

## CHAPTER 9

### Chapter Outline

Integrated marketing communications (IMC)  
Stages in developing an integrated communications campaign  
Advertising  
Sales promotion  
Public relations and publicity  
Sponsorship  
Other promotional tools

# INTEGRATED MARKETING COMMUNICATION S 1: MASS COMMUNICATION S TECHNIQUES

## Learning Objectives

By the end of this chapter you will understand:

- 1** the concept of integrated marketing communications
- 2** the key characteristics of the seven major promotional tools
- 3** how to develop an integrated communications campaign—target audience analysis, objective setting, budgeting, message and media decisions, and campaign evaluation
- 4** the nature and importance of advertising in the promotional mix
- 5** the role of sales promotion, public relations/publicity and sponsorship in the promotional mix.

# Marketing Spotlight

Sportswear is an intensely competitive business with several leading brands, such as Nike, Adidas, Reebok and Puma, battling it out for the hearts, minds and wallets of the consumer. These brands spent millions each year promoting themselves around the world. A wide variety of techniques are employed, with advertising and sponsorship being the most popular. Ever since Nike's famous relationship with US basketball star, Michael Jordan, the leading sportswear companies seek to outdo each other in signing up the latest sporting sensation to endorse their products. For example, a basketball endorsement is critical to building sales in the US athletic shoe market, which is the largest in the world. That's why Nike was particularly pleased to sign LeBron James in a US\$90 million deal when it looked as though only Adidas and Reebok were in the running for his signature. Outside the USA, Adidas has been more successful by capturing both David Beckham and Jonny Wilkinson, leading players in soccer and rugby respectively, to endorse its products.

It is also commonplace for sports stars to then appear in the company's advertising campaigns, as Beckham and Wilkinson did for Adidas in the run-up to the Rugby World Cup 2003 or as a number of soccer stars such as Roberto Carlos and Edgar Davids did for Nike during the soccer World Cup of 2002. But during the Athens Olympics in 2004, Adidas went a step further with its 'impossible is nothing' campaign. In it, Adidas pitted the stars of today against the stars of yesteryear as a creative expression of its long athletics tradition. Adidas first came to fame at the 1936 games in Germany when Jesse Owens won four gold medals with shoes made by

the company's founder Adi Dassler. In an advertisement labelled 'Jesse', old and new film footage is merged to show Owens running against current sprint champion Kim Collins, who wins and breaks the 10-second barrier for the 100 metres. This positioning is taken further by the fact that when Collins competes in current events, he wears a retro Adidas outfit.

Other creative treatments featured Muhammad Ali in the ring against his daughter Laila, the famous Romanian gymnast Nadia Comaneci taking on the young Russian Nastia Liukin as they aim to score a perfect 10, and the leading Ethiopian distance runner Haile Gebrselassie running against eight other Hailes. The campaign was varied around the world, with its Australian version, for example, featuring two of that country's leading athletes, swimmer Ian Thorpe and sprinter Jana Pittman.

The focus on athletics is a risky strategy for Adidas given the controversies surrounding the use of drugs in the sport by many of its leading stars. However, it can also be argued that the Adidas campaign harks back to a time when the sport was honest and pure, and not tarnished by big money and drugs. The campaign opened up additional public relations opportunities through the 'Vertical Sprint'. In this event, which was held in Hong Kong and Osaka, competitors had to 'sprint' 100 metres by hauling themselves up the sides of buildings on which an eight-lane tartan track had been laid. The popularity of this competition may well see it becoming an extreme sport.<sup>1</sup>

As the above example shows, promoting products and services is a key marketing activity but, unfortunately, some people think that promotion is all there is to marketing. Readers of this book will by now, however, recognize that there is much more to marketing than just promotion. Promotional activities can be broad—that is, aimed at the market as whole. These are known as mass communication techniques and will be the focus of this chapter. However, recent years have seen a significant increase in promotion that is targeted at individuals. This is known as direct communication and we will examine these developments in the next chapter. The overall range of techniques available to the marketer is usually known as the ‘promotional mix’ and comprises seven main elements.

- 1 *Advertising*: any paid form of non-personal communication of ideas or products in the prime media (television, press, posters, cinema and radio).
- 2 *Sales promotion*: incentives to consumers or the trade that are designed to stimulate purchase.
- 3 *Publicity*: the communication of a product or business by placing information about it in the media without paying for the time or space directly
- 4 *Sponsorship*: the association of the company or its products with an individual, event or organization.
- 5 *Direct marketing*: the distribution of products, information and promotional benefits to target consumers through interactive communication in a way that allows response to be measured.
- 6 *Internet marketing*: the distribution of products, information and promotional benefits to consumers and businesses through Internet technologies.
- 7 *Personal selling*: oral communication with prospective purchasers with the intention of making a sale

In addition to these key promotional tools, the marketer can also use other techniques, such as exhibitions and product placement in movies or TV shows, which have been growing in popularity in recent years. Before proceeding any further, however, it is important to stress that promotional mix decisions should not be made in isolation. As we saw with pricing, all aspects of the marketing mix need to be blended together carefully. The promotional mix used must to be aligned with the decisions made with regard to product, pricing and distribution, in order to communicate benefits to a target market.

## Integrated marketing communications (IMC)

Given the variety of techniques available to marketers, a key marketing decision is the choice of the promotional blend needed to communicate to the **target audience**. Each of the seven major promotional tools has its own strengths and limitations; these are summarized in Table 9.1. Marketers will carefully weigh these factors against promotional objectives to decide the amount of resources they should channel into each tool. For example in 2002, the consumer foods giant Unilever, spent ?7.3 billion on marketing, with just over half of this, ?4 billion, being spent on advertising.<sup>2</sup>

Usually, the following five considerations will have a major impact on the choice of the promotional mix.

- 1 *Resource availability and the cost of promotional tools*: to conduct a national advertising campaign may require several million pounds. If resources are not available, cheaper tools such as sales promotions or publicity may have to be used.
- 2 *Market size and concentration*: if a market is small and concentrated then personal selling may be feasible, but for mass markets that are geographically dispersed, selling to the ultimate customer would not be cost-effective. In such circumstances advertising or direct marketing may be the correct choice.
- 3 *Customer information needs*: if a complex technical argument is required, personal selling may be preferred. If all that is required is the appropriate brand image, advertising may be more sensible.
- 4 *Product characteristics*: because of the above arguments, industrial goods companies tend to spend more on personal selling than advertising, whereas consumer goods companies tend to do the reverse.
- 5 *Push versus pull strategies*: a **distribution push** strategy involves an attempt to sell into channel intermediaries (e.g. retailers) and is dependent on personal selling and trade promotions. A **consumer pull** strategy bypasses intermediaries to communicate to consumers directly. The resultant consumer demand persuades intermediaries to stock the product. Advertising and consumer promotions are more likely to be used.

As the range of promotional techniques expands, there is an increasing need to co-ordinate the messages and

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**Table 9.1** Key characteristics of six key promotional mix tools

### Advertising

- Good for awareness building because it can reach a wide audience quickly
- Repetition means that a brand positioning concept can be effectively communicated; TV is particularly strong
- Can be used to aid the sales effort: legitimize a company and its products
- Impersonal: lacks flexibility and questions cannot be answered
- Limited capability to close the sale

### Personal selling

- Interactive: questions can be answered and objectives overcome
- Adaptable: presentations can be changed depending on customer needs
- Complex arguments can be developed
- Relationships can be built because of its personal nature
- Provides the opportunity to close the sale
- Sales calls are costly

### Direct marketing

- Individual targeting of consumers most likely to respond to an appeal
- Communication can be personalized
- Short-term effectiveness can easily be measured
- A continuous relationship through periodic contact can be built
- Activities are less visible to competitors
- Response rates are often low
- Poorly targeted direct marketing activities cause consumer annoyance

### Internet promotion

- Global reach at relatively low cost
- The number of site visits can be measured
- A dialogue between companies, and their customers and suppliers can be established
- Catalogues and prices can be changed quickly and cheaply
- Convenient form of searching for and buying products
- Avoids the necessity of negotiating and arguing with salespeople

### Sales promotion

- Incentives provide a quick boost to sales
- Effects may be only short term
- Excessive use of some incentives (e.g. money off) may worsen brand image

### Publicity

- Highly credible as message comes from a third party
- Higher readership than advertisements in trade and technical publications
- Lose control: a press release may or may not be used and its content distorted

### Sponsorship

- Very useful for brand building and generating publicity
- Provides an opportunity to entertain business partners
- Can be used to demonstrate the company's goodwill to its local community or society in general
- Becoming increasingly popular due to the fragmentation of traditional media

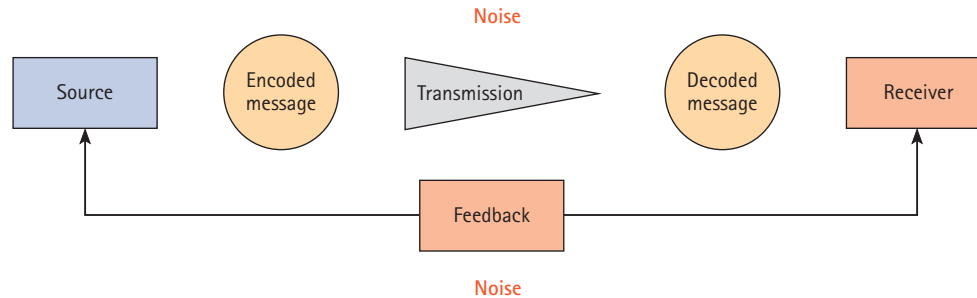
their execution. This problem is often exacerbated by the fact that, for example, advertising is controlled by the advertising department, whereas personal selling strategies are controlled by the sales department, leading to a lack of co-ordination. This has led to the adoption of **integrated marketing communications** by an increasing number of companies. Integrated marketing communications is the system by which companies co-ordinate their marketing communications tools to deliver a clear, consistent, credible and competitive message about the organization and its products. For example, it means that website visuals are consistent with the images portrayed in **advertising** and that the messages conveyed in a direct marketing campaign are in line with those developed by the public relations department.

The application of this concept of integrated marketing communications can lead to improved consistency and clearer positioning of companies and their brands in the minds of consumers. One company that benefited from this approach was American Express, which found that the messages, images and styles of presentation between its advertising and direct marketing vehicles were inconsistent. Using an integrated marketing communications approach, the team worked to produce the consistency required to achieve a clear position among its target audience.

A simple model of the communication process is shown in Figure 9.1. The source (or communicator) encodes a message by translating the idea to be communicated into a symbol consisting of words or pictures, such as an advertisement. The message is transmitted through media, such as television or posters, which are selected for their ability to reach the desired target audience in the desired way. 'Noise'—distractions and distortions during the communication process—may prevent transmission to some of the target audience. The vast amount of promotional messages a consumer receives daily makes it a challenge for marketers to cut through this noise. When a receiver sees or hears the message it is decoded. This is the process by which the receiver interprets the symbols transmitted by the source. Communicators need to understand their targets before encoding messages so that they are credible. Otherwise the response may be disbelief and rejection. In a **personal selling** situation, feedback from buyer to salesperson may be immediate as when objections are raised or a sale is concluded. For other types of promotion, such as advertising and sales promotion, feedback may rely on marketing research to estimate reactions to commercials, and increases in sales due to incentives.

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**Figure 9.1** The communication process

### Stages in developing an integrated communications campaign

For many small and medium-sized firms, marketing communications planning involves little more than assessing how much the firm can afford to spend, allocating it across some media and, in due course, looking at whether sales levels have increased or not. It is clear that to avoid wasting valuable organizational resources, marketing communications should be planned and evaluated carefully. The various stages involved in doing this are outlined in Figure 9.2.

The process begins by looking at the firm's overall marketing strategy, its positioning strategy and its intended target audience. What is the firm trying to achieve in the marketplace and what role can marketing communications play? If, for example, the firm is trying to reposition a brand then advertising is

likely to play an important role in this, but it must be integrated with the other marketing mix elements. Objectives need to be set for the IMC campaign and they should be quantifiable. For example, the objective is to increase sales by a given amount or to increase awareness among the youth market by a given percentage. Only after these stages are complete should the company begin thinking about what it is going to say (the message decisions) and where and how it is going to say it (the promotional mix decisions). These are complex decisions, which are discussed in detail in this and the next chapter. A budget for the campaign needs to be agreed, usually at board level in the company. Then after the campaign has been run, it is imperative that it is fully evaluated to assess its effectiveness. We will now examine some of the key mass communications techniques in more detail.



