When You Finish This Chapter, You Should

1. Understand the importance and nature of personal selling.

2. Know the three basic sales tasks and what the various kinds of salespeople can be expected to do.

3. Know how sales technology affects the way sales are performed.

4. Know what the sales manager must do—including selecting, training, and organizing salespeople—to carry out the personal selling job.

5. Understand how the right compensation plan can help motivate and control salespeople.

6. Understand when and where to use the three types of sales presentations.

7. Understand the important new terms (shown in red).

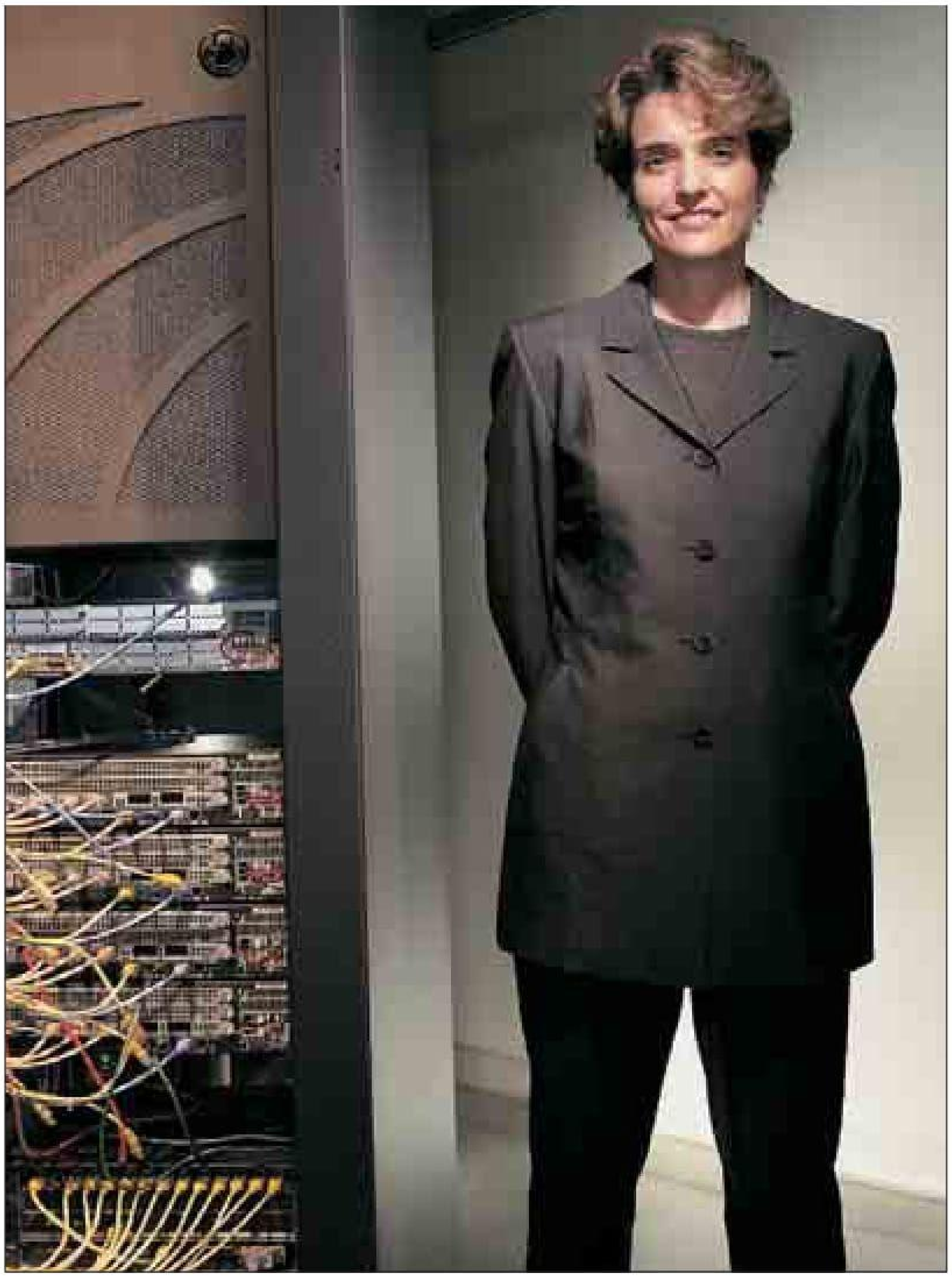
Chapter Fifteen

Personal Selling

Cisco Systems, Inc., has enjoyed enormous growth by "empowering the Internet generation." In other words, what Cisco does is sell the backroom gear and systems that large and small businesses, government agencies, schools, and other organizations need to support their computer networks, websites, and e-commerce applications. Eighty percent of the traffic over the Internet runs on Cisco equipment.

Cisco takes care of customers with cutting-edge e-commerce technology at its website (www.cisco.com) whenever it can. Distributors also handle some needs. But Cisco's own salespeople handle the job of getting and keeping major accounts. Cisco's sales force is as central to its success as its technology. Decisions to invest millions of dollars in information technology involve top management. Cisco's sales professionals, like Sue Bostrom, work with these executives to learn about their needs and then sell business solutions rather than "gear." Of course, a firm's IT specialists may also get in the act—and they want to know about technical details ("Will Cisco's router work with our systems security software?"). Technical specialists from Cisco's local sales office might handle some of these

place price promotion produc



concerns as part of the sales team effort. And when the sales rep identifies a prospect that has the potential to become one of Cisco's "premier partners," Cisco's top brass may help cement a close relationship. Cisco faces tough competition, so even with all this help Cisco salespeople need real skill to get the order and close a deal. And to keep the relationship going, top-notch sales support is needed whenever a customer has a problem that can't be quickly handled online.

To be certain that these challenging jobs are done well, Cisco's sales managers recruit talented people using a wide variety of methods. For example, the Hot Jobs@Cisco section of its website collects job applicant profiles on an ongoing basis. When a position opens up, qualified candidates are notified. After the best people are selected, Cisco provides the sales training to make them even better. New people may need training to build professional problem-solving and sales presentation skills as well as technical knowledge. Even experienced sales reps need ongoing training. For example, Cisco gives its salespeople training in everything from the firm's policies on expenses to the latest developments in technology—with approaches ranging from traditional instructor-led workshops to cutting-edge e-learning opportunities.

Cisco's salespeople have an array of different skills and experience. And Cisco has customers and sales offices all over the world. So Cisco must carefully match each salesperson to particular territories, industries, customers, and product lines. And to be sure that each salesperson is highly motivated, Cisco's sales managers must make certain that sales compensation arrangements and benefits reward salespeople for producing needed results.[1]

The Importance and Role of Personal Selling

Salespeople are communicators who build relationships

Promotion is communicating with potential customers. As the Cisco case suggests, personal selling is often the best way to do it. Almost every company can benefit from personal selling. While face-to-face with prospects, salespeople can get more attention than an advertisement or a display. They can adjust what they say or do to take into consideration culture and other behavioral influences on the customer. They can ask questions to find out about a customer's specific interests. They can figure out ways to solve customer problems. If, and when, the prospect is ready to buy, the salesperson is there to ask for the order. And afterward, the salesperson is there to be certain that the customer is satisfied and that the relationship between the customer and firm continues to be mutually beneficial.

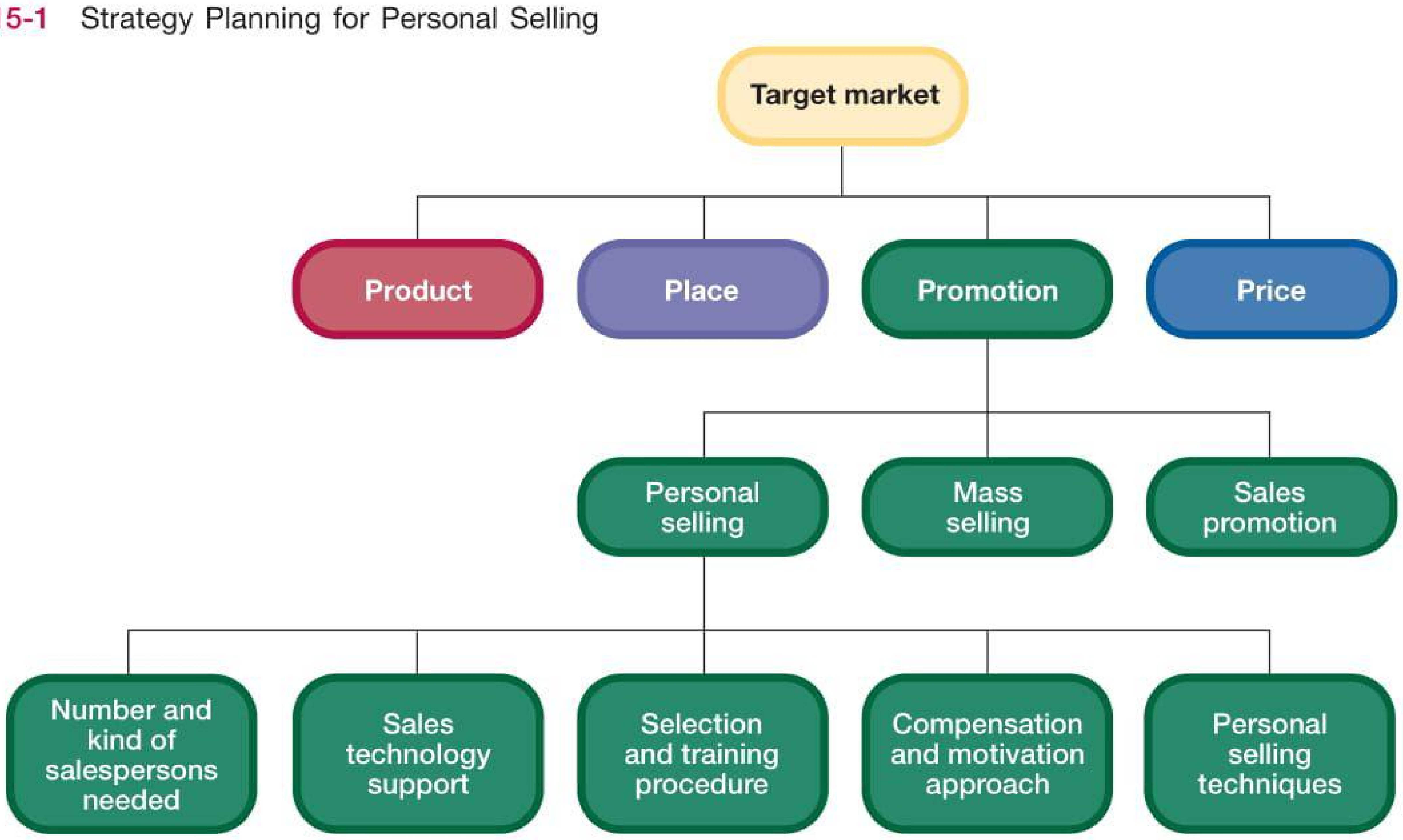
Personal selling requires strategy decisions

Marketing managers must decide how much, and what kind of, personal selling effort each marketing mix needs. Specifically, as part of their strategy planning, they must decide (1) how many salespeople they need, (2) what kind of salespeople they need, (3) what kind of sales technology support they need, (4) what kind of sales presentation to use, (5) how to select and train salespeople, and (6) how to supervise and motivate them. The sales manager provides input into these strategy decisions. Once made, it's the sales manager's job to implement the personal selling part of a marketing strategy.

In this chapter, we'll discuss the importance and nature of personal selling so you'll understand the strategy decisions sales and marketing managers face. These strategy decisions are shown in Exhibit 15-1.

We'll also discuss a number of frameworks and how-to approaches that guide these strategy decisions. Because these approaches apply equally to domestic and international markets, we won't emphasize that distinction in this chapter. This does not mean, however, that personal selling techniques don't vary from one country to another. To the contrary, in dealing with *any* customer, the salesperson must be very sensitive to cultural influences and other factors that might affect communication. For example, a Japanese customer and an Arab customer might respond differently to subtle aspects of

Exhibit 15-1 Strategy Planning for Personal Selling



a salesperson's behavior. The Arab customer might expect to be very close to a salesperson, perhaps only two feet away, while they talk. The Japanese customer might consider that distance rude. Similarly, what topics of discussion are considered sensitive, how messages are interpreted, and which negotiating styles are used vary from one country to another. A salesperson must know how to communicate effectively with each customer—wherever and whoever that customer is—but those details are beyond the strategy planning focus of this text.[2]

Personal selling is important

We've already seen that personal selling is important in some promotion blends and absolutely essential in others. You would better appreciate the importance of personal selling if you regularly had to meet payrolls and somehow, almost miraculously, your salespeople kept coming in with orders just in time to keep the business profitable.

Personal selling is often a company's largest single operating expense. This is another reason why it is important to understand the decisions in this area. Bad sales management decisions are costly in both lost sales and in actual out-of-pocket expenses.

Every economy needs and uses many salespeople. In the United States, one person out of every ten in the total labor force is involved in sales work. By comparison, that's about 20 times more people than are employed in advertising. Any activity that employs so many people and is so important to the economy deserves study. Looking at what salespeople do is a good way to start.

Helping to buy is good selling

Good salespeople don't just try to *sell* the customer. Rather, they try to *help the customer buy*—by understanding the customer's needs and presenting the advantages and disadvantages of their products. Such helpfulness results in satisfied customers and long-term relationships. And strong relationships often form the basis for a competitive advantage, especially for firms that target business markets.

You may think of personal selling in terms of an old-time stereotype of a salesperson: a bag of wind with no more to offer than a funny story, a big expense account, and an engaging grin. But that isn't true any more. Old-time salespeople are being replaced by real professionals—problem solvers—who have something definite to contribute to their employers *and* their customers.

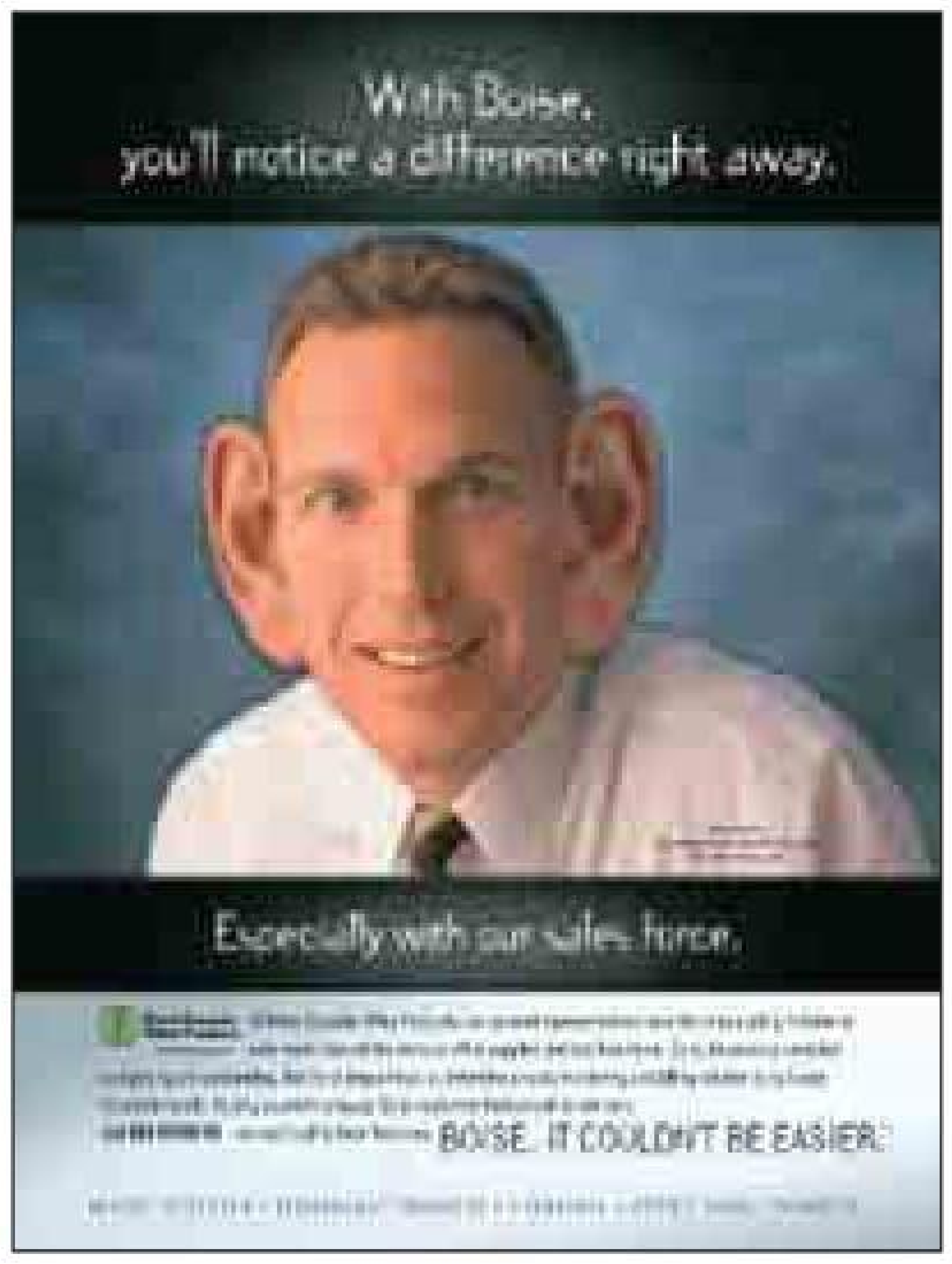
Salespeople represent the whole company—and customers too

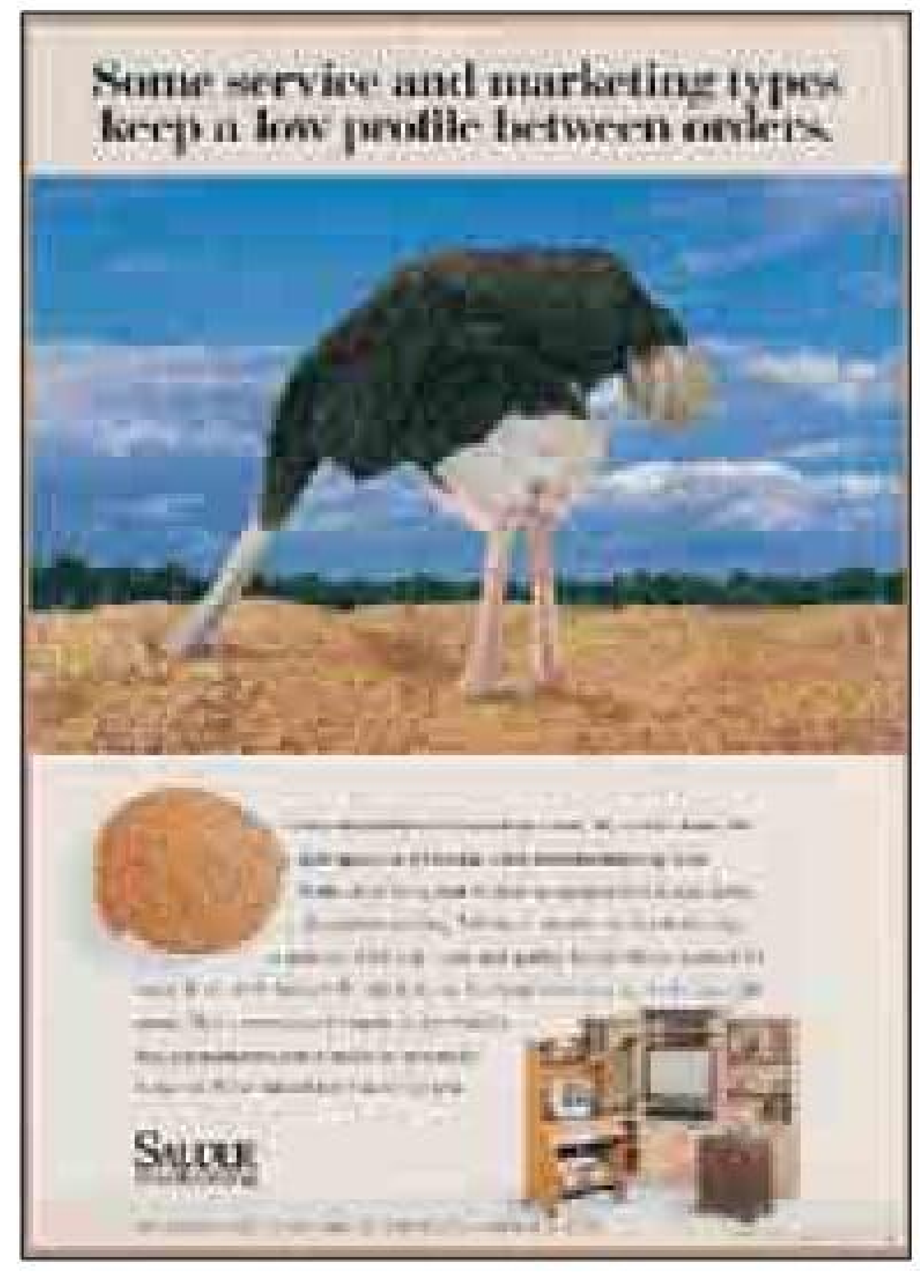
Increasingly, the salesperson is seen as a representative of the whole company—responsible for explaining its total effort to target customers rather than just pushing products. The salesperson may provide information about products, explain and interpret company policies, and even negotiate prices or diagnose technical problems when a product doesn't work well.

The sales rep is often the only link between the firm and its customers—especially if customers are far away. When a number of people from the firm are involved with the customer organization—which is increasingly common as more suppliers and customers form closer relationships—it is usually the sales rep who coordinates the relationship for his or her firm. See Exhibit 7-6.

As this suggests, salespeople also represent their *customers* back inside their own firms. Recall that feedback is an essential part of both the communication process *and* the basic management process of planning, implementing, and control. For example, the sales rep is the likely one to explain to the production manager why a customer is unhappy with product performance or quality—or to the e-commerce specialist how better order status information available on the website could help the customer save money.

Good salespeople try to help the customer solve problems and meet needs—and often that requires both careful listening to really understand the customer and then effective service after the sale.





As evidence of these changing responsibilities, some companies give their salespeople such titles as field manager, sales consultant, market specialist, account representative, or sales engineer.

Sales force aids in market information function as well

The sales force can aid in the marketing information function too. The sales rep may be the first to hear about a new competitor or a competitor's new product or strategy. And, as the following example shows, sales reps who are well attuned to customers' needs can be a key source of ideas for new products.

Ballard Medical Products competes with international giants in the hospital supply business. A key factor in Ballard's success is that its salespeople have a lot of say in what products the company produces and how they are designed. Ballard salespeople are trained as information specialists who seek and report on customer feedback. At each hospital, they work closely with the doctor and nurse specialists who use Ballard products. And when one of them says "we need a product that would solve this problem," the Ballard sales rep is right there to follow up with questions and invite suggestions. The rep quickly relays the customer's needs back to Ballard's new product group.[3]

Salespeople can be strategy planners too

Some salespeople are expected to be marketing managers in their own territories. And some become marketing managers by default because top management hasn't provided detailed strategy guidelines. Either way, salespeople may take the initiative to fill the gap. The salesperson may have choices about (1) what target customers to aim at, (2) which particular products to emphasize, (3) which middlemen to call on or to work with the hardest, (4) how to use promotion money, and (5) how to adjust prices.

A salesperson who can put together profitable strategies and implement them well can rise very rapidly. The opportunity is there for those prepared and willing to work.

Even a starting job may offer great opportunities. Some beginning salespeople—especially those working for producers or wholesalers—are responsible for larger sales volumes than many small companies. This is a serious responsibility—and the person must be prepared for it.

Further, sales jobs are often viewed as entry-level positions and used to evaluate candidates for promotion. Success in this job can lead to rapid promotion to higher-level sales and marketing jobs and more money and security.[4]

What Kinds of Personal Selling Are Needed?

If a firm has too few salespeople, or the wrong kind, some important personal selling tasks may not be completed. And having too many salespeople, or the wrong kind, wastes money. A sales manager needs to find a good balance—the right number and the right kind of salespeople. This balance may change over time with other changes in strategy or the market environment; that's why many firms have been restructuring their sales forces.

One of the difficulties of determining the right number and kind of salespeople is that every sales job is different. While an engineer or accountant can look forward to fairly specific duties, the salesperson's job changes constantly. However, there are three basic types of sales tasks. This gives us a starting point for understanding what selling tasks need to be done and how many people are needed to do them.

Personal selling is divided into three tasks

The three **basic sales tasks** are order-getting, order-taking, and supporting. For convenience, we'll describe salespeople by these terms—referring to their primary task—*although one person may do all three tasks in some situations*.

As the names imply, order getters and order takers obtain orders for their company. Every marketing mix must have someone or some way to obtain orders. In contrast, supporting salespeople are not directly interested in orders. Their function is to help the order-oriented salespeople.

Order Getters Develop New Business Relationships

Order getters are concerned with establishing relationships with new customers and developing new business. **Order-getting** means seeking possible buyers with a well-organized sales presentation designed to sell a good, service, or idea.

Order getters must know what they're talking about, not just be personal contacts. Order-getting salespeople work for producers, wholesalers, and retailers. They normally are well paid—many earn more than $80,000 a year.

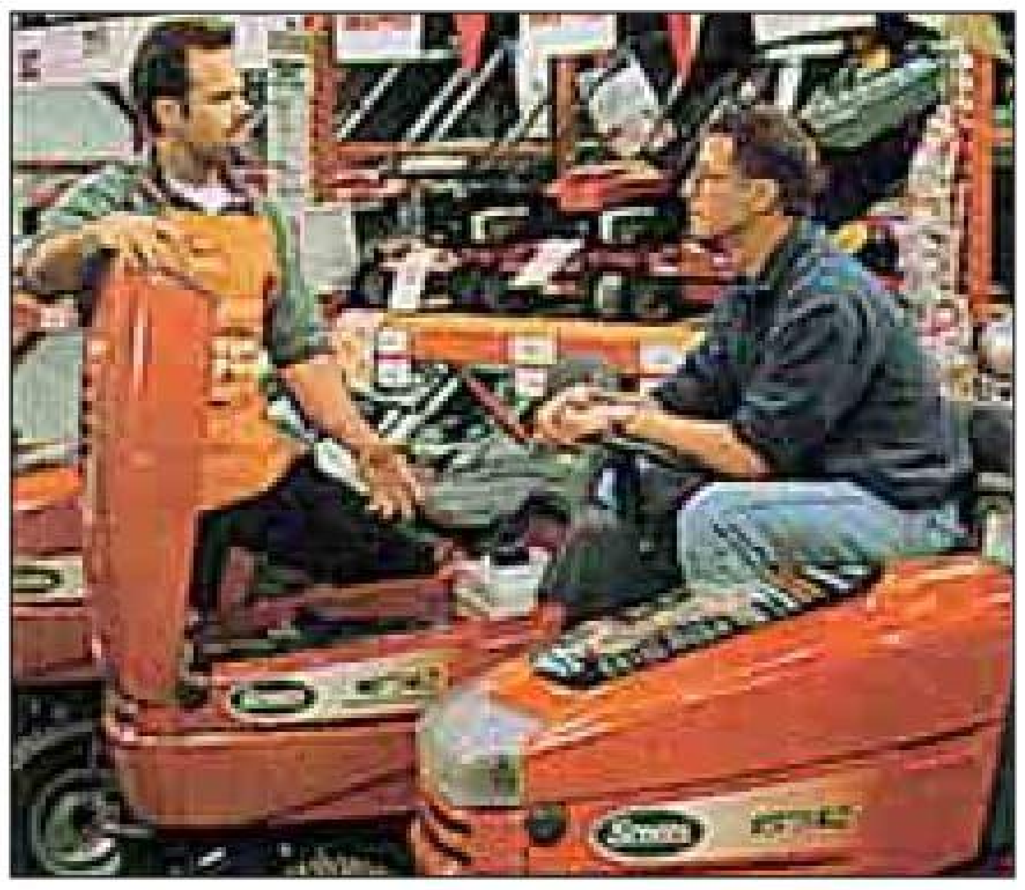
Producers' order getters—find new opportunities

Producers of all kinds of products, especially business products, have a great need for order getters. They use order getters to locate new prospects, open new accounts, see new opportunities, and help establish and build channel relationships.

Top-level customers are more interested in ways to save or make more money than in technical details. Good order getters cater to this interest. They help the customer identify ways to solve problems; then they sell concepts and ideas, not just physical products. The goods and services they supply are merely the means of achieving the customer's end.

