
UNIT 15 MARKETING COMMUNICATION

Objectives

After completing this Unit you will be able to:

- outline the process of marketing communication
- identify the various promotional methods
- define advertising, personal selling, sales promotion and publicity
- discuss the factors that influence a firm's choice of the promotion mix, and
- understand how promotion budgets are set.

Structure

- 15.1 Introduction
- 15.2 How Communication Works?
- 15.3 How Communication Influence the Role of Promotion in Marketing?
- 15.4 The Promotion Mix
- 15.5 Determining the Promotion Mix
- 15.6 The Promotion Budget
- 15.7 Summary
- 15.8 Key Words
- 15.9 Self-assessment Exercises
- 15.10 Further Readings

15.1 INTRODUCTION

The word 'communication' is based on the Latin word meaning 'common'. Thus the term communication has come to mean sharing something of common use.

In marketing, communication has a very important place. It is that function of marketing which is charged with the task of informing the target customer about the nature and type of the firm's products and services, their unique benefits, uses and features as well as the price and place at which those would be available in the market-place. Since marketing communications aim at influencing the consumer behaviour in favour of the firm's offerings, these are persuasive in nature. These persuasive communications are more commonly called 'Promotion' and constitute one of the Ps of the marketing mix.

A study of marketing communication, therefore, is a study of the promotion function of marketing. Notwithstanding the continuing debate whether promotion is the first element of the marketing mix or the last, the fact remains that sound management of the marketing function is dependant on the effective management of its promotion function. For example, in the success of the following products and services the promotion function played a role of greater importance: Hot-shot camera, Maggie 2-minute noodles, Khaitan fans, and UTI's ULIP scheme. to mention only a few. Similarly, the examples of the products which misfired due to faulty management of the promotion function are not far to seek.

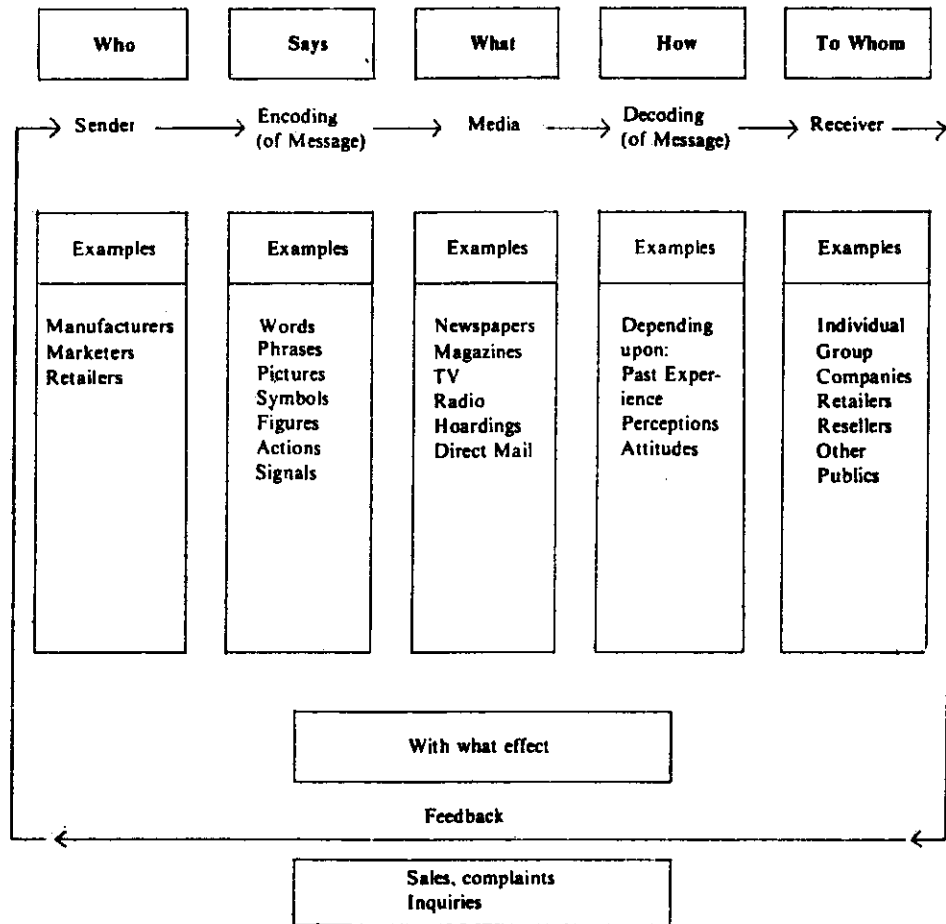
With growing competition in the market place as well as the customers becoming better informed and more choosy it is imperative now that marketing communications of the right kind only are made to the right group of target buyers. In order to understand how the promotion function can be managed effectively let us begin by first taking a look at how communications work.

