

# **AGENCY MANAGEMENT**

## **Revised SYLLABUS 2016-2017**

### **Semester-VI- TYBMM**

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**NOTE: This material is for non commercial purpose. Only for the purpose of reference by the students.**

## **Paper-IV**

### **AGENCY MANAGEMENT**

**Max. Marks: 100 (Theory: 75, Internals: 25)**

#### **Objectives:**

- To acquaint the students with concepts, techniques and give experience in the application of concepts for developing an effective advertising campaign.
- How an ad agency works and what opportunities exist
- To familiarize students with the different aspects of running an ad agency
- To inculcate competencies thereby enabling to undertake professional work with advertising industry.

## **MODULE: I**

### **Advertising Agencies:**

#### **Advertising Agencies role, Functions, Organization and Importance**

##### **What Is the Role of an Advertising Agency?**

As part of an overall marketing strategy, some companies turn to an advertising agency to develop an advertising campaign. Ad agencies combine their creative and research expertise with the input of the client to develop a campaign that appeals to customers. When used properly, an ad agency can save you the time of creating your own campaign, can provide market and industry expertise, and can help you increase revenue or improve brand recognition.

An effective advertising campaign can help in increasing sales, develop brand loyalty and build brand equity. All of which contribute to increase in profits and market share. Similarly, without advertising customers stop buying products and services which lead to decrease in sales and eventually minimizes the profit. Therefore, the role of an advertising agency is highly crucial for the success of organization.

The relationship between an advertising agency and a client is like two partners in a tennis match, without one the other cannot win. The client brings an advertising assignment to the advertising agency then the agency work with the client and comes up with a solution that would meet the objectives of its client and finally the solution is then implemented through print ads, television and radio commercials and through other advertising media.

### **Functions of advertising agency**

Advertising agency is an independent service-rendering organization. It delivers various services and performs many functions for its clients, who are advertisers. It is mainly involved in activities like planning, preparing and placing of ads in media. It also performs non-advertising functions for them. It offers them advisory and creative services. It does so to make a profit.

#### **Main functions of ad agency are as follows:**

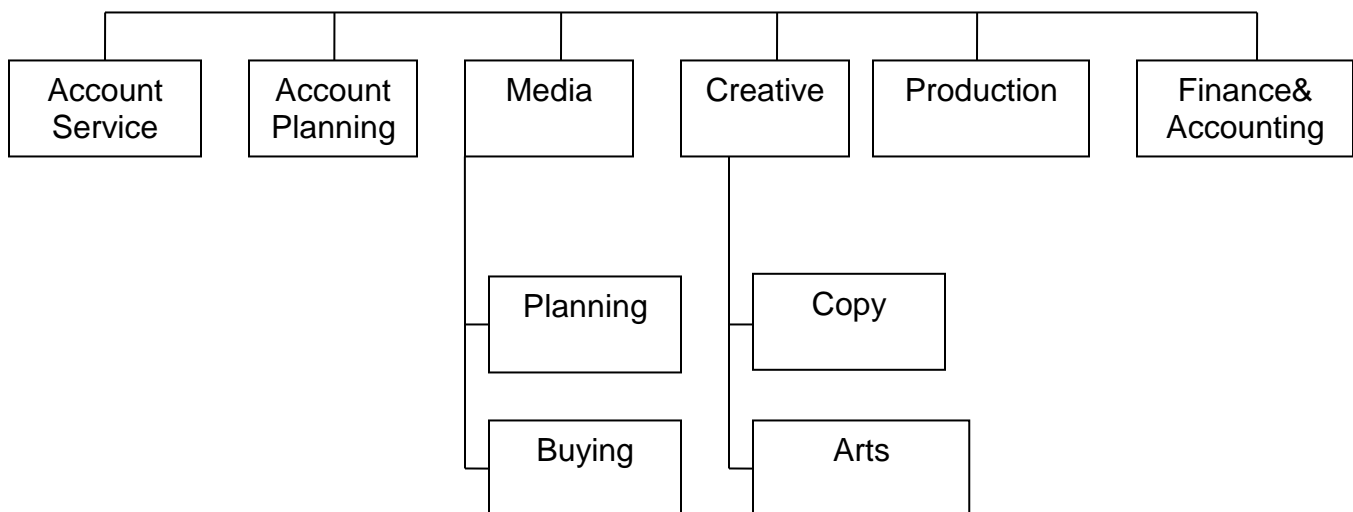
1. Attracting clients,
2. Research function,
3. Advertising planning,
4. Creative function,
5. Media selection,
6. Advertising budget,
7. Coordination,
8. Sales promotion,
9. Marketing research,
10. Non-advertising functions, and
11. Public relations.

1. **Attracting clients:** Advertising agency needs clients (advertisers). Without them, it cannot survive. Ad agency always tries to attract clients usually by giving ads in trade journals. It also seeks their attention by offering them various services. It offers expert, cheap and quick services. It maintains good relations with them. It tries to give them full satisfaction. It strives harder to attain their goodwill and customer-loyalty.
2. **Research function:** Advertising agency gathers information related to the client's product. It collects following information about a product under its research function: Features, quality, advantages and limitations of a product, Present and future market possibilities, Competition in the market, Situation in the market, Distribution methods, Buyers' preferences, so on. Ad agency analyses (studies) all this collected information properly and draws conclusions for its research. It helps in planning an advertising campaign, selecting proper media and creation function.

3. **Advertising planning:** Advertising agency plans the entire ad campaign of its client. Advertising planning is a primary function of an ad agency. It is done when its research function is completed. That is, after analyzing the client's product, its competitors, market conditions, etc. It is done by experts who use their professional experience to make a result-oriented advertising-plan. After making the advertising plan, it is shown to the client. If the client likes and approves it, then the plan is executed (put into action).
4. **Creative function:** Advertising agency put the advertising-plan into action under its creative function. Creation of ads is the most important function of an ad agency. Generally, it involves activities like: Copy writing, drawing photographs, Making illustrations, layouts, an effective ad message, etc. These jobs are done by experts like copy writers, artists, designers, etc. These people are highly skilled and creative. They make an advertisement more appealing. Attractive ads help to increase the sales of the product. The ad agency must always use fresh ideas for creating ads. It must neither use old tactics nor copy the ad-campaign of other products.
5. **Media selection:** Advertising agency helps an advertiser to select a proper media (ad platform) to promote his advertisement effectively. Media selection is a highly specialized function of an ad agency. It must select the most suitable media for its client's ad. It must choose media, which has a potential to give best results for the lowest cost. It must select more than one media for the ad. For example, an advertisement can be put on television, the Internet, newspapers, magazines, etc. After selecting the media, the ad agency must maintain goods contacts with the media.
6. **Advertising budget:** Advertising agency helps an advertiser to prepare his ad budget. It helps him to use his budget economically and make the best use of it. Without a proper advertising budget, there is a risk of client's funds getting wasted or lost. If an advertiser suffers a loss, he may not bring new projects. As a result, there is a possibility of losing a potential client that can bring more business to an ad agency.
7. **Coordination:** Advertising agency brings a good coordination between the advertiser, itself, media and distributors. This is a very important function. If coordination is proper, it will increase the sales of the product.
8. **Sales promotion:** Advertising agency performs sales promotion. It helps an advertiser to introduce sales promotion measures for the dealers and consumers. This helps to increase the sales of the product.

9. **Marketing research:** Advertising agency helps its clients to solve their marketing problems. It does so by conducting a marketing research for them.
10. **Non-advertising functions:** Advertising agency also performs many non-advertising functions: It fixes the prices of the product, it determines the discounts, It designs the product, It also designs its package, trademarks, labels, etc. These non-advertising services help an advertiser to increase its sales.
11. **Public relations:** Advertising agency does the public relations (PR) work for its clients. It increases the goodwill between its clients and other parties like consumers, employees, middlemen, shareholders, etc. It also maintains good relations between the client and media owner.

#### Structure of an ad agency



- **Account service department:** The account service, or the account management department, is the link between the ad agency and its clients. Depending upon the size of the account and its advertising budget one or two account executives serve as liason to the client. The account executive's job requires high degree of diplomacy and tact as misunderstanding may lead to loss of an account. The account executive is mainly responsible to gain knowledge about the client's business, profit goals, marketing problems and advertising objectives.  
The account executive is responsible for getting approved the media schedules, budgets and rough ads or story boards from the client. The next task is to make sure that the agency personnel produce the advertising to the client's satisfaction. The biggest role of the account executive is keeping the agency ahead of the client through follow-up and communications.
- **Media department:** The responsibility of the agency's media department is to develop a media plan to reach the target audience effectively in a cost effective manner. The staff

analyses, selects and contracts for media time or space that will be used to deliver the ad message. This is one of the most important decisions since a significantly large part of the client's money is spent on the media time and/or space. The media department has acquired increasing importance in an agency's business as large advertisers seem to be more inclined to consolidate media buying with one or few agencies thereby saving money and improving media efficiency.

- **Creative department:** To a large extent, the success of an ad agency depends upon the creative department responsible for the creation and execution of the advertisements. The creative specialists are known as copywriters. They are the ones who conceive ideas for the ads and write the headlines, subheads and the body copy. They are also involved in deciding the basic theme of the advertising campaign, and often they do prepare the rough layout of the print ad or the commercial story board. Creation of an ad is the responsibility of the copywriters and the art department decides how the ad should look.
- **Production department:** After the completion and approval of the copy and the illustrations the ad is sent to the production department. Generally agencies do not actually produce the finished ads; instead they hire printers, photographers, engravers, typographers and others to complete the finished ad. For the production of the approved TV commercial, the production department may supervise the casting of actors to appear in the ad, the setting for scenes and selecting an independent production studio. The production department sometimes hires an outside director to transform the creative concept to a commercial.
- **Finance and accounting department:** An advertising agency is in the business of providing services and must be managed that way. Thus, it has to perform various functions such as accounting, finance, human resources etc. it must also attempt to generate new business. Also this department is important since bulk of the agency's income approx. 65% goes as salary and benefits to the employees.

### c. Types of advertising agencies:



**There are basically seven types of ad agencies. They are**

1. In-house agencies
2. Creative boutiques
3. Media buying agencies
4. Full service agencies
5. Virtual Agencies
6. Satellite Agencies or Subsidiaries of Large Agencies or Second Agency.
7. Specialized Agencies

1. **In- house agencies:** Some companies, in an effort to reduce costs and maintain greater control over agency activities, have set up their own advertising agencies internally. An **in-house agency** is an ad agency set up, owned and operated by the advertiser. Many companies use in-house agencies exclusively; others combine in-house efforts with those of outside agencies.

A major reason for using in-house agency is to reduce advertising and promotional costs. Companies with very large advertising budgets pay a substantial amount to outside agencies in the form of media commissions. With an internal structure, these commissions go to the in-house ad agency. An in-house ad agency can also provide related work such as sales presentations and sales force material, package design, and public relations at a lower cost than the outside agencies.

Saving money is not the only reason companies use in-house ad agencies. Time savings, bad experience with outside agencies, and the increased knowledge and understanding of the market that come from working advertising and promotion for the product or service day by day are also reasons. Companies can also maintain a tighter control over the process and more easily coordinate promotions with the firm's overall marketing programmes.

Opponents of the in-house agencies say that they can give the advertiser neither the experience nor the objectivity of the outside agency and nor the range of services. They argue that the outside agencies have a more specialized staff and attract the best creative staff. Also flexibility is higher since if the company is not satisfied with the agency it can be dismissed, whereas changes in an in-house agency could be slower and more disruptive.

**Thus we can summarize by saying that**

Ad agency	Advantages	Disadvantages
In house agency	<ul style="list-style-type: none"><li>▪ Cost saving</li><li>▪ More control</li><li>▪ Increased coordination</li></ul>	<ul style="list-style-type: none"><li>▪ Less experience</li><li>▪ Less objectivity</li><li>▪ Less flexibility</li></ul>

**Examples of in-house agencies in India are:**

1. Levers - Lintas (previously)
2. Videocon – Confidence
3. Reliance - Mudra

2. **Creative boutiques:** Creative boutique is an agency that provides only creative services. These specialized companies have developed in response to some client's desires to use only the creative talent of an outside provider while maintaining the other functions internally.

**The client may seek outside creative talent for two reasons:**

- a. Because he wants an extra creative effort
- b. May be because its own employees of the in-house agency or the agency that he has appointed do not have sufficient skills in this regard.

The full-service agencies also sub-contract work creative boutiques when they are very busy or want to avoid adding full time employees to their pay roll. Creative boutiques are usually found by members of the creative departments of full service agencies who leave the firm and take with them clients who want to retain their creative talents. These boutiques generally perform creative function on a fee basis.

**Examples of creative boutiques are:**

1. **RMG David**
2. **Vyas Gianetti Creatives**
3. **Chlorophyll**

3. **Media buying agencies:** Media buying agencies are independent companies that specialize in the buying of media, particularly radio and television. The task of purchasing advertising media has grown more complex as specialized media proliferate, so media buying services have found a niche by specializing in the analysis and purchase of the advertising time and space. Agencies and clients generally develop their own media plans and then hire the buying services to execute them.

Some media buying agencies do help advertisers plan their media strategies. Because media buying agencies purchase such large amounts of time and space, they receive large discounts and can save the small agency's or client's money on media buying. Media buying agencies are paid a fee or commission for their work.

**Examples of media buying agencies are:**

1. **Mindshare**
2. **Initiative Media (LOWE)**
3. **Zenith Media (Bates, Saatchi & Saatchi)**
4. **Optimedia (Publicis)**
5. **Starcom (Leo Burnett)**
6. **Fulcrum (HTA)**

4. **Full – service agency:** The function of an advertising agency is to see to it that its client's advertising leads to greater profits in the long run than could be achieved without the ad agency. Most such agencies are large in size and offer their clients a full range of services in the area of marketing, communications and promotions. These include planning, creating and producing the advertisement, media selection and research. Other services offered include strategic marketing planning, sales training, package design, sales promotion, event management, trade shows, publicity and public relations.

The full service agency is composed of various departments; each is responsible to provide required inputs to perform various functions to serve the client. The various departments can be seen in the following diagram:

**5. Virtual Agencies**

A recent phenomenon is the cogency that operates like a group of freelancers. This type of agency abandons conventional office space. Chairlady pioneered an approach called "team workroom" or a virtual office. In a virtual agency like Cheat Day, staff members do not have fixed offices; they work at home, in their cars, or at their clients' offices.



## **6. Satellite Agencies or Subsidiaries of Large Agencies or Second Agency.**

Bigger agencies these days form smaller subsidiary agencies called satellite agencies. Tony Miller calls them a “delicious irony.” It is a sensible way for a big agency to offer nimbleness and personal service of a small shop. Lowe has set up Karishma as its subsidiary. The connection with the parent agency helps the subsidiaries in terms of a few initial accounts and talents to create good copies. Subsidiaries can have fresh, creative approach and can cater to smaller accounts. Subsidiaries can also take up a competing firm’s account. Subsidiaries consolidate business and improve market share. Here is a break-away thinking in a subsidiary. But it can also draw on the parent agency, say, by taking advantage of its clout as a media buyer. Forming subsidiary does not mean partitioning a little office space and putting a new sign-board. It must be totally independent resource-wise.

## **7. Specialized Agencies**

Some agencies develop a reputation for working only in certain areas and therefore they are called specialists. They either specialize in certain functions (creative or media buying), audiences (minority, youth), or industries healthcare, computers, agriculture, or business-to-business communication). In addition, there are specialized agencies in all marketing communication areas, such as direct marketing, sales promotion, public relations, events and sports marketing, and packaging and point of sale. Furthermore, there are one-client agencies.

- a. **Specializing in financial advertising:** in India we have agencies specializing in financial advertising e.g. DAVP (Directorate of Advertising Visual Publicity) which publicizes government’s policies and programmes. eg. Ogilvy Financial
- b. **Strategic planning:** Ad agencies are extending strategic planning functions to complement client companies' marketing functions. While the focus has always been on the consumer in order to add value to the client's brands and strategy, Rediffusion DY & R took a big leap forward recently to offer a brand new service in the area of strategic market planning to its existing clients. Looking at a new stream of communication, Rediff DY&R is expected to help its existing clients in evolving categories such as telecom to help define and identify new consumers.
- c. **Brand Consultancies:** There are brand consultancies being floated by agencies such as FCB Ulka's Cogito Consulting and Contract's Core Consulting, which have been trying to add value to the marketing and branding functions of clients. Client pressure to reduce agency compensation has seen a rapid decline of several 'think' departments in many agency networks.

## **MODULE: II**

### **CLIENT SERVICING**

#### **The Client - Agency Relationship**

- a. 3P's of Service: Physical evidence, Process and People
- b. The Gaps Model of service quality
- c. Stages in the client-agency relationship
- d. How Agencies Gain Clients
- e. Why Agencies Lose Clients
- f. Evaluation Criteria in Choosing an Ad Agency
- g. The roles of advertising Account executives

#### **Defining the Essence of a Service**

An act or performance offered by one party to another. An economic activity that does not result in ownership.

A process that creates benefits by facilitating a desired change in:

- customers themselves
- physical possessions
- intangible assets

#### **a. Distinguishing Characteristics of Services**

- Customers do not obtain ownership of services
- Service products are ephemeral and cannot be inventoried
- Intangible elements dominate value creation
- Greater involvement of customers in production process
- Other people may form part of product experience
- Greater variability in operational inputs and outputs
- Many services are difficult for customers to evaluate
- Time factor is more important--speed may be key
- Delivery systems include electronic and physical channels

#### **a. Elements of the Services Marketing Mix:**

***“7Ps” Of the Services Marketing Mix***

##### ***The original 4Ps***

- 1. Product elements**
- 2. Place and time**
- 3. Promotion and education**
- 4. Price and other user outlays**

##### ***Adding Three New Elements***

5. **Process**
6. **People**
7. **Physical Evidence:**

**Process:** A *process* is the method and sequence of actions in the service performance. Creating and delivering product elements to customers require the design and implementation of effective. Process refers to the systems used to assist the organisation in delivering the service. Imagine you walk into Burger King and you order a Whopper Meal and you get it delivered within 2 minutes. What was the process that allowed you to obtain an efficient service delivery? Banks that send out Credit Cards automatically when their customers' old one has expired again require an efficient process to identify expiry dates and renewal. An efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company.

**People:** People strongly influence the customer's perception of the quality of the service. Significant effort given to recruiting, training and motivating employees. An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organisation wants to obtain a form of competitive advantage. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills, aptitude, and service knowledge to provide the service that consumers are paying for.

**Physical Evidence:** Service firms need to manage physical evidence carefully as it can have a profound impact on customers' impressions. Physical evidence is in the form of buildings, landscaping, vehicles, interior furnishing, equipment, staff members, signs, printed materials & other visible cues which provide tangible evidence of a firm's service quality.

Physical Evidence is the element of the service mix which allows the consumer again to make judgments on the organisation. If you walk into a restaurant your expectations are of a clean, friendly environment. On an aircraft if you travel first class you expect enough room to be able to lay down!

Physical evidence is an essential ingredient of the service mix, consumers will make perceptions based on their sight of the service provision which will have an impact on the organisations perceptual plan of the service.

### **Creating Value:**

Important to create value for customers and thus give importance to all the 7Ps.  
*Value can be defined as the worth of a specific action or object, relative to an individual's or organisation's needs at a particular time, less the costs involved in obtaining those benefits.*

### **Service Encounters as "Moments of Truth"**

The phrase “Moments of Truth” was popularized by the CEO of Scandinavian Airlines, Jan Carlzon.

All encounters or transactions where the customer interacted with the company (anyone representing it) were ‘moments of truth’ that moulded the customer’s opinion about the company. If these moments could be well managed, the result would be a great service company and a happy customer.

## **b. THE GAPS MODEL OF SERVICE QUALITY**

The gaps model positions the key concepts, strategies, and decisions in services, marketing in a manner that begins with the customer and builds" the organization’s tasks around what are needed to close the gap between customer expectations and perceptions.

The central focus of the gaps model is 'the customer gap, the difference between customer expectations and perceptions. Firms need to close this gap--between what customers expect and receive in order to satisfy their customers and build long-term. Relationships with them. To close this all-important customer gap, the model suggests that four other gaps-the provider gaps-need to be closed.

**The following are the five gaps:**

***GAP 1: Not Knowing what customers expect***

**GAP 2: The wrong service quality standards**

**GAP 3: The Service Performance Gap**

**GAP 4: When promises do not match delivery**

**GAP 5: Expected Service-perceived Service Gap**

***GAP 1: Not Knowing what customers expect***

According to the model, the first GAP occurs because of the difference between what customers expect and what managers perceive they expect.

## Gaps model of service quality

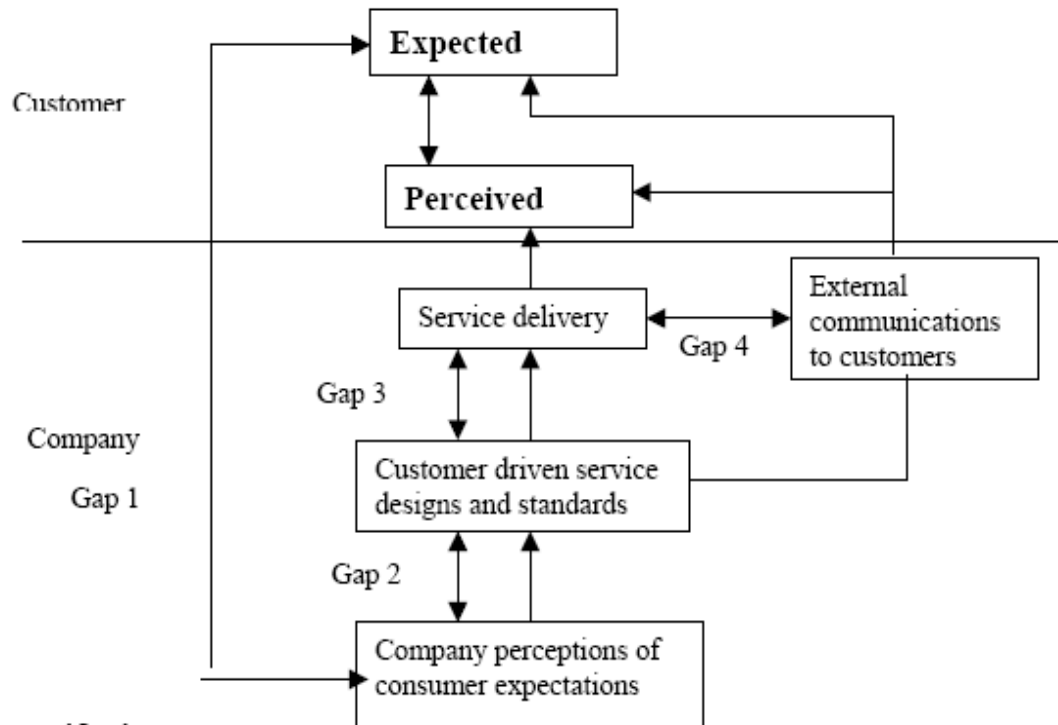


Figure 18 –1

### Many reasons exist for managers not being aware-of what customers expect:

- a. They may not interact directly with customers
- b. Be unwilling to ask about expectations, or be unprepared to address- them.
- c. When people with the authority and responsibility for setting priorities do not fully understand customers' service expectations, they may trigger a chain of bad decisions and sub optimal resource allocations that result in perceptions of-poor service quality.
- d. Inadequate upward communication from contact personnel and management and too many levels of management seperating contact personnel from top managers are the other reasons for this gap.

Another key factor' related to provider gap 1 involves the lack of company strategies to retain customers and strengthen relationships with them, an approach called ***relationship marketing***.

When organizations have strong relationships with existing: customers; provider gap 1 is less likely to occur. Relationship marketing is distinct from transactional marketing, the term used to describe the more conventional emphasis on acquiring new customers rather

than on retaining them. When companies focus too much on attracting new customers, they may fail to understand the changing needs and expectations of their current customers.

*The final key factor associated with provider gap 1 is lack of service recovery.*

It is critical for an organization to understand the importance of service recovery-why people complain, what they expect when they complain, and how to develop effective service recovery strategies for dealing with inevitable service failures. This might involve a well-defined complaint-handling procedure and empowering employees to react on the spot; in real time to fix the failure; other times it involves a service guarantee or ways to compensate the customer for the unfulfilled promise.

***GAP 2: The wrong service quality standards:***

The difference between company's understanding of the service desired by customer and the service as designed to be delivered by the company, and the performance standards set for the same.

*Provider gap 2 exists in service organizations for a variety of reasons:*

- a. Those responsible for setting standards, typically management, sometimes believe that customer expectations are unreasonable or unrealistic.
- b. They may also believe that the degree of variability inherent in service defies standardization and therefore that setting standards will not achieve the desired goal. compensated.
- c. When service standards are absent or when the standards in place do not reflect customers' expectations, quality of service as perceived by customers is likely to suffer.
- d. In contrast, when there are standards reflecting what customers expect, the quality of service they receive is likely to be enhanced.

Therefore closing provider gap 2 by setting customer defined performance standards has a powerful positive effect- on closing the customer gap.

*One of the most important ways to avoid gap 2:*

- a. Is to clearly design services without over simplification, incompleteness, subjectivity, or bias.
- b. To do this, tools are needed to ensure that new or an existing services are developed and improved in as careful a manner as possible.
- c. Another factor involved in provider gap 2 is physical evidence the tangibles surrounding the service. By physical evidence we mean, everything from business cards to reports, signage, Internet presence, equipment, and facilities used to deliver the service.
- d. The services cape, the physical setting where the service is delivered, must be appropriate. Think of a restaurant, a hotel, a theme park, health club, a hospital, or a school. The services cape-the physical facility is critical in these industries in terms of communicating about the service and making the entire experience pleasurable.

### **GAP 3: The Service Performance Gap or Not delivering to service standards**

The discrepancy between service specifications and the actual service delivered initiates this gap. In general, this gap appears when employees are unable and/or unwilling to perform the service at the desired level.

#### **Various reasons are:**

- a. role ambiguity,
- b. role conflict,
- c. poor employee-job fit,
- d. poor technology-job fit,
- e. inappropriate supervisory control systems leading to inappropriate evaluation/compensation system,
- f. lack of perceived control on the part of employees, and
- g. lack of teamwork.

When the level of service-delivery performance falls short of the standards, it falls short of what customers expect as well. Narrowing gap 3-by ensuring that all the resources needed to achieve the standards are in place-reduces the customer gap.

#### **Research and company experience has identified many of the critical inhibitors to closing gap 3):**

1. These include employees who do not clearly understand the roles they are to play in the company.
2. Employees who see conflict between customers and company management,
3. The wrong employees,
4. Inadequate technology,
5. Inappropriate compensation and
6. Recognition and lack of empowerment and teamwork.

These factors all relate to the company's human resource function, involving internal-practices such as recruitment, training, feedback job design, motivation, and organizational structure. To deliver better service performance, these issues must be addressed across functions (e.g., with both marketing and human resources) if they are to be effective.

### **GAP 4: When promises do not match delivery**

The difference between what a firm promises about a service and what it actually delivers is described as Gap 4. The difference between service delivery and the service provider's external communications. Promises made by a service company through its media "advertising" sales force, and other communications may potentially raise customer expectations that serve as the standard against which customers assess service quality. The discrepancy between actual and promised service therefore has an adverse effect, on the customer gap.

#### **Broken promises can occur for many reasons:**

- a. over promising in advertising or personal selling
- b. Inadequate coordination between operations and marketing, and
- c. Differences in policies and procedures across service outlets.
- d. In addition to unduly elevating expectations through exaggerated claims, there are other, less obvious ways in which external communications influence customers' service quality assessments. Service companies frequently fail to capitalize on opportunities to educate customers to use services appropriately.

They also frequently fail to manage customer expectations of what they will receive in service transactions and relationships.

**Two factors contribute to this gap**

- a. Inadequate communication among operations, marketing, and human resources, as well as across branches; and
- b. Propensity to over-promise in communications

### **GAP 5: Expected Service-perceived Service Gap**

Gaps 1 through 4 contribute to the emergence of Gap 5, which is the difference between what the customer expected to receive from the service and what she believes she actually did receive. Customers' perceptions are influenced by many sources, which include word-of-mouth communications, personal needs, past experiences, and communications from the service organization.

The most important gap, if perceived service falls short of the customer's expectations, she will be disappointed and dissatisfied. Conversely, if the perceived service exceeds the customer's expectations, she will be not only satisfied but delighted.

**Putting it all together: Closing the gaps:**

The key to closing the customer gap is to close provider gaps 1 through 4 and keep them closed. To the extent that one or more of provider gaps 1 through 4 exist, customers perceive service quality shortfalls. The model, called the gaps model of service quality, serves as a framework for service organizations attempting to improve quality service and services marketing.

Service Quality Gap Model

## **c. Stages in the client-agency relationship**

Business partnerships assume a prominent role in the strategy of leading firms, large and small. Successful business partnerships are built on trust, confidence, understanding, and mutual success. These relationships require a pro-active effort to sustain and are critical to future growth.



Client-agency relationships are one of the most complex in the business environment, requiring a substantial level of collaboration to be effective. There are four stages in the Client- Agency relationship:

#### The Agency-Client Life Cycle



Figure 2: Wackman, C.T. Salmon and C.C. Salmon, 1987, p. 22

**1) Pre-relationship stage** - In the first phase of a client-agency lifecycle a client is seeking for an agency that helps promoting or advertising an activity. An agency needs to have great presentation skills to convince new clients and guarantee a success with pitching and the agency should also have a networking and new business specialist who is agile to build up a strong relationship with the top executives of potential clients. Both clients and agencies value certain key attributes like positive recommendation or agencies creativity. It is certainly the case that a client pays great attention to the people factors concerning a prospective relationship with a new agency. That again means that advertising is a service that highly depends on the key contact person and the team that provides the service. Wackman et al. (1987) stated that clients do not always thoroughly selected agencies by its competences but by mirroring its personality.

According to Jonathan M. Lace (1998) there are task competencies in each functional role of an employee of an advertising agency, which influence the client's perception. Sometimes first impressions cannot be changed and therefore advertising agencies should pay attention to its presentation of their functional roles. Even though most competencies will be realized and evaluated during the relationship development and maintenance phase first feelings of the clients are essential for an agency's selection.

**2) Development stage-** Once the client has selected an agency or continues working with its current one it is important that both parties successfully develop and maintain the relationship. On the one hand there are the factors that make a relationship productive or unproductive. On the other hand there is the role of agency reviews and audits that maintain a client-agency satisfaction. There is no single factor that influences the work

activity but there are always many factors. It is often the case that if dissatisfaction evolves that tangentially the other partner is blamed.

Statistics state that agencies are usually more critical of their clients than on themselves. In general trouble in a client-agency relationship has little to do with the capabilities of an advertising agency but with the lack of maintaining a performance system. There are several factors which are identified if a client is appraising an advertising agency: the method of evaluation needs to be simple, the environment needs to be calm and objective, appraise regularly and make the agency a partner in the appraisal effort (David S. Waller, 2004). It is important to keep the communication flow going and have regular contact between the agency and its client. There arise a lot of problems due to a lack of communication. The more experience both parties have with playing the game of client-agency relationships the better the outcome. However agencies are usually in a poor situation concerning the money and job security factor.

**3) Maintenance stage-** Another important factor of the maintenance phase is the performance issue. If a client does not define the agency's competencies and tasks it is difficult for an agency to satisfy the client. Apart from the general performance issue, the problem of bad briefing is present at all agencies. If a client does not brief an agency correctly on new activities it is most likely that the agency will fail its task. Sometimes it is the case that the agency and its client have different attitudes. Analysing these differences can be used to define and eventually solve the conflict. In the end the development and maintenance phase is successful for both the agency and the client if communication is kept running and expectations are defined in the beginning.

**4) Termination stage-** The final stage of a client-agency lifecycle is a review of the agency's performance which either results in a contract renewal or in a termination. A termination of the client-agency relationship is when the client is dissatisfied with the agency and that again leads to an end of the cooperation.

The agency has two options now. Either it gives the agency a new try and invite tenders for pitch where the existing agency can prove its capabilities in a competitive presentation. Or the client directly changes the agency and does not allow the existing agency to participate in a new pitch.

The trend in client-agency relationships is to terminate those that under-perform. In 1984, the average client-agency relationship tenure was 7.2 years. By 2010 that number declined to 4 years. Clients continue to cite the same reasons for terminating their relationship with their agency. Most of the time, these issues might have been resolved if they were acknowledged and addressed earlier.

