Promotion and Pricing Strategies Learning Goals Discuss how integrated marketing communications relates to a firm's overall promotional strategy. Explain the concept of a promotional mix and outline the objectives of promotion. Summarize the different types of advertising and advertising media. Outline the roles of sales promotion, personal selling, and public relations in a promotional strategy. Describe pushing and pulling promotional strategies. Discuss the major ethical issues involved in promotion. Outline the different types of pricing objectives. Discuss how firms set prices in the marketplace, and describe the four alternative pricing strategies. Discuss consumer perceptions of price.

here's nothing cuter than a puppy. But as cuddly and adorable as puppies are, the business of promoting products such as pet food, heartworm medicine, and flea and tick repellent is serious—and highly competitive.

One of the best places to advertise is in veterinary clinics. Pet owners are already a captive audience, and they want to feed and treat their animal companions with the best products. So sales reps for various manufacturers often call on veterinary hospitals to promote their goods. Sometimes they leave free samples; other times they offer discount coupons. Bayer Healthcare, which manufactures K9 Advantix (for dogs) and Advantix (for cats), recently launched a new promotional campaign for its popular flea and tick repellent. The firm introduced three-dimensional promotional cards that sit on counters or tables in 14,000 vets' offices nationwide.



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Companies Promoting Pet Products: It's Not Puppy Love

The cards display key images that also appear in Advantix commercials on television. For instance, the card for K9 Advantix shows a puppy asleep in a tent. The tagline reads, "Get rid of fleas, ticks, and mosquitoes and you're left with one happy camper." The cards are easy to ship and simple for veterinary staff to set up. They arrive flat in a box and pop up to create a shadow-box display on the counter. Why put such effort into designing this type of display? "Our number-one goal with this year's program was to have our P-O-P [point-of-purchase] match identically with our visuals," explains marketing manager Drew Mantek. "We wanted to enhance our brand recognition in the clinics, which can be difficult. Even if they don't remember the name of the product, consumers can connect the images from the TV ads to the pieces they see in the clinic."

Pet owners may also watch a K9 Advantix advertising DVD on PetCARE television while they are waiting in the reception area of a vet clinic. PetCARE TV focuses on veterinary healthcare issues and is obtained through a yearly subscription. DVDs like the K9 commercial are shipped to veterinarians monthly.

Sometimes the pet care industry bares its teeth.

Recently Meriel, maker of Frontline Plus, which competes

directly with Bayer's Advantix, filed a lawsuit against Bayer, alleging unfair competition. The manufacture of flea and tick medicines is part of a multibillion-dollar market more than \$8.5 billion of nonfood pet supplies are sold in one year in the United States. With more than 146 million pets living with U.S. families, the market keeps growing—and every company wants its share. Because pet owners rely heavily on the opinions of their veterinarians, these companies want to create every advantage they can with vets and other animal health professionals. "If a vet tells [an owner] one thing over another, it's the gospel," notes an appointment supervisor for an office of nine vets. The Meriel lawsuit centered on Bayer's use of comparison advertising. As a result, Bayer agreed to withdraw its comparison of Advantix and Frontline in its advertising campaign. But the sleeping puppy remains, and consumers can pick up coupons for free products with another purchase when they read the counter cards at the vet's office. Marketer Drew Mantek says the campaign has been an early success. "The [displays] are appreciated for being appropriately sized for the clinic," he remarks. "And everyone gets a chuckle out of the images."1

This chapter focuses on the different types of promotional activities and the way prices are established for goods and services. **Promotion** is the function of informing, persuading, and influencing a purchase decision. This activity is as important to not-for-profit organizations such as the Boys and Girls Clubs and the Huntington's Disease Society of America as it is to profit-seeking companies such as Nationwide Insurance and the Boston Red Sox.

Some promotional strategies try to develop primary demand, or con-

sumer desire for a general product category. The objective of such a campaign is to stimulate sales for an entire industry so that individual firms benefit from this market growth. A popular example is the dairy industry's "Got Milk?" campaign. Print and television messages about the nutritional benefits of milk show various celebrities, including Green Bay Packers quarterback Brett Favre and TV host Meredith Vieira. The American Heart Association has also become a part of these ads. Other promotional campaigns

promotion the function of informing, persuading, and influencing a purchase decision.

integrated marketing communications (IMC) coordination of all promotional activities mail, personal selling, sales promotion, and public relations—to produce a unified customerfocused message.

aimed at hiking per-capita consumption have been commissioned by the California Strawberry Commission and the National Cattlemen's Beef Association.

Most promotional strategies, in contrast, seek to stimulate selecmedia advertising, direct tive demand—desire for a specific brand. Every driver needs some type of car insurance, and the Geico gecko wants consumers to pick its firm for the best rates.



America's Beef Producers hope to stimulate the overall demand for beef with this advertisement. So it helps increase primary demand.

Sean "P. Diddy" Combs appears in Diet Pepsi commercials, which encourages his fans to choose that brand over competitors. Sales promotions that offer teens a free iTunes song download for trying on a pair of Gap jeans also encourage shoppers to purchase a specific brand.

Marketers choose among many promotional options to communicate with potential customers. Each marketing message a buyer receives through a television or radio commercial, newspaper or magazine ad, Web site, direct-mail flyer, or sales call—reflects on the product, place, person, cause, or organization pro-

moted in the content. In a process of integrated marketing communications (IMC), marketers coordinate all promotional activities—advertising, sales promotion, personal sales presentations, and public relations—to execute a unified, customer-focused promotional strategy. This coordination is designed to avoid confusing the con-

sumer and to focus positive attention on the promotional message.

This chapter begins by explaining the role of IMC and then discusses the objectives of promotion and the importance of promotional planning. Next, it examines the components of the promotional mix: advertising, sales promotion, personal selling, and public relations. Finally, the chapter addresses pricing strategies for goods and services.

"They Said It"

"Doing business without advertising is like winking at a girl in the dark. You know what you are doing, but nobody else does."

-Steuart Henderson Britt (1907 - 1979)American educator

INTEGRATED MARKETING COMMUNICATIONS

An integrated marketing communications strategy focuses on customer needs to create a unified promotional message in the firm's ads, in-store displays, product samples, and presentations by company sales representatives. To gain a competitive advantage, marketers that implement IMC need a broad view of promotion. Media options continue to multiply, and marketers cannot simply rely on traditional broadcast and print media and direct mail. Plans must include all forms of customer contact. Packaging, store displays, sales promotions, sales presentations, and online and interactive media also communicate information about a brand or organization. With IMC, marketers create a unified personality and message for the good, brand, or service they promote. Coordinated activities also enhance the effectiveness of reaching and serving target markets.

Marketing managers set the goals and objectives for the firm's promotional strategy with overall organizational objectives and marketing goals in mind. Based on these objectives, marketers weave the various elements of the strategy—personal selling, advertising, sales promotion, publicity, and public relations—into an integrated communications plan. This document becomes a central part of the firm's total marketing strategy to reach its selected target market. Feedback, including marketing research and sales reports, completes the system by identifying any deviations from the plan and suggesting improvements.

With hundreds of different soft drink brands and flavors lining store shelves around the world, how does Coca-Cola manage to stay on top? When the firm rolled out its new flavored soft drink—Coca-Cola with Lime—it relied on IMC to get the word out to consumers. The company used TV advertising, billboards, and tie-ins to the popular *American Idol* TV show, which has had a long-running partnership with Coke. One of the ads featured an adaptation of the 1971 hit song *Coconut* by Harry Nilsson. The words for the Coke ad sang, "You put the lime in the Coke, you nut." Bottlers also used promotional strategies at the local level—offering free samples at fairs and festivals, sponsoring music or sporting events, and the like.²

assessment check

- What is the objective of an integrated marketing communications
- program?

 2. What types of media are used in are used in communications? integrated marketing communications?

THE PROMOTIONAL MIX

Just as every organization creates a marketing mix combining product, distribution, promotion, and pricing strategies, each also requires a similar mix to blend the many facets of promotion into a cohesive plan. The **promotional mix** consists of two components—personal and nonpersonal selling—that marketers combine to meet the needs of their firm's target customers and effectively and efficiently communicate its message to them. **Personal selling** is the most basic form of promotion: a direct person-to-person promotional presentation to a potential buyer. The buyer-seller communication can occur during a face-to-face meeting or via telephone, videoconference, or interactive computer link.

Nonpersonal selling consists of advertising, sales promotion, direct marketing, and public relations. Advertising is the best-known form of nonpersonal selling, but sales promotion accounts for about half of these marketing expenditures. Spending for sponsorships, which involves marketing messages delivered in association with another activity such as a golf tournament or a benefit concert, is on the rise as well. Marketers need to be careful about the types of promotion they choose or risk alienating the very people they are trying to reach.

Each component in the promotional mix offers its own advantages and disadvantages, as Table 14.1 demonstrates. By selecting the most effective combination of promotional mix elements, a firm may reach its promotional objectives. Spending within the promotional mix varies by industry. Manufacturers of many business-to-business (B2B) products typically spend more on personal selling than on advertising because those products—such as a new telecommunications system—may require a significant investment. Consumer-goods marketers may focus more on advertising and sponsorships. Later sections of this chapter discuss how the parts of the mix contribute to effective promotion.

promotional mix combination of personal and nonpersonal selling techniques designed to achieve promotional objectives.

personal selling

interpersonal promotional process involving a seller's face-to-face presentation to a prospective buyer. 14.1

Comparing the Components of the Promotional Mix

Component	Advantages	Disadvantages
Advertising	Reaches large consumer audience at low cost per contact Allows strong control of the message Message can be modified to match different audiences	Difficult to measure effectiveness Limited value for closing sales
Personal selling	Message can be tailored for each customer Produces immediate buyer response Effectiveness is easily measured	High cost per contact High expense and difficulty of attracting and retaining effective salespeople
Sales promotion	Attracts attention and creates awareness Effectiveness is easily measured Produces short-term sales increases	Difficult to differentiate from similar programs of competitors Nonpersonal appeal
Public relations	Enhances product or company credibility Creates a positive attitude about the product or company	Difficult to measure effectiveness Often devoted to nonmarketing activities
Sponsorships	Viewed positively by consumers Enhances brand awareness	Difficult to control message

Figure

1/1

Five Major Promotional Objectives

DIFFERENTIATE PRODUCT

Example: Television ad comparing performance of two leading laundry detergents

PROVIDE INFORMATION

Example: Print ad describing features and availability of a new breakfast cereal

INCREASE SALES

ACCENTUATE

PRODUCT VALUE

programs and guarantees

that make a product more

Example: Warranty

attractive than its

major competitors

Example: End-of-aisle grocery displays, or "end caps," to encourage impulse purchases

STABILIZE

SALES — Example: Even out sales patterns by promoting low weekend rates for hotels, holding contests during slow sales periods, or advertising cold fruit soups during summer months

Objectives of Promotional Strategy

Promotional strategy objectives vary among organizations. Some use promotion to expand their markets, and others use it to defend their current positions. As Figure 14.1 illustrates, common objectives include providing information, differentiating a product, increasing sales, stabilizing sales, and accentuating a product's value.

Marketers often pursue multiple promotional objectives at the same time. To promote its Microsoft Office software, Microsoft has to convince business owners, who buy the software, and their employees, who use the software, that the product is a worthwhile investment.

Marketers need to keep their firm's promotional objectives in mind at all times. Sometimes the objectives are obscured by a fast-paced, creative ad campaign. In this case, the message—or worse, the brand name or image—is lost. One example is a series of ads run by Vonage for its voice-over Internet protocol telephone services. The ads contain segments of home videos showing silly capers that are so distracting it's hard to remember the message—that the service allows consumers to make unlimited phone calls in the United States and Canada for \$24.99 a month.³

Providing Information A major portion of U.S. advertising is information oriented. Credit card ads provide information about benefits and rates. Ads for hair-care products include information about benefits such as shine and volume. Ads for breakfast cereals often contain nutritional information. Based on new informational guidelines developed by the pharmaceutical industry, drug manufacturer Pfizer has pledged to submit all new TV ads to the U.S. Food and Drug Administration for review and will refrain from advertising new drugs directly to consumers for the first six months. The firm also plans to create more disease-awareness ads that do not mention branded products, along with ads that increase awareness of its discount programs for people without insurance coverage.4



Microsoft promotes its latest upgrade to Microsoft Office by showing both companies and workers the benefits of its new features. Mistakes such as sending e-mails to everyone is a practice it considers prehistoric.

Differentiating a Product Promotion can also be used to differentiate a firm's offerings from the competition. Applying a concept called **positioning**, marketers attempt to establish their products in the minds of customers. The idea is to communicate to buyers meaningful distinctions about the attributes, price, quality, or use of a good or service.

When you set out to purchase a car, you have hundreds from which to choose. How do you decide which one to buy? Carmakers do their best to differentiate their vehicles by style, performance, safety features, and price. They must make their vehicles stand out to individual consumers. "Just going out there . . . with a big broad market message can mean a company runs the risk of speaking to everyone and speaking to no one at the same time," warns Rick Wainschel, vice president of marketing research at Kelley Blue Book, the organization that provides pricing information for new and used cars. Recent studies show that fuel efficiency, price, durability, and style are important distinguishing factors for U.S. consumers.⁵

Increasing Sales Increasing sales volume is the most common objective of a promotional strategy. Naturalizer became the third-largest seller of women's dress shoes by appealing to baby boomers. But as these women have grown older, they have bought fewer pairs of shoes each year. Naturalizer wants to keep these customers but also attract the younger generation. So the firm developed a new line of trendy shoes. The promotional strategy included ads in magazines read by younger women—such as *Elle* and *Marie Claire*—featuring young women in beach attire and Naturalizer shoes. The response to this strategy was a substantial increase in Naturalizer's sales through department stores.