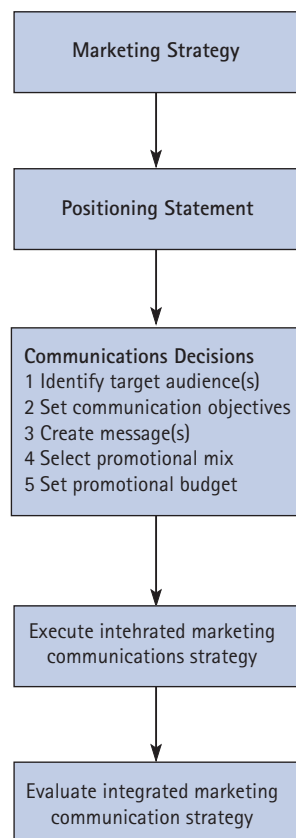
**Exhibit 9.1** The target audience of this Eurostar advertisement is its Premium and Business-First customers



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### Advertising

Advertising is very big business. In 2001, over £17 billion was spent on advertising in the UK. There has long been considerable debate about how advertising works. The consensus is that there can be no single all-embracing theory that explains how all advertising works because it has varied tasks. For example, advertising that attempts to make an instant sale by incorporating a return coupon that can be used to order a product is very different from corporate image advertising that is designed to reinforce attitudes. One view of advertising sees it as being powerful enough to encourage consumers to buy by moving them through the stages of awareness, interest, desire and action (known by the acronym AIDA). An alternative approach—the awareness, trial, reinforcement (ATR) model—sees a key role of advertising as being to defend brands, by reinforcing beliefs so that existing customers may be retained. Advertising is likely to have different roles depending on the nature of the product and the degree of involvement of the customer.



**Figure 9.2** A framework for implementing integrated marketing conditions

### Developing advertising strategy

Each of the steps identified in Figure 9.2 is appropriate irrespective of whether the firm is conducting an advertising campaign, a **direct marketing** or **sales promotion** campaign, all that changes is the detail involved. Here we examine some specific advertising issues.

### Defining advertising objectives

Although, ultimately, advertising is a means of stimulating sales and increasing profits, a clear understanding of its communication objectives is of more operational value. Advertising can have a number of communications objectives. First, it can be used to create awareness of a brand or a solution to a company's problem. Awareness creation is critical when a new product is being launched or when the firm is entering a new market. Second, advertising can be used to stimulate trial, such as car advertising encouraging motorists to take a test drive. Third, and as we saw in Chapter 5, advertising is used to help position products in the minds of consumers, such as BMW's repeated use of the slogan 'The Ultimate Driving Machine' or Ronseal's 'Does Exactly What it Says on the Tin'. Other objectives of advertising include the correction of misconceptions about a product or service, reminding customers of



**Exhibit 9.2** The objective of this Orange advertisement is to generate customer trial

sales or special offers, and providing support for the company's salesforce.

### Setting the advertising budget

The amount that is spent on advertising governs the achievement of communication objectives. There are four methods of setting advertising budgets. A simple method is the 'percentage of sales' method, whereby the amount allocated to advertising is based on current or expected revenue. However, this method is weak because it encourages a decline in advertising expenditure when sales decline, a move that may encourage a further downward spiral of sales. Furthermore, it ignores market opportunities, which may suggest the need to spend more (not less) on advertising.

Alternatively, companies may set their advertising budgets based upon matching competitors' expenditures, or using a similar percentage of sales figure as their major competitor. Again this method is weak because it assumes that the competition has arrived at the optimum level of expenditure, and ignores market opportunities and communication objectives. Sometimes firms make a decision on the basis of what they think they can afford. While affordability needs to be taken into account when considering any corporate expenditure, its use as the sole criterion for budget setting neglects the communication objectives that are relevant for a company's products, and the market opportunities that may exist, to grow sales and profits.

The most effective method of setting advertising budgets is the 'objective and task' method. This has the virtue of being logical since the advertising budget depends upon communication objectives and the costs of the tasks required to achieve them. It forces management to think about objectives, media exposure levels and the resulting costs. In practice, the advertising budgeting decision is a highly political process.<sup>3</sup> Finance may argue for monetary caution, whereas marketing personnel, who view advertising as a method of long-term brand building, are more likely to support higher advertising spend. During times of economic slowdown, advertising budgets are among the first to be cut, though this can be the time when advertising expenditure is most effective.

### Message decisions

An **advertising message** translates a company's basic selling proposition or **advertising platform** into words, symbols and illustrations that are attractive and meaningful to the target audience. In the 1980s, IBM realized that many customers bought its



**Exhibit 9.3** This Hovis advertisement combines humour with a slightly risqué visual to get attention

computers because of the reassurance they felt when dealing with a well-known supplier. The company used this knowledge to develop an advertising campaign based on the advertising platform of reassurance/low risk. This platform was translated into the advertising message 'No one ever got the sack for buying IBM'.

Most of those who look at a press advertisement read the headline but not the body copy. Because of this, some advertisers suggest that the company or brand name should appear in the headline otherwise the reader may not know the source of the advertisement. For example, the headlines 'Good food costs less at Sainsbury's' and 'United colors of Benetton' score highly because in one phrase or sentence they link a customer benefit or attribute with the name of the company. Even if no more copy is read, the advertiser has got one message across by means of a strong headline.

Messages broadcast via television also need to be built on a strong advertising platform (see Marketing in Action 9.1). Because TV commercials are usually of a duration of 30 seconds or less, most communi-

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cate only one major selling appeal—sometimes called the ‘single-minded proposition’—which is the single most motivating and differentiating thing that can be said about the brand.<sup>4</sup> A variety of creative treatments can be used from lifestyle, to humour to shock advertising. Cosmetic brands like Estée Lauder have traditionally favoured the lifestyle approach to advertising though many have now moved to using top models and celebrities in their advertising. Until recently sex was used very frequently as a shock or

attention-getting tactic in advertising, though recent research suggests that its ability to do so is waning.<sup>5</sup>

Television advertising is often used to build a brand personality. The brand personality is the message the advertisement seeks to convey. Lannon suggests that people use brand personalities in different ways,<sup>6</sup> such as acting as a form of self-expression, reassurance, a communicator of the brand’s function and an indicator of trustworthiness. The value of the brand

## Marketing in Action: ‘Fun, anyone?’: PlayStation 2

9.1

The games console business has seen more than its share of successes and failures over the years. The pioneer in the business, Atari, is now nowhere to be seen. Sega, one of the early industry leaders, tried to keep its position in the industry with the launch of the Sega Dreamcast in 1999. A huge marketing budget was set aside for the launch, including sponsorship of the Arsenal football team, but the product flopped dramatically. And with the battle for industry leadership now being fought out between giants like Sony, Microsoft and Nintendo, promotion decisions are critical to maintaining popularity in this rapidly changing market.

With the launch of PlayStation 1 (PS1) in 1995, Sony’s focus was on getting people to try the product out. This was done by showing people the delights of computer game play through advertising that adopted a high-quality film production style using the expertise of top Hollywood directors like David Lynch. The campaign was highly successful, with over 7 million units of the game sold in the UK alone, and when Microsoft launched its Xbox in 2002 it copied the PlayStation-type advertising.

However, with the launch of PlayStation 2 (PS2), Sony adopted a more subtle positioning strategy. The new emphasis was not on getting people to try the brand but rather to remove the obstacles that stop those not already into gaming from having a try. The intention was to show that gaming is not elitist but rather something that anyone can enjoy, hence the tag-line ‘Fun, anyone?’ The high-quality TV ads were replaced by a more back-to-basics style that featured rough animation and more irreverent content. For example, the UK ads poked fun at Britain’s inability to succeed at sporting events. In ‘Restaurant’, a man holds a pizza aloft as though it was some kind of trophy, while in ‘Runner’ a man is seen breaking through a police cordon on a street as though he was racing through the finish line. In ‘Supermarket’ a man celebrates his ‘win’ at the checkout by spraying a bottle everywhere. The headline on all the ads reads, ‘Britain needs champions this summer. Fun, anyone?’

The TV and print campaign was backed by a broader brand identity effort called Freedom. This involved live events such as the four-day PlayStation Experience event held in London, which enabled 40,000 visitors to sample PlayStation games before they were released and enjoy a range of entertainment from sporting and music personalities associated with their games. Broadening the appeal of PlayStation is a clever strategy as the hardware on which games are played is likely to become more mainstream. For example, in 2005, Sony launched its first mobile gaming device, the PSP, which takes it into the portable gaming devices market currently dominated by Nintendo. Again, it sought to bring mobile gaming to the 18–34 age group through a more sophisticated and varied range of games than Nintendo, while its handheld can also double as a music and video player. Similarly, PlayStation 3, which is being launched in 2006, will be backwards-compatible with PS1 and PS2 games, will have wireless and Internet capability and can also be plugged into high-definition TVs to give panoramic views and extended game play.

*Based on:* Anonymous (2004);<sup>7</sup> Carter (2003);<sup>8</sup> Gardner (2004);<sup>9</sup> Waters (2004)<sup>10</sup>



## Integrated Marketing Communications 1: Mass Communications Techniques

personality to consumers will differ by product category and this will depend on for what purpose they use brand imagery. In 'self-expressive' product categories, such as perfumes, cigarettes, alcoholic drinks and clothing, brands act as 'badges' for making public an aspect of personality ('I choose this brand [e.g. Holsten Pils bottled lager] to say this about myself').

### Media decision

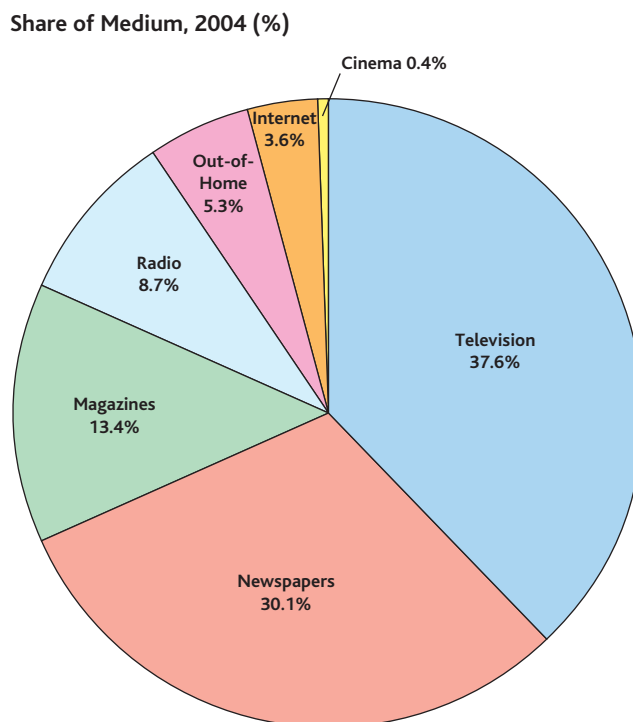
Choice of media class (for example, television versus press) and media vehicle (e.g. a particular newspaper or magazine) are two key media decisions. Both of these will be examined next.

Table 9.2 lists the major media class options (the media mix). The media planner faces the choice of using television, press, cinema, posters, radio or a combination of media classes. Creative factors have a major bearing on the choice of media class. For example, if the objective is to position the brand as having a high-status, aspirational personality, television would be better than posters. However, if the communication objective is to remind the target audience of a brand's existence, a poster campaign may suffice.

Each medium possesses its own set of creative qualities and limitations. Television can be used to

demonstrate the product in action, or to use colour and sound to build an atmosphere around the product, thus enhancing its image. Although TV was traditionally one of the most powerful advertising mediums, concerns about fragmentation of the TV audience have led many leading advertisers to move away from it (see e-Marketing 9.1). Furthermore, recent research has again questioned whether viewers actually watch ads when they are on, finding that consumers may spend as little as 23 per cent of the time the ads are on watching them, with the remainder spent talking, reading, surfing between channels or doing tasks such as cleaning, ironing or office work.<sup>11</sup> Despite these developments, television is still the largest advertising medium (see Figure 9.3).

Press advertising is useful for providing factual information and offers an opportunity for consumers to re-examine the advertisement at a later stage. Advertisers are increasingly using colour print ads to ensure that their brands stand out. Leaders in this field include the likes of Orange and easyJet, as well as retail chains like Marks & Spencer. Colour advertising in newspapers has risen by 53 per cent as against an 8 per cent growth in mono advertising.<sup>12</sup> Posters are a very good support medium, as their message has to be short and succinct because consumers such as motorists will normally only have time to glance at the content. Lavazza, the Italian coffee



**Figure 9.3** Global shares of display advertising revenue  
Source: ZenithOptimedia

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The principle behind our latest contact lenses

Your eyes need to breathe. That's the secret of our latest contact lenses. They're special high-tech material allows oxygen to pass through to your eyes so they breathe free, and your lenses absorb moisture, for longer. So if you thought contact lenses weren't for you, maybe you should think again. If you call into Specsavers now, you can try them free.