For example, Circadian, Inc., sells high-tech medical equipment. Changes in Medicare rules mean that doctors can no longer routinely order expensive tests in hospitals because the costs can't be recovered easily. But the doctors *can* be paid for tests done in their offices—if they have the right equipment. When Circadian order getters call on doctors, they show how the firm's testing equipment can improve patient care and office profits. Reps can often get a $20,000 order on the spot because they can show that the equipment will pay for itself in the first year. The doctors don't care about technical details as long as the machines are accurate and easy to use.[5]

If competitors offer nearly the same product, the order getter's crucial selling job is to establish the relationship and get the company's name on the approved suppliers list. Keeping it there requires constant attention to the customer's needs, and




Consumers who are interested in shopping products often want help from a well-informed salesperson.

doing whatever is necessary to maintain a mutually beneficial relationship between the supplier and customer firms.

Order getters for professional services—and other products where service is a crucial element of the marketing mix—face a special challenge. The customer usually can't inspect a service before deciding to buy. The order getter's communication and relationship with the customer may be the only basis on which to evaluate the quality of the supplier.

An order getter in business markets needs the know-how to help solve customers' problems. Often the order getter needs to understand a customer's whole business as well as technical details about the product and its applications. This is especially important for salespeople whose customers are producers. To have technically competent order getters, firms often give special training to business-trained college graduates. Such salespeople can then work intelligently with their specialist customers. In fact, they may be more expert in their narrow specialty than anyone they encounter—so they provide a unique service. For example, a salesperson for automated manufacturing equipment must understand everything about a prospect's production process as well as the technical details of converting to computer-controlled equipment.

Wholesalers' order getters—almost hand it to the customer

Progressive merchant wholesaler sales reps should be consultants and store advisors rather than just order takers. Such order getters become retailers' partners in the job of moving goods from the wholesale warehouse through the retail store to consumers. These order getters almost become a part of the retailer's staff—helping to solve consumers' problems, train employees, conduct demonstrations, and plan advertising, special promotions, and other retailing activities.

Agent middlemen often are order getters—particularly the more aggressive manufacturers' agents and brokers. They face the same tasks as producers' order getters. But, unfortunately for them, once the order-getting is done and the customers become established and loyal, producers may try to eliminate the agents and save money with their own order takers.

Retail order getters influence consumer behavior

Convincing consumers about the value of products they haven't seriously considered takes a high level of personal selling ability. Order getters for unsought products must help customers see how a new product can satisfy needs now being filled by something else. Without order getters, many of the products we now rely on—ranging from mutual funds to air conditioners—might have died in the market introduction stage. The order getter helps bring products out of the introduction stage into the market growth stage.

Order getters are also helpful for selling *heterogeneous* shopping products. Consumers shop for many of these items on the basis of price and quality. They welcome useful information.

Producers sometimes aid in the personal selling effort by providing innovative displays that communicate not only the features but also the benefits of their products. To help salespeople explain the benefits of its new Profile washer and dryer, GE places this interactive display in dealers' stores.

Order Takers Nurture Relationships to Keep the Business Coming

Order takers sell to the regular or established customers, complete most sales transactions, and maintain relationships with their customers. After a customer becomes interested in a firm's products through an order getter or supporting salesperson or through advertising or sales promotion, an order taker usually answers any final questions and completes the sale. **Order-taking** is the routine completion of sales made regularly to the target customers. The routine completion of sales usually requires ongoing follow-up with the customer, to make certain that the customer is totally satisfied and to be certain that the relationship will continue in the future.

Sometimes sales managers or customers use the term *order taker* as a put-down when referring to salespeople who don't take any initiative. While a particular salesperson may perform poorly enough to justify criticism, it's a mistake to downgrade the function of order-taking. Order-taking is extremely important. Many firms lose sales just because no one ever asks for the order and closes the sale. Moreover, the order taker's job is not just limited to placing orders. Even in e-commerce, where customers place routine orders with computerized order systems and EDI, order takers do a variety of important jobs that are essential to the business relationship.

Producers' order takers—train, explain, and collaborate

Once industrial, wholesale, or retail accounts are established, regular follow-up is necessary. Order takers work on improving the whole relationship with the customer, not just on completing a single sale. Even if computers handle routine reorders, someone has to explain details, make adjustments, handle complaints, explain or negotiate new prices and terms, place sales promotion materials, and keep customers informed of new developments. Someone may have to train customers' employees to use machines or products. In sales to middlemen, someone may have to train wholesalers' or retailers' salespeople. All these activities are part of the order taker's job. And a failure in meeting a customer's expectations on any of these activities might jeopardize the relationship and future sales.

Good retail order takers can play an important role in building good relations with customers.

Producers' order takers often have a regular route with many calls. To handle these calls well, they must have energy, persistence, enthusiasm, and a friendly personality that wears well over time. They sometimes have to take the heat when something goes wrong with some other element of the marketing mix.

Firms sometimes use order-taking jobs to train potential order getters and managers. Such jobs give them an opportunity to meet key customers and to better understand their needs. And frequently, they run into some order-getting opportunities.

Order takers who are alert to order-getting opportunities can make the big difference in generating new sales. Bank of America recognizes the opportunities. At most banks, tellers are basically order takers and service providers. When a customer comes in to make a deposit or cash a check, the teller provides the needed service and that's it. In contrast, Bank of America encourages its tellers to help get new business. Its tellers are trained to ask customers if they have ever considered investing in one of the bank's certificates of deposit or if they would like to learn more about a home equity loan. They give the interested customers sales literature about various financial services and ask if the customer would like to speak with a customer service representative.[6]

Wholesalers' order takers—not getting orders but keeping them

While producers' order takers usually handle relatively few items—and sometimes even a single item—wholesalers' order takers may sell 125,000 items or more. They have so many items that they can't possibly give aggressive sales effort to many—except perhaps newer or more profitable items. There are just too many items to single any out for special attention.

The wholesale order taker's main job is to maintain close contact with customers, perhaps once a week, and fill any needs that develop. Sometimes such order takers almost become part of the organization of the producer or retailer customers they serve. Some retailers leave it to the salesperson to decide how all of the brands in a product category, including those of competing producers, should be promoted. Obviously, this relationship of trust cannot be abused. The order taker normally checks to be sure the company fills the order promptly and accurately. The order taker also handles any adjustments or complaints and generally acts as a liaison between the company and its customers.

Retail order takers—often they are poor salesclerks

Order-taking may be almost mechanical at the retail level—for example, at the supermarket checkout counter. Even so, retail order takers play a vital role in a retailer's marketing mix. Customers expect prompt and friendly service. They will find a new place to shop, or to do their banking or have their car serviced, rather than deal with a salesclerk who is rude or acts annoyed by having to complete a sale.

Some retail clerks are poor order takers because they aren't paid much—often only the minimum wage. But they may be paid little because they do little. In any case, order-taking at the retail level appears to be declining in quality. And there will probably be far fewer such jobs in the future as more marketers make adjustments in their mixes and turn to self-service selling. Checkout counters now have automated electronic scanning equipment that reads price codes directly from packages. Some supermarkets use systems where customers do their own scanning and then pay with a credit card.

Supporting Sales Force Informs and Promotes in the Channel

Supporting salespeople help the order-oriented salespeople—but they don't try to get orders themselves. Their activities are aimed at enhancing the relationship with the customer and getting sales in the long run. For the short run, however, they are ambassadors of goodwill who may provide specialized services and information. Almost all supporting salespeople work for producers or middlemen who do this supporting work for producers. There are two types of supporting salespeople: missionary salespeople and technical specialists.

Missionary salespeople can increase sales

Missionary salespeople are supporting salespeople who work for producers—calling on their middlemen and their customers. They try to develop goodwill and stimulate demand, help the middlemen train their salespeople, and often take orders for delivery by the middlemen. Missionary salespeople are sometimes called *merchandisers* or *detailers*.

Producers who rely on merchant wholesalers or e-commerce to obtain widespread distribution often use missionary salespeople. The sales rep can give a promotion boost to a product that otherwise wouldn't get much attention because it's just one of many. A missionary salesperson for Vicks' cold remedy products, for example, might visit druggists during the cold season and encourage them to use a special end-of-aisle display for Vicks' cough syrup—and then help set it up. The wholesaler that supplies the drugstore would benefit from any increased sales, but might not take the time to urge use of the special display.

An imaginative missionary salesperson can double or triple sales. Naturally, this doesn't go unnoticed. Missionary sales jobs are often a route to order-oriented jobs. In fact, this position is often used as a training ground for new salespeople. Recent college grads are often recruited for these positions.

Technical specialists are experts who know product applications

Technical specialists are supporting salespeople who provide technical assistance to order-oriented salespeople. Technical specialists usually are science or engineering graduates with the know-how to understand the customer's applications and explain the advantages of the company's product. They are usually more skilled in showing the technical details of their product than in trying to persuade customers to buy

The Clorox sales team responsible for the launch of liquid bleach in the Brazilian market drew on people from R&D, marketing, and sales.

it. Before the specialist's visit, an order getter probably has stimulated interest. The technical specialist provides the details. The order getter usually completes the sale—but only after the customer's technical people give their approval.

Three tasks may have to be blended

We have described three sales tasks—order-getting, order-taking, and supporting. However, a particular salesperson might be given two, or all three, of these tasks. Ten percent of a particular job may be order-getting, 80 percent order-taking, and the additional 10 percent supporting. Another company might have many different people handling the different sales tasks. This can lead to **team selling**—when different sales reps work together on a specific account. Sometimes one or more of the sales reps on a team may not be from the sales department at all. If improving the relationship with the customer calls for technical support from the quality control manager, then that person becomes a part of the team, at least temporarily.

Producers of high-ticket items often use team selling. AT&T uses team selling to sell office communications systems for a whole business. Different specialists handle different parts of the job—but the whole team coordinates its efforts to achieve the desired result.[7]

Strategy planners need to specify what types of selling tasks the sales force will handle. Once the tasks are specified, the sales manager needs to assign responsibility for individual sales jobs so that the tasks are completed and the personal selling objectives achieved.

The Right Structure Helps Assign Responsibility

A sales manager must organize the sales force so that all the necessary tasks are done well. A large organization might have different salespeople specializing by different selling tasks *and* by the target markets they serve.

Different target markets need different selling tasks

Sales managers often divide sales force responsibilities based on the type of customer involved. For example, Bigelow—a company that makes quality carpet for homes and office buildings—divided its sales force into two groups of specialists. Some Bigelow salespeople call only on architects to help them choose the best type

To do a better job obtaining and developing major retail accounts in Latin America, Colgate has increased its use of sales teams and holds training seminars that focus on how to help retailers improve profits and customer satisfaction.

of carpet for new office buildings. These reps know all the technical details, such as how well a certain carpet fiber will wear or its effectiveness in reducing noise from office equipment. Often no selling is involved because the architect only suggests specifications and doesn't actually buy the carpet.

Other Bigelow salespeople call on retail carpet stores. These reps encourage the store manager to keep a variety of Bigelow carpets in stock. They also introduce new products, help train the store's salespeople, and try to solve any problems that occur.

Big accounts get special treatment

Very large customers often require special selling effort—and relationships with them are treated differently. Moen, a maker of plumbing fixtures, has a regular sales force to call on building material wholesalers and an elite **major accounts sales force** that sells directly to large accounts—like Lowe's or other major retail chains that carry plumbing fixtures.

You can see why this sort of special attention is justified when you consider Procter & Gamble's relationship with Wal-Mart. Although P&G is an international powerhouse, its total sales in every country except the U.S. and Germany add up to less than its sales to Wal-Mart. That's why the P&G sales team that calls on Wal-Mart lives in Bentonville, Arkansas, where Wal-Mart is based.[8]

Some salespeople specialize in telephone selling

Some firms have a group of salespeople who specialize in **telemarketing**—using the telephone to "call" on customers or prospects. A phone call has many of the benefits of a personal visit—including the ability to modify the message as feedback is received. The big advantage of telemarketing is that it saves time and money. Telemarketing is especially useful when customers are small or in hard-to-reach places. Many firms are finding that a telemarketing sales force can build profitable relationships with customers it might otherwise have to ignore altogether. Telemarketing is also important when many prospects have to be contacted to reach one actually interested in buying. In these situations, telemarketing may be the only economical approach. On the other hand, many people object to the growing number of uninvited solicitations.

Telemarketing is rapidly growing in popularity. Large and small firms alike find that it allows them to provide support needed in e-commerce situations. It can also extend their personal selling efforts to new target markets or increase the frequency of contact with current customers. Convenient toll-free telephone lines make it fast and easy for customers to place orders or get assistance.[9]

Sales tasks are done in sales territories

Often companies organize selling tasks on the basis of a **sales territory**—a geographic area that is the responsibility of one salesperson or several working together. A territory might be a region of a country, a state, or part of a city—depending on the market potential. An airplane manufacturer like Boeing might consider a whole country as *part* of a sales territory for one salesperson.

Carefully set territories can reduce travel time and the cost of sales calls. Assigning territories can also help reduce confusion about who has responsibility for a set of selling tasks. Consider the case of the Hyatt Hotel chain. Until recently, each hotel had its own salespeople to get bookings for big conferences and business meetings. That meant that professional associations and other prospects who had responsibility for selecting meeting locations might be called on by sales reps from 20 or 30 different Hyatt hotels in different parts of the world. Now, the Hyatt central office divides up responsibility for working with specific accounts; one rep calls on an account and then tries to sell space in the Hyatt facility that best meets the customer's needs.

Sometimes simple geographic division isn't easy. A company may have different products that require very different knowledge or selling skills—even if products sell in the same territory or to the same customer. For example, Du Pont makes special films for hospital X-ray departments as well as chemicals used in laboratory blood tests.

Size of sales force depends on workload

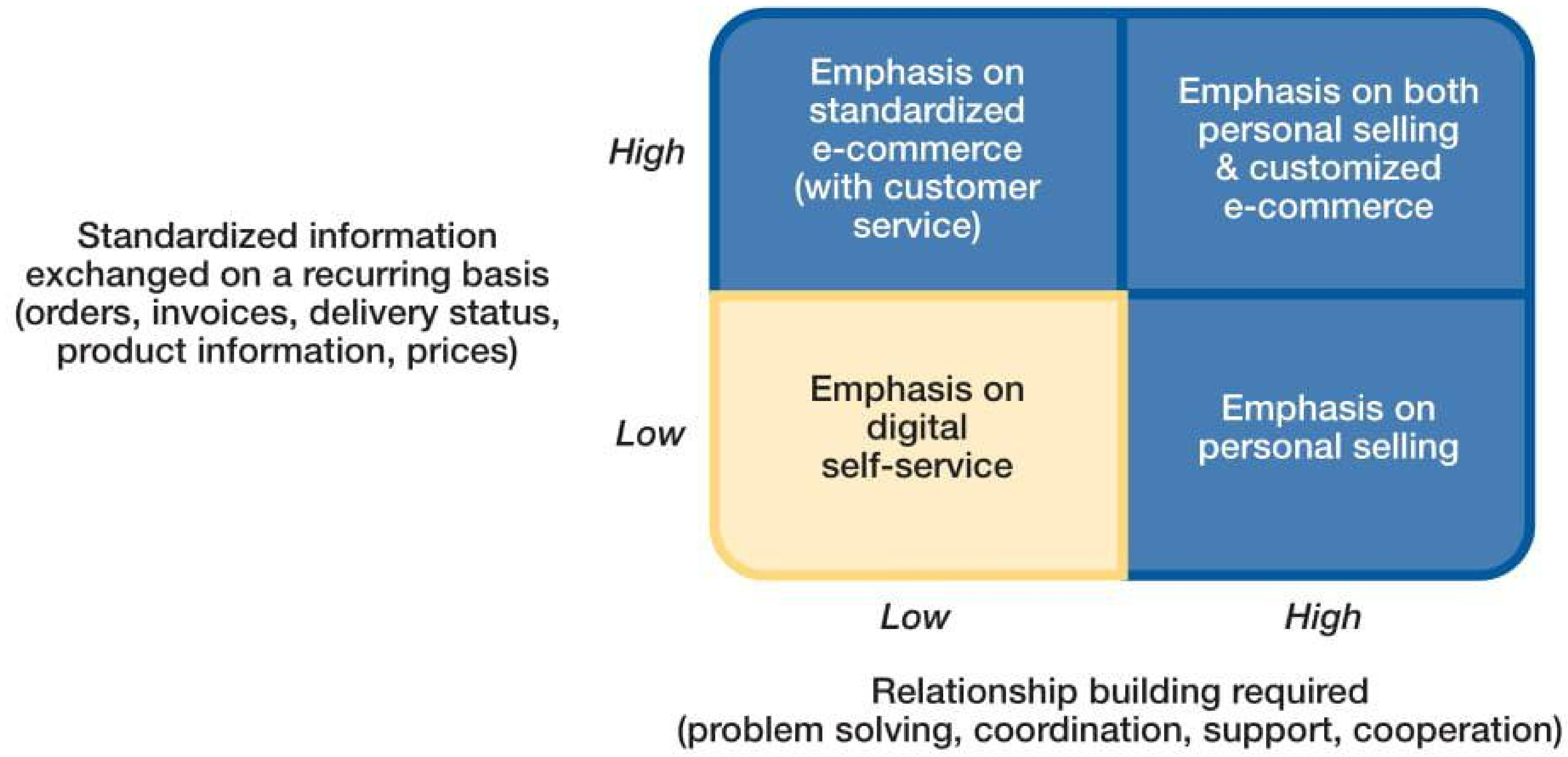
Once the important selling tasks are specified and the responsibilities divided, the sales manager must decide how many salespeople are needed. The first step is estimating how much work can be done by one person in some time period. Then the sales manager can make an educated guess about how many people are required in total, as the following example shows.

For many years, the Parker Jewelry Company was very successful selling its silver jewelry to department and jewelry stores in the southwestern region of the United States. But top managers wanted to expand into the big urban markets in the northeastern states. They realized that most of the work for the first few years would require order getters. They felt that a salesperson would need to call on each account at least once a month to get a share of this competitive business. They estimated that a salesperson could make only five calls a day on prospective buyers and still allow time for travel, waiting, and follow-up on orders that came in. This meant that a sales rep who made calls 20 days a month could handle about 100 stores (5 a day $\times$ 20 days).

The managers used a personal computer and a CD-ROM database that included all of the telephone Yellow Pages listings for the country. Then they simply divided the total number of stores by 100 to estimate the number of salespeople needed. This also helped them set up territories—by defining areas that included about 100 stores for each salesperson. Obviously, managers might want to fine tune this estimate for differences in territories—such as travel time. But the basic approach can be adapted to many different situations.[10]

When a company is starting a new sales force, managers are concerned about its size. But many established firms ignore this problem. Some managers forget that over time the right number of salespeople may change—as selling tasks change. Then when a problem becomes obvious, they try to change everything in a hurry—a big mistake. Consideration of what type of salespeople and how many should be ongoing. If the sales force needs to be reduced, it doesn't make sense to let a lot of people go all at once—especially when that could be avoided with some planning.

Exhibit 15-2 Examples of Possible Personal Selling Emphasis in Some Different Business-Market Selling Situations



E-commerce sometimes substitutes for personal selling

Marketing and sales managers in many firms are finding that some tasks that have traditionally been handled by a salesperson can now be handled effectively and at lower cost by information technology and e-commerce systems. For example, in business markets the nature of the selling situation that the firm faces may influence which approach makes the most sense and how many salespeople are really needed. See Exhibit 15-2.

A salesperson is likely to be required in important selling situations where there is a significant need to create and build relationships. Here the salesperson focuses on tasks like creative problem solving, persuading, coordinating among different people who do different jobs, and finding ways to support the customer. On the other hand, information technology is very effective and cost efficient in handling needs related to the recurring exchange of standardized information. For example, in discussing organizational buying (Chapter 7) and logistics (Chapter 12) we discussed how sellers use e-commerce to exchange information about inventory, orders, and delivery status. Similarly, basic information about the details of product specifications and prices can be organized at a website. Of course, even for these tasks there needs to be some way to provide good customer service when needs arise. A complex relationship that also involves standardized information might involve a mix of both approaches; using technology for standard information frees the sales rep to spend time on value-added communication.

When relationship building by a sales rep is not required and there is not a recurring need for routine information, a firm may be able to meet customer needs best by providing digital self-service. This is basically the role of ATMs for banks—to service customers who don't want to wait until a teller is available. Similarly, Amazon's virtual shopping carts play this role. But digital self-service can be more sophisticated. Some firms provide "intelligent agents" at their websites. An intelligent agent is a computer program that helps customers solve their own problems. At the CompUSA website, a customer who wants to buy a laptop can respond to a series of structured questions about how the laptop will be used, and the intelligent agent recommends which features are most important and what brands have those features. Similarly, a wholesaler's website might provide an agent to help retailers forecast demand for a new product based on information about their local market areas.

The total amount of personal selling effort justified in any of these situations may depend on other factors, including how important the customer is. Further, we've focused on technology that substitutes for personal contact by a salesperson. But marketing managers also need to make decisions about providing sales technology support to help salespeople communicate more effectively.

Information Technology Provides Tools to Do the Job

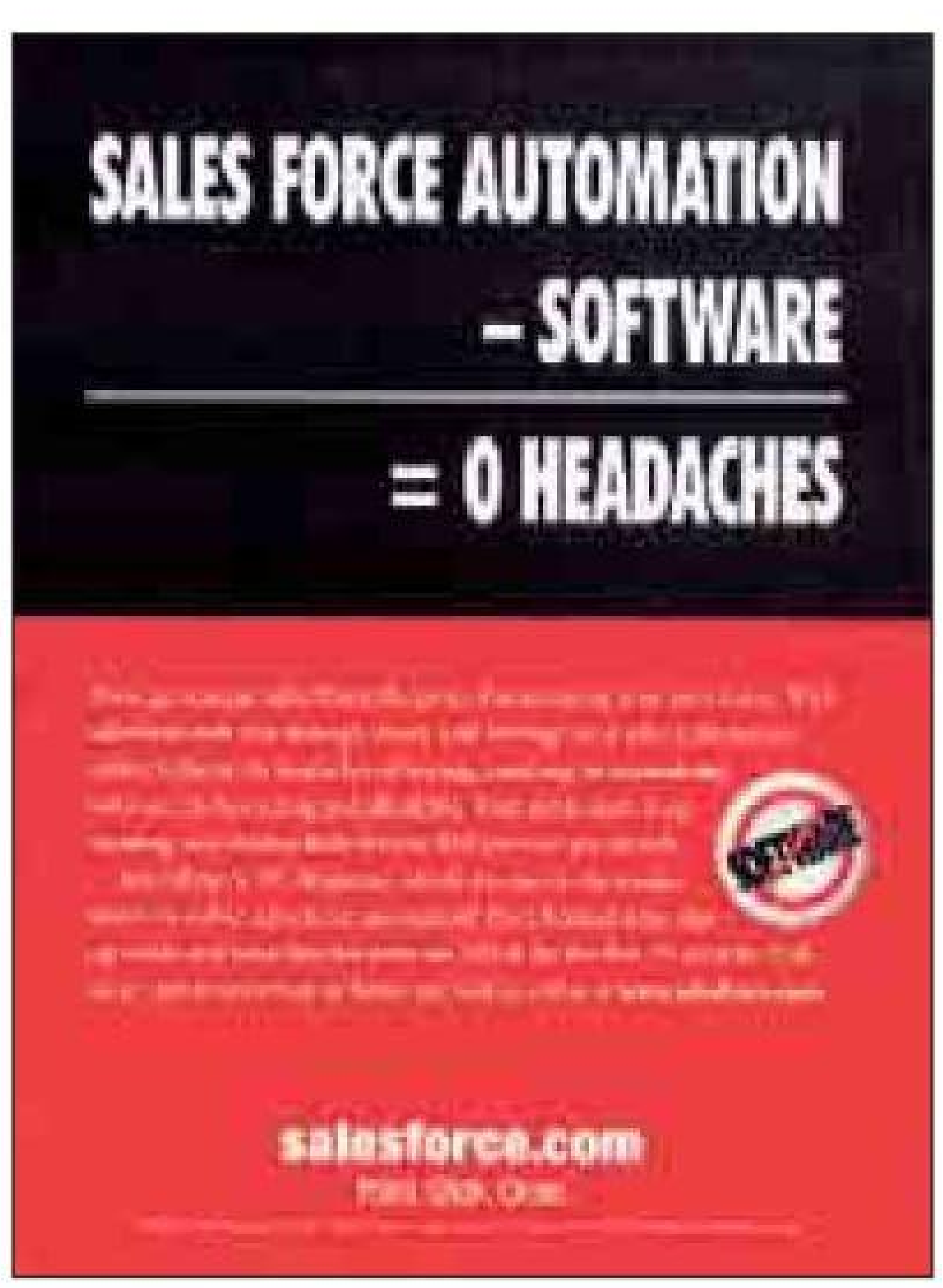
Changes in how sales tasks are handled

How sales tasks and responsibilities are planned and handled is changing in many companies because of the new sales technology tools that are available. It is usually the sales manager's job—perhaps with help from specialists in technology—to decide what types of tools are needed and how they will be used.

To get a clearer sense of what is involved, consider a day in the life of a typical major accounts sales representative for a large consumer packaged goods firm. Over a hasty breakfast, she reviews the day's events on her laptop's organizer, logs onto the company network, and sorts through the dozen e-mail messages she finds there. One is from a buyer for a supermarket chain. He's worried that his store's sales in the paper towel category are off 10 percent and wants to know if the rep can help. Working from her home PC, the rep dials into an online database and downloads sales trend data for the chain and its competitors. A spreadsheet analysis of the data suggests that the chain is losing sales in the paper towel category to new competition from warehouse clubs. Next, the rep places a conference call with a brand manager and a company sales promotion specialist to seek their advice. She then prepares a written recommendation that the buyer include and frequently promote larger size packages of both her company's and competitors' brands in the chain's merchandise mix. She also prepares a PowerPoint presentation, complete with a proposed shelf-space plan, that she will deliver to the buyer on her laptop PC at a later meeting. Before leaving home, the rep e-mails an advance copy of the report to the buyer and prints a color copy for her manager.

New software and hardware provide a competitive advantage

This example uses a consumer packaged goods setting, but the basic idea applies in all types of sales settings, especially in business markets. Many of today's sales reps rely on an array of software and hardware that was hardly imaginable even a decade



New information technologies are making the modern sales force more efficient and giving salespeople communication tools that are creating totally new ways to meet the needs of their customers while achieving the objectives of their jobs.

Salespeople Work Smarter—With Their Fingertips

Laptop computers help more salespeople work smarter, not just harder. Salespeople use computers in many different ways.

Without a laptop, it was impossible for a wholesaler's salespeople to master Cincinnati Milacron's product line. Now a computer asks a series of questions and then helps the salesperson figure out which of 65,000 grinding wheels and hundreds of cutting fluids to sell to each metal shop. After adding this system, Milacron doubled its market share—without adding any new salespeople.

Laptops help keep salespeople for London Fog clothing up-to-date when they're on the road calling on accounts. Early each morning before leaving the hotel, the sales reps call into the company's central computer. It downloads to their laptops all the latest information about product availability, prices, customers' accounts, and the like. Later in the day, when a customer has a question about product delivery, the sales rep can answer it instantly—without scheduling another appointment or even calling the home office.

Salespeople for Metropolitan Life Insurance company use laptops to help customers analyze the financial implications of different investments. For example, when the manager of a pension fund wanted to see what would happen if she switched money from one investment to another, the salesperson used spreadsheet software on the laptop to do the analysis—on the spot. The customer was convinced, and the sales rep closed a $633,000 sale.

Herman Miller, the office equipment company, provides dealers who sell its furniture with software that allows their sales reps to do a better job in a variety of tasks ranging from competitor analysis to preparation of realistic three-dimensional graphics that show an arrangement of furniture in a customer's office space. The competitor database provides very useful information about the limitations of office furniture available from many other firms. For instance, a sales rep learned that a prospect was leaning toward buying a competitor's office cubicles. She got back on track when the database revealed that the cubicles had no electrical outlets.

Results like these explain why the number of companies equipping salespeople with laptops is growing so rapidly. New laptops that feature built-in DVD drives (to handle massive amounts of information, including full-motion video for demonstrations and presentations), wireless Internet access, and the power to handle e-commerce applications are attracting even more attention.[11]

ago. The information-technology explosion has put new software for spreadsheet analysis, electronic presentations, time management, sales forecasting, customer contact, and shelf-space management at the salesperson's fingertips. Still new but already commonplace hardware includes everything from wireless phones, fax machines, laptop computers, and pagers to personalized videoconferencing systems. In many situations these technologies are dramatically changing the ability of sales reps to meet the needs of their customers while achieving the objectives of their jobs.