Stabilizing Sales Sales stabilization is another goal of promotional strategy. Firms often use sales contests during slack periods, motivating salespeople by offering prizes such as vacations, TVs, camera phones, and cash to those who meet certain goals. Companies distribute sales promotion materials—such as calendars, pens, and notepads—to customers to stimulate

"They Said It"

"Many of the differences and many of the concerns are deep-seated, ... but if I make a connection with a person or two ... I would consider [the trip] a success."

—Karen Hughes (b. 1956) Undersecretary of State for Public Diplomacy, on her first Middle East "listening" tour to improve the United States' image

sales during the off-season. Jiffy Lube puts that little sticker on your windshield to remind you when to have your car's next oil change—the regular visits help stabilize sales. A stable sales pattern brings several advantages. It evens out the production cycle, reduces some management and production costs, and simplifies financial, purchasing, and marketing planning. An effective promotional strategy can contribute to these goals.

7-Eleven has been advertising its Slurpee to a whole new generation hooked on smoothies and Frappuccinos. The Slurpee is 40 years old but is just as fun as it always was—producing colored tongues and brain freezes. "We've kept it fun with the interesting flavors we've had over the years," says CEO Jim Keyes. "At the heart of it, it's just a fun product that people enjoy." Since 1965, more than 6 billion Slurpees have been sold in seventeen countries. Sales in the United States alone top \$170 million each year.⁶

Accentuating the Product's Value Some promotional strategies enhance product values by explaining hidden benefits of ownership. Carmakers offer long-term warranty programs; life insurance companies promote certain policies as investments. The creation of brand awareness and brand loyalty also enhances a product's image and increases its desirability. Advertising with luxurious images supports the reputation of premium brands like Jaguar, Tiffany, and Rolex.

Promotional Planning

Today's marketers can promote their products in many ways, and the lines between the different elements of the promotional mix are blurring. Consider the practice of product placement. A growing number of marketers pay placement fees to have their products showcased in various media, ranging from newspapers and magazines to television and movies. Martha Stewart's new syndicated show features General Electric kitchen appliances and food products from Procter & Gamble.⁷ The "Hit & Miss" feature describes the leap of product placement from movies into video games. However, television shows and movies account for 90 percent of all product placements.8

Another type of promotional planning must be considered by firms with small budgets. Guerrilla marketing is innovative, low-cost marketing efforts designed to get consumers' attention in unusual ways. Guerrilla marketing is an increasingly popular tactic for marketers, especially those with limited promotional budgets. Attleboro, Massachusetts-based Willow Tree Poultry Farm hired a well-known chef to develop new recipes and menus featuring its chicken salad and pot pies. Entrepreneur Mark Vinci used guerrilla marketing to launch his own marketing business, K9 Billboards. Vinci lives in New York, and everywhere he takes his

Akita puppy, Ling Ling, passersby seem to want to stop to pet her or talk with him. So many people were drawn to his dog it occurred to him that if he could put a brand banner on her, maybe people would be drawn to the brand. He started with a banner for a local ski resort, which was a huge hit with skiers.

Marketers for larger companies have caught on and are using guerrilla approaches as well. Nissan turned six locations in New York and Los Angeles into movie sets with melted props—parking meters, trash cans, and bicycles—near a "hot" Maxima. Called its "Touch" campaign, Nissan wanted passersby to walk past the display and touch the car. "The street scene ties it all together," explained Fred Suckow, director of Nissan marketing.⁹

From this overview of the promotional mix, we now turn to discussions of each of its elements. The following sections detail the major components

of advertising, sales promotion, personal selling, and public relations.

check a ssessment

- 1. Which component of the promotional mix reaches the 2. Why do firms pursue multiple pro
 - motional objectives at the same 3. What are product placement and
 - guerrilla marketing?



Product Placement—A Virtual Success

Product placement has been around for decades. E.T. ate Reese's Pieces simply because Mars turned down the opportunity to have him eat M&M's. Hungry Survivor contestants descend on a variety of branded snacks and soft drinks after winning a challenge. Pepsi has been placed in more top films than any other soft drink brand. Product placement has become its own business, so it stands to reason that the practice has taken the next big leap—a virtual one.

Products are now appearing in video games. Electronic Arts, the world's largest video game publisher, made product placements for its Need for Speed Underground 2 game for companies such as Best Buy, Cingular Wireless, Burger King, and even Old Spice. The company reports that its ad revenues have increased 60 percent since it began placing products in its games. In EA's Sims Online, game players use computers that emit familiar Intel tones, and they can buy McDonald's burgers for their hungry Sims characters.

Product placement in video games has become so popular that firms such as Massive are developing software that allows advertisers to update their ads even after a game has been released. If the product comes in a new version or updated package, the advertiser can make the change. In addition, the software allows for customized ads aimed at each player who is using the computer. You might encounter a product placement

ad for a CD or a snowboard; your dad might come across one for retirement investments.

Some firms have actually encountered too much of a good thing, though. Vivendi Universal Games found itself turning companies away from product placement opportunities. When alcohol advertisers tried to place their products in Vivendi's Leisure Suit Larry game, the firm said no. Vivendi also denied requests for footwear companies to have the characters wear branded shoes.

Naturally, product placement comes at a price. When determining the fee for product placement, marketers consider such factors as how prominent the product will be, how often a character uses the product, and why the product is being placed in the game or show.

Questions for Critical Thinking

- 1. Do you think product placement is more effective than traditional advertising? Why or why not?
- 2. Describe two or three factors—in addition to those already mentioned—that might determine the price of a virtual product placement ad.

Sources: Apryl Duncan, "Product Placement Makes a Virtual Leap," About.com, accessed July 18, 2006, http://advertising.about.com; Abram Sauer, "Brand Channel's 2004 Product Placement Awards," Brandchannel.com, accessed July 18, 2006, http://www.brandchannel.com; Ellen Neuborne, "Ready for Your Product's Close-Up?" Inc., October 2004, pp. 48–50.

ADVERTISING

Consumers receive somewhere between 3,500 and 5,000 marketing messages each day, many of them in the form of advertising. Advertising is the most visible form of nonpersonal promotion—and the most effective for many firms. Advertising refers to paid nonpersonal communication usually targeted at large numbers of potential buyers. Although U.S. citizens often think of advertising as a typically American function, it is a global activity. Seven of the top 20 advertisers in the United States are headquartered in other countries: DaimlerChrysler, GlaxoSmithKline, Toyota, Sony, Nissan, L'Oréal, and Unilever. The top five advertisers in the United States are, in order, General Motors, Procter & Gamble, Time Warner, Pfizer, and AT&T.

Advertising expenditures vary among industries, companies, and media. Automotive, retail, and telecommunications take top honors for spending in the United States—carmakers spend a whopping \$20 billion per year. Top advertiser General Motors—an auto manufacturer—spends nearly \$4 billion a year. Network TV still ranks highest in advertising media

advertising paid nonpersonal communication delivered through various media and designed to inform, persuade, or remind members of a particular audience.



Energy firm Southern Company promotes its commitment to cultivating women's careers through its Supplier Mentor Program, as well as other diversity initiatives. Such a promotion is an example of institutional advertising. revenues, at \$22 billion. 12 Because advertising expenditures are so great, and because consumers are bombarded with so many messages, firms need to be more and more creative and efficient at getting consumers' attention.

Types of Advertising

The two basic types of ads are product and institutional advertisements. **Product advertising** consists of messages designed to sell a particular good or service. Advertisements for Nantucket Nectars, iPods, and Capital One credit cards are examples of product advertising. **Institutional advertising** involves messages that promote concepts, ideas, philosophies, or goodwill for industries, companies, organizations, or government entities. Each year, the Juvenile Diabetes Research Foundation promotes its "Walk for the Cure" fund-raising event, and your college may place advertisements in local papers or news shows to promote its activities.

A form of institutional advertising that is growing in importance, **cause advertising,** promotes a specific viewpoint on a public issue as a way to influence public opinion and the legislative process about issues

such as literacy, hunger and poverty, and alternative energy sources. Both not-for-profit organizations and businesses use cause advertising, sometimes called *advocacy advertising*. The massive destruction to Louisiana, Mississippi, and Alabama caused by Hurricane Katrina spawned a slew of cause advertisements to raise funds for aid to victims of the storm. Within days, telethons were announced by major networks and their local affiliates. A special program, "A Concert for Hurricane Relief," was aired on NBC, MSNBC, and CNBC, featuring musicians such as Tim McGraw, Harry Connick Jr., Wynton Marsalis, and Green Day. The concert raised funds for the American Red Cross and other relief organizations.¹³

Advertising and the Product Life Cycle

Both product and institutional advertising fall into one of three categories based on whether the ads are intended to inform, persuade, or remind. A firm uses *informative advertising* to build initial demand for a product in the introductory phase of the product life cycle. Highly publicized new-product entries attract the interest of potential buyers who seek information about the advantages of the new products over existing ones, warranties provided, prices, and places that offer the new products. When Motorola and Apple introduced their Rokr iTunes cell phone, the companies immediately provided the public with the product's details—that it could store up to 100 songs and had a color screen, stereo speakers, stereo headphones, and a camera.¹⁴

Persuasive advertising attempts to improve the competitive status of a product, institution, or concept, usually in the growth and maturity stages of the product life cycle. One of the most popular types of persuasive product advertising, comparative advertising, compares products directly with their competitors—either by name or by inference. Tylenol advertisements mention the possible stomach problems that aspirin could cause, stating that its pain reliever does not irritate the stomach. But advertisers need to be careful when they name competing brands in comparison ads because they might leave themselves open to controversy or even legal action by competitors. Possibly for that reason, Tylenol does not mention a specific aspirin brand in its promotions.

Reminder-oriented advertising often appears in the late maturity or decline stages of the product life cycle to maintain awareness of the importance and usefulness of a product, con-

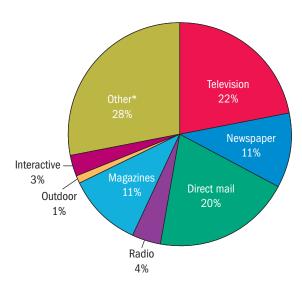
1/15

cept, or institution. Triscuits have been around for a long time, but Nabisco is attempting to mobilize sales with up-to-date advertising that appeals to health and fitness—conscious consumers.

Advertising Media

Marketers must choose how to allocate their advertising budgets among various media. All media offer advantages and disadvantages. Cost is an important consideration in media selection, but marketers must also choose the media best suited for communicating their message. As Figure 14.2 indicates, advertising on television, through direct mail, in newspapers, and in magazines represent the four leading media outlets. However, online interactive advertising is growing fast. Consumers now receive ads when they download news and other information to their handheld wireless devices.

Advertising executives agree that firms need to rethink traditional ad campaigns to incorporate new media as well as updated uses of traditional media. "Today you need a great idea, and you can work out which media types will reflect it," says John Hunt, chief creative officer of international advertising firm TBWA/Chiat/Day. Some ad agencies have developed ways to incorporate adaptive technology with which advertisers can digitally alter television commercials for different markets. Other advertisers are placing more emphasis on the Internet. "The consumer that comes to your Web site is actively looking for you, and that's the best media deal you can make," says Bob Lachky, head of marketing for Anheuser-Busch.¹⁵



*An additional 28 percent is spent on such miscellaneous media as Yellow Pages listings, Spanish-language media, business papers, transit displays, point-ofpurchase displays, cinema advertising, and regional farm papers.

Source: Advertising Age, "Domestic Advertising Spending Totals," *Special Report: Profiles Supplement, 100 Leading National Advertisers, June 27, 2005, p. 4.*

Television Television is still one of America's leading national advertising media. Television advertising can be classified as network, national, local, and cable ads. The four major national networks—ABC, CBS, NBC, and Fox—along with CW, broadcast almost one-fifth of all television ads. Despite a decline in audience share and growing competition from cable, network television remains the easiest way for advertisers to reach large numbers of viewers—10 million to 20 million with a single commercial. Automakers, fast-food restaurants, and food manufacturers are heavy users of network TV advertising.

Nearly two-thirds of U.S. households with TVs now subscribe to cable, drawn to the dozens or even hundreds of channels available through cable or satellite services. As these services broaden their offerings to Internet and interactive programming, their audience is expected to continue growing. The variety of channels on cable and satellite networks lets advertisers target specialized markets and reach selected demographic groups, such as consumers who watch the Outdoor Life Network. BMW, maker of the Mini Cooper, has combined interactive Internet advertising with traditional TV ads that appear on the cable channels E!, History Channel, ESPN, and MTV. Cable companies such as Comcast, Time Warner, Cox, and Charter are launching technologies that send different advertising messages to different neighborhoods. Even TiVo, once famous for making it possible to help consumers skip commercials, is now promoting them. The firm plans to insert symbols that identify advertisers during commercial breaks so that viewers can watch commercials if they choose. "TiVo's proprietary advertising technology presents a real opportunity for advertisers to enhance the effectiveness of traditional television advertising," claims its CFO, David Courtney.