**Exhibit 9.4** This advertisement for Specsavers is a classic print advertisement with a strong visual, headline, body copy and company logo

brand, is an extensive user of poster sites in airports and metropolitan areas where its glamorous, fashion magazine-style adverts are used to build awareness and image of the brand. Radio is limited to the use of sound and is therefore more likely to be useful in communicating factual information rather than building image, while cinema benefits from colour, movement and sound, as well as the presence of a captive audience.

A number of other factors also affect the **media class decision**. An important consideration is the size of the advertising budget. Some media are naturally more expensive than others. For example, £250,000 may be sufficient for a national poster campaign but woefully inadequate for television. The relative cost per opportunity to see (OTS) is also relevant. The target audience may be reached much more cheaply using one medium rather than another. However, the calculation of OTS differs according to media class,

**Table 9.2** Media class options

- 1 Television
- 2 Press
  - National newspapers
  - Regional newspapers
  - Trade and technical
- Magazines
- 3 Posters
- 4 Cinema
- 5 Radio

making comparisons difficult. For example, in the UK, an OTS for the press is defined as 'read or looked at any issue of the publication for at least two minutes', whereas for posters it is 'traffic past site'. A further consideration is competitive activity. A company may decide to compete in the same medium as a competitor or seek to dominate an alternative medium. For example, if a major competitor is using television, a firm may choose posters, where it could dominate, thus achieving a greater impact. Finally, for many consumer goods producers, the views of the retail trade (for example, supermarket buyers) may influence the choice of media class. Advertising expenditure is often used by salespeople to convince the retail trade to increase the shelf space allocated to existing brands, and to stock new brands. For example, if it is known that supermarkets favour television advertising in a certain product market, the selling impact on the trade of £1 million spent on television may be viewed as greater than the equivalent spend of 50:50 between television and the press.

The choice of a particular newspaper, magazine, television spot, poster site, etc., is called the **media vehicle decision**. Although creative considerations still play a part, cost per thousand calculations are the dominant influence. This requires readership and viewership figures. In the UK, readership figures are produced by the National Readership Survey, based on 28,000 interviews per year. Viewership is measured by the Broadcasters' Audience Research Board (BARB), which produces weekly reports based on a panel of 5000 households equipped with metered television sets (people meters). Traffic past poster sites is measured by Outdoor Site Classification and Audience Research (OSCAR), which classifies 130,000 sites according to visibility, competition (one or more posters per site), angle of vision, height above ground, illumination and weekly traffic past site. Cinema audiences are monitored by Cinema and Video Industry Audience Research (CAVIAR) and radio audiences are measured by Radio Joint Audience Research (RAJAR).

Media buying is a specialist area and a great deal of money can be saved on rate card prices by powerful media buyers. Media buying is accomplished through one of three methods: full service agencies, media specialists and media buying clubs. Full service agencies, as the name suggests, provide a full range of advertising services for their clients including media buying. Independent media specialists grew in the early 1990s as clients favoured their focused expertise and negotiating muscle. Media buying clubs were formed by full service agencies joining forces to pool buying power. However, the current trend is back to

## e-Marketing: From the 'Real Thing' to mycokemusic.com

9.1

Coca-Cola is renowned for its television advertising, and it has been an extensive user of television globally as it built its brand over the decades. Some of its famous campaigns, such as 'I'd like to buy the world a Coke' in the 1970s and 'always Coca-Cola' in the 1990s, were television friendly and globally appealing. But mass marketing of this kind is getting more difficult as media like television become increasingly fragmented. Digital television has created hundreds of channels; technologies like digital video recorders make it easy to skip ads and the Internet in particular is competing for audience attention.

Thus even venerable companies like Coca-Cola have had to change their ways. In 2001, Coke spent US\$268.1 million on television advertising but, by 2003, this was down to less than US\$200 million. Coke has found that it has to take new routes to stay in touch with and remain relevant to, the youth market. In 2001, Coke made its advertisements available on 10 websites with a pop-up windows prompting surfers to click on the play button and view the full advertisement. In 2002, it developed a new programme called 'My Vision' to launch the Coca-Cola Youth Partnership initiative, which is designed to showcase the talent of young artists in the fields of the arts, achievements and athletics. Aimed primarily at high-school students, winners receive savings bonds from Coke and have their work displayed on local tours. This has evolved into a broader experiential marketing concept built around Coke's 'Red Lounges'—spaces where young people can hang out, watch videos, listen to music and, of course, drink Coke.

In 2004, Coke launched its own music site called mycokemusic.com, which is an online music seller with about 250,000 songs. The site has proved a hit, selling 50,000 tracks in its first week. On the back of this success, Coke launched a new global marketing initiative called iCoke in 2005, aimed at reconnecting with its market via a mix of digital music, mobile and branded entertainment. On-pack promotions are used to drive customers to the site, which also has draws for giveaways such as ringtones and downloads.

But Coca-Cola is far from finished with television advertising. It is still spending millions via the medium, though what has changed is that the ads are now produced locally for local markets rather than the global approach to advertising that had traditionally been favoured. This is illustrated by the 'Real Band' campaign in the UK, where a specially formed band is seen serenading football fans by telling them they are the best thing in football. The song is, of course, available at mycokemusic.com and has an associated ringtone.

*Based on: Anonymous (2005),<sup>13</sup> Barnes (2004),<sup>14</sup> Buckley and Liu (2004),<sup>15</sup> Kumar (2004)<sup>16</sup>*

full service agencies, but with one major difference: today the buying is done by separate profit-making subsidiaries. With very few exceptions, all the world's top media-buying operations are now owned by global advertising companies such as WPP and Publicis.

### Executing the campaign

When an advertisement has been produced and the media selected, it is sent to the chosen media vehicle for publication or transmission. A key organizational issue is to ensure that the right advertisements reach the right media at the right time. Each media vehicle has its own deadlines after which publication or transmission may not be possible.

### Evaluating advertising effectiveness

Measurement can take place before, during and after campaign execution. Pre-testing takes place before the campaign is run and is part of the creative process. In television advertising, rough advertisements are created and tested with target consumers. This is usually done with a focus group, which is shown perhaps three alternative commercials and the group members are asked to discuss their likes, dislikes and understanding of each one. Stills from the proposed commercial are shown on a television screen with a voice-over. This provides an inexpensive but realistic portrayal of what the commercial will be like if it is shot. The results provide important input from the target consumers themselves rather than relying solely on **advertising agency** views.

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Such research is not without its critics, however. They suggest that the impact of a commercial that is repeated many times cannot be captured in a two hour group discussion. They point to the highly successful Heineken campaign—'Refreshes the parts other beers cannot reach'—which was rejected by target consumers in the pre-test.<sup>17</sup>

Post-testing can be used to assess a campaign's effectiveness once it has run. Sometimes formal post-testing is ignored through laziness, fear or lack of funds. However, checking how well an advertising campaign has performed can provide the information necessary to plan future campaigns. The top three measures used in post-test television advertising research are image/attitude change, actual sales and usage, though other financial measures such as cash flow, shareholder value and return on investment are increasingly being used. Image/attitude change is believed to be a sensitive measure, which is a good predictor of behavioural change. Those favouring the actual sales measure argue that, despite difficulties in establishing cause and effect, sales change is the ultimate objective of advertising and therefore the only meaningful measure. Testing recall of adverts is also popular. Despite the evidence suggesting that recall may not be a valid measure of advertising effectiveness, those favouring recall believe that because the advertising is seen and remembered it is effective.

### Organizing for campaign development

There are four options open to an advertiser when organizing for campaign development. First, small companies may develop the advertising in co-operation with people from the media. For example, advertising copy may be written by someone from the company, but the artwork and final layout of the advertisement may be done by the newspaper or magazine. Second, the advertising function may be conducted in-house by creating an advertising department staffed with copy-writers, media buyers and production personnel. This form of organization locates total control of the advertising function within the company, but since media buying is on behalf of only one company, buying power is low. Cost-conscious companies such as Ryanair do most of their advertising work in-house. Third, because of the specialist skills that are required for developing an advertising campaign, many advertisers opt to work with an advertising agency. Larger agencies offer a full service, comprising creative, media planning and buying, planning and strategy development, market research and production. Because agencies work for many clients, they have a wide range of experience and can provide an objective outsider's view of what is required and how problems can be solved (see e-

Marketing 9.2). Four large global conglomerates—Omnicom, WPP Group, Interpublic and Publicis—with combined sales revenues of US\$28 billion, dominate the industry. These corporations have grown in response to major multinational companies like Samsung and Nestlé, who want their global advertising handled by one firm.<sup>18</sup> A fourth alternative is to use in-house staff (or their full service agency) for some advertising functions, but to use specialist agencies for others. The attraction of the specialist stems, in part, from the large volume of business that each controls. This means that they have enormous buying power when negotiating media prices. Alternatively, an advertiser could employ the services of a 'creative hot-shop' to supplement its own or its full service agency's skills. Saatchi & Saatchi began life as a creative hot-shop before developing into a full service agency.

The traditional system of agency payment was by commission from the media owners. This was because advertising agencies were originally set up on behalf of media owners who wished to provide advertising services to enhance the likelihood of selling advertising space. Hence, it was natural that payment should be from them. Under the commission system, media owners traditionally offered a 15 per cent discount on the rate card (list) price to agencies. For example, a £1 million television advertising campaign would result in a charge to the agency of £1 million minus 15 per cent (£850,000). The agency invoiced the client at the full rate card price (£1 million). The agency commission therefore totalled £150,000.

Large advertisers have the power to demand some of this 15 per cent in the form of a rebate. For example, Unilever announced that it was allowing its advertising agencies 13 per cent commission.<sup>19</sup> Given its worldwide advertising expenditure of ?4 billion it could probably have demanded a lower figure (possibly 11 per cent) but the company chose not to exercise all of its muscle since it believed that low commission rates ultimately made for poor-quality advertising. The second method of paying agencies is by fee. For smaller clients, commission alone may not be sufficient to cover agency costs. Also, some larger clients are advocating fees rather than commission, on the basis that this removes a possible source of agency bias towards media that pay commission rather than a medium like direct mail for which no commission is payable.

Payment by results is the third method of remuneration. This involves measuring the effectiveness of the advertising campaign using marketing research, and basing payment on how well communication objec-



## e-Marketing: Beam.TV: changing the way ad agencies work

9.2

Many of the largest advertising agencies are global operators with hundreds of offices scattered across the globe (for example, Omnicom, the world's biggest agency, has 1500 subsidiaries). At the same time, they are likely to have thousands of tapes and storyboards for campaigns spread throughout these offices. The movement of copies of 30-second adverts or tapes in need of post-production work has traditionally been done via courier, which is both slow and expensive. Beam.TV has come up with a simple solution to this problem, which is to store production work in a digital format that then can be downloaded anywhere in the world via the Internet.

The company provides two main services. The first is an archiving and asset-management service for clients. Ad agencies can store all their tapes and artwork centrally on Beam.TV's servers rather than having them scattered throughout their offices. Beam.TV effectively becomes a central repository for all the agency's production work, which can then be accessed and shared more effectively. In this way, an agency's global creative director becomes much more informed about all the material that is potentially available within the organization. In addition, access to the material is instant from anywhere in the world. Customers can either view the material online through a password-protected web page or on television through a 'Beam Box', which downloads, stores and plays back the material. The Beam Box is a hard disk-based video recorder in the mould of other TV set-top boxes such as TiVo or Sky Plus. The benefit of this feature is that everyone involved in the production of an ad can view it at every stage, such as auditioning for actors or approving storyboards, even though they may not be in the same building or even in the same country. This contrasts with the traditional approach, which saw each additional UMatc tape of an ad that had to be made costing £100 while courier costs could be anything in the region of £20–£50 a time.

The system can also be used to play out ads to broadcast direct from an archive, safe in the knowledge that the correct ad will go out. Industry sources predict that Beam.TV will change the way the business operates. It has already signed up Saatchi & Saatchi and TBWA, and the company had revenues in the region of £2 million in 2003. One customer estimated that it saved £126,000 on one account alone through using the services provided by Beam.TV.

*Based on:* Burgoyne (2003);<sup>20</sup> Cane (2003);<sup>21</sup> Goldrich (2004)<sup>22</sup>

tives have been met. For example, payment might be based on how awareness levels have increased, brand image improved or intentions-to-buy risen. Another area where payment by results has been used is media buying. For example, if the normal cost per thousand to reach men in the age range 30–40 is £4.50, and the agency achieves a 10 per cent saving, this might be split 8 per cent to the client and 2 per cent to the agency.<sup>23</sup> Procter & Gamble uses the payment by results method to pay its advertising agencies, which include Saatchi & Saatchi, Leo Burnett, Grey and D'Arcy Masius Benton & Bowles. Remuneration is tied to global brand sales, so aligning their income more closely with the success (or otherwise) of their advertising.<sup>24</sup>

### Ethical issues in advertising

Because it is so visible most people have a view on advertising. Certainly it has its critics as well as its supporters. Some of the key ethical issues include

misleading advertising, advertising's influence on society's values and advertising to children.

