

**Model Answer**  
**MBA III Semester**  
**Specialization – Marketing**  
**Paper II; Code: AS2425**  
**Advertising and sales promotion**

**Section A**

1. Advertising means any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Essential components of advertising:

- Public Presentation
- Pervasiveness
- Amplified
- Impersonality

Some other desirable components are as follows:

- Features
- Benefits
- Urgency
- Layout
- Offer

2. Unlike traditional commercials, Public Service Advertisements (PSA) are primarily designed to inform and educate rather than sell a product or service. The goal of a PSA is not to make a big sale, but rather to change public opinion and raise awareness for a problem. Public service advertising is designed to inform the public on issues that are frequently considered to be in the general best interests of the community at large. Typically, it reflects a political viewpoint, philosophical theory, religious concept or humanitarian notion. It is also commonly referred to as a public service announcement (PSA) or a community service announcement (CSA). The ads are usually broadcast on radio or television, but may also appear in newspapers or magazines. They are prevalent in industrialized countries throughout the world.

3. Six Ways Advertising Can Increase Sales

1. Selling Direct
2. Generate Sales Leads
3. Educate Your Prospects
4. Create Awareness
5. Establish Credibility
6. Keep Your Name in Front of the Public

Getting your name out to the public is the key to raising your sales volume. Advertising your business increases sales volume because people like buying a name they feel they know. That is why so many people refuse to buy products that are a generic brand. They don't know the name because they have never heard of it.

4. There are three basic elements to a strong, compelling print ad: the headline, the body copy and the visuals. Begin with the headline. Headlines are front and centre because they are the most important building block of your advertisement. Work them hard and headlines will garner the attention you desire.

The headline is waving the reader down. It needs to shout about the product or service you are selling. It needs to be bold, specific and direct. It needs to be inclusive as it creates an individual experience.

1. Hammer out your headline.

2. Shape your subheads.
3. Build your body copy.
4. Generate your graphics.
5. Advertising layout is the design or final arrangement of something that is laid out and waiting to be reproduced especially by printing e.g advertisement, magazine book etc. It lays out several graphic elements e.g color, body, headlines and establishes the overall appearance and importance and is usually prepared to explore different arrangements before the final layout.

Various elements of Layout are:

- a. Headlines
  - b. Subheads
  - c. Picture Captions
  - d. Blurbs
  - e. Body Copy
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6. In the application of statistics to advertising and media analysis, reach refers to the total number of different people or households exposed, at least once, to a medium during a given period. Reach should not be confused with the number of people who will actually be exposed to and consume the advertising, though. It is just the number of people who are exposed to the medium and therefore have an opportunity to see or hear the ad or commercial. Reach may be stated either as an absolute number, or as a fraction of a given population (for instance 'TV households', 'men' or 'those aged 25–35'). Since reach is a time-dependent summary of aggregate audience behavior, reach figures are meaningless without a period associated with them. Reach and frequency of exposure are also two of the most important statistics used in advertising management. When reach is multiplied by average frequency a composite measure called Gross Rating Points (GRPs) is obtained. Reach can be calculated indirectly as:  $\text{reach} = \text{GRPs} / \text{average frequency}$ .
  7. Post-testing/Tracking studies provide either periodic or continuous in-market research monitoring a brand's performance, including brand awareness, brand preference, product usage and attitudes. Some post-testing approaches simply track changes over time, while others use various methods to quantify the specific changes produced by advertising—either the campaign as a whole or by the different media utilized.  
Overall, advertisers use post-testing to plan future advertising campaigns, so the approaches that provide the most detailed information on the accomplishments of the campaign are most valued. The two types of campaign post-testing that have achieved the greatest use among major advertisers include continuous tracking, in which changes in advertising spending are correlated with changes in brand awareness, and longitudinal studies, in which the same group of respondents are tracked over time. With the longitudinal approach, it is possible to go beyond brand awareness, and to isolate the campaign's impact on specific behavioral and perceptual dimensions, and to isolate campaign impact by medium.
  8. Following could be the reasons in favour of hiring a ad –agency than opening own department:
    1. Expertise
    2. Saving Time
    3. Saving Money
    4. Brand Development
    5. Diversify Revenue Streams:
    6. Offer Convenience

7. Add Value and Satisfaction:

9. Consumer promotion is easier now than what it was before, brands are able to pull consumers to buy their products easily. This is usually done in addition to advertising, advertisements are shown for a longer duration, while consumer promotion is done as a form of sales promotion.

