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Advertising and Sales Promotion Strategy

Gerard J. Tellis
University of Southern California



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Advertising and Sales Promotion Strategy

To Cheryl, Neil, Viren, Kethan and Sonia. Gerard J. Tellis

Promotion, which consists primarily of advertising and sales promotion, is a vital business function that fashions and communicates a firm's offer to its consumers. It is a rich topic that integrates perspectives from a number of disciplines including marketing, economics, psychology, anthropology and operations research. It is also a dynamic area that is constantly changing as firms develop new media, appeals and methods to better compete with their rivals in a rapidly changing environment. This book is designed to communicate these aspects of promotions.

The book is the fruit of my experience teaching advertising and sales promotion over the last six years at the University of Southern California. There are many fine books on the market, but they did not fully meet what I considered to be important characteristics of a textbook for such a course. To begin with, the book must be rooted in the knowledge emanating from research in the field. However, the few books that provide such a perspective tend to be a little abstract for students. The book must help prospective managers understand the topic well enough to design successful strategies. For this reason the book's presentation must be practical, analyze a large number of relevant examples and describe creative strategies. Several advertising books that are rich in examples tend to lack theoretical depth. They may not appeal to the more advanced students. The current book is designed to fill a void in the market, for an exposition that is theoretically rigorous, rich with examples and useful for designing strategies.



Advertising became a major economic force in the United States around the middle of the nineteenth

century, with the advent of the mass market for manufactured goods. Advertising helped develop this mass market by establishing branded products that stood for uniform quality at good prices. However, as markets matured with a proliferation of similar brands, sales promotion gained in importance. Sales promotion draws attention to a brand in a crowded field and helps to fine-tune a firm's offer to specific segments at specific time periods. Many textbooks, following the historical growth of the discipline, focus only on advertising. Others, realizing the breadth of the field, cover personal selling and publicity, in addition to sales promotion and advertising. This book focuses on advertising and sales promotion, and only these two topics, for the following three reasons.

First, over the last decade, firms have been spending a bigger fraction of the promotional dollar on sales promotions and a smaller fraction on advertising. Indeed, over a ten-year period from 1981 to 1992, the fraction of the promotional dollar spent on advertising fell almost in half, while that in trade promotion increased by the same amount. Currently, firms spend about three-fourths of the promotional budget on sales promotion, and one-fourth on advertising. Thus sales promotions have become a very important component of the promotional mix.

Second, advertising and sales promotion are closely interlinked. Expenditures on advertising have a direct bearing on expenditures on sales promotion. In many cases they are substitutable, while in some cases they are complementary. However, in every case the spending decision must be taken together. More importantly, the strategy and content of advertising must be closely linked to that in sales promotion. Thus, these two topics need to be treated jointly.

Third, personal selling and publicity may not be close enough to advertising and sales promotion to merit an in-depth treatment in the same book. While personal selling is related to promotion, it primarily involves the management of personnel. Thus it involves a substantially different science. Similarly, publicity involves the management of news, which is a slightly different science from advertising. A broad coverage of related topics may hinder an in-depth coverage of important core topics. Advertising and sales promotion are key promotional activities of the marketing department. They involve a number of content issues that are fully within the control of the firm and must be jointly addressed. Thus they need to be taught and discussed in a single course.

CY CHARACTERISTICS

Advertising and Sales Promotion Strategy is designed to give students a deep understanding of advertising and sales promotion that will enable them to develop successful strategies in practice. Specifically, the book has the following characteristics:

- It focuses on advertising and sales promotion, two key areas of promotion. To cover these two topics thoroughly, the book does not consider the related areas of personal selling and publicity.
- It draws from the most recent research in the social sciences to ensure that students are exposed to the most current knowledge in the field.
- The discussion explains why phenomena occur, rather than merely describing them. Similarly, it tries to show why certain strategies succeed, while others fail, rather than merely identifying them.
- The book has a managerial orientation. Its purpose is to help prospective managers design successful strategies. The book uses contemporary examples to enliven the exposition and clearly communicate key points.
- The book explains theories, concepts and terms from first principles. It requires no particular prerequisites in business, marketing economics or psychology. Thus students in any discipline could pick up the book and follow its contents. Nevertheless, students with any one of those backgrounds are more likely to appreciate related aspects of the book. So instructors will need to complement the exposition and definitions in the book to match the specific backgrounds of their students.