Misleading advertising can take the form of exaggerated claims and concealed facts. For example, the Food and Drug Administration (FDA) in the USA has warned Pfizer about making misleading claims regarding the safety and efficacy of one of its drugs, Celebrex. A Celebrex print ad had claimed that the drug was more effective than competing brands for the treatment of osteoarthritis when there was no clinical evidence to support these claims. Nevertheless, most countries accept a certain amount of puffery, recognizing that consumers are intelligent and interpret the claims in such a way that they are not deceptive. In the UK, the advertising slogan 'Carlsberg—Probably the Best Lager in the World' is acceptable for this reason. Advertising can also deceive by omitting important facts from its message. Such concealed facts may give a misleading

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impression to the audience. Many industrialized countries have their own codes of practice that protect the consumer from deceptive advertising. For example, in the UK the Advertising Standards Authority ([www.asa.org.uk](http://www.asa.org.uk)) administers the British Code of Advertising Practice, which insists that advertising should be 'legal, decent, honest and truthful'. Shock advertising, such as that pursued in the past by companies like Benetton and FCUK, is often the subject of many complaints to the ASA.

Critics argue that advertising images have a profound effect on society. They claim that advertising promotes materialism and takes advantage of human frailties. Advertising is accused of stressing the importance of material possessions, such as the ownership of a car or the latest in consumer electronics. Critics argue that this promotes the wrong values in society. A related criticism is that advertising takes advantage of human frailties such as the need to belong or the desire for status. For example, a UK Government white paper has proposed a ban on junk food advertising at certain times in the same way as cigarette and alcohol advertising is restricted. Supporters of advertising counter that these ads do not prey on human frailties but basic psychological characteristics that would be served even if advertising did not exist.

One particularly controversial area is that of advertising to children. Critics argue that children are especially susceptible to persuasion and that they therefore need special protection from advertising. Others counter by claiming that the children of today are remarkably 'streetwise' and can look after themselves. They are also protected by parents who can, to some extent, counteract advertising influence. Many European countries have regulations that control advertising to children. For example, in Germany, the advertising of specific types of toy is banned, and in the UK alcohol advertising is controlled. The Broadcasting Commission of Ireland (BCI) has introduced a new code for children's advertising that bans 'Christmas-themed' advertising before 1 November each year, and also bans celebrities and sports stars from advertising food and soft drinks aimed at children. However, the difficulties involved in regulating advertising in this way are illustrated by the advertising industry's response to such restrictions, which was to suggest companies would simply move this kind of advertising to non-Irish TV channels such as Sky, UTV and MTV that also broadcast in Ireland.<sup>25</sup>

## Sales promotion

As we have already seen, sales promotions are incentives to consumers or the trade that are designed to stimulate purchase. Examples include money off and free gifts (consumer promotions), and discounts and salesforce competitions (trade promotions). A vast amount of money is spent on sales promotion and many companies are engaging in joint promotions. Peattie and Peattie explain the growth in sales promotion as follows.<sup>26</sup>

- *Increased impulse purchasing:* the retail response to greater consumer impulse purchasing is to demand more sales promotions from manufacturers.
- *Sales promotions are becoming respectable:* through the use of promotions by market leaders and the increasing professionalism of the sales promotion agencies.
- *The rising cost of advertising and advertising clutter:* these factors erode advertising's cost-effectiveness.
- *Shortening time horizons:* the attraction of the fast sales boost of a sales promotion is raised by greater rivalry and shortening product life cycles.
- *Competitor activities:* in some markets, sales promotions are used so often that all competitors are forced to follow suit.

**Exhibit 9.5** This Boots promotion is an example of a bonus pack

- *Measurability*: measuring the sales impact of sales promotions is easier than for advertising since its effect is more direct and, usually, short term. The growing use of electronic point-of-sale (EPOS) scanner information makes measurement easier.

If sales require a 'short, sharp shock', sales promotion is often used to achieve this. In this sense it may be regarded as a short-term tactical device. The long-term sales effect of the promotion could be positive, neutral or negative. If the promotion has attracted new buyers who find that they like the brand, repeat purchases from them may give rise to a positive long-term effect.<sup>27</sup> Alternatively, if the promotion (e.g. money off) has devalued the brand in the eyes of consumers, the effect may be negative.<sup>28</sup> Where the promotion has caused consumers to buy the brand only because of its incentive value with no effect on underlying preferences, the long-term effect may be neutral.<sup>29</sup> An international study of leading grocery brands has shown that the most likely long-term

effect of a price promotion for an existing brand is neutral. Such promotions tend to attract existing buyers of the brand during the promotional period rather than new buyers.<sup>30</sup>

### Sales promotion strategy

As with advertising, a systematic approach should be taken to the management of sales promotions involving the specification of objectives for the promotion, decisions on which techniques are most suitable and an evaluation of the effectiveness of the promotion.

Sales promotions can have a number of objectives. The most usual goal is to boost sales over the short term. Short-term sales increases may be required for a number of reasons, including the need to reduce inventories or meet budgets prior to the end of the financial year, moving stocks of an old model prior to a replacement, and to increase stock-holding by consumers and distributors in advance of the launch of a

## Marketing in Action: Building demand for Krispy Kreme doughnuts

9.2

Krispy Kreme was founded in North Carolina way back in 1937 and for many years was a cult brand and a must-have in the southern states of the USA. But in the past few years it has expanded rapidly. The company went public in 2000 and since then has doubled its number of stores around the world to 360 through an aggressive international expansion path, which has seen it move into the UK, Australia, Mexico and Asia, although it is still much smaller than its main rival, Dunkin' Donuts, which has some 3600 stores. In 2003 alone, Krispy Kreme added 99 new outlets and generated total sales of US\$185 million. The company has achieved this impressive growth despite doing very little traditional advertising.

Instead it relies heavily on sales promotion and word-of-mouth advertising to build awareness of its products. The opening of a new store is designed to generate as much publicity as possible. In the months leading up to an opening, the company gives away 250,000 doughnuts to news media, charities and sporting events to encourage trial and secure media coverage. Long queues have accompanied many of the store openings around the world as people wait in line, often overnight, to be first to taste the hot, glazed doughnuts. Inside, Krispy Kreme stores are, in effect, mini-factories, where the doughnuts are cooked on the premises from a pre-prepared mix. Customers can then watch the machines carry the fried confections through a waterfall of snowy white glaze, in what is described as a 'doughnut theater'. Krispy Kreme has also been a strong supporter of local causes and when nine miners became trapped in a Pennsylvania mine in 2002, rescue workers were kept awake on a diet of doughnuts and coffee.

The company has also benefited greatly from enthusiastic endorsements from the likes of Homer Simpson, Madonna, US presidents and the *Sex and the City* girls. Recently, however, it has begun to look like the party is coming to an end. In May 2004, Krispy Kreme suffered its first quarterly profit fall since going public. Its stock price fell sharply, too, on investor fears that it had expanded too quickly and that negative commentary about the health effects of eating high-calorie doughnuts would impact on future sales and profits.

*Based on:* Foster (2004);<sup>31</sup> Hollins (2003);<sup>32</sup> Liu (2004);<sup>33</sup> Mesure (2004);<sup>34</sup> Rushe (2003)<sup>35</sup>

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competitor's product. A highly successful method of sales promotion involves encouraging trial (see Marketing in Action 9.2). Home sampling and home couponing are particularly effective methods of inducing trial. Certain promotions, by their nature, encourage repeat purchasing of a brand over a period of time. Any promotion that requires the collection of packet tops or labels (e.g. free mail-ins and promotions such as bingo games) attempts to increase the frequency of repeat purchasing during the promotional period. Some promotions are designed to encourage customers to purchase larger pack sizes. Finally, trade promotions are usually designed to gain distribution and shelf space. Discounts, free gifts and joint promotions are methods used to encourage distributors to stock brands.

### Selecting the type of sales promotion to use

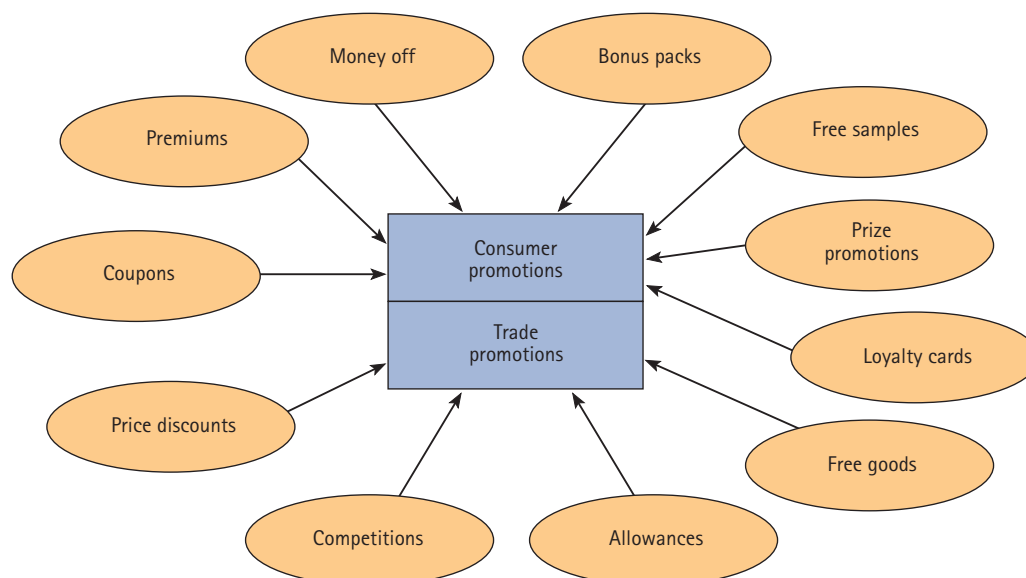
There is a very wide variety of promotional techniques that a marketer can consider using (see Figure 9.4). Major consumer sales promotion types are money off, bonus packs, premiums, free samples, coupons, prize promotions and loyalty cards. A sizeable proportion of sales promotions are directed at the trade, including price discounts, free goods, competitions and allowances.

### Consumer promotion techniques

**Money-off promotions** provide direct value to the customer and therefore an unambiguous incentive to purchase. They have a proven track record of stimulating short-term sales increases. However, price

reductions can easily be matched by competitors and if used frequently can devalue brand image. **Bonus packs** give added value by giving consumers extra quantity at no additional cost and are often used in the drinks, confectionery and detergent markets. The promotion might be along the lines of 'Buy 10 and get 2 extra free'. Because the price is not lowered, this form of promotion runs less risk of devaluing the brand image. When two or more items are banded together the promotion is called a multibuy. These are frequently used to protect market share by encouraging consumers to stock up on a particular brand when two or more items of the same brand are banded together, such as a shampoo and conditioner. Multibuys can also generate range trial when, for example, a jar of coffee is banded with samples of other coffee varieties such as lattes and mochas. **Premiums** are any merchandise offered free or at low cost as an incentive to purchase a brand; they can come in three forms: free in- or on-pack gifts, free in-the-mail offers and self-liquidating offers, where consumers are asked to pay a sum of money to cover the costs of the merchandise. The main role of premiums is in encouraging bulk purchasing and maintaining share. For example, Sunday newspapers have been giving away free CDs to encourage switching and maintain market share.

Free samples of a brand may be delivered to the home or given out in a store and are used to encourage trial. For new brands or brand extensions this is an effective, if sometimes expensive, way of generating trial. Coupons can be delivered to the home, appear in magazines or newspapers, or appear



**Figure 9.4** Consumer and trade promotions



on packs, and are used to encourage trial or repeat purchase. They are a popular form of sales promotion, although they are usually less effective in raising initial sales than money-off promotions because there is no immediate saving and the appeal is almost exclusively to existing consumers.<sup>36</sup> There are three main types of prize promotion: competitions, draws and games. These are often used to attract attention or stimulate interest in a brand. Competitions require participants to exercise a certain degree of skill and judgement and entry is usually dependent on purchase at least. Draws make no demand on skill and judgement, the result simply depends on chance.