However, the availability of these technologies does not change the basic nature of the sales tasks that need to be accomplished. What they do change is the way, and how well, the job is done. Yet this is not simply a matter of implementation that is best left to individual sales reps. A key reason is that many of these tools may be necessary just to compete effectively. If competitors have the tools and they can do a better job of meeting customers' needs and providing service, a sales manager may have no choice. For example, if a customer expects a sales rep to access data on past sales and provide an updated sales forecast for the next three months, a sales organization that does not have this capability will be at a real disadvantage in getting or keeping that customer's business.

Moreover, many sales technologies must be in place for the whole sales organization in order for the system to work properly. For example, it doesn't do as much good for a salesperson to be able to use a laptop computer to dial into the company if the data the rep needs is not available online and up-to-date in a format that makes it easy for the rep to analyze.

On the other hand, these tools have associated costs. There is an obvious expense of buying the technology. But there is also the time cost of keeping everyone up-to-date on how to use it. Often that is not a simple matter. Some salespeople who have done the sales job well for a long time "the old-fashioned way" resent being told that they have to change what they are doing—even if it's what customers expect. And the flip side of that is that some customers don't want to deal with anything electronic. They don't want e-mail, spreadsheets, or faxes. They want personal attention. And to them personal attention means a voice and face that they recognize. In some cases that means that the technology is a tool in the background. It is not seen or felt but its positive impact can be observed. Of course, if a firm expects salespeople to be able to use these technologies that requirement needs to be included in selecting and training people for the job.[12]

Sound Selection and Training to Build a Sales Force

Selecting good salespeople takes judgment, plus

It is important to hire *good, well-qualified* salespeople. But the selection in many companies is a hit-or-miss affair—done without serious thought about exactly what kind of person the firm needs. Managers may hire friends and relations, or whoever is available, because they feel that the only qualifications for sales jobs are a friendly personality and nice appearance. This approach leads to poor sales and costly sales force turnover.

Progressive companies are more careful. They constantly update a list of possible job candidates. They invite applications at the company's website. They schedule candidates for multiple interviews with various executives, do thorough background checks, and even use psychological tests. Unfortunately, such techniques can't guarantee success. But a systematic approach based on several different inputs results in a better sales force.

One problem in selecting salespeople is that two different sales jobs with identical titles may involve very different selling tasks and require different skills. A carefully prepared job description helps avoid this problem.

Job descriptions should be in writing and specific

A **job description** is a written statement of what a salesperson is expected to do. It might list 10 to 20 specific tasks—as well as routine prospecting and sales report writing. Each company must write its own job specifications. And it should provide clear guidelines about what selling tasks the job involves. This is critical to determine the kind of salespeople who should be selected—and later it provides a basis for seeing how they should be trained, how well they are performing, and how they should be paid.

Good salespeople are trained, not born

The idea that good salespeople are born may have some truth—but it isn't the whole story. A salesperson needs to be taught about the company and its products, about giving effective sales presentations, and about building strong relationships with the firm's customers. Salespeople often need training to use the information technology that's relevant for their jobs. But this isn't always done. Many salespeople fail, or do a poor job, because they haven't had good training. Firms often hire new salespeople and immediately send them out on the road, or the retail selling floor, with no grounding in the basic selling steps and no information about the product or the customer. They just get a price list and a pat on the back. This isn't enough!

All salespeople need some training

It's up to sales and marketing management to be sure that salespeople know what they're supposed to do and how to do it. Hewlett-Packard Co. recently faced this problem. For years the company was organized into divisions based on different product lines—printers, networks servers, and the like. However, sales reps who specialized in the products of one division often couldn't compete well against firms that could offer customers total solutions to computing problems. When a new top executive came in and reorganized the company, all sales reps needed a clear view

La-Z-Boy operates a sales training institute to help furniture retailers train their salespeople. VCampus provides efficient online learning and training in a variety of fields, including sales.

of what their new responsibilities would be, how they would be organized, and what they should say to their customers about the benefits of the reorganization.[13]

In other situations, salespeople may have some relevant selling experience or computer skills but need to know more about the firm's customers and their needs. Even a firm's own sales veterans may get set in their ways and profit greatly by, and often welcome the chance for, additional training.

The kind of initial sales training should be modified based on the experience and skills of the group involved. But the company's sales training program should cover at least the following areas: (1) company policies and practices, (2) product information, (3) building relationships with customer firms, and (4) professional selling skills.

Selling skills can be learned

Many companies spend the bulk of their training time on product information and company policy. They neglect training in selling techniques because they think selling is something anyone can do. More progressive companies know that training in selling skills can pay off. Estée Lauder, for example, has selling skills for the "beauty advisors" who sell its cosmetics down to a fine art—and its training manual and seminars cover every detail. Its advisors who take the training seriously immediately double their sales.[14] Training can help salespeople learn how to be more effective in cold calls on new prospects, in listening carefully to identify a customer's real objections, and in closing the sale. Training can also help a salesperson better analyze why present customers buy from the company, why former customers now buy from competitors, and why some prospects remain only prospects. Later in this chapter, we'll talk about some key ideas in this area—especially those related to different kinds of sales presentations.

Internet

Internet Exercise The Motivating Tape Company sells various sales training videos. Go to the firm's website (www.achievement.com) and then scroll down and select *Sales Training Videos.* Review the list of sales training videos offered. If a sales manager were going to rely on some of these tapes for training people just moving into a sales career, what key areas of sales training would he have to cover by some other approach?

Training on selling techniques often starts in the classroom with lectures, case studies, and videotaped trial presentations and demonstrations. But a complete training program adds on-the-job observation of effective salespeople and coaching from sales supervisors. Many companies also use weekly sales meetings or work sessions, annual conventions, and regular e-mail messages and newsletters, as well as ongoing training sessions, to keep salespeople up-to-date.[15]

Compensating and Motivating Salespeople

To recruit and keep good salespeople, a firm has to develop an attractive compensation plan designed to motivate. Ideally, sales reps should be paid in such a way that what they want to do—for personal interest and gain—is in the company's interest too. Most companies focus on financial motivation—but public recognition, sales contests, and simple personal recognition for a job well done can be highly effective in encouraging greater sales effort.[16] Our main emphasis here, however, will be on financial motivation.[17]

Two basic decisions must be made in developing a compensation plan: (1) the level of compensation and (2) the method of payment.

Compensation varies with job and needed skills

To attract good salespeople, a company must pay at least the going market wage for different kinds of salespeople. To be sure it can afford a specific type of salesperson, the company should estimate—when the job description is written—how valuable such a salesperson will be. A good order getter may be worth $50,000 to $100,000 to one company but only $15,000 to $25,000 to another—just because the second firm doesn't have enough to sell! In such a case, the second company should rethink its job specifications, or completely change its promotion plans, because the going rate for order getters is much higher than $15,000 a year.

If a job requires extensive travel, aggressive pioneering, or contacts with difficult customers, the pay may have to be higher. But the salesperson's compensation level should compare, at least roughly, with the pay scale of the rest of the firm. Normally, salespeople earn more than the office or production force but less than top management.

Payment methods vary

Once a firm decides on the general level of compensation, it has to set the method of payment. There are three basic methods of payment: (1) *straight salary,* (2) *straight commission,* or (3) a *combination plan.* Straight salary normally supplies the most security for the salesperson—and straight commission the most incentive. These two represent extremes. Most companies want to offer their salespeople some balance between incentive and security, so the most popular method of payment is a combination plan that includes some salary and some commission. Bonuses, profit sharing, pensions, stock plans, insurance, and other fringe benefits may be included too. Still, some blend of salary and commission provides the basis for most combination plans.

What determines the choice of the pay plan? Four standards should be applied: control, incentive, flexibility, and simplicity.

Salary gives control—if there is close supervision

The proportion of a salesperson's compensation paid as salary affects how much *control* the sales manager has. It also affects how much supervision is required. A salesperson on straight salary earns the same amount regardless of how he or she spends time. So the salaried salesperson is expected to do what the sales manager asks—whether it is order-taking, supporting sales activities, solving customer problems, or completing sales call reports. However, the sales manager maintains control *only* by close supervision. As a result, straight salary or a large salary element in the compensation plan increases the amount of sales supervision needed.

If such personal supervision would be difficult, a firm may get better control with a compensation plan that includes some commission, or even a straight commission plan with built-in direction. For example, if a company wants its salespeople to devote more time to developing new accounts, it can pay higher commissions for first orders from a new customer. However, a salesperson on a straight commission tends to be his or her own boss. The sales manager is less likely to get help on sales activities that won't increase the salesperson's earnings.

Incentives can be direct or indirect

An *incentive* plan can range anywhere from an indirect incentive (a modest sharing of company profits) to a very direct incentive—where a salesperson's income is strictly commission on sales. The incentive should be large only if there is a direct relationship between the salesperson's effort and results. The relationship is less direct if a number of people are involved in the sale—engineers, top management, or supporting salespeople. In this case, each one's contribution is less obvious—and greater emphasis on salary may make more sense.

When a company wants to expand sales rapidly, it usually offers strong incentives to order-getting salespeople. Strong incentives may also be sensible when the company's objectives are shifting or varied. In this way, the salesperson's activities and efforts can be directed and shifted as needed. One trucking company, for example, has a sales incentive plan that pays higher commissions on business needed to balance freight movements—depending on how heavily traffic has been moving in one direction or another.

An incentive compensation plan can help motivate salespeople, but you have to be certain that the incentives are really aligned with the firm's objectives. For example, some critics believe that IBM's sales commission plan resulted in IBM salespeople pushing customers to buy computers they didn't need; the sales reps got the sale and income, but then customers who were dissatisfied with what they'd purchased broke off their relationship with IBM and turned to other suppliers. Now IBM is trying to more carefully align its incentive plan with a customer orientation. For example, most IBM sales reps receive incentive pay that is in part based on customer satisfaction ratings they earn from their customers and in part based on the profitability of the sales they get. Finding the right balance between these two criteria isn't easy. But many other firms use variations of this approach—because incentives that just focus on short-term or first-time sales may not be what is best to motivate sales reps to develop long-term, need-satisfying relationships with their customers.

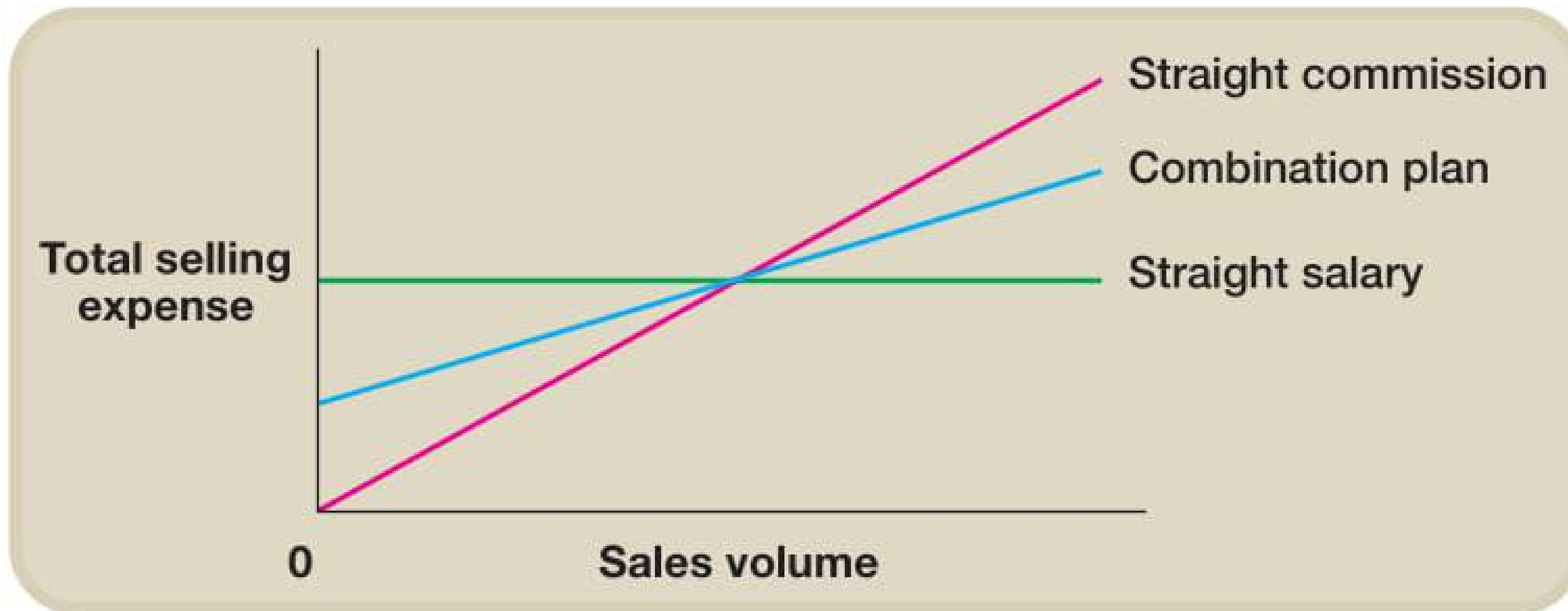
Flexibility is desirable

Flexibility is probably the most difficult aspect to achieve. One major reason that combination plans have become more popular is that they offer a way to meet varying situations. We'll consider four major kinds of flexibility.

Flexibility in selling costs is especially important for most small companies. With limited working capital and uncertain markets, small companies like straight commission, or combination plans with a large commission element. When sales drop off, costs do too. Such flexibility is similar to using manufacturers' agents who get paid only if they deliver sales. This advantage often dominates in selecting a sales compensation method. Exhibit 15-3 shows the general relation between personal selling expense and sales volume for each of the basic compensation alternatives.

Sales potential usually differs from one sales territory to another, so it is desirable for a compensation plan to offer *flexibility among territories*. Unless the pay plan allows for territory differences, the salesperson in a growing territory might have rapidly increasing earnings—while the sales rep in a poor area will have little to show for the same amount of work. Such a situation isn't fair—and it can lead to high turnover and much dissatisfaction. A sales manager can take such differences

Exhibit 15-3
Relation between Personal Selling Expenses and Sales Volume—for Three Basic Personal Selling Compensation Alternatives



into consideration when setting a salesperson's **sales quota**—the specific sales or profit objective a salesperson is expected to achieve.

Flexibility among people is important because most companies' salespeople vary in their stage of professional development. Trainees and new salespeople usually require a special pay plan with emphasis on salary. This provides at least some stability of earnings.

Flexibility among products is desirable because most companies sell several different products with different profit potentials. Unless firms recognize this fact, the salespeople may push the products that sell best—ignoring overall company profit. A flexible commission system can more easily adjust to changing profit potentials.

Simplicity shows the link between effort and income

A final consideration is the need for *simplicity*. Complicated plans are hard for salespeople to understand. Salespeople become dissatisfied if they can't see a direct relationship between their effort and their income.

Simplicity is best achieved with straight salary. But in practice, it's usually better to sacrifice some simplicity to gain some incentive, flexibility, and control. The best combination of these factors depends on the job description and the company's objectives.

One way to increase flexibility and still make it faster and easier for a sales rep to see the relationship between effort and compensation is to provide that information online. For example, Oracle, a company that sells database systems, has developed sales compensation software so its own sales reps can check a website at any point and see how they are doing. As new sales results come in, the report at the website is updated. Sales managers can also make changes quickly—for example, by putting a higher commission on a product or more weight on customer satisfaction scores. The system works so well that Oracle has decided to offer it to customers—and now over 150 firms use it. Some firms develop their own systems, or just give their sales reps a spreadsheet so that they can keep their own information up-to-date.[18]

Sales managers must plan, implement, and control

There are no easy answers to the compensation problem. It is up to the sales manager, together with the marketing manager, to develop a good compensation plan. The sales manager's efforts must be coordinated with the whole marketing mix because personal selling objectives can be accomplished only if enough money is allocated for this job. Further, managers must regularly evaluate each salesperson's performance and be certain that all the needed tasks are being done well. The compensation plan may have to be changed if the pay and work are out of line. And by evaluating performance, firms can also identify areas that need more attention—by the salesperson or management.[19] In Chapter 19, we'll talk more about controlling marketing activities.

Personal Selling Techniques—Prospecting and Presenting

When we discussed the need for sales training programs, we stressed the importance of training in selling techniques. Now let's discuss these ideas in more detail so you understand the basic steps each salesperson should follow—including prospecting and selecting target customers, planning sales presentations, making sales presentations, and following up after the sale. Exhibit 15-4 shows the steps we'll consider. You can see that the salesperson is just carrying out a planned communication process—as we discussed in Chapter 14.[20]

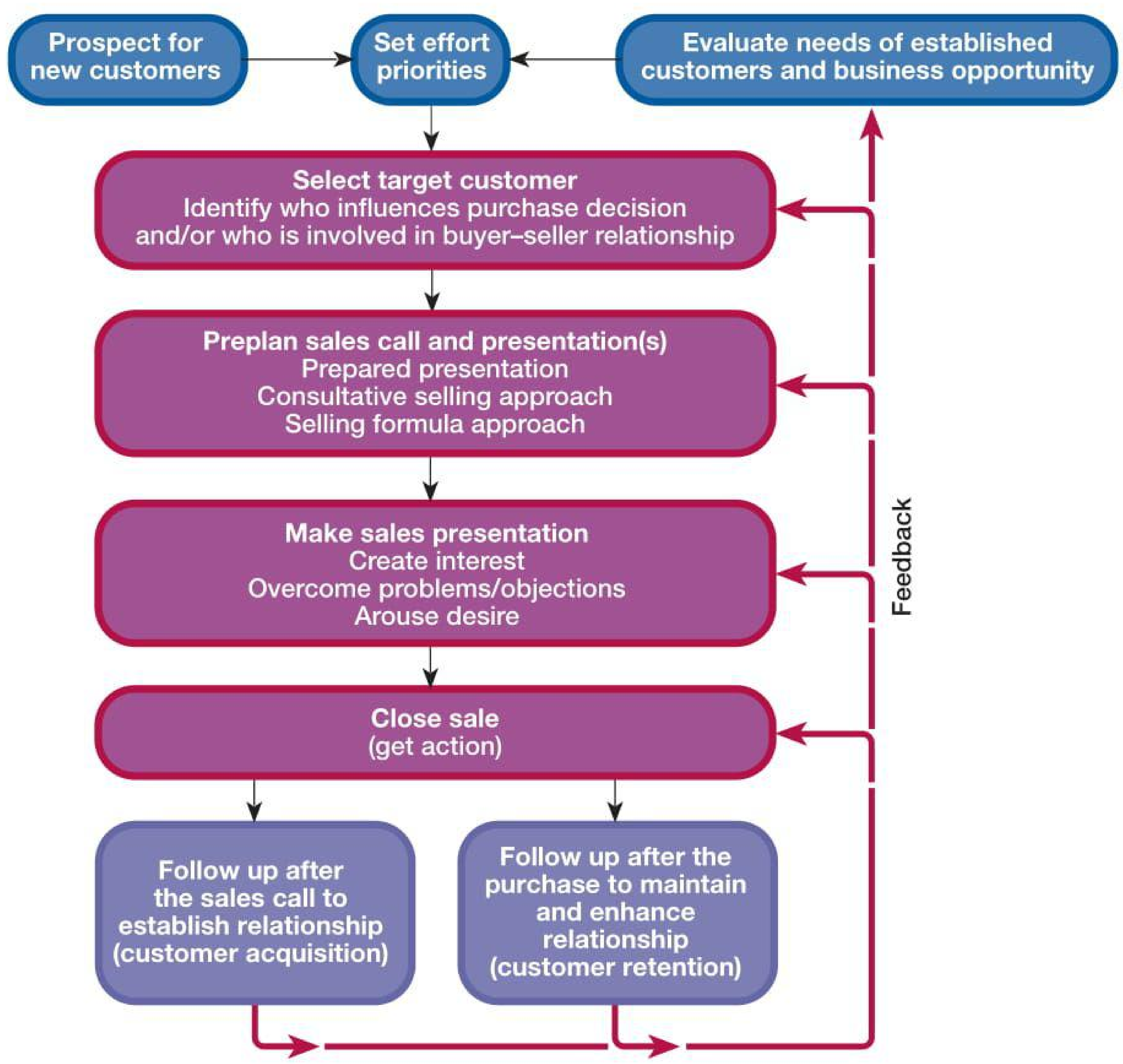
Prospecting—narrowing down to the right target

Narrowing the personal selling effort down to the right target requires constant, detailed analysis of markets and much prospecting. Basically, **prospecting** involves following all the leads in the target market to identify potential customers.

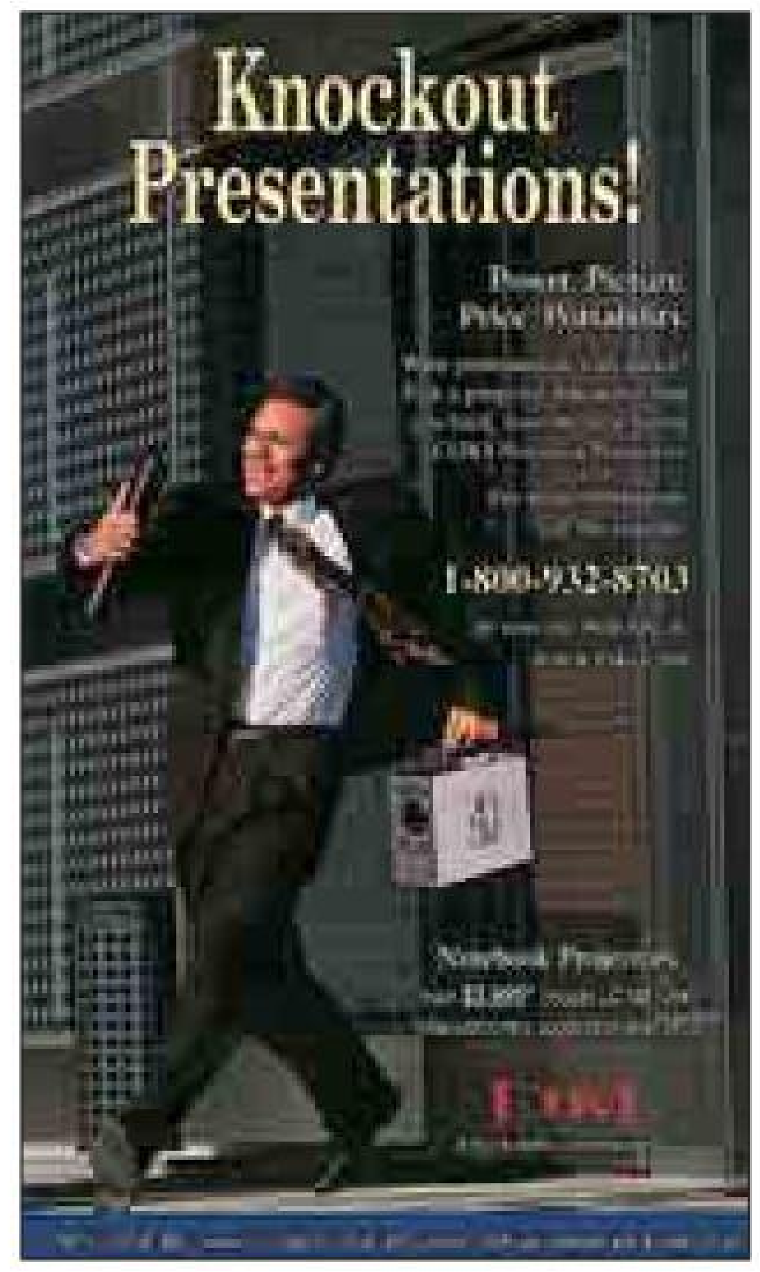
Finding live prospects who will help make the buying decision isn't as easy as it sounds. In business markets, for example, the salesperson may need to do some hard detective work to find the real purchase decision makers. Multiple buying influence is common, and companies regularly rearrange their organization structures and buying responsibilities.

Most salespeople use the telephone for much of their detective work. A phone call often saves the wasted expense of personal visits to prospects who are not

Exhibit 15-4
Key Steps in the Personal Selling Process



Sales managers are always looking for ways to make their salespeople more efficient and more effective.



interested—or it can provide much useful information for planning a follow-up sales visit. Some hot prospects can even be sold on the phone.

Some companies provide prospect lists to make this part of the selling job easier. Inquiries that come in at the firm's website, for example, can be passed along to a sales rep for follow up. A more indirect approach may be required. For example, one insurance company checks the local newspaper for marriage announcements—then a salesperson calls to see if the new couple is interested in finding out more about life insurance.

All customers are not equal

While prospecting focuses on identifying new customers, established customers require attention too. It's often time-consuming and expensive to establish a relationship with a customer, so once established it makes sense to keep the relationship healthy. That requires the rep to routinely review active accounts, rethink customers' needs, and reevaluate each customer's long-term business potential. Some small accounts may have the potential to become big accounts, and some accounts that previously required a lot of costly attention may no longer warrant it. So a sales rep may need to set priorities both for new prospects and existing customers.

Internet

Internet Exercise Interact Commerce Corporation sells various software products, including ACT! personal management software that is used by many salespeople to organize information about their customers, sales calls, and tasks they need to do. Visit the ACT! website (www.act.com) for information about this product. Give a few specific examples of ways that a salesperson could use ACT! to build better relationships with customers.

How long to spend with whom?

Once a set of possible prospects, and customers who need attention, have been identified, the salesperson must decide how much time to spend with each one. A sales rep must qualify prospects and existing accounts—to see if they deserve more effort. The salesperson usually makes these decisions by weighing the potential sales volume as well as the likelihood of a sale. This requires judgment. But well-organized salespeople usually develop some system because they have too many demands on their time. They can't wine and dine all of them.[21]

Many firms provide their reps with specially developed computer programs to help with this process. Most of them use some grading scheme. A sales rep might estimate how much each prospect is likely to purchase and the probability of getting and keeping the business given the competition. The computer then combines this information and grades each prospect. Attractive accounts may be labeled A—and the salesperson may plan to call on them weekly until the sale is made, the relationship is in good shape, or the customer is moved into a lower category. B customers might offer somewhat lower potential and be called on monthly. C accounts might be called on only once a year—unless they happen to contact the salesperson. And D accounts might be transferred to a telemarketing group or even ignored—unless the customer takes the initiative.[22]

Three kinds of sales presentations may be useful

Once the salesperson selects a target customer, it's necessary to plan for the sales call. This precall planning usually involves preparing a **sales presentation**—a salesperson's effort to make a sale or address a customer's problem. But someone has to plan what kind of sales presentation to make. This is a strategy decision. The kind of presentation should be set before the sales rep goes calling. And in situations where the customer comes to the salesperson—in a retail store, for instance—planners have to make sure that prospects are brought together with salespeople.

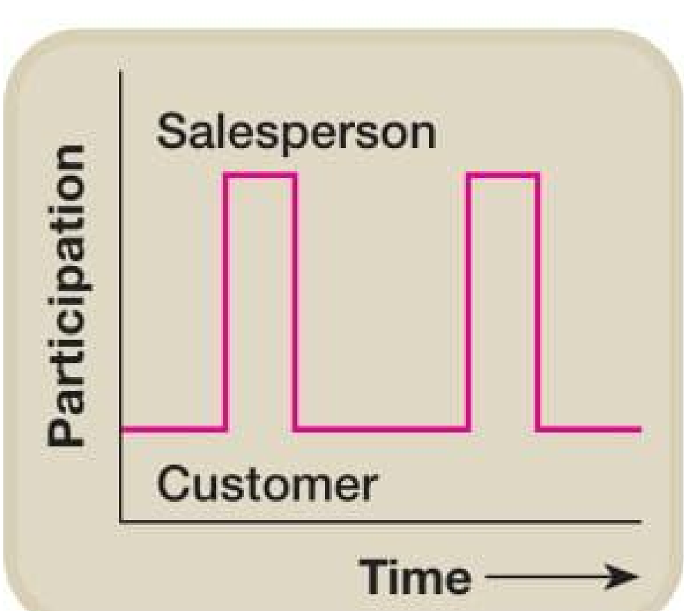
A marketing manager can choose two basically different approaches to making sales presentations: the prepared approach or the consultative selling approach. Another approach—the selling formula approach—is a combination of the two. Each of these has its place.

The prepared sales presentation

The **prepared sales presentation** approach uses a memorized presentation that is not adapted to each individual customer. A prepared (canned) presentation builds on the stimulus-response ideas discussed in Chapter 6. This model says that a customer faced with a particular stimulus will give the desired response—in this case, a yes answer to the salesperson's prepared statement, which includes a **close,** the salesperson's request for an order.