15.2 HOW COMMUNICATION WORKS?

We know by now that communication, simply speaking, is sharing of information between the two parties. Such an exchange could be oral or written, personal or public.

using words, figures, symbols or a combination thereof. The process of communication begins when one party (called source, sender or communicator) wishes to communicate with another party (the receiver). Communication is complete when the receiver understands in the same sense what the sender wished to communicate. The various elements of a typical communication process are given in Figure I.

Figure I: Elements of the Communication Process



Source: After (1) Philip Kotler, *Marketing Management—Analysis, Planning and Control*, and (2) Ralph M Gaedeke and Danish M Tootelian, *Marketing: Principles and Applications*.

As stated above communication will be complete only when the receiver understands in the same sense what the sender wished to convey. The effectiveness of the communication process, therefore, is dependent upon the level of congruity and compatibility obtaining among the various elements of the communication process, i.e., between the sender and the message, the message and the media, the media and the receiver, and so on. Incongruity and/or incompatibility between the various elements of the communication process might make the promotion function, and in turn the marketing function, ineffective as is reported to have happened in the following two cases for example:

- 1) It is said that peanut butter, launched more than a decade ago in India failed to take off primarily due to its manufacturer's inability to get the concept of peanut butter perceived distinctively from that of the pasteurised butter.
- 2) Not much different was the fate of an advertising campaign of a leading US detergent marketer who while extending the campaign to the vernacular press of the middle east erred in not reversing the direction of the visuals used, to make these compatible with the right to left reading characteristic of the media. Consequently, what the readers saw was white and bright clothes when washed in the company's brand of detergent came out dirty and soiled, thus going totally contrary to what the advertiser desired.

15.3 HOW COMMUNICATIONS INFLUENCE THE ROLE OF PROMOTION IN MARKETING?

Mutually satisfying exchange being the ultimate goal of marketing, the role of promotion, therefore, is to encourage such an exchange through linking communications with the product adoption process of the buyer. Motivating the adoption of the promoted product as well as effecting the desired change in the consumer behaviour are the goals of the promotion function. The attainment of these goals presupposes that product purchase process be understood by the marketers before marketing communications are designed. While there are many models that help to conceptualise the buying process, two very specific models that aid in understanding the buying process as well as in framing communication are: 'AIDA' and 'Hierarchy-of-effects' models.

The AIDA acronym stands for: Attention (also called awareness), Interest, Desire and Action. According to AIDA model, a marketer should begin by **winning attention or gaining awareness, creating interest, inspiring desire and precipitating the action for purchase**, in the prospects in order to enable its product to be adopted by the target public.

Under the **hierarchy-of-effects** model, the buyer's purchase decision is preceded by steps such as **conviction** about the product benefits, **preference** for the brand, **liking** for the brand, **knowledge** relating to the benefits and features of the product, after an **awareness** of the product has been gained.

The basic implication of these models is that the function of persuasive communication or promotion should be handled deftly at every stage of the buyer's adoption process. Based on Lavidge and Steiner research, Gaedeke and Tootelian illustrate the various promotional tools that might be relevant to each stage of the hierarchy-of-effects model which is given in Figure II. This Figure also brings out the variety of promotional tools that are available to marketers for making marketing communications.

Figure II: Promotion and the hierarchy-of-effects model

Hierarchy-of-effects stage (movement toward purchase)	Promotion that might be relevant to various stage
Awareness ↓ Knowledge ↓ Liking ↓ Preference ↓ Conviction ↓ Purchase	Teaser Campaigns Jingles and slogans classified ads Point-of-purchase displays Publicity
	Informative or descriptive ads Status or glamour appeals Demonstration Image ads Comparative ads
	Testimonials Coupons, discounts, other incentives Point-of-purchase displays Retail Store ads Reminder ads

Source: Adapted Robert J. Lavidge and Gary A. Steiner, "A model for Predictive Measurement of Advertising Effectiveness" *Journal of Marketing*, 25 (October 1961) p. 61, Quoted in Ralph M. Gaedeke and Dennis H. Tootelian, *Marketing Principles and Applications* p. 385

15.4 THE PROMOTION MIX

In our daily life we all are exposed to various tools of promotion aiming at communicating one thing or the other to us. To illustrate, while at home we come across advertisements when reading a newspaper, watching TV, listening to radio or even examining the water, electricity or telephone bills. On our way to the office similar communications face us on bus panels, roadside hoardings, neon signs, posters and banners etc. And, while at a retail shop these take the shape of traffic builders, product displays, streamers, hangers, bins etc., all sharing information relating to a specific product of a company.

