



ENGEL ♦ WARSHAW ♦ KINNEAR

PROMOTIONAL STRATEGY

Managing the Marketing Communications Process

James F. Engel
Eastern College



Martin R. Warshaw
The University of Michigan



Thomas C. Kinnear
The University of Michigan

Seventh Edition

IRWIN

Homewood, IL 60430
Boston, MA 02116

© RICHARD D. IRWIN, INC., 1967, 1971, 1975, 1979, 1983, 1987, and 1991

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Sponsoring editor: Elizabeth S. MacDonell
Developmental editor: Andy Winston
Project editor: Jean Lou Hess
Production manager: Diane Palmer
Designer: Maureen McCutcheon
Cover and Part Photographer: Chicago Photographic Company
Artist: Carlisle Communications, Ltd.
Compositor: Carlisle Communications, Ltd.
Typeface: 10/12 Cheltenham Light
Printer: R. R. Donnelley & Sons Company

Library of Congress Cataloging-in-Publication Data

Engel, James F.

Promotional strategy : managing the marketing communications process / James F. Engel, Martin R. Warshaw, Thomas C. Kinnear.

p. cm.—(The Irwin series in marketing)

Includes bibliographical references and index.

ISBN 0-256-08204-9

1. Marketing. 2. Advertising. 3. Marketing—Management.

I. Warshaw, Martin R. II. Kinnear, Thomas C., 1943—.

III. Title. IV. Series.

HF5415.E65 1991

658.8'2 —dc20

90-44246

Printed in the United States of America

1 2 3 4 5 6 7 8 9 0 DOC 7 6 5 4 3 2 1 0

Preface



This book had its beginning in the fall of 1961 when Jim Engel, then an assistant professor of marketing at The University of Michigan, was assigned to teach the promotion course. Available texts proved to be unsatisfactory, thus leading him to contact his graduate school mentor, Hugh Wales, at the University of Illinois. Both agreed to try their hand at an innovative approach which would focus on the entire promotion mix, not just advertising, and build from a solid behavioral foundation.

As they prepared preliminary outlines, they realized that another person was needed to shore up the material on sales management and reseller strategies. The logical candidate was Marty Warshaw, Jim Engel's colleague at Michigan. And so the book was launched. Hugh Wales retired after the third edition, and another Michigan colleague, Tom Kinnear, joined the team.

Our purposes have changed little since the first edition. Our basic conviction is that advertising, sales promotion, personal selling, direct marketing, public relations and publicity, and corporate advertising are all component parts of *one integrated promotional mix*. There is no way that an individual activity, say advertising, can be managed without fully considering these strategic interrelationships.

We are also convinced that marketing strategy must be grounded in realistic research that clearly documents the opportunities and problems to be faced. This requires knowledge of consumer motivation and behavior, the competitive climate, the legal climate, and so on. While this is not a book on research per se, it will help students identify and glean the information needed and teach them how to think strategically once it is in hand.

Since the outset we have provided the reader a thorough grounding in consumer behavior. Initially we felt, with justification, that few students would have course work in that field. Hence, we tried as much as we could to include a summary of Engel, Kollat, and Blackwell, *Consumer Behavior* (now Engel, Blackwell, and Miniard, *Consumer Behavior*, 6th ed). We now are aware that most readers have had a basic exposure to consumer behavior, so in this edition we concentrate on stressing its unique implications for promotional strategy. Our coverage of consumer behavior remains extensive, however, and is foundational to everything else.

We also have always written from the perspective of those who must conceive and execute promotional strategy. Our intent is to mold and shape effective strategic thinking rather than to provide cookbook lists of answers. We avoid simple answers to problems that defy rule-of-thumb solutions. We make no attempt to imply certainty when it does not exist in the real world.

Finally, our goal—and our greatest challenge over the years—has been to make this book both theoretically sound and highly practical. As we have gained experience ourselves both in teaching and in practical marketing

strategy, our perspectives understandably have become modified. Certainly a comparison of this edition with the 1967 version would reveal a marked shift toward consistent use of the criterion, *what does this all mean on the firing line?*

Some schools still retain separate courses in advertising and sales management. Although we take an integrated approach, our material is readily adaptable to a more limited course in advertising by skipping the sections that do not directly apply. We strongly recommend the broader integrated approach, however, because of the trend in that direction in business practice.