If one trial close doesn't work, the sales rep tries another prepared presentation and attempts another closing. This can go on for some time—until the salesperson runs out of material or the customer either buys or decides to leave. Exhibit 15-5 shows the relative participation of the salesperson and customer in the prepared approach. Note that the salesperson does most of the talking.

Exhibit 15-5
Prepared Approach to Sales



In modern selling, firms commonly use the canned approach when the prospective sale is low in value and only a short presentation is practical. It's also sensible when salespeople aren't very skilled. The company can control what they say and in what order. For example, Novartis uses missionary salespeople to tell doctors about new drugs when they're introduced. Doctors are busy, so they only give the rep a minute or two. That's just enough time to give a short, prepared pitch and leave some samples. To get the most out of the presentation, Novartis refines it based on feedback from doctors whom it pays to participate in focus groups.[23]

But a canned approach has a weakness. It treats all potential customers alike. It may work for some and not for others—and the salespeople probably won't know why or learn from experience. A prepared approach may be suitable for simple order-taking—but it is no longer considered good selling for complicated situations.

Consultative selling—builds on the marketing concept

The **consultative selling approach** involves developing a good understanding of the individual customer's needs before trying to close the sale. This name is used because the salesperson is almost acting as a consultant to help identify and solve the customer's problem. With this approach, the sales rep makes some general benefit statements to get the customer's attention and interest. Then the salesperson asks questions and *listens carefully* to understand the customer's needs. Once they agree on needs, the seller tries to show the customer how the product fills those

Exhibit 15-6
Consultative Selling Approach to Sales Presentation

needs and to close the sale. This is a problem-solving approach—in which the customer and salesperson work together to satisfy the customer's needs. That's why it's sometimes called the need-satisfaction approach. Exhibit 15-6 shows the participation of the customer and the salesperson during such a sales presentation.

The consultative selling approach is most useful if there are many subtle differences among the customers in one target market. In the extreme, each customer may be thought of as a separate target market—with the salesperson trying to adapt to each one's needs and attitudes. This kind of selling takes more skill and time. The salesperson must be able to analyze what motivates a particular customer and show how the company's offering would help the customer satisfy those needs. The sales rep may even conclude that the customer's problem is really better solved with someone else's product. That might result in one lost sale, but it also is likely to build real trust and more sales opportunities over the life of the relationship with the customer. As you might expect, this is the kind of selling that is typical in business markets when a salesperson already has established a close relationship with a customer.

Selling formula approach—some of both

The **selling formula approach** starts with a prepared presentation outline—much like the prepared approach—and leads the customer through some logical steps to a final close. The prepared steps are logical because we assume that we know something about the target customer's needs and attitudes.

Exhibit 15-7
Selling-Formula Approach to Sales Presentation

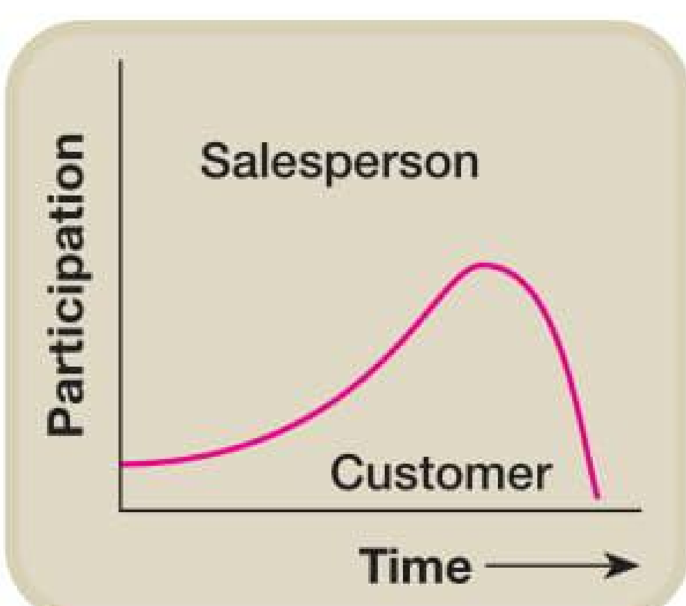


Exhibit 15-7 shows the selling formula approach. The salesperson does most of the talking at the beginning of the presentation—to communicate key points early. This part of the presentation may even have been prepared as part of the marketing strategy. As the sales presentation moves along, however, the salesperson brings the customer into the discussion to help clarify just what needs this customer has. The salesperson's job is to discover the needs of a particular customer to know how to proceed. Once it is clear what kind of customer this is, the salesperson comes back to show how the product satisfies this specific customer's needs and to close the sale.

This approach can be useful for both order-getting and order-taking situations—where potential customers are similar and firms must use relatively untrained salespeople. Some office equipment and computer producers use this approach. They know the kinds of situations their salespeople meet and roughly what they want them to say. Using this approach speeds training and makes the sales force productive sooner.

AIDA helps plan sales presentations

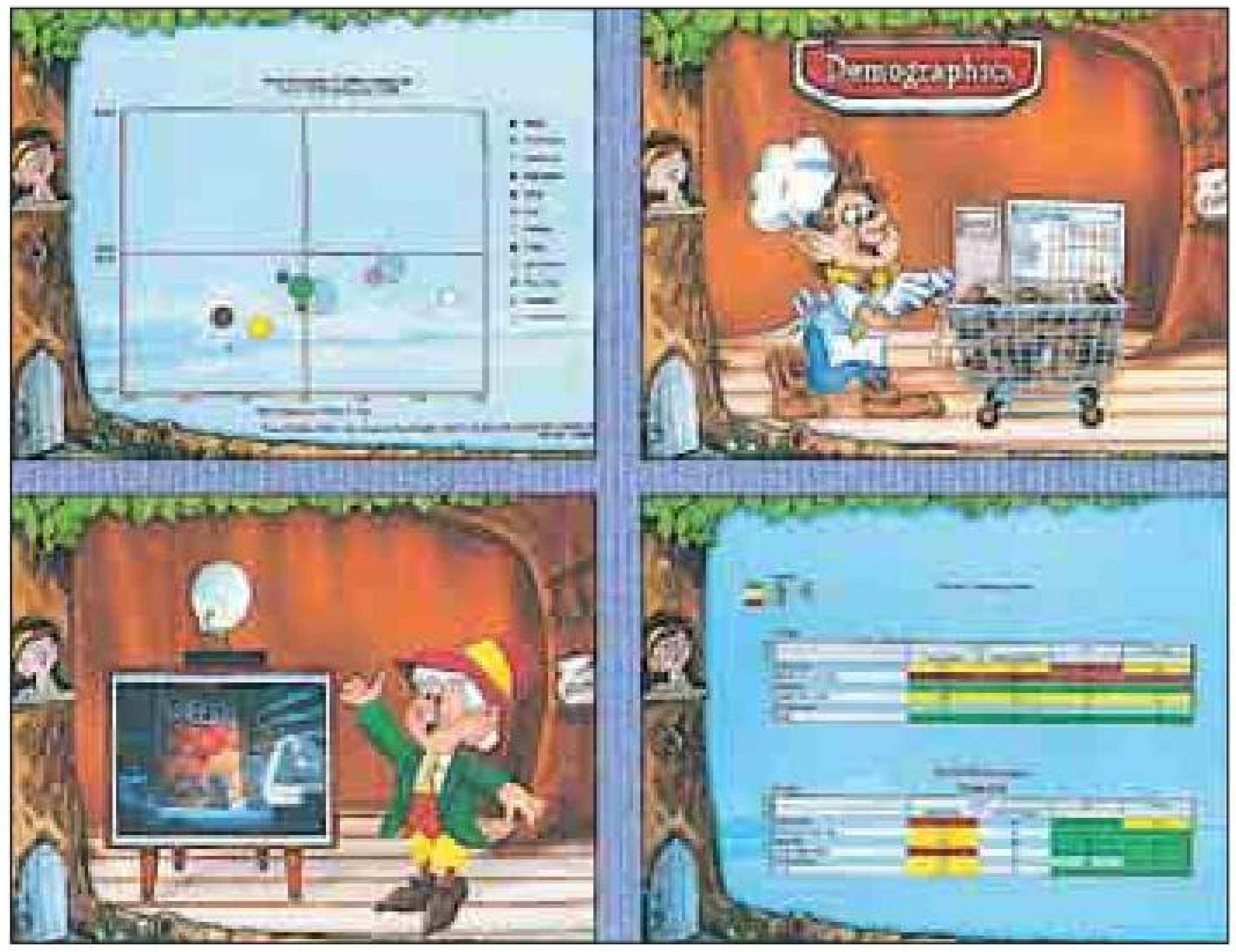
AIDA—Attention, Interest, Desire, Action: Most sales presentations follow this AIDA sequence. The how-to-do-it might even be set as part of the marketing strategy. The time a sales rep spends on each of the steps might vary depending on the situation and the selling approach being used. But it is still necessary to begin a presentation by getting the prospect's *attention* and, hopefully, to move the customer to *action* through a close.[24]

Each sales manager and salesperson needs to think about this sequence in deciding what sales approach to use and in evaluating a possible presentation. Does the presentation get the prospect's attention quickly? Will the presentation be interesting? Will the benefits be clear so that the prospect is moved to buy the product? Does the presentation consider likely objections and anticipate problems so the sales rep can act to close the sale when the time is right? These may seem like simple things. But too frequently they aren't done at all—and a sale is lost.

Ethical issues may arise

As in every other area of marketing communications, ethical issues arise in the personal selling area. The most basic issue, plain and simple, is whether a salesperson's presentation is honest and truthful. But addressing that issue is a no-brainer. No company is served well by a salesperson who lies or manipulates customers to get their business.

On the other hand, most sales reps sooner or later face a sales situation in which they must make more difficult ethical decisions about how to balance



Keebler salespeople use an interactive tool called Instant Data Evaluation Access ("IDEA") Wizard on their laptop computers. It provides research data related to the marketing of cookies and crackers on topics such as shelf space management and consumer purchase patterns. The sales rep can use the Wizard to support a consultative selling approach in working to develop closer relationships with retailers.

company interests, customer interests, and personal interests. Conflicts are less likely to arise if the firm's marketing mix really meets the needs of its target market. Similarly, they are less likely to arise when the firm sees the value of developing a longer-term relationship with the customer. Then the salesperson is arranging a happy marriage. By contrast, ethical conflicts are more likely when the sales rep's personal outcomes (such as commission income) or the selling firm's profits hinge on making sales to customers whose needs are only partially met by the firm's offering. But how close must the fit be between the firm's products and the customer's needs before it is appropriate for the salesperson to push for a sale?

Ideally, companies can avoid the whole problem by supporting their salespeople with a marketing mix that really offers target customers unique benefits. However, marketing managers and salespeople alike should recognize that the ideal may not exist in every sales call. Top executives, marketing managers, and sales managers set the tone for the ethical climate in which a salesperson operates. If they set impossible goals or project a "do-what-you-need-to-do" attitude, a desperate salesperson may yield to the pressure of the moment. When a firm clearly advocates ethical selling behavior and makes it clear that manipulative selling techniques are not acceptable, the salesperson is not left trying to swim "against the flow."[25]

Conclusion

In this chapter, we discussed the importance and nature of personal selling. Selling is much more than just getting rid of the product. In fact, a salesperson who is not given strategy guidelines may have to become the strategy planner for the market he or she serves. Ideally, however, the sales manager and marketing manager work together to set some strategy guidelines: the kind and number of salespersons needed, what sales technology support will be provided, the kind of sales presentation desired, and selection, training, and motivation approaches.

We discussed the three basic sales tasks: (1) order-getting, (2) order-taking, and (3) supporting. Most sales jobs combine at least two of these three tasks. Once a firm specifies the important tasks, it can decide on the structure of its sales organization and the number of salespeople it needs. The nature of the job and the level and method of compensation also depend on the blend of these tasks. Firms should develop a job description for each sales job. This, in turn, provides guidelines for selecting, training, and compensating salespeople.

Once the marketing manager agrees to the basic plan and sets the budget, the sales manager must implement the plan—including directing and controlling the sales force. This includes assigning sales territories and controlling performance. You can see that the sales manager has more to do than jet around the country sipping martinis and entertaining customers. A sales manager is deeply involved with the basic management tasks of planning and control—as well as ongoing implementation of the personal selling effort.

We also reviewed some basic selling techniques and identified three kinds of sales presentations. Each has its place—but the consultative selling approach seems best for higher-level sales jobs. In these kinds of jobs, personal selling is achieving a new, professional status because of the competence and level of personal responsibility required of the salesperson. The day of the old-time glad-hander is passing in favor of the specialist who is creative, industrious, persuasive, knowledgeable, highly trained, and therefore able to help the buyer. This type of salesperson always has been, and probably always will be, in short supply. And the demand for high-level salespeople is growing.

Questions and Problems

1. What strategy decisions are needed in the personal selling area? Why should the marketing manager make these strategy decisions?
2. What kind of salesperson (or what blend of the basic sales tasks) is required to sell the following products? If there are several selling jobs in the channel for each product, indicate the kinds of salespeople required. Specify any assumptions necessary to give definite answers.
   a. Laundry detergent.
   b. Costume jewelry.
   c. Office furniture.
   d. Men's underwear.
   e. Mattresses.
   f. Corn.
   g. Life insurance.
3. Distinguish among the jobs of producers', wholesalers', and retailers' order-getting salespeople. If one order getter is needed, must all the salespeople in a channel be order getters? Illustrate.
4. Discuss the role of the manufacturers' agent in a marketing manager's promotion plans. What kind of salesperson is a manufacturers' agent? What type of compensation plan is used for a manufacturers' agent?
5. Discuss the future of the specialty shop if producers place greater emphasis on mass selling because of the inadequacy of retail order-taking.
6. Compare and contrast missionary salespeople and technical specialists.
7. How would a straight commission plan provide flexibility in the sale of a line of women's clothing products that continually vary in profitability?
8. Explain how a compensation plan could be developed to provide incentives for experienced salespeople and yet make some provision for trainees who have not yet learned the job.
9. Cite an actual local example of each of the three kinds of sales presentations discussed in the chapter. Explain for each situation whether a different type of presentation would have been better.
10. Are the benefits and limitations of a canned presentation any different if it is supported with a slide show or videotape than if it is just a person talking? Why or why not?
11. Describe a consultative selling sales presentation that you experienced recently. How could it have been improved by fuller use of the AIDA framework?
12. How would our economy operate if personal salespeople were outlawed? Could the economy work? If so, how? If not, what is the minimum personal selling effort necessary? Could this minimum personal selling effort be controlled by law?

Suggested Cases

21. Chemical International, Inc.
22. Cable Designs, Inc.
23. Furniture to Go, Inc.
28. PCT, Inc.

Computer-Aided Problem

15. **Sales Compensation**

Franco Welles, sales manager for Nanek, Inc., is trying to decide whether to pay a sales rep for a new territory with straight commission or a combination plan. He wants to evaluate possible plans—to compare the compensation costs and profitability of each. Welles knows that sales reps in similar jobs at other firms make about $36,000 a year.

The sales rep will sell two products. Welles is planning a higher commission for Product B—because he wants it to get extra effort. From experience with similar products, he has some rough estimates of expected sales volume under the different plans and various ideas about commission rates. The details are found in the spreadsheet. The program computes compensation and how much the sales rep will contribute to profit. "Profit contribution" is equal to the total revenue generated by the sales rep minus sales compensation costs and the costs of producing the units.

a. *For the initial values shown in the spreadsheet, which plan—commission or combination—would give the rep the highest compensation, and which plan would give the greatest profit contribution to Nanek, Inc.?*

b. *Welles thinks a sales rep might be motivated to work harder and sell 1,100 units of Product B if the commission rate (under the commission plan) were increased to 10 percent. If Welles is right (and everything else stays the same), would the higher commission rate be a good deal for Nanek? Explain your thinking.*

c. *A sales rep interested in the job is worried about making payments on her new car. She asks if Welles would consider paying her with a combination plan but with more guaranteed income (an $18,000 base salary) in return for taking a 3 percent commission on Products B and A. If this arrangement results in the same unit sales as Welles originally estimated for the combination plan, would Nanek, Inc., be better off or worse off under this arrangement?*

d. *Do you think the rep's proposal will meet Welles' goals for Product B? Explain your thinking.*

For additional questions related to this problem, see Exercise 15-3 in the *Learning Aid for Use with Basic Marketing*, 14th edition.

When You Finish This Chapter, You Should

1. Understand why a marketing manager sets specific objectives to guide the advertising effort.

2. Understand when the various kinds of advertising are needed.

3. Understand how to choose the "best" medium.

4. Understand the main ways that advertising on the Internet differs from advertising in other media.

5. Understand how to plan the "best" message—that is, the copy thrust.

6. Understand what advertising agencies do and how they are paid.

7. Understand how to advertise legally.

8. Understand the importance and nature of sales promotion.

9. Know the advantages and limitations of different types of sales promotion.

10. Understand the important new terms (shown in red).

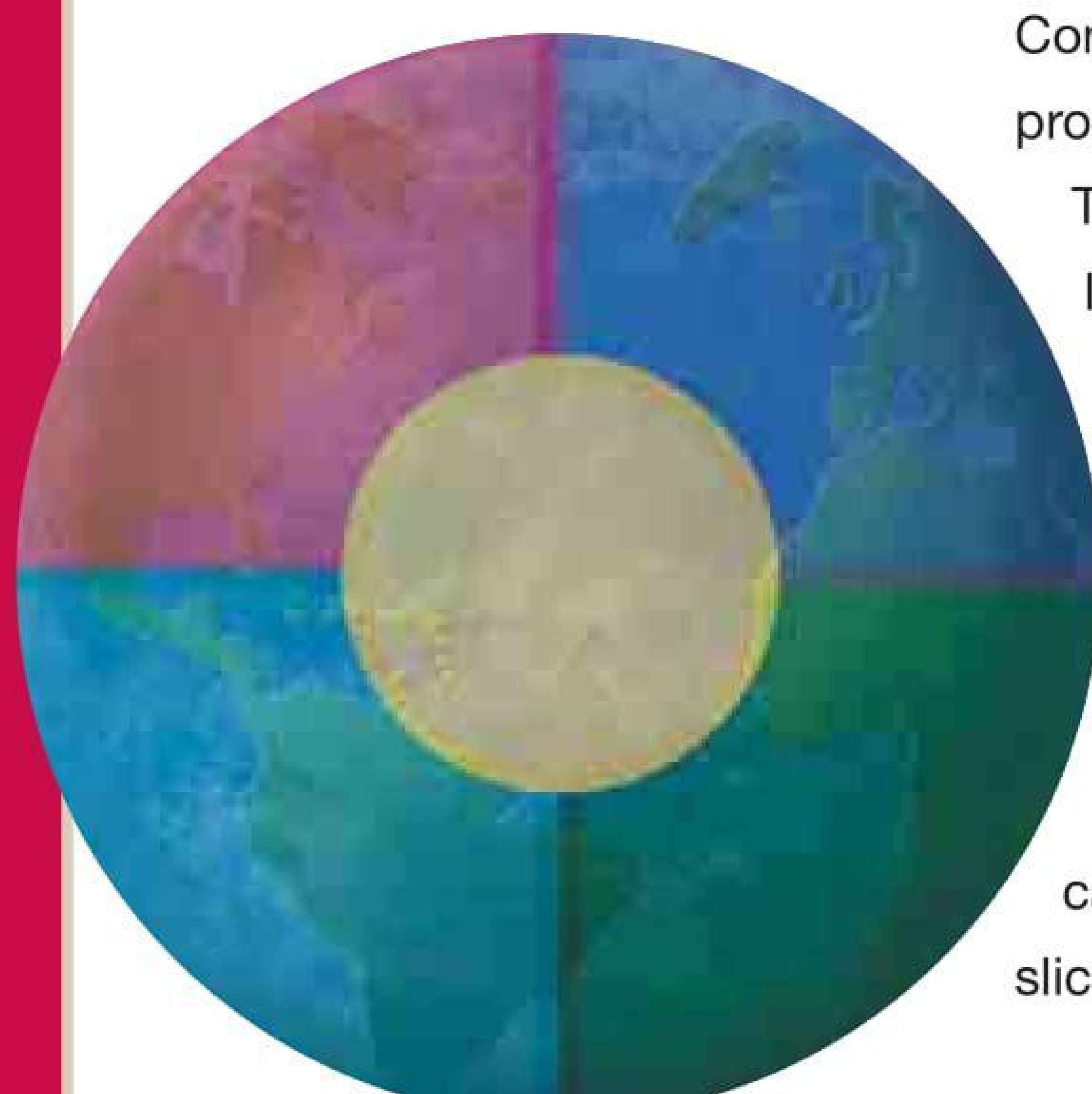
Chapter Sixteen

Advertising and Sales Promotion

Over the years, Frito-Lay brands—like Doritos, Fritos, and Lay's—had captured half of all snack sales. However, low-priced dealer brands were stealing market share. Worse, the bulging growth from snacks was tapering off. Aging consumers were cutting back on fat, and snacks, in their diet. So Rebecca Johnson, product manager for Lay's Potato Chips, had to figure out how to fend off the price cutters and attract new snackers.

The main weapon in her battle was a line of low-fat products that were in product development. Baked Lay's, a low-fat potato crisp, had great potential. They had only about 15 percent of the fat in regular Lay's Potato Chips and fewer calories. They had also fared well in consumer taste tests. Consumers simply wouldn't compromise on good taste.

There were still some challenges. The retail price of Baked Lay's would be about one-third more than regular chips. That was the difference in the cost to produce them. Further, because of FTC rules, Baked Lay's could not be called potato "chips." Chips are slices from potatoes, but Baked



place

price

promotion

produc

Lay's were cut from a thin sheet of dough made from potato flakes. No one knew if people would pay a higher price for a crisp; it was a new unsought product.

Baked Lay's went into national distribution in the late fall, but initial sales were only one-third of the forecast. Trade promotion and personal selling had helped get Baked Lay's on store shelves, but without TV ads to give a reason to buy, the packages were collecting dust. By contrast, regular Lay's were selling well even though there had been little advertising since the "bet you can't eat just one" campaign over a year earlier. Yet it usually does take more ad weight to introduce a new product—even one with a famous name—than to support an existing one. And Johnson knew that it would take effective advertising to win back the support of Frito-Lay salespeople and to interest consumers in baked crisps.

Johnson had worked with BBDO—Lay's long-time ad agency—to set specific objectives for the campaign and to create an attention-getting ad that would interest women with a low-fat pitch, but not turn off men—who are the biggest snackers. The launch of the campaign was on New Year's Day with an ad that showed a trio of supermodels doing unlikely things like chowing down on the crisps. The tagline "Now you can eat like one of the guys and still look like one of the girls" gave consumers permission to indulge their cravings without the guilt. That copy thrust hit the right chord with women, and it didn't turn off men. It was also consistent with the "better for you" positioning of Frito-Lay's whole low-fat line. A heavy flight of ads ran on targeted media throughout the spring.

Research on the effectiveness of the ads showed strong results, but the ads didn't carry the whole load in generating interest and trial. For example, the trio of supermodels also appeared on a crisp-covered float that Frito-Lay sponsored for the nationally televised New Year's Rose Parade. And to encourage trial, a million samples were sent to households for Super Bowl Sunday. Those were followed during the next two weekends with ads and coupons in newspaper free-standing inserts.

Two weeks into the campaign, sales started to surge and supply ran short. Consumers were even asking friends to keep an eye out for them. Some cynical critics said that the shortages were just another advertising gimmick contrived for the publicity. But the firm simply couldn't keep up with demand—even with all four factories working full tilt 24 hours a day.

There's no doubt that clever ads and timely sales promotion spurred consumer interest in Baked Lay's. But in the end, what kept customers coming back, even at a premium price, was the superior value of a product that really met their needs.[1]

Advertising, Sales Promotion, and Marketing Strategy Decisions

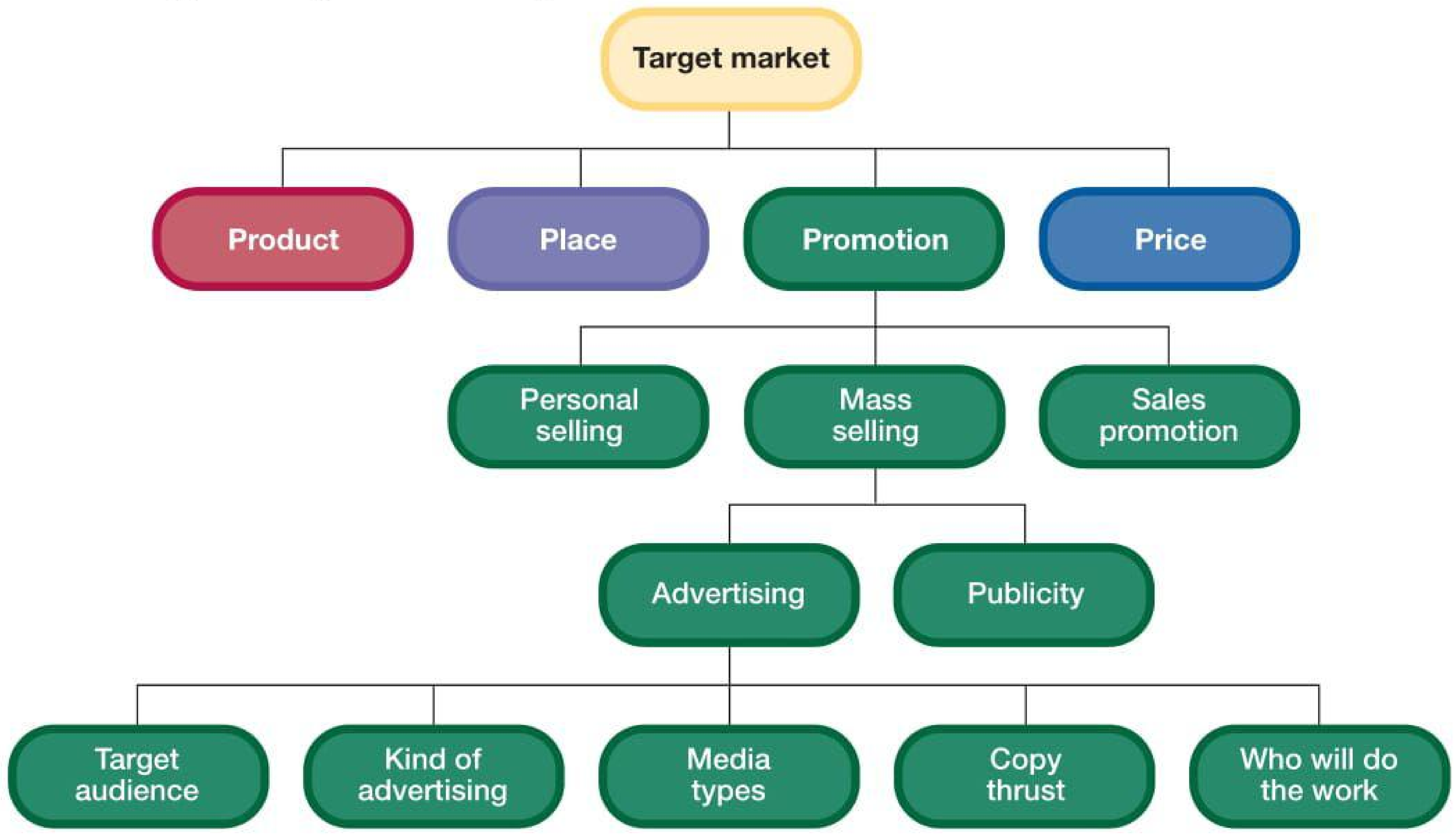
Experts point to the Baked Lay's mass-selling effort—the carefully planned advertising and sales promotion—as an example of excellent promotion that leverages a great strategy. Indeed, mass selling is often a critical element in the success or failure of a strategy. It can be an inexpensive way—on a per-contact or per-sale basis—to inform, persuade, and activate customers. It can reach a large number of people very quickly and produce a combination of long- and short-term results. It often plays a central role in efforts to position a firm's marketing mix as the one that meets customers' needs and builds brand equity. It can help motivate channel members or a firm's own employees, as well as final customers. The strengths and limits of advertising and sales promotion are different, but you can see why most promotion blends include them as well as personal selling and publicity.

Unfortunately, the results that marketers *actually achieve* with mass selling are very uneven. It's often said that half of the money spent on these activities is wasted—but that too few managers know which half. Mass selling can be exciting and involving or it can be downright obnoxious. Sometimes it's based on careful analysis and research, yet much of it is created on the fly based on someone's crazy idea. The right creative idea may produce results beyond a manager's dreams, but the wrong one can be a colossal waste of money. It can stir deep emotions or go unnoticed. Some managers come up with mass-selling blends that are really innovative, but more often than not imitators will just copy the same idea and turn it into an overused fad.