Finally, a major development in retailing is the offering of loyalty cards to customers. Points are gained every time money is spent at an outlet, which can be used against purchases at the store in future. The intention is to attract customers back to the store but, as we shall see in the next chapter, loyalty cards are an excellent source of customer information, which can be used in direct marketing campaigns. Loyalty cards are very popular in the UK, with over 90 per cent of people holding at least one card and 78 per cent having two or more. Card schemes can be specific to one company such as the Tesco Clubcard (see Case 10.1 at the end of the next chapter) or a joint venture between several companies such as the Nectar card, which involves companies like Debenhams, Sainsbury's, BP, Barclaycard and Vodafone, and boasts over 11 million customers. Similarly, online retailers use schemes like MyPoints, which reward shoppers for reading e-mails, visiting sites and making purchases.

The role of loyalty cards in retaining customers has been the focus of much attention as it is known that keeping customers has a direct impact on profitability. A study conducted by PricewaterhouseCoopers showed that a 2 per cent increase in customer retention has the same profit impact as a 10 per cent reduction in overhead costs.<sup>37</sup> Customer retention programmes are aimed at maximizing a customer's lifetime value to the company. For example, airlines can identify their best customers (often business travellers) by analysis of their database and reward them for their loyalty. By collecting and analysing data the airlines identify and profile their frequent flyers, learn how best to develop a relationship with them, and attempt to acquire new customers with similar profiles.

Despite their growth, loyalty schemes have attracted their critics. Such schemes may simply raise the cost of doing business and, if competitors respond with

me-too offerings, the final outcome may be no more than a minor tactical advantage.<sup>38</sup> Shell, for example, reportedly spent £20 million on hardware and software alone to launch its Smart Card, which allows drivers to collect points when purchasing petrol.<sup>39</sup> A second criticism is that the proliferation of loyalty schemes is teaching consumers promiscuity. Evidence from a MORI ([www.mori.co.uk](http://www.mori.co.uk)) poll found that 25 per cent of loyalty card holders are ready to switch to a rival scheme if it has better benefits.<sup>40</sup> Far from seeing a loyalty scheme as a reason to stay with a retailer, consumers may be using such schemes as criteria for switching.

The national laws governing sales promotions throughout Europe vary tremendously (see Table 9.3).

### Trade promotion techniques

The trade may be offered (or may demand) discounts in return for purchase, which may be part of a joint promotion whereby the retailer agrees to devote extra shelf space, buy larger quantities, engage in a joint competition and/or allow in-store demonstrations. An alternative to a price discount is to offer more merchandise at the same price (free goods). For example, the 'baker's dozen' technique involves offering 13 items (or cases) for the price of 12. Manufacturers may use competitions, such as providing prizes for a distributor's salesforce, in return for achieving sales targets for their products. Finally, a manufacturer may offer an allowance (a sum of money) in return for retailers providing promotional facilities in store (display allowance). For example, allowances would be needed to persuade a super-market to display cards on its shelves indicating that a brand was being sold at a special low price.

The pharmaceutical industry is one of the biggest users of trade promotion. For example, in 2004, pharmaceutical companies in the USA spent US\$14.7 billion on marketing to healthcare professionals as against US\$3.6 billion on direct-to-consumer advertising activities. Trade promotions involve gifts, samples and industry-sponsored training courses. It is a highly competitive business with roughly 102,000 pharmaceutical 'detailers' or salespeople all trying to meet with the top prescribers among America's 870,000 physicians.<sup>41</sup>

The final stage in a sales promotion campaign involves testing the promotion. As with advertising, both pre-testing and post-testing approaches are available. The major pre-testing techniques include **group discussions** (testing ideas on groups of potential targets), **hall tests** (bringing a sample of

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**Table 9.3** Guidelines on sales promotion regulations in Europe

	UK	Ireland	Spain	Germany	France	Denmark	Belgium	The Netherlands	Portugal	Italy	Greece	Luxembourg	Austria	Finland	Norway	Sweden	Switzerland	Russia	Hungary	Czech Republic
On-pack price reductions	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Banded offers	Y	Y	Y	C	Y	C	C	Y	Y	Y	Y	N	C	C	C	C	N	Y	Y	Y
In-pack premiums	Y	Y	Y	C	C	C	C	C	Y	Y	Y	N	C	Y	C	C	N	Y	Y	Y
Multiple-purchase offers	Y	Y	Y	C	Y	C	C	Y	Y	Y	Y	N	C	C	C	C	N	C	Y	Y
Extra product	Y	Y	Y	C	Y	Y	C	C	Y	Y	Y	Y	C	Y	Y	C	C	Y	Y	Y
Free product	Y	Y	Y	Y	Y	Y	C	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Reusable/alternative use pack	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C	Y	Y	Y	Y	Y	Y	Y
Free mail-ins	Y	Y	Y	N	Y	C	C	Y	Y	Y	Y	C	N	Y	C	N	N	Y	Y	Y
With-purchase premiums	Y	Y	Y	C	Y	C	C	C	Y	Y	Y	N	C	Y	C	C	N	Y	Y	Y
Cross-product offers	Y	Y	Y	N	Y	C	N	C	Y	Y	Y	N	C	C	C	C	N	Y	Y	Y
Collector devices	Y	Y	Y	N	C	C	C	C	Y	Y	Y	N	N	C	N	N	N	Y	Y	Y
Competitions	Y	Y	Y	C	C	C	Y	C	Y	Y	Y	C	C	C	Y	Y	Y	Y	Y	Y
Self-liquidating premiums	Y	Y	Y	Y	Y	Y	Y	C	Y	Y	Y	N	Y	Y	N	Y	N	Y	Y	Y
Free draws	Y	Y	Y	N	Y	N	N	N	Y	Y	Y	N	N	Y	N	N	N	Y	C	Y
Share-outs	Y	Y	Y	N	C	N	N	N	Y	C	Y	N	N	C	C	N	N	Y	Y	Y
Sweepstake/lottery	C	C	C	C	C	N	C	C	C	C	C	N	C	Y	N	N	N	Y	C	C
Money-off vouchers	Y	Y	Y	N	Y	C	Y	Y	Y	C	Y	C	C	C	N	C	N	Y	Y	Y
Money off next purchase	Y	Y	Y	N	Y	N	Y	Y	Y	C	Y	N	N	C	N	N	N	Y	Y	Y
Cash backs	Y	Y	Y	C	Y	Y	Y	Y	Y	N	Y	N	C	C	C	Y	N	Y	Y	Y
In-store demos	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C	Y

Y = Permitted

N = Not permitted

C = May be permitted with certain conditions

Note: this guide should be used only as a first indication of promotional opportunities; local legal advice should be taken before implementing any activities

Source: IMP Europe, London (reproduced with permission)

customers to a room where alternative promotions are tested) and **experimentation** (where, for example, two groups of stores are selected and alternative promotions run in each). After the sales promotion has been implemented the effects must be monitored carefully. Care should be taken to check sales both during and after the promotion so that post-promotional sales dips can be taken into account (a lagged effect). In certain situations a sales fall can precede a promotion (a lead effect). If consumers believe a promotion to be imminent they may hold back purchases until it takes place. Alternatively, if a retail sales promotion of consumer durables (e.g. gas fires, refrigerators, televisions) is accompanied by higher commission rates for salespeople, they may delay sales until the promotional period.<sup>42</sup> If a lead effect is possible, sales prior to the promotion should also be monitored.

### Ethical issues in sales promotion

Ethical concerns regarding sales promotion include the use of trade inducements and the malredemption of coupons. To encourage their salespeople to push the manufacturer's products, retailers sometimes accept inducements from manufacturers. These often take the form of bonus payments to salespeople. The result is that there is an incentive for salespeople, when talking to customers, to pay special attention to those product lines that are linked to such bonuses. Customers may, therefore, be subjected to pressure to buy products that do not best meet their needs.

The malredemption of coupons is the attempt by customers in supermarkets to redeem reduced-price coupons without buying the associated product. When faced with a large shopping trolley full of goods it is easy for supermarket checkout attendants to accept coupons without verification. The key to stopping this practice is thorough training of supermarket employees so that they always check coupons against goods purchased. In the future it is likely that coupons will be distributed via loyalty cards, thus reducing this risk.

## Public relations and publicity

If it wishes to succeed, a company must be dependent on many groups. The marketing concept focuses on customers and distributors, but the needs and interests of other groups (such as employees, shareholders, the local community, the media, government and pressure groups) are also important (see Figure

9.5). **Public relations** is concerned with all of these groups, and public relations activities include **publicity**, corporate advertising, seminars, publications, lobbying and charitable donations. PR can accomplish many objectives:<sup>43</sup> it can foster prestige and reputation, which can help companies to sell products, attract and keep good employees, and promote favourable community and government relations; it can promote products by creating the desire to buy a product through unobtrusive material that people read or see in the press, or on radio and television; awareness and interest in products and companies can be generated; it can be used to deal with issues or opportunities, or to overcome misconceptions about a company that may have been generated by bad publicity; and it can have a key role to play in fostering goodwill among customers, employees, suppliers, distributors and the government (see Marketing in Action 9.3). For example, Vodafone used a carefully orchestrated public relations strategy in its legal battle with Eddie Jordan over the sponsorship of Jordan's Formula 1 team. Vodafone, which easily won the case, was concerned that it would be seen as a Goliath beating up Jordan's David. It hired a communications expert and at the end of each day of the trial, the media were given a summary of the trial plus a clear analysis of Vodafone's legal position.

A study by Kitchen and Proctor showed that public relations is a growth area in the UK.<sup>44</sup> The three major reasons for this were recognition by marketing teams of the power and value of public relations, increased advertising costs leading to an exploration of more cost effective communication routes, and improved understanding of the role of public relations.

Publicity is a major element of public relations. It can be defined as the communication about a product or organization by the placing of news about it in the media without paying for the time or space directly. The three key tasks of a publicity department are responding to requests for information from the media, supplying the media with information on important events in the organization and stimulating the media to carry the information and viewpoint of the organization.<sup>49</sup> Information dissemination may be through news releases, news conferences, interviews, feature articles, photocalls and public speaking (at conferences and seminars, for example). No matter which of these means is used to carry the information, publicity has three important characteristics.

- 1 *The message has high credibility:* the message has greater credibility than advertising because it appears to the reader to have been written inde-

## Marketing in Action: Dyson: good and bad publicity

9.3

Dyson Appliances Ltd has had something of a rollercoaster ride in the British press. The company was founded by James Dyson in 1993 and at first it was revered as a template for British manufacturing. Dyson had revolutionized the vacuum cleaning business with his invention of the bagless cyclone vacuum cleaner—a ‘high suction’ machine that dispensed of the need for bags. The success of the innovation catapulted Dyson to market share leadership in the £530 million industry, which is served by large multinational players like Electrolux. James Dyson’s personal profile also soared. He was acclaimed as a living example of the great British inventor and he became one of a select group of businesspeople picked by Tony Blair to be part of his innovation review group.

But, in 2002, Dyson announced that it was moving its production of vacuum cleaners from the small town of Malmesbury in Wiltshire to Malaysia with the loss of 800 jobs. While Dyson is far from alone in shifting manufacturing to lower-cost locations, what seemed to really cause problems was how the move was handled. Dyson justified the move as a way of keeping the company in good financial shape, but this sounded hollow to staff who knew they were working in a very profitable company. Others speculated that the reasons for the move related to specific local issues such as opposition to a planned expansion at the plant. So from being the great inventor, Dyson had, in the eyes of some, become the pursuer of cheap labour. This was exacerbated in 2003 when it was announced that all Dyson production in the UK, including that of its best-selling washing machines, was to move to Malaysia. Commenting on the move, a union official remarked that ‘Dyson is no longer a UK product’.

This negative publicity was also damaging Dyson’s position in the market. Its market share in vacuum cleaners in 2003 was 15 per cent in volume terms down from 20 per cent in 2002. Because of its premium pricing, this 15 per cent in volume translated into 38 per cent by value but that too was down from 44 per cent a year earlier. Furthermore, low-cost rivals such as Samsung and LG from South Korea, who sell products at less than 50 per cent of the price of the Dyson brand, began to make inroads in the market. And perhaps of most concern to the company was the finding of some research, which indicated that only 35 per cent of owners of a Dyson vacuum cleaner would buy another. However, on the positive side, the strengths of its product design have seen it grow steadily in the large US market where its share grew from 4.5 per cent in 2003 to over 20 per cent in 2005. The USA now accounts for over 40 per cent of Dyson turnover.

Similarly, the P&G soft drink Sunny Delight has had its ups and downs in the UK media. At first everything looked rosy when in August 1999, a headline in the *Sun* proclaimed that Sunny Delight was bigger than Coke as its sales reached £160 million. But as the story moved on, health lobby groups began to comment on the sugar content and additives contained in the drink, leading to headlines such as the *Daily Mail*’s ‘Health row as sugary water sales reach £160m’. Sales plummeted and the brand is now worth an estimated £35.6 million.