- Turnover – New marketing director
- Lack of interest/understanding of client's business
- Strategy and creative linkage unhinged
- "Outgrown" the agency
- Understaffing and inexperienced personnel
- Changes at the top
- Research scores consistently below norms

- Creative intransigence and arrogance
- Mandated consolidation
- Loose attention to budgets

### **Avoiding the Pitfall of Failed Relationships**

- Successful relationships do not sustain themselves. Many client-agency relationships fail to meet expectations because too little attention is given to nurturing the close working relationships and interpersonal connections that unite them.
- All parties involved must remain pro-active in monitoring and evaluating the level of trust, confidence, understanding, and success felt by every other member of the group. Disconnects can strain the relationship until it collapses. Only constant, open communication can solidify the client and agency's expectations and perspectives regarding the other.

## **ANALYSIS agency/client relationships –**

### **The three challenges for clients are:**

1. to demand greater responsibility for business results,
2. To create a new set of ad metrics – moving away from the dominance on reach and toward a focus on the effect on business results – and
3. For ad agencies to reposition themselves to focus on shareholder value.

### **Factors affecting the client-agency relationship:**

1. **Chemistry** - between client and agency staffs. If there is proper understanding between them the relationship will be smooth. If ego clashes occur the relationship will be stormy
2. **Communication** - constant, open, honest communication is vital for success.
3. **Conduct** - what everyone in the relationship does - both the work process and the work
4. **Product. Changes:** Many a time unannounced changes in product lead to major shift in the strategy which might lead to friction.
5. **Personnel:** In change in Personnel on either side can lead to change in the relationship equation.
6. **Competitive situation:** Change in competitive situation demand more involvement on both side professionals.
7. **Working Environment** on side will influence the relationship

## **Issues in the Agency-Client Relationships:**

Even in good times, agency-client relationships can be a delicate dance. But with the economy still stalling, the push-you-pull-me inherent in such relationships can be even more problematic.

1. Sales and corporate objectives: Most of the client want agency to focus on sales and marketing objectives, instead of only focusing o the creative strategy.
2. Return on investment (ROI): Most clients place, return on investment at the heart of its account.
3. Innovation and creativity: Is another key toward enhancing the relationship, as companies increasingly rely on agencies to come up with new and innovative ideas to drive sales.
4. The team members are too junior
5. Don't understand client business objectives: The biggest hurdle remains an inability among agencies to understand their clients' business objectives while trust and cost also weigh heavily on relationships.
6. Not responsive
7. Lack of trust in the relationship
8. Senior staff unavailable
9. Incapable of providing Strategic counsel
10. Overshooting Cost and budget
11. A slowness to respond to changing needs was pinpointed as one of the major criticisms of agencies by their clients

d. How Agencies Gain Clients: The agency, like any other business organization, has something to sell. The business of the agency should, therefore, grow so that, at any stage, its volume of business may justify its facilities for the services that are offered by it. Moreover, growth is one of the desirable requirements of any business. It is, therefore, logical to have a separate cell in the agency, which is responsible for the growth of business. This growth may be achieved either by increasing the business with the present accounts or by getting new accounts. The first is within the jurisdiction of the account executive, while he may look after the second in a small agency. In large agencies, the top management assumes this responsibility. It has a few executives who are exclusively hired for developing new accounts.

Some agencies aggressively solicit new business by themselves engaging in advertising. They highlight the agency's competent personnel, the resources and the facilities at their disposal, the influential accounts they service and the successful -advertisement campaigns they have handled.

Currently most of the contemporary advertising agencies are focusing on the two new emerging business opportunities:

- i. **CRM ( Customer relationship management)**
- ii. **Digital advertising**

**CRM (Customer relationship management):**

Definitions:

1. A management philosophy according to which a company's goals can be best achieved through identification and satisfaction of the customers' stated and unstated needs and wants.
2. A computerized system for identifying, targeting, acquiring, and retaining the best mix of customers.
3. Customer Relationship Management (CRM) refers to the methodologies and tools that help businesses manage customer relationships in an organized way.

Customer relationship management helps in profiling prospects, understanding their needs, and in building relationships with them by providing the most suitable products and enhanced customer service. It integrates back and front office systems to create a database of customer contacts, purchases, and technical support, among other things. This database helps the company in presenting a unified face to its customers, and improve the quality of the relationship, while enabling customers to manage some information on their own.

**For corporate, customer relationship management includes:**

- CRM processes that help identify and target their best customers, generate quality sales leads, and plan and implement marketing campaigns with clear goals and objectives;
- CRM processes that help form individualized relationships with customers (to improve customer satisfaction) and provide the highest level of customer service to the most profitable customers;
- CRM processes that provide employees with the information they need to know their customers' wants and needs, and build relationships between the company and its customers.
- Customer relationship management tools include software and browser-based applications that collect and organize information about customers. For instance, as part of their CRM strategy, a business might use a database of customer information to help construct a customer satisfaction survey, or decide which new product their customers might be interested in.

CRM tools such as database maintenance and customer segmentation help the corporate world build one-to-one relationships with consumers by understanding them. CRM, long valued by marketers for its measurability, historically has been embraced by certain sectors (namely financial services and automotive) more than others.

The CRM market, estimated at \$8-9 billion globally, is pegged at just \$70-80 million in India, though predicted to clock a CAGR of 30-35% over the next few years. It has been logging one of the highest growth rates in the world, making it the third-largest market in the Asia-Pacific region.

Package-goods giant Procter & Gamble, long accustomed to a bombard-the-masses-with-heavily-tested-ads strategy, has been working on better personalizing the consumer experience. CRM is also the force behind Coca-Cola's My Coke Rewards online program, the multiyear customer-loyalty marketing blitz into which it's poured millions of dollars. Hewlett-Packard is said to have recently completed the biggest implementation of Oracle's Siebel CRM software in history.

JCPenney is the latest big name trying to develop lasting consumer relationships. Its new JCP Rewards program lets customers earn points to snag members-only benefits. Rival Macy's West, one of the retailer's biggest divisions, also has been investing in CRM to decipher a more effective media mix and gauge reaction to digital efforts.

**Social CRM:** Apart from customer relations, Social CRM will also be the main tool for promotion and reputation management by companies with proactive measures thanks to the data and site scrubbing engines such products are bundled with.

The latest buzz in enterprise in the CRM space is Social CRM, riding on the Web 2.0 wave. While it has been talked about for some time now, it is only recently that many companies are beginning to see the benefits of having a social networking presence on the Web.

For instance, thanks to some aggressive monitoring of Twitter, Infosys Technologies was recently able to address the concerns of a prospective client who had posted a query on the micro-blogging site asking for validation of the work culture at India's second largest IT services company. Likewise, Wipro and Cisco are already on Web 2.0 social networking sites to run their innovation centres and bring together disparate experts. This is precisely what Talisma wants to leverage with tools that integrate social media sites with latest generation enterprise resource planning software.

## **ii. Digital advertising:**

Digital advertising is the practice of promoting products and services using digital distribution channels to reach consumers in a timely, relevant, personal and cost-effective manner.

Digital advertising is not just placing banner ads on websites. It goes much beyond this. Digital advertising covers online advertising on the Internet content websites. Digital advertising allows marketers for two-way and even one-on-one communication with consumers, potentially providing them with a very personal experience.

If used properly, the digital medium provides for interaction, the instant feedback and tracking capabilities. Digital media (as opposed to analog media) usually refers to electronic media that work on digital codes. Digital media like digital audio, digital video and other digital "content" can be created, referred to and distributed via digital information processing machines. Digital media represents a profound change from previous (analog) media.

## **e. Why Agencies Lose Clients**

What are the factors that influence the success or failure of an advertising agency-client relationship? What really determines the success or failure of a relationship? To what extent do hard facts play a role?

1. Poor performance or service
2. Poor communication
3. Unrealistic demands by client
4. Personality conflicts
5. Personnel changes
6. Changes in size of client or agency
7. Conflicts of interest
8. Most of the theoretical framework proves that there is no single factor that influences the work activity. The results of the empirical finding plug into this idea. An interesting observation is that the Account Manager as well as the clients mentioned soft skills as the most important factors that influence the success but also the failure of a client-agency relationship. The top of the list is lead by reliability and loyalty. Hard facts such as success and outcome of the creative work are certainly mentioned by the Account Managers and clients but are in the back seat.
9. There are multiple drivers of client satisfaction such as the quality and profundity of thinking including intellectual power, judgement and experience to deliver high quality strategic and creative ideas. This is in line with the arguments that were made by all Account Managers.
10. Mark Davies and Mel Prince (1999) put a different perspective on the topic of performance success and argued that the age of a client-agency relationship affects the likelihood of account relationship failure.
11. Jonathan M. Lace (1998) summarized that clients always appreciate a sense of perfection. The lack of ongoing evaluation during a client-agency relationship is also a common reason of the failure of cooperation. All Account Managers and clients agreed that an evaluation process is essential in a client-agency relationship.

12. Number of studies has revealed that agency put more emphasis on the soft factors of an evaluation such as the potential of agency employees or the relationship between the agency and the client. The client however mainly pointed out the importance of hard fact evaluation factors such as the achievements of financial goals and market scores.

## 10 Principles for Building a Better Relationship with Your Agency

- Treat the agency people well.
- Agree on a clearly defined obj. for adv.
- Keep approvals simple, disapprovals kind.
- Make the agency responsible for the advertising and give it the authority it needs to be responsible.
- Give the agency a formal evaluation every year.

### f. Evaluation Criteria in Choosing an Ad Agency

For a successful advertising campaign, the choice of a right advertising agency is . matter of prime importance. The choice of a wrong agency can prove to be very costly. The selection of an agency needs a logical approach. The suitability, agency infrastructure, imaginativeness and image of the agency, its management and rates are the basic factors Which are considered during the selection of an agency. The general qualifications for e Section of an advertising agency are as follows:

- The experience of an Agency:** The longer an agency has been in business, the more stable it is expected to be; and stable agencies are more reliable.



- ii. **Agency size and location:** Large-budget advertisers want to go to large agencies because these agencies have better staff and more facilities. Large budget advertisers do not like to select small agencies as these are not profitable. Similarly small advertisers do not select large agencies for fear of insufficient attention.
- iii. **Product conflicts:** If an agency has already another account with the same or similar product, then it is not advisable to select that particular agency because of conflict of interest involved.
- iv. **Financial position of an agency:** If the agency is in a weak financial position, then it will spend more time in solving its own problems than working on the advertisers campaign. Financial difficulties also indicate the poor planning of the agency and lack of its stability.
- v. **Special skills of an agency:** Some agencies specialize in certain areas such as industrial advertising, legal advertising or medical advertising. It would be useful to know if the agency specializes in a particular product or it has specialists who are familiar in the promotion of this particular product. If the agency has special skills for the promotion of this product, it will run a successful advertising campaign.
- vi. **Current clients:** Most advertisers are very careful in selecting an agency. They usually see the list of the clients of an agency. An agency with a solid list of clients would be more desirable. It will also be useful to know how many new accounts were acquired in the last two or three years and how many accounts were lost. The reasons for the lost accounts may highlight some of the weaknesses of the agency.
- vii. **The process of payment:** It should be seen that what is the process of payment in an agency. The advertiser will have to pay in advance or after the advertising. The client should have a detailed analysis of the method adopted so that there is no misunderstanding afterwards.

In addition to these specific areas, consideration must be given to the support services and additional facilities that the agency might have. These include market research, dealer support, public relations etc.

- viii. **Client Turnover:** When an advertiser leaves an advertising agency and goes to another, it is known as client turnover. There may be various reasons for the client turnover. Some are as under:
  1. The advertising is not profitable.
  2. The advertiser is interested in a new medium with which the present agency is not familiar.
  3. The client and the agency intend to launch a campaign in a different manner.
  4. Lack of coordination between the chief executives of the client firm and the agency.
  5. Changes in the staff also lead to client turnover.
  6. Loss of confidence in each other results in client turnover.
  7. Some times the client doesn't like the ad programme conceived by the agency.
  8. Political involvement and nepotism result in client turnover.

## **SELECTION OF AN AD AGENCY**

When the advertising or the marketing managers go about selecting an advertising agency, they generally follow the following steps:

1. Define what they want in an ad agency in terms of some specific services required etc.
2. Tell the news media, as well as local business editors that you intend to select an ad agency for your product. They will spread the news.
3. Screen the agencies that have replied to the advertisements on the basis of certain criterion and narrow the field down to four or five agencies.
4. **PRESENTATION/PITCH**

Herein agencies that have been short listed receive an invitation from companies to make presentations. Through these presentations the agency may succeed in selling its services to new clients. The agency describes its experience, its personnel and capabilities, procedures, and demonstrates its outstanding work.

The presentation may be speculative, requiring an analysis of the prospect's marketing situation and propose a tentative ad campaign. The purpose is to indicate what kind of ad campaign they would create if they had the account. Such pitches are expensive and involve great deal of time and preparation without any assurance of gaining the business. Many ad agencies are disinclined to welcome and participate in such events as they believe agencies should be selected on account of experience and the quality of services they have provided to previous clients.

5. Choose the new agency on the basis of certain criterion and also at the same time inform the other agencies as to why they were not chosen.

**A few general parameters that the client looks for while choosing an ad agency are as follows:**

- ❖ Agencies knowledge of the advertising process
- ❖ Agencies knowledge of the product category
- ❖ Client's basis of experience with the ad agency
- ❖ Client's knowledge of the abilities of the agency
- ❖ The chemistry between the agency and the client with respect to the kind of interaction between them, the understanding of mutual needs etc.

### **g. The roles of advertising Account executives :**

The advertising account executive is the key go-between for both the advertising agency and the client company. This individual is actively involved in soliciting the account, finalizing details of the contract, and working with the creative who will prepare the actual advertisements. Many times, the account executive helps the company refine and define major message for an overall IMC Programme and provides other support as needed.

Clients companies always want to know if they are getting good value. Many clients believe they don't have a clue in trying to understand the relationship between an agency's cost and its actual value to the company. Ron Cox, a vice president at Wrigley Jr. Company, suggests that agencies update clients regularly on the work they are doing and the results obtained. These types of reports (called "stewardship reports") help clients understand the process and the outcome more clearly. Updating clients on what is being done for them becomes more important as the amount of amount being spent on advertising increases.

Further, periodic reviews should be help to show that the agency is doing its work. These reviews should not be confrontational. To the client company, the updates represent the opportunity to evaluate how well the agency has done and also to become better acquainted with the personnel working on the account. As part of the process, the client firm can spend time with creative as they work on the campaign. Client-company employees can also talk to media buyers, public relations experts, and other working on the account. In short, the account manager oversees the process in such a way that everyone involved feels comfortable and oriented towards the goal of creating an effectively integrated advertising campaign and marketing communications program.

The traffic manager works closely with the accounts executive. This person's responsibility is to schedule the various aspects of the advertising agency's work to ensure the work is completed by the targeted deadline.

**Within an agency, the advertising Account executives role is to:**

Client services managers connect an agency's creative efforts with advertisers' needs, from leading a first meeting on a new account to researching media outlets for a campaign. They maintain relationships with executives of client businesses oversee the agency's account team across all disciplines and develop strategies for clients. In short, the client services manager is accountable for all aspects of the delivery of work to the client. But the account leader's role goes beyond merely giving a client what he wants. Client services managers are problem solvers who analyze markets and help advertisers develop business goals for their goods and services.

- act as the client's liaison with the agency and balance the input of the various agency departments, ensuring it meets the client's objective
- know all there is to know about the client's product or service, the market and its consumer
- understand the client's marketing objectives in terms of sales, market-share, competitor products
- brief the media department so it can develop the media strategy
- prepare the creative brief, which is the foundation of the advertisements the creative team will produce
- oversee the various production stages every advertisement goes through
- assist the client in solving marketing problems
- Ensure the advertising is created on time and on budget.

He or she also has to ensure that:

- the account is running profitably for the agency
- the client is getting the best results from the whole agency team
- there are adequate resources on hand.

### **Daily Routine of advertising Account executives**

Every day is different for client services managers, but routine tasks include updating status reports for clients, receiving creative changes from clients, relaying those changes to creative staff and supervising the account's finances. Daily responsibilities involve maintaining and growing client relationships, and managing client expectations — for example, keeping them realistic about timelines for delivering campaigns. Research is also part of the account leader's job. Whether a client makes tractors or sells clothes, the manager must become an industry expert. An account manager's day might start with a client meeting to discuss a new app. Next up: Sending another client a rough cut of a TV spot, getting feedback on the ad, making final changes and shipping it for an air date. A brainstorming session for a client who wants to increase sales in a specific category might be on the agenda, as well. Account leaders also schedule store walks to check out clients' competition, write up their findings and share them with clients. They also review magazine and newspaper articles for new trends several times a day.

### **Characteristics advertising Account executives:**

**Client services managers share specific personality and work traits.** They can juggle multiple client needs while maneuvering sudden changes of direction in the marketplace. They're organized. People skills are also a must, because they interface with many personalities in many disciplines. Diplomacy is key as well — account leaders must work through differences between creative staff and clients. Also important are curiosity and an interest in keep up with new technologies and trends and how they affect a client's business. Finally, the ability to foster a healthy work-place culture is important, because agency employees work long hours and face tight deadlines.

# MODULE: III

## ACCOUNT PLANNING

### Chapter1:

#### Account planning

- *Role of account planning in advertising*
- *Role of Account Planner*
- *Account Planning Process*

**What is Account Planning:** "Account planning is the discipline that brings the consumer into the process of developing advertising. To be truly effective, advertising must be both distinctive and relevant, and planning helps on both counts."

**The Account Planning Process** - is the process of using research efforts to gain more information about the brand in its marketplace and the consumer's perspective, and to use that research to contribute directly to advertising development. It's the Process of collecting all relevant background information needed to make a decision.

Account Planning heavily focused on consumer insight in advertising strategy development. Understanding consumer through qualitative research and consumer relationship development. It is the development of well-rounded, insightful creative strategies *that lead to Effective & Relevant advertising*. The account planner monitors the market trends and the attitude of the consumer towards the client's brand and its competitors, in order to develop effective strategies for the creative team.

The account planner consumer's representative. In a nutshell the planner ensures that an understanding of consumer attitudes and reactions is brought to bear at every stage of advertising development. This means that the planner is a fully integrated member of the account team working on a continuously involved basis; bringing a consumer perspective to strategy development, creative development, pre-testing of ads and tracking of the brand's progress.

Medium to large-sized advertising agencies divide their work into various departments, traditionally splitting functions into interacting with clients and looking out for their interests (account management), buying advertising (media), and creating advertising (creative). As the importance of research has grown, ad agencies have combined old functions of researchers (who gather information about consumers and markets) and account managers (who keep an overall vision of the client's interests) into a role called account planning.

Account planners combine research and strategic thinking. If the account manager is closest to the client, the account planner is closest to the consumer. The account planner

is the person on an advertising team who is most likely to have spent time with consumers using the product, or in focus groups asking them about how they think about the product.

Almost every communications agency (and their clients) benefits from a disciplined system for devising communications/advertising/commercial strategy and enhancing its ability to produce outstanding creative solutions that will be effective in the marketplace. It is the planner's job to guide or facilitate this process via the astute application of knowledge or consumer/market understanding.

Because planners are in a unique position in their jobs because they have an understanding of the audience through research expertise and an understanding of how it will be applied within their own business thus they provide a crucial bridge. At the core of this task, is the need to understand the consumer/customer interchangeable) and the brand to unearth a key insight for the communication/solution (Relevance).

As media channels have mushroomed and communication channels have multiplied, it has become increasingly important for communication to cut through the cynicism and connect with its audience (Distinctiveness). The planner can provide the edge needed to ensure the solution reaches out through the clutter to its intended audience. Moreover, to continue the learning cycle, planners must also recognise the need to demonstrate how and why the communication has performed (Effectiveness).

Finally, to bring upstream thinking to the brand's development. Brands must move forward, or they die!

### **Why do ad agencies have planners?**

1. First, the people who market products and create ads are not necessarily representative of the people at whom those products and ads are aimed. Moreover, the consumer doesn't always take out what the advertiser is trying to put across. Planners are there to keep in touch with consumers.
2. Then, every agency needs a disciplined system for devising advertising strategy and producing creative work that will be effective in the market place. The planner uses market and research data to guide this process.
3. Finally, from a creative point of view, there is a suspicion that research, which plays back the consumer's innate conservatism, will stifle anything unconventional. The planner's role in this situation is to bring skilful and sensitive interpretation of research and to spot openings for development.

### **a. Role of account planning in advertising:**

Account planning is an approach for generating consumer insights that aid in the development of strategy and tactics and in evaluating communications campaigns.

Account planning was developed in the mid-1960s and can be traced to the British offices of two advertising agencies, J. Walter Thompson Co. and Boase Massimi Pollitt. The discipline gained in popularity and spread to the rest of Europe during the 1970s.

In 1982, account planning was "discovered" by Jay Chiat of Chiat/Day and introduced into the U.S., where it was widely embraced. Account-planning departments are now fairly common in the U.S. advertising industry. Account planning originated from a need to concentrate client research, which in the 1960s was diluted across marketing, advertising and media-research departments. The need for this sprung from great changes taking place in society and the nature of consumerism. After World War II, when more women entered the workplace, new product categories catered to the needs of women. Other cultural changes such as the Civil Rights movement, the growth of technology and the rise of health and fitness concerns also influenced the advertising and purchasing of products.

As a result of these changes, the number of companies conducting market research increased. These companies specialized in generating and selling information that analyzed and dissected the changing populace. Among the biggest purchasers of this information were advertising agencies. The resulting deluge of information meant that the account-management team often was not able to put it to good use, and agencies continued to produce advertising without fully understanding the impact of these societal changes on the market.

Thus, account planning was born from the changing consumer environment and the need for a single department to assimilate and analyze relevant product data that could then be applied to the day-to-day decision making on an account. The presence of an account-planning department positioned an agency as having exceptional creative solutions and set it apart from competitors during the all-important stage of seeking new business.

### **Role in advertising**

Account planning encompasses three phases: strategy development, creative development and evaluation of effectiveness. Account planners function as a liaison between the account exec and the creative department as well as between the creative department and the consumer. In this sense, account planners are both fully integrated members of the account team and advisers to the creative team.

The primary responsibility of account planners is to understand the target audience and to "represent" it throughout the advertising-development process. This is accomplished through the use of market and research data on the product or service, the category, the market, the competition and the client. Consumer insights into the potential purchaser provide an understanding of what motivates consumers first to try a product and then to continue buying it, which enable advertisers to establish an innovative connection between a brand and the consumer's life.

Account planners rely on qualitative research techniques that provide an unstructured environment and opportunities for revealing insights into the more emotional aspects of a brand. These techniques include traditional one-on-one approaches such as interviews

and focus groups, as well as more innovative approaches such as accompanied shopping, word associations, use of visual prompts, video montages, projective techniques and consumer diaries. Account planners also depend on behavioral and attitudinal data from long-term studies to uncover social and cultural changes that may be relevant to advertising. In this capacity, they use primary and secondary research sources such as published market reports, usage and attitude surveys, and awareness-tracking studies.

While many of these techniques are similar to those used in other research functions within an agency, account planning differs in that the research becomes part of the process instead of being used only in an advisory or evaluative capacity. For example, while more traditional research may uncover consumer insights, account planners take these consumer insights, interpret them and advise the creative team how they can be used to develop creative strategy.

Account planners are part of the account-management team and work as equal partners with account execs. While each has his or her own areas of expertise, there is substantial overlap between the two roles. The account exec and the account planner share responsibility for the development of most aspects of the agency's marketing input to the client. However, while account planners complement the work of account execs, explaining through research how consumers respond to ads, they do not sell the work of the agency.

Account planning influences the entire creative development process except for production. It has a crucial role during strategy development in helping to incorporate the consumer's point of view. Research gathered by account planners is presented to the creative team in the form of a creative brief, which serves as a blueprint for the creatives in the development of the ad strategy. During creative development, account planners are responsible for researching the advertising before production to make sure it is as relevant as possible and, once the ad runs, they monitor its effects with an eye toward improving subsequent executions and campaigns.

### **Use in ad campaigns**

Account planning has been used successfully in a number of high-profile campaigns. For example, the "Got milk?" campaign, designed by the Goodby, Silverstein & Partners agency, was the first campaign to bring about an increase in milk consumption and sales during the 1990s. The original "Got milk?" campaign was regional in scope and had been initiated by the California Fluid Milk Processors Advisory Board. Per capita milk consumption in California had declined 20% from 1980 to 1993, and the total volume of milk consumed had declined an average of 2% to 3% each year since the late 1980s. The main reasons for the decline were concerns about milk's fat content, a feeling that "milk is for kids" and a boring image for milk overall when compared with other beverages (mainly sodas).

Past campaigns had attempted to stem declining milk consumption by giving milk a fun, trendy image and by running advertising that featured healthy-looking people. While this advertising had been successful in shifting attitudes toward milk (more than 50% of



Californians agreed that "I should drink more milk than I do"), these new attitudes did not translate into sales. These campaigns also targeted Californians who either did not consume milk or who consumed very little of it.

Goodby Silverstein recommended instead targeting the 70% of the population that used milk frequently. Behind this recommendation was the belief that it is easier to get people to continue doing what they would normally do than it is to get people to start doing something that they have not done before.

Planning played a key role in the development of the campaign and uncovered a basic truth about milk: the only time consumers think about milk is when they are out of it. This insight led to the "deprivation" strategy used in the campaign in which complementary food items were presented without milk in order to stimulate a desire for the product. All executions started with one food item-for example, a cookie-for which milk is the perfect complement. The twist in the ads was that there was no milk available to accompany the food, so both the food and the moment were ruined.

This insight was integrated into all levels of the campaign, including media and creative executions as well as promotional programs. As a result of the campaign, which later was expanded to the national level under the sponsorship of Dairy Management, a national dairy industry organization, overall milk consumption grew, frequency of use climbed and sales increased.

## **b. Role of Account Planner:**

**Advertising account planners** work closely with agency **accounts** and creative staff, producing briefs to ensure campaign ideas and strategies are effective and targeted to the right audience. Jobs will typically be with **advertising** agencies, or in media **advertising** departments.

**A typical role of Account planner will consist of:**

**1. Studying the brief from the client and analyzing existing data**, which might consist of: published market reports, distribution data like Nielsen, usage and attitude surveys, awareness tracking studies, advertising research etc?

**2. Market Researcher:** Many account planners have evolved from market researcher origins. Account planning subsumed the agency market research function. Market research craft skills are the backbone of the planner's platform.

**3. Data Analyst:** The planner is charged with ensuring that all data relevant to the brand's communication decisions be properly analyzed, complemented with new research where appropriate, and then brought to bear on judgments of the creative strategy and evaluation of the communications. This is more than just knowing your way around computer tabs from a pre test, but also sales data, trend data, demographics, etc etc. Knowing how to interrogate data and find a story through it rather than be intimidated by it is the challenge. Common sense, intuition, numeracy and clarity of thinking all help. The planner brings added dimension of understanding to the process of developing ads.

**4. Information Centre:** Knowledge is the bedrock of the planner's craft. Knowing where to go to find stuff out is key. However much time pressure is brought to bear on your working day, planners should always make time to feed their heads. Commissioning

more research if necessary in order to define the strategy. There might be several strategic options open for development which concept research can help to finalise. Briefing the creative team for the task, having had the client's input and agreed the strategic course for the brand. Commissioning/doing diagnostic research on initial creative ideas, to determine what effect the advertising is having on attitudes to the brand, and how individual elements are working. Discussing implications with the creative team in terms of how any weak aspects in Communication or desired effect can be dealt with.

Helping to rationalize the thinking behind the advertising so that the client will approve the work.

**5. Target Audience Representative/Voice of the Consumer:** Actively work to understand the consumer and explain him/her to the other members of the agency creative team. The planner's job definition is to ensure that an understanding of consumer attitudes and behavior is brought to bear at every stage of communications development via continuous involvement in the process. Many of the places we work and the colleagues we work with are not representative of the sorts of people and places where our communications are aimed, so it's a good idea to be an empathetic sort.

**6. Strategic Thinker/Strategy Developer:** If the creative brief is the planner's tangible output, developing the brand communications strategy is the precursor task. Strategies help us get to the right marketing / communications brief. It ensures the whole team are aware of the assumptions being made and aids evaluation of the work's effectiveness. The planner identifies the key issue and determines the role for communication against a specific target.

**7. Adding passion and intuition to traditional agency research:** Defining more tightly focused strategies, Stimulating creative development, helping to sell ads.

**8. Writer of the Creative Brief:** The brief is widely considered to be the planner's main product or key tangible deliverable to the creative development process. One of the myths is that all planners do is transcribe the client's marketing jargon into baby talk so the creative can understand it. There's considerably more to it than that of course; clarity, brevity, and fertility being the hygiene factors of a good creative brief. And as the creative brief has the power to spark ideas. and ideas is what our business is all about . then that is a pretty important role.

**9. Insight Miner:** This section probably deserves its own book, but deriving insight from knowledge is one of the most important skills a planner can possess.

These insights about the client's business can come from a variety of areas:

- the consumer
- the client's culture
- the marketplace/category
- the competition
- the brand (past, present, future) values
- the product qualities
- the advertising and communication conventions of the category

**10. Knowledge Applicator:** In this new information age it is in the applying of (rather than acquiring and regurgitating) knowledge that the planner truly comes into their own. Finding things out, filtering them, rethinking them laterally and then using that knowledge to help creative people come up with a (better) idea easier or faster means that the planner is doing their job properly and making a difference.

**11. Supervising any pre-testing of the ads:** To ensure that branding and message recall are at satisfactory levels.

**12. Tracking the results of the advertising** in terms of sales, awareness and image so that modifications can be made to subsequent campaigns. In all these stages the planner will work with other members of the agency team, the client's research department and research suppliers.

## **C. Attributes of a Good Account Planner?**

### **Bern Bach Lessons:**

- **Simplicity**
- **Honesty**
- **Style**
- **Intelligence**
- **Humor**
- **Respect**
- **Consumer Involvement**

1. Having a passion for advertising and sensitivity to the creative process.
2. Having an intuitive curiosity about consumers, and an understanding of human relationships.
3. Being able and inspiring communicator.
4. Being skilled at using marketing and research data.
5. Being numerate and imaginative in order to translate research results into advertising action.
6. Having credibility and authority in the context of research and advertising judgments.
7. Having a strategic and visionary mind to create openings after brilliant detective work
8. Having a desire to be continuously involved as an integrated member of the account team.
9. Maintaining a balance between theory and pragmatism concerning how ads work.

### **Other attributes of the account planner:**

10. Curiosity about what makes people act and think the way they do; capable or real insights into motivation; someone who understands that what people say is not necessarily what they believe or do; someone who is detailed enough to examine a problem from different perspectives without losing sight of the big picture.

11. Logical and analytical, yet capable of lateral thought; views research as a means to an end: not technique-oriented; pragmatic approach to problem solving. Ability to conceptualise and think strategically: ability to clearly identify problems
12. Capable of taking a commercial and making a reasonable judgement/guess on its intended effects (role of advertising, target consumer, desired responses); intuitive about people, brands and advertising; able to portray a target consumer without immediately stating demographics; an understanding of advertising as only one tool in the marketing mix, its potential uses and its limitations; an ability to see alternate strategic routes for a given problem/brand.
13. Numerate. Able to visualise the meaning of numbers and generate hypotheses, or Draw conclusions; an eclectic user of information, with a desire to draw on all sources rather than just the most recent; someone who accepts nothing at face value, and challenges assumptions until the whole picture (sales, quantitative, qualitative, competitive info, etc) makes sense.
14. Advertising orientation; passionate about the subject, .Planners are always interested in advertising. Above all, someone who enjoys talking about advertising.
15. Presentation skills; able to argue a point of view coherently and concisely; not afraid of big or senior audiences; able to .win. An argument without making the protagonist (client) feel like a loser; quick-thinker; able to speak authoritatively, without seeming dogmatic or inflexible.
16. People skills; a team player; someone who can appreciate and use inputs from others; someone who knows when to push and when to relax.
17. Great personality! Must be able to see the funny side of it all; to be a participant, not an observer; involvement must be genuine, not forced; must to able to deal with pressure, unpredictable circumstances, an informal, loosely structured work environment, and (occasional) criticism; not territorial nor defensive nor paranoid.
18. **Account Planners are Strategists** = represent the voice of the consumer w/in advertising agencies. Particularly attuned to emotions + thoughts driving consumer response to advertising

### c. Account planning Process:

It is safe to say that the way Account planning works varies from agency to agency, and even within an agency, from planner to planner. A typical Account planning cycle starts with a study of the brief from the client and secondary research, meaning any research that is currently available. Then the planner must delve into the consumer and retrieve primary research that is applicable to the product and the client brief. The planner must brief the creative on the upcoming campaign. Understanding the brand attitudes and its individual elements is important to the diagnostic research.