Although television reaches the greatest number of consumers at once, it is the most expensive advertising medium. The price to air a 30-second ad during weeknight prime time

on network television generally ranges from \$100,000 to more than \$500,000 for the most popular shows. Super Bowl ads have been known to command prices of more than \$2 million. So marketers want to be certain that their commercials reach the greatest number of viewers. Because of the high cost, advertisers may demand guarantees of audience size and receive compensation if a show fails to deliver the promised number of viewers.

Newspapers Daily and weekly newspapers continue to dominate local advertising. Marketers can easily tailor newspaper advertising for local tastes and preferences. Advertisers can also coordinate advertisements with other promotional efforts such as discount coupons from supermarkets and one-day sales at department stores. A disadvantage comes from the relatively short life span; people usually discard their newspapers soon after reading. Retailers and automobile dealers rank first among newspaper advertisers. Most newspapers now maintain Web sites, some of which offer separate material and features, to complement their print editions.

Radio Despite the proliferation of other media, the average U.S. household owns five radios—including those in cars—a market penetration that makes radio an important advertising medium. Advertisers like the captive audience of listeners as they commute to and from work. As a result, morning and evening drive-time shows command top ad rates. In major markets, many stations serve different demographic groups with targeted programming. The potential of the Internet to deliver radio programming also offers opportunities for yet more focused targeting. "Many companies have built their businesses on radio advertising," says Hugh Dow, president of media company M2 Universal. "It's a very important medium for many advertisers, particularly many retail advertisers." ²⁰

Satellite stations have great potential for advertisers. Although Sirius satellite radio—which offers 120 stations to consumers' cars, home, and boats—promises 100 percent commercial-free programming, the station's Web page contains promotions such as sweepstakes and rebates for subscribers. ²¹

Magazines Magazines include consumer publications and business trade journals. *Time, Reader's Digest,* and *Sports Illustrated* are consumer magazines, whereas *Advertising Age* and *Oil & Gas Journal* fall into the trade category.

Magazines may customize their publications and target advertising messages to different regions of the country. One method places local advertising in regional editions of the maga-



Etnies Girl Skate Shoes targets fashion-conscious teens with ads in magazines like teenVogue and Seventeen.

zine. Other magazines attach wraparounds—half-size covers on top of full-size covers—to highlight articles inside that relate to particular areas; different wraparounds appear in different parts of the country.

Magazines are a natural choice for targeted advertising. Media buyers study demographics of subscribers and select magazines that attract the desired readers. American Express advertises in *Fortune* and *Forbes* to reach businesspeople, while PacSun clothes and Clearasil skin medications are advertised in *teenVogue*.

Direct Mail The average American household receives about 550 pieces of direct mail each year, including 100 catalogs. The huge growth in the variety of direct-mail offerings combined with the convenience they offer to today's busy, time-pressed shoppers has made direct-mail advertising a multibillion-dollar

business. Even consumers who like to shop online often page through a catalog before placing an online order. Although direct mail is expensive per person, a small business may be able to spend less on a limited direct-mail campaign than on a television or radio ad. For businesses with a small advertising budget, a carefully targeted direct-mail effort can be highly effective. E-mail is a low-cost form of direct marketing. Marketers can target the most interested Internet users by offering Web site visitors an option to register to receive e-mail. Companies like Amazon.com, Spring Hill Nurseries, and Abercrombie & Fitch routinely send e-mail to regular customers.

Address lists are at the heart of direct-mail advertising. Using data-mining techniques to segment markets, direct-mail marketers create profiles that show the traits of consumers who are likely to buy their products or donate to their organizations. Catalog retailers sometimes experiment by sending direct-mail pieces randomly to people who subscribe to particular magazines. Next, they analyze the orders received from the mailings and develop profiles of purchasers. Finally, they rent lists of additional subscriber names that match the profiles they have developed.

Studies have shown that most U.S. consumers are annoyed by the amount of "junk mail" they receive every day, including catalogs, advertising postcards, and flyers. Among Internet users, a major pet peeve is *spam*, or junk e-mail. Many states have outlawed such practices as sending e-mail promotions without legitimate return addresses, although it is difficult to track down and catch offenders.

The Direct Marketing Association (DMA; http://www.the-dma.org) helps marketers combat negative attitudes by offering its members guidelines on ethical business practices. The DMA also provides consumer information at its Web site, as well as services that enable consumers to opt out of receiving unsolicited offers. In addition, new Federal Trade Commission regulations have taken effect for direct mail in certain industries. Now when you receive that unsolicited, preapproved credit card application in the mail, it must be accompanied by a prominent notice telling you how to get off the bank's mailing list. This law will affect millions of consumers, because 5.8 applications are received by each household every month—or 1.4 billion applications per quarter.²²

Outdoor Advertising Outdoor advertising accounts for about \$3.2 billion in advertising expenditures. The majority of spending on outdoor advertising is for billboards, but spending for other types of outdoor advertising, such as signs in transit stations, stores, airports, and sports stadiums, is growing fast. Advertisers are exploring new forms of outdoor media, many of which involve technology: computerized paintings, video billboards, "trivision" that displays three revolving images on a single billboard, and moving billboards mounted on trucks. Other innovations include displaying ads on the Goodyear blimp, using an electronic system that offers animation and video. And there's the traditional banner flying behind a plane, or skywriting.²³ There's also K9 Billboards, described earlier in the chapter. Outdoor advertising suffers from several disadvantages, however. The medium requires brief messages, and billboards are subject to opposition by preservation and conservation groups.

Online and Interactive Advertising Marketing experts predict that sales from online advertising will double by 2010. Search engine marketing, display ads, and even classified ads are expected to surge.²⁴

Online and interactive media have already changed the nature of advertising. Starting with simple banner ads, Internet advertising has become much more complex and sophisticated. Burger King created a media buzz when its Web site featured a Subservient Chicken—a man in a silly chicken suit—who responded to commands typed in by consumers. The ad campaign was such an Internet hit that the company followed it will a boxing match on DirecTV between boxers dressed as chickens—representing different BK chicken sandwiches. Russ

Klein, Burger King's chief marketing officer, is realistic about the future of the nontraditional ad. "In another 10 to 15 years all this stuff will be as normal as talking 30-second ads," he predicts. ²⁵ Before that happens, marketers will be well on their way to coming up with something new.

Subservient Chicken is an example of *viral advertising*, which creates a message that is novel or entertaining enough for consumers to forward it to others, spreading it like a virus. The great advantage is that spreading the word costs the advertiser nothing. Another fast-food restaurant chain, Long John Silver's, recently launched a Web site called ShrimpBuddy.com to promote its Popcorn Shrimp. The site features a two-minute film about a road trip by a guy and his best buddy—who happens to be a shrimp. The ad appealed to young, hip consumers who are Web savvy and have a sense of humor—just the target market that the company hoped to reach.²⁶

However, not all online advertising is well received. Like spam, many consumers resent the intrusion of *pop-up ads* that suddenly appear on their computer screen. These ads can be difficult to ignore, remove, or pass by. Some Internet service providers, such as Earthlink, have turned this problem into a marketing advantage by offering service that comes without pop-ups. "You'll never log-on and be greeted by an Earthlink pop-up ad. Your address comes with spam-reducing tools and eight mailboxes," its ads promise.

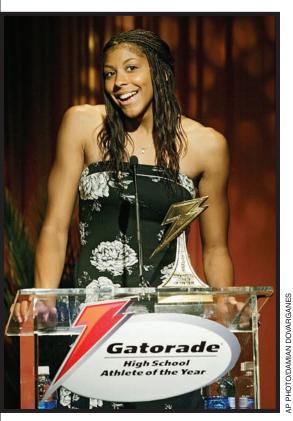
Sponsorship One of the hottest trends in promotion offers marketers the ability to integrate several elements of the promotional mix. **Sponsorship** involves providing funds for a sporting or cultural event in exchange for a direct association with the event. Sports sponsorships

attract two-thirds of total sponsorship dollars in the U.S. alone. Entertainment, festivals, causes, and the arts divide up the remaining third of sponsorship dollars.

NASCAR, the biggest spectator sport in the United States, thrives on sponsorships. Because it can cost as much as \$20 million a year to run a top NASCAR team, drivers depend on sponsorships from companies to keep the wheels turning. Firms may also sponsor charitable or other not-for-profit awards or events. In conjunction with sports network ESPN, Gatorade sponsors its High School Athlete of the Year award, presented to the top male and female high school athletes who "strive for their best on and off the field."

Sponsors benefit in two major ways: exposure to the event's audience and association with the image of the activity. If a celebrity is involved, sponsors usually earn the right to use his or her name along with the name of the event in advertisements. They can set up signs at the event, offer sales promotions, and the like. Sponsorships play an important role in relationship marketing, bringing together the event, its participants, and the sponsoring firms.

Other Media Options As consumers filter out familiar advertising messages, marketers look for novel ways to catch their attention. In addition to the major media, firms promote through many other vehicles such as infomercials and specialized media. **Infomercials** are a form of broadcast direct marketing, also called *direct response television (DRTV)*. These 30-minute programs resemble regular television programs, but are devoted to selling goods or services such as exercise equipment, skin-care products, or kitchenware. The long format allows an advertiser to thoroughly present product benefits,



For two decades, Gatorade has sponsored the High School Athlete of the Year awards. The awards are given to the top male and female who strive to be the best both on and off the field.

Advertisers use just about any medium they can find. They place messages on subway tickets in New York City and toll receipts on the Massachusetts Turnpike. A more recent development is the use of ATMs for advertising. Some ATMs can play 15-second commercials on their screens, and many can print advertising messages on receipts. An ATM screen has a captive audience because the user must watch the screen to complete a transaction. Directory advertising includes the familiar Yellow Pages listings in telephone books and thousands of other types of directories, most presenting business-related promotions. About 6 percent of total advertising revenue goes to Yellow Pages ads. Besides local and regional directories, publishers also have produced special versions of the Yellow Pages that target ethnic groups.

a ssessment check

- 1. What are the two basic types of advertising? Into what three categories do they fall? 2. What is the leading advertising
 - medium in the United States? 3. In what two major ways do firms

sales promotion nonpersonal marketing activities other than advertis-

ing, personal selling, and public relations that stimulate consumer pur-

chasing and dealer

effectiveness.

benefit from sponsorship?

SALES PROMOTION

Traditionally viewed as a supplement to a firm's sales or advertising efforts, sales promotion has emerged as an integral part of the promotional mix. Promotion now accounts for close to half as many marketing dollars as are spent on advertising, and promotion spending is rising faster than ad spending. Sales promotion consists of forms of promotion such as coupons, product samples, and rebates that support advertising and personal selling.

Both retailers and manufacturers use sales promotions to offer consumers extra incentives to buy. Beyond the short-term advantage of increased sales, sales promotions can also help marketers build brand equity and enhance customer relationships. Examples include samples, coupons, contests, displays, trade shows, and dealer incentives.

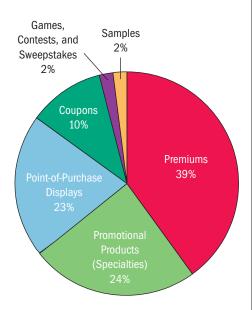
Spending on Consumer-Oriented **Promotions**

Figure

Consumer-Oriented Promotions

The goal of a consumer-oriented sales promotion is to get new and existing customers to try or buy products. In addition, marketers want to encourage repeat purchases by rewarding current users, increase sales of complementary products, and boost impulse purchases. Figure 14.3 shows how marketers allocate their consumer-oriented spending among the categories of promotions.

Premiums, Coupons, Rebates, and Samples Two of every five sales promotion dollars are spent on premiums—items given free or at a reduced price with the purchase of another product. Cosmetics companies such as Clinique offer sample kits with purchases of their products. Fast-food restaurants are also big users of premiums. McDonald's and Burger King include a toy with every children's meal—the toys often tie in with new movies or popular



"They Said It"

"Don't sell the steak, sell the sizzle!" —Elmer Wheeler (1903–1968) American advertiser cartoon shows. In general, marketers choose premiums that are likely to get consumers thinking about and caring about the brand and the product. People who purchase health foods at a grocery store may find an offer for a free personal training session at a local health club printed on the back of their sales receipt.

Customers redeem *coupons* for small price discounts when they purchase the promoted products. Such offers may persuade a customer to try a new or different product. Some large supermarket chains double the face value of manufacturers' coupons. Coupons have the disadvantage of focusing customers on price rather than brand loyalty. Other discounters such as Wal-Mart prefer to lure customers with their own low-priced brands. While some consumers complain that clipping coupons is too time-consuming, others relish the savings, particularly when prices seem to be high. "Coupons are an age-old solid tactic to engage consumers to purchase products," says Claire Rosenzweig, president of the Promotion Marketing Association."²⁸

Rebates offer cash back to consumers who mail in required proofs of purchase. Rebates help packaged-goods manufacturers increase purchase rates, promote multiple purchases, and reward product users. Other types of companies also offer rebates, especially for electronics, computers and their accessories, and automobiles. Processing rebates gives marketers a way to collect data about their customers. Recently, Aetna Insurance and drugstore chain Walgreens announced a plan to pass along rebates to companies that have employee prescription programs through the two firms.²⁹

A *sample* is a gift of a product distributed by mail, door to door, in a demonstration, or inside packages of another product. On any given day you might receive a sample CD for Internet service, a bar of soap, or a packet of laundry detergent. Three of every four consumers who receive samples will try them.

