

# ECONOMICS OF MARKETING

## UNIT- IV

### ADVERTISING AND SALES PROMOTION

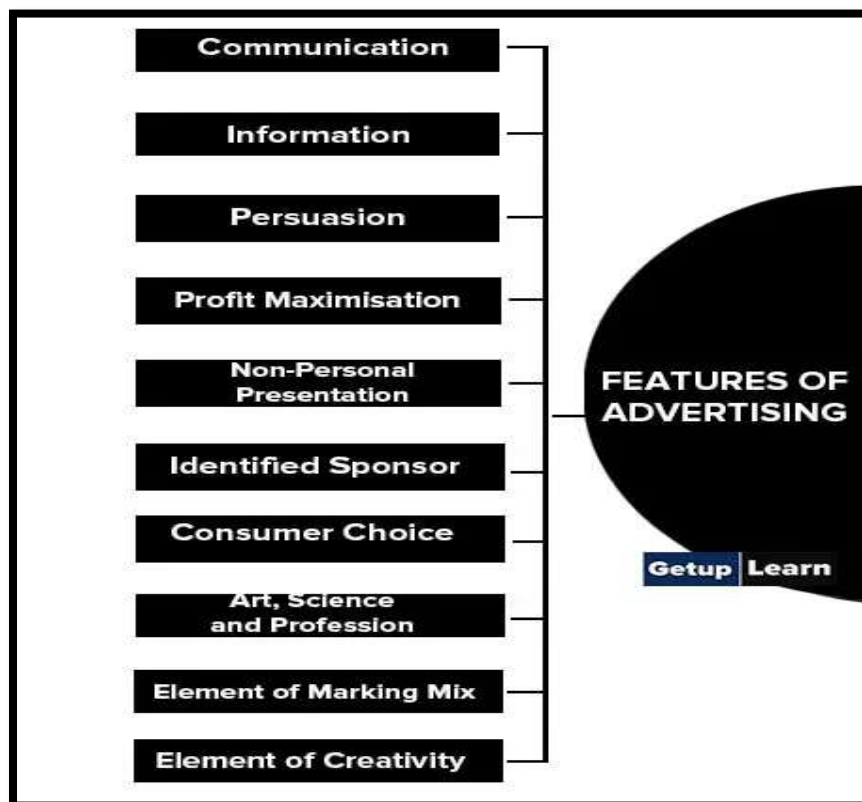
#### ADVERTISING- DEFINITION:

According to **William J. Stanton**, “Advertising consists of all the activities involved in presenting to a group, a non-personal, oral or visual, openly sponsored message regarding a product or service or idea, this message is called advertisement, is disseminated through one or more media and is paid for, by the identified sponsor”.

According to **Wheeler**, “Advertising is any form of paid non-personal presentation of ideas, goods and/or services for the purpose of inducing people to buy”.

According to **American Marketing Association**, “Any paid form of non-personal presentation and promotion of ideas, goods and services, by an identified sponsor. The medium used are print broadcast, and direct”.

#### FEATURES OF ADVERTISING:



**Communication:**

Advertising is means of mass communication reaching the masses. It is a non-personal communication because it is addressed to the masses.

**Information:**

Advertising informs the buyers about the benefits they would get when they purchase a particular product. However, the information given should be complete and true.

**Persuasion:**

The advertiser expects to create a favorable attitude which will lead to favorable actions. Any advertising process attempts at converting prospects into customers. It is thus indirect salesmanship and essentially a persuasion technique.

**Profit Maximization:**

True advertising does not attempt at maximizing profits by increasing the cost but by promoting the sales. This way It won't lead to an increase in the price of the product. Thus, it has a higher sales approach rather than the higher-cost approach.

**Non-Personal Presentation:**

Salesmanship is personal selling whereas advertising is non-personal in character. Advertising is not meant for any one individual but for all. There is the absence of personal appeal in advertising.

**Identified Sponsor:**

A sponsor may be an individual or a firm that pays for the advertisement. The name of a reputed company may increase sales or products. The product gets a good market because of its identity with the reputed corporate body.

**Consumer Choice:**

Advertising facilitates consumer choice. It enables consumers to purchase goods as per their budget requirements and choice. The right choice makes consumers happy and satisfied.