*Based on:* Collins (2003);<sup>45</sup> Marsh (2003);<sup>46</sup> Moorish (2002);<sup>47</sup> Murphy (2003)<sup>48</sup>

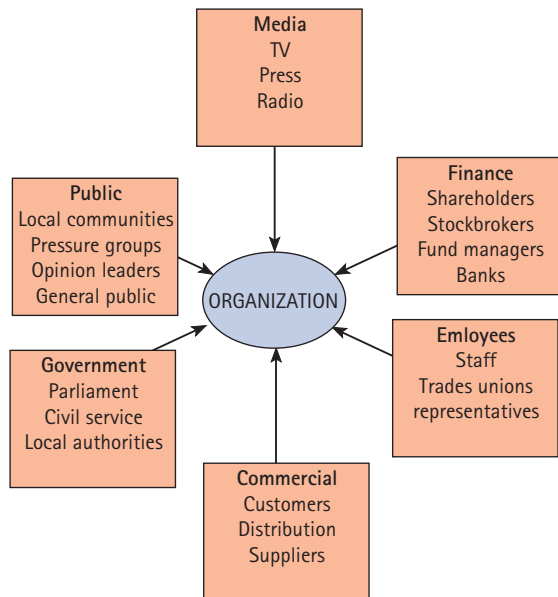
pendently (by a media person) rather than by an advertiser. Because of this enhanced credibility it can be argued that it is more persuasive than a similar message used in an advertisement.

- 2** *No direct media costs:* since space or time in the media does not have to be bought there is no direct media cost. However, this is not to say that it is cost free. Someone has to write the news release, take part in the interview or

organize the news conference. This may be organized internally by a press officer or publicity department, or externally by a public relations agency.

- 3** *No control over publication:* unlike advertising, there is no guarantee that the news item will be published. This decision is taken out of the control of the organization and into the hands of an editor. A key factor in this decision is




**Figure 9.5**

whether the item is judged to be newsworthy. Newsworthy items include where a company does something first, such as a new product or research breakthrough, new employees or company expansions, sponsorships, etc. A list of potentially newsworthy topics is provided in Table 9.4. Equally there is no guarantee that the content of the news release will be published in the way that the news supplier had intended or that the publicity will occur when the company wants it to.

## Ethical issues in PR

One of the ethical issues relating to public relations is the use of third-party endorsements to publicize a product, where the person gives a written, verbal or visual recommendation of the product. A well-known, well-respected person is usually chosen but, given that payment often accompanies the endorsement, the question arises as to its credibility. Supporters of endorsements argue that consumers know that endorsers are usually paid and are capable of making their own judgements regarding their credence.

## Sponsorship

**Sponsorship** has been defined by Sleight as:<sup>50</sup>

‘a business relationship between a provider of funds, resources or services and an individual, event or organisation which offers in return some rights and association that may be used for commercial advantage’.

Potential sponsors have a wide range of entities and activities from which to choose, including sports, arts, community activities, teams, tournaments, individual personalities or events, competitions, fairs and shows. Sport sponsorship is by far the most popular sponsorship medium as it offers high visibility through extensive television coverage, the ability to attract a broad cross-section of the community and to service specific niches, and the capacity to break down cultural barriers. For example, the Olympics, the biggest global sporting event, attracted over US\$1.4 billion in sponsorship for the 2004 Athens Games, which represented one-third of the revenue generated by the Games. Such is the scramble for sponsorship oppor-

**Table 9.4** Potentially newsworthy topics

<b>Being or doing something first</b> <b>Marketing issues</b> New products Research breakthroughs: future new products Large orders/contracts Sponsorships Price changes Service changes New logos Export success <b>Production issues</b> Productivity achievements Employment changes Capital investments	<b>Financial issues</b> Financial statements Acquisitions Sales/profit achievements <b>Personal issues</b> Training awards Winners of company contests Promotions/new appointments Success stories Visits by famous people Reports of interviews <b>General issues</b> Conferences/seminars/exhibitions Anniversaries of significant events
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## Foundations of Marketing

tunities that even a soccer team's pre-season tour can be sponsored; this was the case with a tour of China by Spanish club Real Madrid, which was sponsored by local cigarette company Hong Ta Shan (see Marketing in Action 9.4).

Vodafone is very active in sports sponsorship, with a portfolio that includes Manchester United, the Australian rugby team and Ferrari. These links help to build the image of Vodafone as being a global force. For example, when Manchester United tours Asia with its stars, Vodafone laps up coverage in the region, and the Ferrari sponsorship gives it television coverage in over 200 countries. It has formed a sponsorship strategy team in Germany, which interacts in local teams in key markets. The aim is to ensure that all of its markets are exploiting sponsorship opportunities to the maximum extent.<sup>53</sup>

The five principal objectives of sponsorship are to gain publicity, create entertainment opportunities, foster favourable brand and company associations, improve community relations, and create promotional opportunities.

### Gaining publicity

Sponsorship provides ample opportunity to create publicity in the news media. Worldwide events such as major golf, football and tennis tournaments supply the platform for global media coverage. Such **event sponsorship** can provide exposure to millions of people. For example DHL, the German-owned package delivery company, has signed a deal to sponsor major league baseball in the USA. This is part of a strategy by DHL to raise its awareness level in the US market where it has a small share and which is also home to its two major global rivals, UPS

## Marketing in Action: From sponsor to event creator

9.4

Sponsorship has evolved dramatically from a time when all the sponsor did was provide some money and have its name displayed prominently at the event it was funding. As the sponsor's concern for how the event reflects on its branding and positioning grows, marketers are getting increasingly involved in the actual events themselves. Sometimes the involvement is subtle, sometimes not. For example, one of the most popular shows on Dutch late-night television is *6Pack*—an offbeat programme where the show's hosts get up to various pranks. One episode, for example, involved a presenter bluffing his way into the French Open tennis tournament so that he could meet his idol, John McEnroe.

The series is the outcome of a brainstorming session between the Dutch production company CCCP and the Dutch brewer Heineken. Having expected to get no more than 40,000 viewers, the show is regularly attracting audiences of over 100,000. However, Heineken maintains a low profile in the show, restricting itself to the credits and, if beer is to be consumed on air, it must be Heineken.

However, an emerging trend is one where sponsors eschew certain events in favour of creating new events themselves. For example, while Guinness was sponsoring the annual St Patrick's Day parade, its rival Stella Artois launched the Stella Screen Outdoor Tour in 1997. The tour shows films in appropriate locations such as *Braveheart* in Stirling Castle, while the Stella brand is the main refreshment available. These tours now sell 3 million barrels of beer to 12 million drinkers. Similarly, Reebok created the Reebok Sofa Games, a five-a-side tournament that toured Dublin, Brighton, Glasgow and Manchester. The games increased Reebok sales in partner stores by 10–15 per cent during the promotional period.

These initiatives build on the pioneering approaches of the likes of MTV and Red Bull. MTV's music awards show, which was launched in 1993, has become a successful brand franchise in its own right and MTV has extended this approach into other events such as the dance festival, the Isle of MTV. Red Bull has its own in-house event management team running competitions like the Red Bull Soap Box Races. Companies that create their own events feel that they represent better value than traditional forms of sponsorship, but many critics see it as yet another example of marketing's remorseless advance into all spheres of people's lives through its commercialization of leisure activities.

*Based on:* Bickerton (2003);<sup>51</sup> Lewis (2003)<sup>52</sup>

## Integrated Marketing Communications 1: Mass Communications Techniques

and FedEx.<sup>54</sup> Similarly, Red Bull's entry into Formula 1 motor racing through its sponsorship of the Jaguar team is seen as part of a strategy of broadening its market appeal. The publicity opportunities of sponsorship can provide major awareness shifts. For example, Canon's sponsorship of football in the UK raised awareness of the brand name from 40 per cent to 85 per cent among males. Similarly Texaco's prompted recall improved from 18 per cent to 60 per cent because of motor racing sponsorship.<sup>55</sup>

### Creating entertainment opportunities

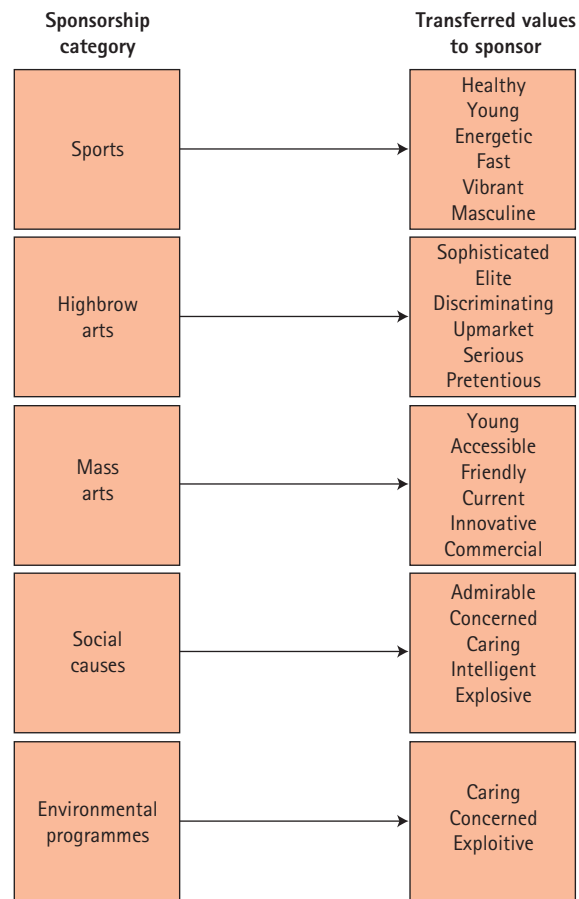
A major objective of much sponsorship is to create entertainment opportunities for customers and the trade. Sponsorship of music, the arts and sports events can be particularly effective. For example, Barclays Capital sponsored a fashion show at London's Natural History Museum for 450 of its clients that were attending a global borrowers and investors forum. Often, key personalities are invited to join the sponsor's guests to add further attractiveness to the event. Similarly, sponsors of the Global Challenge yacht race, such as Norwich Union, BP and BT, used the event to entertain their best clients on board sponsored boats in desirable locations like Boston and Cape Town.<sup>56</sup>

### Fostering favourable brand and company associations

A third objective of sponsorship is to create favourable associations for the brand and company. For example, sponsorship of athletics by SmithKline Beecham for its Lucozade Sport brand reinforces its market position and its energy associations. Similarly, Procter & Gamble spent the entire marketing budget for its shampoo Wash & Go, totalling ?8.4 million, on sponsoring football's English Premier League. The intention was to position it as a sports brand with the tag-line 'A simply great supporter of football'.<sup>57</sup> Both the sponsor and the sponsored activity become involved in a relationship with a transfer of values from activity to sponsor. The audience, finding the sponsor's name, logo and other symbols threaded through the event, learns to associate sponsor and activity with one another. Figure 9.6 shows some broad values conferred on the sponsor from five sponsorship categories.

### Improving community relations

Sponsorship of schools—for example, by providing low-cost personal computers as Tesco has done—and supporting community programmes can foster a socially responsible, caring reputation for a company. Many multinational companies get involved in com-



**Figure 9.6** Values transferred from sponsorship categories  
munity initiatives in local markets. For example, Nortel Networks, the Canadian telecommunications company, has had a very successful association with the Galway Arts Festival, one of the leading festivals in the Republic of Ireland.

### Creating promotional opportunities

Sponsorship events provide an ideal opportunity to promote company brands. Sweatshirts, bags, pens, and so on, carrying the company logo and name of the event can be sold to a captive audience. When the brand is consumed during the event, such as Stella Artois at a tennis tournament, this provides an opportunity for customers to sample the brand, perhaps for the first time.

### New developments in sponsorship

Sponsorship has experienced a major growth in the past 15 years. Some of the factors driving the rise in sponsorship expenditure include, the escalating costs of media advertising, restrictive government policies on tobacco and alcohol advertising, the fragmentation of traditional mass media, the proven record of sponsorship and greater media coverage of sponsored events.<sup>58</sup> Accompanying the growth of event sponsor-

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ship has been the phenomenon of **ambush marketing**. Originally, the term referred to the activities of companies that tried to associate themselves with an event without paying any fee to the event owner. Nike has been a particularly successful ambush marketer at various Olympic Games and indeed emerged as the name Asian viewers most closely associated with the Athens Games even though it was not one of the event's official sponsors.<sup>59</sup> The activity is legal so long as no attempt is made to use an event symbol, logo or mascot. More recently, ambush marketing activities have become more subtle with, for example, companies sponsoring the television coverage of an event rather than the event itself.