Games, Contests, and Sweepstakes Contests, sweepstakes, and games offer cash, merchandise, or travel as prizes to participating winners. Firms often sponsor these activities to introduce new goods and services and to attract additional customers. Games and contests require entrants to solve problems or write essays and sometimes provide proof of purchase. Sweepstakes choose winners by chance and require no product purchase. Consumers typically prefer them because games and contests require more effort. Companies like sweepstakes, too, because they are inexpensive to run and determine the number of winners from the beginning. With games and contests, the company cannot predict the number of people who will correctly complete a puzzle or gather the right number of symbols from scratch-off cards. Sweepstakes, games, and contests can reinforce a company's image and advertising message, but consumer attention may focus on the promotion rather than the product.

In recent years, court rulings and legal restrictions have limited the use of games and contests. Companies must proceed carefully in advertising their contests and games and the prizes they award. Marketers must indicate the chances of winning and avoid false promises such as implying that a person has already won.

Specialty Advertising Do you have any pens, T-shirts, or refrigerator magnets imprinted with a business name that you received for free? These offers are examples of **specialty advertising** or *advertising specialties*. This type of sales promotion involves the gift of useful merchandise carrying the name, logo, or slogan of a profit-seeking business or a not-for-profit organization. Because those products are useful and sometimes personalized with recipients' names, people tend to keep and use them, giving advertisers repeated exposure. Originally designed to identify and create goodwill for advertisers, advertising specialties now generate sales leads and develop traffic for stores and trade show exhibitors. Like premiums, these promotions should reinforce the brand's image and its relationship with the recipient.

Trade-Oriented Promotions

Sales promotion techniques can also contribute to campaigns directed to retailers and whole-salers. **Trade promotion** is sales promotion geared to marketing intermediaries rather than to consumers. Marketers use trade promotion to encourage retailers to stock new products, continue carrying existing ones, and promote both new and existing products effectively to consumers. Successful trade promotions offer financial incentives. They require careful timing, attention to costs, and easy implementation for intermediaries. These promotions should bring quick results and improve retail sales. Major trade promotions include point-of-purchase advertising and trade shows.

Point-of-purchase (POP) advertising consists of displays or demonstrations that promote products when and where consumers buy them, such as in retail stores. When the Swiffer floor cleaner was being introduced, Procter & Gamble used in-store demonstrations to show consumers how it worked. Marketing research has shown that consumers are more apt to purchase certain products when such displays are present. Sunscreen, painting supplies, and snacks are typically displayed this way. A high-tech version of POP advertising is the use of kiosks that display product information and promotional offers. Whether cardboard or electronic, POP advertising takes advantage of many shoppers' tendencies to make purchase decisions in the store.

Manufacturers and other sellers often exhibit at *trade shows* to promote goods or services to members of their distribution channels. These shows are often organized by industry trade associations, typically during annual meetings or conventions. Each year, thousands of trade shows attract millions of exhibitors and hundreds of millions of attendees. Such shows are particularly important in fast-changing industries like those for computers, toys, furniture, and fashions. The annual electronics show, which is held in Las Vegas and attracts more than 100,000 visitors, is the nation's largest. But shows in the medical and healthcare, RV and camping, and even woodworking machinery fields remain strong.³⁰ These shows are especially effective for introducing new products and generating sales leads.

PERSONAL SELLING

Many companies consider personal selling—a person-to-person promotional presentation to a potential buyer—the key to marketing effectiveness. Unless a seller matches a firm's goods or services to the needs of a particular client or customer, none of the firm's other activities produce any benefits. Today, sales and sales-related jobs employ about 13.5 million Americans. Businesses often spend five to ten times as much on personal selling as on advertising. Given the significant cost of hiring, training, benefits, and salaries, businesses are very concerned with the effectiveness of their sales personnel. One of the key tasks for a salesperson is to remember the names of customers and other contacts. The "Business Etiquette" feature provides some tips on remembering names.

How do marketers decide whether to make personal selling the primary component of their firm's marketing mix? In general, firms are likely to emphasize personal selling rather than advertising or sales promotion under four conditions:

- 1. Customers are relatively few in number and geographically concentrated.
- 2. The product is technically complex, involves trade-ins, and requires special handling.
- 3. The product carries a relatively high price.
- 4. It moves through direct-distribution channels.

A perfect example of the right situation for personal selling is when selling to the federal government or to the military, both of which have large purchasing requirements and follow

(b)usiness

(e)tiquette

How to Remember Names

It happens to everyone. You bump into someone on the street, in the library, or in the dorm lounge—and you draw a complete blank. You know this person, and yet you can't remember his or her name! So you fumble around, look at the floor, and mumble "hi." In business, it is especially important to remember people's names—not just your boss and co-workers, but customers, suppliers, and colleagues in other divisions. Since most of us aren't magicians, here are a few tips for pulling that elusive name out of the hat:

- 1. When you first meet someone, repeat his or her name several times, which will help emblazon the name and face together in your memory. You don't have to be obvious about it. You can say, "It's a pleasure to meet you, Gabrielle," and "I hope to see you again, Luis."
- 2. If appropriate, ask the person one or two questions that will help secure details in your memory. Questions such as, "Do you live in town?" or even "Where did you go to college?" help establish a more complete image of the person.
- 3. Try associating the person with other people—for example, was he or she part of a group when you were introduced? Do you have mutual friends or colleagues? Also try to associate the location or circumstances of your

- introduction—at a restaurant, in a conference room, outside the office building.
- 4. Without staring, pick a feature about the person that stands out—jet-black hair, a prominent nose, a bright red tie, an unusual purse. Later you can mentally attach the feature to the name. This will help you create a mental picture of the person.
- 5. If you scroll through your mental picture, association with others, and individual details and you still can't come up with the person's name, simply reintroduce yourself. Say, "Hello, I'm Chris Montgomery," and chances are the person will respond with a similar reintroduction. If not, and you've only met the person briefly once before, go ahead and ask for his or her name again. Be sure to listen carefully and apply some of the memory cues listed, so next time that name won't be stuck on the tip of your tongue.

Sources: Kate Lorenz, "Tricks to Remembering Names," CNN.com, accessed July 18, 2006, http://www.cnn.com; "How Do I Remember People's Names?" LearnThat, accessed August 15, 2005, http://www.learnthat.com; Tom Weber, "How to Remember Names," The Sideroad, http://www.sideroad.com, accessed August 15, 2005; Valencia P. Higeura, "Techniques to Remember Names," FineTuning.com, accessed July 25, 2005, http://www.finetuning.com.

complex purchasing rules. Recently Sigarms was awarded a five-year, \$23.7 million contract to supply Immigration and Customs Enforcement (ICE) with 65,000 handguns. "There were 74 pages of specifications with 50 characteristics," recalls Peter Kujawski, vice president of military and government sales. As part of the selection process, each bidder sent a shooting team to a federal facility to fire its pistols for performance. To ensure that its team members' performance was top-notch, Sigarms sent along a master sergeant from the U.S. Army Reserve as a coach. Taking this initiative, as well as meeting all the specifications, got Sigarms the contract. "It was a long, arduous process," says Kujawski.³²

The sales functions of most companies are experiencing rapid change. Today's salespeople are more concerned with establishing long-term buyer-seller relationships and acting as consultants to their customers than in the past.

Personal selling can occur in several environments, each of which can involve business-to-business or business-to-consumer selling. Sales representatives who make sales calls on prospective customers at their homes or businesses are involved in *field selling*. Companies that sell major industrial equipment typically rely heavily on field selling. *Over-the-counter selling* describes sales activities in retailing and some wholesale locations, where customers visit the seller's facility to purchase items. *Telemarketing* sales representatives make their presentations over the phone. A later section reviews telemarketing in more detail.

Sales Tasks

All sales activities involve assisting customers in some manner. Although a salesperson's work can vary significantly from one company or situation to another, it usually includes a mix of three basic tasks: order processing, creative selling, and missionary selling.

Order Processing Although both field selling and telemarketing involve this activity, **order processing** is most often related to retail and wholesale firms. The salesperson identi-

fies customer needs, points out merchandise to meet them, and processes the order. Route sales personnel process orders for such consumer goods as bread, milk, soft drinks, and snack foods. They check each store's stock, report inventory needs to the store manager, and complete the sale. Most of these jobs include at least minor order-processing functions.

Creative Selling Sales representatives for most business products and some consumer items perform **creative selling**, a persuasive type of promotional presentation. Creative selling promotes a good or service whose benefits are not readily apparent or whose purchase decision requires a close analysis of alternatives. Sales of intangible products such as insurance rely heavily on creative selling, but sales of tangible goods benefit as well.

Many retail salespeople just process orders, but many consumers are looking for more in the form of customer service, which is where creative selling comes in. Trained sales staff at Talbots women's clothing stores hold seasonal wardrobe-building workshops at the stores, helping customers select and purchase coordinating clothing, accessories, and shoes from the Talbots line—which they might not have purchased without such advice.

Missionary Selling Sales work also includes an indirect form of selling in which the representative promotes goodwill for a company or provides technical or operational assistance to the customer; this practice is called missionary selling. Many businesses that sell technical equipment, such as Oracle and Fujitsu, provide systems specialists who act as consultants to customers. These salespeople work to solve problems and sometimes help their clients with questions not directly related to their employers' products. Other industries also use missionary selling techniques. Pharmaceutical company representatives—called detailers—visit physicians to describe the firm's latest products. The actual sales, however, are handled through pharmacies, which fill the prescriptions. Such sales calls have created a public debate, as the "Solving an Ethical Controversy" feature describes.

Telemarketing Telemarketing, personal selling conducted by telephone, provides a firm's marketers with a high return on their expenditures, an immediate response, and an opportunity for personalized two-way conversation. Many firms use telemarketing because expense or other obstacles prevent salespeople from meeting many potential customers in person. Telemarketers can use databases to target prospects based on demographic data. Telemarketing takes two forms. A sales representative who calls you is practicing *outbound telemarketing*. On the other hand, *inbound telemarketing* occurs when you call a toll-free phone number to get product information or place an order.

Outbound telemarketers must abide by the Federal Trade Commission's 1996 Telemarketing Sales Rule. Telemarketers must disclose that they are selling something and on whose behalf they are calling before they make their presentations. The rule also limits calls to between 8 a.m. and 9 p.m., requires sellers to disclose details on exchange policies, and requires them to keep lists of people who do not want to receive calls. In some states, it is also against the law for telemarketers to leave messages on consumers' answering machines. Despite opposition from the Direct Marketing Association, Congress enacted another law in 2003 creating a national "do not call" registry intended to help consumers block unwanted telemarketing calls. Consumers who want to be on the list must call a special number or visit a Web site to register. Telemarketers must check the list every three months and update their own lists or face stiff fines of up to \$11,000 for each violation. Charities, surveys, and political campaign calls are exempt from these restrictions. Businesses with which consumers already have a relationship, such as the bank where they have accounts or the dealership where they buy their cars, may conduct telemarketing calls under the guidelines of the Telemarketing Sales Rule.

"They Said It"

"I learned something early in life. If you sell, you'll never starve. In any other profession, you can find yourself out on the street saying, 'They don't want me anymore.' But if you can sell, you'll never go hungry."

—George Foreman (b. 1949)

American boxer and celebrity spokesman

DRUG SALES CALLS TO PHYSICIANS: PROVIDING INFORMATION OR SIMPLY SELLING?

Pharmaceutical companies have traditionally employed large numbers of sales representatives—typically called detailers. Their job is to visit physicians' offices to make them aware of new products that could help their patients and to provide special dosage information.

But as the number of drug salespeople tripled to more than 100,000 in a decade and the frequency of visits increased, doctors became increasingly skeptical—and annoyed—with the continual toll on their time schedules. Physicians and the public also wondered whether the purpose of the visits was geared simply toward increasing sales, instead of benefiting patients.

Should the number of direct sales calls to physicians' offices be limited or stopped altogether?

PRO

- Some drug reps offer free lunches, small tokens such as candies, and free drug samples to physicians who agree to see them. They often befriend office staff to gain entry. Such freebies and behavior can bias a doctor in favor of a product, regardless of its true merits.
- With the number of drug sales calls expanding, doctors spend more time on calls and less on

face time with patients. Such intrusions are burdens to an already stressed healthcare system.

CON

- Drug company reps can provide doctors with quick, detailed knowledge about a new drug and its uses. Cutting back on this information source limits doctors' awareness of new developments.
- Pharmaceutical companies deny that their motives are simply to sell more drugs. One company explained that its "longstanding policy is to communicate the benefits and limitations of its products in a fair and balanced manner."

Summary

The American Medical Association offers its member doctors guidelines about limiting the value of the gifts they receive, but it leaves the decision of whether to admit reps to the doctors themselves. Some physicians have become so fed up with the num-

ber of calls, they have closed their doors to drug reps or severely limited their access. As part of its ongoing investigation into the pharmaceutical industry, the U.S. Congress is taking a closer look at companies' sales practices to see whether legislation should be passed. Meanwhile, several big pharmaceutical firms, such as Pfizer, Merck, and Wyeth, are already voluntarily limiting their sales calls to physicians. Time will tell whether these efforts will change a well-established sales practice.

Sources: Scott Hensley and Barbara Martinez, "To Sell Their Drugs, Companies Increasingly Rely on Doctors," accessed August 7, 2006, http://www.josmc.org; University of Washington "Drug Sales Pitches Have Little Effect on Physicians, Study Shows," University Week, accessed August 7, 2006, http://www.admin.urel.washington.edu; Bruce Japsen, "Drug Sales Calls Wear on Doctors," Chicago Tribune, May 8, 2005, section 1, pp. 1, 12; Book review of Hard Sell: The Evolution of a Viagra Salesman, Fortune, May 2, 2005, p. 26.