### **Art, Science and Profession:**

Advertising is an art because it represents a field of creativity. Advertising is a science because it has a body of organized knowledge. The advertising profession is now treated as a profession with its professional bodies and code of conduct for members.

### **Element of Marketing Mix:**

Advertising is an important element of the promotion mix. Advertising has proved to be of great utility to sell goods and services. Large manufacturers spend crores of rupees on advertising.

### **Element of Creativity:**

A good advertising campaign involves a lot of creativity and imagination. When the message of the advertiser matches the expectations of consumers, such creativity makes way for a successful campaign.

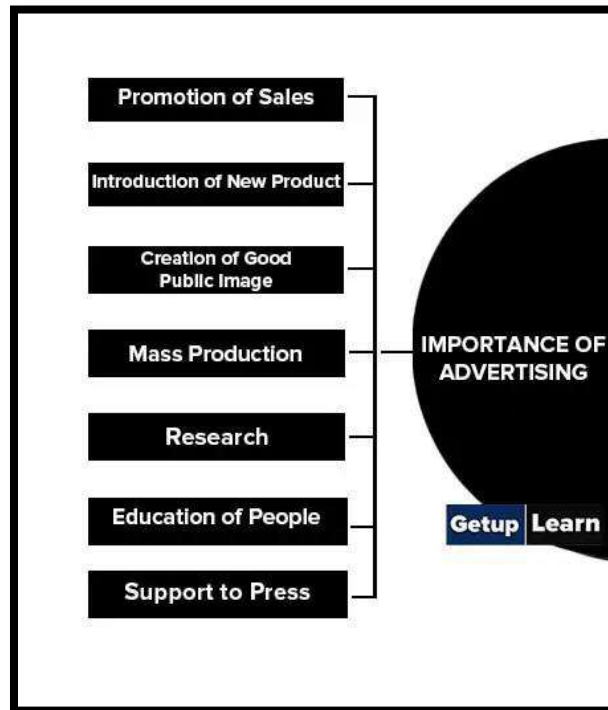
## **OBJECTIVES OF ADVERTISING**

The fundamental purpose of advertising is to sell something – a product, a service or an idea. In addition to this general objective, advertising is also used by modern business enterprises for certain specific objectives which are listed below:

- ✚ To introduce a new product by creating interest for it among prospective customers.
- ✚ To support the personal selling program. Advertising may be used to open customers' doors for the salesman.
- ✚ To reach people inaccessible to the salesman.
- ✚ To enter a new market or attract a new group of customers.
- ✚ To light competition in the market and to increase sales as seen in the fierce competition between Coke and Pepsi.
- ✚ To enhance the goodwill of the enterprise by promising better quality products and services.
- ✚ To improve dealer relations. Advertising supports the dealers in selling the product. Dealers are attracted to a product that is advertised effectively.
- ✚ To warn the public against imitation of an enterprise's products.

## IMPORTANCE OF ADVERTISING:

The following are the importance of Advertising:



### Promotion of Sales:

It promotes the sale of goods and services by informing and persuading the people to buy them. A good advertising campaign helps in winning new customers both in the national as well as in the international markets.

### Introduction of New Product:

It helps the introduction of new products in the market. A business enterprise can introduce itself and its product to the public through advertising. A new enterprise can't make an impact on prospective customers without the help of advertising. Advertising enables quick publicity in the market.

### Creation of Good Public Image:

It builds up the reputation of the advertiser. Advertising enables a business firm to communicate its achievements in an effort to satisfy the customers' needs. This increases the goodwill and reputation of the firm which is necessary to fight against the competition in the market.

**Mass Production:**

Advertising facilitates large-scale production. Advertising encourages the production of goods on a large scale because the business firm knows that it will be able to sell on a large scale with the help of advertising. Mass production reduces the cost of production per unit by the economical use of various factors of production.

**Research:**

Advertising stimulates research and development activities. Advertising has become a competitive marketing activity. Every firm tries to differentiate its product from the substitutes available in the market through advertising.

This compels every business firm to do more and more research to find new products and their new uses. If a firm does not engage in research and development activities, it will be out of the market in the near future.

**Education of People:**

Advertising educates people about new products and their uses. Advertising message about the utility of a product enables people to widen their knowledge. It is advertising which has helped people in adopting new ways of life and giving up old habits.