The selection of an event or individual to sponsor requires that consideration is given to a number of key questions. These include the firm's communication objectives, its target market, the risks associated with the sponsorship, the promotional opportunities presented and the costs involved. As with all communications initiatives, the sponsorship should be carefully evaluated against the initial objectives to assess whether it was successful or not. For example, Volvo's £2 million sponsorship of tennis resulted in 1.4 billion impressions (number of mentions or sightings, audience size), which it calculated was worth £12 million in media advertising.<sup>60</sup> Similarly, BT estimated that media coverage of its sponsorship of the Global Challenge yacht race covered costs by a multiple of three and the official website attracted more than 30 million hits per race.

## Other promotional tools

Because of the fragmentation of traditional audiences such as press and television, a variety of other promotional techniques are becoming more commonplace. Two popular mass communications tools include exhibitions and product placement, which are examined below. In addition, other companies use their brands to create entertainment opportunities. For example, Guinness opened the Guinness Storehouse in Dublin in 2000. By 2002, it had seen its one millionth visitor and it has become the number one fee-paying tourist attraction in Ireland.<sup>61</sup>

### Exhibitions

**Exhibitions** are unique in that, of all the promotional tools available, they are the only one that brings buyers, sellers and competitors together in a commercial setting. In Europe, the Cologne trade exhibitions bring together 28,000 exhibitors from 100 countries with 1.8 million buyers from 150 countries.<sup>62</sup> Exhibitions are a particularly important part

of the industrial promotional mix. One study into the relative importance of promotional media placed exhibitions as a source of information on the industrial buying process second only to personal selling, and ahead of direct mail and print advertising.<sup>63</sup>

Exhibitions are growing in their number and variety. Aside from the major industry exhibitions such as motor shows and property shows, more specialized lifestyle exhibitions are emerging in niche markets. For example, the Cosmo show, featuring cosmetics targets young women, attracts over 55,000 visitors. The 1999 event was the launch pad for Olay Colour (formerly Oil of Ulay) to reveal its new identity and for the launch of Cussons' new moisturizer, Aqua Source.

Exhibitions can have a variety of objectives, including identifying prospects and determining their needs, building relationships, providing product demonstrations, making sales, gathering competitive intelligence and fostering the image of the company. They require careful planning and management to ensure that they run smoothly. And a post-show evaluation needs to take place to determine its effectiveness. Fortunately, there are a variety of variables that can easily be quantified, which can be used to measure success. These include number of visitors to the stand, number of leads generated, number of orders received and their value, and so on. Following up the trade show through contact with prospects and customers is also important.

### Product placement

**Product placement** is the deliberate placing of products and/or their logos in movies and television, usually in return for money. The appearance of these brands in the media is unlikely to be by accident—vast sums of money are often paid to secure exposure. For example, Steven Spielberg's sci-fi film *Minority Report* featured more than 15 major brands, including Gap, Nokia, Pepsi, Guinness, Lexus and Amex, with their logos appearing on video billboards throughout the film. These product placements earned Dreamworks and 20th Century Fox US\$25 million, which went some way towards reducing the US\$102 million production costs of the film.<sup>64</sup> Similarly, when the hip-hop artist Busta Rhymes had a smash hit with 'Pass the Courvoisier', US sales of the cognac rose by 14 per cent in volume and 11 per cent in value. Allied Domecq, the brand's owner, claims it did not pay for the plug, but McDonald's is more upfront, offering hip-hop artists US\$5 each time they mention Big Mac in a song.<sup>65</sup> The value of product placement deals in the USA grew from £174 million in 1974 to £3.5 billion in 2004, and is forecast to grow to US\$7 billion by 2009.<sup>66</sup>



Product placement has grown significantly in recent years for the following reasons: media fragmentation means it is increasingly hard to reach mass markets; the brand can benefit from the positive associations it gains from being in a film or TV show; many consumers do not realize that the brand has been product-placed; repetition of the movie or TV show means that the brand is seen again and again; careful choice of movie or TV show means that certain segments can be targeted; and promotional and merchandising opportunities can be generated on the shows' websites. For example, the clothes and accessories worn by actresses in popular TV shows like *Sex and the City* and *Desperate Housewives* have been in great demand from viewers and some have quickly sold out. Show producers are increasingly looking at the merchandising opportunities that their shows can present. Technological developments in the online gaming sector allow for different products to be placed in games at different times of the day or in different geographic locations, expanding the marketing possibilities available to companies.<sup>67</sup>

Though product placement is becoming very popular, it is important to remember that there are risks involved. If the movie or TV show fails to take off it can tarnish the image of the brand and reduce its potential exposure. Audiences can become annoyed

by blatant product placement, also damaging the image, and brand owners may not have complete control over how their brand is portrayed. Also the popularity of product placement is fast giving rise to claims that it constitutes deceptive advertising. Lobby groups in the USA claim that one of the difficulties with product placement is that it can't be controlled by the consumer in the way the traditional advertising breaks can through zapping, and want it restricted.

Product placement is subject to the same kinds of analysis as all the other promotional techniques described in this chapter. For example, in the James Bond movie *Die Another Day*, the Ford Motor Company had three of its car brands 'starring' in the film: an Aston Martin Vanquish, a Thunderbird and a Jaguar XKR. Movie-goers were interviewed both before and after seeing the film to see if their opinions of the brands had changed. In addition, the product placement was part of an integrated campaign including public relations and advertising, which ensured that even people who had not seen the film were aware of Ford's association with it. During the film's peak viewing periods in the USA and UK, Ford's research found that the number of times its name appeared in the media increased by 34 per cent and that Ford corporate messages appeared in 29 per cent of the Bond-related coverage.<sup>68</sup>

## Summary

This chapter has provided an overview of the promotional mix and examined some important mass communications techniques. The following key issues were addressed.

1. The promotional mix is broad, comprising seven elements, namely advertising, sales promotion, publicity, sponsorship, direct marketing, Internet and online marketing, and personal selling.
2. Because of the breadth of promotional techniques available, it is important to adopt an integrated approach to marketing communications. This means that companies carefully blend the promotional mix elements to deliver a clear, consistent, credible and competitive message in the marketplace.
3. It is important to take a systematic approach to communications planning. The various steps involved include consideration of the company's marketing and positioning strategy, identifying the target audience, setting communications objectives, creating the message, selecting the promotional mix, setting the promotional budget, executing the strategy and evaluating the strategy.
4. Advertising is a highly visible component of marketing, but it is only one element of the promotional mix. Advertising strategy involves an analysis of the target audience, setting objectives, budgeting decisions, message and media decisions, and evaluating advertising effectiveness.
5. Sales promotions are a powerful technique for giving a short-term boost to sales or for encouraging trial.
6. Publicity plays a very important role in the promotional mix because of its high credibility.
7. Sponsorship is a rapidly growing and important element of the promotional mix.

## Suggested reading

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## Internet exercises

### Sites to visit

- 1 [www.barb.co.uk](http://www.barb.co.uk)  
[www.oaa.org.uk](http://www.oaa.org.uk)  
[www.pearlanddean.com](http://www.pearlanddean.com)  
[www.rajar.co.uk](http://www.rajar.co.uk)

### Exercise

Review and evaluate the information provided by

these sites about the relative attractiveness of television, outdoor, cinema and radio as advertising media.

### Sites to visit

- 2 [www.adforum.com](http://www.adforum.com)  
[www.americanbrandstand.com](http://www.americanbrandstand.com) for product placement plugs  
Advertising standards authority websites  
L'Oréal website  
[Saatchi & Saatchi](http://Saatchi & Saatchi), [Omnicom](http://Omnicom), [Interpublic](http://Interpublic), [Publicis](http://Publicis)  
[Commercial Alert](http://CommercialAlert)

### Exercise

## Study questions

1. What is meant by integrated marketing communications? Explain the advantages of taking an integrated approach to marketing communications.
2. Select three recent advertising campaigns with which you are familiar. Discuss the target audience, objectives and message executions adopted in each case.
3. It is frequently argued that much promotional expenditure is wasteful. Discuss the ways in which the effectiveness of the various promotional techniques described in this chapter can be measured.
4. Discuss the role of sponsorship in the promotional mix.
5. There is no such thing as bad publicity. Discuss.

## Key terms

**target audience** the group of people at which an advertisement or message is aimed

**distribution push** the targeting of channel intermediaries with communications (e.g. promotions) to *push* the product into the distribution chain

**consumer pull** the targeting of consumers with communications (e.g. promotions) designed to create demand that will *pull* the product into the distribution chain

**integrated marketing communications** the concept that companies co-ordinate their marketing communications tools to deliver a clear,

consistent, credible and competitive message about the organization and its products

**advertising** any paid form of non-personal communication of ideas or products in the prime media (i.e. television, the press, posters, cinema and radio, the Internet and direct marketing)

**personal selling** oral communication with prospective purchasers with the intention of making a sale

**direct marketing** (1) acquiring and retaining customers without the use of an intermediary; (2) the distribution of products, information

and promotional benefits to target consumers through interactive communication in a way that allows response to be measured

**sales promotion** incentives to customers or the trade that are designed to stimulate purchase

**advertising message** the use of words, symbols and illustrations to communicate to a target audience using prime media

**advertising platform** the aspect of the seller's product that is most persuasive and relevant to the target consumer

**media class decision** the choice of prime media (i.e. the press, cinema, television, posters, radio) or some combination of these

**media vehicle decision** the choice of the particular newspaper, magazine, television spot, poster site, etc.

**advertising agency** an organization that specializes in providing services such as media selection, creative work, production and campaign planning to clients

**money-off promotions** sales promotions that discount the normal price

**bonus pack** pack giving the customer extra quantity at no additional cost

**premiums** any merchandise offered free or at low cost as an incentive to purchase

**group discussion** a group, usually of six to eight consumers, brought together for a discussion focusing on an aspect of a company's marketing strategy

**hall tests** bringing a sample of target consumers to a room that has been hired so that alternative marketing ideas (e.g. promotions) can be tested

**experimentation** the application of stimuli (e.g. two price levels) to different matched groups under controlled conditions for the purpose of measuring their effect on a variable (e.g. sales)

**public relations** the management of communications and relationships to establish goodwill and mutual understanding between an organization and its public

**publicity** the communication of a product or business by placing information about it in the media without paying for time or space directly

**sponsorship** a business relationship between a provider of funds, resources or services and an individual, event or organization that offers in return some rights and association that may be used for commercial advantage

**event sponsorship** sponsorship of a sporting or other event

**ambush marketing** any activity where a company tries to associate itself or its products with an event without paying any fee to the event owner

**exhibition** an event that brings buyers and sellers together in a commercial setting

**product placement** the deliberate placing of products and/or their logos in movies and television programmes, usually in return for money

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Turn the page for a Case Study on Absolut Vodka

## Case 9 Absolut Vodka: creating advertising history



**Figure C9.1** Absolut vodka

'Absolut advertising is celebrated not just for its longevity but also for its ingenuity. Readers tear out the advertisements and hang them on their walls. Librarians have to guard their magazines from being de-Absoluted. College students actually collect and trade ads. A SoHo antique shop hawks copies of Absolut Wonderland, while a Madison Avenue newsstand carefully razors the Absolut pages from its stock and sells them for a few dollars apiece.'

*(From the article, 'A Visual Analysis of the Absolut Vodka Advertising Campaign', written by a student at [www.southwestern.edu](http://www.southwestern.edu), 2002)*

The Absolut advertising campaign was often regarded by advertising experts as one of the most brilliant, innovative, successful and long-running campaigns ever. The several prestigious awards that the campaign has won since its first ad was launched stand as testimony to this fact (see Table C9.1 for details of some of the awards).

**Table C9.1** A brief list of awards won by Absolut advertisements

Year	Award(s)
1989	The Kelly Grand Prize for the ad 'Absolut LA'
1990	Grand EFFIE Award for Absolut advertising campaign
1991	The Kelly Grand Prize for the ad 'Absolut Glasnost'
1992	'Award of Excellence' for animation on the Internet by the Communication Arts magazine
1993	Absolut Advertising Campaign introduced in the 'Hall of Fame' by the American Marketing Association
2000	Four Cresta Awards for International Advertising for the ads 'Absolut Accessory', 'Absolut Auckland', 'Absolut Voyeur' and 'Absolut Space' from Creative Standards International and the International Advertising Association
2002	Insight Award for Best online advertising
2003	EFFIE Gold Award for sustained success of the Absolut advertising campaign

Source: compiled from various sources

### 'Absolut adventure': the making of a legend

In early 1979, Absolut vodka was launched in the USA at the liquor trade convention held at Fairmont Hotel in New Orleans. Initially, the company concentrated its marketing efforts in and around New York, Los Angeles, San Francisco and Boston because these were the places where new trends were created, media attention was intense and the bar culture prevailed.