The Sales Process

The sales process typically follows the seven-step sequence shown in Figure 14.4: prospecting and qualifying, the approach, the presentation, the demonstration, handling objections, the closing, and the follow-up. Remember the importance of flexibility, though; a good salesperson is not afraid to vary the sales process based on a customer's responses and needs. The process of selling to a potential customer who is unfamiliar with a company's products differs from the process of serving a longtime customer.

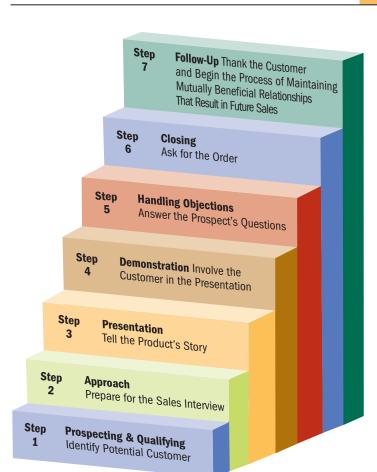
Prospecting, Qualifying, and Approaching At the prospecting stage, salespeople identify potential customers. They may seek leads for prospective sales from such sources as existing customers, friends and family, and business associates. The qualifying process identifies potential customers who have the financial ability and authority to buy.

Companies use different tactics to identify and qualify prospects. Some companies rely on business development teams to do this legwork. They use the responses from direct mail to provide leads to sales reps. Other companies believe in personal visits from sales representatives.

Successful salespeople make careful preparations, analyzing available data about a prospective customer's product lines and other pertinent information before making the initial contact. They realize the importance of a first impression in influencing a customer's future attitudes toward the selling company and its products.

Presentation and Demonstration At the presentation stage, salespeople communicate promotional messages. They may describe the major features of their products, highlight the advantages, and cite examples of satisfied consumers. A demonstration helps reinforce the message that the salesperson has been communicating—a critical step in the sales process. Department-store shoppers can get a free makeover at the cosmetics counter. Anyone looking to buy a car will take it for a test drive before deciding whether to purchase it.

Some products are too large to transport to prospective buyers or require special installation to demonstrate. Using laptop computers and multimedia presentations, sales representatives can demonstrate these products for customers. Others, such as services, are intangible. So a presentation including testimonials from satisfied customers or graphs illustrating results may be helpful.



Seven Steps in the Sales Process

Handling Objections Some salespeople fear potential customers' objections because they view the questions as criticism. But a good salesperson can use objections as an opportunity to answer questions and explain how the product will benefit the customer. As a general rule, the key is to sell benefits, not features: How will this product help the customer?

Closing The critical point in the sales process—the time at which the salesperson actually asks the prospect to buy—is the closing. If the presentation effectively matches product benefits to customer needs, the closing should be a natural conclusion. If there are more bumps in the process, the salesperson can try some different techniques, such as offering an alternative product, offering a special incentive for purchase, or restating the product benefits. Closing the sale—and beginning a relationship in which the customer builds loyalty to the brand or product—is the ideal outcome of this interaction. But even if the sale is not made at this time, the salesperson should regard the interaction as the beginning of a potential relationship anyway. The prospect might very well become a customer in the future.

Follow-Up A salesperson's actions after the sale may determine whether the customer will make another purchase. Follow-up is an important part of building a long-lasting relationship. After closing, the salesperson should process the order efficiently. By calling soon after a purchase, the salesperson provides reassurance about the customer's decision to buy and creates an opportunity to correct any problems.

Public Relations

A final element of the promotional mix, public relations (PR)—including publicity—supports advertising, personal selling, and sales promotion, usually by pursuing broader objectives. Through PR, companies attempt to improve their prestige and image with the public by distributing specific messages or ideas to target audiences. Cause-related promotional activities are often supported by PR and publicity campaigns. In addition, PR helps a firm establish awareness of goods and services, then builds a positive image of them.³³

Public relations refers to an organization's communications with its various public audiences, such as customers, vendors, news media, employees, stockholders, the government, and the general public. Many of these communication efforts serve marketing purposes. Public relations is an efficient, indirect communications channel for promoting products. It can publicize products and help create and maintain a positive image of the company.

The PR department links a firm with the media. It provides the media with news releases and video and audio clips, as well as holding news conferences to announce new products, the formation of strategic alliances, management changes, financial results, and similar developments. Publications issued by the PR department include newsletters, brochures, and reports.

Publicity

The type of public relations that is tied most closely to promoting a company's products is publicity—nonpersonal stimulation of demand for a good, service, place, idea, event, person, or organization by unpaid placement of information in print or broadcast media. Press releases generate publicity, as does news coverage. Entrepreneur Eric Anderson, CEO of Space Adventures, held a press conference to announce that his firm, along with its Russian partners, would be offering "around the moon" space travel to anyone willing to pay \$100 million for the trip. That's \$80 million more than the \$20 million the group is charging for trips to the International Space Station. Naturally, the announcement generated plenty of buzz in the news media.³⁴ Not-for-profit organizations benefit from publicity when they receive coverage of events such as the Boston Marathon, in which thousands of runners participate to raise money for sixteen charities, such as the Doug Flutie Foundation for Autism. When a for-profit firm

> teams up with a not-for-profit firm in a fund-raising effort, the move usually generates good publicity for both organizations.

While good publicity can promote a firm's positive image, negative publicity can cause problems. When home decorating and entertaining expert Martha Stewart was convicted in a stock-trading case, her image as well as that of her company, Martha Stewart Living, suffered. But Stewart took steps to improve her image, even while serving a prison sentence. When she returned to public life, she already had contracts for two television shows.

public relations organization's communications and relationships with its various audiences.

publicity stimulation of demand for a good, service, place, idea, person, or organization by disseminating news or obtaining favorable unpaid media presentations.

ssessment check

- 1. Why do retailers and manufacturers use sales promotions? 2. When does a firm use personal sell
 - ing instead of nonpersonal selling? 3. How does public relations serve a
 - marketing purpose?

PROMOTIONAL STRATEGIES

Many of this chapter's examples demonstrate the considerable overlap among the elements of the promotional mix. Clear boundaries no longer distinguish advertising from sales promotion. By blending advertising, sales promotion, personal selling, and public relations, marketers create an integrated promotional mix that reflects the market, product type, stage in the product life cycle, price, and promotional budget. Then they implement one of two promotional alternatives: pulling or pushing strategies.

Pushing and Pulling Strategies

Marketers can choose between two general promotional strategies: a pushing strategy or a pulling strategy. A **pushing strategy** relies on personal selling to market an item to wholesalers and retailers in a company's distribution channels. So companies promote the product to members of the marketing channel, not to end users. Sales personnel explain to marketing intermediaries why they should carry particular merchandise, usually sup-

☐ grey?
☐ gorgeous?
Why can't more women feel glad to be grey? Join the beauty debate.

campaignforrealbeauty.com → Dove

ported by offers of special discounts and promotional materials. Marketers also provide **cooperative advertising** allowances, in which they share the cost of local advertising of their firm's product or line with channel partners. All of these strategies are designed to motivate wholesalers and retailers to push the good or service to their own customers.

A **pulling strategy** attempts to promote a product by generating consumer demand for it, primarily through advertising and sales promotion appeals. Potential buyers will then request that their suppliers—retailers or local distributors—carry the product, thereby pulling it through the distribution channel. Dove used this strategy when it launched a highly popular advertising campaign—called "Campaign for Real Beauty"—for its products featuring real women instead of professional models. The ads for soap, shampoo, and lotions were placed in magazines, on billboards and buildings, and even along the sides of buses. The strategy was so successful that it also generated good publicity—including a segment on NBC's *Today Show.*³⁵

Most marketing situations require combinations of pushing and pulling strategies, although the primary emphasis can vary. Consumer products usually depend more heavily on pulling strategies than do B2B products, which favor pushing strategies.

Dove's popular ad campaign used a pulling strategy—featuring women with whom consumers could identify—to promote its new line of beauty products.

assessment check

- 1. Give an example of a
- pushing strategy.

 2. Give an example of a pulling strategy.

ETHICS IN PROMOTION

Of all the elements in a 21st-century business organization, promotion probably raises the most ethical questions. Many people view advertising with a cynical eye, criticizing its influence on consumers, its potential for creating unnecessary needs and wants, its overemphasis on sex and beauty, and its delivery of inappropriate messages to children.

This section examines three controversial issues related to the promotion element of the firm's marketing mix: puffery and deception, promotion to children and teens, and promotion in public schools and on college campuses.

Puffery and Deception

Claims such as "bigger," "best," "most advanced," and "number one" are examples of **puffery.** Puffery is exaggeration about the benefits or superiority of a product. It literally means "puffed up." Puffery is legal because it doesn't guarantee anything, but it certainly raises ethical questions.

"They Said It"

"Many a small thing has been made large by the right kind of advertising." —Mark Twain (1835–1910) American author Can an advertiser be absolutely certain that every consumer knows the difference between exaggeration and reality? Some advertisers argue that consumers don't take the claims literally, but others disagree. Engaging in puffery may ultimately undermine the credibility of a firm's marketing messages.³⁶ Manufacturers of cosmetics and personal care products seem to be particularly prone to criticism for puffery in their ads. Procter & Gamble faced the problem when the Advertising Standards Authority challenged certain claims about its Pantene Pro-V shampoo.³⁷

The Uniform Commercial Code, which standardizes laws for business practices throughout the United States, distinguishes puffery from specific or quantifiable statements about product quality or performance. Those statements amount to an "express warranty," for which the company must stand behind its claim. General boasts of product superiority and vague claims are considered puffery, not warranties. A marketer's quantifiable statement, on the other hand, implies a certain level of performance. Tests can establish the validity of a claim that one brand of batteries outlasts a rival brand.

Deception involves deliberately making promises that are untrue, such as guaranteed weight loss in five days, get-rich-quick schemes for would-be entrepreneurs, or promised return on investments. Today's climate of skepticism among consumers may actually present an opportunity for ethical companies to shine.

Promotion to Children and Teens

Children and teens possess huge purchasing power, whether they are doing their own shopping or influencing the buying decisions of their families. It is tempting for some marketers to try anything to influence these young consumers. Although young children are certainly accustomed to promotional messages, they are not sophisticated at analyzing them. "Because younger children do not understand persuasive intent in advertising, they are easy targets for commercial persuasion," warns psychologist Brian Wilcox.³⁸ In addition, to woo young consumers, advertisers often make ads as unadlike as possible—designing messages that resemble entertainment. With modern media companies owning a variety of broadcast, print, Internet, and other outlets, U.S. children watching cartoons and other shows are exposed to an integrated marketing effort that combines advertising for related videos, books, and video games, as well as licensed merchandise from toys to backpacks to T-shirts.

However, sometimes marketing to children can be socially responsible. With children's health—in particular, obesity—at stake, firms are beginning to use their influence toward a more positive outcome. Nickelodeon, which sponsors *SpongeBob SquarePants* and *Dora the Explorer*, has begun licensing its characters to the distributors of fruits and vegetables, in an effort to get kids to eat more healthful foods. Kids whose parents buy spinach from Boskovich Farms will find peel-off SpongeBob tattoos in the bags.³⁹

As children grow older and become more sophisticated, so does the marketing effort. The U.S. teen population is large, and marketers are working harder than ever to learn about them. In their search for insights into their market's special needs and wants, MTV marketers even borrowed the techniques of anthropology to visit teens and observe their lives firsthand.

Promotion in Public Schools and on College Campuses

A related ethical issue is the placement of promotional messages in schools, from kinder-gartens through university campuses. The idea of school as a place where students are free from marketing messages is long gone. Some schools have brought in millions in income by signing contracts that give certain brands exclusive access to their students.

14.5

In-school promotions have begun to generate a backlash, however. Several states have considered laws that would limit or ban such promotions, particularly those that feature snack foods and soft drinks. 40 On its own, Coca-Cola decided to include healthier products—bottled water, juice, and other beverages—in school vending machines. In addition, Coke began to replace corporate logos on the machines with images of students exercising and playing.

College students are older and generally considered more educated consumers than younger children. With a total of \$122 billion in on-campus spending power in the United States, they remain an attractive market for marketers. Figure 14.5 reveals some facts about these consumers.

PRICING OBJECTIVES IN THE MARKETING MIX

When Hurricanes Katrina and Rita slammed into the U.S. Gulf Coast, pouring destruction across the shores of Louisiana, Mississippi, Alabama, and Texas, within days

the already high price of gas spiked to record levels. Economists predicted a 30 percent hike in gasoline prices, a 52 percent increase in the price of natural gas, and a 21 percent rise in the cost of jet fuel. A week later, they warned of "hidden" increases in the price of coffee and bananas, detergent and paint, tires and roofing shingles, and even paper goods because of increased delivery costs.⁴¹

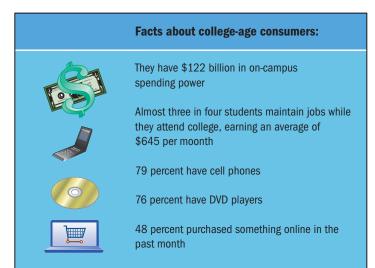
These and other products offer utility, or want-satisfying power. However, we as consumers determine how much value we associate with each one. In the aftermath of a storm, we may value electricity and food and water above everything else. If

we commute a long distance or are planning a vacation, fuel may be of greater concern. But all consumers have limited amounts of money and a variety of possible uses for it. So the **price**—the exchange value of a good or service—becomes a major factor in consumer buying decisions.