**Support to Press:**

Advertising provides an important source of revenue for publishers and magazines. It enables them to increase the circulation of their publication by selling them at lower rates. People are also benefited because they get publications at cheaper rates. Advertising is also a source of revenue for TV networks.

For instance, Doordarshan and ZeeTV insert ads before, in between, and after various programs and earn millions of rupees through ads. Such income could be used for increasing the quality of programs and extending coverage.

**FUNCTIONS OF ADVERTISING:****To distinguish product from competitors' products:**

There are so many products of same category in the market and they compete with each other, advertising performs the function of distinguishing advertiser's product from competitors.

**To communicate product information:**

Product related information required to be communicated to the targeted customers, and advertisement performs this function.

**To urge product use:**

Effective advertisement can create the urge within audience for a product.

**To expand product distribution:**

When the market demand of a particular product increases, the number of retailer and distributor involved in sale of that product also increases, hence product distribution get expanded.

**To increase brand preference:**

There are various products of different bands are available, the brand which is effectively and frequently advertised is preferred most.

**To reduce overall sale cost:**

Advertising increases the primary demand in the market. When demand is there and the product is available, automatically the overall cost will decrease, simultaneously the cost of sales like distribution cost, promotional cost also gets decreased.

**CLASSIFICATION / TYPES / KINDS OF ADVERTISING:**

Advertising can be classified on the basis of Function, Region, Target Market, Company demand, desired response, and Media.

**A) Classification on the basis of function:**

The following are the important types of advertising based on the functional aspect:

**Informative advertising:**

This type of advertising informs the customers about the products, services, or ideas of the firm or organization.

**Persuasive advertising:**

This type of advertising persuades or motivates the prospective buyers to take quick actions to buy the products or services of the firm. Example: “Buy one, get one free”.

**Reminder advertising:**

This genre of advertising reminds the existing customers to become medium or heavy users of the products or services of the firm that have been purchased by them at least once. This type of advertising exercise helps in keeping the brand name and uses of the products in the minds of the existing customers.

**B) Classification on the basis of region:**

Advertising can also be classified on the basis of the region:

**Global advertising:**

It is executed by a firm in its global market niches. Reputed global magazines like Time, Far Eastern, Economic Review, Span, Fortune, Futurist, Popular Science. Cable TV channels are also used to advertise the products throughout world. Supermodels and cinema stars are used to promote high-end products Examples: Sony, Philips, Pepsi, Coca Cola, etc.

**National advertising:**

It is executed by a firm at the national level. It is done to increase the demand of its products and services throughout the country. Examples: BPL (Believe in the best) , Whirlpool Refrigerator (Fast Forward Ice Simple) etc.

**Regional advertising:**

If the manufacturer confines his advertising to a single region of the country, its promotional exercise is called Regional Advertising. This can be done by the manufacturer, wholesaler, or retailer of the firm. Examples: Advertisements of regional newspapers covering those states or districts where these newspapers are circulated. Eg. The Assam Tribune (only for the NE region), etc.

**Local advertising:**

When advertising is done only for one area or city, it is called Local Advertising. Some professionals also call it Retail Advertising. It is sometime done by the retailer to persuade the customer to come to his store regularly and not for any particular brand. Examples: Advertisements of Ooo la la, Gupshup (Local FM channels) etc.

### **C) Classification on the basis of target market:**

Depending upon the types of people who would receive the messages of advertisements, we can classify advertising into four subcategories:

#### **Consumer product advertising:**

This is done to impress the ultimate consumer. An ultimate consumer is a person who buys the product or service for his personal use. This type of advertising is done by the manufacturer or dealer of the product or service. Examples: Advertisements of Intel, Kutttons (shirt), Lakme (cosmetics) etc.

#### **Industrial product advertising:**

This is also called Business-to-Business Advertising. This is done by the industrial manufacturer or his distributor and is so designed that it increases the demand of industrial product or services manufactured by the manufacturer. It is directed towards the industrial customer.

#### **Trade advertising:**

This is done by the manufacturer to persuade wholesalers and retailers to sell his goods. Different media are chosen by each manufacturer according to his product type, nature of distribution channel, and resources at his command. Hence, it is designed for those wholesalers and retailers who can promote and sell the product.