Long-time users will quickly see that we have retained our traditional focus which has given this text a leading position in the field. But, *this is an altogether new book throughout*. The following are the greatest changes:

1. Professors and students alike consistently tell us to provide even more examples and illustrations. This we have done in every chapter. It makes for much more interesting and relevant reading.
2. We have been urged never to sacrifice our unique grounding in consumer behavior, and certainly we have not done so. But, as noted earlier, the behavioral material is slanted much more specifically toward promotional applications.
3. We have greatly expanded the chapter on The Nature of Communication (Chapter 3) by adding material on semiotics and nonverbal communication for the first time.
4. Chapters 5 and 6 focusing on understanding consumer behavior have been rewritten extensively from the perspective of promotional strategy considerations. Students will especially benefit from the emphasis on diagnosing consumer behavior in the context of expected outcomes.
5. Our treatment of promotional objectives (Chapter 9) is all new and plows fresh ground in tying objectives concretely to information gained from diagnosing consumer behavior.
6. The dynamic issues of channel command and control is highlighted in many chapters. Manufacturers have been forced to some radical new thinking in channel strategy, and students are immersed in the central issues.
7. Direct marketing continues to receive strong emphasis as a type of promotional strategy which has gained all-new importance in the current arena.
8. As usual, we end with a strong section on social and economic considerations. We hope that this is given the coverage it deserves in a world in which ethics all too often seem to be put on the back burner.

ACKNOWLEDGMENTS

Over the 23 years of our existence, we have been the beneficiaries of widespread input from colleagues literally throughout the world. This has proved invaluable. They are far too numerous to acknowledge by name here, but we do want to thank those who have specifically contributed their insights to this edition:

Les Carlson, *University of Arkansas, Fayetteville*

Gilbert Churchill, *University of Wisconsin, Madison*

Mark Fackler, *Wheaton College, Illinois*

John Holmes, *Bowling Green State University, Ohio*

Lawrence Johnson, *University of Kansas, Lawrence*

John Schleede, Jr., *Central Michigan University*

Also a special thank you to Beth Thompson and Ron Kobler for their help in developing materials for this revision.

We have always thanked our families over the years for their forbearance through the tyranny of seven revisions. Jim and Marty are empty nesters, but we still join Tom in expressing appreciation to our wives and kids who always have been partners with us. And, in keeping with our tradition, each of us continues to blame the other guys for errors and omissions in the manuscript.

A Special Tribute to Marion Harper

Over the years we have benefited from the input of leading professionals in the advertising and promotion world. In particular, the Interpublic Group of Companies, Inc. provided the opportunity for the senior author to have unlimited access to company and client resources for an extended period in the 1960s.

This was at the time when Marion Harper was chairperson at Interpublic. He stood out among his contemporaries as a strategic thinker and innovator, and Interpublic under his leadership became a world-recognized trend setter in strategic marketing.

Marion Harper passed away in late 1989. We would like to add our tribute to the many given upon his death. This book never would have achieved the impact it has had over its years of existence without the input and inspiration of Marion Harper and his executive team.

James F. Engel

Martin R. Warshaw

Thomas C. Kinnear

Contents



Part 1

OVERVIEW 3

Chapter 1

PROMOTIONAL STRATEGY: AN OVERVIEW 5

- Promotional Strategy and the Marketing Exchange, 7
 - Seven-Up's Promotion: Where's the Marketing Concept? 9
- Promotional Strategy and the Marketing Concept, 10
 - Manufacturer's Hanover: Consumer Need Defines Product Attributes and Promotion Direction, 11
- Promotion Defined, 13
- Promotional Strategy in Action, 14
 - Acura: Quality Product + Promotion Excellence = Success, 14
 - MCI: Promotion of New Services Takes a Bit Out of AT&T, 15
 - Tupperware Promotion: Advertising and Sales Approach Respond to the Changing Consumer, 17
- The Marketing Mix Communicates, 20
 - The Product Communicates, 21
 - Price Communicates, 21
 - The Distribution Location Communicates, 25
- Structure of this Book, 25
- Review and Discussion Questions, 27
- Notes, 28

Chapter 2

PROMOTIONAL STRATEGY: A DECISION-MAKING FRAMEWORK 29

- The Stages in Promotional Planning and Strategy, 30
- Utilizing the Framework: Carnival Cruises to the Top, 32
- Situation Analysis, 32
 - History, 32
 - Demand-Target Markets, 35
 - Competition, 36
 - Internal Organizational Considerations, 36
- Establishment of Objectives, 36
- Determination of Dollar Appropriation, 36