It's important to realize from the outset that many managers do a poor job in this arena. One way to avoid that is to reject the idea that just copying how lots of other firms handle these important strategy decisions is "good enough." There's no sense in following bad practices down the road to death-wish marketing. Instead, it makes sense to understand the important strategy decisions involved in each of these areas and how to make these decisions carefully.

As the Lay's case illustrates, marketing managers and the advertising agencies that work with them have important advertising decisions to make, including (1) who their target audience is, (2) what kind of advertising to use, (3) how to reach customers (via which types of media), (4) what to say to them (the copy thrust), and (5) who will do the work—the firm's own advertising department or outside

Exhibit 16-1 Strategy Planning for Advertising



agencies. See Exhibit 16-1. We'll talk about these decisions in this chapter. We'll also consider how to measure advertising effectiveness, and legal limits on advertising, in an increasingly competitive environment.

After we discuss advertising, we'll go into more detail on sales promotion. We'll discuss the great variety of sales promotion approaches, how they typically vary for different target markets, and their basic benefits and limitations.

International dimensions are important

The basic strategy planning decisions for advertising and sales promotion are the same regardless of where in the world the target market is located. However, keep in mind that the look and feel of advertising and sales promotion vary a lot in different countries, in part because choices available to a marketing manager within each of the decision areas may vary dramatically from one country to another.

The target audience for advertising may be illiterate—making print ads useless. Commercial television may not be available. If it is, government rules or censors may place severe limits on the type of advertising permitted or when ads can be shown. Radio broadcasts in a market area may not be in the target market's language. Access to interactive media like the Internet may be nonexistent. Cultural, social, and behavioral influences may limit what type of ad messages can be communicated. Ad agencies who already know a nation's unique advertising environment may be unwilling to cooperate.

International dimensions may also have a significant impact on sales promotion alternatives. For example, in countries with a large number of very small retailers some types of trade promotion are difficult, or even impossible, to manage. A typical Japanese grocery retailer with only 250 square feet of space, for example, doesn't have room for *any* special end-of-aisle displays. Consumer promotions may be affected too. Polish consumers, for example, are skeptical about product samples; they don't have a lot of experience with sampling and they figure that if it's free something's amiss. In some developing nations samples can't be distributed through the mail—because they're routinely stolen from mailboxes before they ever get to the target customer. Similarly, coupons won't work unless consumers can redeem them, and in some regions there are no facilitators to help with that effort. Similarly, some countries ban consumer sweepstakes—because they see it as a form of gambling.

Traditional media choices are more limited in some international markets, so marketers must be creative to communicate their messages. In North Africa and the Middle East, Coke uses hot-air balloons. The 12-stories-tall Ariel shirt was mounted on a building in China.

Throughout this chapter we'll consider a number of these international promotion issues, but we'll focus on the array of choices available in the U.S. and other advanced, market-directed economies.[2]

Total spending is big—and growing internationally

As an economy grows, advertising becomes more important—because more consumers have income and advertising can get results. But good advertising results cost money. And spending on advertising is significant. In 1946, U.S. advertising spending was slightly more than $3 billion. By 1986, it was $102 billion—and by 2001 $250 billion.

During the last decade, the rate of advertising spending in many parts of the world has increased even more rapidly than in the United States. However, total advertising spending in other countries is much lower than in the U.S. Although exact figures aren't available for all nations, advertising in the U.S. accounts for roughly half of worldwide ad spending. Europe accounts for 23 percent, and Asia about 22 percent. For most countries in other regions, advertising spending has traditionally been quite low.[3]

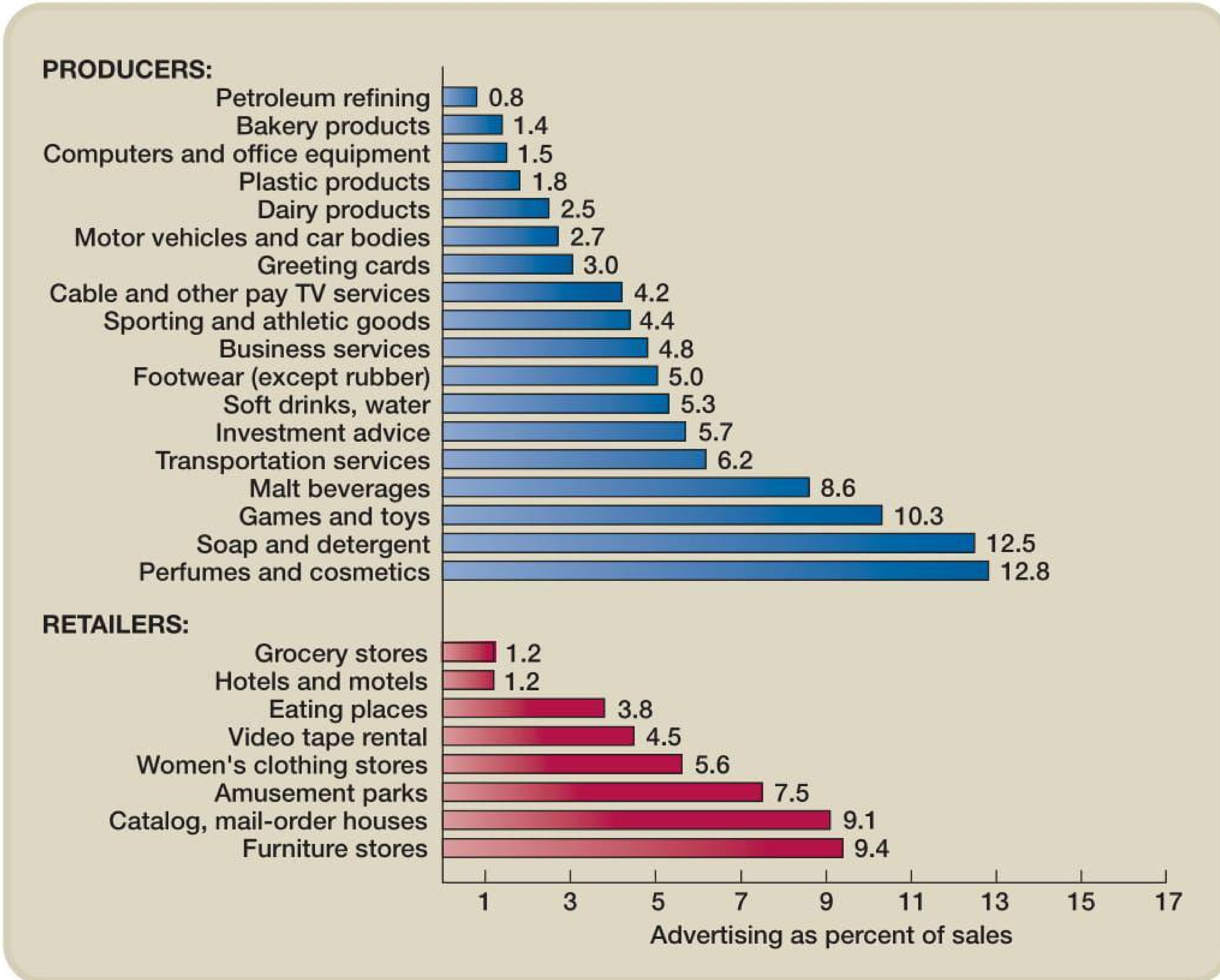
Most advertisers aren't really spending that much

While total spending on advertising seems high, especially in the United States, it represents a small portion of what people pay for the goods and services they buy. U.S. corporations spend an average of only about 2.5 percent of their sales dollar on advertising. Worldwide, the percentage is even smaller.

Exhibit 16-2 shows, however, that advertising spending as a percent of sales dollars varies significantly across product categories. Producers of consumer products generally spend a larger percent than firms that produce business products. For example, U.S. malt beverage companies spend 8.6 percent, and companies that make perfume and cosmetics spend a whopping 12.8 percent. At the other extreme, companies that sell plastics to manufacturers spend only about 1.8 percent on advertising. Some business products companies—those that depend on e-commerce or personal selling—may spend less than 1⁄10 of 1 percent.

In general, the percent is smaller for retailers and wholesalers than for producers. Large chains like Kmart and JCPenney spend about 3 percent, but many retailers and wholesalers spend 1 percent or less. Individual firms may spend more or less than others in the industry—depending on the role of advertising in their promotion blend and marketing mix.

Exhibit 16-2 Advertising Spending as Percent of Sales for Illustrative Product Categories



Of course, percentages don't tell the whole story. Nissan, which spends less than 1 percent of sales on advertising, is among the top 50 advertisers worldwide. The really big spenders are very important to the advertising industry because they account for a large share of total advertising spending. For example, in the United States, the top 100 advertisers (many of which are based in other countries) typically account for about 30 percent of all advertising spending. Worldwide, the top 50 global advertisers spend about $50 billion a year. The three top global spenders are all consumer packaged goods producers: Unilever, Procter & Gamble, and Nestlé.[4]

Advertising spending is very important in certain markets—especially final consumer markets. Nevertheless, in total, advertising costs much less than personal selling and sales promotion.

Advertising doesn't employ that many people

While total advertising expenditures are large, the advertising industry itself employs relatively few people. The major expense is for media time and space. In the United States, the largest share of this—24 percent—goes for television (including cable). Newspapers take about 20 percent of the total and direct mail about 18 percent. The shares for radio (8 percent), the Yellow Pages (5 percent), magazines (5 percent), and the Internet (2 percent) are much smaller. However, spending for advertising on the Internet is growing very fast.[5]

Many students hope for a glamorous job in advertising, but there are fewer jobs in advertising than you might think. Even in the United States, with the highest advertising spending of any nation, only about 500,000 people work directly in the advertising industry. Advertising agencies employ only about half of all these people. The rest are people who help create or sell advertising or advertising media (advertising people in radio and television stations, newspapers, and magazines) and those working for retailers, wholesalers, and producers.[6]

Advertising Objectives Are a Strategy Decision

Advertising objectives must be specific

Every ad and every advertising campaign should have clearly defined objectives. These should grow out of the firm's overall marketing strategy and the promotion jobs assigned to advertising. It isn't enough for the marketing manager to say "Promote the product." The marketing manager must decide exactly what advertising should do.

Advertising objectives should be more specific than personal selling objectives. One of the advantages of personal selling is that salespeople can shift their presentations to meet customers' needs. Each ad, however, is a specific communication. It must be effective not just for one customer but for thousands, or millions, of them.

The marketing manager sets the overall direction

The marketing manager might give the advertising manager one or more of the following specific objectives, along with the budget to accomplish them:

1. Help position the firm's brand or marketing mix by informing and persuading target customers or middlemen about its benefits.
2. Help introduce new products to specific target markets.
3. Help obtain desirable outlets and tell customers where they can buy a product.
4. Provide ongoing contact with target customers—even when a salesperson isn't available.
5. Prepare the way for salespeople by presenting the company's name and the merits of its products.
6. Get immediate buying action.
7. Help to maintain relationships with satisfied customers, confirm their purchase decisions, and encourage more purchases.

If you want half the market, say so!

The objectives listed above highlight that a balancing act may be required. The first objective is quite broad and relates to the basic decisions about how the marketing manager wants to differentiate and position the whole marketing mix. That should guide decisions about what other specific objectives are most important. In fact, some of the objectives listed are not as specific as they could be. If a marketing manager really wants specific results, they should be clearly stated. A general objective is "To help expand market share." This could be rephrased more specifically: "To increase shelf space in our cooperating retail outlets by 25 percent during the next three months." As more specific objectives are set—say, for each ad—it's still important that they are all consistent with the overall objectives.

Objectives guide implementation too

The specific objectives obviously affect implementation. Advertising that might be right for encouraging consumers to switch from a competing brand might be all wrong for appealing to established customers with whom a firm already has a good relationship. Similarly, an ad that appeals to opinion leaders might not be what's needed to get repeat customers back into a retail store. As Exhibit 16-3 shows, the type of advertising that achieves objectives for one stage of the adoption process may be off target for another. For example, most advertising for cameras in the United States, Germany, and Japan focuses on foolproof pictures or state-of-the-art design because most consumers in these countries already own *some* camera. In Africa, where only about 20 percent of the population owns a camera, ads must sell the whole concept of picture-taking.

Exhibit 16-3 Examples of Different Types of Advertising over Adoption Process Stages

Awareness	Interest	Evaluation and trial	Decision	Confirmation
Teaser campaigns Pioneering ads Jingles/slogans Internet banners Announcements	Informative or descriptive ads Image/celebrity ads Flash ads Demonstration of benefits	Competitive ads Persuasive copy Comparative ads Testimonials	Direct-action retail ads Point-of-purchase ads Price deal offers	Reminder ads Informative "why" ads

Objectives Determine the Kinds of Advertising Needed

The advertising objectives largely determine which of two basic types of advertising to use—product or institutional.

Product advertising tries to sell a product. It may be aimed at final users or channel members.

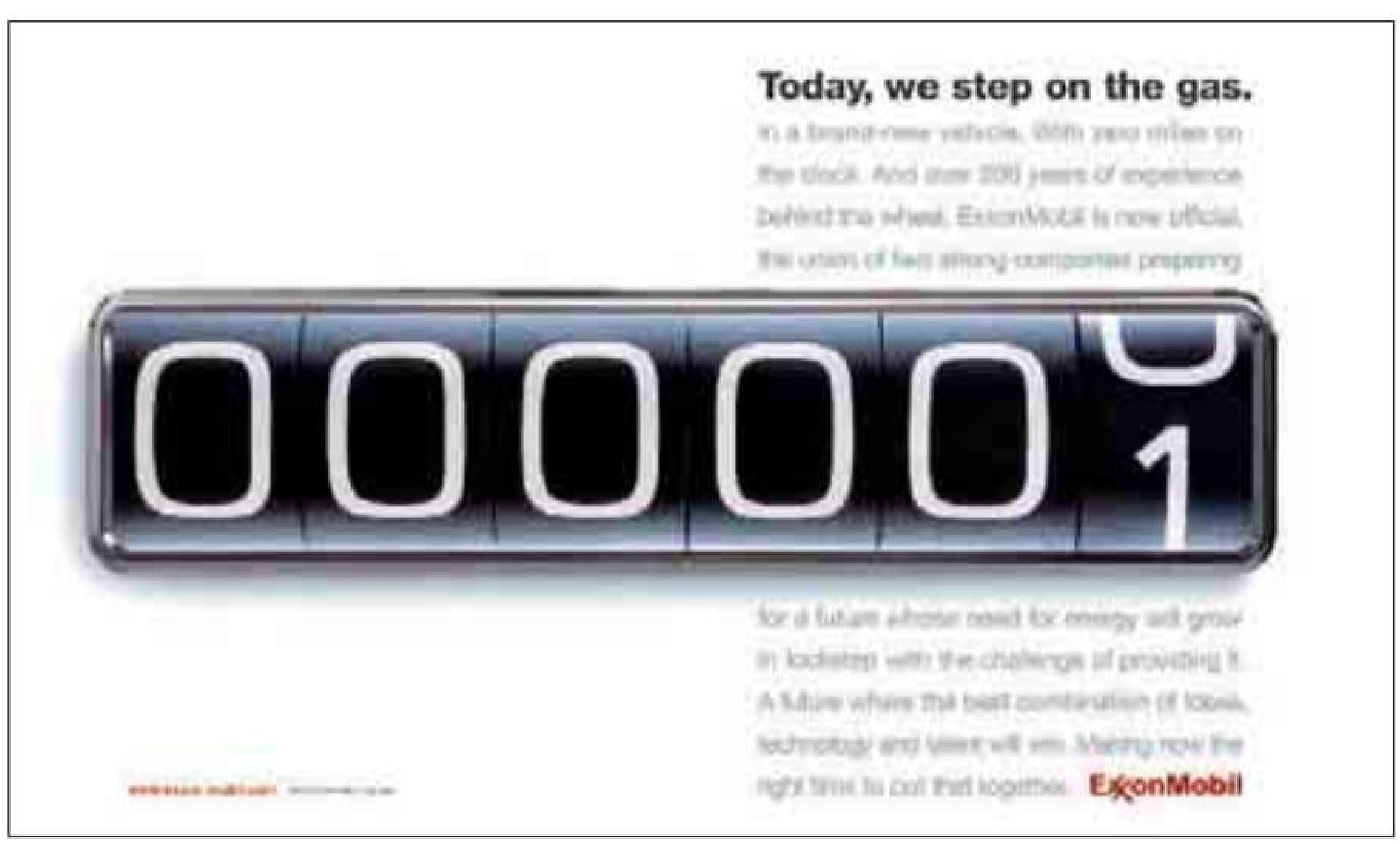
Institutional advertising tries to promote an organization's image, reputation, or ideas rather than a specific product. Its basic objective is to develop goodwill or improve an organization's relations with various groups—not only customers but also current and prospective channel members, suppliers, shareholders, employees, and the general public. The British government, one of the top 50 advertisers in the world, uses institutional advertising to promote England as a place to do business.

Product advertising—know us, like us, remember us

Product advertising falls into three categories: pioneering, competitive, and reminder advertising.

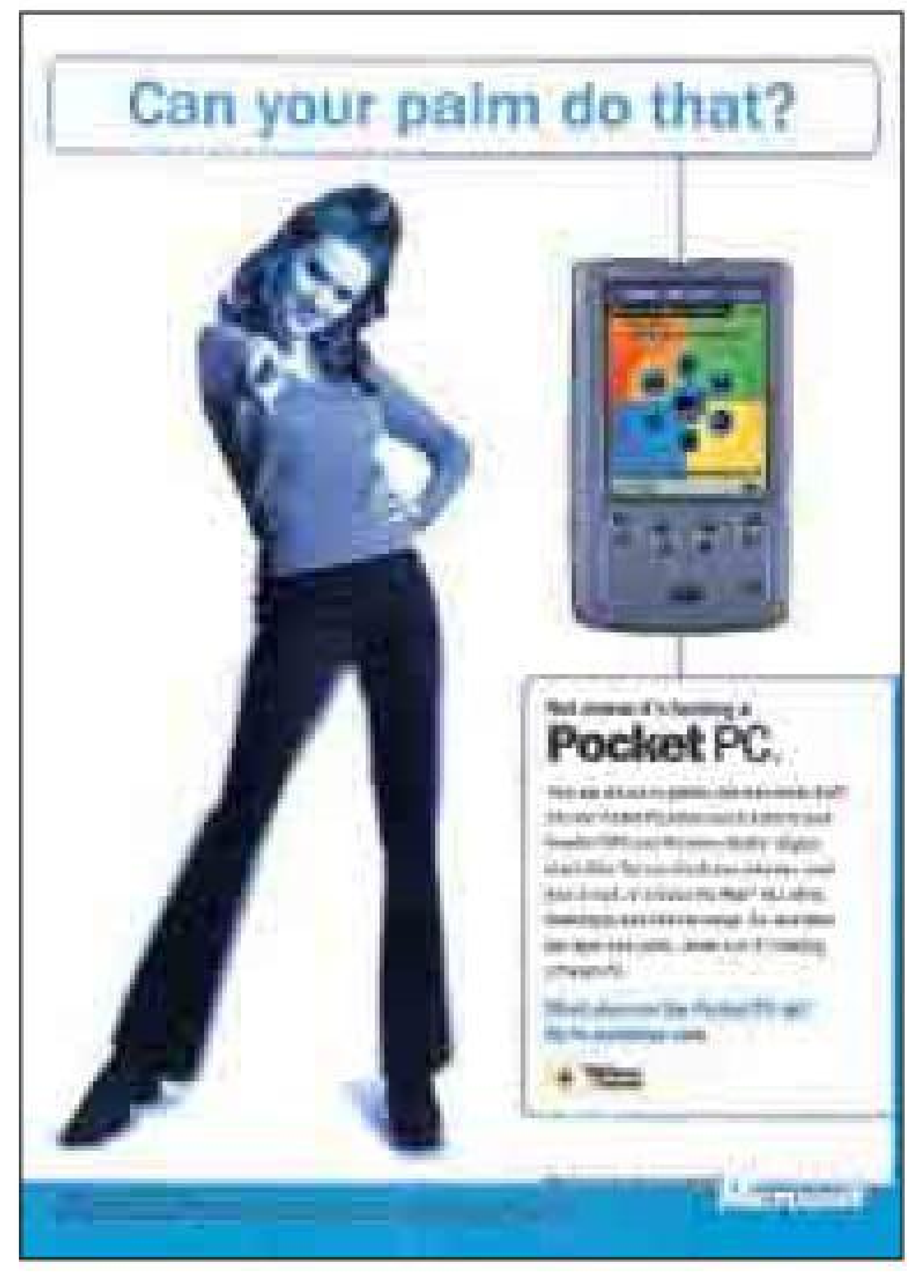
Pioneering advertising—builds primary demand

Pioneering advertising tries to develop primary demand for a product category rather than demand for a specific brand. Pioneering advertising is usually done in the early stages of the product life cycle; it informs potential customers about the new product and helps turn them into adopters. When Merrell Dow Pharmaceutical



The objective of ExxonMobil's attention-getting institutional ad, which ran on billboards in over 100 countries, was to inform customers about the merger of the two oil giants and to highlight the strengths of the new combined company as it addresses the energy needs of the future.

Comparative ads make direct comparisons with other brands using actual product names. For example, the Baby Orajel ad touts its fast relief compared to Children's Tylenol. The Microsoft ad highlights the features of the Pocket PC compared to its rival, Palm.



introduced a prescription drug to help smokers break the habit, it did pioneering advertising to inform both doctors and smokers about its breakthrough. The ad didn't even mention the name of the drug. Instead it informed smokers who wanted to quit that doctors could now help them overcome their nicotine dependence. Later, as other firms put similar drugs on the market, Merrell Dow turned to competitive advertising.

Competitive advertising—emphasizes selective demand

Competitive advertising tries to develop selective demand for a specific brand. A firm is forced into competitive advertising as the product life cycle moves along—to hold its own against competitors.

Competitive advertising may be either direct or indirect. The **direct type** aims for immediate buying action. The **indirect type** points out product advantages to affect future buying decisions.

Most of Delta Airlines' advertising is of the competitive variety. Much of it tries for immediate sales—so the ads are the direct type with prices, timetables, and phone numbers to call for reservations. Some of its ads are the indirect type. They focus on the quality of service and number of cities served—and they suggest you mention Delta's name the next time you talk to your travel agent.

Comparative advertising is even rougher. **Comparative advertising** means making specific brand comparisons—using actual product names. A recent comparative ad for a Kia Optima implied that a Toyota Camry with the same features was a great car but not as good a value as the Optima, which costs $5,000 less.

Many countries forbid comparative advertising, but that situation is changing. For example, Japan banned comparative advertising until about 15 years ago, when the restrictions were relaxed. Japan's move followed an earlier change in the United States. The Federal Trade Commission decided to encourage comparative ads, after banning them for years—because it thought they would increase competition and provide consumers with more useful information.

In the United States, superiority claims are supposed to be supported by research evidence—but the guidelines aren't clear. In one widely publicized case, a drug company sponsored university research on the effectiveness of its drug, but when the results looked bad it did everything possible to keep the findings secret. When P&G's Dryel did not fare well in independent test comparisons with stain removal by professional dry cleaners, P&G changed its ad claims. However, some firms just keep running tests until they get the results they want. Others talk about minor differences that don't reflect a

Buster Brown is a well-known brand with a hundred-year history, but at back-to-school, shoe-buying time it ran print and outdoor ads to remind parents of their positive feelings about Buster Brown shoes. Ads featured a toll-free number to call or website address so consumers could learn the location of the closest retailer.

product's overall benefits. Some comparative ads leave consumers confused or even angry if the product they're using is criticized. Comparative ads can also backfire by calling attention to competing products that consumers had not previously considered.[7]

Reminder advertising—reinforces a favorable relationship

Reminder advertising tries to keep the product's name before the public. It may be useful when the product has achieved brand preference or insistence—perhaps in the market maturity or sales decline stages. It is used primarily to reinforce previous promotion. Here the advertiser may use soft-sell ads that just mention or show the name—as a reminder. Sunkist, for example, often relies on reminder ads because most consumers already know the brand name and, after years of promotion, associate it with high product quality.

Institutional advertising—remember our name

Institutional advertising usually focuses on the name and prestige of an organization or industry. It may seek to inform, persuade, or remind.

Large companies with several divisions sometimes use a persuading kind of institutional advertising to link the divisions in customers' minds. Many Japanese firms, like Hitachi, emphasize institutional advertising, in part because they often use the company name as a brand name.

Companies sometimes rely on institutional advertising to present the company in a favorable light—perhaps to overcome image problems. Oil giant BP, for example, ran ads in a bid to be seen as more pro-environmental. However, in this case, they just drew more criticism.[8]

Some organizations use institutional advertising to advocate a specific cause or idea. Insurance companies and organizations like Mothers Against Drunk Driving, for example, use these advocacy ads to encourage people not to drink and drive.[9]

Coordinating Advertising Efforts with Cooperative Relationships

Vertical cooperation—advertising allowances, cooperative advertising

Sometimes a producer knows that a promotion job or advertising job should be done but finds that it can be done more effectively or more economically by someone further along in the channel. Alternatively, a large retail chain like Best Buy may approach a manufacturer like Panasonic with a catalog or ad program and tell them how much it will cost to participate. In either case, the producer may offer **advertising allowances**—price reductions to firms further along in the channel to encourage them to advertise or otherwise promote the firm's products locally.

Cooperative advertising involves middlemen and producers sharing in the cost of ads. This helps wholesalers and retailers compete in their local markets. It also helps the producer get more promotion for the advertising dollar because media usually give local advertisers lower rates than national or international firms. In addition, a retailer or wholesaler who is paying a share of the cost is more likely to follow through.

Integrated communications from cooperative relationships

Coordination and integration of ad messages in the channel is another reason for cooperative advertising. One big, well-planned, integrated advertising effort is often better than many different, perhaps inconsistent, local efforts. Many franchise operations like the idea of communicating with one voice. KFC, for example, encourages its franchises to use a common advertising program. Before, many developed their own local ads—with themes like "Eight clucks for four bucks"—that didn't fit with the company's overall marketing strategy.

Producers often get this coordination, and reduce local middlemen costs, by providing a master of an ad on a videotape, cassette tape, website, or printed sheets. The middlemen add their identification before turning the ad over to local media.

However, allowances and support materials alone don't ensure cooperation. When channel members don't agree with the advertising strategy, it can be a serious source of conflict. For example, Benetton, the Italian sportswear company, wanted its "United Colors" ad campaign to be controversial. Many of its franchisees disagreed and stopped paying their franchise fees. A marketing manager should consider the likely reaction of other channel members before implementing any advertising program.[10]

Ethical concerns may arise

Ethical issues sometimes arise concerning advertising allowance programs. For example, a retailer may run one producer's ad to draw customers to the store but then sell them another brand. Is this unethical? Some producers think it is. A different view is that retailers are obligated to the producer to run the ad but obligated to consumers to sell them what they want, no matter whose brand it may be. A producer can often avoid the problem with a strategy decision—by setting the allowance amount as a percent of the retailer's *actual purchases*. That way, a retailer who doesn't produce sales doesn't get the allowance.

Sometimes a retailer takes advertising allowance money but doesn't run the ads at all. Some producers close their eyes to this problem because they don't know what to do about intense competition from other suppliers for the retailer's attention. But there are also legal and ethical problems with that response. Basically, the allowance may have become a disguised price concession that results in price discrimination, which is illegal in the United States. Some firms pull back from cooperative advertising to avoid these problems. Smart producers insist on proof that the advertising was really done.[11]

Choosing the "Best" Medium—How to Deliver the Message

What is the best advertising medium? There is no simple answer to this question. Effectiveness depends on how well the medium fits with the rest of a marketing strategy—that is, it depends on (1) your promotion objectives, (2) what target markets you want to reach, (3) the funds available for advertising, and (4) the nature of the media—including who they *reach*, with what *frequency*, with what *impact*, and at what *cost*.

Does Advertising That's Everywhere Get Us Anywhere?

It's everywhere. You get to the beach, look down, and huge versions of the Skippy peanut butter logo are embossed in the sand. You roll your eyes in dismay and catch a view of a plane pulling MCI's 100-foot-long banner with Mr. T demanding "Call home, fool." You go in the bathroom to change into your swimsuit, but the walls are adorned with posters for Good Humor ice cream bars. Forget that. Maybe you should just eat your picnic lunch. Oops, the whole back of the bench you're going to sit on is an ad for a check-cashing service—and just for good measure the banana you pull out of your lunch bag has a sticker advertising Florida oranges. So you jump in your car to escape the onslaught. But when you stop to pump gas a miniature video screen by the credit card slot urges you to get a Visa debit card from a local bank (first in English and then in Spanish). The billboards you ignore along the way seem pretty civilized compared to the towering trucks whose trailers are rolling billboards. Back at the ranch, at last, you know you can watch the Grammy Awards show in peace because you taped it on your VCR—so you can zap past the ads. But no, you can't see the celebrities arrive without staring at virtual logos digitally superimposed on the entry canopy and sidewalk by the front door. So there's no alternative but to pull the plug on the VCR and check for e-mail from your sweetie. Wrong move. A pop-up ad for a video cam covers half of the screen—and why can't you make it go away? You can drag it to the side, but then there's so much spam in your mailbox that you've run out of disk space.