#### **Professional advertising:**

This is executed by manufacturers and distributors to influence the professionals of a particular trade or business stream. These professionals recommend or prescribe the products of these manufacturers to the ultimate buyer. Manufacturers of these products try to reach these professionals under well-prepared programmes. Doctors, engineers, teachers, purchase professionals, civil contractors architects are the prime targets of such manufacturers.

#### **Financial advertising:**

Banks, financial institutions, and corporate firms issue advertisements to collect funds from markets. They publish prospectuses and application forms and place them at those points where the prospective investors can easily spot them.



#### **D) Classification on the basis of desired responses:**

An ad can either elicit an immediate response from the target customer, or create a favourable image in the mind of that customer. The objectives, in both cases, are different. Thus, we have two types of advertising under this classification:

##### **Direct action advertising:**

This is done to get immediate responses from customers. Examples: Season's sale, purchase coupons in a magazine.

##### **Indirect action advertising:**

This type of advertising exercise is carried out to make a positive effect on the mind of the reader or viewer. After getting the advertisement he does not rush to buy the product but he develops a favourable image of the brand in his mind.

##### **Surrogate advertising:**

This is a new category of advertising. In this type of promotional effort, the marketer promotes a different product. For example: the promotion of Bagpiper soda. The firm is promoting Bagpiper Whisky, but intentionally shows soda. They know that the audience is quite well aware about the product and they know this fact when the actor states, "Khoob Jamega Rang Jab Mil Baithenge Teen Yaar ... Aap ... Main, Aur Bagpiper").

#### **E) Classification on the basis of the media used in advertisement:**

The broad classification based on media is as follows:

##### **Audio advertising:**

It is done through radio, P A systems, auto-rickshaw promotions, and four-wheeler promotions etc.

##### **Visual advertising:**

It is done through PoP displays, without text catalogues, leaflets, cloth banners, brochures, electronic hoardings, simple hoardings, running hoardings etc.

##### **Audio-visual:**

It is done through cinema slides, movies, video clips, TV advertisements, cable TV advertisements etc.

### **Written advertising:**

It is done through letters, fax messages, leaflets with text, brochures, articles and documents, space marketing features in newspapers etc.

### **Internet advertising:**

The World Wide Web is used extensively to promote products and services of all genres. For example Bharat Matrimony, www.teleshop.com, www.asianskyshop.com etc.






### **Verbal advertising:**

Verbal tools are used to advertise thoughts, products, and services during conferences, seminars, and group discussion sessions. Kinesics also plays an important role in this context.

Thus, these are the different classifications of advertising.

### **ADVANTAGES OF ADVERTISING:**

The following are the benefits or advantages of advertising:

-  **Advantages to the Manufacturer**
-  **Advantages to the Salesman**
-  **Advantages to the Retailers**
-  **Advantages to the Consumers**
-  **Advantages to the Society**

### **ADVANTAGES TO THE MANUFACTURER:**

- (a) Advertising helps to increase in the volume of sales
- (b) It also facilitates large scale production.
- (c) It protects from the competition.
- (d) It helps to minimize the seasonal slumps
- (e) Advertising aids to stabilize the price level.
- (f) It also helps to secure their dealers.
- (g) It is less expensive.
- (h) It acts as a provision of information.

**ADVANTAGES TO THE SALESMAN:**

- (a) It enables the salesman to secure more sales in a shorter period of time.
- (b) The task of salesman becomes easier and also it creates confidence in them.
- (c) No special efforts need to be taken by the salesman in selling the products because of the wide advertising.

**ADVANTAGES TO THE RETAILERS:**

- (a) Advertising quickens the turnover of the retailer.
- (b) It not only offers publicity to the product but also to the retailers.
- (c) The retailers need not take much effort to push up the sales of the product because advertising creates new wants.
- (d) Advertising enables the producer to control both wholesale and retail prices.
- (e) With the help of advertising, the retailer can forecast the sales for the current year and also plan his stock accordingly.
- (f) It helps in strengthening the goodwill.

**ADVANTAGES TO THE CONSUMERS:**

- (a) The manufacturers are compelled to maintain the quality of the product advertised.
- (b) The consumers can select the product best suited to his tastes, requirements and his purse.
- (c) Advertising also acts as information service and helps him in intelligent in buying.
- (d) Modern advertising stabilizes the price of the product.
- (e) Advertising also makes it possible to sell direct to the consumers by mail order business.