Businesspeople attempt to accomplish certain objectives through their pricing decisions. Pricing objectives vary from firm to firm, and many companies pursue multiple pricing objectives. Some try to improve profits by setting high prices; others set low prices to attract new business. As Figure 14.6 shows, the four basic categories of pricing objectives are (1) profitability, (2) volume, (3) meeting competition, and (4) prestige.

Profitability Objectives

Profitability objectives are perhaps the most common objectives included in the strategic plans of most firms.



Source: Data from 360 Youth/Harris Interactive College Explorer Study, cited in Paul Soltoff, "E-Mail Marketing to College Students 101," ClickZ Network, accessed July 18, 2006, http://www.click.com

assessment check

Define puffery.
 Why is promoting to young children potentially unethical?

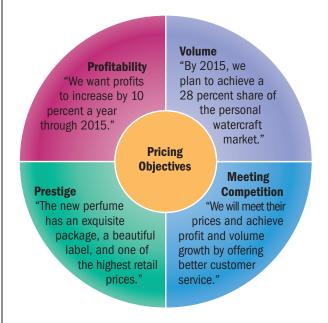
price exchange value of a good or service.



Gas prices, already high due to hurricane damage, soared after the Middle East conflict.

14.6 Pri

Pricing Objectives



Marketers know that profits are the revenue the company brings in, minus its expenses. Usually a big difference exists between revenue and profit. Large automakers try to produce at least one luxury vehicle for which they can charge \$50,000 or more instead of relying entirely on the sale of \$15,000 to \$25,000 models, thus making a greater profit typical of luxury models.

Some firms maximize profits by reducing costs rather than through price changes. Companies can maintain prices and increase profitability by operating more efficiently or by modifying the product to make it less costly to produce. One strategy is to maintain a steady price while reducing the size or amount of the product in the package—something that manufacturers of candy, coffee, and cereal have done over the years.

Volume Objectives

A second approach to pricing strategy—volume objectives—bases pricing decisions on market share, the percentage of a market controlled by a certain company or product. One firm may seek to achieve a 25 percent market share in a certain industry, and another may want to maintain or expand its market

share for particular products. As a market becomes saturated—like the PC market—firms need to find ways to get consumers to upgrade or try new products. Setting a lower price can accomplish that objective, as long as the firm still makes a profit. Many PC makers—and retailers—have begun to offer their products at lower prices, particularly at the start of the school year.

"They Said It"

"Free is good—but read the fine print." —Anonymous

Pricing to Meet Competition

A third set of pricing objectives seeks simply to meet competitors' prices so that price essentially becomes a nonissue. In many lines of business, firms set their own prices to match those of established industry leaders. However, companies may not legally work together to agree on prices or force retailers to sell at a set price. As more and more manufacturers of flat-panel televisions began to enter the market, prices tumbled as much as 35 percent in one year. Lesser-known brands such as Westinghouse Electric and Norcent Micro cut their prices in order to compete against better-known brands like Sharp and Sony. In turn, the big-name firms dropped their prices as well. Not everyone followed suit, though. Some major retailers held out for higher prices on plasma and liquid crystal display (LCD) televisions, pocketing 25 percent profits from customers willing to pay for the luxury.⁴²

Because price is such a highly visible component of a firm's marketing mix, businesses may be tempted to use it to obtain an advantage over competitors. But sometimes the race to match competitors' prices results in a *price war*, which has happened periodically in the airline and fast-food industries. The ability of competitors to match a price cut leads many marketers to try to avoid price wars by favoring other strategies, such as adding value, improving quality, educating consumers, and establishing relationships.

Prestige Objectives

The final category of objectives encompasses the effect of prices on prestige. **Prestige pricing** establishes a relatively high price to develop and maintain an image of quality and

exclusiveness. Marketers set such objectives because they recognize the role of price in communicating an overall image for the firm and its products. People expect to pay more for a Hummer vehicle, a Louis Vuitton purse, or a vacation on St. Kitts or Nevis in the Caribbean.

Scarcity can create prestige. Products that are limited in distribution or so popular that they become scarce generate their own prestige—allowing businesses to charge more for them. Banana Republic and J. Crew have been cashing in on the lure of scarcity. Although Banana Republic has more than 450 stores, its Café Society Collection of women's clothing and accessories is being carried by only 30 of them. Men can hunt for the Heritage Collection, from which they may purchase a leather blazer for \$450 and a pair of "antiqued" jeans for \$128. J. Crew is taking the scarcity trend a step further—at certain stores, privileged shoppers may pick up a hand-beaded skirt for \$800 and a pair of crocodile pumps for \$600.⁴³

PRICING STRATEGIES

tant data as well.

People from different areas of a company contribute their expertise to set the most strategic price for a product. Accountants, financial managers, and marketers provide relevant sales and cost data, along with customer feedback. Designers, engineers, and systems analysts all contribute impor-

Prices are determined in two basic ways: by applying the concepts of supply and demand discussed in Chapter 3, and by completing cost-oriented analyses. Economic theory assumes that a market price will be set at the point at which the amount of a product desired at a given price equals the amount that suppliers will offer for sale at that price. In other words, this price occurs at the point at which the amount demanded and the amount supplied are equal. Online auctions, such as those conducted on eBay, are a popular application of the demand-and-supply approach.

EXPERIENCE THE exceptional nature OF BALD HEAD ISLAND North Carolina's premier second home community. Homes from \$550,000 to over \$5,000,000. Homes from \$550,000 to over \$5,000,000. For red caste information, please call Bold Head bland Limited Red East \$250,000. For red caste information, please call Bold Head bland Limited Red East \$250,000. In the second red with the second red w

This promotion attracts customers with appeals to prestige. Consumers who want to purchase a home in the North Carolina community of Bald Head Island can expect to pay between \$500,000 and \$4,000,000—and that's for a vacation home.

assessment check

Define price.
 Which pricing objective actually
 results in diverting consumer attention from price?

Price Determination in Practice

Economic theory might lead to the best pricing decisions, but most businesses do not have all the information they need to make those decisions, so they adopt **cost-based pricing** formulas. These formulas calculate total costs per unit and then add markups to cover overhead costs and generate profits.

Cost-based pricing totals all costs associated with offering a product in the market, including research and development, production, transportation, and marketing expenses. An added amount, the markup, then covers any unexpected or overlooked expenses and provides a profit. The total becomes the price. Manufacturers, wholesalers, and retailers usually practice markup pricing. Although the actual markup used varies by such factors as brand image and type of store, the typical markup for clothing is determined by doubling the wholesale price (the cost to the merchant) to arrive at the retail price for the item. The "Hit & Miss" feature describes one way businesses have attempted to lower their costs and improve their bottom line.

cost-based pricing

adding a percentage (markup) to the base cost of a product to cover overhead costs and generate profits.



Offering Lower Prices: The Temptation to Outsource to China

Outsourcing—particularly to China—is tempting for many businesses that are looking for better prices. Manufacturing overseas often allows firms to reduce their costs and be more competitive in the eyes of their own customers. So as consumers continue to demand lower prices for goods, businesses are looking for ways to cut costs. With lower labor costs, a large labor pool, and an ability to mass produce goods, China has become an attractive supplier site for U.S. businesses.

But some firms are finding drawbacks—much higher costs than they had anticipated. One reason is that it costs a lot more to set up and manage trade with China than it does to actually manufacture the goods. So the price quoted by a supplier does not reflect all the costs associated with obtaining raw materials, delivery of finished goods, customs inspection, and other activities. "If you just [outsource] based on pricing negotiations and have not thought through the logistics of delivery, assurance of supply, flexibility of supply and quality, your total cost very quickly outweighs the price savings you made in the negotiations up front," warns Richard McCluney, vice president of account operations for E2open, a global supply-chain management firm. Customs regulations alone can eat up a big chunk of savings—in time and dollars. Traffic-choked or impassable roads in China are another cost-increasing headache. "Because of the huge increase in traffic, you now have to rethink where you have your suppliers based," explains McCluney.

Another challenge is the design of products themselves. One study also warns companies, "When they look only to outsourcing for cost reduction, [businesses] run the risk of becoming myopic in the design process." Instead, an effective redesign might save more than cheaper prices overseas. "I think a lack of real involvement of the purchasing or supply chain group in that early design process has some impact on getting a full understanding of what the costs are," says Nicholas Dewhurst, a coauthor of the study.

As a result, many experts advise firms to consider all of the implications of outsourcing to China—product design, manufacturing, inventory management, and final shipping. If outsourcing still makes sense, then it is the best alternative in the long run. But basing a decision solely on low manufacturing costs may come back to haunt a business: After all, costs in China are bound to increase in the long run also.

Questions for Critical Thinking

- 1. How does the breakeven point figure into a firm's decision to outsource some of its processes?
- 2. Describe two or three steps that a firm might take to avoid the pitfalls of outsourcing to China.

Sources: Lisa Harrington, "Small Companies Take on the World," Inbound Logistics, accessed August 7, 2006, http://www.inboundlogistics.com; Ed Frauenheim, "Outsourcing Moving to China?" ZDNet News, accessed July 18, 2006, http://news.zdnet.com; Wayne Forrest, "Analyzing the Pros and Cons of Outsourcing to China," Purchasing.com, accessed July 18, 2006, http://www.purchasing.com.

Breakeven Analysis

breakeven analysis pricing technique used to determine the minimum sales volume a product must generate at a certain price level to cover all costs. Businesses often conduct a **breakeven analysis** to determine the minimum sales volume a product must generate at a certain price level to cover all costs. This method involves a consideration of various costs and total revenues. *Total cost* is the sum of total variable costs and total fixed costs. *Variable costs* change with the level of production, as labor and raw materials do, while *fixed costs* such as insurance premiums and utility rates charged by water, natural gas, and electric power suppliers remain stable regardless of the production level. *Total revenue* is determined by multiplying price by the number of units sold.

Finding the Breakeven Point The level of sales that will generate enough revenue to cover all of the company's fixed and variable costs is called the breakeven point. It is the point at which total revenue just equals total costs. Sales beyond the breakeven point will generate

profits; sales volume below the breakeven point will result in losses. The following formulas give the breakeven point in units and dollars:

$$\mbox{Breakeven point (in units)} = \frac{\mbox{Total Fixed}}{\mbox{Contribution to Fixed Costs per Unit}}$$

Breakeven point (in dollars) =
$$\frac{\text{Total Fixed Costs}}{1 - \text{Variable Cost per Unit/Price}}$$

A product selling for \$20 with a variable cost of \$14 per unit produces a \$6 per-unit contribution to fixed costs. If the firm has total fixed costs of \$42,000, then it must sell 7,000 units to break even on the product. The calculation of the breakeven point in units and dollars is as follows:

Breakeven point (in units) =
$$\frac{$42,000}{$20 - $14} = \frac{$42,000}{$6} = 7,000$$
 units

Breakeven point (in dollars) =
$$\frac{\$42,000}{1 - \$14/\$20} = \frac{\$42,000}{1 - 0.7} = \frac{\$42,000}{0.3} = \$140,000$$

Figure 14.7 illustrates this breakeven point in a graph.

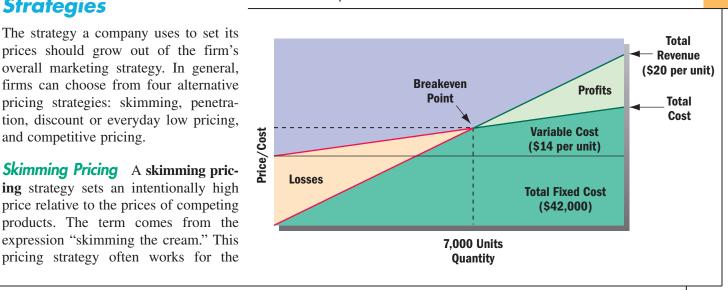
Marketers use breakeven analysis to determine the profits or losses that would result from several different proposed prices. Because different prices produce different breakeven points, marketers could compare their calculations of required sales to break even with sales estimates from marketing research studies. This comparison can identify the best price—one that would attract enough customers to exceed the breakeven point and earn profits for the firm.

Most firms add consumer demand—determining whether enough customers will buy the number of units the firm must sell at a particular price to break even—by developing estimates through surveys of likely customers, interviews with retailers that would be handling the product, and assessments of prices charged by competitors. Then the breakeven points for several possible prices are calculated and compared with sales estimates for each price. This practice is referred to as modified breakeven analysis.

Alternative Pricing **Strategies**

The strategy a company uses to set its prices should grow out of the firm's overall marketing strategy. In general, firms can choose from four alternative pricing strategies: skimming, penetration, discount or everyday low pricing, and competitive pricing.

Skimming Pricing A skimming pricing strategy sets an intentionally high price relative to the prices of competing products. The term comes from the expression "skimming the cream." This Breakeven Analysis





Wal-Mart has long relied on everyday low pricing, a strategy that has consistently won it a place as the world's #1 retailer.

introduction of a distinctive good or service with little or no competition, although it can be used at other stages of the product life cycle as well. A skimming strategy can help marketers set a price that distinguishes a firm's high-end product from those of competitors. It can also help a firm recover its product development costs before competitors enter the field. This is often the case with prescription drugs.