There are many ways to promote a product directly to a consumer; following are a few of them:

- Sampling
- Price-off
- Quantity Deals
- Coupons
- Trading Stamps
- Contests
- Special Pricing

10. Off-Invoice or Buying Allowances

These incentives are the simplest form of trade promotion and are nothing more than a price cut of a certain percentage applied to the volume bought by a retailer during the promotional period (e.g., 5 percent may be taken off the invoice, hence the name). No retailer performance (such as displays, feature ads in retail store drars, etc.) is required. Retailers often purchase more than they can sell during such promotional periods to have enough stock to last them to the next promotional period, a practice called bridge buying or forward buying. A variant of - "promotions is the offer of free goods, such as one unit free per dozen purchased. This has the advantage of requiring the retailer to actually sell the free good before the gains from the promotion are financially realized, putting greater push" pressure on the retailer.

Off-invoice deductions, which are agreed-upon discounts taken directly off a supplier's sales invoice, are among the more-common types of trade-channel sales promotions. Manufacturers typically offer them to distributors, and distributors may offer them to retailers. Small-business suppliers may use them to drive new business and to build up a buyer base for long-term benefits.

Off Invoice Deduction

**Section B**

2. Social Aspects of Advertising

- Advertising Educates Consumers
  - > Pro: Advertising informs
  - > Con: Advertising is superficial and intrusive
- Advertising improves living standards
  - > Pro: Ads lower the costs of products
  - > Con: Ads are wasteful and help only some
- Advertising Affects Happiness and Well-Being
  - > Con: Ads create needs
  - > Pro: Ads address a wide variety of basic human needs
  - > Con: Ads promote materialism
  - > Pro: Ads reflect society's priorities
- Advertising: Demeaning and deceitful, or liberating and artful?
  - > Con: Ads perpetuate stereotypes

- > Pro: Advertisers are more sensitive now
- > Con: Ads are often offensive
- > Pro: Ads are a source of liberation
- > Con: Ads deceive via subliminal stimulation
- > Pro: Advertising is art

#### Social Aspects of Advertising

- Advertising has a Powerful Effect on the Mass Media
  - > Pro: Ads foster a diverse and affordable mass media that provides information and exposure on important issues.
  - > Con: Advertising affects and controls programming. “Branded Entertainment” blurs entertainment and persuasion. And, controversial issues do not attract advertisers.

#### Ethical Aspects of Advertising

Ethics are the moral standards against which behavior is judged. Key areas of debate regarding ethics and advertising are:

- Truth in advertising
- Advertising to children
- Advertising controversial products

#### Truth in Advertising

- Deception is making false or misleading statements, but puffery (commercial exaggeration) is legal.
- Cannot legislate against emotional appeals

#### Advertising to Children—Issues

- Advertising promotes superficiality and materialism in children
- Children are inexperienced and easy prey
- Persuasion to children creates child-parent conflicts
- What does the literature say about kid’s abilities to process persuasive information?

#### Advertising Controversial Products

- Critics question “targeting” minorities
- Tobacco, alcohol, gambling and lotteries are product categories of greatest concern
- How does the concept of “primary demand” provide insights here?
- What does the literature say about advertising’s impact on these product categories?