At this point the all the information must be funnelled into a creative brief and presented to the creative team. It is important that the account planner rationalize the advertising and its message to the client. Once chosen or approved by the client the planner can take steps to pre-test the ads to ensure that the research, branding, message recall and ideas of the consumer are appropriately applied and at satisfactory levels. The account planner's job never ends. Once the advertising is public the planner must constantly evaluate the campaign for effectiveness, so that changes can be made if necessary.

In today's advertising field, "almost every advertising agency (and their clients) benefits from a disciplined system for devising communications/advertising/commercial strategy and enhancing its ability to produce outstanding creative solutions that will be effective in the marketplace." It is the account planner's task to act as the "consumer's conscience" and guide this process through the use of their knowledge of the consumer.

### **Account planning process.**

The accompanying chart illustrates one model for the account planning process.

**Step 1: Brand and Market Audit:** In this model, planning begins with an analysis of the marketplace, the competition, a brand's strengths and weaknesses, pertinent demographics, psychographics and cultural trends. Whether advertising creates or reflects the images doesn't matter; what is important is that the meaning, sometimes the myth and mystique, behind the brand is understood. To do this, planners have resorted to inventive ways of eliciting consumer attitudes in order to understand the richness of a brand, and how consumers relate to it. Also, as markets became more competitive, brands had to become more sophisticated. Threats like new technology, product parity and own-label brands put more pressure on premium brands to differentiate themselves.'

**Step 2: Analytical Ideation:** "Analytical Ideation" refers to a method that borrows from linguistics, psychology, anthropology, traditional ideation, and classic marketing to provide a springboard for new strategies and research questions. According to Jon Steel (1998), 'The first skill of the planner's job is to make ideas happen, not necessarily to have those ideas themselves. The second skill is to spend more time listening than talking, whether in conversation with consumers, clients or other agency team members. A good listener will recognize those good ideas and use them, thus allowing others to do the work for him/her. The third attribute is a chameleon-like quality that allows the planner to develop relationships with an extraordinarily diverse group of people. In the space of 24 hours, a planner may be presenting a strategy to the chairman of a Fortune

500 company, moderating a focus group with single, low-income mothers and briefing a creative team on a new project. It is important that he or she is able to relate to all of them, in order to both gain their trust and understand their points of view.'

The planning equation can be illustrated in this way (Cooper & Robson, 1997):

### ***Insight + Ideas = Effectiveness***

#### ***- Different skills and approaches***

Jon Steel argues the importance of people working in planning having very different views on the world and different approaches to problem solving. In building a planning department in an agency, it is essential to recruit for such diversity. Without it, planners are likely to think and behave in the same way and this in turn will lead to identical solutions and stagnation. Nick Kendall of Bartle Bogle Hegarty, in London, also shares this view. The thing about planning is that it is completely imaginative and completely logical, totally subjective and totally objective, perfectly number-based and perfectly emotion-based all at the same time. The planner is happy to talk to business people and creative people and he or she is driven by the desire to find out what is wrong, but also what is right.

At Abbott Mead Vickers.BBDO they use the 'three Is' to describe the quality of a planner, and these three values should reflect everyone working in the planning department:

- Inquisitive
- Inspiring
- Imaginative/inventive

After talking to a lot of central planning figure in the UK, it seems to me that the ideal planner is both a very analytical person and imaginative, and this can be divided into two characteristics. First, he/she has to be inquisitive and keep digging into the mind of the consumer. Second, he/she needs to be a lateral thinker, because the best solutions are those that are created from a lateral leap and not just the obvious solution.

The planner is the member of the agency's team who is an expert, through background training, experience and attitudes, in working with information, not just with market research but with all the information available, and getting it used in order to help solve a

client's advertising problem. 'The planner's job is to continuously analyse and interpret the available information: its assessment, its uses and, maybe more crucially, its limitations. "Just a re-titled researcher" is not enough. His/her interests, background, the role expected, the personality needed and how he/she is regarded by the rest of the agency are all likely to limit how well he/she fits the part.' (Bartle, 1980)

**Step 3: Customer research:** From planner's point of view, researchers are passionate about research and account planners are passionate about advertising. The planner is a part of the whole process and an integral part of the team, and therefore also has to create an understanding about what is said and why. In other words, as Merry Baskin put it, the planner develops a broader and deeper understanding of the consumer and about his/her relationship with advertising. The planner's primary role is to champion the consumer's point of view. The core craft of planning is therefore the translation of research evidence into research judgment. Studies relevant to advertising hardly ever speak for themselves and almost always require interpretation based on knowledge of researching skills and advertising techniques. This is where the planner comes into the picture.

Customer research may include qualitative and/or quantitative inquiries. Planning and planner related research is all about talking to real people and what motivates those people in their daily lives. According to Bartle Bogle Hegarty (2001) in London markets and society as such are constantly fragmenting and to succeed a brand needs fame. BBH claims that without fame a brand will neither be trusted nor purchased. It will die. On the other hand the right kind of fame to the right kind of consumer is what results in sales. As planners we therefore constantly need to be working on innovative new ways to get in touch with what people really think and feel about brands, and about the world in general. According to the APG (2001) advertising is a means of contributing meaning and values that are necessary and useful to people in structuring their lives, their social relationships and their rituals. APG continues to argue that there is no doubt that consumers are now more knowledgeable about advertising and more interested in advertising than ever before. In relation to advertising, consumers are not learning machines and it needs an expert to understand the consumer relationship to advertising. In the APG booklet "Planning in practise" (APG, 1999) they argue that 'general attitudinal models and

mechanistic research measures have no role to play in modern advertising culture because they're too blunt an instrument. A famous U.K. researcher likened the housewife in the supermarket to the driver of a motorcar, making hundreds of decisions (mostly sub-conscious) in response to various triggers. Qualitative research has taken on greater significance in understanding the way advertising works on consumers. '

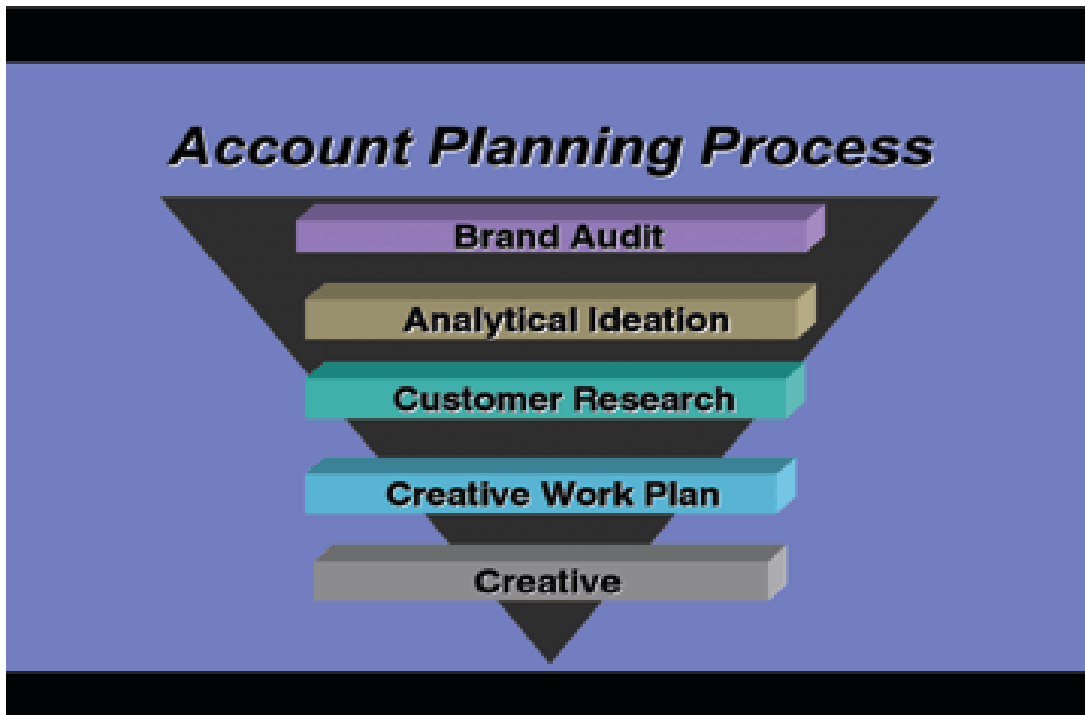
The planner ensures that all interpretations are sound and relevant and presented to the right kind of consumers in the right kind of media.

**Step 4: Creative Work Plan:** The "Creative Work Plan" is the blueprint for creative development; it incorporates all of the learning and insights generated thus far. 'Account planning impacts on the whole creative development process except for production. It has a crucial role during strategy development, driving it forward from the consumer's point of view. During creative development, account planners act as sounding boards for the creative team. They are responsible for researching the advertising before production to make sure it is as relevant as it can be; finally, once the work runs, they monitor its effect in depth with a view to improving it the next time around.'

Not surprisingly, planners need to know a lot about creativity and the creative process, and they definitely need to be comfortable with the fact that creativity is strange, intangible, and often hard to understand. The planning process can add to the creative process by leading the thinking in an inspirational way. 'The creative team wants a single-minded directional brief, not a long list of 'academic talk'. Most good creative teams want to know the consumer beyond a mere demographic definition; they want to know what the consumer wants, rather than what the client wants. A good planner brings this sharply into focus like an expressive photograph.'

**Step 5: Creative Development:** "Creative Development" gives life to the analytical work upon which it is based. An evaluative phase of strategies and creative work is often built into the account planning process at critical junctures





Because all agencies differ and each planner brings a personal expertise to an assignment, the planning process is varied in content and scope. Whatever the model, with the right analysis and insights, planners unlock potential in brands that might never be tapped without their guidance. It is often argued that account planning, part of many disciplines and a discipline of its own, simply makes advertising better.

# **MODULE: IV**

## **ADVERTISING CAMPAIGN MANAGEMENT**

- a. Means-End chaining and the Method of Laddering as guides to Creative Advertising Formulation
- b. Digital Advertising Strategy / Campaigns

### **Chapter 3.**

#### **The Marketing plan of the client**

- a. Understanding client's marketing strategy
- b. Outlining Marketing problem/opportunity
- c. Marketing objectives as stated by the client
  - i. *Profit objective*
  - ii. *Sales and market share objective*
  - iii. *Setting advertising objective*
- d. STP
- e. Constraints on strategy formulation and implementation
- f. Setting evaluation criteria

#### **MARKETING AUDIT**

##### **DEFINED:**

A systematic, comprehensive, and periodic review of the entire marketing activities of an organization

##### **THE PURPOSE OF THE AUDIT IS TO:**

- Determine what is currently being done
- Evaluate what is being done
- Recommend what should be done in the future

#### **1. Understanding clients marketing strategy**

##### **“Marketing Plan”**

A marketing plan outlines the specific actions corporate intend to carry out to interest potential customers and clients in their product and/or service and persuade them to buy the product and/or services they offer.

The marketing plan implements marketing strategy. "The marketing plan is the specific roadmap that's going to get you there. " A marketing plan may be developed as a standalone document or as part of a business plan. Either way, the marketing plan is a blueprint for communicating the value of your products and/or services to your customers. Marketing strategy provides the goals for marketing plans. It tells you where you want to go from here.

***What's the difference between a marketing strategy and a marketing plan?***

The marketing strategy is shaped by overall business goals. It includes a definition of business, a description of products or services, a profile of target users or clients, and defines company's role in relationship to the competition.

The marketing strategy is essentially a document that managers use to judge the appropriateness and effectiveness of thier specific marketing plans. The first step in developing a marketing plan: is to create specific marketing objectives and write them down. What do you want your promotion efforts to do for you?

E.g. 2% increase in market share after the Advertising campaign.

**How Marketing Plans Work:**

Planning company's marketing program is a process much like the one you go through as a young person deciding what you want to do with your life. You go through phases of: Learning and discovery of the world around you development and self-realization of skills, strengths and weaknesses

- a. goal setting based on those strengths and weaknesses
- b. setting strategies for achieving your goals
- c. planning your attack
- d. working through that plan to make it happen

**There are seven steps in marketing plan**

**Step 1: The marketing brief**

Understanding the client marketing strategy by getting the detailed information from them. Understanding in detailed the various facet of clients business is the precursor to marketing plan.

**Step 2: Marketing audit**

**DEFINED:**

A systematic, comprehensive, and periodic review of the entire marketing activities of an organization.

**THE PURPOSE OF THE AUDIT IS TO:**

- Determine what is currently being done
- Evaluate what is being done
- Recommend what should be done in the future

**Step 3: Marketing Objectives**

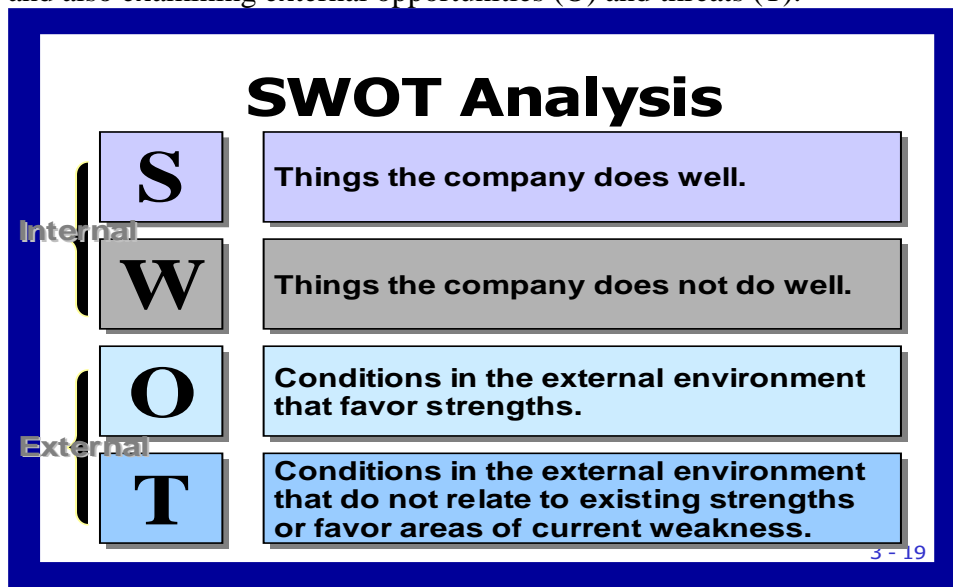
Marketing objectives should be the means to achieve sales objectives. By working through target market data and your market segment data, you should come up with marketing objectives that address every group.

Marketing objectives should follow the same rules as the sales objectives, and be measurable, quantifiable (meaning there is a specific number of some sort assigned to each one), and time specific. You should have a marketing objective that addresses each group in your target market. For this reason, you need to have good data about the sizes of your market, potential market, and your current customer base. To this data, add information such as recognized opportunities, your customers' buying rates, and other behavioural issues. This information will help you estimate the numbers you need to attach to your marketing objectives.

**Step 4: Marketing problem/opportunity definition:**

**It consists of the following steps:**

- a. SWOT Analysis
  - b. Environment scanning, and
  - c. competitive analysis.
- a. SWOT analysis consists of identifying internal strengths (S) and weaknesses (W) and also examining external opportunities (O) and threats (T).



**b. Environmental Scanning:** collection and interpretation of information about forces, events and relationships in the external environment that may affect the future of the organization or the marketing plan implementation.

**Examination of macro environmental forces**

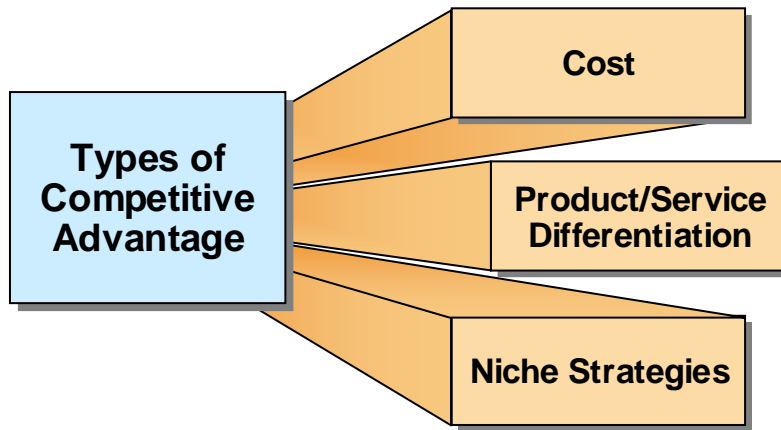
- Social
- Demographic
- Economic
- Technological
- Political / Legal
- Competitive

Market opportunities are areas where there are favorable demand trends, where the company believes customer needs and opportunities are not being satisfied, and where it can compete effectively.

***c.. Competitive Analysis:***

An important aspect of marketing strategy development is the search for a competitive advantage; something special a firm does or has that gives it an edge over competitors. Ways to achieve a competitive advantage include having quality products that command a premium price, providing superior customer service, having the lowest production costs and lower prices, or dominating channels of distribution. Competitive advantage can also be achieved through advertising that creates and maintains product differentiation and brand equity.

# Competitive Advantage



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## Step 5: Develop marketing strategy

After evaluating the opportunities presented by various market segments, including a detailed competitive analysis, the company may select one, or more, as a target market. This target market becomes the focus of the firm's marketing efforts, and goals and objectives are set according to where the company wants to be and what it hopes to accomplish in this market.

There are three steps in deciding marketing strategy:

- a. **Segmentation,**
- b. **Targeting,**
- c. **and Positioning**

# Segmentation, Targeting, and Positioning



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## **a) Market segmentation:**

**a) Market segmentation:** Analyzing sub-markets within a greater market. Dividing a market into distinct groups with distinct needs, characteristics, or behaviour who might require separate products or marketing mixes.

Some of the bases for segmenting markets and demonstrates advertising and promotions applications.

Market segmentation is “dividing up a market into distinct groups that:

- a) Have a common needs and
- b) Will respond similarly to a marketing action.

**Segmenting Consumer Markets based on the following:**

### **a. Geographical segmentation:**

**Region, City or Metro, Size, Density, Climate**

### **b. Demographic segmentation:**

**Age, Gender, Family size and Fife cycle, Race, Occupation, or Income...**

### **c. Psychographic segmentation**

- **Lifestyle, social class, and personality-based segmentation**

### **d. Behavioral segmentation:**

**Occasions, Benefits, Uses, or Attitudes**

## **b. Targeting,**

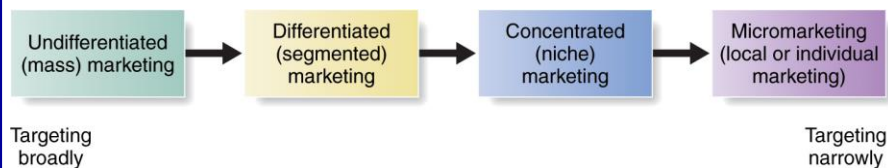
Depending upon the emerging patterns of market segmentation, homogeneous preference (showing no natural segments) as in case of soft drinks sale by Pepsi and CocaCola), diffused preference (showing clear preferences as in case of automobile market), and clustered preference (market showing natural segments as in case of occupation having impact on the types of clothes worn), a company chooses its market segmentation strategy.

- A) **Undifferentiated Marketing:** It is a market coverage strategy in which the company treats the target market as one and does not consider that there are market segments that exhibit uncommon needs. The company focuses on the centre of the target market to get maximum advantage. The feature of 'one product-all segments' calls for presenting one marketing mix for the target market. For example, the CocaCola Company sells Coke, Limca, Thums-up etc., and does not distinguish the target audience.
- B) **Differentiated Marketing:** It is a market coverage strategy in which the company goes for proper market segmentation as depicted by its analysis of the total market. The company, therefore, goes for several products or several segment approach which calls for preparing different marketing mixes for each of the market segment. This strategy is followed by Hindustan Lever Limited which sells different soaps (Life Buoy, Lux, Rexona, Liril, Pears etc.) and each of them has its own market. Thus, the company creates segments in the soap market and not in toiletries market (including soaps, detergents, toothpaste, etc.)
- C) **Concentrated Marketing:** It is a market coverage strategy in which company follows 'one product-one segment' principle. For example, Ashok Leyland produces large chassis of machine which can be used for buses and trucks. The manufacturer gets maximum knowledge about the segment's needs and therefore acquires special reputation. This strategy can also help the small company to stand against a large corporation because the small company can create niches in its one-product one-segment approach by providing maximum varieties.



# Target Marketing Strategies

## Figure 7.2



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### ***c. Marketing: Positioning and Re-positioning***

Positioning places a brand in the consumer mindset, which enables the consumer, recognize brands distinctly as separate offerings. Position communicates the entire set of value propositions for the brand that the buyer associates himself with. It is that degree of differentiability that any brander charges in his price. A right position can and does convey powerful signals about the brand and can clearly help the consumer to associate properties, which are distinguishable.

The key idea in positioning strategy is that the consumer must have a clear idea of what your brand stands for in the product category, and that a brand cannot be sharply and distinctly positioned if it tries to be everything to everyone.

#### **Positioning benefits:**

- Consumer distinguish brands from each other
- Consumer can rank brands in order of their preference
- Creates Value for money equations and facilitates purchase

#### **Positioning has to be:**

- Pre-emptive
- Unique
- Consistent not constant

- Containing some consumer insight about the product category
- Communicable
- Embedding a strong reason- to- believe
- Demonstrable through the brand's appearances and the overall retail effort
- 

### **Seven approaches to positioning strategy:**

- (1) Using product characteristics or customer benefits ( Daag jayga per raang nahin jayga Surf excel)
- (2) The price-quality approach. Isse sasta aur accha kahin nahin)
- (3) The use or applications approach ( Aspirin)
- (4) The product-user approach ( Santro, smart, intelligent, handsome)
- (5) The product-class approach Manikchand Unche log unche pasand)
- (6) The cultural symbol approach ( Videocon, the indian multinational, desh ki dadkan, Hero honda, Tata Namak Desh ka namak) , and
- (7) The competitor approach.( Maruti)

### **STEP: 6; Executing the plan**

A marketing plan is more than just a statement of objectives; it provides guidance throughout the year and directs all of marketing efforts. It helps corporate and its marketing team to work together towards a common goal as they execute their plan.

#### ***Follow the Plan***

Utilizing the integrated financial projections and milestones, one can refer back to Plan Write for marketing often. One can:

- a. Compare actual data to projections
- b. Modify projections
- c. Determine what can be done to get back on track
- d. Produce Winning Results
- e. The fact that one has a written a marketing plan puts one ahead of the pack. Executing that plan will drive one even further ahead, increasing chance for success.

### **Step 7: Evaluating Plan:**

Compare actual performance with the planned performance

#### **Input Variables (Where are we now?)**

- Input into plan
- Marketing needs/analysis - Baseline data (Where are we now?)

#### **Process Variables (What did we do?)**

- Marketing Specialist Schedule

#### **Product variables (What was developed for marketing plan?)**

- Brochures, videos, newsletters, displays, give-aways
- Questionnaires/surveys and focus groups

#### **Outcome Variables (Who knows about it?/What happened?)**

- a. Awareness and saturation of goals and mission
  - General public
  - Identified market segments
- b. Brand recognition
- c. Awareness of opportunities for target segment

## **Chapter 3A**

### **Setting objectives**

#### **SETTING THE ADVERTISING OBJECTIVES:**

**Def:** A specific communication task to be accomplished with a specific target audience during a specific period of time.

A specific communication task an advertising campaign should accomplish for a specific target audience. Advertising spiral the stages through which a product-class' advertising passes, including: Pioneering, Competitive and Retentive.

The advertising objectives must flow from prior decisions on target market, market positioning, and marketing mix.

**The importance of objectives:**

Advertising must be a planned activity. Simply spending money on advertising will achieve little or nothing unless:

1. We are clear why we are spending it-we must know what our objectives are.
2. It is spent in such a way as to make it likely that the advertising will help carry us towards those objectives.
3. These two requirements in turn lead to a third:
4. We must measure whether the desired objectives are or are not achieved.

An important reason for setting objectives is that they provide a benchmark against which the success or failure of the promotional campaign can be measured.

One characteristic of good objectives is that they are measurable: they specify a method and criteria for determining how well the promotional program is working.

**The advertising objectives can be classified INTO FOUR TYPES according to whether their aim is to**

- ❖ **Informative advertising:** it is heavily used in the pioneering stage of a product category, where the aim is to build primary demand.

**For example:** *Ujala, where the ad talks about how different it is from the age old “neel” by talking about its solution contents and showing how different your clothes look when washed with Ujala.*

- ❖ **Persuasive advertising:** it is generally used when the product is in the competitive stage, where the company’s objective is to build selective demand for a particular brand.

**For example:** *Whirlpool ice magic positions itself as being a quick ice maker and was the first one of its kind to use this as a marketing platform.*

- ❖ **Reminder advertising:** it is very important to use these when the product is in the maturity stage. They are intended to remind people to purchase your brand.

**For example:** *Thums up, Coke, Pepsi ads all these ads no more are shown to create awareness or persuasion because people are already aware of their presence and already have chosen the brand of their choice. These are just reminder ads to keep the brand or the company fresh in the minds of the consumers or have the brand top of mind.*

- ❖ **Reinforcement advertising:** It seeks to ensure the buyers that they have made the right choice by purchasing your brand.

**For Example:** *Hamara Bajaj advertisements make the owner of the two wheelers of Bajaj proud of their possession by giving it a patriotic positioning.*

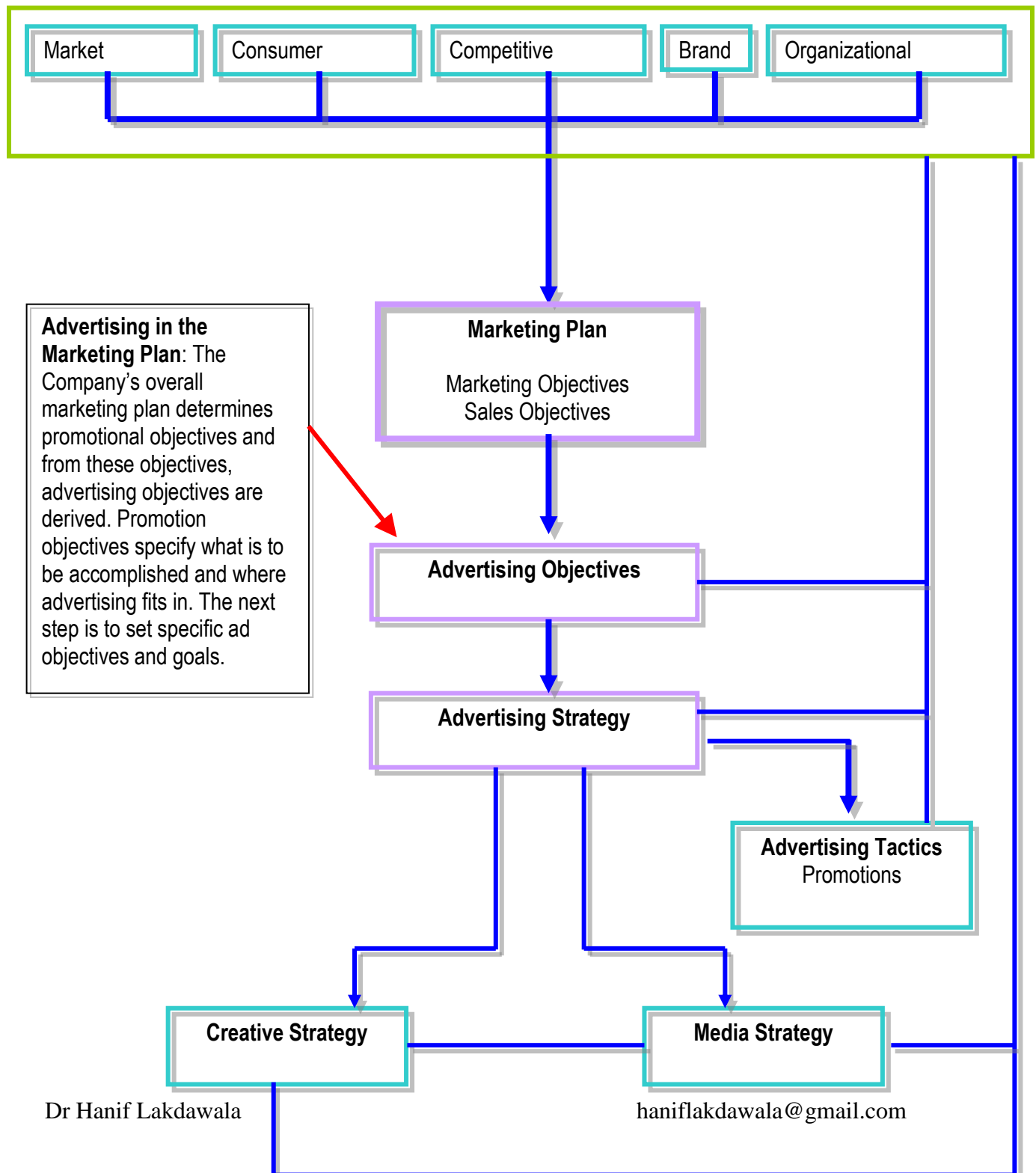
## **ADVERTISING OBJECTIVES**

*“With realistic goals for advertising, you can satisfy both those who are investing in the advertising and those who are creating it.”*

Almost every person involved with advertising wants to measure their advertising's results. Those who pay the bills want to know the return on their investment, and those creating the advertising want to demonstrate that their work is effective. Research efforts on the part of advertisers, ad agencies, and the media have helped quantify the results of advertising. But most continue to face basic questions such as: Does your Advertising work? How hard does it work? What specifically does it do for your business? Should I increase, maintain, or decrease spending? What's the best message I can put in my advertising?

There are no easy answers to these questions. Solutions are a mixture of science and art.

## Where does advertising objectives fall in the Marketing Plan



## NEED FOR ADVERTISING OBJECTIVES

One of the reasons many companies fail to set specific objectives for their advertising and promotional programs are that they fail to recognize the value of doing so. There are several important reasons for setting advertising and promotional objectives:

**Direction:** Advertisement objectives are essential because it helps the marketer to know in advance what they want to achieve and to ensure that they are proceeding in the right direction. Pin pointing the ad objectives also helps in *making one's goals real and not imaginary*, so that effective ad programmes can be developed for meeting the objectives .it also guides and controls decision-making in each area and at each stage

**Communication:** Objectives provide a communication platform for the client, the advertising agency account executive help coordinate the creative team members and the efforts of copywriters, media specialists, media buyers and professionals involved advertising research. The advertising programme must also be coordinated with other promotion mix elements within the company. In fact many problems may be avoided if all the concerned parties have written objectives to guide their actions and serve as a common base for discussing related issues

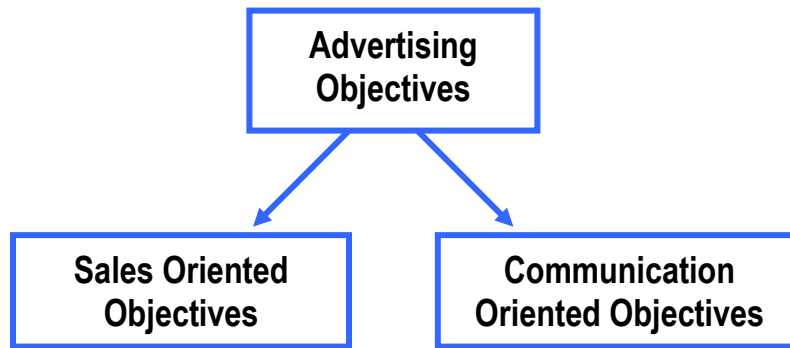
**Planning and Decision Making**—Specific objectives can be useful as a guide or criterion for decision-making. Advertising and promotion planners are often faced with a number of strategic and tactical options in areas such as creative, media, budgeting and sales promotion. Choices among these options should be made on the basis of how well a strategy or tactic matches the promotional objective.

**Measurement and Evaluation of Results**—A very important reason for setting specific objectives is that they provide a benchmark or standard against which success or failure of the campaign can be measured. When specific objectives are set it becomes easier for management to measure what has been accomplished by the campaign

### *Two Distinct Schools Of Thought*

What should be or what could be the objectives for advertising? A controversy around this question is still running hot in the ad world. *One school* holds that ad has to necessarily bring in more *sales* and therefore ad objectives should certainly include sales growth.

The *second* and diametrically opposite view is that ad is essentially a *communication task* and it should have only communication goals, or goals intended to shape the awareness and attitudes of consumers



Each of these objectives is explained in detail in the subsequent chapters.