■ The writing is simple, direct and lively. It uses simple language even when explaining complex ideas.

ORGANIZATION OF CONTENT

This book is divided into four parts. The first part provides a background to the field. The second part, covers communication, the core aspect of advertising. The third part discusses the concepts, principles and strategies of sales promotions. The fourth part explains how to use advertising and sales promotion to plan strategy.

Part I has three chapters. Chapter 1 defines the basic terms used in the field. It reviews the history of promotion and explains its relationship to marketing strategy. The historical review gives a deep understanding of the evolution of promotion. It helps students put in proper perspective various practices, trends and controversies in the field. The review of marketing strategy and its relationship to promotion is essential because advertising and sales promotion are intrinsic components of the marketing strategy of a firm.

Chapter 2 is probably unique among texts in the field, in its in-depth coverage of the regulation of both advertising and sales promotion. Advertising and sales promotion are heavily regulated because they have great potential for deception. Regulations are partly responsible for the form that the field has taken today. They also define the range of strategies that managers can adopt. Thus a good coverage of regulation is necessary fairly early in the course.

Chapter 3 explains the structure and working of the advertising agency, the single institution most closely tied to the function. The chapter also pays special attention to the role of creativity. While creativity is not solely the function of the agency, it is an institutional or personnel characteristic that must inspire every aspect of the discipline. For this reason, the book discusses the topic in Part I. In addition, a variety of creative styles can be effective. These styles have been developed by specific advertising practitioners and exemplified by certain agencies. A discussion of such issues is best covered in the context of the agency.

Part II covers the topic of communication in five chapters. Chapter 4 introduces the key concepts and principles of persuasion. Chapter 5 explains how to draw consumers' attention, which is a prerequisite of communication. The three most important routes of persuasion are argument, emotion and endorsements. The book is unique in that three separate chapters (6, 7 and 8), focus on each of these topics. Many people believe that emotion and endorsements are less important means of persuasion than information and argument. However, emotion is probably the most powerful means of persuasion, while information and argument probably the least powerful. Ads today probably rely at least as much on emotion or endorsements as on information and argument. The separate treatment of these topics does not imply that they must be used in exclusion. The theory and examples show how persuasion can be enhanced by use of multiple appeals.

Part III covers sales promotions. Changing price is one of the central aspects of sales promotions. Chapter 9 is a unique chapter among comparable texts in addressing this topic. It explains how consumers react to price changes, and the strategies that firms can legally and fairly adopt in response. The chapter draws heavily from recent advances in marketing, economics and decision science in understanding consumer decision making. The three important components of sales promotions are retail promotions, trade promotions and consumer promotions. Chapter 10, 11 and 12 cover these three topics, respectively. The book covers these topics in greater detail than other texts because of their growing importance in recent years.

Part IV covers planning. Goals are the targets of any plan and must be set at the start of planning. Chapter 13 addresses this important topic. Chapter 14 explains how managers can test the effectiveness of advertising and sales promotions. The variables used for testing depend on the goals of a firm. Thus this chapter follows the chapter on setting goals. One section of the chapter addresses the billion dollar question, whether advertising today affects sales. It reviews some of the most recent empirical studies to provide a coherent answer to the question. A central aspect of planning is the choice of an appropriate mix of media to carry the ads. The two major classes of media are mass media and direct media. Chapters 15 and 16 explain how to plan these two types of media. In contrast to other texts, these chapters do not detail the structural and operational aspects of each medium. Rather they focus on the comparative advantage of each medium for communicating messages and the principles involved in choosing a media plan. Chapter 17 explains how managers can determine the advertising budget and schedule it over time. The final chapter explains how a practicing manager needs to integrate the various components of advertising and sales promotion into effective strategies.

COVERAGE OF SPECIAL TOPICS

Many instructors and students are interested in special topics that have gained importance recently. Some of these topics are regulation, direct marketing, ethics, international strategy and brand equity.

Of these topics, regulation is probably the most important. A vast number of regulations cover almost every aspect of advertising and sales promotions. These regulations define the range of legal strategies that managers can adopt. Chapter 2 details the regulatory climate of the field.