#### Regulatory Aspects of Advertising

Areas of advertising regulation:

- Deception and unfairness
  - Representation or omission that can mislead
  - Judged from perspective of consumer
- Competitive issues
  - Vertical cooperative advertising
  - Comparison advertising
  - Monopoly power
- Advertising to children

3. Advertising technically lies within the "Promotion" part of the Marketing Mix, but it applies to all the other "P's" as well. Promoting your business is one of the key ingredients to making your business successful. Promotion, along with a great product, key placement, and an

affordable price, will help you work your way to the top. Promoting yourself does not mean leaving your advertising up to the word of mouth of your current customer. Word of mouth is not technically a form of advertising for a business because advertising is supposed to help your business. With word of mouth there are a few things you can't control, such as: 1. You can't control what is said about your company 2. You can't control when your company is being talked about 3. You can't control the accuracy of information given to others. Not being able to control these things may lead to the downfall of your company. Taking control of these three things are very important when it comes to the success of your business. That is why there is advertising made by your company for your company. Whether you choose a flyer, brochure, commercial, paper ad, or a website, getting your name out there in a good light, at the appropriate time and with correct information is key to helping your business succeed.

First, there is the issue of what is advertising. Traditionally, advertising included things like TV, print ad (newspapers, magazines), radio, maybe outdoor (billboards and buses). However, today many less formal media are apart of the mix even if they are not what the industry used to call "measured media"- media which they could tell you things like "the demographics for the "Today Show" on NBC are X, Y, Z and roll up to 7 million people each day."

Things like social media (Facebook) or even pr or word of mouth campaigns are increasingly used by companies instead of or in addition to traditional advertising. Small brands in fact may find traditional media too expensive for their needs (i.e. you hit your target but you are also hitting a huge number of people who are not in the target that you are paying for as well) and so these newer tools are becoming even more important. E-mail campaigns are often not thought of as advertising but once you have a customer database they are a great way to reach a narrower target- probably far better than traditional advertising. Sponsorships are also a form of advertising that might not often fall under the banner of advertising.

4. Promotion is one of the key elements of the marketing mix, and deals with any one or two-way communication that takes place with the consumer. This article concentrates is a high level introduction to developing a promotional strategy for your business focusing on advertising and other 'pull' tactics.

Developing a promotional strategy

Deciding on a marketing communications strategy is one of the primary roles of the marketing manager and this process involves some key decisions about who the customer is, how to contact them, and what the message should be. These questions can be answered using a three stage process, which is equally relevant for all elements of the marketing mix:

Segmentation:

Dividing the marketing into distinct groups

Targeting: Deciding which of these groups to communicate with, and how to talk to them

Positioning: How the product or brand should be perceived by the target groups

Messaging: Delivering a specific message in order to influence the target groups

Methods of marketing communications

Advertising is just one element of the marketing communication arsenal, which can be divided into the following areas:

Advertising – a mass media approach to promotion

- Outdoor
- Business directories
- Magazines / newspapers
- TV / cinema
- Radio

- Newsagent windows

Sales promotion - price / money related communications

- Coupons
- Discounts
- Competitions
- Loyalty incentives

Public relations - using the press to your advantage

- Press launches
- PR events
- Press releases

Personal selling – one to one communication with a potential buyer

- Salesmen
- Experiential marketing
- Dealer or showroom sales activities
- Exhibitions
- Trade shows

Direct marketing - taking the message directly to the consumer

- Mail order catalogues
- Bulk mail
- Personalised letters
- Email
- Telemarketing
- Point of sale displays
- Packaging design

Digital marketing – new channels are emerging constantly

- Company websites
- Social media applications such as Facebook or Twitter
- Blogging
- Mobile phone promotions using technology such as Bluetooth
- YouTube
- E-commerce

5. An advertising campaign is a series of advertisement messages that share a single idea and theme which make up an integrated marketing communication (IMC). Advertising campaigns appear in different media across a specific time frame.

An advertising campaign is typically broadcast through several media channels. It may focus on a common theme and one or few brands or products, or be directed at a particular segment of the population. Successful advertising campaigns achieve far more than the sporadic advertising, and may last from a few weeks and months to years.

In terms of print media used in an advertising campaign, ads placed in newspapers and magazines are a time-honoured method of reaching the target audience. The ads usually are designed to pique the interest of readers and entice them to learn more about the topic of the ad. In order to ensure that the desired consumers are reached, the print advertisements will often appear in print media that is geared toward those consumers. For example, software that is designed to keep track of sales leads and existing clients may appear in a magazine that caters to sales and marketing professionals.