## **SALES AS AN ADVERTISING OBJECTIVE**

### **Sales- Oriented Objectives:**

Many clients believe that money spent on advertising & other forms of promotions should produce measurable results, such as increase in sales volume by a certain % or rupee value or increasing the brands market share.

They believe, objective should be based on the achievements of the sales results.

### **Problem with sales objectives:**

1. In the business world, poor sales results can be due to any of the other marketing mix variables, including product design or quality, packaging, distribution, or pricing. Advertising can make consumers aware of and interested in the brand, but it cannot make them buy it, particular if it is not readily available or is priced higher than a competing brand. Nothing will kill a poor product faster than good advertising.

2. Another problem with sales objectives is that the effects of advertising often occur over an extended period. Many experts recognize that advertising has a lagged or **carryover effect**; monies spent on advertising do not necessarily have an immediate impact on sales. Advertising may create awareness, interest, and/or favorable attitudes toward a brand, but these feelings will not result in an actual purchase until the consumer enters the market for the product, which may occur later.

A review of econometric studies that examined the duration of cumulative advertising effects found that for mature, frequently purchased, low-priced products, advertising effects on sales lasts up to nine months.

3. Another problem with sales objectives is that they offer little guidance to those responsible for planning and developing the promotional program.

### **Where Sales Objectives are appropriate:**

1. A major objective of most sales promotion programs is to generate short term increase in sale.



2. Direct-response advertising is one type of advertising that evaluate its effectiveness on the basis of sales.
3. When sales or special events are promoted.

### **Communication objectives:**

Refers to what the firm seeks to accomplish with its promotional program.

They are often stated in terms of the nature of the message to be communicated or what specific communication effects are to be achieved.

Communication objectives may include creating awareness or knowledge or knowledge about a product and its attributes or benefits; creating an image; or developing favorable attitudes, preferences, or purchase intentions.

Communication objectives should be the guiding force for development of the overall marketing communication strategy and of objectives for each promotional-mix area.

Many marketing managers view their advertising and promotional programs from a sales perspective and argue that sales or some related measure such as market share is *the only meaningful goal* for advertising and thus should be the basis for setting objectives. They take the position that the basic reason a firm spends money on advertising and promotion is to sell its products or services. Thus they argue that any money spent on advertising should produce measurable sales results.

#### **Example:**

**There are many companies of low involvement products like confectionery and sweets whose advertising objective would be solely of sales. However over the time even these companies have realized that sales cannot be the sole objective of advertising, ad building a brand and establishing a favourable attitude towards the brand is also important.**

#### **Drawback of using sales as the only objective of advertising**

Sales are a convenient and really attractive advertising objective for many managers, but except for *Direct Action Advertising*, they are *usually unsuitable* for most advertising. In today's increasingly competitive market conditions, marketing and brand managers are often under pressure to show sales results and their perspective is short term in evaluating advertising. They look for quick fix solutions for declining sales, ignoring the dangers of linking advertising directly with sales

- In case of sales as the advertising objective, it would be quite simple to evaluate the results of the ad campaign. Sales objective however *may not be operational* in certain cases because advertising is *just one factor among many others* that influence sales, to identify the contribution of advertising alone may really be difficult. Other factors that may have significant effect on sales are product features, price, distribution, personal selling, publicity, packaging, competitor's moves, and changing buyer needs.

### Example

**APPLE** computers advertised their iMAC in some selected print media vehicles in India; the ads were very successful and did in fact draw many potential buyers to dealerships. However in good number of cases the matter ended there. The problem was not with the ads, the campaign was very successful attracting and creating product liking but the price and non-availability of peripherals discouraged them. It would be unfair to measure the success of ads themselves by the number of Apple computers sold to home users.

- The time lag between audience exposure to an ad and when that ad may lead to an actual sale could be quite long because majority of the ads usually produce sales effect after a long period of time.
- Sales as an advertising objective, offer little guidance to creative and media people working on the account. They need some direction regarding what kind of ad message the company hopes to communicate, who will be the target audience and what specific response from the audience is desired.

Thus advertising objectives that emphasize sales are usually not very operational because they provide little practical guidance for decision makers. No one argues the desirability of a sales increase, but which campaign will generate such an increase? If an objective does not contribute useful criteria on which to base subsequent decision, it cannot fulfill its basic functions.

Again ‘increased sales’ is not a specific goal – it is only a wish for the future. What percentage increase is the company looking at? By which date? Where are these increased sales going to come from? How are they going to be achieved? The lucidity of these answers will influence the effectiveness of the company’s advertising objectives.

### Where Sales Objectives for advertising can be applied

In spite of problems that sales objectives pose, there are certain situations when sales objectives can be appropriate.

- **Direct Action Advertising:** Some direct action advertising attempts to induce quick response from the members of the target audience, such as ads offering some kind of incentive, or ads announcing contests, or encouraging prospects to place orders on phone or through internet. In such cases evaluation is based on sales results.
- **Sales Promotion Programs:** Many sales promotion programs have sales objectives since their goal is often to generate trial or short-term sales increases

### **Example**

**Many companies have the “Scratch and Win” offers, which are usually advertised on television. One such company was VIM bar, which had a scratch and Win offer for about two months.**

- In case of companies where advertising plays a dominant role in the marketing programme and other elements are relatively stable, sales oriented objectives are used.

There are again many sales oriented objectives, which a particular company can have. They are given in the following table.

## **COMMUNICATION OBJECTIVES**

Often when we think of advertising, we just think of great ads that make us laugh or engage us in some manner. We tend to judge ads by these simple criteria. However, a far more powerful way to look at advertising is by understanding that advertising is a communication task, with specific communication objectives, and therefore we need to understand how communication works.

The starting point is an audit of all the potential interactions target customers may have with the product and the company. For example, someone interested in purchasing a new computer would talk to others, see television ads, read articles, look for information on the intranet, and observe computers in a store. The marketer needs to assess which experiences and impressions will have the most influence at each stage of the buying process. This understanding will help marketers allocate their communication budget more efficiently. To communicate effectively, marketers need to understand the fundamental elements underlying effective communication.

On the basis of the communication importance, there were eminent personalities who made the **communication models**, which help a marketer to understand, how he should go about communicating his product to the target audience.

All these communication models are centered on the **three stages** of the buying behaviour of consumers.

The three stages are:

### ***Cognitive Stage***

The cognitive component deals with *cognition, or knowledge*; it is the power of knowing, perceiving or conceiving ideas about the product. It is dealing with the *basic information* that a consumer needs to know. A customer needs to be exposed to the product and understand its usage before he actually purchases it.

### ***Affective Stage***

The effective component deals with the *affections/emotions*. For example, feelings of *likes or dislike* towards objects are dealt on the effective plane. It is at this stage that the consumer will either have preference or liking towards the product or he will develop a dislike. This stage shows his attitude towards the product, whether he is for or against the product.

### **The Three Stages**

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Cognitive

Affective

Behaviour

### ***Behaviour Stage***

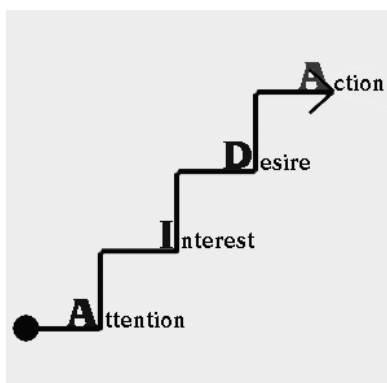
This is the stage when the consumer, after having the knowledge and developing the liking or disliking towards the product, will ultimately lead into a *purchase* of the product or *rejection* of the product. He would first try the product and develop loyalty towards it or he is completely convinced that the product is good and would purchase the product.

Hence there are many models, which are based on these three stages, which is explained in the next chapter.

## MODELS BASED ON THE THREE STAGES OF BUYING BEHAVIOUR

Stages	AIDA Model	Hierarchy of effects Model	Innovation – Adoption Model	Communications Model
<b>Cognitive Stage</b>	Attention ↓	Awareness ↓ Knowledge	Awareness ↓	Exposure ↓ Reception ↓ Cognitive response
<b>Affective Stage</b>	Interest ↓ Desire ↓	Liking ↓ Preference ↓ Conviction	Interest ↓ Evaluation	Attitude ↓ Intention
<b>Behaviour stage</b>	Action	Purchase	Trial ↓ Adoption	Behaviour

### AIDA MODEL



#### AIDA Model

The design and development of advertising follows the AIDA formula. The effectiveness of advertising depends upon to what extent the advertising message is received and accepted by the target audience.

Research has identified that an advertisement to be effective has to

- (i) Attract **Attention**
- (ii) Secure **Interest**
- (iii) Build **Desire** for the product and finally
- (iv) Obtain **Action**.

All advertisements obviously do not succeed on these counts. This is one solitary reason behind the great divergence between the number of people exposed to the advertisement and those who ultimately take the purchase decisions. At this stage, however, other elements of the marketing mix, especially distribution become crucial.

Advertisement communicates an idea, a message or a belief. An advertisement would be effective only if the media audience accepts that message and is motivated to take the required action. Several models have been developed which have specifically identified the sequence of events, which must take place between receipt of the message and desired action.

**AIDA Model:** A somewhat simplified model based on the identical principle of sequential stages of consumer action is known as AIDA model.

Advertising as a communication medium can in most cases effectively perform the first three functions. In the case of direct-action advertising, it also must translate the desire into action, unaided by any other promotional instruments. In the case of indirect-action advertising, however, the action can be aided at the time of purchase by two-way communication between the intending buyer and the sales staff.

Let us examine the attention, interest, desire and action components in more detail.

**Attention:** The layout is the most important factor that directs attention to an advertisement. Typography and colors used in the layout can rivet us. The size of the advertisement also compels us to get attracted to it. Contrast by white space is a good attention-getter. Movement is a vital element for getting attention. Movement can be physical or emotional. The position of the advertisement also adds to its attention value. Celebrities in the advertisement, dramatization; model selection, illustration all this contribute to attention.

**Interest:** Ad seen does not mean ad read. Mostly people see the illustrations and do not read the copy. Here illustrations have to work hard. They should, together with headlines must provoke further reading. The selection of the illustrations and its integration to life are thus very important. Even copy format is important for interest creation. A humorous copy works some people on by a scientific copy, and some. Here there is a dilemma for a copywriter. He has to satisfy maximum number of people so he has to search for a common denominator of interest.

**Desire:** The basic purpose of advertising is to create a desire for the product or service being advertised. It is a function of appeals used for the motivation of people. Vivid description or copy always helps. Buying motives, physiological as well as psychological, make people purchase products. The copy of the advertisement must kindle these motives. There are certain barriers here - certain reservations in the mind of customers. We have to overcome them. We have to convince by giving evidence, testimonials, endorsements, and facts and figures. On arousal, people become prone to buy the product.

**Action:** The logical end of the desire aroused is to buy the product.

1. Products are associated with company.
2. The message is repeated.
3. Certain immediate action appeals are used.

There are six steps or movements towards the purchase of a product or service. The first two, awareness to knowledge, fall in the cognitive sphere of related behavioral dimension. It deals with the realm of thoughts. Advertising here provides essential information and facts. These advertisements are announcements, descriptive slogans, jingles, and sky writing and teaser campaigns. .

The next two steps in the movement towards purchase are liking and preference. These have been linked with the affective sphere, which is the realm of emotions wherein the



advertising changes attitudes and feelings. Advertisements falling in this category are: competitive advertisements, argumentative advertisements, advertisements with a strong rational message and image advertisements with status and glamour appeals.

The final two steps in the movement towards purchase are conviction and purchase. This is related to behavioral realm of motives. Here the advertisements stimulate or direct desires. Advertisements falling in this slot are: POP, retail store advertisements, last chance offers, price reduction appeals, testimonials, and prize scheme advertisements.

This is called Hierarchy of Effect (HOE) model.

### **Example: Film Industry**

Before the films are to be released, they start with airing their promos on television. Later they use the outdoor and the press to create more **AWARENESS AND ATTENTION**. The producers bank on the star cast, music, locations and the crew of the film to catch the eyes of the public.

To create **INTEREST** among the consumers, they then release the music and also introduce the theme of the film. The purchase of the music cassettes and CDs is an indication of the interest generated by their efforts.

Later at the **DESIRE** stage, along with continuous promos on television, press and hoardings, they have promotions through contests and movie tickets as prizes. They also have interactive programs like the star cast of the film visiting different music shops and creating desire among the audience.

After all these promos and activities, if the film is successful in creating interest and desire among the people, there is immediate **ACTION** which is seen through purchases of tickets at movie halls.

## DAGMAR

In 1961, Russel H. Colley wrote a book under the sponsorship of the Association of National Advertisers called **Defining Advertising Goals for Measured Advertising Results**. The book introduced what has become known as the DAGMAR approach to advertising planning and included a precise method for *selecting and quantifying goals* and for using those goals to measure performance.

## DAGMAR – Defining Advertising Goals for Measured Advertising Results

**Russell Colley (1961)** developed a model for setting advertising objectives and measuring the results. This model was entitled '**Defining Advertising Goals for Measured Advertising Results- DAGMAR.**'

**DAGMAR model** suggests that the ultimate objective of advertising must carry a consumer through four levels of understanding: from **unawareness to Awareness**—the consumer must first be aware of a brand or company Comprehension—he or she must have a comprehension of what the product is and its benefits; Conviction—he or she must arrive at the mental disposition or conviction to buys the brand; Action—finally, he or she actually buy that product.

**Awareness:** **Awareness** of the existence of a product or organization is necessary before the purchase behavior can be expected. Once the **awareness** has been created in the target audience, it should not be neglected. If there is neglect, the audience may become distracted by competing messages and the level of awareness of focus product or organization will decline.

**Awareness** needs to be created, developed, refined or sustained, according to the characteristics of the market and the particular situation facing an organization at any one point of time. Where low levels of awareness are found, getting attention needs to be the prime objective in order that awareness can be developed among the target audience.

If buyers have sufficient level of awareness, they will be quickly prompted into purchase with little assistance of the other elements of the mix. Recognition and brand image may be felt by some to be sufficient triggers to stimulate a response. The requirement in such a situation would be to refine and strengthen the level of awareness so that it provokes interest and stimulates greater involvement during recall or recognition.

*Parle G ad that talks about it being the largest seller “ Duniya ka sabse Zyada bikne waala biscuit”. Parle G as a brand already enjoys high levels of awareness and requires low involvement decision, thus communication is mainly intended to refine awareness.*

If buyers have low level of awareness, the prime objective has to be to create awareness of the focus product in association with the product class.

**Comprehension:** Awareness on its own may not be sufficient to stimulate a purchase. Knowledge about the product or the organization is necessary. This can be achieved by providing specific information about key brand attributes.

**Conviction:** The next step is to establish a sense of conviction. By creating interest and preference, buyers are moved to a position where they are convinced that a particular product in the class should be tried at the next opportunity. To do this, audience's beliefs about the product have to be moulded and this is often done through messages that demonstrate the product's superiority over a rival or by talking about the rewards as a result of using the product.

**Action:** Communication must finally encourage buyers to engage in purchase activity. Advertising can be directive and guide the buyers into certain behavioural outcomes, *Use of toll free numbers, direct mail activities and reply cards and coupons.*

For high involvement decisions, the most effective tool in the communication mix at this stage in the hierarchy is personal selling. Through the use of interpersonal skills, buyers are more likely to want to buy a product than if personal prompting is absent.

### **Characteristics of Objectives**

A major contribution of DAGMAR was Colley's specification of what constitutes a good objective. Four requirements or characteristics of good objectives were noted

**Concrete and measurable**—the communications task or objective should be a precise statement of what appeal or message the advertiser wants to communicate to the target audience. Furthermore the specification should include a description of the measurement procedure

**Target audience**—a key tenet to DAGMAR is that the target audience be well defined. For example—if the goal was to increase awareness, it is essential to know the target audience precisely. The benchmark measure cannot be developed without a specification of the target segment

**Benchmark and degree of change sought**—another important part of setting objectives is having benchmark measures to determine where the target audience stands at the beginning of the campaign with respect to various communication response variables such as awareness, knowledge, attitudes, image, etc. The objectives should also specify how much change or movement is being sought such as increase in awareness levels, creation of favorable attitudes or number of consumers intending to purchase the

brand, etc. a benchmark is also a prerequisite to the ultimate measurement of results, an essential part of any planning program and DAGMAR in particular.

**Specified time period**—a final characteristic of good objectives is the specification of the time period during which the objective is to be accomplished, e.g. 6months, 1 year etc. With a time period specified a survey to generate a set of measures can be planned and anticipated.

**Written Goal** – finally goals should be committed to paper. When the goals are clearly written, basic shortcomings and misunderstandings become exposed and it becomes easy to determine whether the goal contains the crucial aspects of the DAGMAR approach.

## **LIST OF COMMUNICATION OBJECTIVES**

**Thus the different types of communication objectives that a company can have are listed below.**

**1. Introduction of new products:** For the new products or services, reminder advertising is clearly inapplicable. Here the task is one of basic education – informing potential customers of the benefits they will reap by purchasing the new product.

### *Example*

*Livon Silky Potion, when introduced, the ads differentiated the product from the shampoos and conditioners by explaining usage the product, positioning it to be better than the conditioners and how hair become very manageable and silky after using it.*

**2. Overcoming Resistance/Changing Attitude:** Many companies seem to assume that the public is merely waiting for a suitable advertising message to stimulate them into buying the product. But the people are wary of buying unfamiliar products and the retailers are equally shy of stocking the lines unknown to their customers. More than often, people are hostile.

### **Example**

**As in the case of KAMASUTRA condoms – people were against the use and had a negative impression of using condoms. Their approach was that of being high resistance. This was because they saw condoms as a means of protection. Hence KAMASUTRA had a task of selling not only the product, but also the desire of ‘The pleasure of making love’. Hence in all their advertisements they have brought the factor.**

**3. Reminding customers:** A company has to constantly remind users of their wares. The human memory is very short and frequent reminders are necessary. Moreover, there are

innumerable distracting factors, which soon make memory fade. There is also competition for attention faced from the makers of totally different products. Taking a still wider view of the many selling influences at work to make people forget your product – the latest news at home or abroad, the activities of family and friends, new events at work and the latest films and television programmes- all make the consumers mind divert and forget your product. The manufacturer who wants his product ad name to be remembered amid the host of competing products and brand names will go for high public attention.

Further more, constant reminders through advertisements can enhance the company's reputation and standing and play their part in cementing customer loyalty.

#### **Example**

**SANTOOR constantly touched the consumer with its theme of 'mistaken identity'. It raised the aspirations of a woman of looking younger.**

**4. Reinforcement advertising:** Related to reminder advertising is reinforcement advertising, which seeks to assure current purchasers that they have made the right choice. Automobile Ads often depict satisfied customers enjoying special features of their new car.

**Example: Hyundai Santro had some ads quoting how customers were satisfied with the 'Mobile' service that helped them in a difficult situation. This is a classic example of reinforcement advertising.**

**5. New customers from other brands:** One must try to find out which existing users of the competing brand are the most dissatisfied with it and target these switchable consumers. Alternatively one should try to acquire those customers of the competing brand who are the most likely to grow their sales volume in the years to come. And/or are the most profitable. For many product categories about 20% of the customers (heavy users) are likely to account for 50% of the sales volume and profits and are clearly worth focusing on as new brand users.

#### **Example**

**ARIEL v/s SURF: When Ariel was launched, it showed comparisons between itself and a known detergent (Surf packet without its name). Through its ads, it showed how it was better than Surf and thus wanting to shift the Surf users to Ariel.**

**6. New customers from other categories:** Another approach is to attract people from those not now using the product class. The firm in the industry that has the highest market share, the largest distribution, the biggest sales force and the highest awareness is the one most likely to get the sale from a customer just entering the product category.

#### **Example**

**PEPSI might conclude that it is easier to get young coffee drinkers to switch from coffee to PEPSI, than it is to switch COKE drinkers to PEPSI**  
**UJALA, when it entered the market, proved itself better than *Neel* (blue) and made the users shift to it.**

On the other hand such a strategy makes much less sense for a smaller firm that runs the risk that the segment member who is induced to try the product class may buy from a larger competitor.

*Example*

**A small cellular phone manufacturer might waste its money if it ran ads telling people why cellular phones in general were useful for personal or business reasons. A consumer seeing those ads might decide that, yes they need a cellular phone, but might then end up buying the better-known MOTOROLA or NOKIA.**

**7. Brand Image / Company Image:** The company needs to have a favourable image of its brand in the eyes of the customers. For this reason, the company undertakes various campaigns to build the brand and the company. This will enhance the preference of the customers to use the particular brand in the market of numerous brands. There are various factors that contribute to the favourable brand image. They are:

- Unique Selling Proposition  
**Example: SAFFOLA previously advertised the feature of its oil, which said that its consumption would not lead to any heart problems.**
- Brand Personality  
**Example: MCDONALDS - Family oriented, Genuine, wholesome, cheerful, fun**
- Performance  
**Example: MRF Tyres run huge ads in print media on the onset of monsoon, telling users to trust MRF for monsoon. Also, in all its ads it talks about the awards it has won over the years, as ‘the best tyres for Indian roads’.**

**8. Creating awareness of new products/brands and new developments in the company:**

Present customers may know the products of a company, but they may not know the improvements made or the new lines added to their range. Firms devote a great deal of time, money and effort in improving their products, but this is of little purpose if the customers are left in the dark about them. Potential customers will not become purchasers unless they know of the new developments and advertising helps to keep them informed. Furthermore, changes in your product line may open up new market segments for whom the earlier products were not of interest.

**Example**

**PERK introduced the “PERK XL and PERK XXL” at the competitive price. They have used ‘Preeti Zinta’ in their advertisements.**

**Ponds have a range of product, which was introduced consecutively, and it is constantly advertised on television and other mediums.**

**9. Supporting other sales promotion activities:** Many times the company introduces sales promotion activities for its consumers. For this, they advertise on different mediums to support the sales promotion program in meeting its objectives.

**Example**

**FILMFARE uses hoardings at the latter part of the month to advertise about the freebie attached with the next month’s issue.**

**10. Increasing usage:** It is possible to increase the usage of existing customers in the product class. In essence the goal would be to increase the amount consumed per usage occasion.

**Example**

**CLINIC PLUS – recommended through its advertisement, that its shampoo must be used three times in a week – “Tuesday, Thursday, Sunday.”**

The other way could be to suggest new usage occasions and opportunities.

**Example**

**ZANDU BALM – the advertisement depicted the various pains that could be relived through Zandu Balm, without even visiting the doctor.**

**CADBURY’S DAIRY MILK – which showed the marriage scenario and how people consumed Dairy Milk instead of the usual Mithais.**

**11. Increasing brand loyalty:** The company is not the only one in the market who advertises its product. The competitors are perpetually trying to steal their customers away or trying to increase their own share of requirements. It is very important therefore to recognize the effect that advertising has on reinforcing the present customers, existing preference for the company’s brand. (Though actual experience with the product is probably the bigger determinant of brand satisfaction and loyalty)

**Example**

**INDIAN EXPRESS** ad ‘Hammer home the truth, we do it everyday’ was meant primarily for the existing readers of Indian Express, to promote brand loyalty. The ad conveyed the ‘true journalism’ aspect of the Indian Express.

**12. Umbrella campaigns:** Many organizations are found active in many activities and have multiple brands for different categories, with separate divisions marketing separate products to separate markets via separate advertising and selling campaigns. Many such organizations realize that linking their self-contained business operations would benefit all component companies.

Hence through one advertising campaign, all the products of the company are exposed to the audience. This also builds up the image of the company and all its brands.

**Example**

**AMUL - REAL TASTE OF INDIA** campaign that was quite successful.

Other umbrella campaigns are that of CAMLIN, WIPRO, ADITYA BIRLA GROUP, PARLE ‘world of happiness’, etc.

**13. Campaign to push declining sales:** In this the purpose of the campaign may not be to increase or stabilize sales, but to hold off a decline. This overall category masks various types of decline for which different advertising approaches are necessary. One advertising campaign may have as its purpose countering the natural decline in the market. Another purpose might be to sustain an existing brand against competition. Other purposes might be to slow down a permanent trend or to reverse a temporary decline.

Where the market for the company’s product is steadily diminishing, it is unwise to expect advertising to work miracles and reverse the permanent trend: it may however be able to make some contribution by slowing the rate of decline, thus giving the company time to seek new opportunities in other directions. Whereas advertising can make a far more positive contribution is in countering temporary falls in sales. Positive advertising, emphasizing value for money, can help people adjust more swiftly to the new conditions.

**Example**

**RASNA** was a declining product even after being in the market for 4 years and even though it was an entirely new concept of a branded soft drink concentrate. In 1982 non-aerated soft drink market was estimated at around Rs 13 crores. Squashes and syrups were the leading product categories, accounting for 84% of the market. Soft drink concentrates had a share of 7% only. It was recognized that there existed a good potential market for Rasna, if advertised properly.

**Advertising objectives:**

To persuade consumers to try RASNA by creating / reawakening their interest in the brand

**Target audience:**

Housewives in the age group of 20+ and with household income of Rs 750+ p.m



**Influencer:**

**This was perhaps for the first time in the history of Indian advertising that the child was recognized as the major influencer in the purchase of a household product**

**Campaign evaluation:**

**The consumers off take shot upto Rs 1.44crores. Market share increased from 6%in 1982 to 9%in 1983. Share of syrups declined by 4%**

**14. Campaign to counter natural decline of the market:** Reminder advertisements can be effective in maintaining sales, but the company must face up to the fact that the existing customers, through no fault of yours, are steadily decreasing in number. The manufacturer who claims there is no need to advertise because he has all the business he needs ignore the fact that people leave the area of the country, or the people have sophisticated themselves and use better products. The quality of the product may remain as high as ever, but the sales will steadily decline through the natural diminution of the existing market.

**Example**

**Print media advertising that “nothing can replace print”**

**15. Social objective:** There are many companies or institutions, which have social advertisements. These advertisements focus mainly on some social issue like–Aids, Cancer, Anti–Tobacco, Safe Driving, etc.

The companies mainly advertise on these grounds because each company needs to fulfill some social responsibilities, and also these kinds of advertisements, might enhance their company image and value.

**Example**

**LOWE Advertising Agency, has a hoarding on the Pedder Road, Mumbai which emphasizes on different social messages such as AIDS etc.**

**FCB ULKA Advertising Agency has a hoarding on the busy road near Pedder Road, Mumbai that said “Drive Safely”**

**16. Generating trial purchases and store visits**

Many companies and stores insert coupons in print media to come to the store and exchange them for trials. Also, sometimes they have advertisements for more footfalls in the store.

**Example**

**When KWALITY WALL’S opened its outlets, it had coupons in newspapers, giving free ice cream in exchange of those coupons on the first day of the outlets.**

**Recent campaign by MCDONALD'S talking about the 'Aao Match Karein', where consumers come to the store and match different words on the packages of its products**

**17. Motivating the channel to stock the product:** Many a time the advertisements are directed not towards the consumers, but the retail shops/channels, in order to motivate them to stock their brands.

**Example**

**This was an advertisement directed to the video library owners to stock videocassettes made by the STAR VIDEO PVT Ltd. This ad was released in 1987 in the press medium.**

**Another example would be of the Life insurance agents' ads, which attract and induce young professional to join the insurance company as life insurance agent.**

**18. Product positioning and brand building:** When the products are launched, they are usually positioned at a platform enabling the consumers to relate to the product. This is called the positioning of the brand. Companies position their brand to make it stand out from the other brands in the market. Positioning is to appeal to a specific target audience and induce them to buy the product. Once the product is positioned at a particular platform, the companies need to constantly remind the consumers and build brand. This also involves many stages and the marketer needs to communicate to the audience at each stage. This thus becomes one more advertising objective for the company.

**Example**

**SAINT GOBAIN is a classic example for this point. It positioned itself as 'So Clear, So Real, Glass from Saint Gobain' Their ads are also focused on how the SAINT GOBAIN glass can be mistaken for no glass at all – it feels so real'.**

**19. Countering competition:** The market today is no longer a one-man show. There are innumerable companies, all of them having their own products to offer. In such a situation, a company needs to constantly advertise to remain in the minds of the consumers. With the MNCs entering India, a lot of Indian companies have been facing tough competition. Most companies position their products so as to differentiate their brands from the competition.

**Example**

**MOOV used its competitor IODEX's negative point in its advertisements. It showed how the usage of IODEX (name not revealed in the ad) left stains in the clothes making other people know about it. The tagline said "Kissi Se Kuch na Batai"**

**Responding to a campaign, IODEX launched a big campaign where it had a character entering a shop and refusing to take MOOV, which was offered by the shopkeeper and said 'No, Move, Move'.**

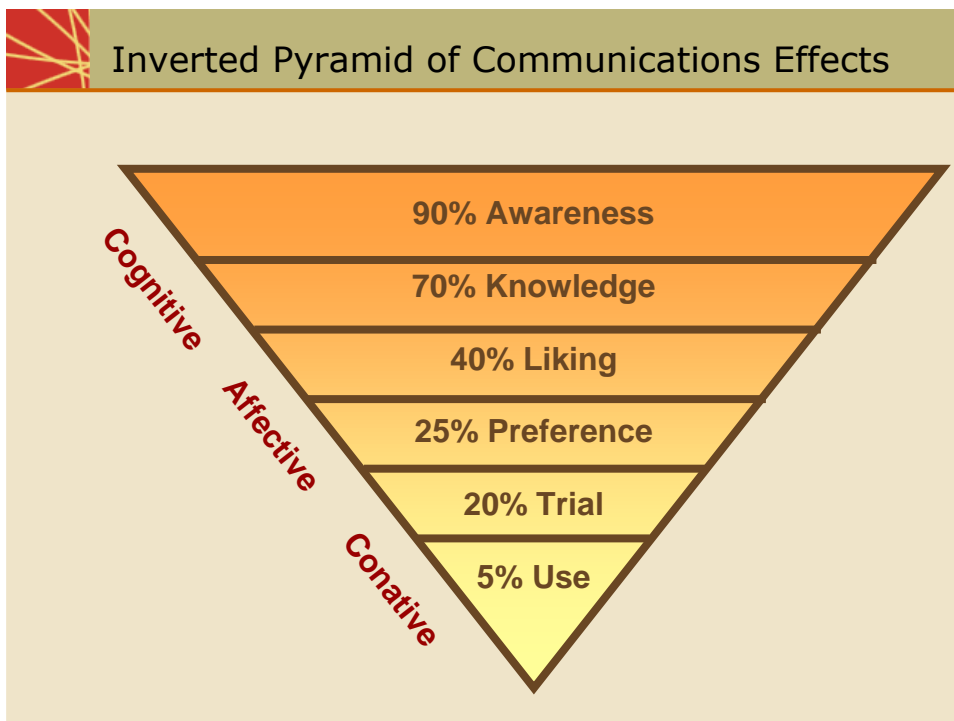
**20. Repositioning the brand:** Sometimes, the company's product is not accepted in the market with its original features. Thus in order to change the image and become favourable in the eyes of the consumers, they need to reposition their brand.

**Example**

**MARUTI OMNI** had to reposition itself clearly different from the Maruti car in the potential buyer's minds. They also had to enhance the image and personal values of the brand. It also had to generate at least short-term growth in sales to match current production potential.

Their ads had a vivid demonstration of the spacious car, positioning, and each presenting the van's spaciousness from a new unexpected viewpoint.

## Communication effect pyramid:



1. 90% awareness-----
2. 70% knowledge / comprehension--Create interest in the brand among 70%
3. 40% ----- create positive feelings about the brand amongst 40%
4. 25% preference ----- and preference among 25%
5. 20% trail-----Obtain trail amongst 20%
6. 5% repurchase /regular use -----Develop & maintain regular use of product amongst 5%

## **Chapter 04:**

### **Agency Finances**

- Sources of income
- Expenditure heads of an agency
- Modern systems of financial planning followed by leading agency

## **Chapter 4**

### **Agency Finances**

- a. Sources of income
- b. Expenditure heads of an agency
- c. Modern systems of financial planning followed by leading agency

#### **a. Sources of income: or Agency Compensation:**

#### **The source of an advertising agency's income:**

A manufacturer who operates out of a small and unpretentious office is often impressed (sometimes unfavourably!) by the obviously furnishings in the offices of some advertising agencies. Paying for part of the agency's overhead, rent, payroll, etc. is naturally going to use up some of the money he spends for advertising. Should he spend his money through an agency, or should he spend that money direct and thus save the cost of the agency's services?

Questions like these are good questions, but the answer to them is often not as clear or simple as it seems. In order to answer them, attention must be focused not on the total costs of advertising agency service but on the additional costs, if any which the use of an advertising agency will involve as against the expenditure of the same number of advertising dollars on a direct basis without agency participation in the expenditure. The difference is a vital one, because of the nature of historically established advertising agency compensation methods.