Specification and Management of Program Elements, 37	
Advertising, 37	
Distribution Channel Support, 37	
Supplemental Communications (Public Relations), 41	
Coordination and Integration of Efforts, 41	
Measurement of Effectiveness, 42	
Evaluation and Follow-Up, 42	
The Marketing Manager's Problem, 43	
Review and Discussion Questions, 43	
Notes, 44	

Appendix 2A	
PROMOTIONAL STRATEGIES OF CARNIVAL CRUISE LINES'	
MAIN DIRECT COMPETITORS	45
Norwegian Caribbean, 45	
Princess Cruises, 46	
Sitmar, 46	
Cunard, 47	
American Hawaii, 48	
Holland America, 48	
Royal Caribbean, 49	
Royal Viking, 49	
Admiral, 50	
Competitive Advertising, 51	

Part 2

WHAT PERSUASIVE COMMUNICATION IS ALL ABOUT	57
--	----

Chapter 3

THE NATURE OF COMMUNICATION	59
-----------------------------	----

What Communication Is All About, 61	
A Model of the Process, 61	
Bringing about Common Meaning, 62	
The Multiple Ways We Communicate, 68	

Communication in Marketing, 74	
Personal Selling, 74	
Mass Communication, 75	
A Summary Comparison, 78	
Summary, 79	
Review and Discussion Questions, 79	
Notes, 80	

Chapter 4	
CONSUMER RESPONSE TO PERSUASIVE COMMUNICATION	83
Information Processing, 84	
The Central Role of Involvement, 87	
Exposure, 88	
Attention, 90	
Comprehension, 96	
Acceptance, 99	
Retention, 102	
Attitude Change and Persuasion, 102	
Information Processing and Attitude Change, 103	
Manipulation, 105	
Deception, 105	
Subliminal Influence, 106	
Summary, 110	
Review and Discussion Questions, 111	
Notes, 112	

Part 3	
UNDERSTANDING THE CONSUMER	117

Chapter 5	
UNDERSTANDING THE CONSUMER: EXTENDED PROBLEM SOLVING	119
An Overview of Consumer Decision Processes, 122	
The Initial Purchase, 123	
Repeat Purchases, 126	
Diagnosing Consumer Behavior, 126	

Extended Problem Solving (EPS), 127
Need Recognition, 127
Search for Information, 133
Alternative Evaluation, 140
Purchase and Outcomes, 145
Summary, 147
Review and Discussion Questions, 148
Notes, 149

Chapter 6

UNDERSTANDING THE CONSUMER: LIMITED AND HABITUAL DECISION-PROCESS BEHAVIOR

151

Limited Problem Solving, 152
Need Recognition, 154
Search for Information, 155
Alternative Evaluation, 155
Purchase, 156
Outcomes, 156
Some Clues for Marketing Strategy, 156
Habitual Decision Making, 165
Brand Loyalty, 166
Inertia, 170
Summary, 171
Review and Discussion Questions, 171
Notes, 172

Chapter 7

INFLUENCE OF THE SOCIAL ENVIRONMENT

175

The Cultural Context, 176
American Values and Their Influence on Promotional Strategy, 177
Subcultures, 187
Social Stratification, 187
Reference Groups, 189
How Reference Groups Function, 190
Determinants of Impact, 193
Family Influence, 194
Influence on Buying Decisions, 195
Family Life-Cycles, 196
Summary, 199
Review and Discussion Questions, 199
Notes, 200

Part 4

BASIC CONSIDERATIONS IN PROMOTIONAL STRATEGY 203**Chapter 8
MARKET SEGMENTATION AND
COMPETITIVE POSITIONING 205**

- The Concept of Segmentation, 207
 - Criteria of Usable Segments, 208
- Bases for Segmentation, 209
 - Geographic Variables, 211
 - Demographic Characteristics, 212
 - Psychographic Characteristics, 219
 - Behavioristic Variables, 224
 - Benefits Segmentation, 225
 - Product Usage Rates, 226
 - Undertaking Segmentation Analysis, 227
- The Target Market Decision, 228
 - Undifferentiated Marketing, 228
 - Differentiated Marketing, 228
 - Concentrated Marketing, 230
 - The Choice of Approach, 230
- Competitive Positioning, 230
 - Positioning by Attribute, 231
 - Positioning by Price and Quality, 231
 - Positioning by Use or Application, 231
 - Positioning by Product User, 231
 - Positioning by Product Class, 234
 - Positioning by Competitor, 234
 - Developing a Positioning Strategy, 236
- Key Strategic Choices: Segment Targeting and Product Positioning, 238
- Summary, 238
- Review and Discussion Questions, 239
- Notes, 240