There are certainly many cases where promotion benefits both the consumer and the firm, and after all it is revenues from advertising that cover the cost of lots of great stuff consumers get for free. Yet sometimes you can't help but wish that you were not the target that somebody else is aiming at![12]

www.mhhe.com/fourps

Exhibit 16-4 shows some pros and cons of major kinds of media and some examples of costs. However, some of the advantages noted in this table may not apply in all markets. In less-developed nations, for example, newspapers may *not* be timely. Placing an ad may require a long lead time if only a limited number of pages are available for ads. Direct mail may not be a flexible choice in a country with a weak postal system or high rate of illiteracy. Internet ads might be worthless if few target customers have access to the Internet. Similarly, TV audiences are often less selective and targeted, but a special-interest cable TV show may reach a very specific audience.[13]

Specifc promotion objectives

Before you can choose the best medium, you have to decide on your promotion objectives. If the objective is to increase interest and that requires demonstrating product benefits, TV may be the best alternative. If the objective is to inform—telling a long story with precise detail—and if pictures are needed, then Internet advertising might be right. Alternatively, with a broad target market, print media like magazines and newspapers may be better. For example, Jockey switched its advertising to magazines from television when it decided to show the variety of colors, patterns, and styles of its men's briefs. Jockey felt that it was too hard to show this in a 30-second TV spot. Further, Jockey felt that there were problems with modeling men's underwear on television. However, Jockey might have stayed with TV if it had been targeting consumers in France or Brazil—where nudity in TV ads is common.[14]

Match your market with the media

To guarantee good media selection, the advertiser first must *clearly* specify its target market—a necessary step for all marketing strategy planning. Then the advertiser can choose media that are heard, read, or seen by those target customers.

The media available in a country may limit the choices. In less-developed nations, for example, radio is often the only way to reach a broad-based market of poor consumers who can't read or afford television.

In most cases, however, the major problem is to select media that effectively reach the target audience. Most of the major media use marketing research to develop profiles of the people who buy their publications or live in their broadcasting area. Generally, media research focuses on demographic characteristics rather than the segmenting dimensions specific to the planning needs of *each* different advertiser. The problem is even worse in some countries because available media

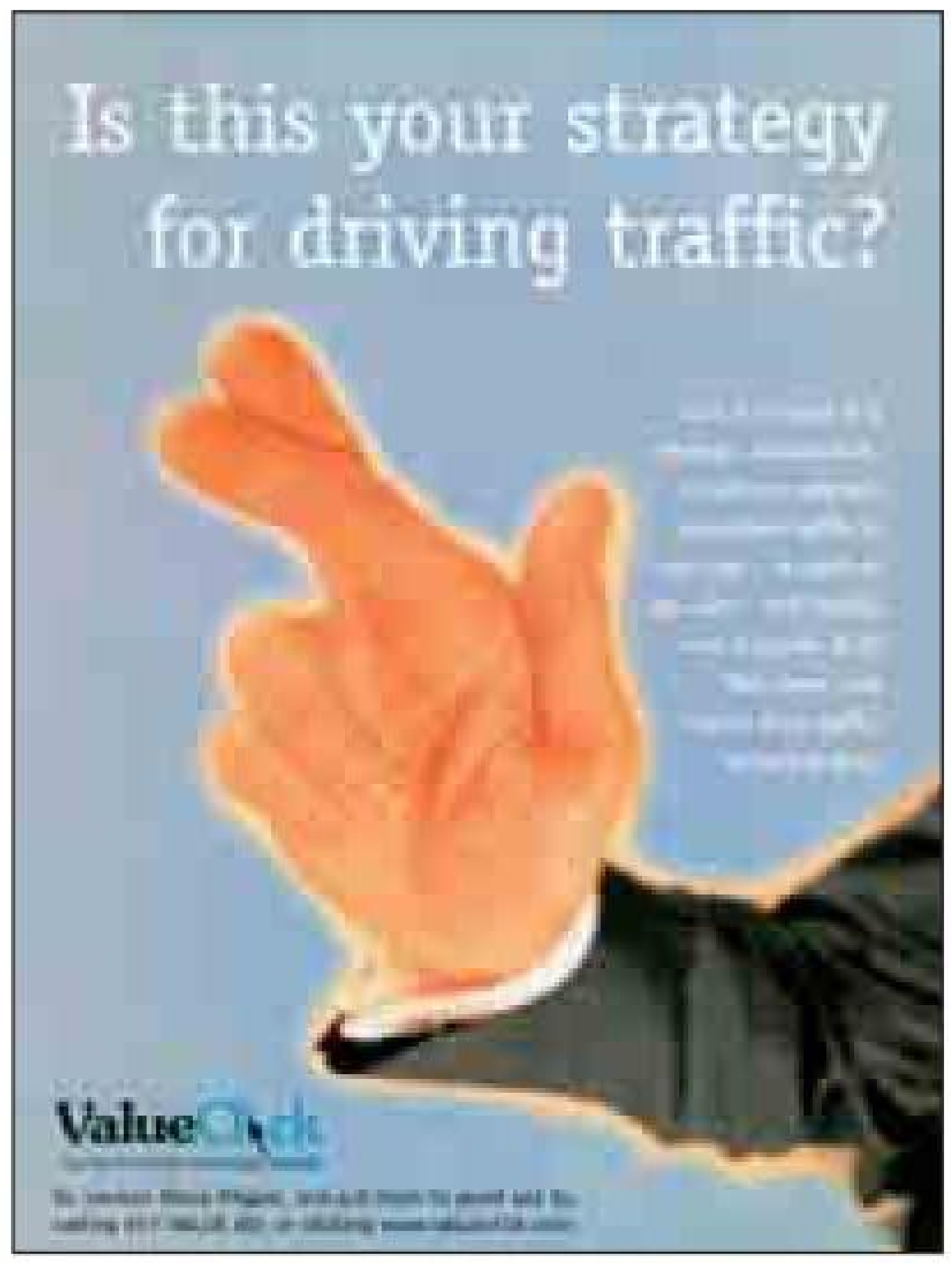
Exhibit 16-4 Relative Size and Costs, and Advantages and Disadvantages, of Major Kinds of Media

Kinds of Media	Sales Volume, 2000 ($ billions)	Typical Costs, 2000	Advantages	Disadvantages
Television and Cable	$59.2	$4,500 for a 30-second spot, prime time, Phoenix	Demonstrations, good attention, wide reach	Expensive in total, "clutter," less-selective audience
Newspaper	49.0	$42,570 for one-page (black/white) weekday, *Arizona Republic*	Flexible, timely, local market	May be expensive, short life, no "pass-along"
Direct mail	44.6	$215 per 1,000 for listing of 114,000 Human Resource executives by industry or employee size	Selected audience, flexible, can personalize	Relatively expensive per contact, "junk mail"—hard to retain attention
Radio	19.3	$350–$400 for one-minute drive time, Phoenix	Wide reach, segmented audience, inexpensive	Weak attention, many different rates, short exposure
Yellow Pages	13.2	$2,760 a year for a ⅛-page display ad in a directory for a city with .5 million population	Reaches local customers seeking purchase information	Many other competitors listed in same place, hard to differentiate
Magazine	12.4	$192,000 for one-page, 4-color in *Time* (national)	Very targeted, good detail, good "pass-along"	Inflexible, long lead times
Outdoor	5.2	$5,000 (painted) for prime billboard, 30- to 60-day showings, Phoenix	Flexible, repeat exposure, inexpensive	"Mass market," very short exposure
Internet	4.3	Banner ads average $34 for every 1,000 ad impressions on the site	Ads link to more detailed website, some "pay for results"	Hard to compare costs with other media

don't provide any information—or they provide audience profiles that make the media seem more attractive than it is.

Another problem is that the audience for media that *do* reach your target market may also include people who are *not* in the target group. But *you pay for the whole audience the media delivers*—including those who aren't potential customers. For example, Delta Faucet, a faucet manufacturer that wanted its ads to reach plumbers, placed ads on ESPN's Saturday college football telecasts. Research showed that many plumbers watched the ESPN games. Yet plumbers are only a very small portion of the total college football audience—and the size of the total audience determined the cost of the advertising time.[15]

The cost of reaching the real target market goes up fastest when the irrelevant audience is very large. For example, the last episode of the wildly popular "Seinfeld" sitcom drew about 75 million viewers and NBC charged $1.5 million or more for a 30-second ad slot. It may have been worth that for Visa to reach such a large, mainly adult, audience; it serves a diverse group of customers.[16] On the other hand, tiny Gardenburger, Inc., used borrowed money to buy an ad slot in a shoot-for-the-moon effort to turn the audience on to its veggie patties. This was on the "creative theory" that the Gardenburger target market was primarily females age 25 to 54, Internet advertising and ads delivered by e-mail make it possible for advertisers to be very targeted in getting the right message to the right audience.



that "Seinfeld" was like the Super Bowl for women, and that Gardenburger was just the ticket for their needs. Yet only about 8 percent of consumers have ever tasted a veggie burger. A 30-second ad, even a memorable one, isn't likely to change a basic mind-set for most people. So in betting the farm on its "Seinfeld" ad, Gardenburger had to pay to reach a very large group of women, and men, who were not at all interested in what the company had to offer. Gardenburger is an extreme case, but research suggests that many of the firms that sponsor ads on such big-audience shows would get more for their money if they placed ads on shows that reached more-targeted audiences.[17]

Because it's hard to pick the best media, media analysts often focus on comparing quantitative measures—such as cost per thousand of audience size or circulation. This may seem to be an objective approach, but advertisers preoccupied with keeping these costs down may ignore the relevant segmenting dimensions and slip into mass marketing.

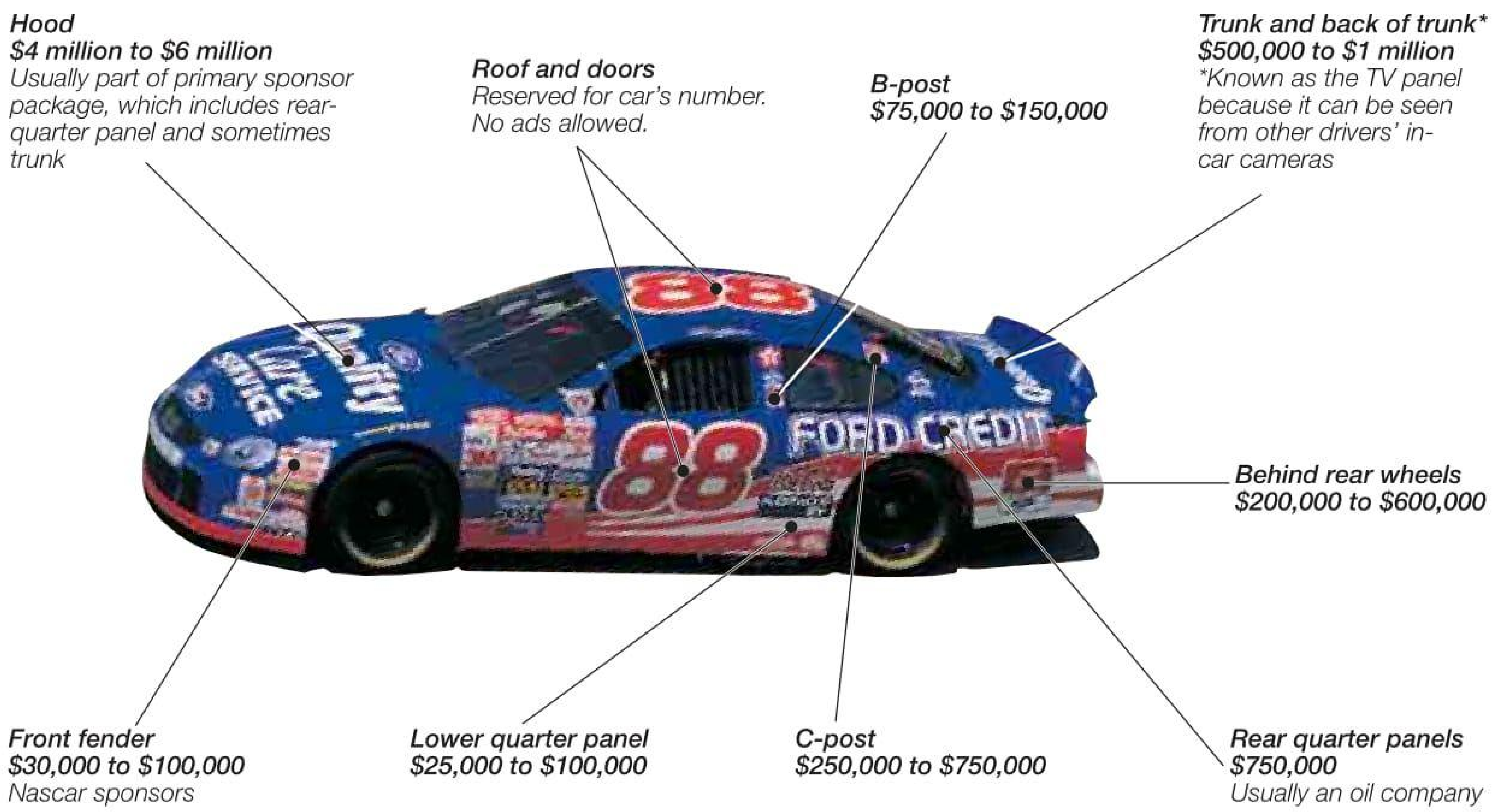
Some media help zero in on specific target markets

Today the major media direct more attention to reaching smaller, more defined target markets. The most obvious evidence of this is in the growth of spending on direct-mail advertising to consumers in databases. However, other media—even traditional ones—are becoming more targeted as well.

TV is a good example. Cable TV channels—like MTV, Cable News Network (CNN), Nickelodeon, and ESPN—are taking advertisers away from the networks because they target specific audiences. ESPN, for example, has an audience heavily weighted toward affluent, male viewers. British Sky Broadcasting does a good job of reaching homemakers with young children. Moreover, being specialized doesn't necessarily mean that the target market is small. MTV appeals most strongly to affluent, young viewers, but its programming is seen in over 300 million homes worldwide—more than any other programmer.

Infomercials—long commercials that are broadcast with a TV show format—give a glimpse of how targeted cable TV will become when more consumers have access to hundreds, or perhaps even thousands, of TV channels. With many channels competing for attention, most will succeed only if they offer programs and commercials that are very specific to the interests and needs of smaller, more homogeneous target markets.

Radio has also become a more specialized medium. Some stations cater to particular ethnic and racial groups—such as Hispanics, African Americans, or French



Advertising space on a race car reaches racing fans and often benefits from extended TV coverage. But the cost for primary sponsors can be millions of dollars.

Canadians. Others aim at specific target markets with rock, country, or classical music. Religious programs and talk-radio cater to people with specific attitudes and interests. Now that radio stations can get their programming to a larger number of consumers over the Internet and via satellite broadcast systems, expect even more targeting.

Many magazines serve only special-interest groups—such as fishermen, soap opera fans, new parents, professional groups, and personal computer users. In fact, the most profitable magazines seem to be the ones aimed at clearly defined markets. Many specialty magazines also have international editions that help marketers reach consumers with similar interests in different parts of the world. *PC Magazine,* for example, offers European and Japanese editions.

There are trade magazines in many fields—such as chemical engineering, furniture retailing, electrical wholesaling, farming, and the aerospace market. *Standard Rate and Data* provides a guide to the thousands of magazines now available in the United States. Similar guides exist in most other countries.

Many of the national print media offer specialized editions. *Time* magazine, for example, offers not only several regional and metropolitan editions but also special editions for college students, educators, doctors, and business managers. Magazines like *Newsweek,* France's *Paris Match International,* and Germany's *Wirtschaftwoche* provide international editions.

Specialized media are small—but gaining

The advertising media listed in Exhibit 16-4 are attracting the vast majority of advertising media budgets. But advertising specialists always look for cost-effective new media that will help advertisers reach their target markets. For example, one company successfully sells space for signs on bike racks that it places in front of 7-Eleven stores. In Eastern Europe, where major media are still limited, companies like Campbell's pay to put ads on bus shelters. Hotels and auto rental companies buy space on advertising boards placed in the restrooms on airplanes. A new generation of ATMs—including ones placed in stores and shopping centers—is capable of showing video ads while customers are waiting to get their money. Some gas station pumps have similar displays.[18]

The Internet is proving to be an even more important, and fast-growing, medium that has the potential to be highly targeted. Because it involves different opportunities and challenges, we will discuss it separately. First, however, we should briefly discuss how the advertising budget that is available affects the choice of media.

"Must buys" may use up available funds

Selecting which media to use is still pretty much an art. The media buyer may start with a budgeted amount and try to buy the best blend to reach the target audience.

Some media are obvious "must buys"—like *the* local newspaper for a retailer in a small or medium-sized town. Most firms serving local markets view a Yellow Pages listing as a must buy. Website advertising is increasingly being seen as a must buy. It may be the only medium for firms trying to reach business buyers in overseas markets. Must buy ads may even use up the available funds.

For many firms, even national advertisers, the high cost of television may eliminate it from the media blend. The average cost just to produce a national TV ad is now about $250,000—and a big impact ad can easily cost twice that. In the United States, a 30-second commercial on a popular prime-time show like "Friends" is well over $500,000. The price goes up rapidly for "big event" shows that attract the largest audiences. Thirty seconds of advertising on the 2001 Super Bowl cost sponsors about $2.3 million.[19]

Advertising on the Internet: New Opportunities and New Challenges

Internet ads take many forms

Advertising on the Internet is growing rapidly as more mainstream advertisers join the quest for a more efficient way to reach target customers with promotion. The advertising messages take many forms, ranging from displays that basically look like traditional print ads to button and banner ads. An Internet *banner ad* is a headline that appears on a web page. Its purpose is to attract the interest of people in the advertiser's target market and encourage them to visit the advertiser's website for more information. A button is usually much smaller—perhaps just showing the advertiser's name or symbol.

Internet ads seek a direct response—a click

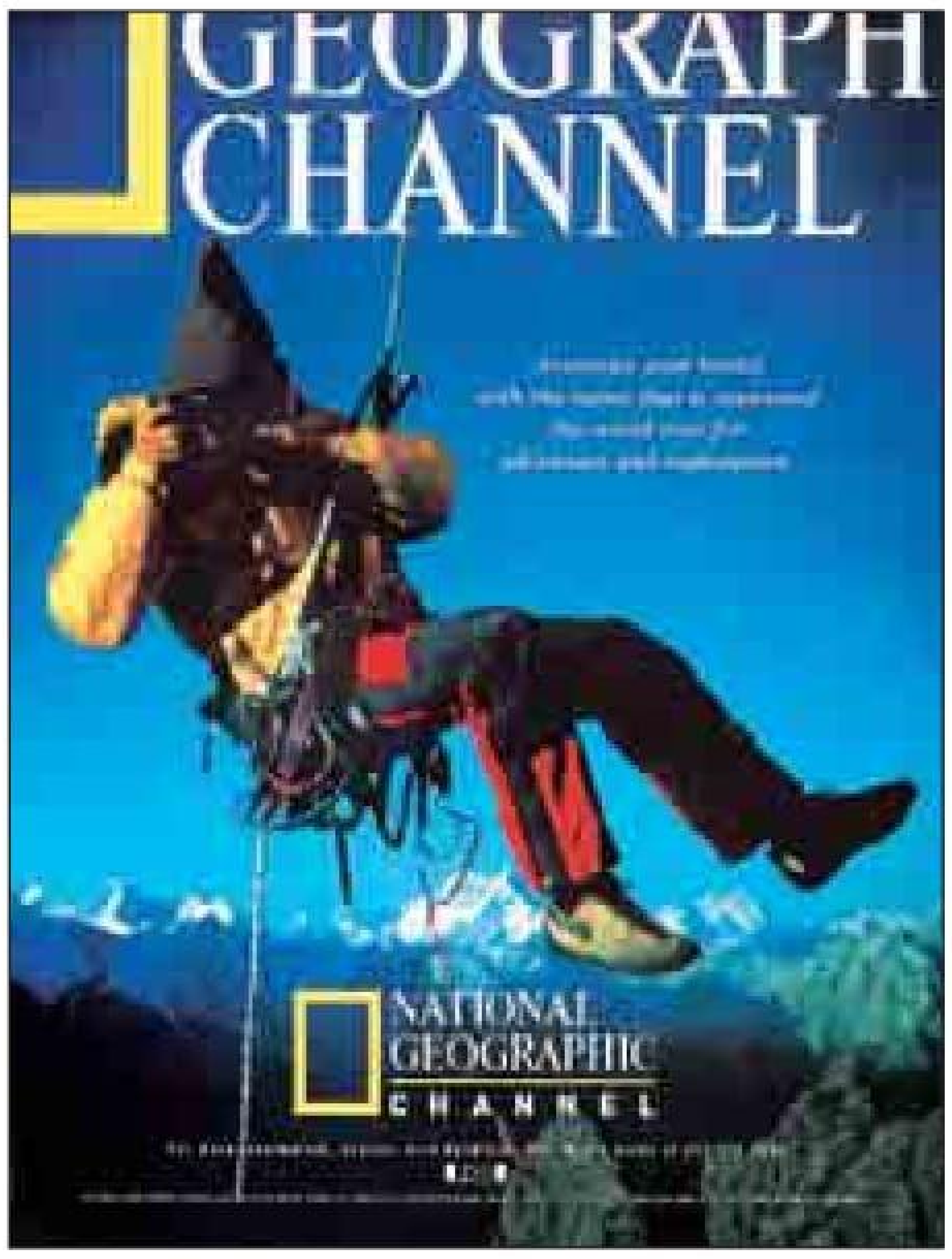
Whatever specific form an ad takes, it is usually "linked" to the advertiser's website. When a viewer responds to an ad by clicking on it with a mouse, more detailed information appears. The information may include pictures, videos, sound, text, a product database, order entry procedures, and much more.

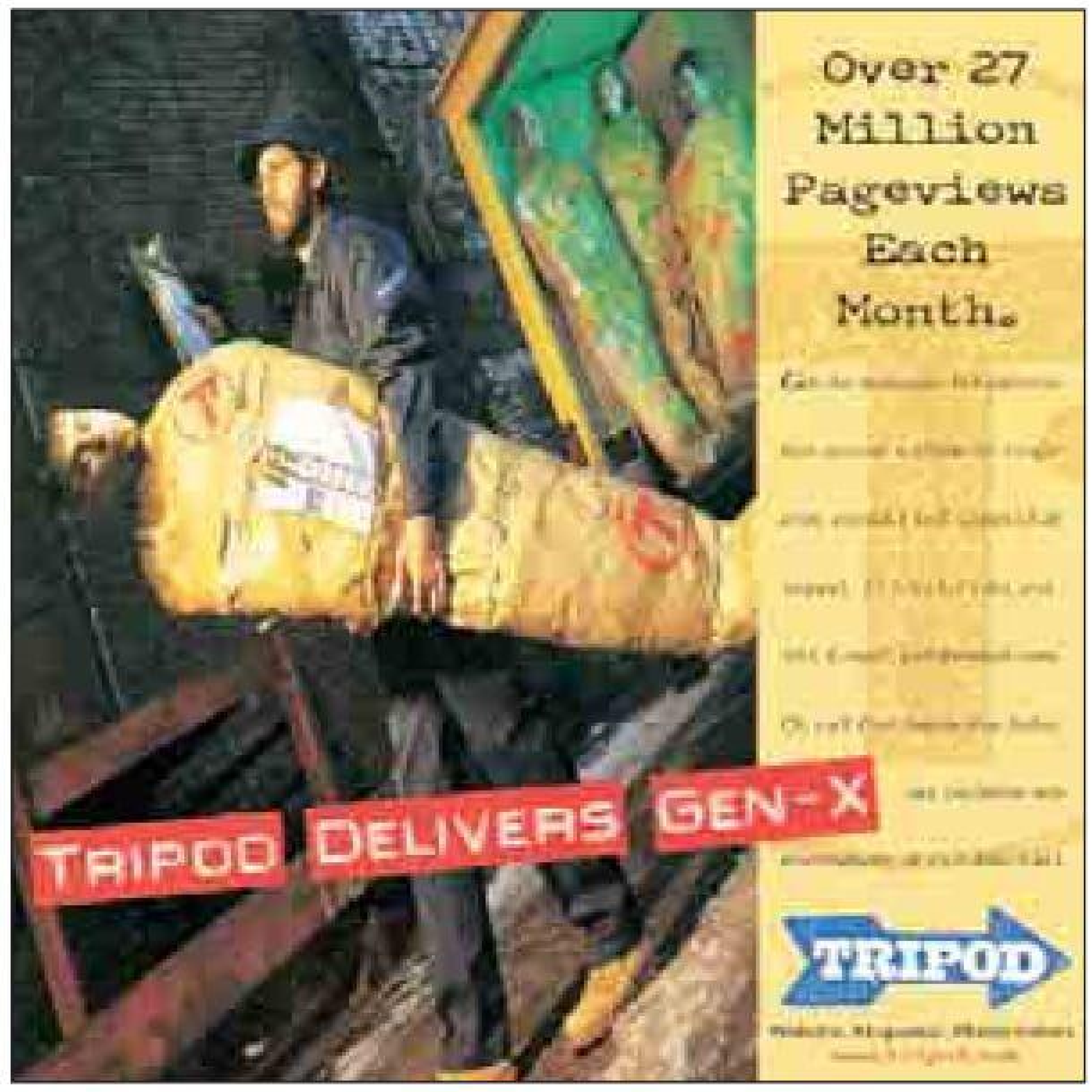
Content on a website can be very different from traditional advertising. The advertiser can put up a great deal more information and allow viewers to self-direct to those pages that interest them the most. The website can also provide links to other outside sources of information. Or it can invite the viewer to e-mail or start a chat session for more detailed information on a particular topic. It can offer a sign-up for a weekly newsletter. The viewer may not buy right away and may not "bookmark" the website to come back later. But if the viewer subscribes to the e-mail newsletter, all is not lost. The advertiser will have another chance to make a sale.

We talked about this sort of interactive communication in detail in Chapter 14. Now let's take a look at how Internet ads reach a target audience in the first place.

Some websites generate more exposure

Some advertisers are primarily interested in placing ads on websites that will give their ads a lot of exposure—almost without regard to the content of the website or who visits it. Although there are millions of websites on the Internet, a small subset





Advertising managers are always looking for cost-effective new media that will help them reach their specific target markets.

accounts for a large percent of the potential audience. For example, many people see the Netscape, Microsoft, or Yahoo website every time they use the Internet. Often that's because the software ("browser") they use to view Internet information starts at these websites. Some people refer to such websites as *portals* because they act like doorways to the Internet.

A few portal websites are becoming for the Internet what the networks once were for television: *the* place where an advertiser is willing to pay high rates because they are uniquely able to reach a very large, broad market. For example, Dell might want its computer ads on the AOL or Yahoo home page so they will be viewed by the large number of computer user visitors. But what makes sense for Dell in that situation might not make sense for a different firm with a different target market and marketing mix. As with traditional media, getting lots of exposure for an Internet ad doesn't help if viewers are not in the firm's target market. At most websites, rates are set based on number of exposures, and you pay for an exposure regardless of who it is. Some advertisers don't see this and have just transferred their old, untargeted shotgun approach to this new medium. That's especially wasteful on the Internet!

Some websites are better for reaching target customers

Bristol-Myers Squibb's experiment with Web advertising is typical of what many other firms are trying to do—place ads on websites that attract the desired target market. In the middle of income tax season, Bristol-Myers Squibb ran ads on financial websites extolling Excedrin as "the tax headache medicine." The ads offered a free sample of Excedrin. Within a month, more than 30,000 people clicked on the ad and typed their names into the firm's customer database. The cost of obtaining those names was half that of traditional methods. Now the firm can follow up the Excedrin samples with other database-directed promotions, either by e-mail or other methods.