Listed above are just a few types of the various promotion tools available to a marketer. Before proceeding further, let us take a look at the definitions of the four major methods of promotion. These are: advertising, personal selling, sales promotion and publicity. The committee on Definitions of the American Marketing Association defined these components as under:

Advertising: Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. It includes the use of such media as magazines, newspapers, outdoor posters, direct mail novelties, radio, television, bus posters, catalogues, directories, programmes and circulars.

Personal selling: Oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales.

Sales promotion: Those marketing activities—other than personal selling, advertising, and publicity—that stimulate consumer purchasing and dealer effectiveness such as displays, shows and exhibitions, demonstrations, coupons, contests, and other non-routine selling efforts. These are usually short-term activities.

Publicity: Non-personal stimulation of demand for a product, service or business unit by generating commercially significant news about it in published media or obtaining favourable presentation of it on radio, television or stage. Unlike advertising, this form of promotion is not paid for by the sponsor.

Table 1 summarises the advantages and disadvantages of the various components of promotion.

Table 1: Relative Advantages and Disadvantages of Promotional Components

Promotional Component	Scope	Cost	Advantages	Disadvantages
Advertising	Mass	Relatively inexpensive per contact	Allows expressiveness & control over message	Hard to measure results
Personal selling	Personal	Expensive per contact	Permits flexible presentation and gains immediate response	Costs more than all other forms per contacts
Sales promotion	Mass	Can be costly	Gains attention and has immediate effect	Easy for others to imitate
Publicity	Mass	Inexpensive	Has high degree of credibility	Not as easily controlled as other forms

Source: Adapted from David J. Rachman and Elaine Romano, *Modern Marketing* (Dryden, 1980), p. 450.

Packaging, public relations and role of other elements of marketing mix in promotion: Although definitions vary about the number of components that constitute promotion, marketing practice brings out that almost all marketing activities influence the promotion function. Notably, packaging performs the promotion function in addition to providing protection to the product. By incorporating creativity in its design, a package can add the 'pick-me-up' appeal to the product and also help to communicate its features, uses and benefits more effectively. The promotion aspect of packaging is witnessing a bit of revolution in India now a days with the introduction of innovative packages in the field of consumer goods. For example, package design of Pepsi and edible oils etc.

Public relation, likewise, performs an important role in promotion insofar as it helps to create a favourable image of the firm and allows the public to experience better satisfaction in dealing with the firm.

High and consistent product quality, provision of superior customer service, price promotions as a way of increasing short-term sales and compatibility between the character of distribution outlets and the product are the other ways which contribute to the promotion function of this firm.

Exercise 1

For a consumer durable product that you purchased recently, identify all the communications that you received which were related to the purchase. What role in the AIDA model did each communication play? How could a marketer have better communicated with you.

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15.5 DETERMINING THE PROMOTION MIX

Marketers rarely rely on only one promotion method. They make use of two or more methods to accomplish promotion and marketing objectives. When a firm makes use of more than one promotion method for one product, the promotion methods used constitute the promotion mix for that product. For example, while TV spots, newspaper and fashion magazine advertisements, and attractive festival displays at the authorised retail shops constitute the promotion mix of **Vimal** fabrics; specialised industry magazines and participation in national and international exhibition of engineering goods constitute the promotion mix of **Hindustan Machine Tools**.

Promotion function being linked with the ever changing market environment is a dynamic function. The promotion mix, therefore, acquires the dimension of dynamism and varies from product to product and over a period of time. Quite similar to the problems faced by a marketer in the determination of the optimal marketing mix are the problems faced in the determination of the promotion mix. The task involved is rather more complex due to cross-substitutability of the various promotion methods (i.e., each method is capable of achieving what the other method may achieve) thereby making the measurement of promotional effectiveness more difficult. Notwithstanding these difficulties, factors as mentioned below act as the major determinants of the promotion mix:

- 1 Type of product
- 2 Nature of Market
- 3 Stage of product in its life-cycle
- 4 Available budget, and
- 5 Company policy.