**Chapter 9
DETERMINATION OF PROMOTIONAL OBJECTIVES 241**

- Background Considerations, 242
 - Market Segmentation, 242
 - Other Elements of Marketing Strategy, 243
 - Sales and Market Share Goals, 243
 - Financial Resources, 244

Using Consumer Research to Define the Role for Promotion, 244	
Description of the Market Target, 245	
Diagnosing Motivation and Behavior in a Target Segment, 248	
The Statement of Objectives, 256	
Target Market, 256	
Message Platform, 256	
Expected Sales Results, 257	
Expected Communication Results, 258	
Measurement Methods and Criteria, 259	
Summary, 259	
Review and Discussion Questions, 260	
Notes, 261	

Chapter 10

THE PROMOTIONAL APPROPRIATION

263

Theoretical Foundations of the Outlay Problem, 265	
Traditional Appropriation Approaches, 268	
Arbitrary Allocation, 268	
Percentage of Sales, 270	
Return on Investment, 271	
Competitive Parity, 272	
All You Can Afford, 272	
Objective and Task, 274	
Conclusions on Determining the Appropriation, 275	
Implementing the Objective-and-Task Approach, 275	
Isolation of Objectives, 276	
Expenditure Estimation through Build-Up Analysis, 276	
Comparison Against Industry Percentage-of-Sales Guidelines, 278	
Comparison Against Projected Percentage of Future Sales, 279	
Reconciliation of Divergence between Built-Up Costs and Percentage-of-Sales Figures, 279	
Payout Planning, 279	
Modification of Estimates in Terms of Company Policies, 280	
Specification of When Expenditures Will Be Made, 280	
Building in Flexibility, 280	
Comments on the Suggested Approach, 281	
Geographic Allocation, 281	
Corollary Products Index, 282	
Industry Sales, 283	
General Buying Power Indexes, 283	
Custom-Made Indexes, 284	
Expenditures for New Products, 286	
Payout Planning, 286	

Summary, 290
Review and Discussion Questions, 291
Notes, 292

Chapter 11

ORGANIZATION AND USE OF HUMAN RESOURCES

293

Organizational Requirements and Structures, 294
The Requirements of a Modern Marketing Organization, 295
Organizational Structures, 300
The Advertising Agency, 303
Organization of the Advertising Agency, 303
Principles of the Agency-Client Relationship, 305
Agency Compensation, 308
Industry Adjustments, 309
The House Agency, 311
Using Specialized Services, 315
Direct Marketing Agencies, 315
Media-Buying Services, 315
Creative Boutiques, 316
Research Services, 316
Market Changes and the Advertising Industry, 316
Summary, 317
Review and Discussion Questions, 318
Notes, 319

Chapter 12

ADAPTATION TO THE LEGAL CLIMATE

321

Pertinent Legislation, 323
Federal Legislation, 323
The Future of the Federal Trade Commission, 328
State and Local Regulations, 331
Self-Regulation, 332
Important Areas of Regulation, 336
Content of Advertisements, 337
Type of Product Advertised, 342
Vertical Cooperative Advertising, 344
Advertising and Competition, 344
Remedial Alternatives, 345
Regulation of Personal Selling, 348
Summary, 350
Review and Discussion Questions, 351
Notes, 352

Part 5	
ADVERTISING AND SALES PROMOTION	355
Chapter 13	
THE ADVERTISING MESSAGE	357
Creative Strategy, 359	
Creative Execution, 360	
Persuasion through Advertising: Influencing Attitudes and Behavior, 361	
Advertising and the Elaboration Likelihood Model of Persuasion, 363	
Behavioral Research Findings for Advertising, 364	
A Useful Guide to Creative Aspects, 365	
Alternative Advertising Approaches, 365	
Choosing an Approach for the Product, 370	
Designing and Producing Advertising Messages, 390	
Analysis of the Message, 390	
Judgemental Analysis: Evaluation of Execution, 391	
Summary, 393	
Review and Discussion Questions, 393	
Notes, 394	
Appendix 13	
DESIGNING AND PRODUCING THE MASS COMMUNICATION MESSAGE	395
Print Advertising, 395	
The Headline, 395	
Classifications of Headlines, 395	
Some Guides for a Persuasive Headline, 397	
Copy, 398	
Classification of Copy Approaches, 398	
Some Copy Problems, 399	
Some Guides for Persuasive Copy, 401	
Visual Elements, 402	
Classification of Visual Forms, 403	
Some Guides for Persuasive Visualization, 405	
Radio and Television, 406	
Copy, 406	
Notes, 408	