V&S had sold around 25,000 cases of Absolute vodka when the advertising agency TBWA took over its ad account in late 1979. Two admen at TBWA, Graham Turner and Geoff Hayes, were assigned the job of creating the ads for the 'still not so popular Swedish vodka'. The duo began by getting familiar with the product's taste and conducting extensive research on different liquor ads of the previous 10 years. They found that most ads were pretentious and pompous, featuring people dressed in expensive attire and living lavish lifestyles with a small liquor bottle tucked in

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some corner. Moreover, none of the ads was targeted at people below 40.

After extensive research and effort, the admen came up with three different advertisement samples. The first featured a Russian soldier looking through a pair of binoculars with each lens reflecting the Absolut vodka bottle, accompanied by a slogan that read 'Here's something that Russians would really love to put behind bars.' This ad was aimed at challenging the Russian vodka brand Stolichnaya. The second ad featured some of the favourite pastimes of Swedes, with a picture of the bottle; the slogan read 'There's nothing the Swedes enjoy more when it's cold.' The third ad featured only the Absolut vodka bottle with a halo over it, with a two-word slogan: 'Absolut Perfection' (a modified version of one of the ads created at NW Ayer). This ad was designed with the intention of humorously portraying Absolut as pure and natural.

The admen had come up with a dozen designs, which depicted the bottle in different ways accompanied by a two-word slogan. It was one of the simplest themes anyone associated with Absolut had created up until then. The ads featured the Absolut bottle, a description of the product and the two-word slogan with one word describing the theme and the other the brand name itself. In early 1980, V&S launched the first advertisement, 'Absolut Perfection', along these lines. Since then, the bottle has been retained as the centrepiece for every advertisement of Absolut vodka accompanied by a two-word slogan.

All Absolut ads were published in popular American newspapers and magazines like *Newsweek*, *Time*, *New*

*York*, *Los Angeles*, *New Yorker*, *New York Times*, *Interview* and *GQ*. Carillon decided to continue using the same ad concept with a variety of themes. Experts felt that by using the same concept to depict various events, people or things, Absolut ads always gave people something to think about. Soon the ads had become a topic of interest among liquor consumers.

People began drinking Absolut not only because it was a new premium brand available on the market, but also to experience the image that its advertisement had created—that of simplicity and purity. Analysts credited the popularity of Absolut to its advertisements as they involved viewers in a creative process. Within three years, Absolut vodka was being exported to 16 different markets worldwide as well as its home country, Sweden. In 1984, V&S exported six million litres of Absolut vodka. In the USA, sales were doubling every year (see Table C9.2).

In 1985, Michel Roux, President of Carillon and in charge of US distribution, came up with the idea of getting the Absolut bottle painted and using it as an ad. Initially, there was opposition to this idea as it was a departure from the campaign's central idea of having the bottle photographed. However, Roux went ahead and commissioned celebrated artist Andy Warhol to paint the bottle, marking the beginning of Absolut's association with art. The painting attracted a lot of accolades and the celebrity association gave the brand a great deal of mileage.

Thereafter, several artists painted their own interpretations of the Absolut bottle. Analysts observed that painting an Absolut bottle had apparently become an issue of pride for many leading artists. Big names

**Table C9.2** V&S: income statements, 1997–2002 (SEK million)

Particulars/year	1997	1998	1999	2000	2001	2002
Net sales	3223.6	3,446.9	4028.6	5711.5	6725.1	9092.8
Other operating revenues	(10.3)	32.3	43.2	104.3	175.3	149.6
Operating expenses	(2449.8)	(2626.8)	(2924.9)	(4177.4)	(4741.2)	(6686.6)
Depreciation, amortization and write-downs	(105.7)	(130.7)	(85.6)	(235.0)	(394.9)	(519.2)
Non-recurring items	(17.0)	287.3	(143.3)	46.1	-	-
Operating profit	640.8	1009.0	918.0	1449.5	1764.3	2036.6
Financial items, net	31.5	50.6	46.0	(16.2)	(292.6)	(167.6)
Profit before taxes	672.3	1059.6	964.0	1433.3	1471.7	1869.0
Taxes	(175.0)	(197.3)	(273.5)	(437.2)	(462.0)	(598.5)
Minority share	(0.4)	(0.8)	(0.3)	(61.9)	(0.5)	(5.7)
Net profit for the period	496.9	861.5	690.2	934.2	1009.2	1264.8

Source: [www.vinspirit.se](http://www.vinspirit.se)

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such as Keith Haring, Kenny Scharf, Stephen Sprouse, Edward Ruscha, Arman and Britto made their own interpretations of the Absolut bottle (see Table C9.3 for details). The above exercise was not only in the form of painting, but also in sculpture, glasswork, photography, folk art, wood work, computer/digital art and many other media. As Absolut's association with the world of art gave the brand a lot of media attention and publicity, the company began regularly publishing these art ads along with the regular ads. Analysts noted that what began as an advertising campaign to promote an unknown

Swedish vodka brand had become a part of American culture.

Roux now began toying with the idea of making ads that were 'stylish, hip and audacious'. With this began Absolut's association with the world of fashion. In 1988, Roux commissioned the famous American fashion designer David Cameron to design an advertisement for the bottle. Instead of featuring the Absolut bottle, Cameron designed a dress (with the Absolut Vodka name and the text printed on it) that was modelled by a famous model of the day, Rachel

**Table C9.3** Absolut's association with art and fashion

Year	Name	Description
<b>ABSOLUT ART</b>		
1990	Absolut Glasnost	This art collection featured paintings contributed by 26 Russian artists including Alexander Kosolapov, Evigny Mitta and Leonid Lamm.
1993	Absolut Latino	This collection featured artwork contributed by 16 artists from South and Central America. This collection showcased the artist's interpretations of the absolute bottle in traditional and contemporary Latino themes depicting the relationship between reality and illusion. Some of the artists who contributed to this collection were, Alberto Icaza, Vik Muniz and Monica Castillo.
1997	Absolut Expressions	This collection featured art work contributed by 14 African and American artists. The artists (including Anita Philyaw, Maliaka Favourite and Frank Bowling among others) presented their interpretations of the bottle in traditional African art, early American folk art and in abstract imagery through mediums like canvas, quilts and sculptures.
1998–99	Absolut Originals	This included paintings contributed by 16 European artists including Damien Hirst, Maurizio Cattelan and Francesco Clemente.
2000	Absolut Ego (Paris) Absolut Exhibition (New York) Absolut Art (Stockholm)	Collections featured paintings contributed by famous artists like Damien Hirst and Nam June Paik.
<b>ABSOLUT FASHION</b>		
1995	Absolut Newton	This campaign featured designer wear created by famous fashion designers John Galliano, Helmut Lang, Anna Molinari and Martine Sitbon. It was first featured as an eight-page insert in Vogue, a popular fashion magazine.
1997	Absolut Versace	This eight-page insert in Vogue featured designer wear created by Gianni Versace, the famous Italian fashion designer. Gianni's creations were modelled by famous models like Naomi Campbell, Kate Moss, Mark Findley and Marcus Schenkenberg, and photographed by famous fashion photographer Herb Ritts.
1999	Absolut Tom Ford/Absolut Gucci	This campaign included designer collections created by Tom Ford (of Gucci) a famous American fashion designer. The campaign was shot at a discotheque in Paris and was included as an eight-page insert in Vogue.
2002	Absolut Gaultier	This campaign featured designs by Jean Paul Gaultier, inspired by Absolut and other Swedish legends. It was included as an eight-page insert in Vogue and other popular European fashion magazines.

Source: The Absolut Spirits Company



Williams (she 'represented' the bottle). This print ad, named 'Absolut Cameron', was launched in February 1988 and gained tremendous publicity. On the day of its publication, 5000 women reportedly called TBWA wanting to buy the dress shown in the ad.

This led to the next phase of Absolut's advertising strategy, wherein the bottle began to be represented in new, innovative ways. By the mid-1990s TBWA ran several ads linked to fashion, like Absolut Fashion (eight pages of coverage in *Vogue*), Absolut Style and Absolut Menswear, in popular fashion magazines like *Vogue*, *Elle* and *GQ* (see Table C9.3 for details).

As the themes for the advertisements became more complicated, the cost of producing them went up substantially. For instance, some of the Absolut Christmas ads cost more than US\$1 million to produce. Thus, over the years, V&S continually increased its advertising budget. TBWA spent approximately US\$25 million on Absolut ads in 1990, an increase from US\$750,000 in 1981. In 1997, Absolut also became associated with The Ice Hotel (an entire hotel made from ice) in Jukkasjarvi, Sweden. An 'Absolut Ice Bar' was added to the Ice Hotel, where different kinds of drinks made from various Absolut brands were served in glasses also made of ice.

By the end of the 1990s, Absolut ads began targeting not only the sophisticated, upper-class consumers but also sports fans, professionals, artists, intellectuals and even those who could not comprehend subjects like art or literature. Clearly, V&S was now aiming at a broader set of customers as the ads were featured in almost all kinds of magazines: sports, entertainment, art and fashion, business, and so on. By now the company had launched more than 1000 Absolut ads all over the world.

### 'Absolut continuity': the brand marches strongly ahead

By 2000, Absolut advertisements were recognized the world over for their stylish, humorous and innovative attributes. As people began collecting the ads, analysts observed that the brand had become an advertising phenomenon. More importantly, sales of Absolut were increasing rapidly over the years. Apart from the USA, Absolut was now exported to Russia and many Asian and Latin America countries. The brand generated most of its sales in the USA, Canada, Sweden, Greece, Spain, Germany and Mexico. In 2002, total sales stood at 7.5 million

cases, making it the world's second largest premium spirits brands.

In 2002, Absolut was presented with the international advertising industry's most prestigious awards for its online advertising on its website, [www.absolut.com](http://www.absolut.com), and the Absolut fashion campaign. Advertising experts regarded the website as 'a premier online brand and lifestyle destination'.

Commenting on the creativity that Absolut ads stood for, Richard W. Lewis, author of *Absolut book: The Absolut Vodka Advertising Story*, says, 'Readers enjoy a relationship with this advertising that they have with few other advertising campaigns, especially in the print media. They are challenged, entertained, tickled, inspired, and maybe even befuddled as they try to figure out what is happening inside an Absolut ad.'

In January 2003, the company launched Absolut Vanilia. Unlike the previous variants, Absolut Vanilia was launched in a white bottle. The launch of the new flavour was not only supported by print advertisements, but also with radio and outdoor ad campaigns. These ads were launched in a phased manner, beginning with teaser ads in different magazines in April 2003 followed by interactive online ads. The online ads were featured on websites like Maxim.com, EntertainmentWeekly.com, style.com and Wired.com. These ads were created specifically to suit the product tag-line 'a different kind of vanilla'.

In October 2003, in line with its penchant for creativity/innovation, Absolut ventured into the world of music with the launch of the Absolut Three Tracks project. This campaign featured music created by different artists according to their interpretations of the Absolut bottle. Analysts felt that with the Absolut Three Tracks project, Absolut had opened an entirely new chapter in brand communications, as it enabled users to 'listen' to the Absolut brand. Commenting on this, Michael Persson, Director, Market Communications, ASC, said, 'For years, our consumers have seen interpretations of the brand by some of the world's most prominent artists and designers. With this new project they will also be able to listen to the brand: this is the voice of Absolut.'

Advertising experts felt that even 25 years after its launch, the Absolut advertising campaign was still going strong, innovatively, without changing the central theme. Even while creating music for Absolut Three Tracks, the bottle was used as the central theme. Aril Brikha, one of the artists who created a

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music track for Absolut Three Tracks said, 'I had scanned the shape into a computer program that turns a picture into a tone—a futuristic way of including a picture without letting the listener know. I find it quite similar to previous Absolut projects where the bottle has been hidden in a picture.' Industry observers as well as customers agreed on one issue: whatever the mode of expression—be it art, photography, technology, fashion or music—Absolut had until now stood for 'brilliance in advertising'. Said an analyst, 'We are surprised each year by the creativity and innovation of the brand. It is successful because it is contemporary. There is no end to the campaign.'

### Questions

1. Discuss the role advertising plays in increasing brand awareness and brand loyalty among consumers, especially for products that have very subtle differentiable attributes. In the above context, examine the impact Absolut advertisements had on its target audience. Do you think the advertisements fulfilled their purpose?
2. 'The Absolut advertising campaign is successful

because it is contemporary.' How did TBWA maintain the 'freshness' of the Absolut campaign? Discuss with respect to the brand's association with different media: art, fashion, technology and music.

3. Even though Absolut ads have been depicted in different media, the central theme of the campaign has remained unchanged (the bottle and the two-word slogan) over the years. In light of the above statement, do you think that the campaign will manage to hold sway or lose its impact in the near future? Give reasons to support your arguments.

This case was written by V. Sarvani, under the direction of A. Mukund, ICFAI Center for Management Research (ICMR). It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

The case was compiled from published sources.  
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