These determinants are briefly discussed.

Type of Product: In terms of the promotion task involved the type of product is the major influence on the promotion-mix. For example, a low priced, frequently purchased consumer convenience item, say a toilet soap, a toothpaste or a cigarette will require that repeat messages influencing and reminding the existing consumers, and persuading the new consumers, be used in a mass manner and at a high frequency. Newspaper and magazine advertisements, TV spots and Cinema Slides, offer of incentives to consumers and organisation of contests will, therefore, constitute the

'promotion mix' of such consumer goods. Now let us think of an industrial product, say a special purpose machine tool, which has a high unit value, is technical in nature, is purchased in-frequently and requires demonstration and conviction before it gets sold. Personal selling, quite obviously, becomes indispensable for such a product alongwith organising product demonstrations and exhibitions, holding seminars, etc. These then constitute the promotion mix in the case of an industrial good with newspaper advertising playing only the limited role of keeping the public informed about the company's activities and accomplishments. Publicity however, to the extent it projects the desired image of the company plays a more important role.

Nature of Market: The locational characteristics of the customers, intensity of competition in the market place and the requirements of wholesalers and retailers influence the promotion mix relating to the product in their own way. For example, if the target audience of a consumer product is both large as well as widely dispersed in different parts of the country, advertising and sales promotions emerge to be both more effective and economical promotional methods than the others. This is why advertising and sales promotions are so dominant among consumer goods companies. Personal selling also has a role to play among consumer goods companies but limited mainly to wholesalers and retailers who receive greater focus for activities such as pushing inventories, conducting displays, etc.

Stage in the Product Life Cycle: The promotion mix changes with the movement of the product from one stage to the other in its life-cycle. For example, when the product is in the introduction and early growth stages, and the tasks involved are that of building and motivating trials of the product, the promotion mix comprises of publicity, informative advertising, consumer sales promotions and trade deals. Later, as the product reaches the maturity stage, and goals of maintaining brand loyalty and creating brand preferences become more important, aggressive brand advertising and dealer promotions become the key components of the promotion mix.

The Available Budget: Each method of promotion has certain costs associated with it. The level at which each promotion method is to be used and the selection of the promotion mix, is dependant on the promotion budget of the firm. Firms with small promotional budgets have to be content with more localised area activity, using dealer displays, wall writings, personal selling, and other less sophisticated methods. It needs to be emphasised here that for the promotion function to be effective the minimum threshold level must always be exceeded.

Company Policy: In the ultimate analysis an aggregative consideration of the above four-determinants clothed in the company's own marketing and promotion policy determines the mix. Important factors here include the conviction of the top management in the role of promotion and its various components, the product market strategy, and the type of corporate image it wants to project. For example, a company even under the seller's market might still believe in keeping a high profile in public and thus may go for extensive publicity and advertising programmes. Yet another company in the same industry may rely more on personal selling, and continue to grow by maintaining its promotions at a low key.

Exercise 2

What promotion mix would you suggest for each of the following products? Assume you have a large budget. In each case give reasons for your answer.

- a) Chewing-gum
- b) Colour Television
- c) Sports Footwear
- d) Automatic Lathe
- e) Light Commercial Vehicles

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15.6 THE PROMOTION BUDGET

As we noted above, the promotion budget influences the level of promotional activity as well as the promotion mix used by the firm. Budgeting for promotion is yet another area where a lot of subjectivity prevails regarding what is the right amount to be spent on the promotion function. Pending any clear cut relationship between the promotion expenditure and the achievement of promotion objectives, recourse is made to certain rules of the thumb. These are:

- Incremental promotional expenditure yields, incremental sales to a certain extent;
- a minimum level of promotion activity must be exceeded for promotion to have a meaningful effect. Often such a minimum level of promotion is set by the competitor or more appropriately by an average of the industry;
- promotion activities when well integrated with other elements of the marketing mix produce greater than the planned results.