Penetration Pricing By contrast, a penetration pricing strategy sets a low price as a major marketing weapon. Businesses may price new products noticeably lower than competing offerings when they enter new industries characterized by dozens of competing brands. Once the new product achieves some market recognition through consumer trial purchases stimulated by its low

price, marketers may increase the price to the level of competing products. However, stiff competition might prevent the price increase.

Everyday Low Pricing and Discount Pricing Everyday low pricing (EDLP) is a strategy devoted to maintaining continuous low prices rather than relying on short-term price-cutting tactics such as cents-off coupons, rebates, and special sales. This strategy has been used successfully by retailers such as Wal-Mart to consistently offer low prices to consumers; manufacturers also use EDLP to set stable prices for retailers.

With discount pricing, businesses hope to attract customers by dropping prices for a set period of time. Recently the three major U.S. automakers offered consumers the "employee discount" on most or all of their vehicles. But experts warn that discounting must be done carefully, or profits can disappear. Businesses should offer discounts only for a specified period of time and with a clear understanding of what they are trying to accomplish with the strategy. They should advertise the discount, so customers know it is a special deal. When the time period has elapsed, so should the discount.⁴⁴

assessment check

- 1. What is a cost-based pricing 2. What might be considered the most
- stable of the alternative pricing strategies?

Competitive Pricing Although many organizations rely heavily on price as a competitive weapon, even more implement competitive pricing strategies. They try to reduce the emphasis on price competition by matching other firms' prices and concentrating their own marketing efforts on the product, distribution, and promotional elements of the marketing mix. In fact, in industries with relatively homogeneous products, competitors must match one another's price reductions to maintain market share and remain competitive. By pricing their products at the levels of competing offerings, marketers largely negate the price variable in their marketing strategies.

CONSUMER PERCEPTIONS OF PRICES

How do you perceive prices for certain products? Marketers must consider this. If large numbers of potential buyers consider a price too high or too low, businesses must correct the situation. Price-quality relationships and the use of odd pricing are important considerations in setting prices.

Price-Quality Relationships

Research shows that a consumer's perception of product quality is closely related to an item's price. Most marketers believe that this perceived price-quality relationship remains steady over a relatively wide range of prices, although extremely high or low prices have less credibility. The price-quality relationship can critically affect a firm's pricing strategy.

Many consumers associate prestige, quality, and high price together—believing that paying a high price for an item such as an Infiniti car or a Kate Spade bag not only conveys prestige but also ensures quality. Others believe that eating at an expensive restaurant automatically means the food will be better than food served at a fast-food chain. Conversely, consumers may view an extremely low price as an indication that corners have been cut and quality will suffer.

"They Said It"

"Price is what you pay. Value is what you get."

-Warren Buffett (b. 1930) American investor

Odd Pricing

Have you ever wondered why retailers set prices like \$1.99 instead of \$2 or \$9.99 instead of \$10? Before the age of cash registers and sales taxes, retailers reportedly followed this practice of odd pricing to force clerks to make correct change as part of cash control efforts. But now **odd pricing** is commonly used because many retailers believe that consumers favor uneven amounts or amounts that sound less than they really are: It's easier to justify a purchase of \$299 than one of \$300. However, some retailers also use this method to identify items that have been marked down. The odd price lets sales personnel—and customers—know the item is on sale.

assessment check

- 1. How does the price-quality relationship affect a firm's pricing 2. Why is odd pricing used?

WHAT'S AHEAD

The chapters in Part 4 have explained the main principles underlying marketing management and described how each fits a firm's overall business strategy. The next few chapters will help you understand how companies manage the technology and information that are available to businesses to create value for their customers and enhance their competitiveness in the marketplace. You'll also learn how firms manage their financial resources.



Summary of Learning Goals

Discuss how integrated marketing communications relates to a firm's overall promotional strategy.

In practicing integrated marketing communications, a firm coordinates all promotional activities to produce a unified, customer-focused message. IMC identifies consumer needs and then shows how a company's products meet those needs. Marketers select the promotional media that best target and reach customers. Teamwork and careful promotional planning to coordinate IMC strategy components are important elements of these programs.

Assessment Check Answers

1.1 What is the objective of an integrated marketing communications program?

An integrated marketing communications strategy focuses on customer needs to create a unified promotional message about a firm's goods or services.

1.2 What types of media are used in integrated marketing communications?

Media used in integrated marketing communications include broadcast, print, direct mail, packaging and store displays, sales promotions, presentations, and online and interactive media.

2 Explain the concept of a promotional mix and outline the objectives of promotion.

A company's promotional mix integrates two components: personal selling and nonpersonal selling, which includes advertising, sales promotion, and public relations. By selecting the appropriate combination of promotional mix elements, marketers attempt to achieve the firm's five major promotional objectives: provide information, differentiate a product, increase demand, stabilize sales, and accentuate the product's value.

Assessment Check Answers

2.1 Which component of the promotional mix reaches the largest audience?

Nonpersonal selling reaches the largest audience.

2.2 Why do firms pursue multiple promotional objectives at the same time?

Firms pursue multiple promotional objectives because they may need to convey different messages to different audiences.

2.3 What are product placement and guerrilla marketing?

Product placement involves paying a fee to have a product showcased in certain media, such as movies and television. Guerrilla marketing is innovative, low-cost marketing efforts designed to get consumers' attention in unusual ways.

3 Summarize the different types of advertising and advertising media.

Advertising, the most visible form of nonpersonal promotion, is designed to inform, persuade, or remind. Product advertising promotes a good or service, while institutional advertising promotes a concept, idea, organization, or philosophy. Television, newspapers, and direct mail represent the largest advertising media categories. Others include magazines, radio, and outdoor advertising. Interactive media such as the Internet represent the fastest-growing type of advertising. Interactive advertising directly involves the consumer, who controls the flow of information.

Assessment Check Answers

3.1 What are the two basic types of advertising? Into what three categories do they fall?

The two basic types of advertising are product and institutional. They fall into the categories of informative, persuasive, and reminder-oriented advertising.

3.2 What is the leading advertising medium in the United States?

According to the most recent numbers listed in Figure 14.2, television is the leading advertising medium in the United States, slightly edging out direct mail.

3.3 In what two major ways do firms benefit from sponsorship?

Firms benefit from sponsorship in two ways: they gain exposure to the event's audience and are associated with the image of the activity.

Outline the roles of sales promotion, personal selling, and public relations in promotional strategy.

Sales promotion accounts for greater expenditures than does advertising. Consumer-oriented sales promotions such as coupons, games, rebates, samples, premiums, contests, sweepstakes, and promotional products offer an extra incentive to buy a product. Point-of-purchase advertising displays and trade shows are sales promotions directed to the trade markets. Personal selling involves face-to-face interactions between seller and buyer. The primary sales tasks are order processing, creative selling, and missionary selling. The sevenstep sales process entails prospecting and qualifying, approach, presentation, demonstration, handling objections, closing, and follow-up. Public relations is nonpaid promotion that seeks to enhance a company's public image through press releases, news conferences, articles, and news broadcasts.

Assessment Check Answers

4.1 Why do retailers and manufacturers use sales promotions?

Retailers and manufacturers use sales promotions to offer consumers extra incentives to buy their products.

4.2 When does a firm use personal selling instead of nonpersonal selling?

Personal selling is generally used when customers are few and geographically concentrated, the product is technically complex or requires special handling, the price is high, or the product moves through directdistribution channels.

4.3 How does public relations serve a marketing purpose?

Public relations can be an efficient, indirect communications channel for promoting products. It can pub-

licize products and help create and maintain a positive image of the company.

5 Describe pushing and pulling promotional strategies.

A pushing strategy relies on personal selling to market a product to wholesalers and retailers in a company's distribution channels. Marketers promote the product to members of the marketing channel, not to end users. A pulling strategy promotes the product by generating consumer demand for it, through advertising and sales promotion.

Assessment Check Answers

5.1 Give an example of a pushing strategy.

A classic example of a pushing strategy is drug manufacturers, who used to market solely to physicians and hospitals. (Today, they also use a pulling strategy by marketing directly to patients through advertising, which encourages patients to ask their doctors about medications.)

5.2 Give an example of a pulling strategy.

Pulling strategies are used by retailers and by manufacturers of consumer goods like cosmetics, automobiles, and clothing.

6 Discuss the major ethical issues involved in promotion.

Many consumers believe that advertising exerts too much influence on buyers and that it deceives customers by exaggerating product claims through puffery and consciously blurring the line between promotion and entertainment through deception. Many consumers also question the appropriateness of marketing to children and through schools.

Assessment Check Answers

6.1 Define *puffery*.

Puffery is the exaggeration of product claims.

6.2 Why is promoting to young children potentially unethical?

Young children do not understand persuasive intent and are not sophisticated at analyzing advertising messages, so they are often not capable of determining the truth of promotional claims.

Outline the different types of pricing objectives. Pricing objectives can be classified as profitabil-

ity, volume, meeting competition, and prestige. Prof-

itability objectives are probably the most common. Volume objectives base pricing decisions on market share. Meeting competitors' prices makes price a non-issue in competition. Prestige pricing establishes a high price to develop and maintain an image of quality or exclusiveness.

Assessment Check Answers

7.1 Define price.

Price is the exchange value of a good or service.

7.2 Which pricing objective actually results in diverting consumer attention from price?

Pricing to meet the competition diverts consumer attention from price.

B Discuss how firms set prices in the marketplace, and describe the four alternative pricing strategies.

Although economic theory determines prices by the law of demand and supply, most firms use cost-based pricing, which adds a markup after costs. They usually conduct a breakeven analysis to determine the minimum sales volume a product must generate at a certain price in order to cover costs. The four alternative pricing strategies are skimming, penetration, everyday low pricing and discounting, and competitive pricing. A skimming strategy sets a high price initially to recover costs and then lowers it; a penetration strategy sets a lower price to attract customers and then raises it later. Discounting offers a lower price for a certain period of time. Competitive pricing matches other firms' prices and emphasizes nonprice benefits of a product.

Assessment Check Answers

8.1 What is a cost-based pricing formula?

A cost-based pricing formula calculates the total costs per unit and then adds markups to cover overhead costs and generate profits.

8.2 What might be considered the most stable of the alternative pricing strategies?

Everyday low pricing or discount pricing would be the most stable pricing strategy by offering consistently low prices.

Discuss consumer perceptions of price.

Marketers must consider how consumers perceive the price-quality relationship of their products. Consumers may be willing to pay a higher price if they perceive a product to be of superior quality. However, extreme prices—either high or low—may turn consumers away. Marketers often use odd pricing to convey a message to consumers.

Assessment Check Answers

9.1 How does the price-quality relationship affect a firm's pricing strategy?

Consumers must believe that the price of an item reflects its quality, except in extreme cases. So a firm must try to set its prices accordingly.

9.2 Why is odd pricing used?

Odd pricing is commonly used because retailers believe that consumers favor uneven amounts or amounts that sound less than they really are. Odd pricing may also be used to indicate a sale item.

Business Terms You Need to Know

promotion 444 integrated marketing communications (IMC) 444 promotional mix 445 personal selling 445 advertising 449 sales promotion 455 public relations 462 publicity 462 price 465 cost-based pricing 467 breakeven analysis 468

Other Important Business Terms

nonpersonal selling 445 positioning 447 product placement 448 guerrilla marketing 448 product advertising 450 institutional advertising 450 cause advertising 450 sponsorship 454 infomercial 454 specialty advertising 456 trade promotion 457
point-of-purchase (POP) advertising 457
order processing 458
creative selling 459
missionary selling 459
telemarketing 459
pushing strategy 463
cooperative advertising 463
pulling strategy 463

puffery 463 profitability objectives 465 volume objectives 466 prestige pricing 466 skimming pricing 469 penetration pricing 470 everyday low pricing (EDLP) 470 competitive pricing 470 odd pricing 471

Review Questions

- 1. What is the purpose of integrated marketing communications?
- 2. What are the five major objectives of a promotional strategy?
- 3. Identify and define each of the three categories of advertising based on their purpose. Which type of advertising might marketers use for the following products?
 - a. aspirin
 - b. camera phone
 - c. six-pack of yogurt for kids
 - d. healthcare insurance
- 4. What are the benefits of online and interactive advertising? What might be some drawbacks?
- 5. For each of the following, describe potential benefits and drawbacks of a sponsorship relationship:
 - a. Extreme Pizza and extreme sports
 - b. World Cup Soccer and Corona

- c. Wrangler and the Wrangler Football Golf Classic (a golf tournament that raises money for high school football programs)
- 6. If you were a marketer for General Mills, what kind of sales promotion might you use for your line of prepackaged chicken and pasta dinners?
- 7. Under what circumstances are firms likely to emphasize personal selling?
- 8. Describe the seven-step sales process.
- 9. Identify and define the four basic categories of pricing objectives.
- 10. What are the four alternative pricing strategies used by marketers? Give an example of the circumstances under which each might be selected.

Projects and Teamwork Applications

- 1. On your own or with a classmate, choose a product that one or both of you purchased recently. Identify the various media that were used to promote the product and analyze the promotional mix. Do you agree with the company's marketing strategy, or would you recommend changes to the mix? Why? Create your own print ad for the product you chose, using any business strategies or knowledge you have learned in this course so far.
- 2. Evaluate the price of the product you selected in the preceding exercise. What appears to be the pricing strategy used by its manufacturer? Do you think the price is fair? Why or why not? Choose a different strategy and develop a new price for the product based on the strategy. Poll your classmates to learn whether they would purchase the product at the new price—and why.
- 3. Some schools have received financial benefits by allowing companies to promote their goods and services to students within the school. Others have decided against the practice, and some

- states are even considering laws banning this type of promotion. With your class, discuss the pros and cons of promotion in public schools and on college campuses. In your view, is there a distinction between a public school and a college campus? Why or why not?
- 4. On your own or with a classmate, research a recent situation that has caused a business, a not-for-profit organization, or a government agency to suffer from bad publicity. Evaluate the situation and create a program outlining steps the firm or organization might take to obtain better publicity and build good public relations.
- 5. Imagine that the town where your college or university is located has decided to build and develop a new baseball stadium for a minor-league team. The park will be small—about 7,500 seats. As a marketer, what kind of approach would you take for establishing ticket prices?