Along with traditional methods of creating an advertising campaign, newer tools are making it possible to reach consumers in new ways. Many companies design advertising campaigns to current clients that rely on such tools as text messaging or email advertising. For example,

a telephone service provider may notify existing customers of upcoming specials on bundled services by sending a text message to the client's cell phone. As an alternative, the service provider may notify the customer of upcoming sales or new products and services via an email. When coordinated with other tools as part of an overall advertising campaign, it may be possible to upsell current clients to generate more revenue as well as gain a significant number of new customers.

For the most part, an advertising campaign will set specific goals that must be realized in a given period of time. In the event that the campaign does not quite meet the goals, the overall approach can be reworked slightly for the remainder of the campaign, or the information gained during the current campaign can be used to create a more effective follow-up advertising campaign strategy. Learning from the experience of past campaigns makes it possible to strengthen upcoming campaigns and move closer to achieving the goals set by the advertiser.

6. Following are few indicative types of media used for advertising:

1. Television
2. Radio
3. Out-Of-Home
4. This includes everything from:
  - Bus Benches/Shelters (transit media)
  - Automobile & Building Wraps
  - Graffiti
  - Street Advertising
  - Wallscapes
5. Email
6. Direct Mail
7. Signage
8. Social Media

The advantage and disadvantage must be discussed in in terms of their functional benefits with respect to product categories and issues associated with them. Suitable examples must be cited to elaborate the answer.

7. Advertising effectiveness pertains to how well a company's advertising accomplishes the intended. Small companies use many different statistics or metrics to measure their advertising effectiveness. These measurements can be used for all types of advertising, including television, radio, direct mail, Internet and even billboard advertising. A company's advertising effectiveness usually increases over time with many messages or exposures. But certain advertising objectives can be realized almost immediately.

Measurement under advertisement effectiveness:

Our solutions measure the total effectiveness of your advertising: who it's reaching, how it's resonating, and consumers' reaction—across screens.

These measurements provide you with the opportunity to maximize the effectiveness of each advertising campaign—while it's still in progress, and understand your audience's relationship with your advertising. Whether it's TV, online, tablet or mobile, we provide you the information you need.

Why measure it:

- Avoid costly mistakes
- Evaluate alternative strategies
- Increase the efficiency of Advertising

What to test

- Source factors
- Message variables
- Media strategies
- Budgeting decisions

Where to test

- Laboratory tests (test labs, theatres) – major advantage is control (but lacks realism)
- Field tests (DAR, Starch) – major advantage is realistic viewing situation (but lacks control)
- Measuring Advertising Effectiveness

A customer who doesn't know much about your business, or doesn't even know it exists, won't purchase your products or services. Public relations campaigns can help get you in the public eye, but for most businesses, effective advertising is critical. But effective advertising means more than simply spending large amounts of money on a variety of advertising media. Your overall goal is to receive a real, measurable return on your investment. A secondary, but just as important goal is to analyse the effectiveness of different types of advertising; that way you can ensure that each advertising dollar is spent wisely.

The process of measuring advertising effectiveness starts with a simple formula: Return on Investment.

Return on Investment (ROI) evaluates cost against return. (While ROI can be used to evaluate advertising expenditures, it can also be used to evaluate any type of investment, improvement project, process redesign, etc., virtually any situation where money will be spent and a return on that spending is expected.

Here is the formula:

$$\text{ROI} = (\text{R} - \text{CI}) / \text{CI} \times 100$$

R = Gross Margin (Sales Revenue-Cost of Good Sold)

CI = Cost of Investment

Pre-testing method:

Pre-testing method Pre-testing method- In pre-testing methods, testing of advertising is done during its development process or after creating advertisement but before implementing it on full scale basis, here, ad is tested in trial area to know its weakness. Following method are generally used as pre-testing methods for evaluating advertising effectiveness:- Consumer jury method- In this method ad-effectiveness is evaluated by panel of selected consumers. The member of this panel is known as jury member, as they have to make judgement and are supposed to select best ad from various proposed ads.