**ADVANTAGES TO THE SOCIETY:**

- (a) Advertising educates the public and enables them to make an intelligent buying.
- (b) Mass advertising always leads to mass scale of production and distribution.
- (c) It also assures employment opportunities for professional artists.

## **DISADVANTAGES OF ADVERTISING:**

The arguments imply adverse impact of advertising on society:

### **High Price to Consumers:**

Advertising increases costs of product. Customers have to pay high price for the products heavily advertised. Companies do not forgo their profits. Thus, businessmen can earn more at a cost of customers.

### **Wastage of National Resources:**

Due to excessive use or proliferation of advertising, valuable national resources are wasted. In many cases, companies undertake rigorous advertising efforts without specific needs.

### **Impulsive Buying:**

It creates unnecessary needs. People are emotionally forced to buy the products. Sometimes, it instigates people to buy unnecessary products.

### **Materialist Implications:**

It promotes materialism. It makes people mad after things, whether useful or not.

### **Fraud to Customers:**

It has misleading/deceptive implications. Most claims are exaggerated. Advertising has a little truth and a lot false.

### **Erotic, Unrealistic and Exaggerated:**

It is difficult to justify the company's claims made in advertisement. Some claims or appeals are completely baseless. Advertising appeals related to biscuits, tonic foods, and herbal and pharmaceutical products are far from reality. Some advertisements are so vulgarly presented that have only erotic appeal than commercial.

### **Company-oriented:**

It is erroneous to believe that advertisement is always useful to customers. In most cases, it benefits only to advertisers, sometimes, even at a cost of buyers.

### **Creation of Monopoly:**

Effective advertising campaign creates permanent place for certain brands in the market. It blocks the entry of other competitors. Monopoly always has ill-effect on buyer's interest.

### **Compulsion to Customers to View, Read or Hear:**

It is a disturbance to people. Advertising carries nuisance value. People are not interested to watch, read or hear commercial ads, but they have to do it.

### **Source of Confusion and Stress:**

Due to over bombarding of advertising on different mass media, people are confused and feel stress in regard to selection of products.

Thus, these are the advantages and disadvantages of advertising.

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### **SALES PROMOTION- MEANING:**

Sales promotion is a part of the promotion mix that a business uses for stimulating the demand for products and services and also to increase brand awareness of the product or the service.

A sales promotion, or promo, is a set of marketing strategies used to boost the demand for a product or service, raise brand awareness, and increase revenue.

As a rule, companies use sales promotions within a limited period via various channels – social media, email campaigns, websites, etc. They are accompanied by quality visuals, influential text, and a reasonable objective to reach out to the target audience. Sales promotion is used in the following cases:

- ✚ For introducing new products to the existing market
- ✚ To increase the sales of an existing product
- ✚ To introduce a product to a new market

### **IMPORTANCE OF SALES PROMOTION:**

Sales promotion has the following importance in business:

- ✚ It is used for spreading information about the brand to the customers in the market.
- ✚ It is useful in stabilizing sales volume and also required to increase short term sales of the products or services.

- ✚ It is helpful in stimulating the demand for a product in the short term by making the product appear as a great deal for the customer.

### **OBJECTIVES OF SALES PROMOTION:**

Following are some of the objectives of sales promotion:

- ✚ Sales promotion is used to create a market for new products. It can be achieved by using the techniques of offering discounts, penetration pricing, etc.
- ✚ It is used by companies for competing with the marketing strategies of the competitors.
- ✚ It is helpful in gaining trust of the dealers by increasing the sales of the products, which results in an increase in income of the dealers.
- ✚ It can be used for launching a product into a new market. Sales promotion strategies can be used to propel customers to try out the new product.
- ✚ It serves as a great way of increasing brand awareness about the product in the market and among customers.

### **ADVANTAGES OF SALES PROMOTION:**

There are numerous benefits of implementing sales promotion in your business. Here are the basic ones:

#### **It generates more customers:**

Discounts, free trials, and other special offers inspire purchase decisions and increase customer acquisition as many people are eager to try something new without high risks. And if they like your product, they will undoubtedly join your loyal customer base.

#### **It retains current customers:**

Gaining a paying customer is not the end of the story. The more challenging task is to nurture them over time for another purchase. With sales promotions, you can reward your audience and keep them involved in your brand.