Chapter 14	
ANALYSIS OF MASS MEDIA RESOURCES	411
Expenditure Trends, 413	
Newspapers, 413	
Characteristics of Newspapers, 415	
Buying Newspaper Space, 420	
The Future of Newspapers, 420	
Television, 421	
General Characteristics of Television, 422	
The Network Television Programs, 424	
Buying Network Time, 426	
Spot Announcements, 427	
Buying Spot Time, 428	
The Future of Television, 429	
Radio, 435	
Characteristics of Radio, 436	
The Future of Radio, 439	
Magazines, 439	
Characteristics of Magazines, 440	
The Future of Magazines, 442	
Outdoor Advertising, 444	
Characteristics of Outdoor Advertising, 444	
Purchasing Outdoor Space, 445	
The Future of Outdoor Advertising, 446	
New Media: Videotex, 447	
Transit Advertising, 447	
Characteristics of Transit Advertising, 447	
Purchasing Transit Space, 449	
The Future of Transit, 450	
The Noncommissionable Media, 450	
Direct Mail, 450	
Point-of-Purchase Advertisements, 451	
Intermedia Comparison, 451	
Summary, 461	
Review and Discussion Questions, 461	
Notes, 463	
 Chapter 15	
MEDIA STRATEGY	465
The Requirements of Creative Strategy, 467	
Reaching the Proper Audience, 468	
Media Audience Data, 468	

Reach and Frequency, 476	
The Problem of Audience Duplication, 477	
Using Reach, Frequency, and GRP Measures, 478	
Competitive Considerations, 482	
Cost Considerations, 483	
Qualitative Media Characteristics, 486	
Distribution Requirements, 487	
Scheduling, 487	
Geographical Scheduling, 488	
Seasonal Scheduling, 489	
Flighting, 490	
Putting the Media Plan Together, 493	
Scheduling within Media, 493	
Summary, 497	
Review and Discussion Questions, 497	
Notes, 498	

Chapter 16	
MEASUREMENT OF ADVERTISING EFFECTIVENESS	499
An Ideal Copy-Testing Procedure: PACT, 502	
Cell I: Advertising-Related Laboratory Measures for Pretesting, 503	
1. The Consumer Jury, 503	
2. Focus Groups, 506	
3. Portfolio Tests, 506	
4. Readability Tests, 507	
5. Physiological Measures, 508	
Cell II: Product-Related Laboratory Measures for Pretesting, 509	
1. Theater Tests, 509	
2. Trailer Tests, 510	
3. Laboratory Stores, 510	
Cell III: Advertising-Related Measurement under Real-World Conditions for Pretesting and Posttesting, 510	
Pretesting Procedures, 511	
Posttesting Procedures, 513	
Cell IV: Product-Related Measures under Real-World Conditions for Pretesting and Posttesting, 522	
Pretesting and Posttesting Procedures, 522	
Summary, 536	
Review and Discussion Questions, 536	
Notes, 537	

Chapter 17
MANAGEMENT OF CONSUMER SALES PROMOTION **539**

Scope and Importance of Sales Promotion, 541

Consumer-Oriented Sales Promotion, 543

Consumer Promotional Alternatives, 545

Sampling, 545

Price Incentives, 547

Coupons, 552

Premiums, 555

Contents and Sweepstakes, 558

Packaging, 562

Promotional Aspects, 563

Summary, 567

Review and Discussion Questions, 568

Notes, 568

Part 6
PERSONAL SELLING **571**

Chapter 18
PERSONAL SELLING STRATEGY **573**

Personal Selling in the Promotion Mix, 574

The Influence of the Product-Market Situation, 576

Proprietary Drug Manufacturer, 576

Computer Manufacturer, 577

Electron Beam Welding Service, 578

Implications of the Cases, 578

What Do Salespeople Do? 579

Salesmanship, 579

Buyer-Seller Interactions, 580

Different Selling Situations, 580

Steps of a Sale, 581

Prospecting, 582

Preapproach, 582

The Approach, 582

The Presentation, 583

Meeting Objectives, 583

Closing the Sale, 584

Follow-Up, 584