#### **Following are the various sources of income for the advertising Agency**

##### **1. Commissions from Media:**

The traditional method of compensating agencies is through a commission system, where the agency receives a specified commission (usually 15 percent) from the media on any advertising time or space it purchase for its clients.

Eg: Assume an agency prepares a full-page magazine ad and arranges to place the ad on the back cover of a magazine at a cost of Rs 100,000. The agency places the order for the space and delivers the ad to the magazine. Once the ad is run, the magazine will bill the agency for Rs 100,000, less the 15 percent (Rs 15,000) commission. The media will also offer a 2 percent cash discount for early payment, which the agency may pass along to the client. The agency will bill the client Rs 100,000, less 2 % cash discount on the net amount, or a total of Rs 98,300. The Rs 15,000 commission represents the agency's commission for its services.

**The commission system had many advantage, including:**

1. Traditional and well understood.
2. Simple and easy to operate.
3. In spite of its conceptual imperfections it worked well in most cases.

**Figure 3-8** Example of commission system payment

Media Bills Agency		Agency Bills Advertiser	
Costs for magazine space	\$100,000	Costs for magazine space	\$100,000
Less 15% commission	-15,000	Less 2% cash discount	-1,700
Cost of media space	85,000	Advertiser pays agency	\$ 98,300
Less 2% cash discount	-1,700		
Agency pays media	\$ 83,300	Agency income	\$ 15,000

**The commission system was thought to have the following disadvantage:**

1. The efforts required by the Agency may bear no relationship to the 15 percent commission.
2. Big account subsidizes smaller account.
3. Profitable accounts subsidizes less profitable accounts.
4. The need to operate within 15 percent commission may result in work.
5. Agencies are encouraged to pad the work load in order to appear to be earning their keep.
6. There is temptation for an Agency to recommend an increase in advertising budget in order to boost Agency income.

7. The commission system leads to a lack of objectivity in Agency media recommendations and to discriminate against recommending below the-line activity.
8. Agencies on the 15 percent commission tend to expand their services as their revenue increases whether or not their clients want extra services, the final result being that many clients are paying for services they do not want.

## **2. Fee Arrangement:**

Under the fee structure, the client and the ad agency negotiate a flat sum to be paid to the agency for all work done. The agency estimates the cost (including out of pocket expenses) of servicing the client who either accepts or negotiates for a lesser amount. Negotiations continue until an agreement is reached.

There are two basic types of fee arrangement systems. In the straight or fixed-fee method, the agency charges a basic monthly for all of its services and credits to the client any media commissions earned. Agency and client agree on the specific work to be done and the amount the agency will paid for it.

### **The arguments against the fee system were listed as:**

1. The fee system is basically a cost-plus system which breeds inefficiencies; the commission system is a discipline on the Agency to keep down costs.
2. The fee system could lead to a price war between agencies and thus of a skimping of services to clients; it could also lead to a deterioration in the standards of advertising .
3. The fee system is complicated to administer and needs to be constantly reviewed .
4. The settling of fees can lead to friction between agencies and their clients
5. With a fees system media cutbacks are no longer all savings – the agencies fee still has to be paid .
6. With a fees system the client can be tempted into undue haste in agencies dealings because actual time spent becomes more directly built into fee.
7. The commission system is an incentive to the agencies to increase the client's business and thereby to increase billings
8. With the commission system agencies are obliged to complete business on the basis of quality rather than of price.

## **Commission or fee-which works best**

The fee-based system no doubt ensures a fair compensation to cover an agency's direct salary, overheads and profit margins, but agency also want to earn an incentive if its campaign works well and delivers the desired impact in the market.

When its clients profit, it want them to share it with them in a small way. The commission-based system also pays back to the agency in terms of royalty for the intellectual value that it sells its client in the form of a successful campaign, but the fee-based system has no mechanisms for this element of compensation.

The agencies feel advertisers want to switch to the fee-based system mostly to cut costs, but in the long run are compromising with the passion and equity an agency shares with a brand.

On the other hand, there is a segment which feels that the fee-based system is a much more professional and efficient way of doing business. Agency get paid for the services it provide, not based purely on the amount spent in media. It's a more open and clear way of paying the agencies. It's still in its infancy, but should settle down to being the most common method of remuneration.

By and large most Indian companies prefer a commission system, whereas the big spenders among multinationals prefer a fee system which is either mandated by their global headquarters or want to follow what is practiced at their headquarters. Indian companies prefer a commission system as they believe paying their agency in proportion to their spends (which in some way is equated to the work the agency does) is fair."

This debate is relevant only to a few top advertisers of the total of about 3,500-4,000 advertisers in the country. Therefore, the Advertising Agencies Association of India also believes that the relevant system for the country is the 15 per cent agency commission system. So do the Indian Newspaper Society and the Indian Broadcasting Foundation. It is simple, direct, easy to compute and does not lead to discussion, negotiation, dispute or misunderstanding."

### **3. Fee-commission combination:**

Some times agencies are compensated through a Fee-commission combination, in which the media commissions received by the agency are credited against the fee. If the commissions are less than the agreed-on-fee, the client must make up the difference. If the agency does much work for the client in noncommissionable media, the fee may be charged over and above the commission received.

Both types of fee arrangements require that the agency carefully assess its costs of serving the client for the specified period, or for the project, plus its desired profit margin. To avoid any later disagreement, a fee arrangement should specify exactly what services the agency is expected to perform for the client.

The 'commission system' and the 'fee system' developed side by side. Some people have always argued that the fee system was the most rational and fair commission system.

### **4. Cost plus agreement:**

The cost-plus system is generally used when the media billings are relatively low and a great deal of agency service is required by the client. This happens most often with industrial products, new product introductions etc. that require disproportionate amount of agency help in preparing brochures, catalogues and other non- commissionable marketing activities.

Under a cost-plus system, the client agrees to pay the agency a fee based on the costs of its work plus some agreed-on profit margin (Often a percentage of total costs a percentage of total costs ). This system requires that the agency keep detailed records of the costs it incurs in working on the clients account . Direct costs (personnel time and out-of-pocket expenses) plus an allocation for overhead and a markup for profits determine the amount the agency bills.

### **5. Incentive-Based Compensation:**

Many clients these days are demanding more accountability from their agencies and tying agency compensation to performance through some type of incentive-based system.

While there are many variations, the basic idea is that the agency's ultimate compensation level will depend on how well it meets predetermined performance goals.

These goals often include objective measures such as sales or market share as well as more subjective measures such as evaluations of the quality of the agency's creative work. Companies using incentive-based systems determine agency compensation through media commissions, fees, bonuses, or some combination of these methods.

### **6. Percentage charges:**

Another way to compensate an agency is by adding a markup of percentage charges to various services the agency purchases from outside providers. These may include market research, artwork, printing, photography, and other services or material. Markups usually range from 17.65 to 20 percent and are added to the clients overall bill. Since suppliers of these services do not allow the agency a commission, percentage charges cover administrative costs while allowing a reasonable profit for the agency's efforts.



## Chapter 05

### Client's evaluation of the agency

2. Client's evaluation of the agency
  - Areas of evaluation
    - a. *Expertise*
    - b. *Objectivity*
    - c. *Dedication*
    - d. *Staffing and Management*

#### 1. What makes a good agency?

**The process of agency evaluation involves regular assessment of many aspects of performance area:**

- 1) **The financial assessment** focuses on how the agency conducts its business to verify costs and expenses, the number of personnel hours charged to an account to an account and what payments are made to media and other outside service suppliers.
- 2) **Qualitative assessment** explores the agency's efforts devoted in planning, developing and implementing the client company's advertising campaign and an assessment of the achievements. For a qualitative assessment even the small things matter; such as a quick turnaround time, creativity because this is what the agency is in the business of, value add in terms of giving the client a creative edge by giving them a 'creative leap' etc. One can also evaluate agencies by their track record of losing clients or acquiring new clients and retaining them.
- 3) **Good advertising is advertising that produces sustained results:**

**Good advertising requires:**

- a. *Thought,*
- b. *Innovation*

- c. *Precise execution*
  - d. *Understanding every aspect of marketing, advertising, design and media.*
- 4) **.Consistency, Creativity, Media relations:** consistency and continuity with account personnel: A good agency will ensure there is consistency and continuity with account personnel. Sure, junior positions may change, but at the senior managers level, the client wants expects continuity here.
- 5) **Basic approach for evaluating creative approaches:**

a. *Is the creative approach consistent with the brand's marketing and advertising objectives?*

b. *Is the creative approach with the creative strategy and objectives? Does it communicate what it is supposed to?*

c. *Is the creative approach appropriate for the target audience?*

d. *Does the creative approach communicate a clear and convincing message to the customer?*

e. *Does the creative execution keep form overwhelming the message?*

f. *Is the creative approach appropriate for the media environment in which it is likely to be seen?*

g. *Is the ad truthful and tasteful?*

- 6) **Certainly a good agency will have passion for their client** – not just the day they pick up the new account, but next year and the year after that. They will work hard to keep the passion alive and stay fresh.
- 7) A good agency will have a positive attitude, as negative thoughts and feelings about the client eventually leak into the work.
- 8) The agency must immerse themselves in the client's industry. An agency owes it to the client to provide sound advertising and marketing counsel. This holds true even if they think the client doesn't want to hear what they have to say.
- 9) A good agency will keep in mind all of the pressures that exist on the client's side. The client's contact people may have many internal variables they have to work with that impact how—and how soon they can respond – and the speed of that response.
- 10) Take seriously the responsibility for spending a client's money The agency should recognize that take seriously the responsibility for spending a client's money as if it's their own is a big responsibility – one it should take very seriously if they want to remain a valued partner.
- 11) They will not be "yes" people. Finally, a good agency will remember that they are the experts in marketing and advertising. A good agency staff will

have a firm point of view and “sell” for their recommendations to clients—they will not be “yes” people.

**The parameters on which an ad agency’s creative services dept is evaluated are as follows:**

**(The various parameters are ranked on a scale of 1-10 with 1 being the poorest and 10 being Excellent)**

1. Agency regularly produces fresh ideas and original approaches?
2. Creative executions are consistently on strategy?
3. Research is effectively used in strategic development and in pre-post testing of advertising
4. Creative group is knowledgeable about the company’s products, markets and strategies?
5. Creative group is concerned with good and consistent advertising communications and develops campaigns, ads that exhibit this concern
6. Creative group produces on time and submits for review in time to permit orderly revisions
7. Creative group performs well under pressure
8. Agency presentations are well organized with sufficient examples of proposed executions
9. Creative group participates in major campaign presentations
10. Agency presents ideas and executions not requested but which they feel are good opportunities.
11. Creative group takes constructive criticism and redirection
12. Creative group effectively controls costs
13. Overall evaluation of creative services

**The parameters on which an ad agency’s Media services dept is evaluated are as follows:**

**(The various parameters are ranked on a scale of 1-10 with 1 being the poorest and 10 being Excellent)**

1. Media group actually explores the new uses of various media available
2. Agency media recommendations are objective and reflect sufficient knowledge of company’s markets, target consumers, services and objectives
3. Agency exhibits a broad capability in media as opposed to specializing in a particular medium
4. Agency keeps client up-to-date on the trends and developments in the field of media
5. Agency subscribes to and makes use of available and applicable syndicated media services
6. Agency engages in original research in the field of selection and usage of media
7. Agency provides client with regular review and analysis of competition’s media’s usage

8. Agency media administrative practices are adequate, including co-ordination of media schedules, contracts, checking media to verify advertising has run, etc.
9. Agency regularly conducts post-buy analysis on all media placements in a timely manner
10. Agency is effective in media negotiations for best possible rates and position for the company's advertising
11. Media plans provide sufficient flexibility for opportunistic buys or other cost saving strategies
12. Agency communication plan objectives and rationale effectively to brand management
13. Media strategies establish specific and measurable goals for reach, frequency and other objectives

### **SELECTION OF AN AD AGENCY**

When the advertising or the marketing managers go about selecting an advertising agency, they generally follow the following steps:

6. Define what they want in an ad agency in terms of some specific services required etc.
7. Tell the news media, such as The Brief, A&M, as well as local business editors that you intend to select an ad agency for your product. They will spread the news.
8. Screen the agencies that have replied to the advertisements on the basis of certain criterion and narrow the field down to four or five agencies.
9. PRESENTATION/PITCH

Herein agencies that have been short listed receive an invitation from companies to make presentations. Through these presentations the agency may succeed in selling its services to new clients. The agency describes its experience, its personnel and capabilities, procedures, and demonstrates its outstanding work.

The presentation may be speculative, requiring an analysis of the prospect's marketing situation and propose a tentative ad campaign. The purpose is to indicate what kind of ad campaign they would create if they had the account. Such pitches are expensive and involve great deal of time and preparation without any assurance of gaining the business. Many ad agencies are disinclined to welcome and participate in such events as they believe agencies should be selected on account of experience and the quality of services they have provided to previous clients.

10. Choose the new agency on the basis of certain criterion and also at the same time inform the other agencies as to why they were not chosen.

**A few general parameters that the client looks for while choosing an ad agency are as follows:**

- ❖ Agencies knowledge of the advertising process
- ❖ Agencies knowledge of the product category
- ❖ Client's basis of experience with the ad agency
- ❖ Client's knowledge of the abilities of the agency
- ❖ The chemistry between the agency and the client with respect to the kind of interaction between them, the understanding of mutual needs etc.

## Chapter 06

### Setting up an Agency:

- a. Nature of agency business
- b. Stages in setting up a new business
  - i. *Concept development*
  - ii. *Environmental scanning*
  - iii. *Market feasibility*
  - iv. *Financial feasibility*
  - v. *Making a business plan*

**a, Nature of agency business:** Advertising agency is a facilitating institution of the advertising industry. It helps the advertiser in the creation and production of advertising.

This advertising agency provides a full range of services to advertisers, from the conception of idea to the exposure of printing of an advertisement and therefore large advertising agencies organize various activities and maintain a formal structural relationship between various departments.

Some large industries organize their own advertising or publicity department to undertake the advertising task but sometimes they also take help from the agencies. More often they engage experts and specialists. But small-scale industries do not have any other option but to employ an advertising agency.

#### **Now what does advertising agency do?**

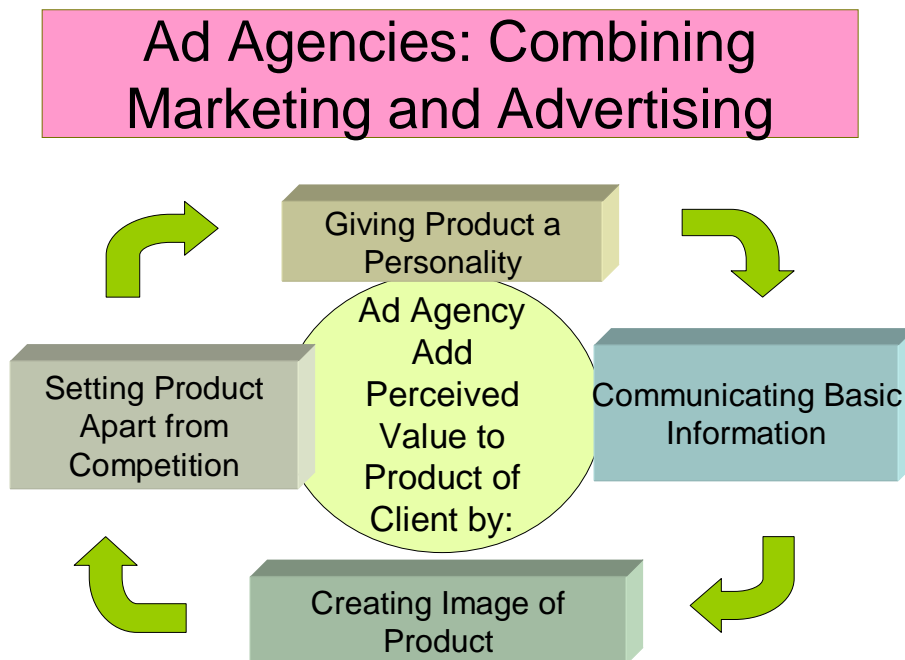
The advertising agency performs all the necessary functions on behalf of the customer or advertiser and therefore if an advertising agency is appointed at all, the advertiser must cooperate with it. The advertiser must consider different factors before selecting an agency and must be very particular that it should not be changed very often. He should rather try to get best of it.

Let's not forget that unique aspect of advertising is the advertising agency, which, in most cases, makes the creative and media decisions. It also often supplies supportive

market research and is even involved in the total marketing plan. In some advertiser agency relationships, the agency acts quite autonomously in its area of expertise; in others, the advertiser remains involved in the creative and media decisions as the campaign progresses.

An advertiser advertises with a desire to promote his product and services. He tries to influence the behaviour of his prospective buyers. As the advertiser is not an expert to understand advertising, he is driven to an advertising agency, which prepares the ad campaign on behalf of the advertiser. The advertiser thus becomes the client of the advertising agency. The advertising agency chosen may be an in house agency, which is owned and operated by the advertiser himself.

### **What Advertising agency does for the clients?**



### **Functions of the Modern Agency:**

The multifaceted services of an ad agency to its clients can be grouped under the following heads:

1. Planning the ad campaign
2. Planning below-the-line activities and other communication packages.
3. Providing support systems.

**1. Planning the ad campaign: a. Developing the brand positioning statement:**

- i. A study of the clients, products or service, to determine the advantages and disadvantages inherent in the product itself and its relation to the competition.
- ii. An analysis of present and potential, markets for which the products or service is adapted.
- iii. Knowledge of the factors of distributions and sales and their methods of operation.

(b) Developing the central theme or appeal to be used in the ad.

(c) Developing the creative strategy

(d) Executing the strategy.

(e) Preparing the mechanical details of the ad that is preparing the art work of the ad.

(f) Preparing the story board for the TVC's and filming the commercial. In the case of the Radio advertising, a record will be cut.

(g) Executing the ad campaign by placing it in the relevant media. The above activities are also called above-the-line as they

(h) A knowledge of all the available media and means that can be used profitably to carry the interpretations of the product or service to consumers, wholesalers, dealers, contractors or others.

(i) Formulation of a definite plan and presentation of his plan to the client.

(j) Execution of this plan through-

- i. Writing, designing, and illustrating, the advertisements.
- ii. Contracting for the space, time, or other means of advertisement.
- iii. Incorporation of the message in mechanical form and forwarding it to the media.
- iv. Checking and verifying insertions display and so forth.
- v. Auditing and billing for the service, space and preparation.

(k) Cooperation with the client's sales force.

The above activities are also called above-the-line as they are the direct functional activities that an agency performs to sell the product of an identified sponsor.

**2.Planning below-the-line activities and other communication packages:** Agencies are expected to provide innovative programmes to reach the consumers through DM, Sales Promotions, PR activities and corporate image building campaigns, Personal selling and internet Marketing.

**3. Providing Support Systems:** An ad agency is expected to provide research inputs, before the ad campaign is created and also after the campaign is launched.

## Functions of Advertising Agencies

Today advertising agencies are found in virtually every major city on the world and their role in stimulating economic growth is solidly established. To understand advertising, we need to examine the functions of an Ad Agency. These are: -

- **Talent & Creative productions:** The basic function of an Ad Agency is providing talent. The creative efforts of the art director, the detailed analysis of the research director and the political understanding of the campaign director, are just a few examples of the many abilities of Ad Agency personal have to offer. A business organization or person will contract the services of an ad agency to help market a product. This function involves processing the information collected from the client and through research and designing communication material in the form of advertisements and other publicity material. This also includes planning creative strategies, copy or script writing, visualization, designing, layout, shooting of films, editing, giving music, etc.
- **Research:** The second function of an Ad agency is research. In order to distribute the message to the public successfully, the agency must first know all that it can about the product. One of the first jobs is to research the product and the company, one must learn, one possibly can about both. The research must even take one close to the heart of the firm's inner operations. Ad agencies use research as a tool to test consumer reactions to products and services.
- **Distribution & Media planning:** The third important function of an ad agency is distribution. Here you decide what type of message you will create for the company and what media will be most helpful in sending this message to the public. On the basis of the media habits (access and exposure) of the target audience, agency people prepare a media plan. This plan includes which media to be used, which part of the media to be used, when to place the ads and for how long to place the ads, etc. media planners keep track of the viewer ship, listener ship and readership of all kinds of media.
- **Monitoring Feedback:** By monitoring consumer feedback, a decision on whether to revise the message, the medium, the target audience or all of them can be made. Ad agencies are developing to reach the target audience. As information is the backbone of all advertising, to prepare ads, one requires information about the product, its competitors, the market situation and trends, information about the audiences (their likes and dislikes and media habits) also need to be collected. Some of the most effective advertising includes advertisement written in their native language. All of these specialized campaigns are creating new demands on agencies and are requiring new talents for people who work in advertising.

In addition, many agencies also offer a variety of allied services. These include:

- Merchandising
- Public relations
- Organizing exhibitions and fairs
- Preparing all kinds of publicity material



- Planning and organizing special events (event management)
- Direct marketing

## Chapter

### Setting up an Agency

#### a. Stages in setting up a new business

##### **What is a Business Plan?**

A business plan is a blueprint and communication tool for business. A device to help, the owner, set out how he intends to operate his business. A road map to tell others how the entrepreneur expects to get there.

Business plan is a written document that describes a business, its objectives, strategies, market and financial forecast. Business plan is document that spells out a company's expected course of action for a specified period, usually including a detailed listing and analysis of risks and uncertainties. For the small business, it should examine the proposed products, the market, the industry, the management policies, the marketing policies, production needs and financial needs. Frequently, it is used as a prospectus for potential investors and lenders.

##### **What's a Start-up Plan?**

A simple start-up plan includes a summary, mission statement, keys to success, market analysis, and break-even analysis. This kind of plan is good for deciding whether or not to proceed with a plan, to tell if there is a business worth pursuing, but it is not enough to run a business with.

#### **Various Stages in setting up a new business are as follows:**

**A. *Concept development*:** the concept development stage has the following steps:

**1. Idea generation:** Idea generation about a few projects provides a way out of above tangle. Project selection process starts with the generation: of a product or service idea. In order to select the most promising project, the entrepreneur needs to generate a few ideas about the possible projects he/she can undertake.

**2. Sources of new ideas:** The project ideas can be discovered from various internal and external sources.

##### **These may include:**

1. Knowledge of potential customer needs

2. Watching emerging trends in demands for certain products
3. Scope for producing substitute product
4. Going through certain professional magazines catering to specific interests, like electronics, computers etc.
5. Success stories of known entrepreneurs or friends or relatives,
6. Making visits to trade fairs and exhibitions displaying new products and services,
7. Meeting with the Government agencies,
8. Ideas given by the knowledgeable persons.
9. Knowledge about the Government policy,
10. concessions and incentives,
11. List of items reserved for exclusive manufacture in small- scale sector, and a new product introduced by the competitor.

All of these sources putting together may give a few ideas about the possible projects to be examined as the final project. This is also described as '*opportunity scanning and identification*':

**The main sources of the identification of potential business opportunities are as follows:**

- i. **Observation:** Observation is one of the most important sources of project ideas. The observant mind continuously comes across situations which can be utilized to develop new opportunities. The observation may be made during the course of one's routine occupation or otherwise the dearth of a particular article or service may lead to the development of an industry, which can provide the article or service in short supply
- ii. **Trade & Professional magazines:** Trade and professional magazines provide a very fertile source of project ideas. The statistics and information provided by these magazines and reports and records of professional bodies often reveal opportunities, which can be eventually developed into investment propositions. It is very important for every person who is involved in the process of development of new investment opportunities to remain in touch with the latest developments in his own field of specialization and also in the other fields. Thus, technical and professional literature stimulates and helps in the process of development of new project ideas.
- iii. **Bulletins of Research Institutes:** Bulletins of Research Institutes are also a very fertile source of information for the development of new project ideas. These bulletins generally give the broad outline of the new processes or products developed" by Research Institutes and are very useful in identification of new opportunities.
- iv. **The Plan document published by the Government:** In most developing countries, where planned developments has been accepted as an approach towards the removal of poverty the plan document published by the Government provides a *very*- useful source of project ideas. The plan document generally analyses the existing economic situation in a country and also points out the investment opportunities, which fit into the overall planning effort. Considerable information can therefore be gathered from the plan

- v. **Departmental Publications:** Departmental publications of various departments of Government also provide useful information, which can help in the development of new project ideas. These publications are either periodical in character or are issued on special occasions. The census document, which is a periodical publication, is a very useful source of information about the economic structure of the society, various trends in the growth of economy and purchasing power and can be used to develop new ideas

**3. Methods for generating ideas:** Even with a wide variety of sources available, coming up with an idea to serve the basis for a new venture can still be a difficult problem. The entrepreneur can use several methods to help generate and test new ideas, including focus group, brainstorming, and problem inventory analysis.

**i. Focus Groups:**

A moderator leads a group of people through an open, in-depth discussion rather than simply asking questions to solicit participant response; for a new product area, the moderator focuses the discussion of the group in either a directive or a nondirective manner. The group of 8 to 14 participants is stimulated by comments from other group members in creatively conceptualizing and developing a new product idea to fulfill a market need.

**ii. The brainstorming**

The *brainstorming* method for generating new product ideas is based on the fact that people can be stimulated to greater creativity by meeting with others and participating in organized group experiences. Although most of the ideas generated from the group have no basis for further development, often a good idea emerges.

This has a greater frequency of occurrence when the brainstorming effort focuses on a specific product or market area.

**When using this method, the following four rules should be followed:**

1. No criticism is allowed by anyone in the group-no negative comments.
2. Freewheeling is encouraged-the wilder the idea the better.
3. Quantity of ideas is desired-the greater the number of ideas, the greater the likelihood of useful ideas emerging.
4. Combinations and improvements of ideas are encouraged- ideas of others can be used to produce still another new idea.

The brainstorming session should be fun, with no one dominating or inhibiting the discussion.

**iii. Problem Inventory Analysis:**

*Problem inventory analysis* uses individuals in a manner analogous to focus groups to generate new product ideas. However, instead of generating new ideas themselves, consumers are provided with a list of problems of general product category.

They are then asked to identify and discuss products in this category that have the particular problem. This method is often effective since it is easier to know products to suggested problems and arrives at a new product idea than generate an entirely new product idea by itself.

Problem inventory analysis can also be used to test a new product idea.

#### **4. Product planning and development process:**

Once ideas emerge from idea sources or creative problem solving, they need further development and refinement into the final product or service to be offered. This refining process-the product planning and development process-is divided into two major stages:

##### **i. Product development Stage:**

In the product development stage, consumer reaction to the physical product is determined. One tool frequently used in this stage is the consumer panel, in which a group of potential consumers is given product samples.

##### **ii. Test Marketing Stage:**

Although the results of the product development stage provide the basis of the final marketing plan, a market test can be done to increase the certainty of successful commercialization.

This last step in the evaluation process-the test *marketing* stage-provides actual sales results, which indicate the acceptance level of consumers. Positive test results indicate the degree of probability of a successful product launch and company formation.

**B. Environmental scanning:** Under environmental scanning, the aspects highlighted include requirements for raw material, level of capacity utilization, anticipated sales, anticipated expenses and the probable profits. It is said that a business should have always a volume of profit clearly in view which will govern other economic variables like sales, purchases, expenses and alike. It will have to be calculated how much sales would be necessary to earn the targeted profit.

Undoubtedly, demand for the product will be estimated for anticipating sales volume. Therefore, demand for the product needs to be carefully spelt out as it is, to a great extent, deciding factor of feasibility of the project concern. How to estimate demand for the project is discussed later.

In addition to above, the location of the enterprise decided after considering a gamut of points also needs to be mentioned in the project. The Government policies in this regard should be taken into consideration. The Government offers specific incentives and concessions for setting up industries in

notified backward areas. Therefore, it has to be ascertained whether the proposed enterprise comes under this category or not and whether the Government has already decided any specific location for this kind of enterprise.

- C. Market Feasibility:** Knowing the anticipated market for the product/ service to be produced becomes an important element in every business plan. The various methods used to anticipate the potential market, what is named in '**Management Economics**' as '**demand forecasting**', range from the naive to sophisticated ones. The commonly used methods to estimate the demand for a product are as follows:

While preparing Market feasibility report, the following aspects relating to market potential of the product should be stated in the report

- i. **Demand and Supply Position** -*State* the total expected demand for the product and present supply position. This should also be mentioned how much of the gap will be filled up by the proposed unit.
- ii. **Expected Price** -*An* expected price of the product to be realised should be mentioned in the project report.
- iii. **Marketing Strategy** -Arrangements made for selling the product should be clearly stated in the project report.
- iv. **After-Sales Service** -Depending upon the nature of the product, provisions made for after-sales service should normally be stated in the project report.
- v. **Transportation** -Requirement for transportation means indicating whether public transport or entrepreneur's own transport should be mentioned in the project report.

## **D. Financial Feasibility:**

Finance is one of the most important pre-requisites to establish an enterprise. It is finance only that facilitates an entrepreneur to bring together the labour of one, machine of another and raw material of yet another to combine them to produce goods. In order to adjudge the financial viability of the project, the following aspects need to be carefully analyzed.

Assessment of the financial requirements both - fixed capital and working capital - needs to be properly made. You might know that fixed capital normally called 'fixed assets' are those tangible and material facilities, which purchased once are used again and again. Land and buildings, plants and machinery are the familiar examples of fixed assets/capital.

The requirement for fixed assets/capital will vary from enterprise to

enterprise depending upon the type of operation, scale of operation and time when the investment is made. But, while assessing the fixed capital requirements, all items relating to the asset like the cost of the asset, architect and engineer's fees, electrification and installation charges (which normally come to 10 per cent of the value of machinery), depreciation, preoperational expenses of trial runs, etc., should be duly taken into consideration. Similarly, if any expense is to be incurred in remodeling, repair and additions of buildings should also be highlighted in the project report.

## **E Making a business plan**

### **A Standard Outline of a Business Plan?**

If you have the main components, the order doesn't matter that much, but here's the outline for Business Plan :

1. Executive Summary: Write this last. It's just a page or two of highlights.
2. Company Description:
  - i. The Nature of your Business
  - ii. Vision Statement
  - iii. Mission Statement
  - iv. Long-term objectives
  - v. Short-term objectives
  - vi. Key Personnel
  - vii. Legal establishment, history, start-up plans, etc.
3. Product or Service: Describe what you're selling. Focus on customer benefits.
4. Market Analysis: You need to know your market, customer needs, where they are, how to reach them, etc.
5. Strategy and Implementation: Be specific. Include management responsibilities with dates and budget.
6. Operational Plan:
  - i. Your Location
  - ii. Infrastructure needed and available
  - iii. Choice of technology
  - iv. Project implementation schedule
  - v. (Bar Chart; PERT/CPM)
  - vi. Factory Layout (optional)
  - vii. Insurance
7. HR Plans:
  - i. Manpower Planning
  - ii. Organization Structure
  - iii. Departmentation
  - iv. Recruitment policies
  - v. Training & Development

## **Chapter 7:**

### **Growing the Agency**

- Agency Business Management
- New Business Development
  - ii. *CRM ( Customer relationship management)*
  - iii. *Digital advertising*
- Growth with existing clients
- Growth with new clients
- Speculative Pitches

#### **a. Agency Business Management:**

It is estimated that advertising industry will be worth around Rs. 24,000 crores by the year 2010. Even discounting media inflation, it is a lot of business. An advertising agency, (abbreviated to 'ad agency,') is a team of experts appointed by a client to plan, produce and place advertising campaigns in the media.

Advertising employs today 15,000 people. They are constantly in need of a diversity of talents both on the creative as well as product side.

### **The Working of Ad Agencies**

To begin with, the agencies started as one-man agents who booked space in the media. Even today, in our country, there are so many one-man agents who book space in the media. Soon the space booking was handed over to the contact-man, and creative wordsmiths adept at sloganising undertook the actual construction of the ad.

In the course of years, the ad agency became service-oriented, and was able to offer every possible service including marketing, market research (MR), and public relations (PR). Ad agencies have evolved over a period of time. These days we have mostly studio-based agencies, some industrial and specialized agencies, and hot-shops who only plan creative campaign by engaging the services of freelancers.

At Madison Avenue, most of these large agencies of the world fiercely compete for new accounts, resulting in a shift of millions of dollars of billing from one agency to another. Advertising Age is an official publication of the American Association of Advertising Agencies (AAAA).