Context advertising links ad to content being viewed

The Excedrin ads were quite targeted, but targeting on the Internet can be even more precise. For example, ads for Fragrance Counter (a cosmetics retailer) pop up when an Internet user does a search on a term such as *perfume* or *Estée Lauder.* This approach is called *context advertising*—monitoring the content a net surfer is viewing and then serving up related ads. For example, if a consumer visits a website with information about cars, an ad for Amazon.com might appear and note that it carries books on buying a car. If the consumer clicks on the Amazon ad, a list of relevant books appears on screen and more detailed information on each title is a click away.

Another variation on the context theme allows noncompeting firms that have a similar target market to post ads on each other's website. When Maytag introduced its Neptune high-efficiency washing machine, the Neptune website had a link to P&G's website for Tide HE, a new detergent designed for use in washers like the Neptune.

Pointcasting determines which customers see an ad

Another approach that offers more precise targeting is pointcasting. Pointcasting means displaying an ad *only* to an individual who meets certain qualifications. For instance, it might be a person who has previously expressed direct interest in the topic of the advertising. A pointcasting ad is usually included with other information that the customer wants and that a pointcasting service provides for free. An example shows how this works. A woman who is interested in financial planning might sign up with Time-Warner's Road Runner service and request that it routinely send her newly published articles on independent retirement accounts. When the service sends her that information over the Internet, it might include an ad from a mutual fund company. The pointcasting service matches ads to customer interests. Many advertisers like this concept but worry that pointcasting may overwhelm the recipient with too much clutter.

Sending ads directly to the target customer via e-mail is a simpler approach. A limitation of e-mail is that a person's e-mail software may reformat messages in different ways. That is changing with increased use of e-mail in HTML format. However, a different problem will continue: Most people resent being "spammed" with a lot of unsolicited e-mail.

Internet

Internet Exercise ValueClick is a firm that provides services for firms that want to advertise on the Internet and also for website publishers that host Internet advertising. Go to its website (www.valueclick.com) and read about its service. Briefly describe the main benefits it provides for advertisers and the main benefits it provides for publishers.

Some viewers get benefits if they agree to look at ads

Some websites offer people a benefit—like free e-mail or a chance to enter a contest—if they provide information about themselves and agree to view ads selected to match their interests. A look at Juno, a firm that offers a free e-mail service, shows how this works. When people sign up for e-mail accounts, they also provide detailed information for a database. The information might include demographics as well as interests, what products they use, where they shop, and where they live. Then when a person checks for e-mail messages, ads are displayed. Each ad is selected specifically for that person based on characteristics in the database. For example, a cosmetics firm might specify that its ads be shown only to females who are 16 or older and who routinely wear nail polish.

At some websites, ads are free if they don't get results

While the number of firms interested in putting ads on websites has grown, the number of websites that are chasing their ad dollars has grown at an even faster pace. Many websites charge advertisers a fee based on how frequently or how long an ad is shown. But there are still basic problems in getting good measures of how many people are exposed to an ad or pay any attention if they are exposed. One symptom of this is that many firms have sprung up to rate website traffic, but their ratings often don't agree.

This problem and competition for advertisers have pressed many websites to take a more novel approach. They display an ad for free and charge a fee only if the ad gets results. For example, the fee the advertiser pays is sometimes based on "click-through"—the number of people who actually click on the ad and link to the advertiser's website. Some websites set fees based on actual sales that result from the clickthrough. This is efficient for advertisers, and variations on this approach are becoming more common. This is a big shift from traditional media. Firms have to pay for their TV and print ads whether they work or not. A lot more firms will put ads on websites if there is a direct relationship between costs and results. Moreover, websites will then have more incentive to attract the type of viewers that some specific set of advertisers want to reach.

Internet advertising is still feeling its way

Innovations like these make it clear that Internet advertising holds great promise. On the other hand, most Internet advertising does not yet provide the precise laser-beam targeting that would be ideal. In fact, a lot of banner ads seem outright ineffective, and popups can be obnoxious. Yet, as with other innovations, refinements to Internet advertising will take time. No one can yet be certain what it will be when it grows up, but it *is* growing.[20]

Planning the "Best" Message—What to Communicate

Specifying the copy thrust

Once you decide *how* the messages will reach the target audience, you have to decide on the **copy thrust**—what the words and illustrations should communicate.

Carrying out the copy thrust is the job of advertising specialists. But the advertising manager and the marketing manager need to understand the process to be sure that the job is done well.

Let AIDA help guide message planning

Basically, the overall marketing strategy should determine *what* the message should say. Then management judgment—perhaps aided by marketing research—can help decide how to encode this content so it will be decoded as intended.

As a guide to message planning, we can use the AIDA concept: getting Attention, holding Interest, arousing Desire, and obtaining Action.

The right copy thrust helps an ad clearly communicate to its target market.

Billboards are good for getting attention with a simple copy thrust.

Getting attention

Getting attention is an ad's first job. If an ad doesn't get attention, it doesn't matter how many people see or hear it. Many readers leaf through magazines and newspapers without paying attention to any of the ads. Many listeners or viewers do chores or get snacks during radio and TV commercials. When watching a program on videotape or TiVo, they may zap past the commercial with a flick of the fast-forward button. On the Internet, they may click on the next website before the ad message finishes loading onto the screen.

Many attention-getting devices are available. A large headline, computer animations, newsy or shocking statements, attractive models, babies, animals, special effects—anything different or eye-catching—may do the trick. However, the attention-getting device can't detract from, and hopefully should lead to, the next step, holding interest.

Holding interest

Holding interest is more difficult. A humorous ad, an unusual video effect, or a clever photo may get your attention—but once you've seen it, then what? If there is no relation between what got your attention and the marketing mix, you'll move on. To hold interest, the tone and language of the ad must fit with the experiences and attitudes of the target customers and their reference groups. As a result, many advertisers develop ads that relate to specific emotions. They hope that the good feeling about the ad will stick—even if its details are forgotten.

To hold interest, informative ads need to speak the target customer's language. Persuasive ads must provide evidence that convinces the customer. For example, TV ads often demonstrate a product's benefits.

Layouts for print ads should look right to the customer. Print illustrations and copy should be arranged to encourage the eye to move smoothly through the ad—perhaps from a headline that starts in the upper left-hand corner to the illustration or body copy in the middle and finally to the lower right corner where the ad's "signature" usually gives the company or brand name, toll-free number, and website address. If all of the elements of the ad work together as a whole, they will help to hold interest and build recall.[21]

Arousing desire

Arousing desire to buy a particular product is one of an ad's most difficult jobs. The ad must convince customers that the product can meet their needs. Testimonials may

Ads that feature a unique selling proposition help consumers focus on what is different and better about a firm's marketing mix. LU wants health-conscious European consumers to know that its cookie has as much vitamin B1 as an apricot.

persuade a consumer that other people with similar needs like the product. Product comparisons may highlight the advantages of a particular brand.

Although products may satisfy certain emotional needs, many consumers find it necessary to justify their purchases on some logical basis. Snickers candy bar ads helped ease the guilt of calorie-conscious snackers by assuring them that "Snickers satisfies you when you need an afternoon energy break."

An ad should usually focus on a *unique selling proposition* that aims at an important unsatisfied need. This can help differentiate the firm's marketing mix and position its brand as offering superior value to the target market. For example, Altoids' ads use humor to highlight the "curiously strong" flavor of its mints. Too many advertisers ignore the idea of a unique selling proposition. Rather than using an integrated blend of communications to tell the whole story, they cram too much into each ad—and then none of it has any impact.

Obtaining action

Getting action is the final requirement—and not an easy one. From communication research, we now know that prospective customers must be led beyond considering how the product *might* fit into their lives—to actually trying it or letting the company's sales rep demonstrate it.

Direct-response ads and interactive media can sometimes help promote action by encouraging interested consumers to do *something* that is less risky or demanding than actually making a purchase. For example, an ad that includes a toll-free telephone number might prompt some consumers who are not yet ready to buy to at least call for more information. Then follow-up brochures or a telephone salesperson can provide additional information and attempt to prompt another action—perhaps a visit to a store or a "satisfaction guaranteed" trial period. This approach seeks to get action one step at a time, where the first action suggested provides a "foot in the door" for subsequent communication efforts.

Whether or not some direct-response approach is used, to communicate more effectively ads might emphasize strongly felt customer needs. Careful research on attitudes in the target market may help uncover such strongly felt *unsatisfied* needs. Appealing to important needs can get more action and also provide the kind of information buyers need to confirm their decisions. Some customers seem to read more advertising *after* a purchase than before. The ad may reassure them about the correctness of their decision.

Can global messages work?

Many international consumer products firms try to use one global advertising message all around the world. Of course, they translate the message or make other minor adjustments—but the focus is one global copy thrust. Some do it to cut the cost of developing different ads for each country. Others feel their customers' basic needs are the same, even in different countries. Some just do it because it's fashionable to "go global."

This approach works for some firms. Coca-Cola and IBM, for example, feel that the needs their products serve are very similar for customers around the world. They focus on the similarities among customers who make up their target market rather than the differences. However, most firms who use this approach experience terrible results. They may save money by developing fewer ads, but they lose sales because they don't develop advertising messages, and whole marketing mixes, aimed at specific target markets. They just try to appeal to a global "mass market."

Combining smaller market segments into a single, large target market makes sense if the different segments can be served with a single marketing mix. But when that is not the case, the marketing manager should treat them as different target markets and develop different marketing mixes for each target.[22]

Advertising Agencies Often Do the Work

An advertising manager manages a company's advertising effort. Many advertising managers—especially those working for large retailers—have their own advertising departments that plan specific advertising campaigns and carry out the details. Others turn over much of the advertising work to specialists—the advertising agencies.

Ad agencies are specialists

Advertising agencies are specialists in planning and handling mass-selling details for advertisers. Agencies play a useful role—because they are independent of the advertiser and have an outside viewpoint. They bring experience to an individual client's problems because they work for many other clients. As specialists they can often do the job more economically than a company's own department. And if an agency isn't doing a good job, the client can select another. However, ending a relationship with an agency is a serious decision. Too many marketing managers just use their advertising agency as a scapegoat. Whenever anything goes wrong, they blame the agency.

Some full-service agencies handle any activities related to advertising, publicity, or sales promotion. They may even handle overall marketing strategy planning as well as marketing research, product and package development, and sales promotion. Other agencies are more specialized. For example, in recent years there has been rapid growth of firms that specialize in developing websites and Internet banners ads. Similarly, creative specialists just handle the artistic elements of advertising but leave media scheduling and buying, research, and related services to other specialists or full-service agencies.

The biggest agencies handle much of the advertising

The vast majority of advertising agencies are small—with 10 or fewer employees. But the largest agencies account for most of the billings. Over the past decade many of the big agencies merged—creating mega-agencies with worldwide networks.

Exhibit 16-5 Top Eight Advertising Agency Supergroups and Examples of Products They Advertise

Organization	Headquarters	Worldwide Gross Income, 2000 ($ millions)	Products
WPP Group	London	$7,971.0	American Express, AT&T, Campbell's, Ford, IBM
Omnicom Group.	New York	6,986.2	Anheuser-Busch, DaimlerChrysler, McDonald's, PepsiCo, Visa
Interpublic Group of Cos.	New York	6,595.9	Coca-Cola, GM, Johnson & Johnson, Microsoft, UPS
Dentsu	Tokyo	3,089.0	Honda, Japan Air Lines, Kao, Matsushita, Toyota
Havas Advertising	Paris	2,757.3	Intel, Philips, PSA Peugeot-Citroen, Volkswagen, Worldcom
Publicis Groupe	Paris	2,479.1	BMW, British Airways, L'Oreal, Renault, Siemens
Bcom3 Group	Chicago	2,215.9	Canon, Delta, Hallmark, Heinz, Suzuki
Grey Advertising	New York	1,863.2	British American Tobacco, GlaxoSmithKline, Mars, Procter & Gamble, 3M

Exhibit 16-5 shows a list of eight of the largest agency networks and examples of some of the products they advertise. Although their headquarters are located in different nations, they have offices worldwide. The move toward international marketing is a key reason behind the mergers.

Before the mergers, marketers in one country often had difficulty finding a capable, full-service agency in the country where they wanted to advertise. The mega-agency can offer varied services—wherever in the world a marketing manager needs them. This may be especially important for managers in large corporations—like Toyota, Renault, Unilever, NEC, Philips, Procter & Gamble, Nestlé, and PepsiCo—that advertise worldwide.[23]

In spite of the growth of these very large agencies, smaller agencies will continue to play an important role. The really big agencies are less interested in smaller accounts. Smaller agencies will continue to appeal to customers who want more personal attention and a close relationship that is more attuned to their marketing needs.

Are they paid too much?

Traditionally, U.S. advertising agencies have been paid a commission of about 15 percent on media and production costs. This arrangement evolved because media usually have two prices: one for national advertisers and a lower rate for local advertisers, such as local retailers. The advertising agency gets a 15 percent commission on national rates but not on local rates. This makes it worthwhile for producers and national middlemen to use agencies. National advertisers have to pay the full media rate anyway, so it makes sense to let the agency experts do the work and earn their commission. Local retailers—allowed the lower media rate—seldom use agencies.

Now, however, many firms—especially big producers of consumer packaged goods—resist the idea of paying agencies the same way regardless of the work performed or *the results achieved*. The commission approach also makes it hard for agencies to be completely objective about inexpensive media or promotion campaigns that use little space or time. Agencies don't always like a commission arrangement, either. Some try to charge additional fees when advertisers spend relatively little on media or need extra services—like preparation of materials to support a website or the personal selling effort. About half of all advertisers now pay agencies some sort of labor-based fee.

Some firms pay the agency based on results

A number of advertisers now grade the work done by their agencies—and the agencies' pay depends on the grade. General Foods was the first to do this. It lowered its basic commission to about 13 percent. However, it paid the agency a bonus of about 3 percent on campaigns that earned an A rating. If the agency only earned a B, it lost the bonus. If it earned a C, it had to improve fast or GF removed the account.

Variations on this approach are becoming common. For example, Carnation directly links its agency's compensation with how well its ads score in market research tests. Gillette uses a sliding scale, and the percentage of compensation declines with increased advertising volume. And some agencies develop their own plans in which they guarantee to achieve the results expected or give the advertiser a partial refund. This approach forces the advertiser and agency to agree on very specific objectives for their ads and what they expect to achieve. It also reduces the likelihood of the creative people in an agency focusing on ads that will win artistic approval in their industry rather than ads that do what the firm needs done.[24]

Ethical conflicts may arise

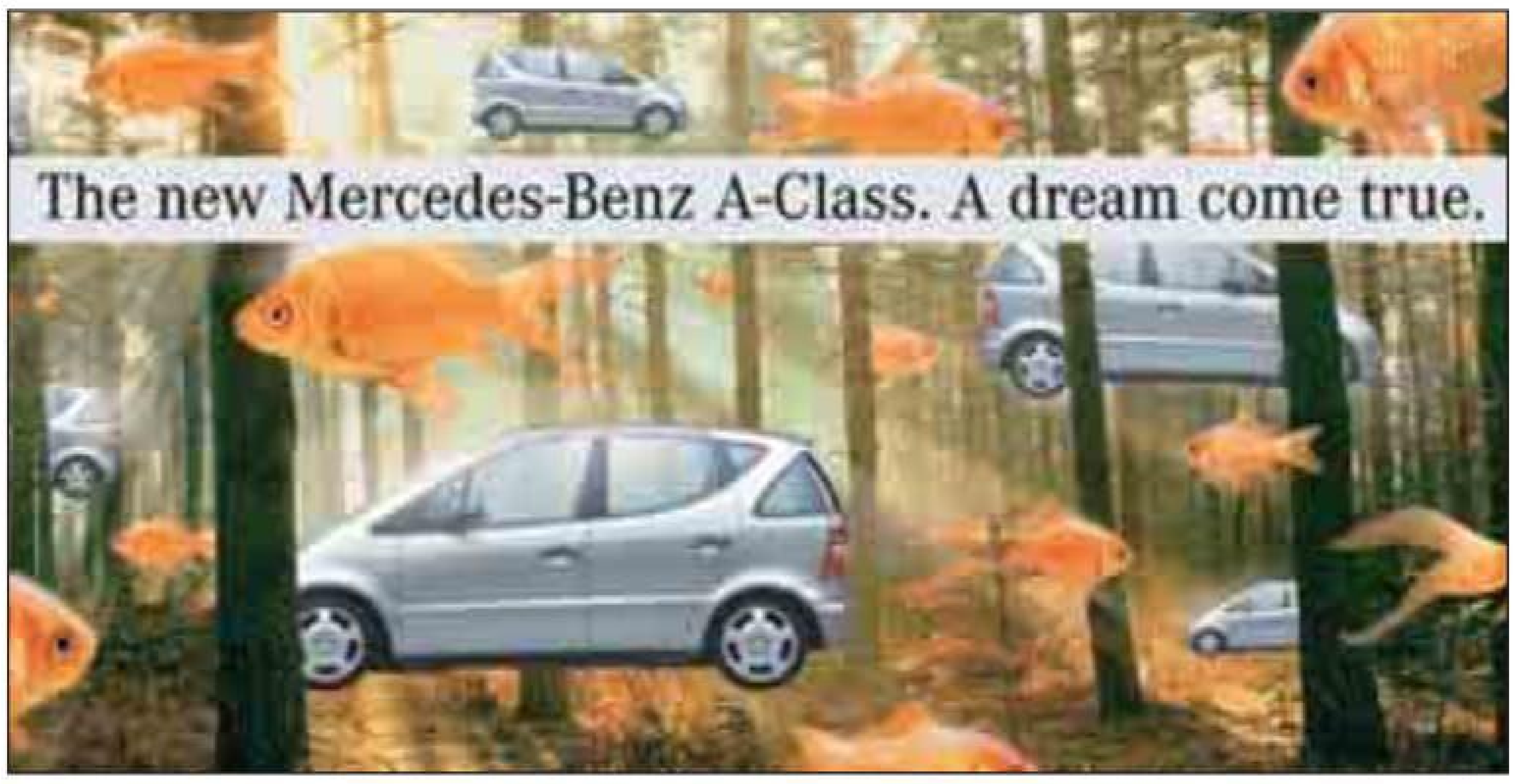
Ad agencies usually work closely with their clients, and they often have access to confidential information. This can create ethical conflicts if an agency is working with two or more competing clients. Most agencies are very sensitive to the potential problems and work hard to keep people and information from competing accounts completely separated. But many advertisers don't think that's enough—and they don't want to risk a problem. They refuse to work with an agency that handles any competing accounts, even when they're handled in different offices. For example, a top executive for the Budweiser brand ended a 79-year relationship with an agency when one of the agency's subsidiaries accepted an assignment to buy media space for a competing brand of beer.

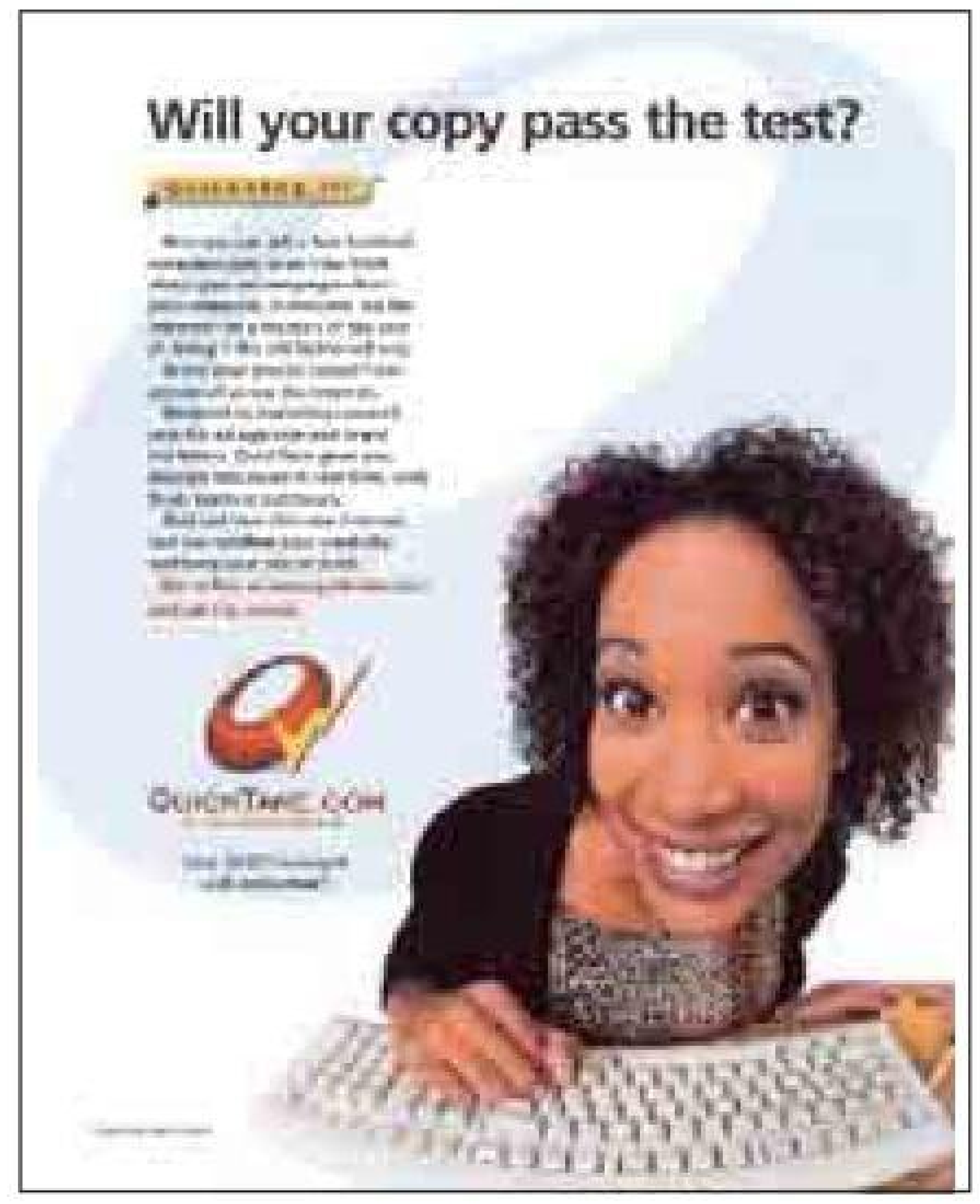
This potential conflict of interest in handling competing products is a problem for some of the international mega-agencies. The worst case was years ago when the mergers had just started. Saatchi & Saatchi gained over $300 million in billings through its mergers but then quickly lost $462 million in billings when old clients departed because Saatchi's new clients included competitors.[25]

Measuring Advertising Effectiveness Is Not Easy

Success depends on the total marketing mix

It would be convenient if we could measure the results of advertising by looking at sales. Certainly some breakthrough ads do have a very direct effect on a company's sales—and the advertising literature is filled with success stories that "prove" advertising increases sales. Similarly, market research firms like Information Resources can sometimes compare sales levels before and after, or during, the period of an ad campaign. Yet we usually can't measure advertising success just by looking at sales. The total marketing mix—not just promotion generally or advertising specifically—is responsible for the sales result. And sales results are also affected by what competitors do and by other changes in the external marketing environment. Only with direct-response advertising can a company make a direct link between advertising and sales results. Then, if an ad doesn't produce immediate results, it's considered a failure.





Mercedes used the ad (above) to help introduce its new model and attract younger customers in Latin America. A bad economy dampened sales, but the ad did pull the target market into showrooms. This increased names in the dealers' customer database, used to target other promotions, by 50 percent. Firms like QuickTake.com do research to help advertisers determine if a creative ad is also effective. More and more research is being done online.

Research and testing can improve the odds

Ideally, advertisers should pretest advertising before it runs rather than relying solely on their own guesses about how good an ad will be. The judgment of creative people or advertising experts may not help much. They often judge only on the basis of originality or cleverness of the copy and illustrations.

Many progressive advertisers now demand laboratory or market tests to evaluate an ad's effectiveness. For example, American Express used focus group interviews to get reactions to a series of possible TV ads. The agency prepared picture boards presenting different approaches—as well as specific copy. One idea that seemed to be effective became the basis for an ad that was tested again before being launched on TV.[26]

Split runs on cable TV systems in test markets are an important approach for testing ads in a normal viewing environment. Scanner sales data from retailers in those test markets can provide an estimate of how an ad is likely to affect sales. This approach will become even more powerful in the future as more cable systems and telephone companies add new interactive technology that allows viewers to provide immediate feedback to an ad as it appears on the TV.

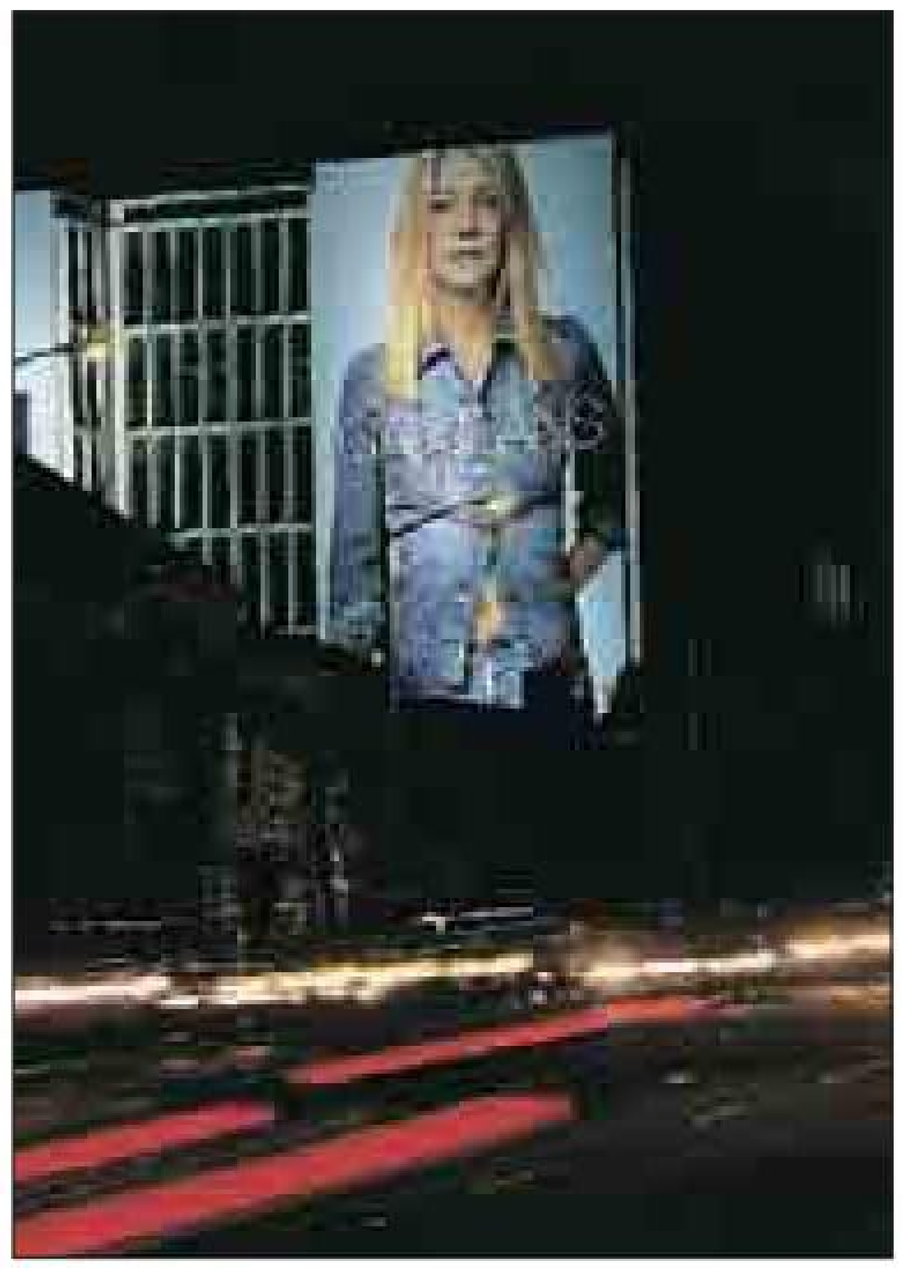
Hindsight may lead to foresight

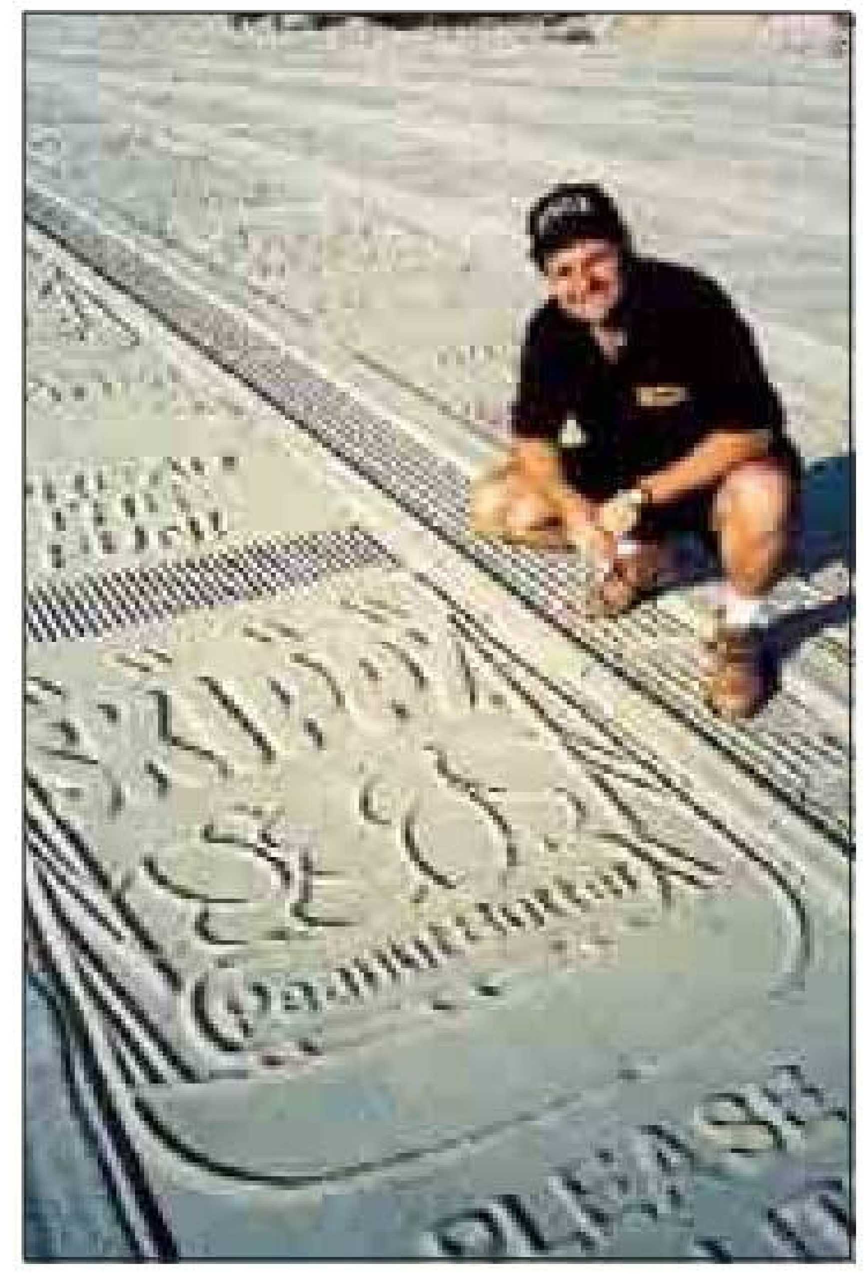
After ads run, researchers may try to measure how much consumers recall about specific products or ads. Inquiries from customers may be used to measure the effectiveness of particular ads. The response to radio or television commercials or magazine readership can be estimated using various survey methods to check the size and composition of audiences (the Nielsen and Starch reports are examples). Similarly, most Internet advertisers use software that keeps track of how many "hits" on the firm's website come from ads placed at other websites.[27]

How to Avoid Unfair Advertising

Government agencies may say what is fair

In most countries, the government takes an active role in deciding what kinds of advertising are allowable, fair, and appropriate. For example, France and Japan limit the use of cartoon characters in advertising to children, and Canada bans *any* advertising targeted directly at children. Greece and Sweden have had similar





There are specialized advertising agencies that help advertisers with unique media—ranging from posters that cover a whole building to advertising messages pressed into the sand on public beaches.

policies and want the rest of the European Union to adopt them. In Switzerland, an advertiser cannot use an actor to represent a consumer. New Zealand and Switzerland limit political ads on TV. In the United States, print ads must be identified so they aren't confused with editorial matter; in other countries ads and editorial copy can be intermixed. Most countries limit the number and length of commercials on broadcast media. Until recently, an Italian TV ad could be shown only 10 times a year.