Case 14.1

Lunesta: The Price of Sleep

Consumers are accustomed to seeing advertisements and other promotions for prescription medications. Television commercials, Internet ads, and magazine promotions with toll-free numbers offering coupons are commonplace. As consumers become increasingly educated about purchasing medications, how do marketers create competitive messages and pricing structures for their products?

Insomnia has been called an epidemic in the United States. Every night, millions of people toss and turn without getting the sleep they need. The market for sleep aids has existed for a long time and has been filled with all kinds of remedies sold by prescription and over the counter. They have a wide range of effectiveness and side effects. Recently, the Food and Drug Administration approved a prescription sleep aid manufactured by Sepracor, called Lunesta. The drug is considered a breakthrough because studies have shown that most patients who take it do not experience drowsiness the next day and its effectiveness does not decrease over time. Because Lunesta is the first such medication to be approved for long-term use, the choices that Sepracor makes for promotion and pricing are critical.

The Lunesta launch was accompanied by a series of ads explaining the benefits of the medication, as well as cautions regarding its correct use. For instance, one ad says, "Lunesta works quickly, so you should only take it right before bed." The ads contain a tollfree number and Web site address so that consumers can learn more about the drug. In the ads, a luminescent butterfly accompanies the image of a sleeping person; that way, consumers will begin to associate the butterfly with the Lunesta brand.

Lunesta comes in different strengths, at different prices. The average price for 30 tablets—a one-month

supply of the lowest dose—is \$99. The average price for the same number of tablets in the highest dose is \$332. The top three nonprescription, natural sleep aids sell for around \$30—a large difference in price. Lunesta must compete not only with other prescription medications but also with those that are sold over the counter, so its marketing messages must be

So far, the Lunesta launch has been successful from a business standpoint. "The . . . data suggest that the launch is meeting the already high expectations for the drug," reported investment firm Morgan Stanley just a few months after the drug reached the market. If the drug's track record continues to be positive and doctors continue to provide prescriptions for their patients, then there may be a lot fewer sleepless nights—both for patients and for Sepracor.

Questions for Critical Thinking

- 1. Identify two or three ethical issues that marketers of prescription drugs such as Lunesta must consider when developing their promotional efforts.
- How would you describe the pricing objectives of the makers of Lunesta? What do you think would be the best pricing strategy? Why?

Sources: Lunesta Web site, accessed July 18, 2006, http:// www.lunesta.ws; "Sepracor Announces Launch Timing for Lunesta Brand Eszopiclone for Treatment of Insomnia," ImmuneSupport.com, accessed July 18, 2006, http://www.immunesupport.com; "Sepracor's Seamless Lunesta Launch," Forbes, accessed July 18, 2006, http:// www.forbes.com; Cassandra Walters, "Is Lunesta (Eszolpiclone) Right for You?" Consumer Health Digest.com, accessed May 10, 2005, http://consumerhealthdigest.com.

Wild Oats Promotes Local Foods

This video case appears on page 623. A recently filmed video, designed to expand and highlight the written case, is available for class use by instructors.

The Second City

Part 4 Case

The Second City Theater Continuing Case Marketing: This Company Is More Than Just Funny Business

Consider for a moment the various options you might have while visiting Chicago. You may want to go to a Cubs or White Sox game. You could visit Sue, the world's most complete T-Rex at the Field Museum, or perhaps go to the top of Sears Tower and gaze upon one of the largest cities in America. Or . . . you could see why Chicago has been dubbed the comedy capital of the world. The Second City is vastly celebrated in the entertainment industry and continues to attract audiences from around the globe. In fact, since its founding in 1959, SC Chicago has consistently played to sold-out crowds. It first got the term Second City from a series of New Yorker articles disparaging Chicago. It was a brilliant marketing move, inspired by news and propelled by bold jest.

Tourists coming to the Windy City provide the most significant customer base for Second City. The innovative, fast-paced comedy is a unique experience for travelers who then return home and promote the company by word of mouth. This is Second City's primary form of advertising. With an impressive list of famous performers and the ability to produce quality local shows, Second City has gained extensive brand equity. Because Second City is unparalleled in the comedic theater industry, cable televi-

sion and cinema are the competition. Second City has evolved into a family brand, distributing the company through a variety of channels and thereby capitalizing on its position in the market. Its numerous performance venues, touring companies, training centers, productions on cruise lines, and business communications branch are all marketed as Second City brand endeavors.

Whether you visit Chicago, Detroit, Toronto, Denver, or Las Vegas, the Second City Theater will be decorated with its now famous logo and photos of its famous graduates filling the walls. The cast and everything created before your eyes will be an authentically new experience. Second City's marketing strategies are customized to the character of the locale. In Toronto, the theater deals with a struggling economy by creating a more localized show; in Las Vegas, Second City stands out as a comparatively understated venue in an otherwise overstated city; in Detroit and Denver, the two newer establishments, shows and promotion, are building a core audience in the community; and in Chicago, the theater supplements its flagship Main Stage with additional eclectic shows designed to reattract the local audience. Each theater uses personalized comedy

and marketing to build a relationship with the community.

Kelly Leonard, Second City's vice president, attributes Second City's success in forming long-term relationships with consumers through "our expanded services. We offer kids' classes now, so we have 5-yearolds getting in touch with Second City. We offer workshops and shows in the high schools; we play the colleges; we provide corporate entertainment—basically, we're creating a series of 'ins' that cross over a variety of ages and experiences. The more stuff we can create that is pure to what we do, the better we are positioning ourselves for the future." Across its marketing landscape, The Second City handles their principal product of comedy. For the SC Communications Company, this can foster a limiting perception for a corporate client that may benefit from more than just laughs. Collaborating with clients in the creation process has enriched the relationship. The ability to understand its consumers has provided Second City with various lucrative connections to the business world.

Second City's partnership with Norwegian Cruise Lines illustrates an understanding of its target market. Building on its appeal to tourists, Second City has seized an opportunity to reach a group with similar lifestyles and cultural backgrounds. Naming the group as its exclusive provider of sketch comedy, the exotic cruise line has brought Second City an exciting new platform for product distribution.

Back on land, Second City attracts two primary constituents to its sizable Training Center. The high visibility of the Second City brand throughout the entertainment industry has led aspiring performers from all over the country to learn the art of improvisation. There are also classes intended for the casual humor hobbyist or anyone who would like to relieve stress with what is commonly known as "the best medicine." These students continue to market the institution to their friends and family. The more serious participants find a certain "specialty product" within the unique training. By training with Second City, performers might find themselves graduating from the program and getting hired for one of the touring companies, a cruise ship, or even SC's coveted Main Stage. With the reputation of Second City as the liftoff stage for talent, training at the famous theater can be a key accomplishment. Even

multigenre actors such as Halle Berry and Alan Arkin have benefited from the cherished comedic education.

The Second City touring companies showcase emerging talent in two markets: performing arts centers and colleges. The company performs the signature combination of SC sketch comedy and live improvisation inspired by audience suggestions. A booking agent manages the financial agreements through various conferences and networking. For Kelly Leonard, the touring companies represent the organization's true appeal. "For the performing arts centers we position ourselves as a trusted and respected theatrical brand. For the colleges, we're the cutting-edge comedians," says Leonard. Second City offers a convenient product with the help of these ensembles.

No matter how you might have heard of Second City, its Web site is the most inclusive marketing tool. SecondCity.com includes a full list of alumni, posters, reviews of shows up and running on all its stages, training center information and virtual shorts that market the theatre's services to the corporate industry. The Internet is one place where the family of Second City brands unites.

Now if you wander up to Second City's management offices, you won't find an extensive collection of marketing research studies. They've only recently begun using market research. Second City has distributed its brand by reacting quickly to the ideas fostered in the creative atmosphere that has been with it since the beginning. Its inventive approach to marketing has widely extended its product while preserving its recognizable brand. So if visiting Chicago might not be on your schedule this year, a visit from a Second City touring company might be just around the corner.

QUESTIONS

- How has Second City been able to maintain its strong brand identity?
- 2. How does Second City vary its marketing strategies across the company?
- 3. What is Second City's target market and how is it related to the location of the theater? What are some marketing challenges that Second City faces with its family branding?



Part 4: Launching Your Marketing Career

In Part 4, "Marketing Management," you learned about the goals and functions of marketing. The three chapters in this part emphasized the central role of customer satisfaction in defining value and developing a marketing strategy in traditional and nontraditional marketing settings. You learned about the part played by marketing research and the need for relationship marketing in today's competitive environment. You discovered how new products are developed and how they evolve through the four stages of the product life cycle, from introduction through growth and maturity to decline. You also learned about the role of different channels in creating effective distribution strategies. Finally, you saw the impact of integrated marketing communications on the firm's promotional strategy, the role of advertising, ethical issues in promotion, and the way pricing influences consumer behavior. Perhaps you came across some marketing tasks and functions that sounded especially appealing to you. Here are a few ideas about careers in marketing that you may want to pursue.

The first thing to remember is that, as the chapters in this part made clear, marketing is about a great deal more than personal selling and advertising. For instance, are you curious about why people behave the way they do? Are you good at spotting trends? Marketing research analysts seek answers to a wide range of questions about business competition, customer preferences, market trends, and past and future sales. They often design and conduct their own consumer surveys, using the telephone, mail, the Internet, or personal interviews and focus groups. After they analyze the data they've collected, their recommendations form input for managerial decisions about whether to introduce new products, revamp current ones, enter new markets, or abandon products or markets where profitability is low. As members of a new-product development team, marketing researchers often work directly with members of other business departments such as scientists, production and manufacturing personnel, and finance employees. Also, marketing researchers are increasingly asked to help clients implement their recommendations. With today's highly competitive economy, jobs in this area are expected to grow. Annual earnings for marketing research analysts average \$56,000.1

Another career path in marketing is sales. Do you work well with others and read their feelings accurately? Are you a self-starter? Being a sales representative might be for you. Selling jobs exist in every industry, and because many use a combination of salary and performance-based commissions, they can pay handsomely. Sales jobs are often a first step on the ladder to upper-management positions as well. Sales representatives work for wholesalers and manufacturing companies (and even for publishers such as the one that produces this book). They sell automobiles, computer systems and technology, pharmaceuticals, advertising, insurance, real estate, commodities and financial services, and all kinds of consumer goods and services.

If you're interested in mass communications, note that magazines, newspapers, and broadcast companies such as ESPN and MTV generate most of their revenue from advertising, so sales representatives who sell space and time slots in the media contribute a great deal to the success of these firms.² And if you like to travel, consider that travel agents are salespeople, too.

Advertising, marketing management, and public relations are other categories of marketing. In large companies, marketing managers, product managers, promotion managers, and public-relations managers often work long hours under pressure; they may travel frequently or transfer between jobs at headquarters and positions in regional offices. Their responsibilities include directing promotional programs, overseeing advertising campaigns and budgets, and conducting communications such as press releases with the firm's publics. Thousands of new positions are expected to open up in the next several years; the field is expected to grow 22 percent over the next decade.

Growth of the Internet and new media has especially increased demand for advertising and public-relations specialists. ³

Advertising and public-relations firms employed about 425,000 people in a recent year.⁴ About one in five U.S. advertising firms are located in New York or California, and more than a quarter of advertising industry workers live in those two states. Most advertising firms develop specialties; many of the largest are international in scope and earn a major proportion of their revenue abroad. Online advertising is just one area in which new jobs will be opening in the future, as more and more client firms expand their online sales operations.

Career Assessment Exercises in Marketing

- 1. Select a field that interests you. Use the Internet to research types of sales positions available in that field. Locate a few entry-level job openings and see what career steps that position can lead to. (You might wish to start with a popular job-posting site such as Monster .com.) Note the job requirements, the starting salary, and the form of compensation—straight salary? salary plus commission?—and write a one-page summary of your findings.
- 2. Use the Internet to identify and investigate two or three of the leading advertising agen-

- cies in the United States, such as Young & Rubicam or J. Walter Thompson. What are some of their recent ad campaigns, or who are their best-known clients? Where do the agencies have offices? What job openings do they currently list, and what qualifications should applicants for these positions have? Write a brief report comparing the agencies you selected, decide which one you would prefer to work for, and give your reasons.
- 3. Test your research skills. Choose an ordinary product, such as toothpaste or soft drinks, and conduct a survey to find out why people chose the brand they most recently purchased. For instance, suppose you wanted to find out how people choose their shampoo. List as many decision criteria as you can think of, such as availability, scent, price, packaging, benefits from use (conditioning, dandruff-reducing, and so on), brand name, and ad campaign. Ask eight to ten friends to rank these decision factors, and note some simple demographics about your research subjects such as their age, gender, and occupation. Tabulate your results. What did you find out about how your subjects made their purchase decision? Did any of your findings surprise you? Can you think of any ways in which you might have improved your survey?