In India, today advertising business is worth Rs. 16,000 crores. There were only 62 advertising agencies in 1958, which increased to 168 in 1978, more than 2.5 times the numbers in 1958. There are more than 500 ad agencies today. The oldest and largest advertisement agency in India is JWT. The second largest advertisement agency is O & M..

It is better to operate agencies on professional lines, rather than as a family. It is good to install MBO (Management By Objectives). An agency must necessarily plough back at least 75 % of its profits into business.

The advertising agencies are shifting from the creative mode to the marketing mode. Today the onus is on the agency to supply the client with data on his industry; the days of the clients briefing the industry are almost over. The agencies are expected to maintain database. There is a leaning towards software for optimizing media usage, and computerization of studio functions.

### **b. New Business Development**

The agency, like any other business organization, has something to sell. The business of the agency should, therefore, grow so that, at any stage, its volume of business may justify its facilities for the services that are offered by it.

Moreover, growth is one of the desirable requirements of any business. It is, therefore, logical to have a separate cell in the agency, which is responsible for the growth of business. This growth may be achieved either by increasing the business with the present accounts or by getting new accounts.

The first is within the jurisdiction of the account executive, while he may look after the second in a small agency. In large agencies, the top management assumes this



responsibility. It has a few executives who are exclusively hired for developing new accounts.

Some agencies aggressively solicit new business by themselves engaging in advertising. They highlight the agency's competent personnel, the resources and the facilities at their disposal, the influential accounts they service and the successful -advertisement campaigns they have handled.

Currently most of the contemporary advertising agencies are focusing on the two new emerging business opportunities:

- iii. CRM ( Customer relationship management)
- iv. Digital advertising

### **CRM (Customer relationship management):**

Definitions:

1. A management philosophy according to which a company's goals can be best achieved through identification and satisfaction of the customers' stated and unstated needs and wants.
2. A computerized system for identifying, targeting, acquiring, and retaining the best mix of customers.
3. Customer Relationship Management (CRM) refers to the methodologies and tools that help businesses manage customer relationships in an organized way.

Customer relationship management helps in profiling prospects, understanding their needs, and in building relationships with them by providing the most suitable products and enhanced customer service. It integrates back and front office systems to create a database of customer contacts, purchases, and technical support, among other things. This database helps the company in presenting a unified face to its customers, and improve the quality of the relationship, while enabling customers to manage some information on their own.

### **For corporate, customer relationship management includes:**

- CRM processes that help identify and target their best customers, generate quality sales leads, and plan and implement marketing campaigns with clear goals and objectives;
- CRM processes that help form individualized relationships with customers (to improve customer satisfaction) and provide the highest level of customer service to the most profitable customers;

- CRM processes that provide employees with the information they need to know their customers' wants and needs, and build relationships between the company and its customers.
- Customer relationship management tools include software and browser-based applications that collect and organize information about customers. For instance, as part of their CRM strategy, a business might use a database of customer information to help construct a customer satisfaction survey, or decide which new product their customers might be interested in.

CRM tools such as database maintenance and customer segmentation help the corporate world built one-to-one relationships with consumers by understanding them. CRM, long valued by marketers for its measurability, historically has been embraced by certain sectors (namely financial services and automotive) more than others.

The CRM market, estimated at \$8-9 billion globally, is pegged at just \$70-80 million in India, though predicted to clock a CAGR of 30-35% over the next few years. It has been logging one of the highest growth rates in the world, making it the third-largest market in the Asia-Pacific region.

Package-goods giant Procter & Gamble, long accustomed to a bombard-the-masses-with-heavily-tested-ads strategy, has been working on better personalizing the consumer experience. CRM is also the force behind Coca-Cola's My Coke Rewards online program, the multiyear customer-loyalty marketing blitz into which it's poured millions of dollars. Hewlett-Packard is said to have recently completed the biggest implementation of Oracle's Siebel CRM software in history.

JCPenney is the latest big name trying to develop lasting consumer relationships. Its new JCP Rewards program lets customers earn points to snag members-only benefits. Rival Macy's West, one of the retailer's biggest divisions, also has been investing in CRM to decipher a more effective media mix and gauge reaction to digital efforts.

**Social CRM:** Apart from customer relations, Social CRM will also be the main tool for promotion and reputation management by companies with proactive measures thanks to the data and site scrubbing engines such products are bundled with.

The latest buzz in enterprise in the CRM space is Social CRM, riding on the Web 2.0 wave. While it has been talked about for some time now, it is only recently that many companies are beginning to see the benefits of having a social networking presence on the Web.

For instance, thanks to some aggressive monitoring of Twitter, Infosys Technologies was recently able to address the concerns of a prospective client who had posted a query on

the micro-blogging site asking for validation of the work culture at India's second largest IT services company. Likewise, Wipro and Cisco are already on Web 2.0 social networking sites to run their innovation centres and bring together disparate experts. This is precisely what Talisma wants to leverage with tools that integrate social media sites with latest generation enterprise resource planning software.

### **iii. Digital advertising:**

Digital advertising is the practice of promoting products and services using digital distribution channels to reach consumers in a timely, relevant, personal and cost-effective manner.

Digital advertising is not just placing banner ads on websites. It goes much beyond this. Digital advertising covers online advertising on the Internet content websites. Digital advertising allows marketers for two-way and even one-on-one communication with consumers, potentially providing them with a very personal experience.

If used properly, the digital medium provides for interaction, the instant feedback and tracking capabilities. Digital media (as opposed to analog media) usually refers to electronic media that work on digital codes. Digital media like digital audio, digital video and other digital "content" can be created, referred to and distributed via digital information processing machines. Digital media represents a profound change from previous (analog) media.

Examples of digital media

The following list of digital media is based on a rather technical view of the term media. Other views might lead to different lists.

- Cellphones
- Compact disc
- Digital video
- Digital television
- e-book
- Internet
- Minidisc
- Video game
- World Wide Web
- Social Networking
- Organic and Paid Search
- E-mail Outreach
- Widgets
- User-Generated Content and the Viral Engine
- Online Video

- Mobile and Handheld
- Potentially, the New Killer App: Mapping and GPS

## ***Digital Convergence***

Like most areas of marketing, advertising is changing rapidly. Some argue that change has affected advertising more than any other marketing function. For instance, while many different media outlets are available for communicating with customers, the ability to distinguish between outlets is becoming more difficult due to the convergence of different media types. In advertising convergence, and more appropriately digital convergence, refers to a growing trend for using computer technology to deliver media programming and information. Convergence allows one media outlet to take advantage of features and benefits offered through other media outlets. For instance, in many areas around the world television programming is now delivered digitally via cable, telephone or satellite hookup. This delivery method uses the same principles of information delivery that is used to allow someone to connect the Internet.

The convergence of television and Internet opens many potential opportunities for marketers to target customers in ways not available with traditional television advertising. For example, technology may allow ads delivered to one household to be different than ads delivered to a neighbor's television even though both households are watching the same program. But convergence is not limited to just television. Many media outlets are experiencing convergence as can be seen with print publications that now have a strong web presence. The future holds even more convergence opportunities. These include outdoor billboards that alter displays as cars containing geographic positioning systems (GPS) and other recognizable factors (e.g., GPS tied to satellite radio) pass by or direct mail postcards that carry a different message based on data that matches a household's address with television viewing habits.

## **Audience Tracking**

The movement to digital convergence provides marketers with the basic resources needed to monitor users' activity, namely, digital data. Any media outlet that relies on computer technology to manage the flow of information does so using electronic signals that eventually form computer data. In simple form, electronic data is represented by either an "on" or "off" electronic signal. In computer language this is further represented by two numbers "0" and "1" and, consequently, is known as digital information. All digital information can be stored and later evaluated. For media outlets delivering information in digital form, the potential exists for greater tracking and matching this with information about the person receiving the digital data. And tracking does not stop with what is delivered; it also works with information being sent from the customer. For instance, as we noted earlier, by clicking on their television screen viewers will soon be able to

instantly receive information about products they saw while watching a television show. This activity can be tracked then used in future marketing efforts.

While media convergence offers marketers more options for tracking response to advertisements, such activity also raises ethical and legal concerns. Many consumers are not pleased to learn their activities are being monitored when they engage a media outlet. Yet consider the following examples of how marketers are tracking users:

- **Television Viewing** – As we noted, the advent of digitally delivered television allows cable, telephone and satellite providers to track user activity through the set-top boxes connected to a subscriber's television. Future innovation will make the user television experience even more interactive and, consequently, open to even more tracking.
- **Television recording** – The days of television videotape recording are quickly coming to an end, replaced by recording using computer technology. A digital video recorder (DVR), such as TiVo, can track users recording habits and, based on a viewer's past activity, make suggestions for programs they may want to record. Additionally, advertising services can program the DVR to insert special advertisements within a program targeted to a particular viewer.
- **Internet Spyware** – Downloading entertainment from the Internet, such as games, video and software, may contain a hidden surprise – spyware. Spyware is a special program that runs in the background of a user's computer and regularly forwards information over the Internet to the spyware's company. In some cases spyware keeps track of websites the user has visited. The information is then used to gain an understanding of the user's interests, which then results in delivery of special ads when a user visits a certain site.

## **Ad Skipping and Blocking**

As noted above, television recording devices offer marketers tremendous insight into viewers' habits and behavior. Yet from the consumer side, the DVR is changing how people view television programs by allowing them to watch programming at a time that is most convenient for them.

Viewer convenience is not the only advantage of the DVR. The other main reason consumers are attracted to the DVR is their ability to quickly skip over commercials. Of course this presents major issues for advertisers who are paying for advertisements. As more DVR devices with ad skipping or even ad blocking features are adopted by mainstream consumers the advertiser's concern with whether they are getting the best value for the advertising money becomes a bigger issue. Advertisers who feel frustrated with television ad-skipping may opt to invest their promotional funds in other media outlets where consumers are more likely to be exposed to an advertisement.

## Changing Media Choices

There is a major cultural shift occurring in how people use media for entertainment, news and information. Many traditional media outlets, such as newspapers and major commercial television networks, are seeing their customer base eroded by the emergence of new media outlets. The Internet has become the major driver of this change. In particular, a number of important applications tied to the Internet are creating new media outlets and drawing the attention of many, mostly younger, consumers. Examples include:

- Podcasting Audio – This involves delivering programming via downloadable online audio that can be listened to on music players, such as Apple's iPod. Many news websites and even other information site, such as blogs, offer free downloadable audio programming.
- Podcasting Video – While audio downloading has been available for some time, the downloading of video to small, handheld devices, including cellphones, is in its infancy. Many television networks are now experimenting with making their programming available for download, albeit, for a fee.
- RSS Feeds – This is an Internet information distribution technology that allows for news and content to be delivered instantly to anyone who has signed up for delivery. Clearly those registering for RSS feeds represent a highly targeted market since they requested the content.
- Networked Gaming – While gaming systems have been around for some time, gaming systems attached to the Internet for group play is relatively new and becoming more practical as more people move to faster Internet connections. This type of setup will soon allow marketers to insert special content, such as advertising, within game play.

For marketers these new technologies should be monitored closely as they become accepted alternatives to traditional media outlets. While these technologies are currently not major outlets for advertising, they may soon offer such opportunity. As these technologies gain momentum and move into mainstream acceptance marketers may need to consider shifting advertising spending.

Marketers should also be aware that new media outlets will continue to emerge as new applications are developed. The bottom line for marketers is they must stay informed of new developments and understand how their customers are using these in ways that may offer advertising opportunities.

### **c. Growth with existing clients consists of:**

- i. 'Organic' growth from existing clients/brands.*
- ii. 'New' business from existing clients when they line-extend or diversify into new sectors.*

Half the growth comes from organic, another quarter from new and the last quarter from totally new clients. More and more advertising agencies are establishing specialist divisions to cater to the varied needs of their existing client. Almost all the major ones now get about one-fifth of their revenues from non-advertising services - up from almost nothing three years ago.

Almost every agency now makes a 360-degree pitch. Many agencies get the new business from the existing client because advertisers do not want the headache of co-ordinating with five to 10 agencies. Many of these Specialist divisions now get invited to pitches for DM or healthcare on their own. Clients are now looking for Agency to do DM or PR as long as it can be the catalyst.

#### **d. Growth with new clients:**

##### **How agencies Gain Clients:**

**Some of the ways Agency Gain new clients are:**

1. **Referrals:** Many good agencies obtain new clients as a result of referrals from existing clients, media representatives, and even other agencies. These agencies maintain good working relationships with their clients, the media, and outside parties that might provide business to them.
2. **Solicitations:** One of the more common ways to gain new business is through direct solicitation. In smaller agencies, the president may solicit new accounts. In most large agencies, a new business development group seeks out and establishes contact with new clients. The group is responsible for writing solicitation letters, making cold calls, and following up on leads.
3. **Presentations:** A basic goal of the new business development is to receive an invitation from a company to make a presentation. This gives the agency the opportunity to sell itself-to describe its experience, personnel, capabilities, and operating procedures, as well as to demonstrate its previous work.
4. **Public Relations:** Agencies also seek business through publicity/public relations efforts. They often participate in civic and social groups and work with charitable organizations pro bono (at cost, without pay) to earn respect in the community. Participation in professional associations such as AAI and Ad Club can also lead to new contacts.
5. **Image and reputation:** Perhaps the most effective way an agency can gain new business is through its reputation. Agencies that consistently develop excellent campaigns are often approached by clients. Agencies may enter their work in award competitions or advertise themselves to enhance their image in the marketing community. In some cases the clients themselves may provide valuable testimonials.

#### **e. Speculative pitches**

"Speculative pitches" — mock ads created by an agency at their own expense in order to attract new clients.

Smart firms are deciding not to wait for clients to invite them to pitch for work — they are going out there to present their credentials. Not only can this speed up the process of

winning instructions, but it can also cut out competitors, as well as save the firm the time and costs of going through a potentially more rigorous formal pitch.

But speculative pitching is not always as successful as firms would like. In fact, if anything, the majority is failing. On some occasions, firms are sensing that the failure has set the firm backwards rather than moving closer to winning the work. Many partners also find the process difficult – it smacks so much of what some might see as aggressive selling.

On analysis of pitch documents and presentations shows that many firms are not going about their speculative pitches in the most appropriate way. In particular, firms are not tailoring their messages appropriately to each prospective client.

**A five-step approach to Speculative pitching**

- (1) Research the market and target companies;
- (2) Telephone call;
- (3) The meeting;
- (4) The presentation;
- (5) Follow up.

## **Chapter 08**

# **Sales Promotion Management**





***Sales promotion has been defined as:***

1. a “direct inducement “ that offers distribution or the ultimate consumers with the primary objective of creating an immediate sale.
2. Marketing communication activities, other than advertising, personal selling, and public relations, in which a short-term incentive motivates a purchase.
3. “Sales Promotion is a Marketing Discipline that Utilizes a Variety of Incentive Techniques to Structure Sales-Related Programs Targeted to Consumers, Trade, and/or Sales Levels that Generate a Specific, Measurable Action or Response for a Product or Service.”

**Important aspects of Sales promotion**

1. Extra incentives is the key element in sales promotion
2. Sales promotion is essentially an acceleration tool designed to speed up the setting process & maximize sales volume.
3. It can be targeted to different parties in the marketing channel.

# Objectives of Sales Promotion

1

Type of Buyer	Desired Results	Sales Promotion Examples
Loyal Customers	<ul style="list-style-type: none"> <li>• Reinforce behavior</li> <li>• Increase consumption</li> <li>• Change timing</li> </ul>	<ul style="list-style-type: none"> <li>• Loyalty marketing</li> <li>• Bonus packs</li> </ul>
Competitor's Customers	<ul style="list-style-type: none"> <li>• Break loyalty</li> <li>• Persuade to switch</li> </ul>	<ul style="list-style-type: none"> <li>• Sampling</li> <li>• Sweepstakes, contests, premiums</li> </ul>
Brand Switchers	<ul style="list-style-type: none"> <li>• Persuade to buy your brand more often</li> </ul>	<ul style="list-style-type: none"> <li>• Price-lowering promotion</li> <li>• Trade deals</li> </ul>
Price Buyers	<ul style="list-style-type: none"> <li>• Appeal with low prices</li> <li>• Supply added value</li> </ul>	<ul style="list-style-type: none"> <li>• Coupons, price-off packages, refunds</li> <li>• Trade deals</li> </ul>

## Objectives of Sales Promotion

### 1. Obtaining Trial & repurchase

One of the most important uses of SP is to encourage consumers to try a new product or service tools have become an important part of new brand introduction strategy. The labels of initial price can be increased through sampling, coupons & refund orders. The success of a new brand depends not only on getting initial trial but also on inducing a reasonable percentage of people who try the brand to repurchase it & establish on-going purchase pattern.

### 2. Increasing consumption of an established brand:

SP can generate some new interest in an established brand to help increase sales or defend market share against competitors. One way to increase product consumption is by identifying new users for the brand. Another strategy for increasing sales of an established brand is to use promotion that attracts new users of the product category or users of a competitive brand. Eg. VIM Bar challenge.

### 3. Defending current customers:

A company can use SP techniques in several ways to retain its customer base. One way to load them with the product, taking them out of the market for some time. Special price promotions, coupons or bonus packs can encourage consumers to stock up on the brand.

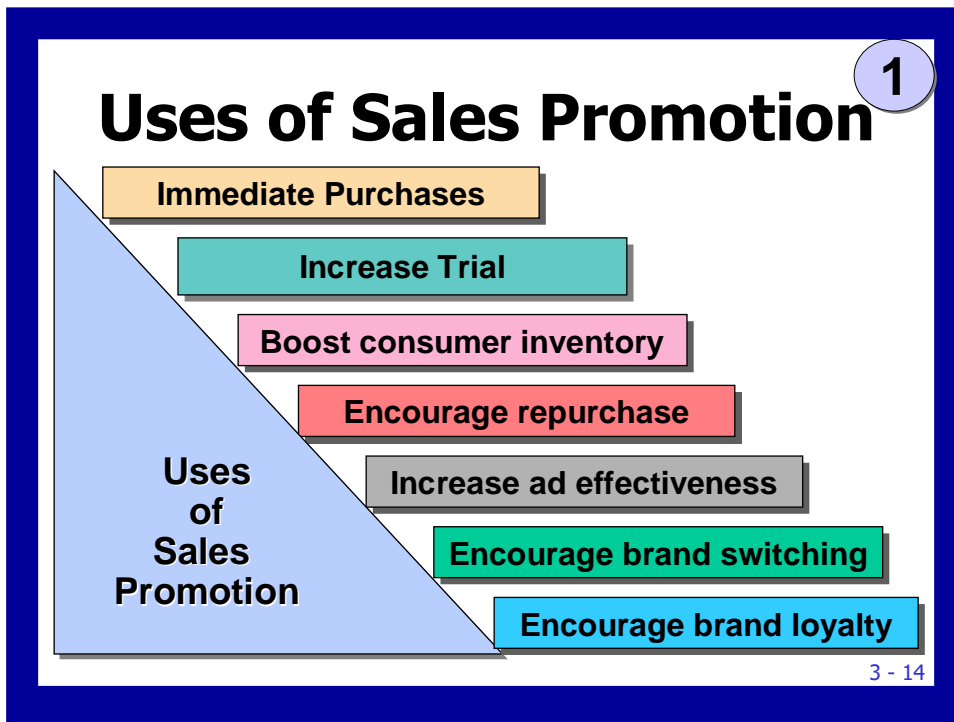
### 4. Targeting specific market segment:

Many marketers are finding that SP tools such as contests & sweepstakes, events, coupons & sampling are very effective ways to reach specific geographic, demographic, psychographic & ethnic markets. SP programs can also be targeted through specific user-status groups such as non-users or light users v/s heavy users.

### 5. Enhancing Integrating Marketing communication & building Brand Equity:

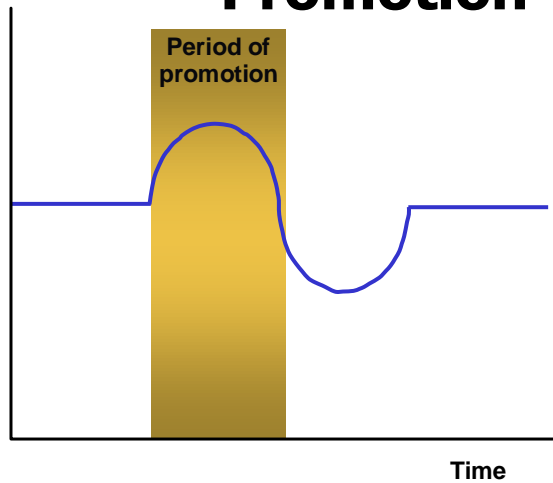
Final objective is to enhance or support the integrated marketing communication efforts for a brand or a company. Building brand equity & image has traditionally done by advertising.

However, SP techniques such as contest & sweep-stakes or premium offers are often used to draw attention to an advertising and increased involvement with the message & product or service & help build relationship with consumers. Eg. Dunkin donuts



## Possible Effects of Sales Promotion

Unit Sales

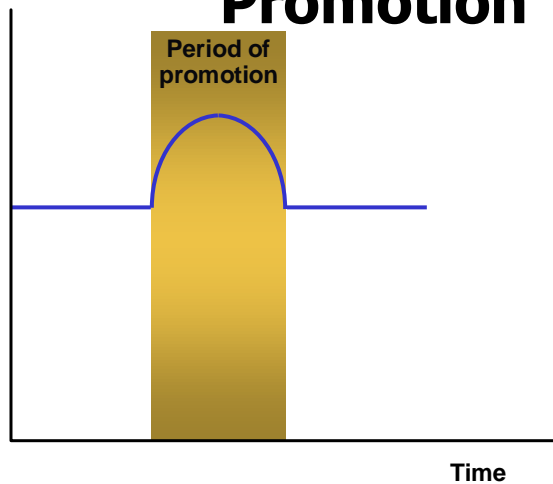


Sales temporarily increase, then decrease, then return to regular level

3 - 15

## Possible Effects of Sales Promotion

Unit Sales

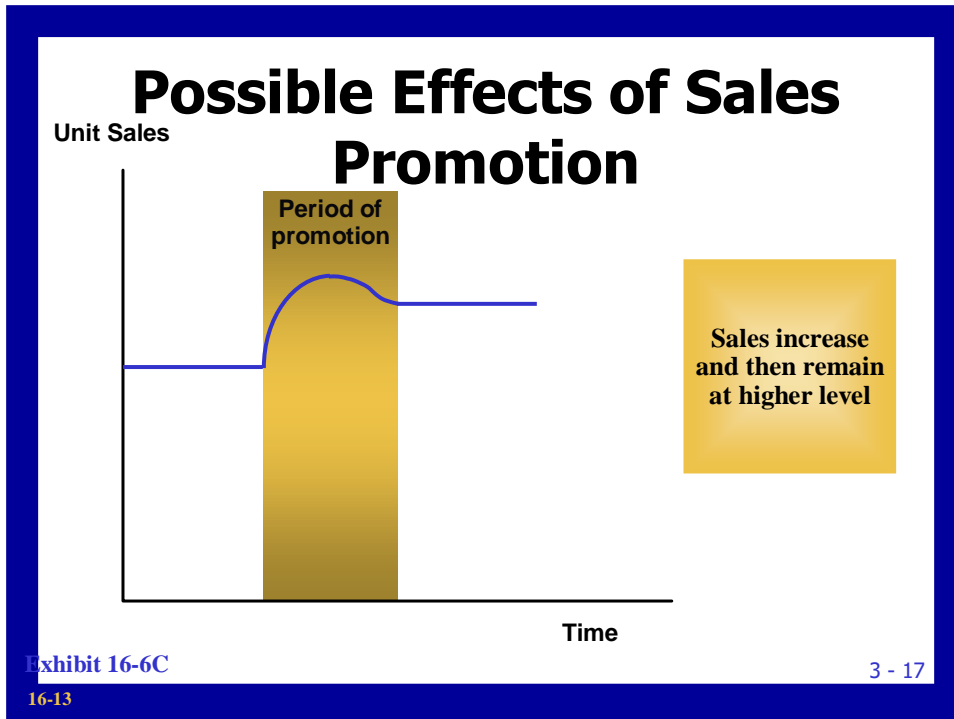


Sales temporarily increase and then return to regular level

Exhibit 16-6B

16-12

3 - 16



## How Sales Promotion Works

Marketers use two basic sales promotion strategies:

Push strategies

Pull strategies

Most sales promotion programs include both push and pull strategies, using both consumer and trade promotions.

- **Pull Strategy**

**Push strategy** calls for using the sales force and trade promotion. It is appropriate with low brand awareness in a category and brand choice is made in store. Can be an impulse purchase and product benefits are understood. A “push” promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand for a product. The producer promotes the product to wholesalers, the wholesalers promote it to retailers, and the retailers promote it to consumers. A good example of "push" selling is mobile phones, where the major handset manufacturers such as Nokia promote their products via retailers such as Carphone Warehouse. Personal selling and trade promotions are often the most effective promotional tools for companies such as Nokia - for example offering subsidies on the handsets to encourage retailers to sell higher volumes. A "push" strategy tries to sell directly to the consumer, bypassing other distribution channels (e.g. selling insurance or holidays directly). With this type of strategy, consumer promotions and advertising are the most likely promotional tools.

**Push strategies generally appropriate for**

- Product categories where there is low brand loyalty
- Where many acceptable substitutes are available in the market.
- Relatively new products are to be launched
- When the brand choice is often made in response to displays in the stores,
- The product purchase is unplanned or on impulse and
- The consumer is familiar and has reasonably adequate knowledge about the product.

**Pull strategy:** In case of using a pull strategy, marketing efforts are directed at the ultimate consumer and consumer promotions such as consumer contests and sweepstakes, rebates, coupons, free samples, consumer premiums, etc are used. If this strategy is also chosen to include advertising, then, there are large advertising expenditures.

*The objective of such promotional efforts would be to create sufficient consumer demand to pull the product through the channels, that is the consumers are encouraged to demand the product from retailers who in turn place orders with wholesaler or manufacturer to meet the consumer demand.*

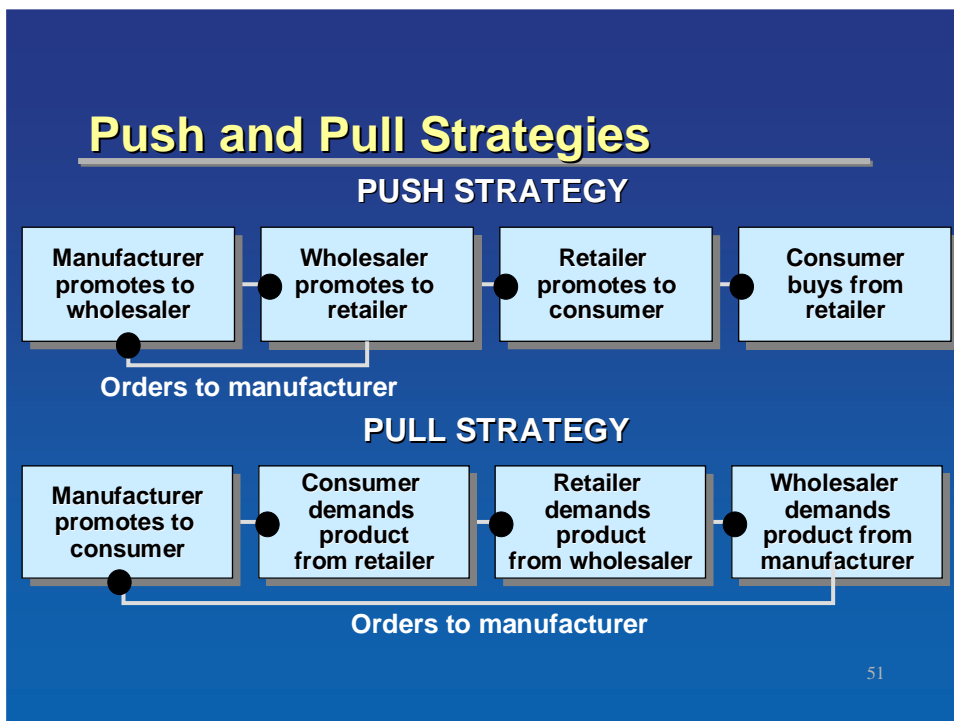
It calls for spending on advertising and sales promotion to build consumer demand. It works best with high brand awareness and loyalty, or high involvement in category and customers look for product differences. A “pull” selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product. If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers. A good example of a pull is the heavy advertising and promotion of children's' toys – mainly on television. Consider the recent BBC promotional campaign for its new pre-school programme – the Fimbles. Aimed at two to four-year-olds, 130 episodes of Fimbles have been made and are featured everyday on digital children's channel CBeebies and BBC2.

***Bajaj Auto Ltd.** offered a scheme of taking home a scooter at **Rs 999** was a sales promotional offer communicated through effective advertising and was essentially a pull strategy.*

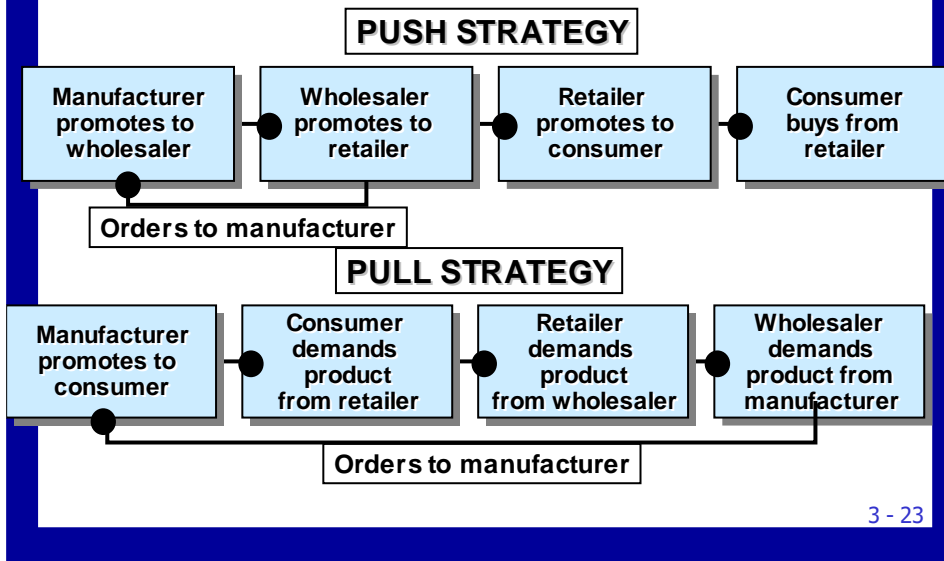
This strategy may require little promotional efforts from the resellers except to stock input the product on shelves.

**A pull strategy is appropriate when**

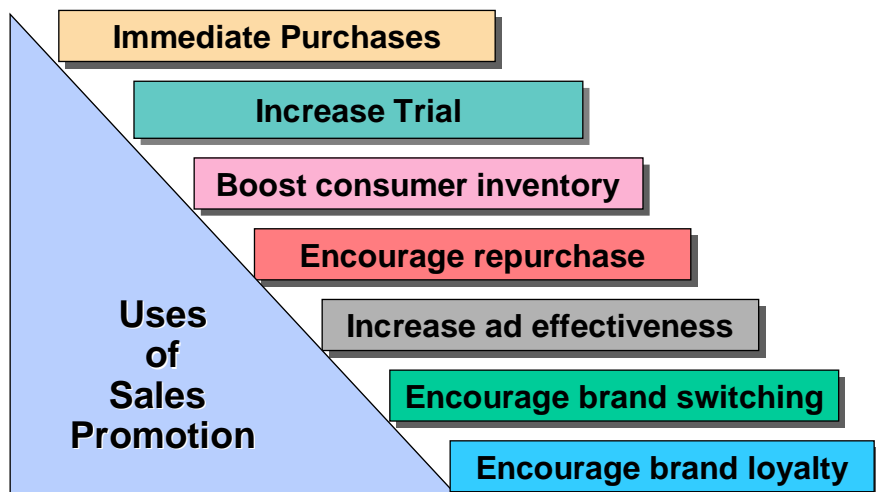
- The product demand is high.
- It is possible to differentiate the product on the basis of real or emotional features.
- Brand consumers show high degree of involvement in the product purchase,
- There is reasonably high brand loyalty and
- Consumers make brand choice decision before they go to the store.



# Push and Pull Strategies



## Uses of Sales Promotion <sup>1</sup>



3 - 14



# Reasons for the Growth of Sales Promotion

Sales Managers are Under Great Pressure to Produce Results Quickly.

Assessment of Sales Promotion is Relatively Easy.

Why Are Companies Spending More and More Money on Sales Promotion?

Sales Promotion Strategies Target Consumer, Trade, and The Sales Force.

Cost for Results In This Industry Are Relatively Low.