What is seen as positioning in one country may be viewed as unfair or deceptive in another. For example, when Pepsi was advertising its cola as "the choice of the new generation" in most countries, Japan's Fair Trade Committee didn't allow it—because in Japan Pepsi was not "the choice." Similarly, Hungary's Economic Competition Council fined Unilever $25,000 for running an ad that claimed that its OMO detergent removed stains better than ordinary detergent. The Council said the ad was unfair because Hungarian consumers would interpret the phrase "ordinary detergent" as a reference to a locally produced detergent.[28]

Differences in rules mean that a marketing manager may face very specific limits in different countries, and local experts may be required to ensure that a firm doesn't waste money developing advertising programs that will never be shown or which consumers will think are deceptive.

FTC controls unfair practices in the United States

In the United States, the Federal Trade Commission (FTC) has the power to control unfair or deceptive business practices—including deceptive advertising. The FTC has been policing deceptive advertising for many years. And it may be getting results now that advertising agencies as well as advertisers must share equal responsibility for false, misleading, or unfair ads.

This is a serious matter. If the FTC decides that a particular practice is unfair or deceptive, it has the power to require affirmative disclosures—such as the health warnings on cigarettes—or **corrective advertising**—ads to correct deceptive advertising. Years ago the FTC forced Listerine to spend millions of dollars on advertising to "correct" earlier ads that claimed the mouthwash helped prevent colds. Advertisers still remember that lesson. The possibility of large financial penalties and/or the need to pay for corrective ads has caused more agencies and advertisers to stay well within the law. That may explain why Microsoft quickly settled when the FTC charged the firm with deceptive advertising concerning WebTV.[29]

When the FTC found fewer outright deceptive ads in national campaigns, the agency moved more aggressively against what it felt to be other "unfair" practices. Some in the FTC felt it was unfair to target advertising at children. And there were questions about whether food and drug advertising should be controlled to protect vulnerable groups, such as the aged, poor, or less-educated.

Not everyone agreed with this thrust, however. Congress specifically limits FTC rule-making to advertising that is *deceptive* rather than *unfair.* Note, however, that while the FTC is prohibited from using unfairness in a rule affecting a whole industry, unfairness can still be used against an individual company. For example, if RJR had not yielded to public and government pressure to drop its Joe Camel cigarette campaign, it might have faced charges that the comic character was part of an unfair effort to appeal to underage teens.[30]

What is unfair or deceptive is changing

What constitutes unfair and deceptive advertising is a difficult question and one marketing managers will have to wrestle with for years. Sometimes the law provides guidelines, but in most cases the marketing manager must make personal judgments as well. The social and political environment is changing worldwide. Practices considered acceptable some years ago are now questioned or considered deceptive. Saying or even implying that your product is best may be viewed as deceptive. And a 1988 revision of the Lanham Act protects firms whose brand names are unfairly tarnished in comparative ads.

Supporting ad claims is a fuzzy area

Companies get no clear guidelines about how much research support they need to back up their ad claims. Unfortunately, there are many ways to lie with statistics, and unethical and/or desperate advertisers of me-too products try many of them. It only takes one such competitor in an industry to cause major shifts in market share and affect the nature of competition in that market. As an old cliché says: One bad apple can spoil a whole barrel.[31]

It's really not hard to figure out how to avoid criticisms of being unfair and deceptive. A little puffing is acceptable—and probably always will be. But firms need to put a stop to the typical production-oriented approach of trying to use advertising to differentiate me-too products that are not different and don't offer customers better value.

Sales Promotion: Do Something Different to Stimulate Change

The nature of sales promotion

Sales promotion refers to those promotion activities—other than advertising, publicity, and personal selling—that stimulate interest, trial, or purchase by final customers or others in the channel. Exhibit 14-2 shows examples of typical sales promotions targeted at final customers, channel members, or a firm's own employees.

Sales promotion is generally used to complement the other promotion methods. While advertising campaigns and sales force strategy decisions tend to have longer-term effects, a particular sales promotion activity usually lasts for only a limited time period. But sales promotion can often be implemented quickly and get sales results sooner than advertising. Further, sales promotion objectives usually focus on prompting some short-term action. For a middleman, such an action might be a decision to stock a product, provide a special display space, or give the product special emphasis in selling efforts to final customers. For a consumer, the desired action might be to try a new product, switch from another brand, buy more of a product, or perhaps buy earlier than would otherwise be the case. The desired action by an employee might be a special effort to satisfy customers or more emphasis on selling a certain product.

Sony's interactive kiosk provides special in-store sales promotion support for memory sticks used by portable electronic devices like the new MS Walkman.

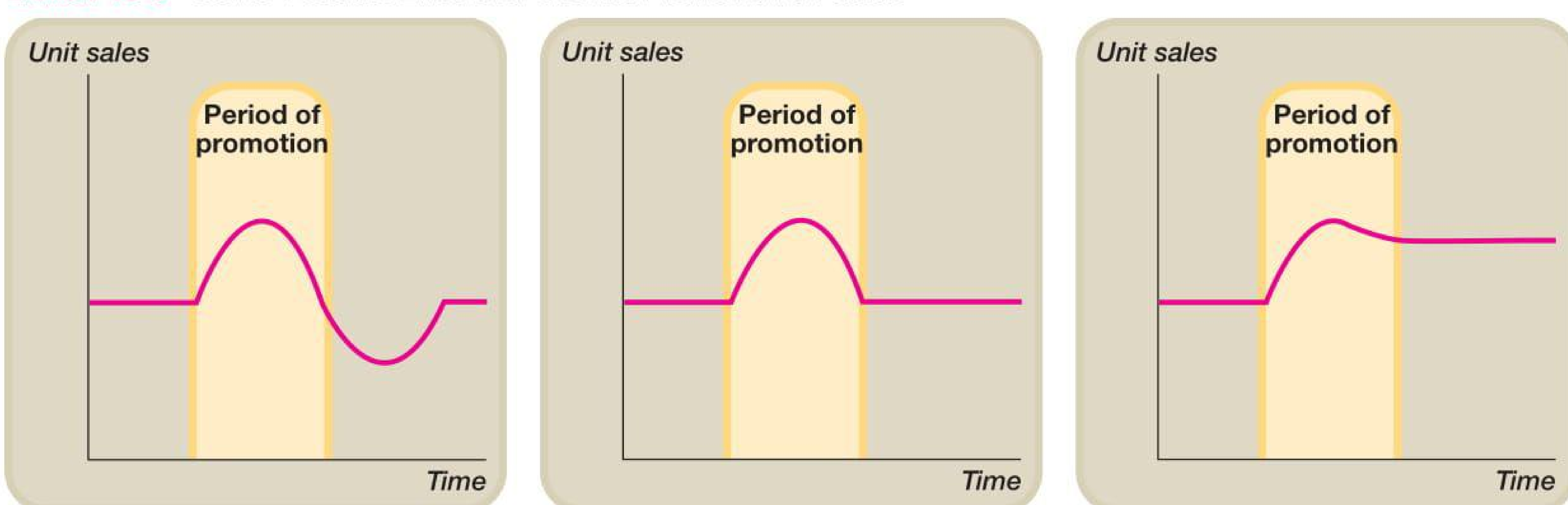
Sales promotion objectives and situation should influence decision

There are many different types of sales promotion, but what type is appropriate depends on the situation and objectives. For example, Exhibit 16-6 shows some possible ways that a short-term promotion might affect sales. The sales pattern in the graph on the left might occur if Hellmann's issues coupons to help clear its excess mayonnaise inventory. Some consumers might buy earlier to take advantage of the coupon, but unless they use extra mayonnaise their next purchase will be delayed. In the center graph, kids might convince parents to eat more Big Macs while McDonald's has a Star Wars promotion, but when it ends things go back to normal. The graph on the right shows a Burger King marketer's dream come true: free samples of a new style of french fries quickly pull in new customers who like what they try and keep coming back after the promotion ends. This is also the kind of long-term result that is the aim of effective advertising.

Sales promotion spending has grown in mature markets

Sales promotion involves so many different types of activities that it is difficult to estimate accurately how much is spent in total. There is general consensus, however, that the total spending on sales promotion exceeds spending on advertising. Companies

Exhibit 16-6 Some Possible Effects of a Sales Promotion on Sales



Sales temporarily increase, then decrease, then return to regular level

Sales temporarily increase and then return to regular level

Sales increase and then remain at higher level

that sell frequently purchased consumer products—especially staples such as food products, health and beauty aids, and household cleaning products—shifted their promotion blends to put more emphasis on sales promotion during the 1990s.[32]

One basic reason for increased use of sales promotion by many consumer products firms is that they are generally competing in mature markets. There's only so much soap, cereal, and deodorant that consumers want to buy—regardless of how many different brands there are vying for their attention and dollars. There's also only so much shelf space that retailers will allocate to a particular product category.

The competitive situation is intensified by the growth of large, powerful retail chains. They have put more emphasis on their own dealer brands and also demanded more sales promotion support for the manufacturer brands they do carry.

Perhaps in part because of this competition, many consumers have become more price sensitive. Many sales promotions, like coupons, have the effect of lowering the prices consumers pay. So sales promotion has been used as a tool to overcome consumer price resistance.

Changes in technology have also made sales promotion more efficient. For example, with scanners at retail checkout counters, it's possible to instantly pinpoint a customer who is the target for a particular coupon. If a customer buys a bottle of Kraft salad dressing, Kraft can have the retailer's computerized cash register print out a coupon, on the spot, to encourage the customer to buy Kraft again the next time. Alternatively, a competitor might target that customer with a coupon to encourage brand switching.

The growth of sales promotion has also been fostered by the availability of more consultants, ad agencies, and specialists who help plan and implement sales promotion programs. Of course, the most basic reason for the growth of spending on sales promotion is that it can be very effective if it is done properly. But there are problems in the sales promotion area.

Problems in Managing Sales Promotion

Does sales promotion erode brand loyalty?

Some experts think that marketing managers—especially those who deal with consumer packaged goods—put too much emphasis on sales promotions. They argue that the effect of most sales promotion is temporary and that money spent on advertising and personal selling helps the firm more over the long term. Their view is that most sales promotions don't help develop close relationships with consumers and instead erode brand loyalty.

There is heavy use of sales promotion in mature markets where competition for customers and attention from middlemen is fierce. Moreover, if the total market is not growing, sales promotions may just encourage "deal-prone" customers (and middlemen) to switch back and forth among brands. Here, all the expense of the sales promotions and the swapping around of customers simply contributes to lower profits for everyone. It also increases the prices that consumers pay because it increases selling costs—and ultimately it is consumers who pay for those selling costs.

However, once a marketing manager is in this situation there may be little choice other than to continue. At the mature stage of the product life cycle, frequent sales promotions may be needed just to offset the effects of competitors' promotions. One escape from this competitive rat race is for the marketing manager to seek new opportunities—with a strategy that doesn't rely solely on short-term sales promotions for competitive advantage.

There are alternatives

Procter & Gamble is a company that changed its strategy, and promotion blend, to decrease its reliance on sales promotion targeted at middlemen. It is offering middlemen lower prices on many of its products and supporting those products with more advertising and promotion to final consumers. P&G believes that this approach builds its brand equity, serves consumers better, and leads to smoother-running relationships in its channels. Not all retailers are happy with P&G's changes. However, given concerns about the impact of trade promotion on brand loyalty, the number of producers who follow P&G's lead is likely to grow.

Firms are also experimenting with other approaches. For example, some reimburse middlemen for promotion effort in proportion to their sales to final consumers. This supports middlemen who actually increase sales to final consumers—which can be quite different from just giving sales promotion dollars to middlemen who simply make the product available. Making the product available is a means to an end; but if making it available without producing sales is all that is accomplished, the sales promotion doesn't make sense.[33]

Sales promotion is hard to manage

Another problem in the sales promotion area is that it is easy to make big, costly mistakes. Because sales promotion includes a wide variety of activities—each of which may be custom-designed and used only once—it's difficult for the typical company to develop skill in this area. Mistakes caused by lack of experience can be very costly too. One promotion sponsored jointly by Polaroid and Trans World Airlines (TWA) proved to be a disaster. The promotion offered a coupon worth 25 percent off the price of any TWA ticket with the purchase of a $20 Polaroid camera. The companies intended to appeal to vacationers who take pictures when they travel. Instead, travel agents bought up many of the cameras. For the price of the $20 camera, they made an extra 25 percent on every TWA ticket they sold. And big companies bought thousands of the cameras to save on travel expenses. This is not an isolated example. Such problems are common.[34]

Not a sideline for amateurs

Sales promotion mistakes are likely to be worse when a company has no sales promotion manager. If the personal selling or advertising managers are responsible for sales promotion, they often treat it as a "stepchild." They allocate money to sales promotion if there is any "left over" or if a crisis develops. Many companies, even some large ones, don't have a separate budget for sales promotion or even know what it costs in total.

Making sales promotion work is a learned skill, not a sideline for amateurs. That's why specialists in sales promotion have developed—both inside larger firms and as outside consultants. Some of these people are real experts and are willing to take over the whole sales promotion job. But it's the marketing manager's responsibility to set sales promotion objectives and policies that will fit in with the rest of each marketing strategy.[35]

Earlier we noted that sales promotion can be aimed at final consumers or users, channel members, and company employees. Let's look at some of the sales promotion tools used for these different targets and what objectives they are expected to accomplish.

Different Types of Sales Promotion for Different Targets

Sales promotion for final consumers or users

Much of the sales promotion aimed at final consumers or users tries to increase demand, perhaps temporarily, or speed up the time of purchase. Such promotion might involve developing materials to be displayed in retailers' stores—including banners, sample packages, calendars, and various point-of-purchase materials. The sales promotion people also might develop special displays for supermarkets. They might be responsible for sweepstakes contests as well as for coupons designed to get

Trade shows are a very important element in the promotion blend for many marketers who target business customers. Computer-generated checkout coupons allow a producer to target final consumers who have purchased a competing brand, or alternatively to encourage a customer to buy the same brand again in the future.

customers to buy a product by a certain date. Each year, about 300 billion coupons are distributed—and consumers redeem enough of them to save, in total, nearly $4 billion. Coupon distribution has dropped off some in recent years but still averages over 3,000 coupons per household in America![36]

Internet

Internet Exercise Catalina Marketing Corporation is a supplier of in-store, at-home, and online consumer promotions. Go to the Catalina website (www.catalinamktg.com) and select the shopping cart icon for in-store. Then review information about its Retail programs. Briefly describe, in your own words, how the Direct Mail program works, and describe a situation in which a manufacturer might find it useful.

All of these sales promotion efforts are aimed at specific objectives. For example, if customers already have a favorite brand, it may be hard to get them to try anything new. Or it may take a while for them to become accustomed to a different product. A free trial-sized bottle of mouthwash might be just what it takes to get cautious consumers to try, and like, the new product. Such samples might be distributed house to house, by mail, at stores, or attached to other products sold by the firm. In this type of situation, sales of the product might start to pick up as soon as customers try the product and find out that they like it. And sales will continue at the higher level after the promotion is over if satisfied customers make repeat purchases. Thus, the cost of the sales promotion in this situation might be viewed as a long-term investment.

When a product is already established, consumer sales promotion usually focuses on stimulating sales in the short term. For example, after a price-off coupon for a soft drink is distributed, sales might temporarily pick up as customers take advantage of buying at a lower price. They may even consume more of the soft drink than would have otherwise been the case. However, once the coupon period is over, sales would return to the original level or they might even decline for a while. This is what happens if customers use a coupon to stock up on a product at the low price. Then it takes them longer than usual to buy the product again.

When the objective of the promotion is focused primarily on producing a short-term increase in sales, it's sensible for the marketing manager to evaluate the cost of the promotion relative to the extra sales expected. If the increase in sales won't at least cover the cost of the promotion, it probably doesn't make sense to do it. Otherwise, the firm is "buying sales" at the cost of reduced profit.

Sales promotion directed at industrial customers might use the same kinds of ideas. In addition, the sales promotion people might set up and staff trade show exhibits. Here, attractive models are often used to encourage buyers to look at a firm's product—especially when it is displayed near other similar products in a circuslike atmosphere. Trade shows are a cost-effective way to reach target customers and generate a list of "live" prospects for sales rep follow-up. However, many firms handle these leads badly. A recent study says that 85 percent of the leads never get followed up by anybody.

Some sellers give promotion items—pen sets, watches, or clothing (perhaps with the firm's brand name on them)—to remind business customers of their products. This is common, but it can be a problem. Some companies do not allow buyers to take any gifts. They don't want the buyer's judgment to be influenced by who gives the best promotional items![37]

Sales promotion for middlemen

Sales promotion aimed at middlemen—sometimes called *trade promotion*—emphasizes price-related matters. The objective may be to encourage middlemen to stock new items, buy in larger quantity, buy early, or stress a product in their own promotion efforts.

The tools used here include price and/or merchandise allowances, promotion allowances, and perhaps sales contests to encourage retailers or wholesalers to sell specific items or the company's whole line. Offering to send contest winners to Hawaii, for example, may increase sales.

About half of the sales promotion spending targeted at middlemen has the effect of reducing the price that they pay for merchandise from a supplier. Thus, it makes sense to think about trade promotions in the context of other price-related matters. So we'll go into more detail on different types of trade discounts and allowances in the next chapter.[38]

Sales promotion for own employees

Sales promotion aimed at the company's own sales force might try to encourage providing better service, getting new customers, selling a new product, or selling the company's whole line. Depending on the objectives, the tools might be contests, bonuses on sales or number of new accounts, and holding sales meetings at fancy resorts to raise everyone's spirits.

Ongoing sales promotion work might also be aimed at the sales force—to help sales management. Sales promotion might be responsible for preparing sales portfolios, videotapes on new products, displays, and other sales aids, as well as sales training material.

Service-oriented firms, such as hotels or restaurants, now use sales promotions targeted at their employees. Some, for example, give a monthly cash prize for the employee who provides the "best service." And the employee's picture is displayed to give recognition.[39]

Conclusion

Theoretically, it may seem simple to develop an advertising campaign. Just pick the medium and develop a message. But it's not that easy. Effectiveness depends on using the "best" available medium and the "best" message considering (1) promotion objectives, (2) the target markets, and (3) the funds available for advertising.

Specific advertising objectives determine what kind of advertising to use—product or institutional. If product advertising is needed, then the particular type must be decided—pioneering, competitive (direct or indirect), or reminder. And advertising allowances and cooperative advertising may be helpful.

Many technical details are involved in mass selling, and specialists—advertising agencies—handle some of these jobs. But specific objectives must be set for them, or their advertising may have little direction and be almost impossible to evaluate.

Effective advertising should affect sales. But the whole marketing mix affects sales—and the results of advertising usually can't be measured by sales changes alone. By contrast, sales promotion tends to be more action-oriented.

Sales promotion spending is big and growing. This approach is especially important in prompting action—by customers, middlemen, or salespeople. There are many different types of sales promotion, and it is a problem area in many firms because it is difficult for a firm to develop expertise with all of the possibilities.

Advertising and sales promotion are often important parts of a promotion blend—but in most blends personal selling also plays an important role. Further, promotion is only a part of the total marketing mix a marketing manager must develop to satisfy target customers. So to broaden your understanding of the four Ps and how they fit together, in the next two chapters we'll go into more detail on the role of Price in strategy decisions.

Questions and Problems

1. Identify the strategy decisions a marketing manager must make in the advertising area.
2. Discuss the relation of advertising objectives to marketing strategy planning and the kinds of advertising actually needed. Illustrate.
3. List several media that might be effective for reaching consumers in a developing nation with low per capita income and a high level of illiteracy. Briefly discuss the limitations and advantages of each medium you suggest.
4. Give three examples where advertising to middlemen might be necessary. What are the objective(s) of such advertising?
5. What does it mean to say that "money is invested in advertising"? Is all advertising an investment? Illustrate.
6. Find advertisements to final consumers that illustrate the following types of advertising: *(a)* institutional, *(b)* pioneering, *(c)* competitive, and *(d)* reminder. What objective(s) does each of these ads have? List the needs each ad appeals to.
7. Describe the type of media that might be most suitable for promoting: *(a)* tomato soup, *(b)* greeting cards, *(c)* a business component material, and *(d)* playground equipment. Specify any assumptions necessary to obtain a definite answer.
8. Briefly discuss some of the pros and cons an advertising manager for a producer of sports equipment might want to think about in deciding whether to advertise on the Internet.
9. Discuss the use of testimonials in advertising. Which of the four AIDA steps might testimonials accomplish? Are they suitable for all types of products? If not, for which types are they most suitable?
10. Find a magazine ad that you think does a particularly good job of communicating to the target audience. Would the ad communicate well to an audience in another country? Explain your thinking.
11. Johnson & Johnson sells its baby shampoo in many different countries. Do you think baby shampoo would be a good product for Johnson & Johnson to advertise with a single global message? Explain your thinking.
12. Discuss the future of smaller advertising agencies now that many of the largest are merging to form mega-agencies.
13. Does advertising cost too much? How can this be measured?
14. How would your local newspaper be affected if local supermarkets switched their weekly advertising and instead used a service that delivered weekly, freestanding ads directly to each home?
15. Is it unfair to advertise to children? Is it unfair to advertise to less-educated or less-experienced people of any age? Is it unfair to advertise for "unnecessary" products? Is it unfair to criticize a competitor's product in an ad?
16. Explain why P&G and other consumer packaged goods firms are trying to cut back on some types of sales promotion like coupons for consumers and short-term trade promotions such as "buy a case and get a case free."
17. Discuss some ways that a firm can link its sales promotion activities to its advertising and personal selling efforts—so that all of its promotion efforts result in an integrated effort.
18. Indicate the type of sales promotion that a producer might use in each of the following situations and briefly explain your reasons:
    a. A firm has developed an improved razor blade and obtained distribution, but customers are not motivated to buy it.
    b. A competitor is about to do a test market for a new brand and wants to track sales in test market areas to fine tune its marketing mix.

c. A big grocery chain won't stock a firm's new popcorn-based snack product because it doesn't think there will be much consumer demand.

19. Why wouldn't a producer of toothpaste just lower the price of its product rather than offer consumers a price-off coupon?

20. If sales promotion spending continues to grow—often at the expense of media advertising—how do you think this might affect the rates charged by mass media for advertising time or space? How do you think it might affect advertising agencies?

Suggested Cases

18. State Bank

20. Outdoor World, Inc.

Computer-Aided Problem

16. **Sales Promotion**

As a community service, disc jockeys from radio station WMKT formed a basketball team to help raise money for local nonprofit organizations. The host organization finds or fields a competing team and charges $5 admission to the game. Money from ticket sales goes to the nonprofit organization.

Ticket sales were disappointing at recent games—averaging only about 300 people per game. When WMKT's marketing manager, Bruce Miller, heard about the problem, he suggested using sales promotion to improve ticket sales. The PTA for the local high school—the sponsor for the next game—is interested in the idea but is concerned that its budget doesn't include any promotion money. Miller tries to help them by reviewing his idea in more detail.

Specifically, he proposes that the PTA give a free T-shirt (printed with the school name and date of the game) to the first 500 ticket buyers. He thinks the T-shirt giveaway will create a lot of interest. In fact, he says he is almost certain the promotion would help the PTA sell 600 tickets—double the usual number. He speculates that the PTA might even have a sellout of all 900 seats in the school gym. Further, he notes that the T-shirts will more than pay for themselves if the PTA sells 600 tickets.

A local firm that specializes in sales promotion items agrees to supply the shirts and do the printing for $2.40 a shirt if the PTA places an order for at least 400 shirts. The PTA thinks the idea is interesting but wants to look at it more closely to see what will happen if the promotion doesn't increase ticket sales. To help the PTA evaluate the alternatives, Miller sets up a spreadsheet with the relevant information.

a. *Based on the data from the initial spreadsheet, does the T-shirt promotion look like a good idea? Explain your thinking.*
b. *The PTA treasurer worries about the up-front cost of printing the T-shirts and wants to know where they would stand if they ordered the T-shirts and still sold only 300 tickets. He suggests it might be safer to order the minimum number of T-shirts (400). Evaluate his suggestion.*
c. *The president of the PTA thinks the T-shirt promotion will increase sales but wonders if it wouldn't be better just to lower the price. She suggests $2.60 a ticket, which she arrives at by subtracting the $2.40 T-shirt cost from the usual $5.00 ticket price. How many tickets would the PTA have to sell at the lower price to match the money it would make if it used the T-shirt promotion and actually sold 600 tickets? (Hint: Change the selling price in the spreadsheet and then vary the quantity using the analysis feature.)*

For additional questions related to this problem, see Exercise 16-3 in the *Learning Aid for Use with Basic Marketing*, 14th edition.