. In October 2000, Clearnet was acquired by TELUS Corporation, western Canada's leading telecommunications company, and a new company, TELUS Mobility, was born. It has since moved quickly to the forefront of Canada's wireless marketplace. Go to the Clearnet website (www.clearnet.com/english/pcs) to learn more about its current advertising campaigns and the Telus merger.

Questions

1. When launching a new product based on a new technology, is competition a good or bad thing?
2. Which strategy do you think is most viable for the PCS product launch—the one followed by the big telecommunications companies that position their products as line extensions, or the one used by the upstart firms that position their products as breakthrough, new-to-the world offerings? Which one is easier to communicate to prospective customers? Which one offers the biggest payback?
3. Describe the unique selling proposition around which Clearnet's integrated communication program was built.
4. While Clearnet's shotgun approach may give the firm the volume it needs to cover the huge costs of launching the product, do you think this strategy is viable for the future?
5. The communications task facing marketers of the new PCS technology is complex. They have to convey messages to consumers that range from the benefits associated with the product to the capabilities of the new technologies. They must explain how PCS differs from cell phones and what the various price-points will be. The firms also have to move consumers step-by-step through the decision-making process. What media vehicles would you recommend for people at different decision-making stages? Can you use the same media for end-consumers and business customers?
6. The huge amount of ad spending in the telecommunications market may have caused considerable consumer confusion. Did Clearnet's advertising campaign differentiate the firm from its competition? Before you read this case, did you recall Clearnet's ads? Did you understand the benefits of its products?
7. As consumers become more comfortable with PCS technology, what communication challenges will Clearnet face in the future?

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video case 13

Infomercials: Brand Building Tools or Disguised Advertising?

Turn on your TV late at night or in the early morning hours and you'll see that infomercials are everywhere. The word alone conjures up images of washed-up TV stars hawking everything from thigh-masters to spray-on hair. But what's this . . . a 30 minute, prime-time spot featuring the upscale Land Rover? Another for the services offered by the Bank of Montreal and a third for Sprint Canada. Why are these national brand advertisers using what was once regarded as the cheesiest form of advertising?

Infomercials are the fastest growing sector in advertising and more and more infomercials are appearing on Canadian prime-time television. Infomercials are television commercial messages promoting products or services that are more than 12 continuous minutes in length. Infomercials are exempt from the CRTC-imposed 12-minutes-per-hour ceiling on advertising time. Sometimes called direct response television, infomercials attempt to elicit a measurable audience response in the form of an order or request for further information. This is usually done by placing a toll-free number in the commercial.

In 1995, the Telecaster Committee of Canada reported that there were two infomercials approved for broadcast, but by 1999 more than 600 infomercials had been approved. The increased numbers of infomercials are only one change affecting the industry. Today, infomercials are being aired by some of Canada's most prestigious companies as well as its charitable organizations. The number of really successful, long-running infomercials has also dramatically increased. Sprint Canada, for example, sponsored an infomercial that ran almost 4000 times, and Look Communications broadcast an infomercial for close to two years. Cantel AT&T has found infomercials so effective that it produced ten between 1995 and 2000. Recently it adopted a MuchMusic-style infomercial to hawk its "Pay as You Go" service to teens.

Today, the only stations that cannot air infomercials are those that receive public funding, such as CBC or TVOntario. All other channels, including specialty channels, can broadcast infomercials whenever they please. One station, Toronto's Star Television, runs nothing but infomercials 24 hours a day, seven days a week. Despite the concern about audience fragmentation, television still reaches more Canadians than any other medium. The 2000/2001 Television Bureau of Canada's audience statistics show that 85 percent of Canadian adults over 18 watch television daily. This compares to the 66 percent who read newspapers, the 42 percent who read magazines, and the 34 percent who use the Internet. And as products and services become increasingly complex, consumers may need more information than ever before to optimize their choices. Producers of such products have recognized the power of infomercials to deliver needed information to target audiences.

The arrival of big business has transformed infomercials. They no longer use tacky pitches where people scream at you to buy their products. Instead, many infomercials today have high production values. For instance, the Bank of Montreal's "Matchmaker" RSP infomercial employed experts and customer testimonials to increase believability. Others use "mini-dramas" that viewers can identify with. One thing is certain: when infomercials are of high quality, they bring in new customers. Cantel's "Pay as You Go" infomercial not only generated direct sales, but helped in-store sales as well since teens who viewed the infomercial were more predisposed to buy.

Producing high quality programming takes deep pockets, talented producers and expensive actors. The key to getting people to watch is that infomercials must be entertaining as well as informative. The transformation of infomercials has been so profound that even the name is starting to change. Producers like Ian French call them "direct response programming." They are also known as documercials, edumercials, and storymercials. Many look more like soap operas than half-hour commercials.

What concerns advertising critics is that the line between regular programming and commercial time is becoming increasingly blurred. They contend that viewers may not know they are watching a "product pitch" if they happen to tune in late and miss the opening disclaimer, which states that the program is paid-for, commercial material. Some formats have drawn more criticism than others, especially those infomercials that look just like news talk shows. No matter what they are called, infomercials seem here to stay. The debate rages, however, about whether they are deceptive advertising.

Questions

1. Why are large companies that sell national brands turning to infomercials?
2. Some sponsors defend the discreet approach to selling taken by some infomercials, claiming fewer ads today hit people over the head with commercial claims. They ask "So what?" when it is claimed people may not know they are watching a long commercial. Is it important that people know they are viewing commercial programming? Are there certain groups who may be harmed by not knowing they are viewing a commercial?
3. If you were a brand manager for a nationally recognized brand, would you use an infomercial? Why or why not?

Sources: Peggy Cunningham prepared this case based on "In Disguise," *Undercurrents,* October 19, 1999; James Careless, "Blue-Chip Marketers Join the Ranks of the Infomercial True Believers," *Marketing On-line,* November 1, 1999; Ian French, "Finding the Time," *Marketing On-line,* October 16, 2000; Media Digest, "Direct Response Television," *Marketing On-line,* September 11, 2000.