## Reasons for the Growth of Sales Promotion

### Reasons for Increase in Sales Promotion

#### Reasons

Growing Power of Retailers

Declining Brand Loyalty

Increased Promotional Sensitivity

Brand Proliferation

Fragmentation of Consumer Markets

Short-Term Focus of Marketers

Increased Accountability

Competition

Clutter

## **Reasons for the increase in sales promotion**

### **1. The growing power of retailers:**

The power shift in market place from manufacturing to retailers.

- a. Advent of optical checkout scanners
- b. Consolidation of grocery store industry
- c. Evolution of private labels.

### **2. Declining Brand Loyalty:**

**3. Increased promotional sensitivity:** Marketers are making greater use of sales promotion into marketing programs because consumers respond favorably to the incentive. (a) An obvious reason for consumers increased sensitivity to Sales promotion offers is that they SAVE MONEY .(b) Another reason is that many purchase decisions are made at the POP by consumers who are increasingly becoming price sensitive and facing too many choices.

**4. Brand Proliferation:** A major aspect of many firms marketing strategies over the past decade has been the development of new products.

**5. Fragmentation of the Consumer markets:** As the consumer becomes more fragmented & Traditional mass media- based advertising becoming less effective, marketers are turning to more segmented & highly targeted approaches. Many companies are tailoring their promotional efforts to specific regional markets: Eg.Bajaj Alliance offer to WIAA. Whirlpool concentrating on women

**6. Short-term Focus:** Brand managers use S P routinely, not only to introduce new products or defend against competition but also to meet quarterly or yearly sales & market share goals.

**7. Increased Accountability:** Results from SP programs are generally easier to measure than those from advertising. Many companies are demanding measurable, accountable ways to relate promotional expenditures to sales & profitability.

**8. Gaining a competitive advantage:** Many companies are turning to sales promotion to gain or maintain a competitive advantage. A major development in recent years is the use of account-specific marketing (also referred to as comarketing) whereby a marketer collaborates with customizes promotions for individual retailers.

**9. Clutter:** The increasing problem of advertising clutter has lead to the need to use consumer promotions as a way of attracting attention and interest to advertising. Sales promotion offers such as coupons, contests and sweepstakes are often used to attract attention to ads and increase consumers' involvement with a marketer's IMC program.

## Promotion Strategies

### Promotion Can:

1. Offer an immediate inducement,
2. Cause customers to try a product,
3. Persuade customers to buy again,
4. Introduce a new product or build a brand over time.
5. Promotion Can't:
6. Create an image for a brand,
7. Compensate for a lack of advertising,
8. Do much to compensate for a negative image,
9. Reverse a sales decline.

### Important aspects of Sales promotion

1. Extra incentives is the key element in sales promotion
2. Sales promotion is essentially an acceleration tool designed to speed up the setting process & maximize sales volume.
3. It can be targeted to different parties in the marketing channel.

### Concerns about the Increased Role of Sales Promotion

It is very important to note that the increased use of sales promotion is coming at the expense of media advertising. This has led to concern that the increased use of sales promotion is having a negative effect on brand equity.

Brand equity refers to a type of intangible asset of added value or “goodwill” those results from the favorable image or differentiation that a brand has achieved. Another term used synonymously with brand equity is consumer franchise. There are many examples of situations where a company's have hurt the brand equity of their products by placing more emphasis on consumer and trade promotions than advertising. The book discusses how Heinz allocated most of its marketing budget to trade promotion during the early to mid '90s, which hurt the brand equity of many of its brands.

### Sales Promotion

#### Two types of Sales Promotion:

1. **Consumer oriented sales promotion:** It includes sampling, couponing, premium, contest & sweepstakes, refund, rebate, bonus packs, price- offs, frequency programs & event marketing.
2. **Trade-oriented sales promotion:** It include dealer contests& incentives, trade allowances, pop displays, sales training programs design to motivate distributors & retailers to carry a product & make an extra effort to push it to their customer.

## Consumer Promotion



The use of incentives to motivate end users to purchase a brand and thus pressure retailers to stock that brand

- Used by marketers as part of a pull strategy

## Trade Promotion



The use of incentives to motivate the buying and reselling of products

- Used as part of a push strategy

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## Consumer oriented sales promotion

### Objectives of Consumer-Oriented Sales Promotion

1. Obtaining trial and repurchase
2. Increasing consumption of an established brand
3. Defending current customers
4. Targeting a specific market
5. Enhancing advertising and marketing efforts

### Consumer Franchise-building versus Non franchise-Building Promotion:

#### 1. Consumer Franchise building:

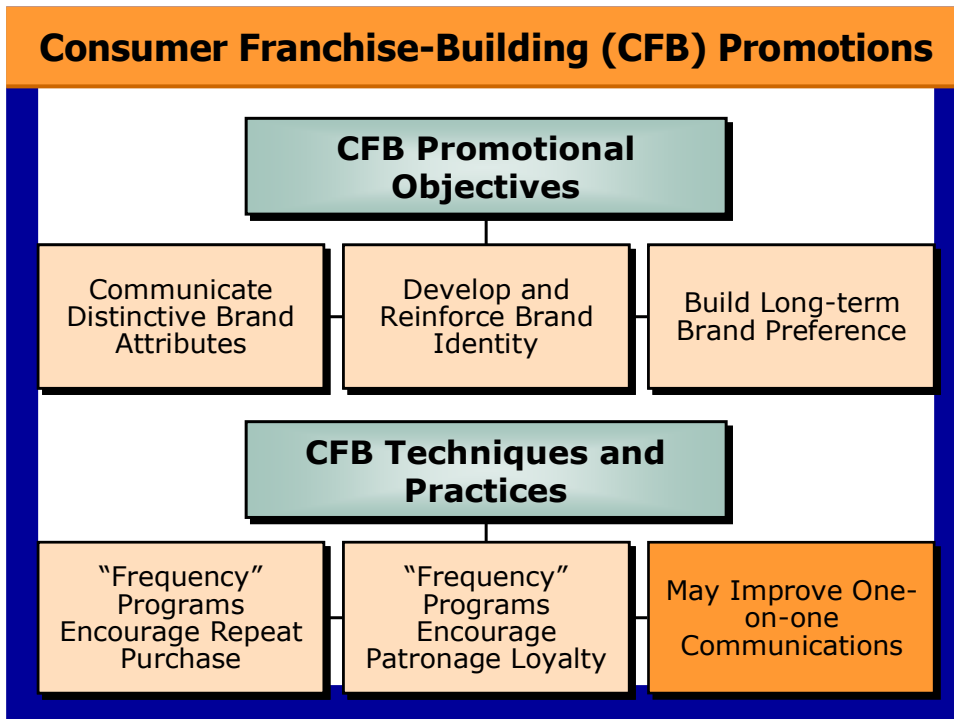
**CFB are all those initiatives which trigger word of mouth amongst the target group building up a strong network of loyal customer base.**

Thus SP activities that communicate distinctive brand attributes & contribute to the development & reinforcement of the brand identity are consumer franchise building promotion. Eg: Kashmir Tourism Corporation.

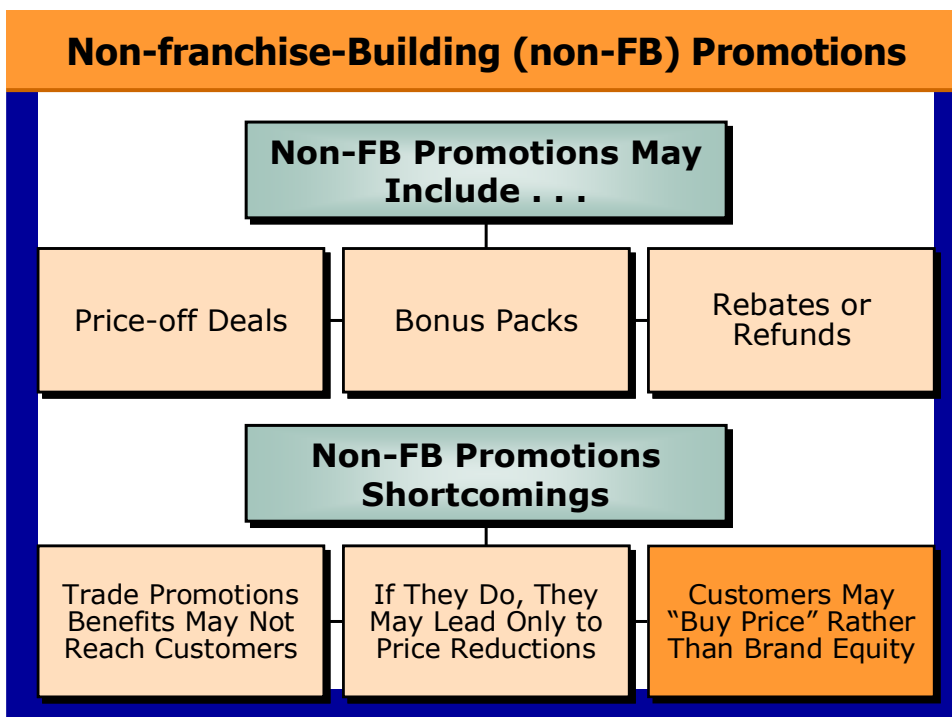
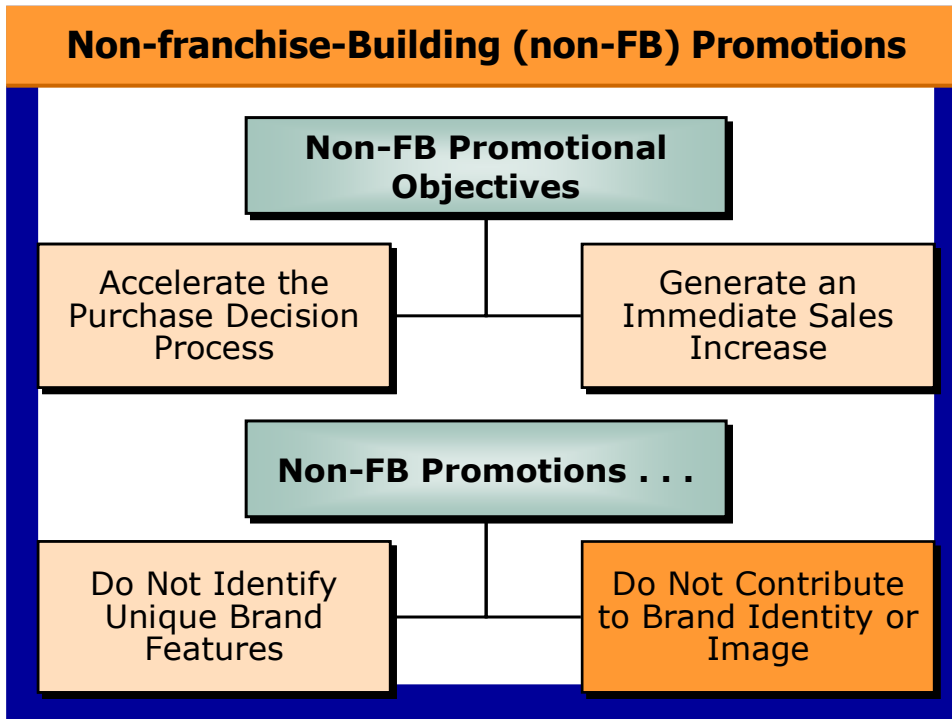
Companies can use SP techniques in a number of ways to continue to franchise building. Rather than using a one time offer, many companies are developing frequency programs that encourage repeat purchase & long-term patronage.

Companies can also use SP to contribute to franchise building by developing & offer consistent with the image of the brand

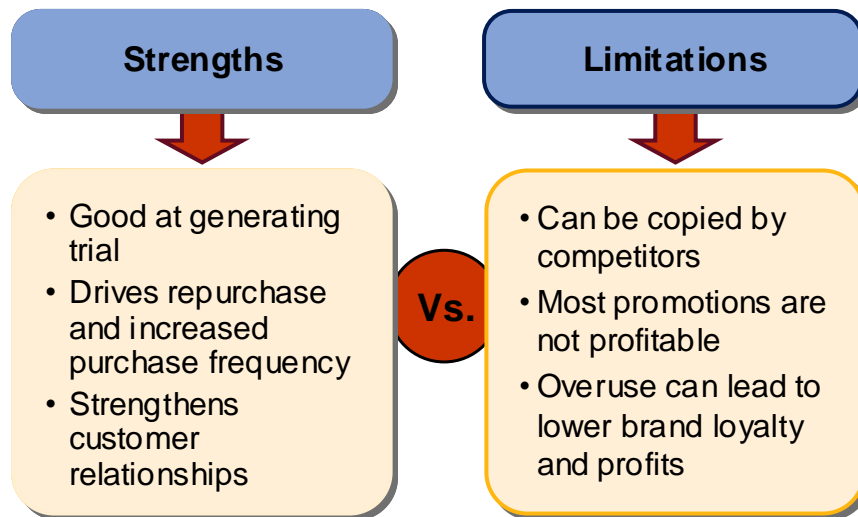
*In-school promotions have evolved from just dumping products on kids to promotions that are relevant to them. Today, they are educational and entertainment events designed to make children more informed about brands and choices.*



**Non-CFB activities focus on price alone**



## What Are Consumer Sales Promotions Designed To Accomplish?



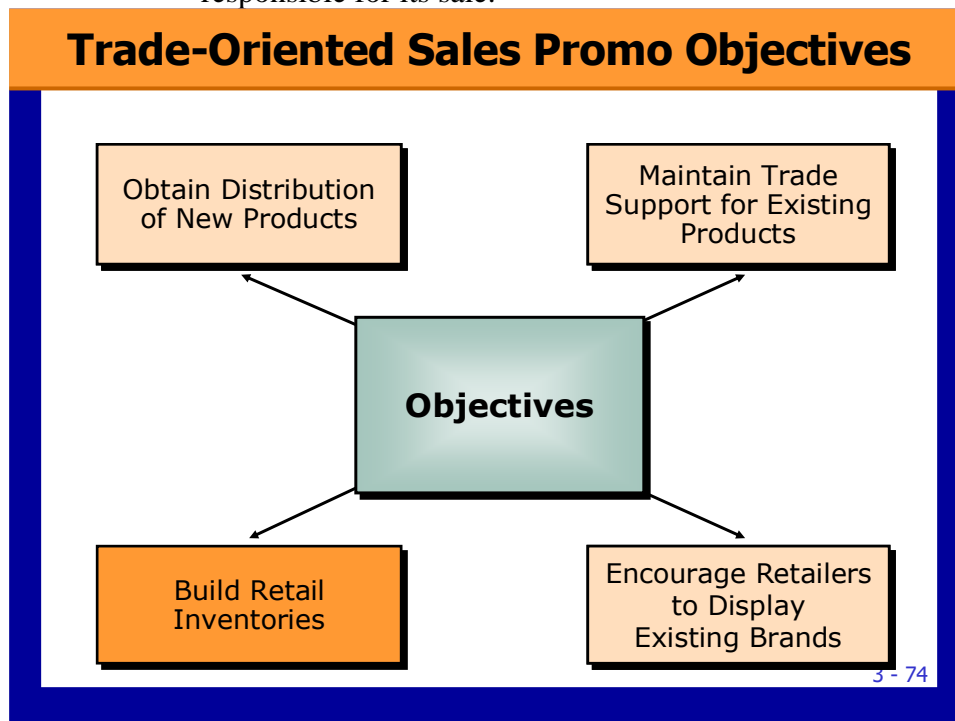
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## Trade oriented sales Promotions

Trade advertising is directed at wholesalers and retailers and represents 50% of the total promotional spending.

**Four goals of a trade promotion are:**

- Stimulate in-store merchandising or other trade support,
- Manipulate levels of inventory held by wholesalers and retailers,
- Expand product distribution to new areas of the country or new classes of trade,
- Create a high level of excitement about the product among those responsible for its sale.

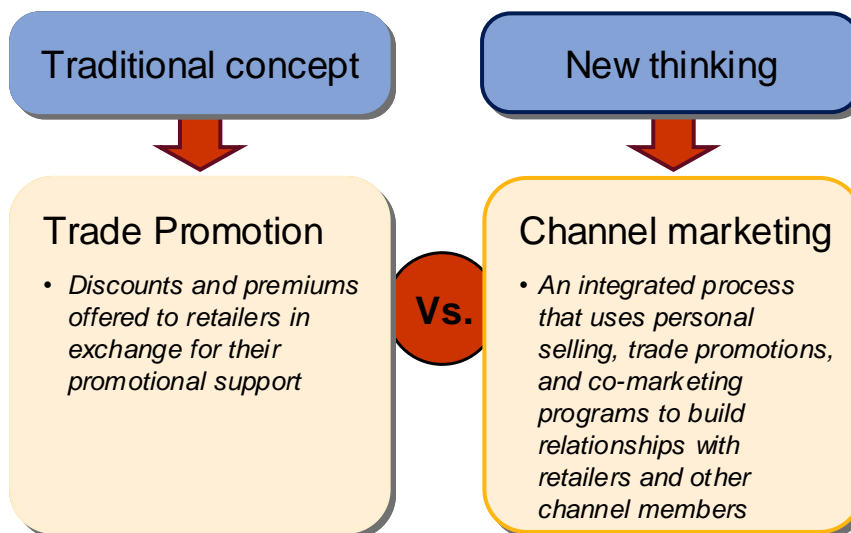




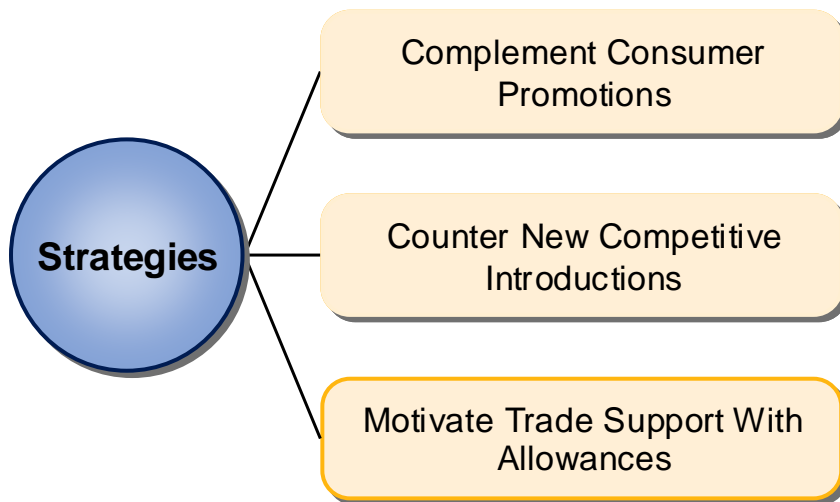
## Trade Promotion Objectives



## What Does What is Trade Promotion?



## Trade Promotion Strategies



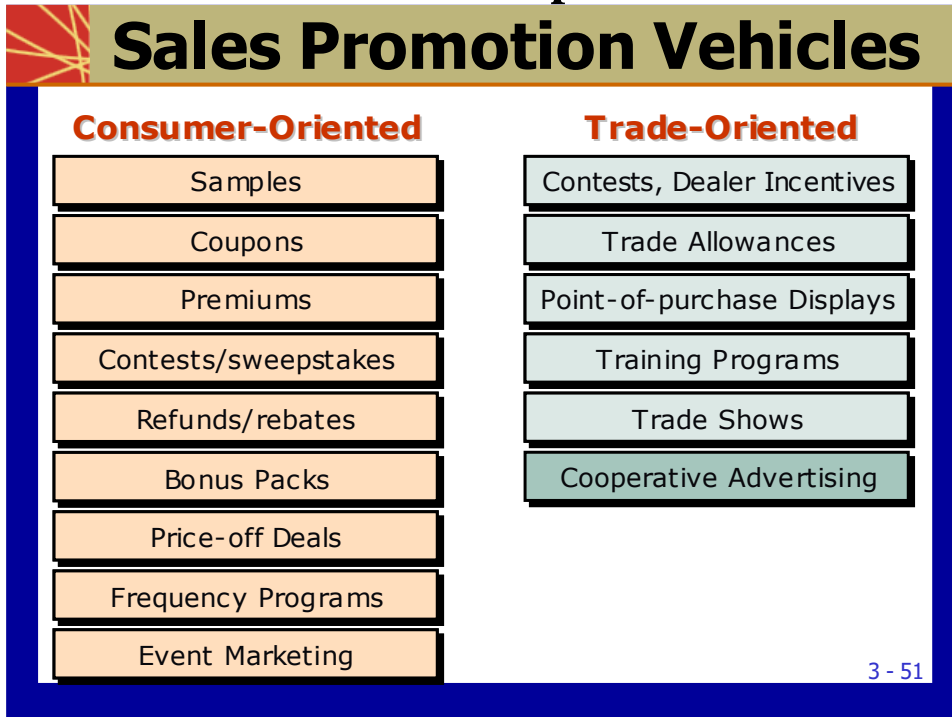
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3. Expand product distribution to new areas of the country or new classes of trade,
4. Create a high level of excitement about the product among those responsible for its sale.
5. Obtain distribution for new products
6. Maintain trade support for established brands
7. Encourage retailers to display established brands
8. Build retail inventories

### Problem with trade allowance

1. Forward buying
2. Diverting

## Consumer oriented sales promotion



# **Consumer oriented sales promotion**

## **CONSUMER ORIENTED SALES PROMOTION**

Broad objectives of any sales promotion program are to induce trial and purchase of the product. As we consider several promotions programs of different organizations, we can conclude that their objectives are any of all of the following:

1. Generate consumer interest, which should lead to trial.
2. Generate inquiries from the target customer group.
3. Build traffic for a brand at the retail outlet; which should help generate additional sales of product;
4. Motivate customers to repeat their choice.
5. Increase the rate of purchase.

1. Generate Consumer Interest Leading to Trial: This is one of the most sacrosanct objectives in marketing, particularly in the case of new products and those products which are mature and hence don't excite the interest of the consumer. Several sales promotions are designed to create an excitement in the target market which should help in generating trial purchase.

2. Enquiry Generation: Another objective of consumer promotion is to generate inquiries from the target consumers. This is done through mail-in coupons, free catalogue and prizes. Since the incentive to be offered is generally in the context of an advertising message designed to introduce product benefits, these vehicles should be developed in coordination with the advertising programs

This objective is particularly useful in the following situations:

1. When the firm has to identify and attract prospective customers, who are difficult to be identified because of the product concept.
2. When the customers have to be frequently replenished, like in the context of educational institutions whose stationary stocks have to be periodically replenished ;here the supplier may offer mail-in coupons or even special prices or gifts on festivals and
3. When a new model or another version of a product or service has been planned / introduced.

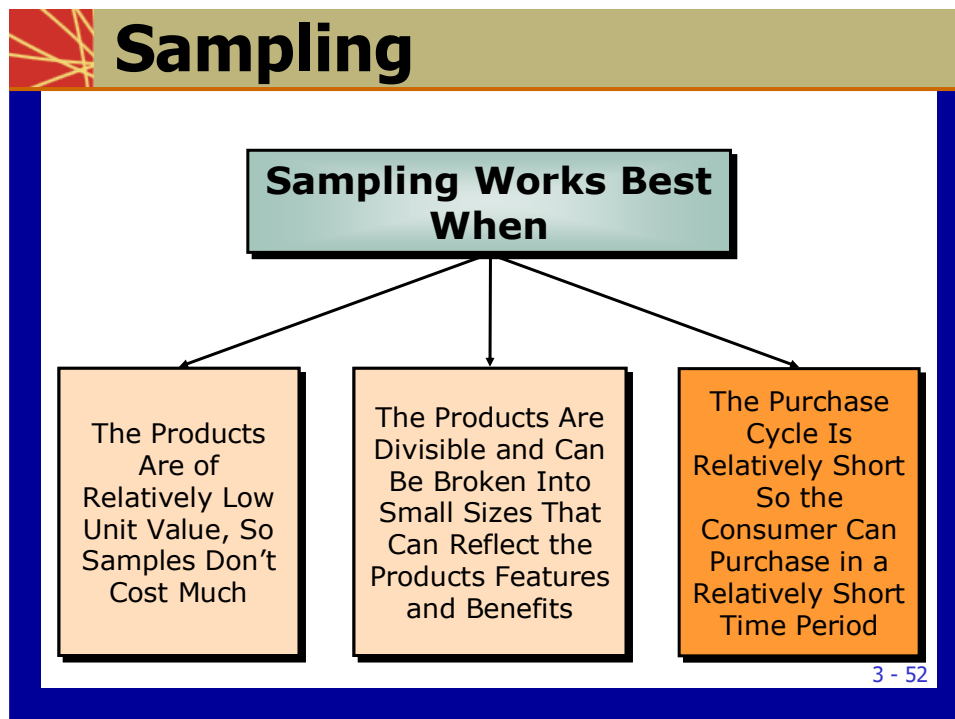
3. Build Consumer Traffic: A leading garment and accessories store in the Western suburbs of Mumbai, recently had a tie festival. Earlier it had several similar events either all by itself or in collaboration with leading brands that it stocks. Such kind of special sales or festival sales or even entertainment events like Awards Function are designed to build consumer traffic at retail outlets or for a brand.

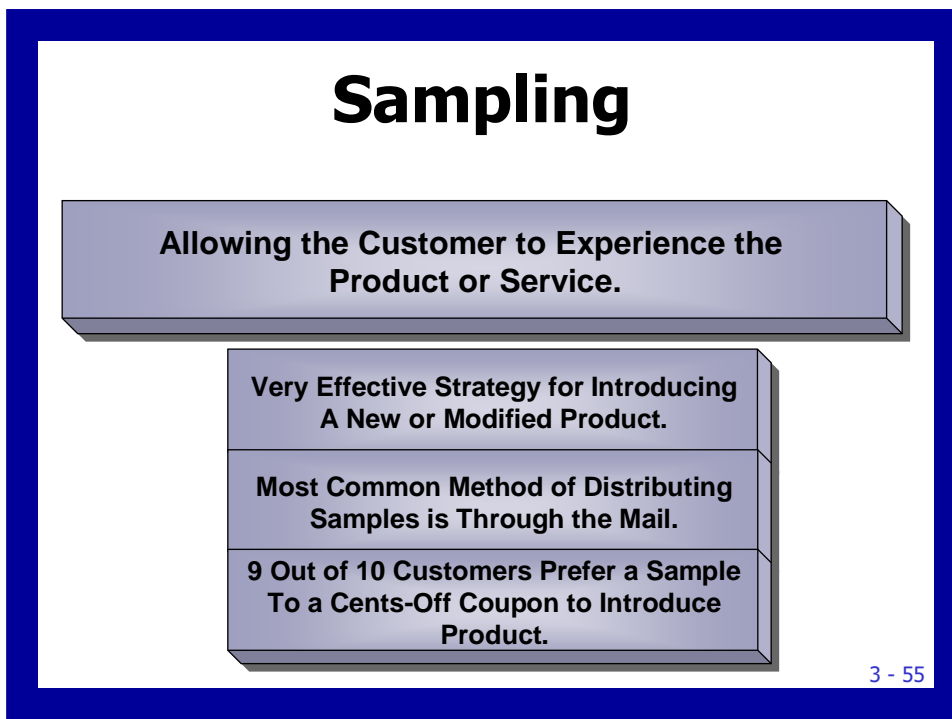
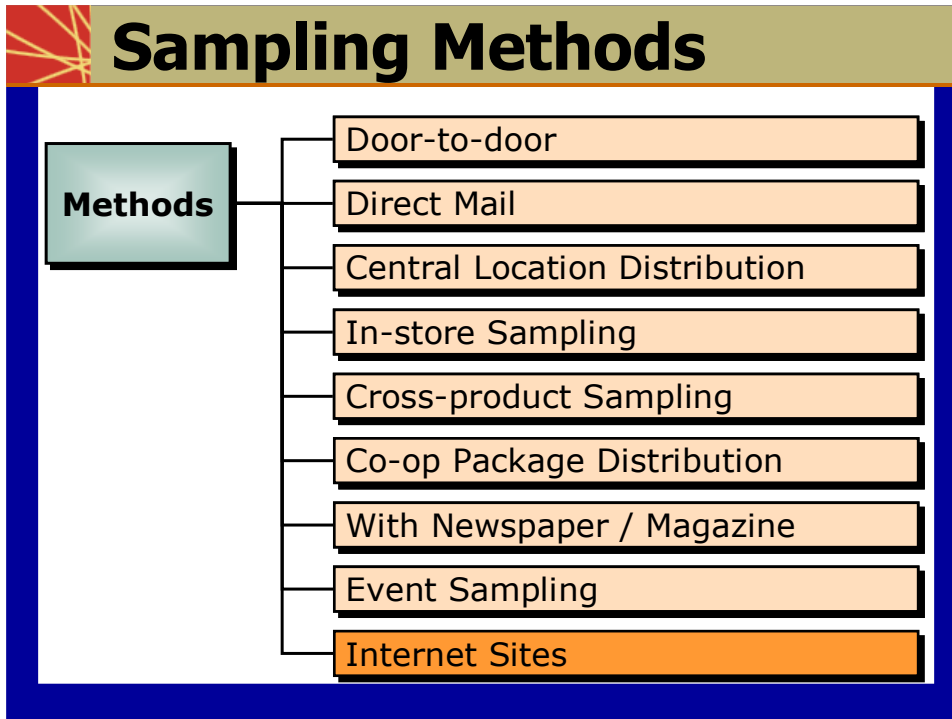
4. Motivate Customers to Repeat Their Purchase: Several companies use promotion like first citizenâ€™s club and cumulative card which promises the customer a free shirts or any garment on the purchase of a specific number of garments. Likewise, Citibank Diners Club offer its members redeemable points for every purchase made on the Diners Club credit card. These tools are aimed at creating brand loyalty. Likewise, a firm may offer continuity promotions like contests that run over several days and weeks or gifts distributed in increments overtime. Frequent flyers programs of airline is another form of continuity promotion.

## 1. Sampling:

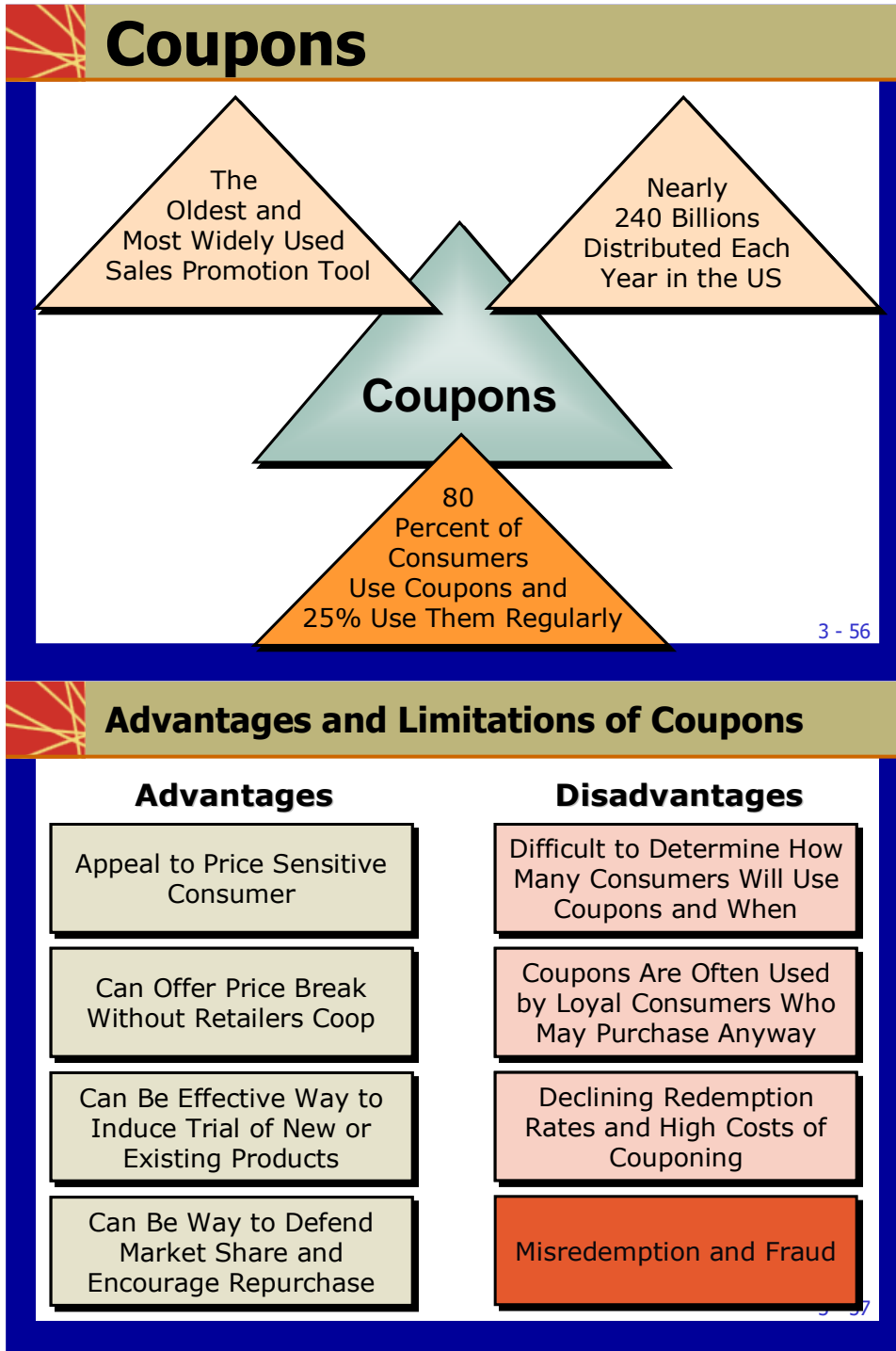
**Samples.** A sample is a free product given to customers to encourage trial.