The above discussion should not, however, lead us to understand that no attempts have been made to shed light on the inherent uncertainty shrouding the cause-effect relationship in this area of promotion budgeting. In fact, quite a few notable attempts, by the economists in terms of application of marginal cost and marginal revenue principle (additional promotional expenditure and additional revenue and profits made), and by marketing researchers through experimentation and model building approaches have been made. The substance of their findings is that results of the promotion function should be constantly monitored in order to establish more reliable parameters of cost-benefit relationships. Further, cost-benefit analysis should form the basis of the tradeoff before promotion budget is finalised by using any one of the following methods. These methods include per cent-of-sales methods, fixed-sum per unit, affordable funds, competitive parity, and objective and task method.

Per cent-of-Sales: This method views promotion budget determination by linking the appropriation to a fixed percentage of sales of the company products. Such sales may relate to the previous year, an average of sales of the previous few years, projected sale of the next year or years or an average of the previous few years sales, as well as the projected sales of the next few years.

This method though simple to use fails to account for the changing promotional costs, and relating the appropriations made to the product-market needs. Particular difficulties are faced if the sales curve of a company is not smooth, hence resulting in lower outlays for the years that follow the bad sales years. Also the forecasted sales realisations remain uncertain. The ways out attempted have been the adjustment provision of a fixed percentage to the average expenditure of the past (i.e., last year plus 15%), or use of this method in combination with the others that are discussed below.

Fixed-sum per unit: Very much like the per cent-of-sales, under this method the promotion budget is determined by allocating a fixed amount of money per physical unit of product for either past or future sales or a combination of the two. The only differentiating point of this method from the per cent-of-sales method is that the base for budgeting, instead of being rupee sales, is the number of product units sold or targeted to be sold. This method, thus, has almost the same strengths and weaknesses as the ones associated with per cent-of-sales method, namely, simplicity in the determination but arbitrariness in arriving at the percentage or per unit allocation.

Affordable funds: Continuing to think on the plane that promotion expenditure is one of those business costs which are desirable or avoidable as per the convenience of the top management, the funds for promotion are appropriated on discretionary basis under this method. No wonder then, that companies adopting this method find their promotion appropriations fluctuating from year to year depending on the top management's thinking for the year.

Competitive parity: Incorporating a measure of competitiveness in planning, this method guides the budget determination in terms of relativity to what the competitors are likely to allocate. Being a slightly more market-oriented method than the ones discussed so far, when based on the representative average of the industry promotion

expenditure, it becomes a good norm to moderate the promotion expenditure of a company.

Objective and task method: This is one of the most scientific methods of budget determination. It approaches the budget exercise by first setting the specific objectives to be achieved. It then identifies the tasks involved in achieving the said objectives followed by ascertaining the costs involved in the performance of each task required. The result of the exercise is an estimation of the amount required for accomplishing the set promotion goals. Typical objectives might be to increase awareness say by 15% or increase message/theme recall say by 25%.

Indeed, it is a good method as far as promotion budgeting for new products is concerned, or when a new thrust to the image of a company and its products is to be provided.

This method presupposes that objectives set are realistic and promotion results can be measured precisely. These assumptions continue to be the subject of unending debate at the one end, and of pursuit of research on the other. It is as a result of the continuing research that some models for promotion budgeting have been developed and are now being refined to be of practical utility to the marketer.

The practice: In practice most companies make use of more than one method for determining the promotion budget. The research into the practices of the companies in India in this regard revealed the above finding. Among the individual methods used "affordable funds" method emerged as the most popular. There were, however, quite a few companies which had started using the approach of 'objective and task' in setting their promotion budget either exclusively or in combination with other methods. Most of such companies were dealing in consumer goods.

The practices of the companies using a combination of methods for determining promotion budget pointed to the efforts they were putting in to gather competitive promotion outlays and its apportioning to various promotion components.

15.7 SUMMARY

Communication deals with sharing of information. This is a key function of marketing. The marketing techniques used to communicate with existing and potential customers are called promotion. The four major promotion methods available to a marketer are: advertising, personal selling, sales promotion and publicity. Packaging, public relation and other elements of the marketing mix supplement the promotion efforts of the marketer in their own way.

Marketers devise suitable promotion mix (use more than one promotion method) for promoting their products and services. The determination of promotion mix is influenced by factors such as type of product, nature of market, stage of the product in the product life-cycle, the available budget and the company policy. The level of promotional activity of a company is dependant upon the outlay earmarked for it, i.e., the company's promotion budget.