#### **It raises awareness:**

Sales promotions are an effective way to increase brand awareness among prospects. And brand recognition, in its turn, will undeniably have a positive effect on sales. Speaking of...

**It gives a quick increase in sales:**

Sales promos are meant to boost your sales on short notice. Done right, they improve short-term sales and bring the customer back to repeat a purchase.

**DISADVANTAGES OF SALES PROMOTION:****It is short-run device:**

Like a flash light, it flashes and disappears. It has the shortest life impact as promotion tool unlike advertising. It can be used as a tool to achieve short term marketing objectives by schematic means. It has the strongest ability of creating impulse buying but cannot work as a lasting dose.

**It is dependent technique:**

It is more of a supplementary device and has got to be blended well in right proportion with other two promotional ingredients namely, advertising and personal selling. That is why; it has been rightly described as the bridge between personal and impersonal selling. It makes up the gaps in the two and, therefore, is a plus ingredient.

**It damages the brand image:**

Advertising is the most powerful means of creating brand image which is a must in these days of segmented marketing practices. However, creating brand image through promotional ingredient is like praising too much of a thing. When the firm has already done much in this direction, this plus ingredient creates a doubt in the minds of consumers.

They are likely to feel that when too many incentives and concessions are given, there is something fishy about the product or a brand. Thus, instead of refining the image it is dismissed.

**Under-valued by experts:**

Sales-promotion, as tool of promotion mix, is undervalued by the experts from advertising agencies. They are of the opinion that sales-promotion as mix ingredient is not capable of fighting the intense competition.

These techniques of sales-promotion are so over that they are easily copied by the competitors and the original gap between the competitors is again maintained. It is like increasing the dearness allowance to match

the rising cost of living, so much so that, by the time authorities declare the dearness allowance, the prices have gone up again.

Thus, these are the advantages and disadvantages of sales promotion.

## **TYPES OF SALES PROMOTION:**

Sales promotions have various forms – from discounts and free shipping to gifts and free trials. Here are some impactful sales promotion ideas that will be beneficial for your business:

### **Discounts:**

The most common type of sales promotion is a percentage discount. It's a cost reduction, for example, 20% off that can be applied to products and services. Whether online or in-store, percentage discounts are proven to be best converted.

### **Coupons or vouchers:**

Coupons and vouchers are certificates that let customers take the product or service at a reduced price. They can be given as a reward for their first purchase, a thank you for their loyalty, or a birthday treat. This type of promotion encourages customers to buy and increases their engagement.

### **BOGO:**

Buy One Get One (BOGO) is another common form of sales promotion that stimulates customers' buying decisions. It presupposes a free or discounted item in addition to the customer's purchase. There are different BOGO variations:

- ✚ Buy one and get one free.
- ✚ Buy two and get one free.
- ✚ Buy one and get the second item with a discount.

Such promotions work well for companies that have a lot of stock left but need to sell out fast.

### **Free shipping:**

Free shipping is an efficient promotion, especially for e-commerce businesses. In fact, almost 70% of customers abandon their shopping cart while shopping online once they learn the delivery price. Thus, shipping for no charge will be a profitable investment that can lower the cart abandonment rate.



**Gifts:**

To create brand awareness and convert more leads into customers, the companies also offer gifts. People are usually more ready to buy when a special bonus comes after the purchase. By offering this incentive, they get new customers.

**Free trial:**

This promotion, which offers to “try before you buy,” is becoming more and more favored among e-commerce businesses, while SaaS companies have been using it here and there for a while already. Free trials let customers test the product during a limited time or with limited access to the features.

**Referral programs:**

Nothing works better than a friend’s recommendation — when referred by a friend or colleague, people are 4x more likely to make a purchase. This is a chance for the customers to use referral programs to incentivize customers to speak about their product.

**Tripwire:**

A tripwire is another sales promotional offer that helps convert prospects into buyers. The companies offer a product at a lower price to prospects to lure them to their customer list. Right after, sales representatives add them to the CRM system and begin to lead customers through the sales funnel.

**Donations:**

Donations are aimed not only at promoting the business but also at gaining trust and friendship with their customers. With this promo, the customers will come know that some of the earnings will reach to a charity.

Thus, these are the various types of sales promotion.

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