Direct marketing is another topic that has gained enormous importance with changes in consumer behavior and advances in media technology. Chapter 16 covers this topic under the discussion of direct media. It pays special attention to the growth of new media such as the Internet.

Ethics is a field of growing importance to advertising. Federal and state regulations already encompass what most practitioners today would consider to be ethical behavior. As noted above, Chapter 2 discusses these regulations. In addition to Chapter 2, various chapters raise the ethical aspect of some sensitive issues. Because it is more appropriate to discuss such issues in the chapter in which they naturally occur, the following list indicates where instructors can engage students in a useful discussion of ethical issues:

- Truth in advertising and sales promotion, Chapters 2 and 6
- Subliminal advertising, Chapter 4
- Manipulation of consumers' emotions,
 Chapters 5 and 7
- Use of sex appeals in advertising, Chapters 5 and 8
- Characterization and casting of endorsers,
 Chapter 8
- Stereotyping in communication, Chapter 8
- Misuse of endorsers or role models, Chapters 2 and 8

- Fair pricing, Chapters 2 and 9
- Advertising and price inflation, Chapters 1 and 10
- Price discrimination, Chapter 9
- Deceptive pricing or promotion, Chapters 2 and 9
- Annoying or intrusive direct marketing, Chapters 2 and 16

Branding is a vitally important topic in advertising. A major goal of advertising is to develop a distinct brand that embodies a distinct image or position in consumers' minds. In this sense, much of the content of the book is directly or indirectly related to branding. A special chapter devoted to branding would be either too small for the topic, or too redundant with other material in the book. So the book does not contain a chapter on branding, but embeds the topic implicitly in the discussion of related issues.

Most of the material in the book is developed in the context of the U.S. market. Internationalization of the curriculum is very important today because markets are becoming global. However, the major difference when going from one country to another is the change in regulations. It is beyond the scope of this book to cover the regulatory environment of promotion of every country. Another major difference across countries is culture. Advertising as a form of communication is intricately linked with the culture of a people. Again, it is beyond the scope of this book to cover the differences in advertising due to different cultures. However, subject to cultural and regulatory differences, much of the knowledge covered in this book should apply to the international realm. For this reason, the book does not contain a special chapter devoted to international advertising. The book tries to use international examples wherever these are relevant.

SUPPORT MATERIAL

Advertising and Sales Promotion Strategy comes with an excellent teaching/learning ancillary package designed to aid the educational experience of the student and aid instructors in teaching their courses. The ancillary package includes an Instructor's Manual with Test Bank; a computerized testing program; a CD-ROM that includes most figures and tables from the book, as well as additional advertisements and examples of television advertisements; and an interactive CD-ROM for students.

Instructor's Manual and Test Bank

Prepared by Siva K. Balasubramanian, of Southern Illinois University, this extensive manual includes course syllabi for quarter-length and semester-length courses at both the undergraduate and MBA level; lecture outline and summary of key points for each chapter; answers to all questions and problems; test bank of 25 multiple choice, 10 true or false and, 5–10 problem-type items per chapter and 2 Mid Term and 2 Final Examinations.

Test Generator/Editor

This computer program allows instructors to assemble their own customized tests from the items included in the test bank. If desired, the test items can be viewed on screen, edited, saved and printed. In addition, they can add questions to any test or item bank. A real time-saver, Test Generator/Editor is available to qualified adopters on compatible personal computers.

Instructor's CD-ROM

A cross platform instructional CD-ROM that includes all of the advertising images, figures and tables from the book as well as additional advertisements and television commercials is available to instructors for classroom presentation purposes, or for placement on a network for student use.

Student CD-ROM

Intel: A Multimedia Exercise in Advertising Management by John A. Quelch of the Harvard Business School is available packaged with this book for a nominal price. This dynamic simulation places the student in the role of marketing manager for Intel, the maker of microcomputer chips. The student/marketing manager must decide on market segments to target, select differing advertising strategies, establish budgets, conduct focus groups with prototype advertisements and select from the possible options. The simulation will take between four and ten hours to complete, depending on the instructional objectives and the extent to which teams are encouraged to work together.

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Gerard J. Tellis

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P A R T

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