The promotion budget is set by using one or more of the following methods: per cent of sales, fixed-sum per unit, affordable funds, competitive parity and objective and task method. Among these methods, the approach used in objective and task method is most logical. Marketing communications being persuasive in nature and aiming *inter alia* at effecting the desired behaviour in the consumer should be skillfully managed. This, then requires that not only the buyer's product adoption process using AIDA and hierarchy-of-effects models be understood, but also appropriate promotion methods be used at each stage of the process to achieve the desired response.

15.8 KEY WORDS

AIDA: Attention (also awareness), interest, desire and action. The stages consumers go through before the actual purchase takes place.

Decoding: Giving meaning to a communication by the receiver.

Encoding: Representing the idea to be communicated through symbols, figures, words, etc.

Feedback: The receiver's response to the message received.

Hierarchy-of-effects: A consumer response model to promotion: awareness, knowledge, liking, preference, conviction, purchase.

Promotion: The marketing communication aimed at informing and persuading consumers to respond positively.

Promotion Mix: The specific combination of promotion methods used for a particular product or service.

Receiver: The individual group or organisation that decodes a coded message.

Source: The originator of communication.

Trade Deals: A type of sales promotion that stimulates the trade (wholesalers and retailers) to carry the marketer's products and market the products aggressively.

15.9 SELF-ASSESSMENT EXERCISES

A) Check whether the following statements are true or false

Statement	True	False
1 The basic role of promotion is to communicate.	<input type="checkbox"/>	<input type="checkbox"/>
2 Industrial products generally are promoted through a heavy concentration of advertising in the promotion mix.	<input type="checkbox"/>	<input type="checkbox"/>
3 Manufacturers of highly personal products depend heavily on personal selling.	<input type="checkbox"/>	<input type="checkbox"/>
4 Sales promotion and promotion means about the same thing.	<input type="checkbox"/>	<input type="checkbox"/>
5 The stage of the product life-cycle has little effect on promotion mix ingredients for a specific product.	<input type="checkbox"/>	<input type="checkbox"/>
6 Although the per cent of sales method is popular for determining promotion budget, it is logically inconsistent.	<input type="checkbox"/>	<input type="checkbox"/>
7 Because of relatively high costs, advertising is not cost efficient.	<input type="checkbox"/>	<input type="checkbox"/>
8 In making promotion mix decisions, marketers must give consideration not only to mix ingredients but also to available funds and product characteristics.	<input type="checkbox"/>	<input type="checkbox"/>
9 Because sales are very difficult to relate to promotional expenses, it is not very practical to use the objective and task method in determining the promotion budget.	<input type="checkbox"/>	<input type="checkbox"/>
10 The marketing communication mix for a firm is comprised entirely by its advertising, publicity and sales promotion programmes.	<input type="checkbox"/>	<input type="checkbox"/>

B) Tick the one most appropriate answer

- 1 The Economic Times in one of its recent issues came out with an half page write up commending Air India for making profits despite recessionary conditions in the world market. From Air India's point of view this was a case of.
 - A Sales Promotion
 - B Publicity
 - C Advertising
- 2 Getting immediate feedback and having knowledge of customers' needs are advantages of which promotion mix ingredient?
 - A Advertising
 - B Publicity
 - C Sales Promotion
 - D Personal Selling

- 3 If a company's customers are concentrated in a small geographic area and the company sells high priced products which promotion method would most likely be used.
- A Advertising
 - B Publicity
 - C Personal Selling
 - D Packaging
 - E Sales Promotion
- 4 The Key factor which differentiates advertising from publicity is that:
- A Publicity is free and advertising is paid for
 - B In advertising the sponsor of the advertisement is openly identified
 - C Publicity is limited to the sale of services, while advertising is used for products and services.
 - D None of the above.
- 5 The Communication process of choosing symbols that convey thoughts is called:
- A Decoding
 - B Encoding
 - C Messaging

Key to Self-assessment Exercises

- A) 1 True, 2 False, 3 False, 4 False, 5 False, 6 True, 7 False, 8 True, 9 False, 10 False.
B) 1 B, 2 D, 3 C, 4 B, 5 B.

15.10 FURTHER READINGS

Burnett John J., 1984. *Promotion Management; A strategic Approach*, West Publishing Company.

Lodish, Leonard M., 1986. *The Advertising & Promotion Challenge*, Oxford University Press.

Gaedeke Ralph M and Dennis H Tootelian, 1983. *Marketing, Principles and Application*, West Publishing Company.