- Samples may be offered via online coupons, direct mail, or in stores.
- Samples are the most expensive sales promotion technique





**2. Coupons:** A coupon reduces the retail price of a particular product by a stated amount at the time of purchase. These coupons may be worth anywhere from a few paisa to a few rupees. - They are made available to customers through newspapers, magazines, direct mail, online, and in shelf dispensers in the store. - Coupons may also offer free merchandise, either with or without an additional purchase of the product..



### **Advantages of Coupons**

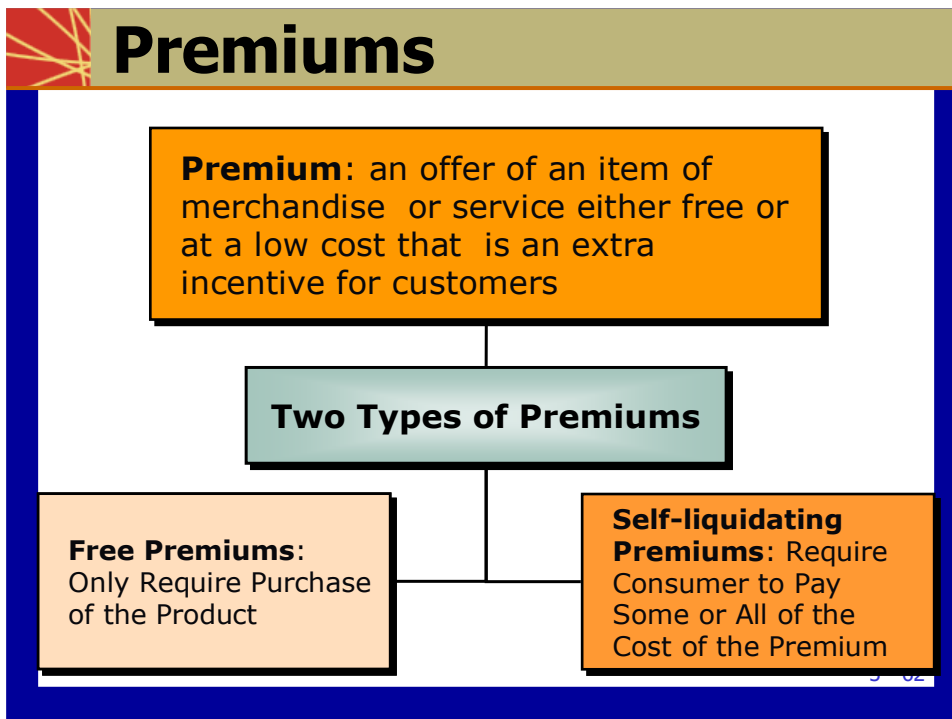
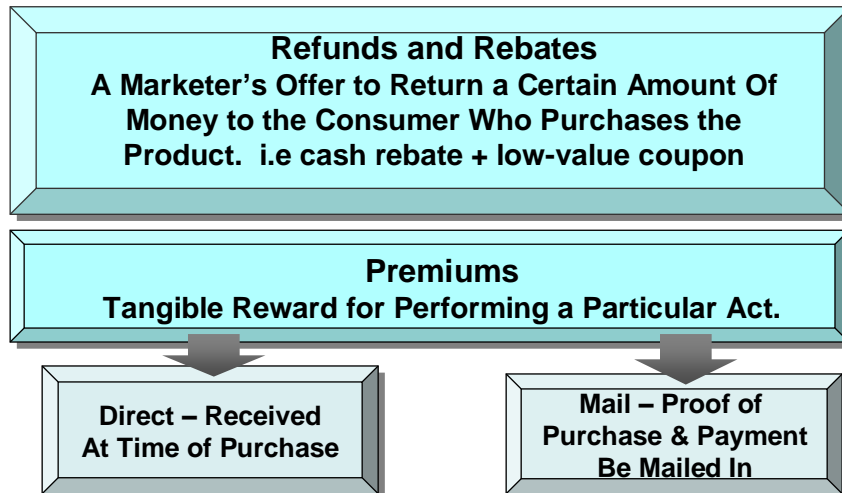
- 1. Offers price reduction only to consumers who are price sensitive**
- 2. Does not rely on retailers' cooperation**
- 3. Generates trial of a new brand**
- 4. Encourages non-users to try an established brand or users to repeat use**

**3. Premiums:** A premium is a gift that a producer offers the customer in return for using its product. Premiums differ from samples and free product in that these often do not consist of the actual product, though there is often some connection. For example, a cellphone manufacturer may offer access to free downloadable ringtones for those purchasing a cellphone.

**4. Refunds Rebates:** A rebate is an amount paid by way of reduction, return, or refund on what has already been paid or contributed. It is a type of sales promotion marketers use primarily as incentives or supplements to product sales. The mail-in rebate (MIR) is the most common. A MIR entitles the buyer to mail in a coupon, a receipt and barcode in order to receive a cheque for a particular amount, depending on the particular product, time, and often place of purchase. Rebates are offered by either the retailer or the manufacturer of the chosen product. Large stores often work in conjunction with manufacturers, usually requiring two or even three separate rebates for each item. Manufacturer rebates are sometimes valid only at a single store.



# Refunds, Rebates, and Premiums



## 5. Contests and Sweepstakes

A contest is an event in which two or more individuals or teams compete against each other, often for a prize or similar incentive. Sweepstakes, contests and competitions are an excellent means of building brand awareness and driving product sales at the launch phase of a product life cycle. Sweepstake Promotions are targeted toward both generating enthusiasm and providing incentive reactions by stimulating customers to submit entries into draws of chance that are tied to product or service awareness wherein the featured prizes are given away by client companies. Prizes can vary in value and can be in the form of cash, cars, holidays, electronics, etc.

Whether it's for manufacturers, retailers, the trade or consumers, nothing generates excitement like Sweepstakes, Quizzes and Online Games.



### Contests and Sweepstakes

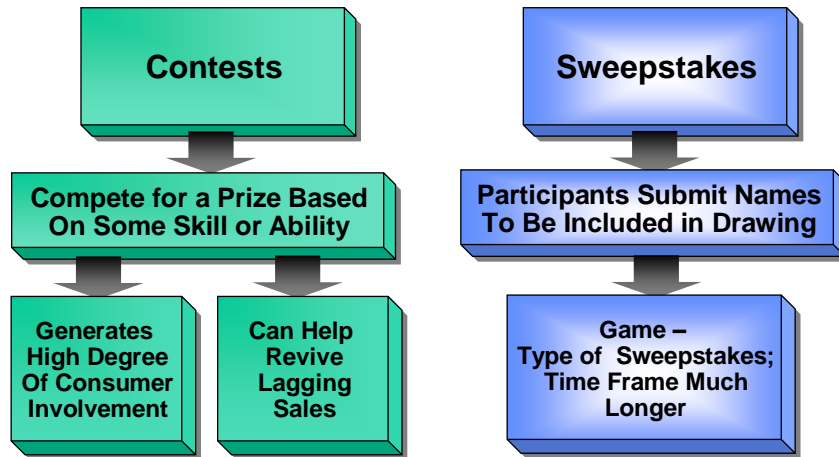
**Contest:** a promotion where consumers compete for prizes or money on the basis of skills or ability. Winners are determined by judging entries or ascertaining which entry comes closest to some predetermined criteria



**Sweepstakes/games:** a promotion where winners are determined purely by chance and cannot require a proof of purchase as a condition for entry. Winners are chosen by random selection from a pool of entries or generation of a number to match those held by game entrants.

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# Contests and Sweepstakes



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## Advantages of Sweepstakes and Contests

1. Effective way of getting the consumer to become involved with the brand by making the promotion product relevant
2. Generate interest in or excitement over a brand and attracting attention to advertising
3. Effective way of dealing with specific marketing problems

## Disadvantages of Contests and Sweepstakes

1. May overshadow the ad or brand
2. May detract from brand franchise or image
3. Legal problems and administration
4. Presence of professionals or hobbyists who may submit entries and detract from effectiveness

## 6. Bonus packs

Bonus packs offer the consumer an extra amount of a product at the regular price by providing larger containers or extra units. Bonus packs result in a lower cost per unit for the consumer and provide extra values as well as more product for the money. It can also be defensive maneuver against a competitor's promotion or introduction of new brand.

## 7. Price-off

Price-off deals are offered right on the packaged through specially marked price packs. Typically price-offs range from 10 to 25 percent off the regular price with the reduction

coming from manufacturer margin not retailers. It ensure that discount reaches consumers.

## **8. Frequency Programs**

Companies introduced continuity programs that offer consumers, the opportunity to accumulate points for continuing to purchase their brands or service; the points can be redeemed for gifts and prizes.

## **9. Event marketing**

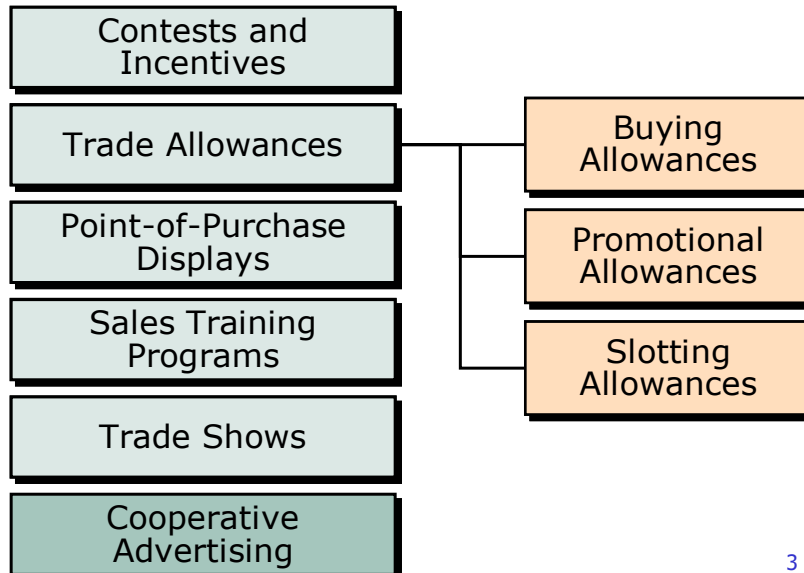
Event marketing is a type of promotion where a company or brand is linked to an event or where a themed activity is developed for the purpose of creating experiences for consumers and promoting a product or service. Marketers often do event marketing by associating their product with some popular activity such as a sporting event, concert, fair, or festivals. However marketers create their own event, to use for promotional purposes.

## **Trade Promotions**

Trade Promotions can offer several benefits to businesses. Retail stores can be an extremely competitive environment; trade promotions can help companies differentiate their products from the competition. Companies can utilize Trade Promotions to increase product visibility and brand awareness with consumers. Trade Promotions can also increase a product's consumption rate, or the average quantity of a product used by consumers in a given time period. Furthermore, effective Trade Promotions can enlarge a product's market segment penetration, or the product's total sales in proportion to the category's competition. Moreover, companies use Trade Promotions to improve distribution of their product(s) at retailers and strengthen relationships with retailers. Lastly, Trade Promotions can be leveraged to introduce new product launches into retail stores.

## **Various types of Trade – oriented sales promotions:**

## Types of Trade-Oriented Promotions



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### Types of Trade Promotions include

1. **In-store displays:** In-store displays are promotional fixtures in retail stores. Variations of in-store displays include Point-of-Sale Displays, which are located near cash registers to encourage impulse buying; Floor Stickers, or advertisements for products on the aisle of a store; Feature Displays, which can be located at the end of an aisle to draw attention to a product; and Special Racks, or manipulation of a store shelf to make more space available for a product or bring attention to the promoted product. In-store Displays can be perceived as more visually appealing to consumers than product alone on a retail shelf.
2. **Trade Allowances:** Discount offered by producers or marketers to distribution channel members (distributors, wholesalers, retailers) usually as a short-term promotional incentive. Its objective is to effect a lower retail price to stimulate sales. Not to be confused with trade discount.

### Various types of Trade allowances:

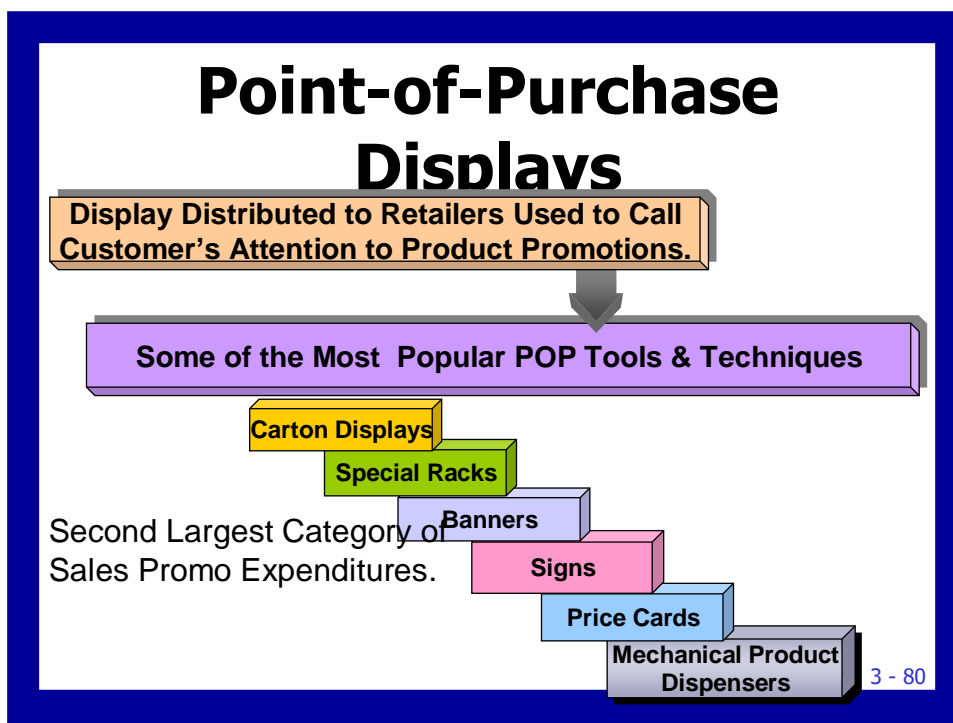
- a. **Off-Invoice Allowances:** Here marketers allow wholesalers and retailers to deduct a set amount from the invoice they receive for merchandise. The incentive for the trade with this programme is that the price reduction increases the margin (and profits) a wholesaler or retailer realizes on the

off-invoiced brand. This scheme is in general available for many products, where if the bill amount is above a certain amount you get a certain percentage discount. The % varies from around 2% to 10%, from company to company and also from time to time.

- b. **Buying allowance (Trade Promotion Technique):** It is similar to the off-invoice allowance. It is a discount for the purchase of the promoted product during the specified period on the purchase of certain minimum quantity of the product. This trade incentive is often used to gain more distribution or to maintain the existing one.
- c. **Display and advertising allowance:** The retailer is required to arrange the product display in a prominent show-window or offer discount to consumers and advertise this offer in the local newspaper or arrange a point-of-purchase display on the shelf corner. The retailer earns the incentive only after meeting the conditions set by the manufacturer.
- d. **Buy back allowance:** Manufacturers sometimes announce a buy-back allowance to encourage re-stocking by retailers. This promotion immediately follows another type of deal offered to resellers and offered some incentive for new purchases. When the manufacturer realizes that after the initial deal the inventory levels at the retail level are quite low or depleted, such an offer helps in building the inventory level with retailers to normal. Eg. Bread, perishable goods.
- e. **Bill back allowance:** The manufacturer offers a discount for every item purchased during the promotion period. At the end after the promotion is over, the dealer counts the discount per unit for all the items bought during the promotion period, adds any additional promotional allowances as stipulated by the manufacturer and submits the statement. He also needs to submit the bill for all such items.
- f. **Slotting allowance:** These are the fees that a retailer charges the manufacturers to make available the space on the shelf for their new products. Retail store owners say that the number of brands in each category is multiplying, there is increasing competition and margins are decreasing, hence they have no option but to ask for a fee to keep the product on their shelf and use the money to improve their shelf design and promotion, etc.
- g. **Merchandise allowance:** In the form of free products packed with regular shipments, are payments to the trade for setting up and maintaining displays. The payments are typically far less than manufacturers would have to spend to maintain the displays themselves.

- 3. **Dealer Gift:** Offer of useful articles and attractive gifts to dealers for his personal, family or office use. It helps in improving dealer relations, impact on consumer scheme / contest offered.

- 4. Point-of-Purchase Displays:** Point-of-purchase advertising displays and trade shows are sales promotions directed to the trade markets. These are special displays, racks, banners, exhibits, that are placed in the retail store to support the sale of a brand. POP attracts traffic at retail store, remind customers, encourage impulse buying, ensure additional visibility to the advertising campaign. The point of purchase (P-O-P) is an ideal time to communicate with consumers. Accordingly, anything that a consumer is exposed to at the point of purchase can perform an important communications function. A variety of P-O-P materials -- signs, displays, and various in-store media -- are used to attract consumers' attention to particular products and brands, provide information, affect perceptions, and ultimately influence shopping behavior.



**5. Sales Training Programs:** Customise training program arrange by the manufacturer for the dealers and wholesalers.

**6. Trade Shows and contests:** A temporary forum for sellers of a product category to exhibit and demonstrate their wares to present and prospective buyers. Sales Contests - are used to increase sales over a determined period of time by awarding prizes for those sales staff/representatives that attain stated goals. Important issues to consider are what incentives work best for each sales person and what specific goals will be obtained.

**Functions of trade shows:**

- Servicing present customers
- Identifying prospects
- Introducing new or modified products
- Gathering information about competitors' new products
- Taking product orders
- Enhancing the company's image



## 7. Sponsorships and Event Marketing

Event marketing describes the marketing practice in which a brand is linked to an event to create experiences for customers and associate the brand personality with a certain lifestyle. A sponsorship occurs when a company sponsors a sports event or concert, or supports a charity with its resources. It is attempting to increase the perceived value of the sponsor's brand in the consumer's mind. Blimps, balloons, and inflatable are used at many events.

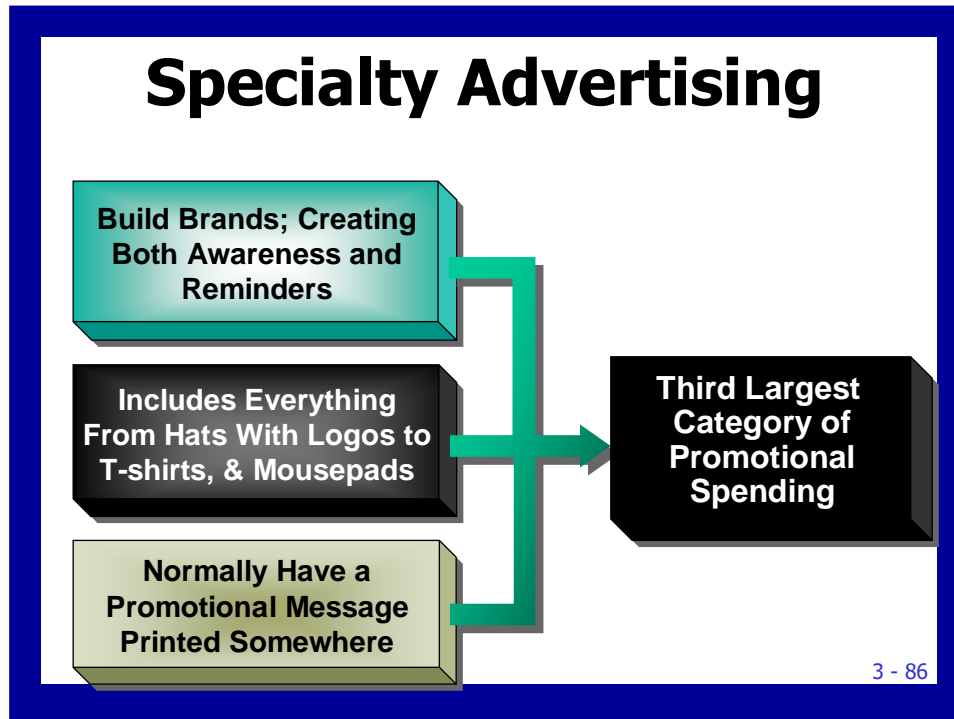
**8. Specialty Advertising:** advertising and promotions medium that utilizes useful or decorative articles to transmit to a target audience an organization's identification and promotional message.

### **Specialty advertising objective:**

- Promote new store openings
- Introduce new brands
- Motivate salespeople
- Establish new accounts
- Develop traffic for trade shows
- Improve customer relations



- Activate inactive accounts

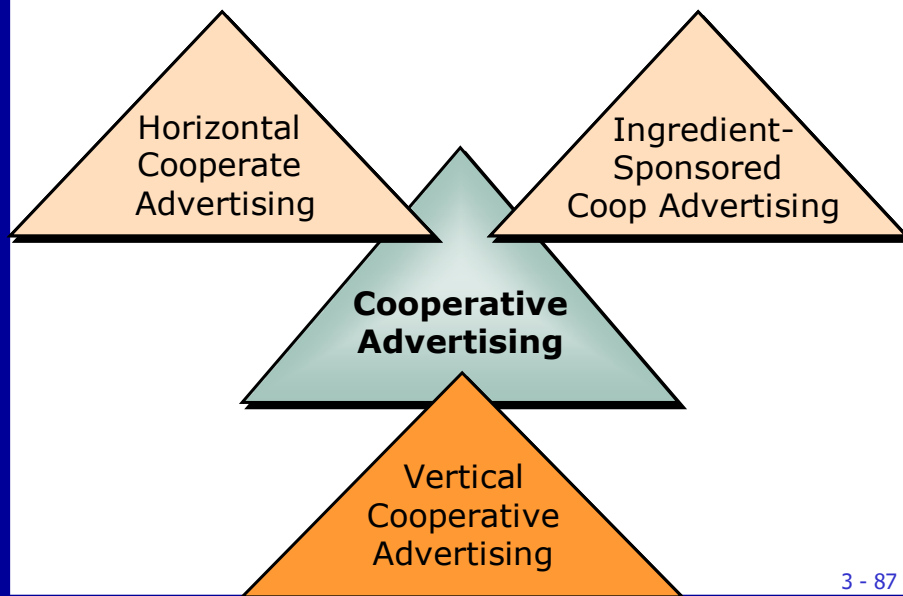


5. **Cooperative Advertising:** An arrangement between a manufacturer and reseller whereby the manufacturer pays for all or some of the advertising costs undertaken by the reseller.

#### **Why is Co-op Advertising Used?**

- Manufacturers can achieve advertising support on a local-market basis
- Provide them with a way to associate their products in the consumer's mind with specific retail outlets
- Stimulates greater retailer buying and merchandising support
- Enables manufacturers to have access to local media with lower rates

## Types of cooperative advertising



## Chapter 9

# Measuring Advertising Effectiveness

One of the most difficult problems faced by advertising agencies, and advertisers, remains the issue of measuring the effectiveness of the advertising they create and run.

It is a rare agency relationship that doesn't encounter the question of how to measure effectiveness of the advertising investment-- often one of the largest line items in the marketing budget.

**A Reasons for Measuring Effectiveness**—three major reasons are offered for why measures of effectiveness should be taken. These include:

1. To avoid costly mistakes
2. To evaluate alternative strategies
3. To increase the efficiency of advertising in general

In addition, it should be noted that these results serve as input into the situation analysis of the next planning period.

**B. Reasons Not to Measure Effectiveness**—A variety of reasons (and excuses) are offered to explain why the effectiveness of the advertising/promotional campaign are not taken. Perhaps the most common of these are:

1. The high cost of conducting research
2. Problems with research measures used
3. Disagreement as to what to test
4. Objections from the creative department

While some of these arguments have merit, others result from excuse making, politics, or a lack of understanding of the value associated with conducting such research.

## Measuring Promotional Effectiveness

Determining whether a campaign accomplishes its appropriate promotional objectives Companies must measure how promotional programs contribute to increased sales and profits one of the most difficult undertakings in marketing.

**The effects of shopping cart signage**—this study used personal interviews in grocery stores to measure awareness of, attention to, and influence of this medium.

- **The effectiveness of ski-resort-based media**—The Traffic Audit Bureau is tracking the effectiveness of this form of advertising to give advertisers more reliable criteria on which to base purchase decisions.

- **Breakeven analysis**-Seeks to determine the point at which the total cost of the promotion exceeds the total revenues.
- **Conversion studies**- promotional campaigns are typically evaluated by conversion studies or by advertisement tracking studies. The research efforts of conversion studies consist of surveying a sample of target customer through one of advertisement mechanisms (e.g. clip a coupon, call a 1-600 number, mail back a postcard, tear out a magazine tip-in card /business reply card). Typically, these studies collect demographic, tripographic and expenditure information from the respondents. In other words, advertising conversion research measures the number of inquiries that are “converted” into actual purchase. Conversion studies estimate gross and net proportion of inquirers.
- **Response rate**: In this method the potential sales effectiveness of advertisements is measured through the number of response that an advertisements gets.
- **Attitude measurement tests** try to assess the effectiveness of the advertising or other promotion in changing consumers’ evaluation of the company and its brands. It is assumed that when attitudes are favorable it is more likely that consumers will buy the product.
- **The triple associate test**: It is another form of recall test. It is used to measure the effectiveness of the campaign rather than the individual advertisements. In this the interviewer asks the respondent the name of the brand or advertiser they associate with the product, the theme or slogan which is mentioned by the interviewer.
- **Sales effects**- Post-testing methods that measure the sales effects of advertising are:
  1. Measures of past sales
  2. Experiment Designs

## **Integrated Marketing Communication.**

Within the context of marketing, we see that marketing communication plays an important role in the dissemination of information. Marketing communication is a term used in a broader sense for promotional strategy. So it is more of a planned promotional communication.

For many years, the promotional function in most companies was dominated by mass media advertising. Companies relied primarily on their ad agencies for guidance in nearly all areas of marketing communications. Most marketers did use additional promotional and marketing communication tool, but sales promotion and direct marketing agencies as well as package design firms were generally viewed as auxiliary services and generally used on a per project basis. PR agencies were used to manage the organizations publicity, image and affairs with relevant publics on an ongoing basis but were not viewed as integral participants in the marketing communication process.

Many marketers built strong barriers around the various marketing and promotional functions and planned and managed them as separate practices, with different budgets, different views of the market, and different goals and objectives. These companies failed to recognize that the wide range of marketing and promotional tools must be coordinated to communicate effectively and present a consistent image to target markets.

### **IMC can be defined as:**

A concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines. In other words, the message and approaches of general advertising, direct response, sales promotion, public relations, and personal selling efforts are combined to provide clarity, consistency, and maximum communications impact.

IMC, thus, calls for a "big picture" approach to planning marketing and promotion programs and coordinating the various communication functions. It requires firms to develop a total marketing communications strategy that recognizes what the sum total of a firm's marketing activities, not just advertising, communicate to its customers. Consumers' perceptions of a firm and/or brands are a synthesis of the messages they

receive from various sources. These include media advertisement, price, direct marketing efforts, publicity, and sales promotions, as well as interactions with salespeople and other customer-contact employees. In a global economy with international markets and instantaneous communications, no aspect of marketing can be studied in a vacuum or in isolation if one expects to be accurate and relevant. Marketing tools, used as planned business-building techniques are more likely to facilitate attainment of organizational goals than current "silo" approaches.

### **Various elements of IMC are:**

**Advertising:** Advertising is but a part of this integrated marketing communication. Advertising is the most visible element of the communications mix because it makes use of the mass media, i.e. newspapers, television, radio, magazines, bus hoardings and billboards. Mass consumption and geographically dispersed markets make advertising particularly appropriate for products that rely on sending the same promotional message to large audiences. Many of the objectives of advertising are only realized in the longer term and therefore it is largely a strategic marketing tool. The objectives of advertising are broader than that of directly stimulating sales volumes.

**Sales Promotion:** Sales promotion employs short-term incentives, such as free gifts, money-off coupons, product samples etc., and its effects also tend to be short-term. Therefore, sales promotion is a tactical marketing instrument. Sales promotions may be targetted either at consumers or members of the channel of distribution, or both.

**Public relations:** Public relations is an organisation's communications with its various publics. These publics include customers, suppliers, stockholders (shareholders, financial institutions and others with money invested in the business), employees, the government and the general public. In the past, organisations thought in terms of publicity rather than public relations. The distinction between advertising and publicity was based on whether or not payment was made to convey information via the mass media. Advertising requires payment by the sponsor of the message or information whilst publicity is information which the media decides to broadcast because it is considered newsworthy and therefore no payment is received by the media from a sponsor. It is more common these days to speak of public relations than of publicity. Public relations is much more focused in its purposes.

The objectives of public relations tend to be broader than those of other components of promotional strategy. It is concerned with the prestige and

image of the organisation as a whole among groups whose attitudes and behaviour can impact upon the performance and aims of the organisation. To the extent that public relations is ever used in product promotion, it constitutes an indirect approach to promoting an organizations products and/or services.

**Personal selling:** This can be described as an interpersonal influence process involving an agribusiness' promotional presentation conducted on a person-to-person basis with the prospective buyer. It is used in both consumer and industrial marketing and is the dominant form of marketing communication in the case of the latter.

**Direct Marketing:** Any medium that can be used to deliver a communication to a customer can be employed in direct marketing. Probably the most commonly used medium for direct marketing is direct mail, in which marketing communications are sent to customers using the postal service.

## **PROS AND CONS OF THE IMC**

It has been argued that the concept of integrated marketing is nothing new, particularly in smaller companies and communication agencies that have been coordinating a variety of promotional tools for years.

And larger advertising agencies have been trying to gain more of their client's promotional business for over 20 years. However in the past, various services were run as separate profit centers. Each was motivated to push its own expertise and pursue its goals rather than develop truly integrated marketing programs. Moreover, the creative specialists in many agencies resisted becoming involved in sales promotion or direct marketing. They preferred to concentrate on developing magazine ads or television commercials rather than designing coupons or direct mail pieces.

Proponents of the integrating marketing services agency (the one –stop shop) contend that the past problems are being solved and the various individuals in the agencies and subsidiaries are learning to work together to deliver a consistent message to the client's customers. They argue that maintaining control of the entire promotional process achieves better synergy among each of the communications program elements. They also note that it is more convenient for the clients to coordinate all of its marketing efforts.-media advertising, direct mail, special events, sales promotions and public relations- through one agency. An agency with integrated marketing capabilities can create a single image for the product or service and address everyone from wholesalers to consumers, with one voice.

But not everyone wants to turn the entire IMC program over to one agency. Opponents say the providers become involved in political wrangling over budgets, do not communicate with each other as well and as they should, and do not achieve synergy.

they also claim that the agency's efforts to control all the aspects of the promotional program are nothing more than an attempt to hold on to the business that might otherwise be lost to independent providers. They note that synergy and economies of scale, while nice in theory, have been difficult to achieve, and competition and conflict among agency subsidiaries have been a major problem.

Many companies use a variety of vendors for communication functions, choosing the specialist they believe is best suited for each promotional task, be it advertising, sales promotions or public relations. Many marketers are of this view that, "why should the organization confine itself to one resource when there is a tremendous pool of fresh ideas available?"

## Communication plan worksheet

<b>1. Introduction</b>	
<b>2. Communication goals</b>	
<b>3. Marketing Objectives</b>	
<b>4. Positioning statement</b>	
<b>5. Key message</b>	



<b>6. Key audiences</b>	
<b>7. Communication strategies</b>	
<b>8. Evaluation measures</b>	

### Inverted Pyramid of Communications Effects