8. The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The marketing mix can be defined as the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

Promotion: this refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

The importance of the Sales Promotion:

All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the



business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.

No matter how wonderful your product, no matter how unique your service, the world is unlikely to beat a path to your door unprompted. You need to carry out promotional activity to attract the right sort of business, in the right quantity, at the right time and to distinguish you from the competition.

Promotion is not just about advertising your business, nor is it just about selling. It's about pulling together a range of techniques, in the most cost-effective way you can, to initiate, increase and maintain awareness of what you offer to your customers. You need to move your customers from total lack of awareness through to the point at which they actually buy and buy again.

The Institute of Sales Promotion defines sales promotion as 'a range of tactical marketing techniques, designed within a strategic marketing framework, to add value to a product or service, in order to achieve a specific sales and marketing objective.'

Sales promotion strategy could be developed to support the following activities:

- Introduction of new products - by encouraging stocking or trial
- Attract new customers - by encouraging stocking or trial
- Maintain competitiveness - by providing discounts or special pricing
- Reduce seasonality - by encouraging consumption out of season
- Increase the amount people use your product

Promotions could include free samples, coupons, competitions, temporary price reductions, buy one get one free offers or free gifts. If you sell your products through a third party you could also look at providing point of sale material, or special promotions aimed at encouraging your distributor to sell or stock more products.

9. Sales promotions are marketing strategies companies use chiefly to increase sales temporarily to gain sales volume and market share. They are occasionally used to clear out year-end inventory before new models arrive in showrooms as is often done in the automobile industry. Sales promotions are also used as a competitive strategy to undercut competition by offering a lower price or other incentive. Although sales promotions usually produce sales volume over and above what is typically the case, they do not build brand identity and loyalty.

Sales promotions are a common tool for businesses across a range of industries; a promotion can help customers get over the obstacles in the buying process by removing some of the financial risk. When you are considering running a sales promotion, evaluate it carefully before and after the launch to determine if it is profitable and whether or not it supports your company's strategic goals. By approaching the process carefully, you can minimize investment risk and create promotions that increase revenue and build your brand.

Measuring effect of sales promotion

Measuring the effect of a sales promotion is relatively easy but requires careful analysis of sales data before and after the promotion. You will also need to keep track of what other marketing and communication efforts and dollars your firm is undertaking at the same time as the sales promotion. Because sales promotions deal in tangible things, such as redeemed coupons or cash refunds and rebates, you can count those and see how many sales were as result of those promotions. Next, compare those sales figures to those your company had before the promotion to see if the promotion resulted in increased sales. To understand the true effect of the promotion, keep other media expenditures and types the same during the

promotion as before. That way you are only measuring the effect of the sales promotion itself. Following could be few aspects:

- a. Deciding whether your promotional campaign was effective depends on what goals were established. This varies by the established strategy at the start of the campaign. For example, if the goal of the campaign was to garner an increase in market share of 2 percentage points and the campaign yielded 3, then the campaign was successful. But, this also has to be examined in light of cost. If the cost of the additional market share was well beyond the budget set aside for the promotional push, then the campaign's effectiveness is mixed.
- b. Short- vs. Long-term impact: Although an effective sales promotion will increase sales in the short-term, generally there no longer-term impact. For established brands, many customers will wait for the promotion to buy and to take advantage of the lower price. And, for many brands, most buyers were already familiar with the brand before the promotion. The promotion may have done little to attract new buyers or to encourage brand switching.
- c. Sales promotions in highly competitive markets: Sales promotions have their place in marketing even though they tend to instill a higher degree of price sensitivity among consumers. For new product introductions in competitive markets where there is a need to familiarize a group of consumers with a new product, sales promotions are a highly effective tool. And, in established competitive markets where gains in market share count for the bragging rights the increased share might offer, sales promotions are also an effective method to increase sales volume.